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Reference is made to the question which the Japanese Ambassador raised on August 8 during a conversation with the Secretary of State whether it might not be possible for the responsible heads of the Japanese Government and the Government of the United States to meet with a view to discussing means whereby an adjustment in relations between the United States and Japan might be brought about. The thought of Prince Konoe and of the Japanese Government in offering this suggestion is appreciated.

Reference is made also to the desire expressed by the Japanese Ambassador during a call on the Secretary of State on August 16 that there be resumed the informal conversations which had been in progress between the two Governments toward ascertaining whether there existed a basis for negotiations relative to a peaceful settlement covering the entire Pacific situation.

When the Japanese Ambassador brought up these suggestions,

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the Secretary of State reminded the Ambassador that the Government of the United States had shown great patience and had been prepared to continue in that course of patience so long as the Japanese Government manifested a desire to follow courses of peace. It was pointed out to the Ambassador that while proceeding along this course this Government had received reports indicating clearly that the Japanese Government was adopting courses directly the opposite of those on which the recent conversations between the Ambassador and the Secretary of State had been predicated. It was pointed out also that the Japanese press was being constantly stimulated to speak of encirclement of Japan by the United States and was being officially inspired in ways calculated to inflame public opinion. The Secretary of State made it clear that he did not see how conversations between the two Governments could usefully be pursued or proposals be discussed while Japanese official spokesmen and the Japanese press contended that the United States was endeavoring to encircle Japan and carried

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on a campaign against the United States.

On two occasions officers of the Department of State, pursuant to instructions from the Secretary of State, called on the Japanese Ambassador to indicate concern over the reports that Japan intended to acquire by force or threat of force military and naval bases in French Indochina. Subsequently, on July 21 and July 23 the Acting Secretary of State raised with the Japanese Minister and with the Japanese Ambassador the question of Japan's intentions with regard to French Indochina and pointed out that the Government of the United States could only assume that the occupation by Japan of French Indochina or the acquisition of military and naval bases in that area constituted notice to the United States that Japan had taken by forceful means a step preparatory to embarking on further movements of conquest in the South Pacific area. The Acting Secretary pointed out further

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that this new move on Japan's part was prejudicial to the procurement by the United States of essential raw materials and to the peace of the Pacific, including the Philippine Islands.

The Government of the United States accordingly had no alternative but to inform the Japanese Ambassador that, in the opinion of this Government, the measures then being taken by the Japanese Government had served to remove the basis for further conversations relative to a peaceful settlement in the Pacific area.

Informal discussions between the Japanese Government and the Government of the United States directed toward ascertaining whether there existed a basis for negotiations relative to a peaceful settlement covering the entire Pacific situation would naturally envisage the working out of a progressive program attainable by peaceful methods. It goes without saying that no proposals or suggestions affecting

affecting the rights and privileges of either the United States or Japan would be considered except as they might be in conformity with the basic principles to which the United States has long been committed. The program envisaged in such informal discussions would involve the application in the entire Pacific area of the principle of equality of commercial opportunity and treatment. It would thus make possible access by all countries to raw materials and to all other essential commodities. Such a program would envisage cooperation by all nations of the Pacific on a voluntary and peaceful basis toward utilizing all available resources of capital, technical skill, and progressive economic leadership for the purpose of building up not only their own economies but also the economies of regions where productive capacity can be improved. The result would be to increase the purchasing power of the nations

nations and peoples concerned, to raise standards of living, and to create conditions conducive to the maintenance of peace. If such a program based upon peaceable and constructive principles were to be adopted for the Pacific and if thereafter any of the countries or areas within the Pacific were menaced, the policy of aiding nations resisting aggression would continue to be followed by this Government and this Government would cooperate with other nations in extending assistance to any country threatened.

Under such a program for the Pacific area Japan would, in the opinion of the Government of the United States, attain all the objectives which Japan affirms that it is seeking. This program would not enable any country to extend its military or political control over other peoples or to obtain economic rights of a definitely monopolistic or preferential

or preferential character. In those cases where the production and distribution of essential commodities are vested in monopolies, the Government of the United States would expect to use its influence to see that all countries are given a fair share of the distribution of the products of such monopolies and at a fair price.

If the Japanese Government is seeking what it affirms to be its objectives, the Government of the United States feels that the program above outlined is one that can be counted upon to assure Japan satisfaction of its economic needs and legitimate aspirations with much greater certainty than could any other program.

In case the Japanese Government feels that Japan desires and is in position to suspend its expansionist activities, to readjust its position, and to embark upon a peaceful program for the Pacific along the lines of the program and principles to which the United States is

committed,

committed, the Government of the United States would be prepared to consider resumption of the informal exploratory discussions which were interrupted in July and would be glad to endeavor to arrange a suitable time and place to exchange views. The Government of the United States, however, feels that, in view of the circumstances attending the interruption of the informal conversations between the two Governments, it would be helpful to both Governments, before undertaking a resumption of such conversations or proceeding with plans for a meeting, if the Japanese Government would be so good as to furnish a clearer statement than has yet been furnished as to its present attitude and plans, just as this Government has repeatedly outlined to the Japanese Government its attitude and plans.