

## EXHIBIT NO. 168

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1. Letter dated November 18, 1941, from Secretary of the Treasury Henry Morgenthau to Secretary of State Cordell Hull, transmitting a memorandum dated November 17, 1941, which had also been sent to the President, entitled "An Approach to the Problem of Eliminating Tension with Japan and Insuring Defeat of Germany."
2. Memorandum dated November 18, 1941, of conversation between Secretary of State Hull and the British Minister concerning "Conversations Between Secretary Hull and the Japanese Ambassadors."
3. Memorandum dated November 19, 1941, of conversation between Secretary Hull and the Netherlands Minister.
4. Memorandum dated November 19, 1941, of conversation between Secretary Hull and the Australian Minister.
5. Memorandum dated November 26, 1941, of conversation between Stanley K. Hornbeck and the Canadian Minister Counselor.
6. Memorandum dated November 29, 1941, of conversation between Secretary Hull and the Australian Minister.
7. Memorandum dated November 30, 1941, of conversation between Secretary Hull and the Australian Minister concerning "Conversation Between Australian Minister and Ambassador Kurusu."
8. Dispatch #280 dated December 1, 1941, from the State Department to the American Embassy, Chungking, concerning the Chinese opposition to the proposed *modus vivendi* and the U. S. negotiations with Japan.



THE SECRETARY OF THE TREASURY  
WASHINGTON  
November 18, 1941

*MS*  
Division of  
FAR EASTERN AFFAIRS  
*File B*  
Department of State

Dear Cordell:

I am enclosing copy of a  
letter\* and memorandum which I  
am sending to the President.

Sincerely,

The Honorable,  
The Secretary of State.

Enclosures

*\*not enclosed  
of*

711.94/2540-16/35

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November 17, 1941

AN APPROACH TO THE PROBLEM OF ELIMINATING TENSION  
WITH JAPAN AND INSURING DEFEAT OF GERMANYI. Foreword

It is becoming increasingly evident that "all out" diplomatic preparedness is as important an instrument of defense as is adequate military preparedness. Military activity may win battles, diplomatic activity can make the fighting of these battles unnecessary; military victories can gain raw material and equipment and can weaken the enemy, diplomatic victories can achieve similar gains. Without major diplomatic victories Germany could not have attained her spectacular success. Had they not suffered major diplomatic defeats neither England nor France would be in their present predicaments.

An "all out" effort involves in diplomacy as in military strategy the fullest use of every economic and political advantage. Just as our military forces in preparation for an "all out" defense or in actual warfare must make intelligent use of our geographical position, our rich resources, our vast labor power, technical equipment and democratic traditions, so must diplomacy utilize those advantages to the full if it is to have any chance of success.

We are rich -- we should use more of our wealth in the interests of peace and victory. We are powerful -- we should be willing to use our power before our backs are to the wall. We need no nation's lands -- we should make full use of that fact. We keep our national pledges -- now is the time that record of integrity should stand us in good

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stead. We are protected by two oceans -- let us exploit that protection while distance is still a potent barrier. We are a democracy -- let us take full advantage of the strength of just covenants openly arrived at.

If ever there was a time when diplomacy could secure its most brilliant victories for the United States, now is that time! The longer we wait the less chance will we have to use diplomacy as an aid to our defense. The patterns of relationship jell; plans become irrevocable; opportunities lost are gone forever. A nation committed irrevocably to a course of action loses the power to exercise choice, to accept offers and make conditions.

If the President were to propose something like the suspended agreement and the Japanese accept, the whole world would be electrified by the successful transformation of a threatening and belligerent powerful enemy into a peaceful and prosperous neighbor. The prestige and the leadership of the President both at home and abroad would skyrocket by so brilliant and momentous a diplomatic victory -- a victory that requires no vanquished, a victory that immediately would bring peace, happiness and prosperity to hundreds of millions of eastern peoples, and assure the subsequent defeat of Germany!

The proposal is workable and could be spectacularly successful, if Japan could be induced to accept the arrangement, and the great advantages it offers to Japan, and the fact that the likely alternative is war might induce Japan to accept the arrangement.

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The proposal is given below only in bare outline and in only enough detail to indicate the essential points. What is most needed at this moment is not a carefully worked out program, but rather a decision to employ an all-out diplomatic approach in the current discussions with the Japanese.

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## II. Self-Evident Propositions Concerning United States and Japan

1. War between the United States and Japan would cost thousands of lives, billions of dollars; would leave the vanquished country bitter and desirous of revenge; would foster social disruption, and would not insure peace during our children's lives, nor permanently solve troublesome problems now standing between the two countries.
2. The United States prefers a just and peaceful settlement to war as a means of settling international difficulties, and is willing to go more than half way to settle peaceably the issues that stand in the way of more friendly intercourse between the two countries.
3. The United States recognizes that Japan, because of the special nature of its economy, is greatly in need of opportunities for increased foreign trade, and in need of capital to repair the ravages of four years of warfare, and in need of assured sources of basic raw materials.
4. The United States recognizes that our immigration laws have in fact unjustly discriminated against the Japanese people.
5. The United States believes that in the long run the interests of both the Japanese people and the American people can best be served by establishing fair and peaceful conditions under which Japan and her neighbors can prosper.

7. ...

7. ...

7. ...

7. ...

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1. The Committee believes there is no basic obstacle to the development of friendly relations between the United States and Japan. It believes that the Japanese people will continue to desire peace, to reconstruct their industry and trade, and to develop friendly relations with the neighbors on a basis of equality, to which the people of the United States are entitled.

The Committee believes that the United States should continue to support the Japanese people in their efforts to reconstruct their industry and trade, and to develop friendly relations with the neighbors on a basis of equality, to which the people of the United States are entitled.

2. The Committee believes that the United States should continue to support the Japanese people in their efforts to reconstruct their industry and trade, and to develop friendly relations with the neighbors on a basis of equality, to which the people of the United States are entitled.

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III. Proposed Agreement

Because of the foregoing facts, the United States proposes to enter into an Agreement with Japan, at once under which the United States and Japan will agree to do certain things, as follows:

On her part, the United States Government proposes to do the following:

1. To withdraw the bulk of the American Naval forces from the Pacific.

2. To sign a 20-year non-aggression pact with Japan.

3. To promote a final settlement of the Manchurian question.

4. To actively advocate the placing of Indo-China under the Government of a joint British, French, Japanese, Chinese and American Commission, which will insure most-favored-nation treatment for those five countries until the European War is ended, and which will govern the country primarily in the interests of the Indo-Chinese people.

5. To give up all extra-territorial rights in China, and to obtain England's agreement to give up her extra-territorial rights in China, and give Hong Kong back to China.

6. To present to Congress and push for enactment a bill to repeal the Immigration Act of 1917 which prohibits immigration into the United States of Japanese, and place the Japanese and the Chinese on the same basis as other peoples.

7. To negotiate a trade agreement with Japan, giving her (a) most-favored-nation treatment and (b) such concessions

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on imports as can be mutually satisfactorily arranged, including an agreement to do, raw silk and wool free list for 20 years.

8. To extend a 2 billion 20-year credit at 2 per cent interest, to be drawn upon at the rate not to exceed \$200 million a year except with approval of the President of the United States.

9. To set up a \$500 million stabilization fund, half supplied by Japan and half by the United States, to be used for the stabilization of the dollar-yen rate.

10. To remove the restrictions on Japanese funds in the United States.

11. To use its influence to the full to attempt to eliminate sources of potential friction between Japan and her neighbors, and to assure Japan access to the raw materials of the world on the same basis as now enjoyed by United States and Great Britain.

B. On its part, the Japanese Government proposes to do the following:

1. Withdraw all military, naval, air police forces from China (boundaries as of 1931) from Indo-China and from Thailand.

2. Withdraw all support -- military, political, or economic -- from any government in China other than that of the national government.

3. Replace with yen currency at a rate agreed upon among the Treasuries of China, Japan, England and United States all military scrip, yen and puppet notes circulating in China.

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4. Give up all extra-territorial rights in China.

5. Extend to China a billion yen loan at 2 per cent to aid in reconstructing China (at rate of 100 million yen a year).

6. Withdraw all Japanese troops from Manchuria except for a few divisions necessary as a police force, provided U.S.S.R. withdraws all her troops from the Far Eastern front except for an equivalent remainder.

7. Sell to the United States up to three-fourths of her current output of war material -- including, naval, air, ordnance and commercial ships on a cost-plus 40 per cent basis as the United States may select.

8. Expel all German technical men, military officials and propagandists.

9. Accord the United States and China most-favored-nation treatment in the whole Japanese Empire.

10. Negotiate a 10-year non-aggression pact with United States, China, British Empire, Dutch Indies (and Philippines).

11. Inasmuch as the United States cannot permit the present uncertain status between the United States and Japan to continue in view of world developments, and feels that decisive action is called for now, the United States should extend the above offer of a generous and peaceful solution of the difficulties between the two countries for only a limited time. If the Japanese Government does not indicate its acceptance in principle at least of the proffered terms

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before the expiration of that time, it can mean only that the present Japanese Government prefers other and less peaceful ways of solving these difficulties, and is awaiting the propitious moment to attempt to carry out further a plan of conquest.

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IV.Advantages to Japan and United States of Such an Agreement

The advantages accruing to each government are listed below:

A. To the United States

1. In the event that Japan elected to reject the offer of peaceful solution under terms herein indicated, the United States would have a clearer idea of what to expect and would therefore know better how to shape her own policy.
2. Our naval power will be greatly increased at once by the freeing of our Pacific fleet for duty elsewhere.
3. We would be able to send more of our equipment to England and Russia without increasing our vulnerability to an attack from the East.
4. We will have stopped the war in China and have regained for her her freedom.
5. We will have paved the way for a substantial increase in post-war trade.
6. We would greatly strengthen the Allied position vis-a-vis Germany.
7. We will have saved ourselves from a war with Japan.
8. The money it would cost us would be a very small part of what we would save by not having to fight Japan, or by not having to be prepared for a two-ocean war.
9. A prosperous Japan and China can greatly help to restore our normal trade, and thus make easier our own transition to a peace time economy.

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10. Insure for ourselves an increased supply of tin, antimony and wood oil and rubber from the Far East.

11. Handicap Germany in its present military campaign and at the same time give great moral encouragement to the British and Russian people.

12. Finally, military and naval experts who now fear a "two front" naval threat will be more enthusiastic about all out help to England and Russia. There will be much less cause to oppose the administration's foreign policy.

#### B. To Japan

1. Instead of being confronted with prospect of a more serious war and certain defeat in the end, she can have peace at once.

2. She can proceed at once to shift from a war economy to peace economy and at the same time experience prosperity rather than a serious depression.

3. She can withdraw from the China incident without loss of "face".

4. She can strengthen her currency and reduce her public debt.

5. Her foreign trade will greatly increase.

6. She can devote her energies and capital to reconstructing Japan, building up Manchuria, and developing new trade possibilities at a time when other countries are engaged in war or preparation for war.

7. She will at one stroke have solved some of her thorniest problems in her international relations.

8. She will avoid the social disruption that is bound to take place in Japan after an extended and prolonged war effort.

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The one danger inherent in the proposed concessions is that if accepted by Japan it would provide her with a breathing space during which she could greatly strengthen her military and economic potential. She might then be a greater threat to us a year or two hence than she is now.

Against that possibility are the following factors:

1. Owing to the scarcity of many raw materials she will not be able to expand her navy and air force during the next year nearly as much as we can -- particularly in view of the provision in the agreement that we can buy 80 percent of her current output of armaments.
2. The next two years are crucial for us. If we can obtain the release of the Russian, British and American forces now being tied up in the Far East by Japan's threatening, we will have done more to strengthen United Kingdom and Russia vis-a-vis Germany than we could with a whole year's output of planes and tanks and ships.
3. The Japanese people would be so relieved by the settlement of the China "incident", and the end of the threat of war with major powers, and would be so happy at the cessation of economic strangulation and the emergence of real prosperity, that it is hardly likely that any military clique could stir up significant trouble for years to come.

Altogether, the likelihood of Japan's strengthening her position and re-entering the world scene as a belligerent aggressor in the next few years seems very slim -- provided Germany is defeated.

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It would, of course, be necessary to obtain Congressional approval before making definite offers, but through preliminary confidential conferences with leaders of both parties and with appropriate committees, the ground could be quickly prepared so that negotiations could go forward.

A completed document could in a week or two be offered to the Japanese Government. The world, including the Japanese people, would know the motives and the contents of our offer. If the Japanese Government would not accept, it would have at least the great advantages of (1) clarifying our own policy and rallying support behind the President, (2) create serious division in Japan.

If the Japanese Government were to indicate its tentative acceptance in principle, the President could at once call a conference in Washington to be attended by Chinese, British, Russian, and possibly Dutch East Indian and Philippine representatives. Inasmuch as all the important concessions are to be made by United States and Japan, the participation of other governments in the conference need not complicate negotiations.

The above proposed program of mutual concessions can be successful only if certain vital concessions are not left out. If adopted with those concessions peace in the Pacific would be gained, whereas if adopted without them "apreusement" would be the result, the threat of war would not be averted, and an exceptional opportunity to settle the issue on terms favorable to defeat of Germany would be lost.



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Minimum concessions to be obtained from Japan should be withdrawal of troops from the mainland of Asia and sale to us of the bulk of her current production of armaments. If we do not achieve this, we shall not obtain any significant relief to allied military forces in the east while we would be making it possible for Japan to strengthen herself for possible later aggression when the situation is more propitious for aggressive acts on her part. The minimum objectives must be to free the American, British and Russian forces from the Pacific.

DcR

DEPARTMENT OF STATE

*Memorandum of Conversation*

DATE: NOVEMBER 18, 1941

SUBJECT: CONVERSATION BETWEEN SECRETARY HULL AND THE  
JAPANESE AMBASSADORS, ADMIRAL KICHISABURO NOMURA  
AND MR. SABURO KURUSU

PARTICIPANTS: SECRETARY OF STATE HULL AND THE BRITISH MINISTER,  
SIR R. I. CAMPBELL

COPIES TO:

711.94/2487

The British Minister called at my request. I said that I had engaged in a lengthy conference with the two ranking Japanese representatives, including Mr. Kurusu, who is here for the purpose of carrying on conversations with this Government. I added that the conversation related to the question of a proposed peaceful settlement for the Pacific area. I stated that nothing was agreed upon at this meeting and that the discussion included the subject of two opposing policies - of conquest by force on the one hand and a policy of peace, law and order on the other. I went on to say that the three main points on which we have encountered serious difficulties in former conversations with Ambassador Nomura, namely,

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namely, the bringing of Japanese troops out of China, the Tripartite Pact and certain phases of commercial policy, were discussed at length; but that the Japanese made no concessions on the troop matter or on the matter of the Tripartite Pact. I told the Minister that the Japanese finally inquired whether a brief temporary partial arrangement could not be worked out that would enable them to improve public sentiment in Japan along the lines of peace rather than of military action. This would also include the idea of Japan's coming out of China. They said while the United States and maybe Great Britain and the Netherlands East Indies, if they should be so disposed on consultation, would to a partial extent relax embargoes on exports to Japan, Japan on its part would correspondingly take steps in the direction of a peaceful policy and in organizing and educating its public opinion in support of such a policy during the next few months. The Japanese suggested further that the whole question of a general peaceful settlement for the Pacific area would be gradually developed and public opinion in Japan would enable them to meet us more satisfactorily themselves, and presumably satisfactorily to us,

on

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on the more difficult questions such as removing their troops from China and the Tripartite Pact. They did not, however, make any definite commitments as to just how far they could comply with our position with respect to these two points.

I said to the British Minister that I had made it clear to the Japanese that if their Government cared to present something on this point, I would give it consideration in the event it appeared to be feasible of consideration, but that I could make no promise, and that if it should be deemed feasible, I would confer with the British, the Dutch, the Chinese and the Australians about any phase of the matter in which they would be interested to which they would give consideration. I also said to the Japanese that, of course, unless Japan decides on a peaceful policy rather than a policy of force and conquest, we could not get far in any kind of discussion but that I could understand why they might need a little time to educate public opinion, as stated.

C.H.

S CH:MA

DCR

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: NOVEMBER 19, 1941

SUBJECT: CONVERSATION BETWEEN SECRETARY HULL AND THE TWO JAPANESE AMBASSADORS

PARTICIPANTS: SECRETARY OF STATE HULL AND THE MINISTER OF THE NETHERLANDS, DR. A. LOUDON

COPIES TO:

711.94/2469

The Minister of the Netherlands called at my request and I repeated to him the substance of what I stated to the British Minister on yesterday in regard to my conversation with the two Japanese Ambassadors. He was very appreciative of this information, and especially of the disposition of this Government to cooperate wholeheartedly as heretofore with his Government.

C.H.

S C : A

PS/

| | CCR  
DEPARTMENT OF STATE*Memorandum of Conversation*

DATE: November 19, 1941

SUBJECT: CONVERSATION OF SECRETARY HULL WITH THE BRITISH MINISTER  
REGARDING UNITED STATES-JAPANESE RELATIONS.PARTICIPANTS: SECRETARY OF STATE HULL AND MINISTER OF AUSTRALIA,  
THE RIGHT HONORABLE RICHARD G. CASEY. ✓

COPIES TO:

711.94/2463

The Minister of Australia called at my request and I gave him the substance of my statement to the British Minister yesterday afternoon.

C.H.

S:CH:DFB  
24

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: August 11, 1941

SUBJECT:

PARTICIPANTS: The Canadian Minister Counselor  
Mr. Stanley A. Hornbeck

COPIES TO:

Counselor  
The Canadian Minister/suggests that in connection with  
Article VI of the proposed modus vivendi agreement given  
to the matter of ensuring that the Canadian Government be  
included among those to be consulted.

111-347-2340-21/20

PA/H:SKH:FLB

## DEPARTMENT OF STATE

*Memorandum of Conversation*

DATE: NOVEMBER 29, 1941

SUBJECT: AUSTRALIAN OFFER TO ACT AS MEDIATOR BETWEEN THE UNITED STATES AND JAPAN

PARTICIPANTS: SECRETARY HULL AND THE AUSTRALIAN MINISTER, THE RIGHT HONORABLE RICHARD G. CASEY

COPIES TO:

The Australian Minister called at his request and made some reference to the possibility that he might cause Kurusu to call on him, at which time he would discuss the pros and cons of the present relations existing between all of the governments interested in the Pacific and wind up by suggesting that Australia would be glad to act as mediator or something of the sort. I really gave the matter no serious attention except to tell him that the diplomatic stage was over and that nothing would come of a move of that kind. I interrupted him to make this conclusive comment before the Minister could make a detailed statement of the matter on the assumption that he would develop a set of facts along lines that he began to intimate.

C.H.

SECRETAR

711.04/3501

C.H.





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recent weeks by the British Ambassador, the Australian  
Minister, and twice by the Netherlands Minister.

C.H.

B:CH:MA:AR

Department of State

AMEMBASSY.

CIPHERING (OPTIONAL).

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STRICTLY CONFIDENTIAL FOR THE AMBASSADOR ONLY.

Reference your 483, November 28, 10 a.m., and the Department's 277, November 28, 7 p.m.

The Department notes from your telegram under reference that the Chinese Foreign Minister informed you that on November 25 the Chinese Ambassador at Washington has informed the Department that the attitude of China toward the temporary arrangement with Japan under tentative consideration at that time was QUOTE negative UNQUOTE. You will have observed from the Department's telegram under reference reporting inter alia the Chinese Ambassador's conversation with the Secretary on November 25 that China's attitude was made known to this Government and to various circles in Washington through various channels and through telegrams to several individuals.

The Secretary of State, whenever he has discussed with the Chinese Ambassador the matter of the current conversations with the Japanese, has made it plain that

Enciphered by \_\_\_\_\_ Sent by operator \_\_\_\_\_ M. \_\_\_\_\_ 19 \_\_\_\_\_

Confidential File

PS/WH/

## Department of State

Washington,

we have made no sacrifice of principles, that we expect to make none; that we have aided China; that we expect to continue to do so to the best of our ability; and that, should matters which concern China come up for discussion, we expect to consult with the Chinese Government at ~~the~~ appropriate stage.

As reported in your telegram under reference the Chinese Foreign Minister described frankly and with force the psychological effects on the Chinese public and the Chinese will to continue resistance which might be expected should there be adopted an arrangement such as the modus vivendi <sup>which</sup> we had under consideration at that time. It will be recalled that the Generalissimo in his recent messages to the President and the Prime Minister of England also spoke frankly and forcefully of the psychological effects of a successful Japanese invasion of Yunnan Province. As you were informed in the Department's telegram under reference the Secretary of State in speaking to the Chinese Ambassador on November 25 pointed out that one of the prime points of the draft temporary modus vivendi which this Government was then tentatively considering, was to protect Yunnan Province and the Burma

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Sent by operator \_\_\_\_\_ M. \_\_\_\_\_ 19\_\_\_\_

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Department of State

Washington,

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<sup>S</sup> Road from the imminent danger described by the Generalissimo and in addition to <sup>suspend</sup> ~~remove~~ the Japanese menace, for at least three months, to the whole South Pacific area and the Philippines.

In his conversation with you the Chinese Foreign Minister described serious and difficult internal and external problems of China. This Government is not unaware of those problems and we believe that the Chinese Government is also aware of many serious and difficult problems facing us and other similarly disposed powers such as Great Britain and the Netherlands.

We have on many appropriate occasions, <sup>answered,</sup> and we may now again assure China that in these trying and difficult days its interests have been and are being given most careful consideration in our study of our own problems and ~~of~~ the problems of other nations and peoples.

It may be noted that there have occurred recently several examples of ~~the~~ badly confused mechanics for the conduct of diplomatic relations between the governments resisting aggression. Those relations are so complicated

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Sent by operator \_\_\_\_\_ M. \_\_\_\_\_

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Charge to

5 that it is most difficult to carry on such relations in a systematic and sound manner. There have for example been examples of intrusion into delicate and serious situations on the part of individuals who are not completely or adequately informed of the facts. Before taking action of any sort it would seem to be advisable to understand completely each other's views. Each of the nations resisting the courses of aggression now rampant in the world should endeavor to realize that the other nations are in the light of all considerations <sup>endeavoring to pursue</sup> ~~the~~ the best possible course and it therefore would seem to be desirable for each such nation to continue a resolute course in the present critical world situation.

You are authorized, if a favorable opportunity presents itself, to make <sup>or</sup> use of the foregoing, ~~parts~~ or portions thereof, providing you believe that it might be helpful in <sup>connecting on</sup> ~~presenting~~ the points raised by the Foreign Minister as reported in your telegram under reference.

FE:KWS:MEG:MEW

JMD  
FE  
7/7/4

PA/H

Hull

Enciphered by \_\_\_\_\_

Sent by operator \_\_\_\_\_ M. \_\_\_\_\_ 19 \_\_\_\_\_