

*British Reaction:* . . . Any counter proposal should stipulate for total withdrawal from Indo-China not merely of Japanese "troops . . ." but of Japanese naval, military and air forces with their equipment, and for suspension of further military advances in China, in addition to satisfactory assurances regarding other areas in south-east Asia, Southern Pacific and Russia.

(*Quid pro quo* being partial relaxation of existing economic measures so as to allow export of limited quantities of goods to ensure welfare of Japan's civil population but excluding goods of direct importance to war potentialities, in particular—oil.)

- (3) *The Governments of Japan and the United States shall co-operate with a view to securing acquisition of those goods and commodities which the two countries need in the Netherlands East Indies.*

*Mr. Hull's Comment:* This evidently means that the United States would be required to use its influence with the Netherlands East Indies in order to get the Dutch to let Japan have certain additional amounts of petroleum and other products.

*British Reaction:* Clause 3 suggests Netherlands East Indies are to be looked upon merely as a storehouse and pays little heed to sovereignty of The Netherlands.

- (4) *The Governments of Japan and the United States mutually undertake to restore their commercial relations to those prevailing prior to the freezing of assets.*

*The Government of the United States shall supply Japan with a required quantity of oil.*

*Mr. Hull's Comment:* This clause is not acceptable in this form. We could not consider making a complete restoration of economic conditions as they existed prior to freezing. The most we could do would be a partial restoration to an extent that would discourage subsequent Japanese aggressive action.

*British Reaction:* Clause 4 lays special stress on oil of which we know the Japanese have no shortage except for war purposes.

- (5) *The Government of the United States undertakes to refrain from such measures and actions as will be prejudicial to the endeavours for restoration of general peace between Japan and China.*

*Mr. Hull's Comment:* This means that the United States would have to stop sending aid to China, which is not acceptable to us at all.

*British Reaction:* [No entry.]

Following discussions with the British, the Chinese, Australian and Netherlands representatives, Mr. Hull prepared a draft memorandum of counter