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DEPARTMENT OF STATE
WASHINGTON

August 12, 1940.

In reply refer to
EA 840.51 Frozen Credits/443

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and enclose copy of despatch dated August 10, 1940 from the Peruvian Embassy, Washington, D. C. regarding blocked funds of members of the family of Dr. Jose Pardo, former President of Peru.

Enclosure:

From Embassy, Washington,
August 10, 1940.

The Peruvian Ambassador presents his compliments to His Excellency the Secretary of State and has the honour to inform him that Dr. Jose Pardo, former President of Peru, his son Mr. Oscar Pardo Heeren, and his brother Mr. Juan Pardo, at present residing at Biarritz, France, have funds with the Guaranty Trust Company; and the said Dr. Jose Pardo, his son Mr. Oscar Pardo Heeren, and his daughter Carmen Pardo de Escandon, with Messrs. J. P. Morgan and Company.

As His Excellency is aware such funds are retained and the interested parties are most anxious to obtain permission for their release in order to have unrestricted access to their accounts, and the Embassy would therefore be grateful if instructions would be kindly imparted to the Federal Reserve Bank for this purpose.

10th August, 1940.

(The following copy was made from a cablegram addressed to the British Ambassador in Washington by the Ministry of Economic Warfare at London which was exhibited by Mr. Pinsent of the British Embassy to Mr. Cochran in the Treasury at 5 p.m., August 12.)

There are no direct relations between H. M. Government and Sofina or any of its subsidiaries. I have specific evidence that Sofina's Spanish subsidiary Chade has recently been assisting finance of large imports of cotton into Spain from Argentina. Chade has nine Germans on its board and quantity of cotton is so much larger than ration as to indicate strong [I] reasons for ultimate destination other than Spain. Prominent Englishmen on Sofina board know nothing of this and are being asked to cooperate in elucidating position.

2. Heinemann, the chairman of supervisory board of Sofina, is now in New York. Although I have no direct evidence that he is responsible for Chade's activities, they can hardly have taken place without his knowledge.

3. Securitas, a company which appears largely to be dominated by Heinemann, was formed in a great hurry early in May, and took over whole assets of Sofina. At the same time reference was made to possible subsequent formation of a company in Panama in order to avoid American [I] taxation and blocking of assets. I have no conclusive evidence against Securitas but am definitely uneasy. Owing, however, to delicate position of English directors of Sofina, I have not been able to push on my enquiries as rapidly as I had hoped. In the meantime I should not object to any precautionary steps taken by United States authorities to secure blocking Sofina assets.

STRICTLY CONFIDENTIAL

4
(Copy of letter received from Mr. Stopford of the British Embassy
by Mr. Cochran in the Treasury at 10:15 a.m., August 13, 1940.)

BRITISH EMBASSY,

WASHINGTON, D.C.

12th August, 1940

Secret

My dear Mr. Cochran,

I enclose extract from a telegram dated August 9th which I have received from London. I have asked by telegram for details of the transactions, but in the meantime I should be grateful for your confirmation that I am right in thinking that your regulations in principle cover debts owing in the United States by Americans and others to nationals of the invaded countries covered by your regulations.

Yours sincerely,

(Signed) Robert J. Stopford

Mr. H. Merle Cochran,
United States Treasury Department,
Washington, D. C.

dm

C
O
P
Y

-5

Extract from telegram dated August 9th from Ministry
of Economic Warfare

"Do regulations regarding blocking assets of invaded countries cover debts owing nationals of those countries by Americans and others?"

I have secret evidence showing that Dutch banks are advising American banks that their accounts in Holland are overdrawn and requesting cover. I trust that permission will not be given for such remittances since the request may well be made under instructions from German Commissars.

I have also got evidence that American banks, unable to, but wishing to, remit francs to France, have suggested to their Swiss agencies that, as they are placing dollars at the disposal of those agencies, the latter should place some of these to the credit of the Banque de France who would give them French francs. They propose that on that basis they might continue ordering payments of dollar amounts, the Swiss Agencies paying out the equivalent in French francs through the Banque de France.

Does this seem to you to be in accordance with United States authorities intentions?"

(Initialed R. J. S. 12/8/40)

dm

AUG 12 1940

My dear Mr. Goodwin:

Thank you for your letter of August 7th, addressed to the Secretary of the Treasury, inquiring as to the availability of certain data concerning the British Purchasing Commission.

As this information is furnished to the Treasury Department on a highly confidential basis, and with the understanding that it will not be released, it is not possible at the present time to comply with your request. I feel certain that you will understand only too well the reasons which have made it necessary for the British to initiate such a policy and the results which would ensue if this information were not treated in accordance with the request of the British Purchasing Commission.

Sincerely,

(Signed) Herbert W. Gaston
Acting Secretary of the Treasury.

Honorable Robert K. Goodwin,
House of Representatives,
Washington, D. C.

Mailed 8-12-40

PY:bj
8/12/40

cc to Thompson

7
AUG 13 1940

My dear Mr. Goodwin:

Thank you for your letter of August 7th, addressed to the Secretary of the Treasury, inquiring as to the availability of certain data concerning the British Purchasing Commission.

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Sincerely,

(Signed) Herbert M. Gaston

Acting Secretary of the Treasury.

Honorable Robert K. Goodwin,
House of Representatives,
Washington, D. C.

FY:bj
8/12/40

ROBERT K. GOODWIN
8th District Iowa

KERMIT F. JOHNSON
CLERK

Congress of the United States
House of Representatives
Washington, D. C.

8
COMMITTEES:
TERRITORIES
PENSIONS
DISTRICT OF COLUMBIA

*Copy has not
been -*

August 7, 1940

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

My dear Secretary:

I should like to have furnished me, for my own official use, data and figures showing the articles, quantity and orders that have been placed in this country by the British Purchasing Commissioner and also complete data showing the extent to which these orders have been fulfilled.

An early report on this matter will be greatly appreciated.

Very truly yours,

Robert K. Goodwin
Robert K. Goodwin
Member of Congress

RKG:CM

August 12, 1940

Professor Chamberlain

Mr. Cochran

Following our Group Meeting this afternoon, I telephoned Mr. Livesey in the Department of State. I told him that we had given licenses freezing the accounts of members of the French Purchasing Mission in New York, the Remount Service, etc., as well as members of the Embassy duly accredited to the Department of State. Some of these Frenchmen are now returning to France. The question arises as to whether we should block the dollar balances which they may leave, upon their departure from American soil. The diplomatic question arises as to whether this is proper treatment to accord a full-fledged diplomat such as the Ambassador himself, or one of his immediate staff. On the other hand, it is conceivable that such an individual as Bloch-Laine, a partner in the private banking institution Lazard Freres, who came over here as assistant head of the Anglo-French Purchasing Mission, would be fortunate to be protected in having his balances in this country frozen. I believe such balances are considerable. He is returning to a very uncertain situation in France, it being our information that the Germans have practically tied up all Lazard assets in occupied France.

I suggested to Livesey that the thought might be considered of drawing a line of demarkation between the duly accredited diplomatic representatives and the members of straight Embassy staff on one side, and members of purchasing and similar commissions on the other side. He said he would talk the question over with political officers in the Department of State and give us their reaction.

BMP

COC:dm:8.12.40

August 12, 1940

Professor Chamberlain

Mr. Cochran

Mr. Henderson called me from the Department of State this morning to let me know that he had received a letter from the Chase Bank inquiring whether Vilna territory is included in our freezing regulations as applied to areas occupied by Russia. He proposed to send an acknowledgment to the Chase, stating that this question had been referred to the Treasury Department. At the same time he would send the inquiry to us under cover of a memorandum setting forth the views of the Department of State in the premises. I agreed to this plan.



HMC:dm:8.12.40

August 12, 1940

Professor Chamberlain

Mr. Cagayan

STRICTLY CONFIDENTIAL

Mr. Knabe telephoned this morning to the effect that Admiral Leahy, the American representative on the International Hydrographic Bureau, with headquarters at Monaco, is sailing upon him at 3:00 this afternoon. It will be recalled that the above Bureau was in communication with the Federal in January in regard to the transfer of its gold from London to New York. The Federal consulted us, but declined to open an earmarked account to take care of this gold. Mr. Knabe told us that he had then advised Admiral Leahy to ship it to this country and sell it.

Admiral Leahy now reports that \$63,000 of this gold is arriving in New York tomorrow, consigned to the Chase Bank. The latter will, of course, be obliged to sell it. Knabe is now a little embarrassed since the proceeds will have to be placed in a blocked account. He inquired whether the Treasury thought any formality should be attempted with respect to a dollar account to be opened with the Chase to take care of the proceeds of the gold sale, or whether only application for a license for freezing the account should be made once it is opened. I spoke with Mr. Peble on this point. I then telephoned back to Mr. Knabe's office at 11:00. He was in a meeting. I told his secretary that the Treasury suggested no preliminary step to the opening of the account. Whenever the application for freezing the new account might be received the Treasury would give prompt and sympathetic consideration thereto, but could give no advance assurances.

I asked Mr. Knabe's secretary to provide me with a copy of a memorandum which Mr. Knabe has in regard to the set-up of the Bureau under reference, for the information of my colleagues in the Treasury Department in passing upon the application.

W.M.F.

August 12, 1940

Professor Chamberlain

Mr. Cochran

Mr. Thomas, in charge of the Division of Current Information in the Department of State during the absence of Mr. McDermott, telephoned me this morning that a personal telegram for McDermott had been received from Mr. Lehrbas, the American foreign correspondent, at Bern, Switzerland, requesting McDermott to try to expedite the issuance of a money export permit applied for by the Guaranty Trust to transmit \$2,000 to Collette D'Arville in care of the Guaranty Trust, Vichy. Mr. Thomas knew nothing more about the case. He is aware that Lehrbas is a journalist very well known at the Department of State and received personally by Secretary Hall.

I told Thomas that I would look up the application and let him hear from us.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 12, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Today's dealings in registered sterling by the six reporting banks consisted of purchases of £45,000 and sales of £4,000, all for account of commercial customers.

The Federal Reserve Bank of New York stated that £1,000 in registered sterling were purchased from it by a non-reporting bank.

Sterling in the open market remained in the neighborhood of 3.9% throughout the day. The reporting banks made sales of £17,000 and purchases of £19,000 for commercial concerns.

The Swiss franc improved today and closed at .2279, as against .2274 on Saturday.

The other currencies closed as follows:

Canadian dollar	13-1/4% discount
Lira	.0505
Reichsmark	.4005
Cuban peso	Holiday
Mexican peso	.1995 bid, .2020 offered

Quotations in the Far East showed little change, and the sterling-dollar cross rate there was 3.52.

We made the following purchases of gold from earmarked accounts:

\$51,468,000 from His Britannic Majesty's Government
 500,000 from the Central Bank of Chile
 \$51,968,000 Total

The Federal Reserve Bank of New York reported that the Bank of Canada was shipping approximately \$50,000,000 in gold from Canada to the Federal, to be earmarked for account of His Britannic Majesty's Government.

There were no metal prices received from Bombay today.

In London, spot silver was unchanged at 23-1/2d. The forward price was 1/8d lower at 22-1/2d. Buying for coinage purposes is still cited as the reason for the continued strength in spot silver. The U. S. equivalents were 42.67¢ and 40.85¢ respectively.

Hendy and Harman's settlement price for foreign silver was unchanged at 34-3/4¢. The Treasury's purchase price for foreign silver was also unchanged at 35¢.

There were no purchases of silver made by us today.

B. M. S.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE August 12, 1940

TO Secretary Morgenthau
FROM Mr. White

Subject: Recent Developments in Gold and Capital Movements

1. There was a net inflow of capital of \$39 million in the week ended July 31, 1940. The net capital inflow during the first seven months of 1940 amounts to \$599 million.

Net Capital Inflow
(In millions)
Week ended July 31, 1940

Short-term banking funds:	
Foreign funds held here	\$ 26.3
United States claims on foreigners	14.9
Domestic security transactions	- 2.7
Foreign security transactions	.8
Brokerage balances	- .2
Total	\$ 39.1

2. The principal changes in foreign funds held in this market during the week ended July 31, 1940 were as follows:

	<u>Official</u>	<u>Private</u>	<u>Total</u>
United Kingdom	\$ - 16.5	\$ - 3.7	\$ - 20.2
France	- 1.2	+ 2.3	+ 1.1
Belgium	+ 0.1	- 1.9	- 1.8
Netherlands	-	- 3.2	- 3.2
Sweden	+ 7.2	- 2.8	+ 4.4
Other Europe	+ 1.9	- 0.6	+ 1.3
Canada	+ 39.4	+ 5.3	+ 44.7
Cuba	-	- 4.1	- 4.1
Other Latin America	- 1.6	- 2.4	- 4.0
Asia	- 0.5	+ 9.4	+ 8.9
Other countries	- 0.2	- 0.6	- 0.8
Grand Total	\$ + 28.6	\$ - 2.3	\$ + 26.3

- 2 -

Division of Monetary
Research

3. United States claims on Japan decreased \$9.2 million; on United Kingdom and Italy, \$1.6 million each, and on Latin America, \$1.4 million.

4. The principal transactions in the week's trading in United States domestic securities was the sale of \$1.3 million of American bonds for Italian account. Net sales were also recorded for United Kingdom and Canadian account.

5. Gold imports, adjusted for earmarking operations, amounted to \$128 million in the week ending August 7, 1940, as compared with \$97 million in the previous week.

Net Gold Imports Adjusted for Earmarking Operations
(In millions)
(Net exports appear as (-))

	Week ending July 31, 1940	Week ending August 7, 1940
United Kingdom	\$ 69.6	\$105.2
Greece	- 2.5	- 1.3
Norway	- 3.1	-
Poland	- 2.2	-
Sweden	6.0	-
Switzerland	- 2.1	1.1
Yugoslavia	- 2.5	-
Canada	29.0	10.1
Argentina	- 1.5	5.0
Union of South Africa	-	6.7
Other countries	<u>5.8</u>	<u>1.5</u>
Total	\$ 96.5	\$128.3

International Capital Transactions - United States*

Black indicates inflow of capital

Red indicates outflow of capital

(In thousands of dollars)

	Week ending July 24, 1940	Week ending July 31, 1940	Cumulative Total	
			From January 4, 1940 to July 31, 1940	From December 29, 1938 to Aug. 2, 1939
Net capital flow consisting of:	750	39,142	598,523	855,902
1. Banking funds				
a. Change in official balances with New York Federal Re- serve Bank	15,438	28,614	442,800	101,114
b. Change in all other short-term balances	16,974	12,584	91,795	678,735
2. Security transactions				
a. Domestic securities	789	2,704	17,462	28,670
b. Foreign securities	431	844	61,233	70,195
3. Brokerage balances	1,066	196	20,157	34,528
4. Gold imports (including changes in gold held under Treasury Department's account for foreign account)	69,152	96,536	2,667,326	1,657,936

Treasury Department, Division of Monetary Research.

August 13, 1940.

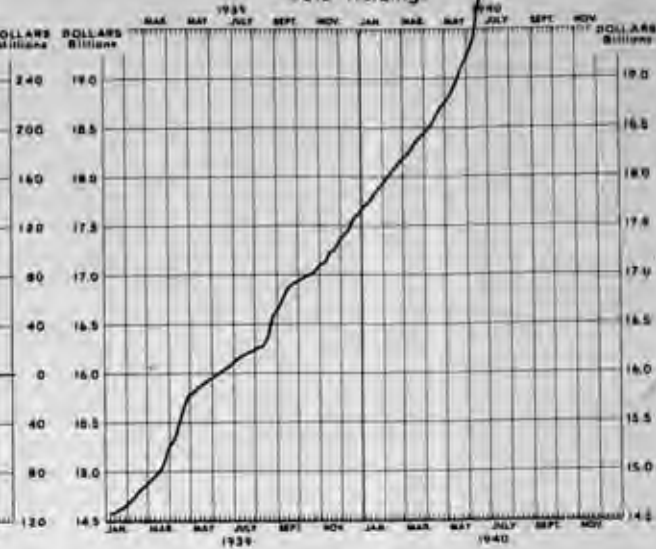
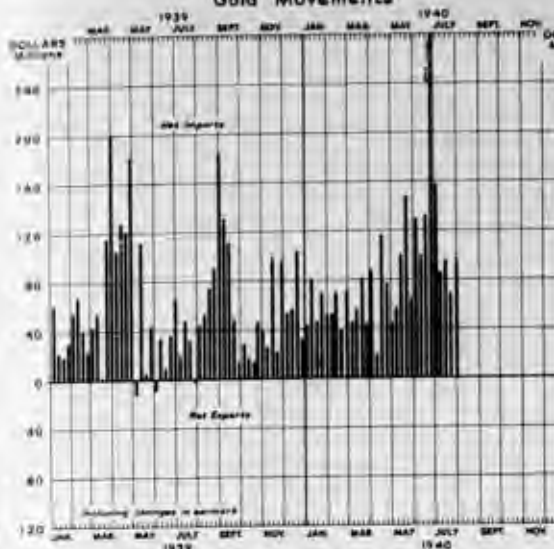
Based on the consolidated reports of the twelve Federal Reserve Districts through
June 19, 1940 and the reports of the New York Federal Reserve District through
July 31, 1940.

U.S. INTERNATIONAL CAPITAL MOVEMENTS AND POSITION AND U.S. GOLD MOVEMENTS AND HOLDINGS

WEEKLY 1939-1940

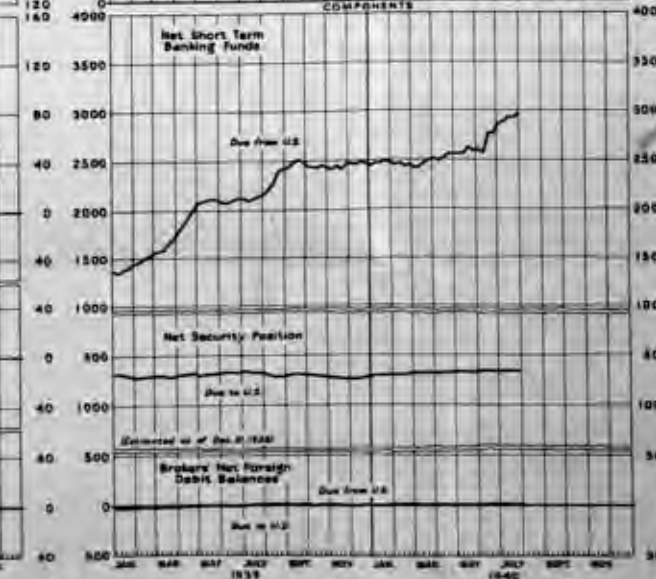
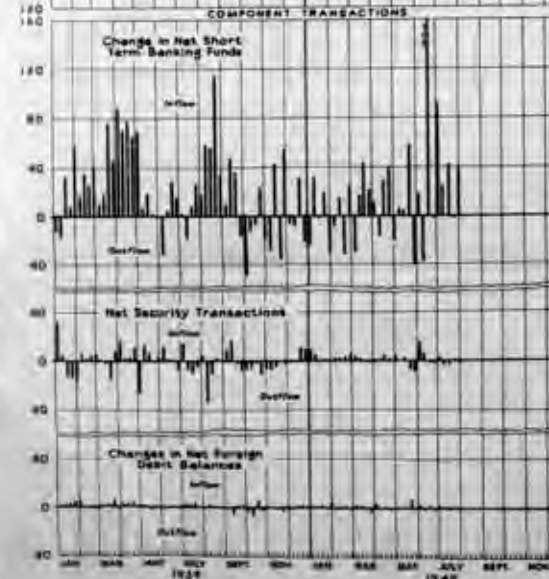
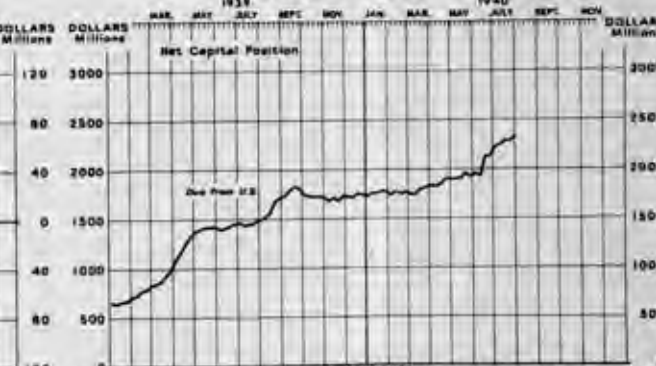
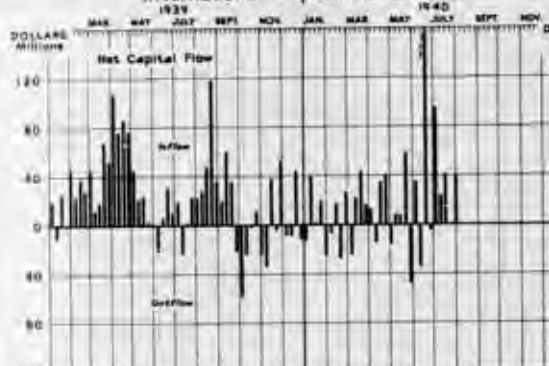
Gold Movements

Gold Holdings



International Capital Movements

International Capital Position*



*Excluding Direct Investments and Inter-governmental War Debt
1939 figures are estimates from the reports of the New York Federal Reserve District
and revised when the reports for the rest of the United States become available

August 12, 1940

Professor Chamberlain

Mr. Cochran

Mr. George Whitney, President of J. P. Morgan & Co., Inc., telephoned to me this morning from New York and read to me the attached cablegrams. He inquired as to whether a Treasury license would be involved, considering the reference to the Royal Netherlands Government. I told him that I would consult my colleagues and let him hear from us.



JMC:dm:8.12.40

CABLE

Date: August 9, 1940

From: Morgan Grenfell & Co., Ltd.
LondonTo: J. P. Morgan & Co.,
New York

For your advance information we expect shortly to receive from Bank of England request for you to open for account Royal Netherlands Government a credit in favor of Canadian Power Boat Company, Ltd. for about \$1,500,000 representing 75% of cost of boats to be constructed for Netherlands Navy. Contract provides for balance being deposited in cash and we understand you should have received deposit of 473,400 for account Canadian Power Boat Company, Ltd. Please confirm that you have received this deposit.

Rec'd by telephone 8/12/40

10:45 a.m.

dm

CABLE

Date: August 9, 1940

From: J. P. Morgan & Co., New York

To: Morgan Grenfell & Co., Ltd.
London

Deposit 473,400 received. Under provisions Neutrality Act no American institution can extend such credit. However, if U. S. dollars equivalent amount lodged here in some American issuing bank and irrevocable obligation to pay, which accomplishes same purpose, can be issued and we should be happy to do so. Commission 1/10 joint account.

Rec'd by telephone 8/12/40

10:45 a.m.

dm

PARAPHRASE OF TELEGRAM SENT

21

TO: American Embassy, Buenos Aires, Argentina.

DATE: August 12, 1940.

No. 180

You are requested to inform the Foreign Office that the Department does not consider it desirable at this time to send any official mission to Buenos Aires and the Department has not (not is repeated) indicated to the press that any such mission was on its way there. A statement similar to this will be made to the Argentine Embassy here.

Irigoyen and other members of the Argentine delegation at Habana discussed in some detail with the United States delegates the Argentine economic situation and they put emphasis on the desirability of ^amission to go to Buenos Aires to discuss the economic situation. It was indicated by Irigoyen that a mission of this kind should take up the matter of monetary arrangements, trade agreement, possible purchases of wool and hides by the United States, corn agreement, and Export-Import Bank credits for the purposes of development. It was also indicated by Mr. Irigoyen that he felt it would be desirable to include officials of the Treasury and Agriculture Departments in the mission.

The opinion of the Department is that it would not be possible at this time to discuss a trade agreement, and that a visit by Hawkins to Buenos Aires might result in unpleasant publicity as he is closely associated with trade agreements and Department of Agriculture officials. The Treasury Department at the same time has indicated that should the Argentines wish

wish to initiate discussions on monetary matters, these discussions should be carried on here. Therefore, the Department feels that to send a mission to Buenos Aires at this time would be unwise and that any items of Argentine-American economic cooperation which remain can be arranged in the usual manner.

You are confidentially informed that steps are rapidly being taken with the Defense Council and the Federal Loan Administrator with the idea of purchasing, for defense purposes, wool and perhaps hides from Argentina. It is requested that you inform the Department with regard to the available stocks of these items at this time and the condition of the wool and hides markets in Argentina. In the near future there will also be transmitted to you for discussion with the Argentines suggestions for a corn agreement.

The President of the Export-Import Bank, Mr. Warren Lee Pierson, is planning to sail on September 6 from the United States on a trip which will include a visit to Buenos Aires and Rio de Janeiro. During the latter part of September Mr. Pierson will probably be in Buenos Aires. This opportunity will be utilized by Mr. Pierson to talk over details of the present credit to the Central Bank and since it is the hope that legislation enlarging the operations of the Export-Import Bank will have gone through by that time, further credits for development projects will also be discussed. Possibly Mr. Pierson may also, if the matter has not been negotiated before he gets there, be given authority to talk on the subject of wool and hides and to make definite arrangements thereto.

Please

Please inform the Foreign Office of the proposed visit of Mr. Pierson and it is suggested that you indicate that Mr. Pierson's visit is an alternative to the mission of Hawkins. It is desired, however, at this time that no publicity in regard to Mr. Pierson's proposed visit be issued.

There will be transmitted to you shortly further information with regard to the possible form of monetary and exchange discussions with the Treasury Department.

WELLES
Acting

611.3531/1560

RA:EGG:MJC

EA:EHS

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE August 12, 1940

TO Mr. Thompson

FROM Mr. Haas *HA*

In further response to your request of December 26, 1939, there is submitted herewith for the Division of Research and Statistics a memorandum listing, with brief descriptions, the studies or projects completed or under way, and the names of persons working on each, for the month of July 1940.

DIVISION OF RESEARCH AND STATISTICS

Report of Studies or Projects Completed or Under
Way, and the Names of Persons Working on Each,
for the month of July 1940

For convenience of reference, the studies listed are grouped under general subject heads.

The names shown for persons working on each project include only those who participated fairly directly, as explained in the introductory note to the corresponding report submitted on December 28, 1939. No attempt has been made to cover also persons whose responsibility in each particular case was mainly in planning, supervising, or consulting.

Financial Analysis

I. Projects or studies completed

1. Reviews of current developments in the high-grade securities markets were prepared, and memoranda were transmitted to the Secretary on the following dates: July 2 and 16. - Mr. Haas, Mr. Murphy, Mr. Turner, Miss Eyre

These reviews contained, in addition to analysis of the current situation, special studies, as follows:

- (1) Concentration of Government securities in the hands of banks (Review of July 2, page 2). - Mr. Turner
- (2) Assets of New York City banks (Review of July 16, page 3). - Mr. Turner
2. A table and a chart for use in the Commodity Credit Corporation financing were prepared, and were transmitted to Under Secretary Bell on July 23. - Mr. Murphy, Mr. Turner, Miss Eyre
3. Yield rates on United States securities, direct and guaranteed, on the basis of over-the-counter closing quotations were calculated daily. These were summarized each day in a table showing for each issue the closing price and yield that day, the change in price and yield from the preceding day, and the price range since date of issue and also for the years 1939 and 1940 to date. A chart for each issue was kept up to date showing recent daily price and yield figures together with comparative monthly data since 1933 or since date of issue. - Mr. Moody, Mr. Kroll

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4. Three proposals of the RFC, that the Secretary of the Treasury request that Corporation to purchase the preferred stock of banks, were examined. - Mr. Murphy, Mr. Turner, Mr. Conrad, Miss Eyre
5. At the request of the Secretary, arrangements have been made to secure periodically from the Anglo-French Purchasing Board certain information regarding purchases by the Allied governments in the United States. - Mr. Haas, Mr. Reagh, Mr. Lindow, Mr. Tickton
 - (1) Weekly statements are received covering in dollar volume itemized purchases through the Board by England, Canada, and Australia, itemized purchases made by these governments with the knowledge of the Board but not through its facilities, and inquiries made by the Board or with its knowledge for future purchases. In these reports all Allied orders and deliveries are being classified in some twenty-five commodity groups designed especially for the purpose of this project. Tables showing orders placed through the Anglo-French Purchasing Board, classified by commodity groups, for the weeks ended June 15, 22, 29, and July 6, and 13, were prepared, and were transmitted to the Secretary on July 1, 5, 12, 19, and 25, respectively.
 - (2) Arrangements have been made also to secure from the same source periodic statements showing commitments and actual payments made by the Allied governments for the purpose of providing capital assistance to American companies in order to expedite deliveries. These commitments are listed in four groups - (a) expansion of plant capacity, (b) personnel training, (c) income tax contributions, and (d) United States development costs. Tables showing capital commitments of the British and French governments, as of June 15, and as of June 29, were prepared, and were transmitted to the Secretary on July 1 and 12, respectively.
 - (3) Special attention is being directed toward the aircraft industry, both as to the effect of capital assistance and as to output. Weekly statements are prepared showing by airplane and airplane engine companies the physical volume of orders placed, deliveries made, and estimated deliveries on unfilled orders and on options. These statements give detail by type of airplane or type of engine. A group of

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tables giving details and summaries regarding purchases by the Allied governments of airplanes and airplane engines, as of June 22, 29, and July 6, 13, and 20, were prepared, and were transmitted to the Secretary on July 1, 5, 12, 19, and 25, respectively.

- (4) A memorandum accompanied by a table showing a preliminary schedule of cash disbursements of balances due June 30, 1940, on British government orders through the British Purchasing Commission, was prepared, and was transmitted to the Secretary on July 23.
6. At the request of the Secretary on May 23, arrangements were made for securing each week from more than forty airplane and airplane engine manufacturers data on deliveries, new orders, unfilled orders, and estimated deliveries by months on the unfilled orders. Analytical tables are prepared each week showing this information by type of plane or engine and by class of purchaser. Weekly reports were transmitted to the Secretary on July 3, 10, 17, 24, and 31. - Mr. Haas, Mr. Reagh, Mr. Tickton, Mr. Leahy
7. A review was made at the request of the Division of Tax Research on June 12 of a memorandum prepared in that Division concerning the taxation of building and loan associations, and was transmitted to Mr. Blough on July 3. - Mr. Murphy, Miss Eyre
8. A compilation was prepared, at the request of the Division of Tax Research, of earnings reported by the Federal Reserve Bank of New York for selective classes of identical companies, giving quarterly averages by years 1928-1939, and quarterly figures 1938 through the first quarter of 1940, and was transmitted to Mr. Blough on July 3. - Mr. Daggit, Mr. Leahy
9. At the request of Assistant Secretary Sullivan, a sample of returns filed under the Vinson-Trammell Act was analyzed to ascertain the profits on invested capital of companies reporting under the Act. The analysis was transmitted to the Assistant Secretary on July 15. - Mr. Murphy, Miss Eyre
10. Report on S. 4125 (Farm Credit bill) was prepared at the request of the Legal Division in response to a request from Senator Wagner, Chairman of the Committee on Banking and Currency, and was transmitted to the Legal Division on July 27. - Mr. Murphy, Mr. Tickton, Mr. Conrad, Miss Eyre

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11. A review of a report on H. J. Res. 559, approved July 1, 1940, relative to amendment of agreements between the FWA and the District of Columbia, to provide for a reduction in interest rates to be paid by the District of Columbia on certain loans, was made at the request of Mr. Heffelfinger, and transmitted to him, together with suggested revisions of letters to Commissioner Melvin C. Hazen, and Acting Commissioner E. W. Clark, on July 12. - Mr. Tickton

II. Projects or studies under way

1. Chart comparing yields on long-term Treasury bonds and over-the-counter volume depends for completion upon arrangements to secure the necessary data. - Miss Eyre
2. Study of the relationship between the yields and maturities of high-grade securities immediately preceding prior major bear markets in such securities. - Mr. Turner, Mr. Conrad
3. Comparison of relative amplitude of price fluctuations of long-term and short-term securities. - Mr. Lindow, Mr. Conrad
4. Study of the effect of the size of the issue on the prices and yields of U. S. securities. - Mr. Lindow, Mr. Conrad
5. Chart and annotations with respect to the factors influencing the movement of interest rates during the last World War have been completed except for the graphic work. - Mr. Turner
6. Discussion of various problems encountered and solutions devised in connection with war borrowing. - Mr. Murphy
7. Memorandum comparing and contrasting war and depression deficit-financing. - Mr. Murphy
8. Review of war-financing measures in the United Kingdom and the British Dominions, and Germany in the present war. - Mr. Murphy
9. Data for the Secretary of Commerce re amount of interest-bearing securities of Federal corporations and agencies outstanding December 1929-1939, prepared as part of a report made jointly with the Bureau of Accounts and the Division of Tax Research, left the Division on July 29 on the way to the Division of Tax Research and the Bureau of Accounts for final approval. - Mr. Lindow, Mr. Conrad

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10. United States Savings Bonds - An analysis of factors affecting redemptions of United States Savings bonds, as a guide to future experience. - Mr. Conrad
11. Analysis of plan of Mr. J. R. Oishei entitled, "To Expedite New Enterprise for Increased Employment," is being made at the request of Under Secretary Bell on June 28. - Mr. Turner, Mr. Purvis
12. A memorandum is being prepared at the request of Under Secretary Bell on July 5, on the effect on bank deposits of Treasury financing and spending. - Mr. Murphy, Mr. Turner, Miss Eyre

Revenue Estimates

I. Projects or studies completed

1. The regular monthly statement was prepared for the Bureau of Accounts, showing the latest revised estimates of receipts, by months and by principal sources of revenue, for the fiscal year 1941, and was transmitted on July 1. - Mr. Driver
2. The regular monthly summary comparison of estimated receipts and actual receipts in June, and in the fiscal year 1940, on the daily Treasury statement basis, was prepared, July 6. - Mr. Driver
3. The regular monthly detailed comparison of estimated and actual receipts in June 1940 and in the fiscal year 1940, based on the collections classification, was prepared. - Mr. Driver
4. A comparison of the actual receipts in the fiscal year 1940, on the daily Treasury statement basis, with the January 1940 Budget estimates of revenues, was prepared, July 2. - Mr. Driver
5. A comparison of the actual receipts in the fiscal year 1940, on the daily Treasury statement basis, with the April 1940 estimates of revenues, was prepared, and was transmitted to Under Secretary Bell on July 2. - Mr. Driver
6. Estimates of receipts from taxes under the Revenue Act of 1940, Title II, on the daily Treasury statement basis, by months for the fiscal year 1941, to be earmarked for the retirement of the National Defense Series of obligations, were prepared at the request of Under Secretary Bell, and transmitted to him on July 12. - Mr. Wilson

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7. Estimates of the yield from a general manufacturers' sales tax, on several specified bases and at several specified rates, to conform with the latest estimate of business activity in the fiscal year 1941, were revised at the request of the Division of Tax Research, and were transmitted to Mr. Blough on July 25. - Mr. Driver
8. In connection with consideration of excess-profits tax proposals, at the request of Assistant Secretary Sullivan on July 29, a tentative estimate of additional yield from the proposed excess-profits tax was prepared on the basis of the calendar year 1940 liabilities, and was transmitted to him by telephone on July 29. - Mr. Leahy
9. An analysis of preliminary estimates of income tax receipts for the calendar year 1940 from individuals classified by net income and marital status, has been discontinued. - Mr. Driver
10. At the request of Assistant Secretary Sullivan estimates were made of the probable increases in revenue which would result from abolition of the earned income credit, reduction of the personal exemptions, and from a combination of both, as requested by Representative John W. Boehne, Jr., in a letter to Assistant Secretary Sullivan dated May 21, 1940. The estimates were transmitted to Representative Boehne in a letter signed by Assistant Secretary Sullivan, and mailed on July 11. - Mr. Driver

II. Projects or studies under way

1. An estimate of the revenue effects of the bill H. R. 1, 76th Congress, First Session (a bill providing for an excise tax on retail stores) is in process of preparation for the Division of Tax Research. - Mr. Leahy
2. Tentative plans for a WPA statistical project in connection with work on the excess-profits tax, as well as material proposed to be obtained from the Securities and Exchange Commission, are being reviewed in accordance with requests by the Division of Tax Research on July 12 and 17. - Mr. Leahy
3. At the request of the Division of Tax Research on July 12, an estimate is being made of the additional revenue which would be derived if mutual insurance companies other than life insurance companies taxable under Section 207 of the Internal Revenue Code were made taxable in the same manner as stock insurance companies other than life insurance

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companies taxable under Section 204, and at the same time the exemption under Section 101 (11) were restricted to local mutual companies of the assessment type. - Mr. Leahey

4. At the request of the Division of Tax Research on July 20, a detailed estimate of additional yield from the proposed excess-profits tax is being prepared on the basis of the calendar year 1940 liabilities. - Mr. Leahey

Economic Conditions Related to Fiscal and Revenue Matters

I. Projects or studies completed

1. Memoranda on the business and price situation were prepared and transmitted to the Secretary on the following dates: July 1, 8, 15, and 22. - Mr. Haas, Mr. Daggit, Mrs. May, Mr. Chevraux, Mr. Smith
2. Memoranda on employment under the Work Projects Administration were prepared and transmitted to the Secretary on the following dates: July 2, 8, 16, and 23. - Miss Rastall, Miss Hagedorn
3. Memoranda on the movement of export freight from North Atlantic ports were prepared and transmitted to the Secretary on July 3, 10, 17, and 25. - Mr. Daggit, Mrs. May
4. At the request of the Secretary, a table is prepared each week summarizing exports of petroleum products, scrap iron, and scrap steel, from the United States to Japan, the U.S.S.R., Spain, and Great Britain, as indicated by departure permits reported daily by the Office of Merchant Ship Movements. The table, with copies, for the week ending July 27 was transmitted on July 29 to Assistant Secretary Gaston for the Secretary and other officials. - Miss Kailey
5. Weekly charts showing the location of blast furnaces in the United States, grouped by districts, indicating which plants are active and which idle, were prepared and submitted to the Secretary on July 3, 11, 18, and 25. - Mrs. May, Mr. Smith, Miss Rastall

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6. Compilations were made of daily quotations on selected commodities and daily and weekly figures on selected business indices, foreign and domestic security transactions, security prices, exchange rates, etc., as well as other data for the Secretary's chart book. - Mr. Chevrax
7. Indications of business maladjustments.
Various indications of business maladjustments, shown in graphic form, have been brought together for convenient reference. The background material has been completed and the data will be kept current. - Mr. Daggit
8. BLS index of factory payrolls between census years.
A study to determine the downward bias of the BLS index of factory payrolls between the census years, for use chiefly in estimating tax revenues, has been completed. - Mr. Daggit, Miss Rastall
9. A study is being made, for use in a memorandum on the business situation, of the actual tonnage output of steel each week by districts, and the steel ingot capacity by districts. - Mr. Daggit, Mr. Smith
10. A study is being made, for use in a memorandum on the business situation, of activity in the shipbuilding industry as reflected in the tonnage of merchant vessels under construction and in the industry's employment and payrolls. - Mr. Daggit, Mr. Chevrax

II. Projects or studies under way

1. Index of unfilled orders.
An attempt is being made to improve our information on the volume of unfilled orders by working out a composite index based on data from individual industries. - Mr. Daggit, Miss Rastall
2. Forces determining trends of basic commodity prices.
This project involves a study of (1) the forces determining general commodity prices and (2) the forces determining the prices of individual commodities.
With respect to (1), general commodity prices, during July an analysis was begun of disparities between demand and production as a basic price factor which,

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under excessive war demand, might lead to inflation. For use in this analysis two indexes of demand are being constructed: An index of export demand which expresses the exports of manufactured goods in physical volume, and the index of consumer buying in terms of physical volume, which is part of the project on measures of consumer buying listed as item 3 below.

With respect to (2), prices of individual commodities, shipments of a given commodity, or deliveries to consumers, are taken as a measure of demand, to be compared with production. Ten basic commodities have been selected tentatively for study, and during July work on one of them, zinc, was practically completed. Mr. Daggit, Mrs. May, Mr. Smith, Miss Rastall, Miss Hagedorn

3. Measures of consumer buying.

A project is under way with the object of developing (1) an index to measure the buying power of consumers in terms of physical volume of purchases, after correcting for the effect of changes in price on the apparent demand; and (2) an index to measure changes in total consumer expenditures, in dollar volume. These two indices will supplement our present "index of sales," which is designed to measure the "offtake" of manufactured goods into various consumption channels.

During July studies on an annual basis were completed for nine consumer products, and for rural retail sales and department store sales. Studies on a monthly basis are now under way, the end result of which will be two physical volume indexes of consumer buying, one corrected for the effect of price changes on the volume bought, and the other corrected both for the effect of price changes and for the effect of changes in national income. In addition, work has been begun on the index of consumer expenditures in dollar volume. - Mr. Daggit, Mrs. May, Miss Rastall, Mr. Smith

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4. Trends of individual commodity prices and price factors during the World War period.

This project is patterned after the general study of prices and price factors, 1913 to 1922, made in October, but deals with six individual basic commodities - wheat, cotton, hogs, steel, copper, and zinc. The project is designed to determine the principal price factors associated with the wartime rise and subsequent collapse of prices of these commodities. - Mr. Daggit, Mrs. May

5. Index of commodity stocks.

This project is designed to develop a composite index of basic commodity stocks as a measure of one important factor in the general price level. Stocks of sixteen important industrial materials, expressed in terms of their net effect on prices, are being compiled for this index. - Mrs. May

6. Index of goods inventories.

A better index of inventories of finished goods is needed as an indication of business maladjustments, with a breakdown as between inventories of finished goods held by manufacturers and those held by others. An attempt to develop such an index is under way. - Mr. Daggit, Miss Rastall

7. Index of buying on deferred payments.

A study of the volume of installment buying and consumer credit has nearly been completed. This study is designed eventually to provide a monthly index of the volume of buying on deferred payments, which at times is an important business factor. It is in abeyance at present, pending publication of a new study by the Department of Commerce. - Mrs. May

8. Weekly approximations of the FRB index of industrial production.

Project was started during March and will be completed after the release of the new FRB monthly index (now in process of revision by the Federal Reserve Board and expected out in one to three months). This project is designed to develop an index of industrial production that will indicate week by week the approximate level of the FRB index. It will include a larger number

of weekly series than are included in any current business indices, with weightings and seasonal adjustments approximating those in the FRB index. - Mr. Daggit, Miss Rastall, Mr. Smith

9. New orders in the lumber industry.

This project is designed to obtain current figures on a seasonally-adjusted basis for appraising the outlook for lumber production. The project is nearly completed. - Mr. Daggit, Mrs. May, Miss Washabaugh

Actuarial Problems

I. Projects or studies completed

1. Actuarial Advisory Committee under the Railroad Retirement Act.

An actuarial report on the proposed plan of procedure for a valuation of the Railroad Retirement plan prepared by the Railroad Retirement Board, was reviewed by the Actuarial Advisory Committee and a letter of approval was transmitted to the Board on July 18. - Mr. Reagh

2. Actuarial Advisory Committee under the Railroad Retirement Act.

The Railroad Retirement Board requested on July 6 comments by the Actuarial Advisory Committee on a report drafted by the Board containing its recommendations with respect to the financing of the liabilities under the Railroad Retirement Act, to accompany the actuarial report. The Committee reviewed the report, and transmitted suggestions for revision in a letter to the Board mailed on July 18. - Mr. Reagh

II. Projects or studies under way

1. Board of Actuaries of the Civil Service Retirement and Disability Fund.

There is pending before the Board of Actuaries the matter of approving regulations with respect to the optional benefits payable under the Civil Service Retirement Act. At the present time the Board is awaiting the decision of the Comptroller General as to whether a cash refund of voluntary contributions would be permissible under the Act. - Mr. Reagh

2. Report of the Civil Service Assembly of the United States and Canada on "The Retirement of Government Employees."

A first draft of the chapter on "Financing the Plan" is in process of preparation. - Mr. Reagh

3. Retirement system for Haitian Government employees.

The State Department has requested assistance in devising a retirement system for employees of the Haitian Fiscal Service. Cooperation will be given the Fiscal Representative of Haiti in that cost estimates will be prepared on the basis of data submitted and plans will be suggested for financing the system. - Mr. Reagh

4. Federal Communications Commission.

A request from the Federal Communications Commission was received on May 18 to review an actuarial report of the American Telephone and Telegraph Company regarding recent changes which they have made in the valuation of their pension plan. Members of the Division's staff will serve in an advisory capacity. A preliminary report is being prepared. - Mr. Reagh

Other Projects or Studies

1. Treasury Bulletin.

Data were prepared for the July issue of the Bulletin on average yields of long-term Treasury bonds and high-grade corporate bonds. - Mr. Lindow, Miss Eyre

All the material submitted for the July issue was given an editorial review. - Mr. Murphy, Miss Michener, Mr. Driver, Mr. Lindow, Mr. Wilson, Miss Westerman, Miss Eyre

2. Other material for publication.

Annual Report of the Secretary of the Treasury.
Memoranda were prepared for the signature of Under Secretary Bell to the various Treasury offices requesting data to be supplied for the issue for the fiscal year 1940. The memoranda were signed and transmitted on July 19. - Miss Michener, Miss Westerman

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3. Cumulative index of Treasury Publications.

Work has been begun on the preparation of a cumulative subject index of Treasury publications since the establishment of the Department, covering (1) Annual Reports of the Secretary, (2) other publications issued by the Department, including annual reports of the bureaus and offices in the Department and (3) material prepared in the Treasury Department which was published in Congressional documents, hearings before Committees of Congress, or the Congressional Record. - Miss Westerman

4. Correspondence.

Replies were prepared to letters received on subjects relating to the work of the Division, and letters drafted elsewhere and submitted to the Division for that purpose were reviewed. - Miss Michener, Miss Ziegler, and other members of the staff in appropriate fields of work.

During July 390 letters were received in the Division and 389 were handled as required.

5. Charts.

Charts are prepared and continually brought up to date for use in memoranda and in chart books on special subjects, and corresponding photographic, photostatic, and multilith work is carried on. This is done in the Graphic Section under the supervision of Mr. Banyas. A statistical report on the work of the Graphic Section for the month of July is attached.

Work completed in the Graphic Section, Division of
Research and Statistics, July 1 to 31, 1940.

Type of work	For Division of R & S	For Others	Total
<u>Graphic:</u>			
<u>New charts:</u>			
Total charts completed	38	7	45
Bond book charts completed	-	-	-
<u>Charts brought up to date:</u>			
3 bond chart books brought up to date	28 (times)	-	28 (t)
All other charts brought up to date	721	27	748
<u>Miscellaneous:</u>			
Total jobs	14	9	23
<u>Photographic:</u>			
<u>Photographs:</u>			
Total jobs	29	24	53
Number of-			
Negatives	109	42	151
Contact prints	86	78	164
Enlargements	45	132	177
<u>Photostats:</u>			
Total jobs	106	17	123
Number of-			
Lettersize copies	211	3,446	3,657
All other copies	7,971	194	8,165
<u>Multilith:</u>			
Total jobs	6	1	7
Number of-			
Zinc plates	90	1	91
<u>Miscellaneous:</u>			
Total jobs	5	9	14

Graphic Section, Division of Research and Statistics, by months,
beginning July 1940.

Type of work	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
A. Graphic							
New charts completed	45						
Charts brought up to date	748						
Bond book charts completed	-						
Bond books brought up to date	28 (times)						
Miscellaneous jobs completed	23						
B. Photographic							
<u>Photographs:</u>							
Total jobs	53						
Number of-							
Negatives	151						
Contact prints	164						
Enlargements	177						
<u>Photostats:</u>							
Total jobs	123						
Number of-							
Lettersize copies	3,657						
All other copies	8,165						
<u>Multilith:</u>							
Total jobs	7						
Number of-							
Zinc plates	91						
<u>Miscellaneous:</u>							
Total jobs	14						

MRS. FORBUSH

39-A

The Secretary gave this to Professor Chamberlain to read. I'm sending it back to you as I don't know who else would get it in ordinary course.

Thanks.

B. Jenkins

✓

J. P. Chamberlain

From: ~~MR. FORBUSH~~

MEMORANDUM FOR THE SECRETARY.

Mail Report -- August 12, 1940.

For some weeks the mail has been very heavy, but entirely of a routine nature. Within the last two weeks there have been more comments on various statements in the press, and upon the Treasury relationship to Administration policies. The comments may be classified as follows:

- (1) Re Debts of European countries.
- (2) Re Destroyers for England.
- (3) Plane production and export.
- (4) General policy toward war, both for and against the Administration's tendencies.

On the whole, the balance is overwhelmingly for aid to England, but at the same time, there is a sharp note of criticism of England's lack of payment of her war debt, either in money or possessions on this side of the ocean. There are a scattered number of "hate" letters, pro-Nazi and pro-Hitler. Many of the letters that are in favor of aid to the Allies are sharply critical of the President and his advisers. There are also a number of thoughtful letters on taxation; many giving the experience of small firms during the past year, or at the time of the world war. There is less violent criticism of the Administration's tax policies, and more inclination to recognize that the Treasury is studying all aspects of the situation, and is really anxious to work out a program which will be fair to the small business and not strangle the large one. Some sample comments follow:

- (1) Re Debts of European countries.

"Devereux" - Missouri. Hates Secretary for endeavoring to steal French gold in this country. Asks how about British war debt? Feels that the American people will soon start on the Jews, who are responsible for military training and war bunk, and will eventually cause a revolution here.

E. H. Witte - Missouri. Encloses clipping from Kansas City Star, covering the possibility of taking debt payments out of French funds frozen in this country. Congratulates Secretary for handling the situation in businesslike manner.

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Mail Report.

August 12, 1940.

Edwin Borchard, Professor of Law, New Haven, Connecticut. Draws Secretary's attention to illegality and danger of taking private property to discharge a public debt. Refers to Camillus letters written by First Secretary of the Treasury when he considered the impropriety of any such suggestion. 20% of the property taken in 1917 and 1918 is still held, though much of it has long since ceased to be owned by German nationals. Trusts there is actually no intention of touching French or any other foreign-owned private property here as a means of liquidating a public debt owed by the Government.

Harry C. Trimble - Massachusetts. Keep fighting against release of French property in America to Germany; seize it for French debt to the United States.

Adolph Schwarz - Arizona. In view of French debt, suggests that the United States impound all French moneys, etc., in this country.

R. F. Clough - Iowa. Sees that impounded funds of France and other countries owing debts to the United States are to be held, a suggestion he made to the Secretary of State some weeks ago. Says no reason why our Government should not insure payment of debts of U. S. by holding and applying properties of such nations.

Heber Nations - Missouri. Believes seizure of French assets in this country will meet with unanimous approval. Universal feeling that since French Government has renounced National honor, there is no longer even the motive of charity for being sentimental over payment of an honorable debt. More favorable comment by Republicans and Democrats of proposal than about any public issue for a long time.

F. Besset - New York. French born but now citizen and real democrat. Those now in charge of French Government inept. New Ambassador is a spy and is sent to throw powder in eyes in Washington. England has to be helped. Let Pro-German isolationists starve so that they will turn against Hitler. Keep all funds, gold and security of France until she is free again.

William Bradstreet - Pennsylvania. Suggests seizing every dollar of foreign debt. States that if money had been spent at home, we would not have a depression. H.C.L.C. took home when he owed Government a few hundred dollars.

Winfield Jones - Georgia. Heartily endorses plan to impound French money in this country. All money belonging to the countries that Hitler has grabbed should be impounded and distributed to the American holders of securities of those countries. She claims holdings of 2,000,000 kroner of City of Vienna housing bonds and City of Vienna waterworks bonds. The Administration could do nothing better for the American investor than to distribute all money that Hitler otherwise may use against the United States.

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Mail Report.

August 12, 1940.

Robert J. Caldwell - New York. Hopes to see a denial from the Secretary as to the statement attributed to him in the New York Times that, "United States may use funds of France on debt". To strike France when she is down and take advantage of her helplessness would be utterly despicable. Declines to believe that the Secretary has any intention of using these funds, but if he has, feels that we can do very well without him as the Secretary of the Treasury.

E. Blumenstein - Pennsylvania. Encloses clipping indicating that the United States was considering taking World War debt payments out of frozen French funds in this country. Feels that we should not cater to England, but should take over Canada in payment of England's war debt, and for self-protection.

(2) Re Destroyers for England.

Elbert A. Harvey - Massachusetts. Encloses mimeographed letter to Washington officials setting forth Great Britain's urgent need for destroyers, before it is too late. Feels that entire energy of the nation should be thrown into the defense program without too much concern on the part of the Administration in limiting profits to business and the hours of labor. Urges shipment of war supplies to Japan be stopped and red tape in connection with defense program be cut.

J. H. Ainsworth - California. Urges that a way be found to send 60 destroyers, 20 torpedo boats and 1,000 planes to England as soon as possible. It is his understanding that a Bill was signed for the release of this material, but was later cancelled. Claims that this will be our only chance of keeping the war across the ocean. He feels by rendering all assistance possible to England, we can then take our Defense Program leisurely. States that this war is not for political power, nor for world markets, but the uprooting of civilization. The object of Germany is to enslave the human race, and that involves the United States as well as England.

Mrs. R. K. Garnett - Florida. Suggests that the United States give Great Britain the destroyers and equipment necessary in order to defend the British Isles.

(3) Re Plane production and export.

A Citizen of the Good Ole United States - California. Urges shipment of planes to England at once.

Thomas P. Gibbons - New York. Against the sale of planes to Britain, in view of British debt to U. S.; will bolt the party at election, and will use influence to have others do likewise.

Mail Report.

August 12, 1940.

R. W. Meininger - Pennsylvania. By what authority is Britain promised 3,000 planes a day? American Jews back of our present troubles. Will not leave to fight on foreign soil. Against compulsory military training.

Walter Leavy - New York. Asserts that announcement that British, who couldn't pay debts, are about to purchase air planes is bad news for America; Secretary Morgenthau and rest of war mongering banking clique, including "War Lord Roosevelt" should be put in first plane and dropped.

Cameron Clark - New York. Urges that red tape be cut in connection with the production of planes. Suggests that Secretary Morgenthau resign if he cannot do the job.

Francis S. Marden - Massachusetts. Feels that "our Government as now conducted is absolutely crazy, and criminal in this time of danger" - urges that red tape be cut and airplane manufacturers be allowed to produce planes without all talk of limiting profits; also excess-profits taxes.

Charles T. Richardson - Vermont. Has read that although contracts for new airplanes are ready, they have not been signed, due in a large part to the White House and Treasury's determined insistence upon tying tax amortization with the general question of the taxation of war profits, causing delay in getting through Congress this tax amendment upon which there is general agreement, but passage of which is necessary before industry can start production. Cannot understand playing politics on so vital a matter. Asks how the Administration can profess to be wholly for defense when Department of Justice is preparing to disorganize oil industry by one of its biggest trust-busting suits. "This kind of politics was largely responsible for France's ruin".

- (4) General policy toward war, both for and against the Administration's tendencies.

Pierre Jay - New York. Cudahay's interview may be an ill wind that blows some good. Opposed to feeding continental peoples this winter as the British blockade is our blockade to stop Hitler from coming over here. Duty of Germany to feed its own conquered populations.

Maud C. Jennings - California. Urges the Secretary to use the power and authority vested in him to see that rights and privileges guaranteed the American people under this form of Government are granted to all constructive individuals and groups.

Robert B. Luchars - New York. Urges immediate elimination of every hindrance to maximum speed in our national defense program.

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Mail Report.

August 12, 1940.

Walter Campbell - Massachusetts. Protests the U. S. fighting the war with England, and links the Secretary with the "ruling class of England".

Miss Juliet Lowell - Washington. Congratulates the Secretary, and other members of the Administration, on splendid work accomplished, but protests the Red Cross sending money abroad to feed "enslaved populations and give them strength to defeat the democracies who are feeding them". Use this money to bring non-combatant population of England over here, or save Red Cross funds until such time as we can spend them without direct aid to Nazis.

Mrs. Louise N. Wheelwright - North Carolina. (Copy of letter to "Committee for Aid to Allies") Mrs. Wheelwright asks that the names of her two children be eliminated from the "Aid to the Allies" petition which they signed in the Trans-Lux Theater in Philadelphia in June; first, because she does not think it right to make use of uninformed children in such a petition, and second, she is not in favor of this Government giving aid to England "in her war declared upon the German nation without cause".

Thomas James Wilson - Louisiana. "All true Americans should go to help of England."

S. M. and R. B. K. Cowles - Massachusetts. Urges the Secretary to use power to stop shipment of war essentials to Japan.

Cora E. Taylor - Illinois. Vigorously protests giving 50 million dollars for relief of refugees when this money could be used to relieve conditions in our own country. Says money will get into Jewish hands which will suit Secretary. Feels that Hitler will take care of Secretary in due time.

White House Mail

It is not possible now to keep an accurate count either of the number of letters referred from the White House, or their subject matter. However, during the month of July the number of such letters clearing through this division exceeded those received last year. We received 405, of which 148 were rerouted and 250 acknowledged. Last year, 374 came in in all. So far, 1940 has been considerably heavier than 1939, both in Treasury mail and that referred from the White House.

.....

G. G. Towhush

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(Copy of letter received from Mr. Stopford of the British Embassy by Mr. Cochran in the Treasury at 10:15 a.m., August 13, 1940.)

BRITISH EMBASSY,
WASHINGTON, D. C.

12 August, 1940

Secret

My dear Mr. Cochran,

You will recall the case of the proposed transfer to the Swiss I.G. Chemie of \$650,000 shares in the American I.G. Chemical Corporation (now comprised in the General Aniline and Film Corporation). These shares were believed to be held by the Bank of the Manhattan Company for an unnamed Dutch corporation and were accordingly frozen. Mr. Pinsent had information that the Swiss shareholders in the I. G. Chemie had now been bought out by the German I.G. Farben, but he is still awaiting definite confirmation of this.

In the meantime the enclosed extract from a telegram which I have received from London gives a summary of the information in their possession. You will recall that I mentioned to you the other day the Sturzenegger Bank at Basle as having taken over most of the business of Greutert & Compagnie. I will let you know as soon as we have any further information.

Yours sincerely,

(Signed) Robert J. Stopford

Mr. H. Merle Cochran,
United States Treasury Department,
Washington, D. C.

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Extract from telegram from Ministry of Economic Warfare
dated August 9, 1940.

"The unnamed corporation is L. D. VESKERING and Co., of 40 Wall Street, New York, who according to evidence from a secret and reliable source, were nominees of N.V. MIJ VOOR INDUSTRIE en HANDELS BELANGEN of Amsterdam.

I cannot prove that I. G. CHEMIE of Basle is formally controlled by I. G. FARBEN, but the latter guaranteed dividend of Swiss Co., and a participation in their own profits. They have in addition a preferential right to acquire major interest in the Company. I have not heard that this has been exercised.

On June 10 General Aniline said they were going to apply for license to have the Dutch holdings transferred. On June 14th HASTURBANK (STURZENEGGER) said that they bought the shares from N.V. MIJ VOOR INDUSTRIE EN HANDELS BELANGEN of Amsterdam on September 28th, 1939. This firm is as you are no doubt aware also closely associated with I. G. FARBEN and its sole business consisted of repacking and relabelling I. G. FARBEN'S products.

Above is as you will appreciate merely a summary of the information at our disposal, but I am convinced that both the Dutch and Swiss companies are controlled by I. G. FARBEN, and that the shares in question were held on behalf of Dutch Company with the pre-arranged option of a switch to Swiss Co. whenever it might pay to do this. Such a switch was of course necessary after the invasion of Holland, and the blocking of Dutch assets by United States Government."

dm

(Initialed) R.J.S.

G-2/2657-220

RESTRICTED

No. 167

SITUATION REPORTM.I.D., W.D.
August 12, 1940.
12:00 M.

This military situation report is issued by the Military Intelligence Division, General Staff. In view of the occasional inclusion of political information and of opinion it is classified as Restricted.

I. Western Theater of War.

1. No ground operations.
2. Air Force Operations.

Normal harassing operations were conducted on the 9th and 10th.

On the 11th large-scale German daylight raids were conducted against shipping in the Thames estuary and against Portland and Dover. A strong British pursuit reaction ensued. There is no reliable information as to damage inflicted and losses incurred.

According to press reports the large-scale German air raids are continuing today with center of gravity around Portsmouth.

The following may be considered as a possible German strategic objective in their activity over the Channel: To capitalize on the disadvantages imposed on the British by the restriction of the latter to an area defense; concretely, to force a concentration of the British fighter command in southern England with the possibilities of (a), setting up the fighter command for a knockout, or (b), opening up northern targets (e.g., Edinburgh, Glasgow, Newcastle, Liverpool) to massed air attacks.

II. Mediterranean Theater of War.

1. No ground operations reported.
2. There has been a fair amount of air activity. The Royal Air Force claims a successful bombing of Tobruk on the 9th. On the 10th the Italians claimed destruction of 15 planes in an attack on the airdrome at Erkowit in the Sudan.

III. East African Theater of War.

The Italian advance in British Somaliland has reached

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Karrin Pass, 60 miles inland from the chief port of Berbera. The British landed a limited number of infantry reinforcements at Berbera on the 9th. The Italians bombed the port during the landing.

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M.I.D., W.D.
Special Bulletin No. 9.
August 12, 1940.

THE GERMAN ATTEMPT TO CAPTURE THE HAGUE
BY THE 22d GERMAN DIVISION (AIR INFANTRY)

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Division Revealing the German
Plans to Capture the Hague by
Parachute Troops and Air Infantry.

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I. Introduction. (See sketch map, Page 7.)

This bulletin contains a number of German military documents captured by the Dutch army at The Hague and dealing with the German attempt (on May 10th) to capture that city by means of parachute troops and air infantry. These documents have been so arranged and edited as to seek to give to the military student a general picture of the type of preparation which the German high command felt to be necessary for an air invasion.

These documents were captured by the Dutch army in two airplanes which were shot down at dawn May 10 in the environs of The Hague. Part of these belonged to the combat file of the 2d Battalion of the 65th German Infantry, a unit of the 22d Division (Air Infantry). The rest belonged to the Intelligence file of Division Headquarters. Both of these files are now in the possession of the War Department; however, only a selection of these papers are deemed of sufficient interest and value to warrant publication in this bulletin.

Captured files are scarcely ever full enough to permit a complete reconstruction of a military operation. Some key orders are certain to be missing, and these missing ones are as apt as not to be vital to the story of the campaign as a whole. This is the case in this instance. Nowhere in this file is there a trace of the operations order of the 22d Division, and without this order, neither the orders of minor units of the division nor the annexes to the division operations orders permit a more than fragmentary picture of the attack of the 22d Division against The Hague. Nevertheless, these documents tell us much, particularly covering the detailed preparations which were thought necessary to prepare such an attack. Much, however, remains to be learned, and many questions which the reader will undoubtedly wish to have answered will have to be left to history to clear up.

There is much evidence to suggest that the 22d Division, when its advance guard met heavy resistance at The Hague, desisted about noon May 10 from its attempt to capture the city, and diverted its still untransported elements to Rotterdam, where the first wave of parachute troops had obtained the success which had been denied them at The Hague. We know, in fact, that the commander of the 22d Division, Count Sponeck, was decorated for valor during the action at Rotterdam, an area which seemingly precluded him from having been at The Hague. Yet, in these documents, there is no word suggesting that the 22d Division ever intended to operate in any area other than The Hague.

The German attempt to capture The Hague was actually begun at dawn May 10 but failed promptly and completely. The American attache in the Netherlands was in The Hague on May 10. From dawn on, he reports having heard heavy firing in the suburbs and that toward noon, German patrols actually fought their way into the

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outskirts of the city. During the day of the 10th and the morning of the 11th, some 1500 German troops which had landed from the air, were rounded up and forced to surrender. In addition, the German landing force suffered heavy but unknown losses in killed and wounded.

Nevertheless, the German failure at The Hague assisted the successful execution of their general operation against the Netherlands. This is definitely the view of our Military Attache in The Hague, and it is supported by other evidence from German sources. Therefore, to understand the German reasons for undertaking this highly risky coup de main against The Hague, it is necessary to examine the strategy of the German high command in the Netherlands operation and particularly to be clear as to how these landings of parachute troops and air infantry in the heart of the Netherlands fitted into their larger scheme of maneuver.

The German plan for the occupation of the Netherlands was but one minor phase of a major offensive which aimed at the destruction of the Allied armies in the west. The Netherlands was but a minor objective in the strategy of the campaign. Few troops could be spared by Germany for this sideshow, so necessary was it for her high command to keep great masses of troops intact for the attacks at Liege and in the Ardennes. Speed also was essential if the Allies were to be prevented from moving north from Antwerp and uniting their armies with that of the Netherlands.

A German frontal attack on Holland between the Zuider Zee and the Maas River appeared on its face as a military operation of the utmost difficulty. The Dutch on this area possessed a line of fortifications which had been rendered doubly strong by a belt of inundations in front of the forts along the entire front. In places this water area was as much as ten miles wide. The Dutch fortified lines were much less strong along their southern frontier facing Belgium. There, however, Holland was protected by a series of rivers flowing from east to west and forming the Rhine and Meuse delta. These delta rivers were crossed by a series of gigantic bridges, which formed the only communication links between Holland and Belgium. Among these was the mile-long bridge at Moerdijk, the longest in Europe. If these bridges should be destroyed by the Dutch, an attack on Holland from the south would prove almost as difficult as one across the inundated area further north.

The Dutch army comprised 14 divisions at the outbreak of the war. It would seem that about 400,000 men were mobilised in all. This army was mediocre in quality. Training was sufficient to permit a position defense, but offensive spirit and skill were lacking. There was no Dutch air force worthy of the name, and the antiaircraft artillery was very limited in number; hence, German air superiority was overwhelming. The Dutch chances to defend their country rested on their ability to hold their fortified lines facing Germany and Belgium.

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The German plan of campaign against the Netherlands envisaged a back door attack on the fortress of Holland from the south, i.e., from the direction of Belgium. Only holding attacks were to be launched against the inundated areas north of the Waal and Maas rivers, i.e., from the direction of Germany. In these holding attacks, only three infantry divisions in all were employed to hold the mass of the Dutch army in their fortifications. The main German attack was to be made south of the delta from Cleves in the Rhineland through the weak Dutch line of forts east of Kersogenbusch known as the "Peel" position, thence northwestward toward Rotterdam. The quick success of this blow depended on Germany getting possession intact of the bridges across the Maas and Waal rivers. If these could be secured, the German army would have outflanked the Dutch defenses and forced its way through the back door into the fortress of Holland. This latter phrase is used to describe the area of the inner Netherlands, between Amsterdam and The Hague, which was surrounded by water areas on all sides.

The German high command seems not to have doubted that it could break quickly the "Peel" position and reach the southern bank of the Maas river. How to seize the bridges and prevent the Dutch from destroying them was the major military problem facing the high command.

To accomplish this purpose, Germany decided to employ parachute troops and air infantry on a scale never before attempted in war. The terrain in the delta region was flat in general, and there were numerous areas suitable for emergency air fields. The Rotterdam airport of Maalhaven also lay south of the city on an island between the Waal and Maas rivers. If this airport and the emergency fields selected by the German espionage service in peace could be seized by parachutists at dawn of the opening day of operations, there was a good chance that the bridges could be secured intact through a surprise attack, and that then sufficient air infantry could be landed from airplanes to defend them until the main German force could cut through the "Peel" position and bring them the reinforcements necessary to reduce the fortress of Holland.

This plan was executed perfectly. The air fields and bridges were seized by 8:00 A.M. May 10. During the next two days, between 10,000 and 12,000 German troops were landed in the delta. Feeble Dutch attempts to recapture the bridges were repulsed, and toward dusk on May 13, a German "Panzer" division, having broken the "Peel" position, gained contact at the southern end of the Voerdijk bridge with the isolated parachutists and air infantry in the delta. Next afternoon Rotterdam surrendered to this force after a devastating air attack by German dive bombers. The rear door into the fortress of Holland had thus been forced open after a four day military operation of a type hitherto unknown in military history. The Dutch army at once

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drew the consequences from their untenable military situation, and to avoid the further destruction of their cities, surrendered unconditionally.

The documents contained in this bulletin do not bear on the decisive operations in the delta region south of Rotterdam. They tell the story of the parallel German air infantry effort further north. If The Hague enterprise had been successful, Holland would probably have surrendered a day earlier. The German failure at The Hague, however, did not prejudice their strategical success in the Netherlands. In fact, it acted as a major diversion and during the 10th and 11th, prevented the Dutch army from acting offensively against the decisive air landings south of Rotterdam. Thus, though the Hague attack was a tactical failure, it contributed to the strategical victory.

To the military student, the details of the German preparations for The Hague enterprise are even more important than a knowledge of the historical events of what occurred. The same type of preparations were undoubtedly made for Rotterdam as for The Hague. In one case, these preparations brought success; in the other, failure. Such is the fortune of war.

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Document No. 1.

Order of Battle of the 22d German Division

NOTE: This document was found in the divisional intelligence file. It is dated March 2, 1940, over two months before the actual attempt to capture The Hague. There is much evidence in other documents to suggest that the organization of the division was changed, at least in some details, between March 2 and May 10.

The 22d Infantry Division had been originally one of the normal line infantry divisions of the German army. It had apparently been reorganized as an air infantry division in the course of the winter of 1939 and 1940, and its strength reduced from approximately 15,000 to 6,680 men. The armament had also been reduced in proportion. One complete Infantry Regiment of the normal three had also been eliminated. This reorganized division contained no transportation vehicles, as such vehicles could not be transported by air. As will later be seen in other documents, it was planned to requisition all necessary transportation as soon as the landing at The Hague had been effected.

The 22d Division was a unit of the German army and not of the air force. It operated in the Netherlands as part of the Eighteenth Army of Gen. von Kuechler and was in no way under the "Air Force" command. The division contained no parachute troops. These latter belonged to the air force. However, six companies of parachute troops were attached to the 22d Division for The Hague attack. These units then passed with their attachment under army command. It is of importance to note the German differentiation between parachute troops and air infantry divisions. The former belonged to the air force, the latter to the army. The air infantry divisions, however, possessed a "type" and not the normal organization and equipment. This "type" organization rendered them of limited value in normal land operations.

SECRET
(3rd Edition)

1 A 99/40
March 2, 1940

Order of Battle

22d Infantry Division

Division headquarters

One motorcycle section (attached)

Two Antiaircraft Machine Gun Companies, each equipped with four 20 mm. Antiaircraft Machine Guns.

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One Antitank Battalion, consisting of
Two Antitank Companies, each with six 37mm.
Antitank Guns.

One Reconnaissance Battalion, consisting of
One bicycle company
One motorcycle section
One heavy machine gun section (2 guns)

The 65th Infantry, consisting of
Staff
Signal Platoon
Bicycle Platoon
3 Battalions
 each battalion organized into 3 rifle
 and 1 machine gun companies and a
 medium mortar section.
One antitank company (4 guns)
One Infantry Howitzer Company (4 - 75 mm.
 Infantry Howitzers)
A light ammunition column. (no vehicles).

The 47th Infantry (similar organization to that of
65th Infantry.)

22d Artillery, consisting of
Headquarters
Signal Platoon
Three Battalions, each with a headquarters and
 two batteries of 75 mm. Mountain Howitzers.
A Signal Company (Radio)
A Pioneer Company
A Medical Company
Three Supply Platoons.

Strength of Division

241 Officers
1,105 Non-commissioned Officers
~~2,334~~ Men
6,680 Total

Armament of Division

4,371 Carbines
375 Machine Pistols
112 Antitank Rifles
54 Light Mortars (50 mm.)
36 Medium Mortars (81 mm.)

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Armament of Division (continued)

8 75mm. Infantry Howitzers
16 20mm. Antiaircraft Machine Guns
175 Light Machine Guns
60 Heavy Machine Guns
30 37mm. Antitank Guns
24 75mm. Mountain Howitzers.

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Document No. 2.

Map of the Environs of The Hague

NOTE: The attached map found in the file of the 2d Battalion 65th Infantry shows roughly the location of three landing fields utilized by the 22d Division (Air Infantry) in their attempt to capture The Hague. Field I was a small emergency airfield of the Dutch air force, Field II was a minor airport of limited capacity, Field III was a football field.

The black line encloses an area in which the German air force was forbidden to bomb after a certain hour. The hour in question is not shown on the map, nor is it mentioned in any of the documents found in the files.

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Document No. 3.

Air March Table of the 22d Division (Air Infantry).

NOTE: The following document is an annex to the Operations Order of the 22d Division. It was found in the files of the Division Intelligence Officer. The Operations Order itself was not in the file.

The German form for this sort of movement table follows rather closely the form used by the American army for troop movements by motor. The differences between the German form and the similar American one arises almost entirely from the different type of movement employed by the Germans.

The exact meaning of the heading in Column III is not entirely clear, certain unknown German abbreviations (Kg. Z.B.V.) having been used. The probable meaning appears to be "Air Transport Headquarters."

The German abbreviation "x" used in the Columns "Starting Time" corresponds to our "H." as used to express "H" hour.

It should be noted that the parachute troops attached to the division are transported wholly as Serial 1. These parachute troops had been given the mission of seizing the landing fields and securing the safe landing of later serial numbers.

The list of "Troops to be loaded" in Column 5 does not correspond exactly with the composition of the 22d Division as given in Document No. 1. It is known that the "Air March Table" is the later of the two documents and more nearly corresponds to the organization in force on May 10, 1940. A total of 224 transport planes were used for the movement of the division. Some of the planes were used four times.

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April 12, 1940.

Annex to Operations Order, 22d Division, Section 1A, General Staff 176/40.

TABLE OF AIR MOVEMENTS
(Loading and March Tables)

Ser. No.	Air Transport Unit	Air Transport HQ.	Departure Airport	Troops to be loaded	No. of Air-planes Available	No. of Air-planes Required	Start-ing Time	Land-ing Time	Land-ing Field	Commander of Serial No.
M DAY 1st WAVE										
1A	IV Group Special Wing #1	1	LODDENHEIDE	1st Bn. Parachute Rifle Reg. #2	53	53	x-21	x+53	III	CO 1st Bn. Parachute Rifle Reg. #2
1B	I Group Special Wing #172 4th Squadron	2	PADERBORN	6th Co. Parachute Rifle Reg. #2	12	12	x-45	x+55	I+II	CO 6th Co. Parachute Rifle Reg. #2
2	Special Air Wing #11	2	LIPPSTADT	HQ 47th Inf. & Sig. Plat. HQ III Bn. 47th Inf. & Rec. Plat. 47th Inf., 9th, 10th, & 12th Co., 47th Inf.	53	53	x-05	x+85	I	CO 47th Infantry
3	Special Air Wing #12	2	STORMEDE	HQ 65th Inf. & Sig. Plat. 6th & 8th Co., 65th Inf. HQ II Bn. 65th Inf. & 5th Co.	53	53	x-07	x+85	III II	CO 65th Inf. CO II Bn. 65th Inf.
4	Special Air Wing #9	2	LIPPSPRINGE	Div. HQ, Motorcycle Troop HQ 22d Sig. Bn., 2d Co. 22d Sig. Bn., 13th Co. 47th Inf., Rec. Plat. 65th Inf., 1st Plat. 3rd Co. 22d Pioneer Bn. CO Bicycle Squadron & 1st & 2d Plat.	53	53	x+33	x+130	III II	CO 22d Sig. Bn. CO Bicycle Squadron

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Ser. No.	Air Transport Unit	Air Transport HQ.	Departure Airport	Troops to be loaded	No. of Air-planes Available	No. of Air-planes Required	Starting Time	Landing Time	Landing Field	Commander of Serial No.
M DAY 2d WAVE										
5	IV Group Special Wing #1	1	LODDENHEIDE	HQ I Bn., 65th Inf. with 1st 2d & 3d Co. Wire Troop, Sig. Bn. #22 7th Co., Inf. Reg. #65	53	52	x+257	2+333	III	CO I Bn. 65th Inf. CO 7th Co. 65th Inf.
6	I Group Special Wing #1 - less 1st Squadron	1	WEHL	HQ II Bn. 47th Inf. with 5th 6th & 7th Co.	41	39	x+248	x+330	I	CO II Bn. 47th Inf.
7	Special Wing #11	2	LIPPSTADT	2d Co. AA Bn. #31 HQ Rec. Bn. #22 III & IV Plat. Bicycle Squad. HQ Pioneer Bn. #22 3rd Co. Pioneer Bn. #22 (less one platoon)	53	53	x+325	x+415	I	CO Rec. Bn. #22.
8	Special Wing #12	2	STORMEDE	HQ Art. Reg. #22 2d Co. AA Bn. #52 4th Co. Inf. Reg. #65	53	51	x+342	x+434	II III	CO Art. Reg. #22 CO 2d Co. AA Bn. #52.
9	Special Wing #9	2	LIPPSRINGE	HQ II Bn. Art. Reg. #22 5th & 6th Batt. Art. Reg. #22 13th Co. Inf. Reg. #65	53	52	x+437	x+534	III II	CO II Bn. Art. Reg. #22 CO 13th Co. Inf. Reg. #65
M DAY 3d WAVE										
111	IV Group Special Wing #1	1	LODDENHEIDE	HQ I Bn. 47th Inf. with 1st, 2d, 3d, & 11th Co.	53	51	x+585	x+661	I	CO I Bn. 47th Inf.

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Ser. No.	Air Transport Unit	Air Transport HQ.	Departure Airport	Troops to be loaded	No. of Air-planes Available	No. of Air-planes Required	Start-ing Time	Land-ing Time	Land-ing Field	Commander o of Serial No.
M DAY 3d WAVE (Continued)										
11	Special Wing #11	2	LIPPSTADT	HQ III Bn. Art. Reg. #22 7th & 9th Batt. Art. Reg. #22 2d Plat. Supply Co.	53	52	x+685	x+773	III II	CO III Bn. 22d Art. CO 2d Plat. Supply Co.
12	Special Wing #12	2	STORMEDE	8th Co., Inf. Reg. #47 CO & 3d Plat. Supply Co. 10th Co., 22d Medical Bn. (one Plat.)	53	49	x+706	x+800	I III	CO 8th Co. 47th Inf. CO Supply Co.
12A	Special Wing #9	2	LIPPSRINGE	5th Co. AA Bn. #263	12	12	x+900	x+997	III	CO 5th Co. AA Bn. #263
M + 1 DAY 1st WAVE										
13	Special Wing #9	2	LIPPSRINGE	14th Co., 47th Inf. 14th Co., 65th Inf. HQ & 2d Co., A.T. Bn. #22	53 (TsW)	45	x-27	x+75	I III	CO 14th Co. Inf. Reg. #47 CO A.T. Bn. #22
14	Special Wing #12	2	STORMEDE	HQ I Bn., Art. Reg. #22 with 2d & 3d Batt. Ammunition Column, 47th Inf.	38 (T) 15 (TsW)	52	x-23	x+73	I	CO I Bn. Art. Reg. #22
15	Special Wing #11	2	LIPPSTADT	4th Co., 47th Inf. 4th Plat., Div. Supply Co.	38 (T) 15 (TsW)	35	x+69	x+165	I III	CO 4th Co. Inf. Reg. #47 CO 4th Plat. Div. Sup. Co.
16	IV Group Special Wing #1	1	LODDENHEIDE	HQ III Bn., 65th Inf. with 9th, 10th, & 11th Cos.	53	39	x+92	x+165	III	CO III Bn. Inf. Reg. #65

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Ser. No.	Air Transport Unit	Air Transport HQ.	Departure Airport	Troops to be loaded	No. of Air-planes Available	No. of Air-planes Required	Starting Time	Landing Time	Landing Field	Commander of Serial No.
M - 1 DAY 2d WAVE										
17	Special Wing #12	2	STORMEDE	HQ I Bn. Art. Reg. #2 Ammunition Column, Inf. Reg. #65 2/3 of Bicycle Squadron	38 (T) 15 (TsW)	50	x+360	x+473	III	CO I Bn. Art. Reg. #22
18	Special Wing #9	2	LIPSPRINGE	3rd Co., A.I. Bn. #22 12th Co., Inf. Reg. #65 2d Co., Medical Bn. #22	53 (TsW)	49	x+390	x+492	III II	CO 12th Co. Inf. Reg. #65 CO 2d Co. Med. Bn. #22
19	Special Wing #11	2	LIPPSTADT	8th Battery, Art. Reg. #22 1/3 of Bicycle Squadron	38 (T) 15 (TsW)	26	x+471	x+567	III	CO 8th Batt. Art. Reg. #22
20	Special Wing #12	2	STORMEDE	Reserved for detachments left behind.	12-15 Night Flight	-	x+776	x+872	I, II, III.	
21	Special Wing #11	2	LIPPSTADT	Reserved for detachments left behind	12-15 Night Flight	-	x+873	x+970	I, II, III.	

NOTE: The meanings of the abbreviations (T) and (TsW) in column headed "Number of Airplanes Available" are not known.

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Document No. 4.

Air March Table, 22d Division

NOTE: This table was found in the files of the Intelligence Officer of the 22d Division. It corresponds in content to Document 3, but the form used is quite different. In view of the unusual arrangement of the serial numbers, it has been reproduced untranslated in its original colors.

The right hand portion of the table shows the organization of the 22d Division. The German symbols are used. Different colors are used for the different units.

The left hand portion of the table shows the serial numbers of the Air March Table, as also given in Document 3. Symbols, however, are used to designate the troops to be transported. The same colors are used for the units in the left hand portion of the table as in the right hand portion; thus, the unit commander is able to pick out rapidly his serial number and grasp easily the whole arrangement of the air movement.

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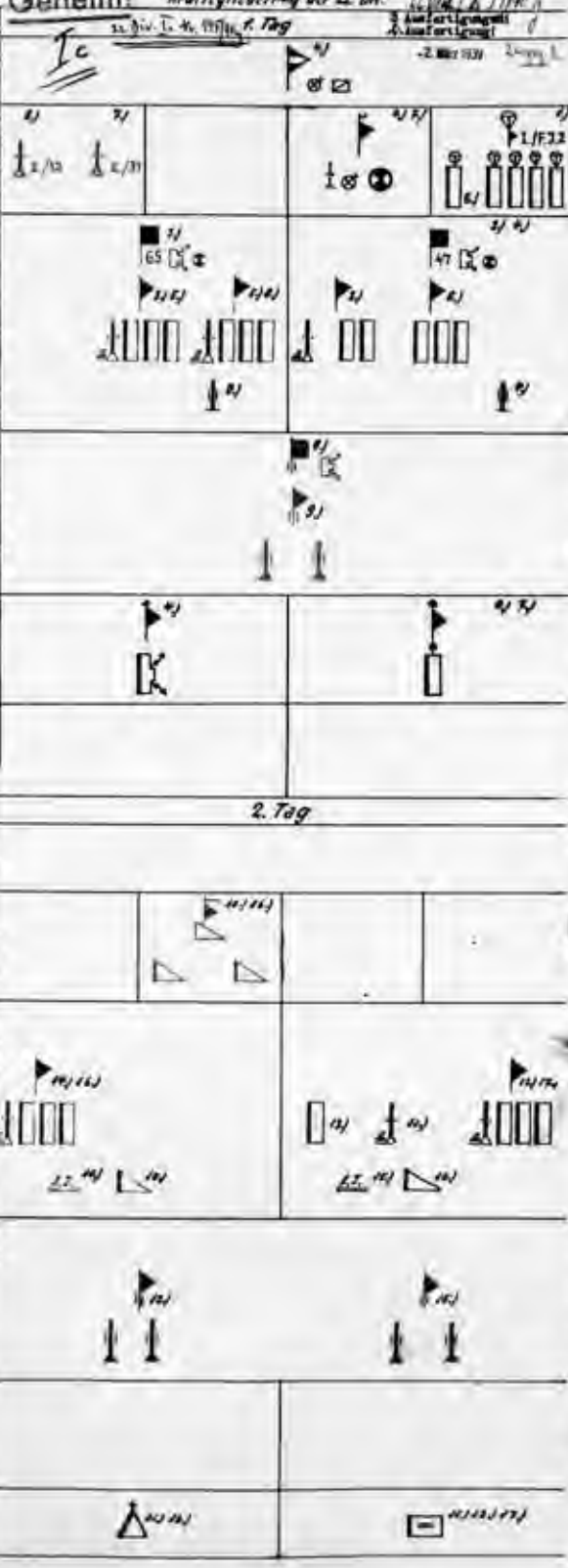
Manchfolge

Geheim!

Kräftegliederung der 22. Div.

12. Div. 7. 99. 11. 12.

Nr.	Verband	Landsung	
		Platz	Zeit
1	0000 06/	E. III I	x + 83 x + 85
2	00/ 00	I	x + 1:35
3	00/ 00	E. III III	x + 1:35
4	00/ 00	II	x + 1:40
5	00/ 00	III	x + 5:30
6	00/ 00	I	x + 5:30
7	00/ 00	I	x + 6:55
8	00/ 00	II	x + 7:20
9	00/ 00	III	x + 8:40
10	00/ 00	III	x + 53
11	00/ 00	I	x + 55
12	00/ 00	II	x + 2:20
13	00/ 00	I	x + 2:25
14	00/ 00	II	x + 4:30
15	00/ 00	I	x + 7:10
16	00/ 00	II	x + 7:10
17	00/ 00	I	x + 9:00



Verstärkung
12. Div. 1. 4. 1914
1. Tag

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Document No. 5.

Operations Order of the 2d Battalion, 65th Infantry.

NOTE: The only combat order of any combat unit found in the files captured at The Hague is that of the 2d Battalion of the 65th Infantry. However, paragraph 2 of this order throws some light on the operations plans of the 22d Division as a whole.

The geographical locations mentioned in this order are shown on the attached pencil sketch, which appears to have been distributed to company commanders.

The mention of "German civilians" in Paragraph 6 refers to members of the Fifth Column. Elsewhere on the file were found identification cards made out in blank and signed by the division commander, which were to be given to agents of the Fifth Column, who reported to the troops at the landing field.

2d Battalion, 65th Infantry

In the field.
April 16, 1940.

Battalion Operations Order.

(3d Draft)

1. Enemy.

Information with regard to the enemy will be issued under separate cover.

2. The 22d Infantry Division with the 1st Battalion of the 2d Parachute Rifle regiment attached, surrounds and occupies the capital city of the Netherlands—The Hague. The division lands from the air on - - - - (date not given in orders; actually, on May 10, 1940) on the following fields:

with reinforced Infantry Regiment No. 47 on Field No. 1 (about 10 Km. north of The Hague)
with the reinforced 2d Battalion of Infantry Regiment No. 65 on Field No. 2. (Sport Field about 2 Km. south of The Hague)
with reinforced Infantry Regiment No. 65 (less 2d and 3d Battalion) on Field No. 3 (about 2 Km. southeast of The Hague)).

Our own air force attacks the hostile air fields, destroys air installations thereon and protects the landing of the division.

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3. The 2d Battalion of Infantry Regiment No. 65 (less the 6th and 8th Companies) reinforced by the 13th Company (Infantry Nowitzers) of the regiment and the 1st platoon of the 6th Company of Parachute Rifle Regiment No. 2 occupies and secures the landing field so that landings can be continued thereon until H+1 day. It also bars all roads leading from The Hague toward the southwest and halts all traffic in both directions. The battalion further reconnoiters constantly in the directions of the line: Monster-Poeldijk as well as the southwest edge of The Hague.

Together with other forces landed on A day, it prepares to attack (upon orders of the Division Commander) the government quarters of The Hague (from the southwest).

The 1st Platoon, 6th Company, Parachute Rifle Regiment No. 2 (1st Lieut. Gungelmann) jumps 32 minutes before the battalion is landed, seizes the landing field, and drives the enemy out of the sand dunes around Kijkduin.

4. In order to accomplish this mission, I order:

5th Company: One platoon occupies, as soon as it has landed, Loosduinen and bars all traffic in both directions on

- (1) the roads extending southeast from Poeldijk and Wateringen
- (2) as well as the northeastern exits of The Hague (Moutweg), and
- (3) Loosduinsche Street.

An elevated observation post is to be located and occupied (a churchtower, if possible). Permanent reconnaissance is to be carried on as far as Poeldijk, Wateringen, and the southeast edge of The Hague. (At the latter point, liaison is to be established with Infantry Regiment No. 65.)

One platoon bars the southeast exits of The Hague (van Nerdervoort Laan (4) and Shoorst Laan (5)) against traffic in both directions. It also occupies and secures Kijkduin (6) with particular attention to the sea front. An elevated observation post will be occupied. Permanent reconnaissance (two patrols) will be carried on through the sand dunes in a northerly direction, as far as the southwest edge of Schevningen, and in a southwesterly direction as far as Terheijden.

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One platoon remains at my disposal. Initially, this platoon takes over the anti-aircraft protection of the landing field. Later, it will probably be assigned the following missions:

- Requisitioning of transportation and bicycles for the 5th and 7th Companies and the battalion staff.
- Erection of a prisoner-of-war cage.
- Erection of a booty dump.
- Attack toward the harbor of Scheveningen.

Constant reconnaissance (a bicycle patrol) will be maintained along the road (Loosduinen - Terheiden - Monster) as far as those villages.

The company command post of the 5th Company, Infantry Regiment No. 65, in Loosduinen (road junction toward Poeldijk).

The 1st platoon, 6th Company, Parachute Rifle Regiment No. 2, withdraws its air field security detachments when these have become superfluous through relief by the 5th Company of Infantry Regiment No. 65. It then reinforces and widens the road blocks on the road Loosduinen-Monster toward the southwest.

The headquarters of the 2d Battalion, Infantry Regiment No. 65, erects a command post in the Meerdervoort Laan (probably some 300 meters northeast of Air Field No. 2). It also erects an observation post with a scissors telescope, and establishes radio communication with the division command post and the 5th Company.

The battalion Surgeon erects a first aid station.

The 7th Company, Infantry Regiment No. 65, and the 13th Company (Infantry Howitzers) of the same regiment. These units arrive by air four and seven hours, respectively, after the initial landing receive their missions upon arriving at Air Field No. 2.

5. The boundary between the battalion and reinforced Regiment No. 65 for the security of the air field, reconnaissance, and the enclosing of The Hague, will run as follows:

Kaalowijk (To Infantry Regiment No. 65)

Vitaafspolder (To 2d Battalion, Infantry Regiment No. 65) the middle of the southern edge of The Hague

6. A civilian representative is to be attached to every leader and assistant leader of the battalion, who will have to be explicitly instructed with regard to the situation and the mission of the battalion.

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Until the arrival of the Battalion Commander, 1st Lieut. Lingner of the 5th Company, Infantry Regiment No. 65, is designated as his representative.

7. Constant watchfulness against air and ground attacks will be maintained at all times. Captured enemy weapons will be utilized for antiaircraft protection. Men are to remain scattered. The landing field is to be kept free of personnel.

8. Trenches with armored covering are to be constructed at once, for outposts as well as reserves, to prevent casualties from hostile air bombs.

9. To block roads, any material which can be found should be used, inclusive of wagons, automobiles, and street cars. Draw bridges will be raised.

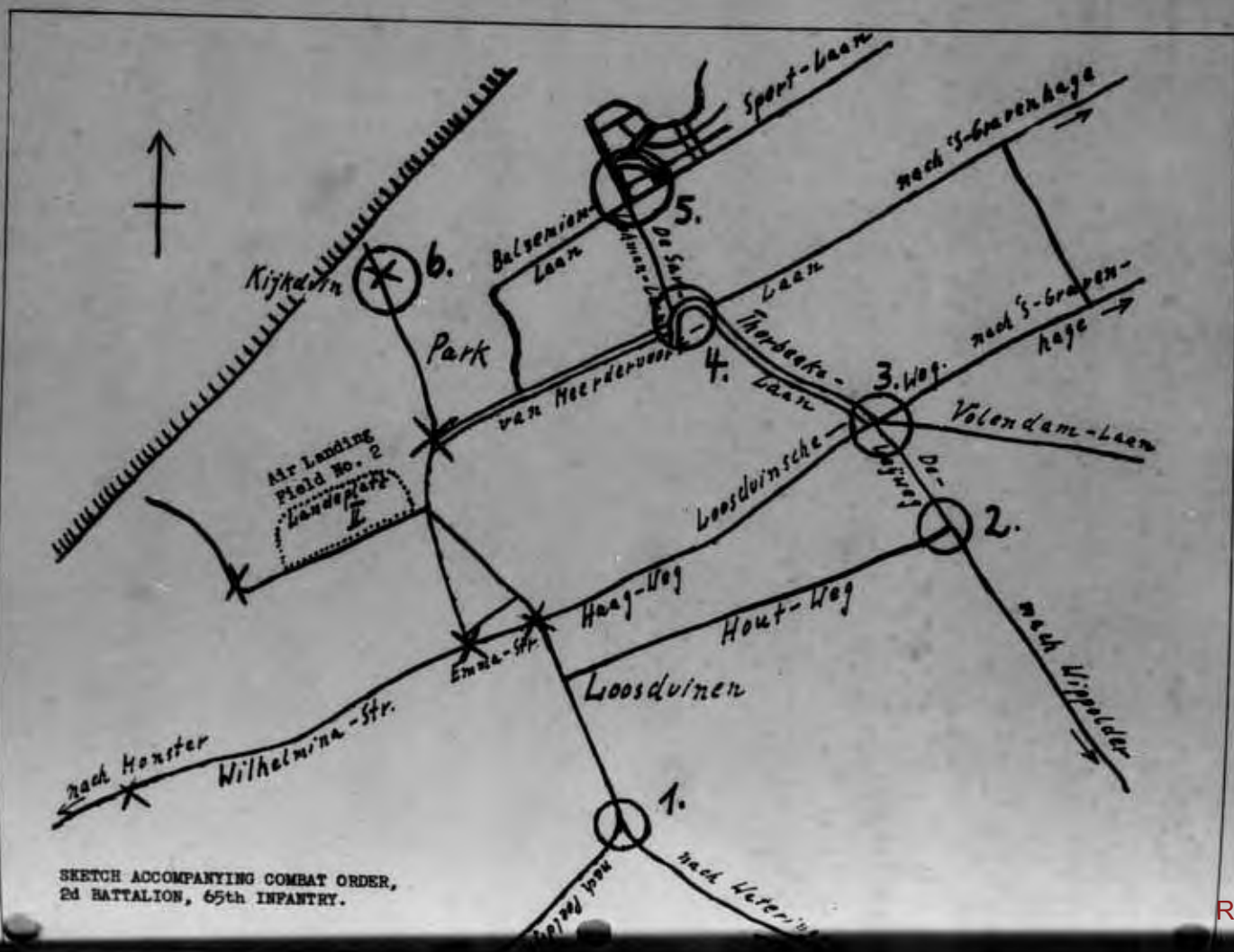
10. Short objective reports will be submitted at frequent intervals.

(Signature Illegible)
Major & Battalion Commander.

Distribution:

Commander, 2d Battalion
5th Company
7th Company
13th Company
6th Company, Parachute Rifle Regiment No. 2.

CONFIDENTIAL



SKETCH ACCOMPANYING COMBAT ORDER,
2d BATTALION, 65th INFANTRY.

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Document No. 6.

Notice Issued by the Battalion Commander, 2d Battalion,
65th Infantry to the Officers of the Battalion.

NOTE: The following notice appears to have been issued to the companies of the 2d Battalion, 65th Infantry, only a few days before May 10th.

There is mentioned in this note a "reserve emergency landing field" on the automobile parkway between The Hague and Rotterdam. According to the American Military Attache in The Hague, this parkway was actually used for landing troops when it was found impossible to land at certain of the previously designated air fields.

As in all these orders of the 2d Battalion, 65th Infantry, the strictest emphasis is placed on the maintenance of secrecy. Elsewhere in the battalion file were found certificates signed by various M.C.O.'s acknowledging that they had been informed of the Battalion orders for the expedition.

Notice to the Battalion

1. Platoon commanders are only to be informed of the operation upon direct order of the Battalion Commander. A written warning of the importance of secrecy is to be given the individual before being informed of the details of the operations.

Non-commissioned officers and privates are only to be informed as provided in Paragraph 1 of the Battalion Order.

2. All private letters and diaries are to be left behind with the battalion rear echelon.

3. Our slogan is "Ever fresh, and let's go." The first night should well be the most difficult time. During this night, men should be ever on their guard and sleep with their rifle on their arms.

4. In disarming enemy soldiers and officers, leave the sabers with them, but take their firearms. If they resist, disarm them completely.

5. Our main mission is to secure the landing field.
The bicycle patrol of the 5th Company, Infantry Regiment No. 65, must keep close watch toward the south.

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6. Rationing. The issue of requisitioning slips will be carried out by the Battalion. German currency may not be carried by the troops.

7. The unit will be prepared to detail men skilled to work in electrical plants or gas works, at the request of the parachute troops.

8. If possible, assistance should be given in reclaiming the parachutes. Do not tread on them! The parachutes and the ropes are to be rolled up separately.

9. Special information will be given later with respect to the field post.

10. As reserve emergency landing field, the automobile parkway is foreseen between The Hague and Rotterdam. Personnel landed here will seek to reach their initially designated landing field. If this proves impossible, they should seek instructions from division headquarters. The division Command Post is to the east of Yppenburg (700 meters northwest of Air Field No. 3).

11. The fee for billets is set at 1 Mark 35 pfennigs.

12. Route of Flight on H Day.

Cleves
Elst (7 Km. north of Nijmegen)
Buren
Mieuwport
Dergambacht (6 Km. west of Mieuwport)
area around The Hague.

13. "M" day and "H" will be made known to all units by special courier.

14. Companies are to be held close to barracks. No soldier can, from now on, leave his barracks without permission of battalion headquarters.

15. One officer in every unit will be constantly so located that he can be reached by telephone.

(Signature Undecipherable)
Major & Battalion Commander.

Distribution

5th, 7th, & 13th Companies.

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Document No. 7.

General Orders, 2d Battalion, 65th Infantry

NOTE: This order was issued on March 5, 1940, more than two months before the operation was executed. This time lapse permits an insight into the length of time required by the Germans to prepare the air invasion of the Netherlands.

Paragraphs 4 and 8 of the general order deal with the requisitioning of transportation for the division. Nowhere in any of these documents is there the slightest evidence that any divisional transportation was carried into the Netherlands by airplane. Hence, there developed a necessity to seize transportation soon after landing, in order to secure the necessary mobility for the landed personnel, weapons, and ammunition. These requisitioning measures are of considerable interest, as the same problem is certain to arise in any air infantry operation.

Special attention is also directed to the elaborate measures for maintaining secrecy, taken by battalion headquarters.

2d Bn. 65th Inf.
(3d Edition)

In the Field.
March 5, 1940.

General Orders for the Operation

1. The troops (inclusive of Non-commissioned Officers) are to be informed only what they absolutely must know in connection with the execution of their mission; however, they are not to be told the area in which they will operate. This latter information, as well as the name of the field on which they are to land, may be given to the troops just prior to loading in the airplanes. In this connection, great care must be taken to keep this information from persons not participating in the operation (for example, personnel of the airport).

2. Those portions of units remaining behind at the departure airports report to the unit loading office. These men are to be kept together in a group at the airport and fed as a unit. They are to be kept separate from the other men so that they receive no opportunity to mention their mission and objective. It is particularly necessary to keep informing the troops as to the necessity for these measures of secrecy. The unit loading officer arranges for sending these men forward at a later date.

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3. If danger threatens on landing, all written documents, inclusive of maps, will be destroyed. No written document must be permitted to fall into the hands of the enemy. Complete instructions on this point must be given to all before departure.

All letters and diaries are to be left behind with the unit rear echelon. All commanders must take measures to convince themselves that this has been done.

4. Mobility. Every unit has to procure for itself as quickly as possible after landing sufficient motor cars to transport its entire personnel, as well as the necessary number of bicycles. (These should be secured, if possible, from large firms). The cars should at once be marked with German Swastika flags. If sufficient drivers are unavailable in the unit, civilian drivers may be impressed. Superfluous baggage, food, etc., of a unit may be placed on this auto and brought forward later on.

5. Civilian Traffic. All civilian traffic is to be prevented into and out of villages, as well as out of the operations area. Civilians who attempt to pass road blocks are to be arrested and transported to the battalion prisoner-of-war cages. Provided prisoners do not offer resistance, they are to be politely and considerately treated.

6. German civilians with special missions are operating in the operations area. They possess an identification card with photograph of the bearer. They are to be permitted to pass all road blocks, and every assistance should be given them by the troops. Complete instructions with regard to this matter must be given all units.

7. Food. The two days' rations taken with units must not be consumed until the landing has been effected. It then must suffice for the following two days. Special instructions will be issued later for the rationing from the third day on. The iron ration may be consumed only on the third day, and then only on orders of the Battalion Commander. As soon as the tactical situation permits, company kitchens will be erected in connection with civil restaurants.

8. Requisitions. Units receive requisition blanks from the battalion for requisitioning motor cars, bicycles, and food. (These are to be secured, if possible, through the civil authorities.) All officers and non-commissioned officers carrying out requisitions must be in possession of a special legitimatization card. All other soldiers are forbidden to requisition.

Soldiers are to be repeatedly instructed as to their attitude toward civilians and that plundering must not occur.

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9. Booty. Captured weapons, ammunition, and equipment must be assembled and delivered to the booty dump of the battalion. Large articles of equipment or piles of weapons should be kept under guard and reported to battalion headquarters.

10. Prisoners of War are to be assembled and delivered to the battalion cage. All documents are to be taken from prisoners and delivered to the non-commissioned officer in charge of the cage. Private property of the prisoners and family pictures are to be left in the prisoner's possession.

11. The "Proclamations to the Public" are to be posted in prominent positions.

12. The English air force has repeatedly dropped time-fuse bombs (6 to 8 hours). In case unexploded bombs are noticed, the utmost care should be taken, and the terrain roped off.

13. The civil population is to be handled politely, but there must be no fraternization. Civilians are to be kept well away from our weapons.

(Signature Illegible)
Major & Battalion Commander.

Distribution:

Battalion Commander
5th, 7th, 13th Companies
6th Company Parachute Rifle Regiment No. 2.

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CONFIDENTIALDocument No. 8.Air-Ground Panel Code of the 22d Division (Air Infantry)

NOTE: The following code was found in the file of the Intelligence Officer of the 22d Division. It probably was a local code for the Netherlands operation and was not in use along the entire western front. The limited number of prescribed panel signals in this code indicates the German view of a matter which is, at present, a subject of debate in our own army.

PANEL SIGNALS (AIR - ARMY)
(Invasion of the Netherlands.)

1. Signals for Air Assistance. (These may be laid out only upon orders of the commander of the ground forces.)

- | | |
|---|------------------------------------|
|  | Enemy is preparing to attack. |
|  | Enemy is attacking. |
|  | Our center is penetrated. |
|  | Enemy has penetrated to our left. |
|  | Enemy has penetrated to our right. |
|  | We are surrounded. |
|  | Ammunition is necessary. |
|  | Support is necessary. |
|  | Food is necessary. |
|  | Gasoline is necessary. |

Direction of the Enemy.


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2. Panel signals which may be laid out only at the request of our own airplanes:

↖ = Here is the Battalion Command Post.

+ Here is the spot to drop messages.

▽ No.

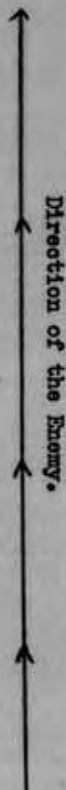
Y Not understood.

✓ Understood or Yes.

— — — We are holding this line.

N The enemy's attack has been repulsed.

↑ We are attacking.



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Document No. 9.

Regulations Concerning Behavior of German Troops
in Occupied Territory, Issued by the 22d Division.

NOTE: A very similar German document had reached the War Department, regulating the conduct of German troops in Norway. In the case of Norway, every German soldier carried these instructions on his person. During the preparations for the Netherlands invasion, soldiers appear to have been given orally the gist of the following document.

22d Division

Division Hq., March 14, 1940.

Regulations Concerning Behavior in Enemy Territory.

(SECRET)

While the Division is operating in a foreign country, the behavior of every officer, NCO, and man must be so exemplary that the honor of the field-gray uniform will remain as unblemished as it was in the World War.

Any one who violates this rule will be punished. Serious violations are punishable by death.

Cases which occurred during the Polish Campaign have made it expedient to summarize the most important provisions:

1. It is forbidden:

a. To take goods from stores, hotels and inns, without paying the usual commercial price in full or making out and giving requisition receipts (memorandum receipts). Such goods include food, alcohol, tobacco, and articles of daily use.

Violations of this provision will be punished as theft.

b. To purchase large quantities of goods which the soldier does not require for his immediate use.

Violation of this provision constitutes hoarding. It is unworthy of a soldier.

c. To take from private houses or lands objects of any kind which are not absolutely necessary for the prosecution of the war, without a written order from a superior whose disciplinary power is equal to that of a battalion commander.

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Violations of this provision constitute looting. Looting is punishable by death.

2. It is permitted:

To requisition food and fodder, motor vehicles, horses, bicycles, fuel, oil, etc., thru the use of force if necessary. An effort must always be made, however, to reach an amicable agreement.

This matter is governed by the following rules:

a. Goods may be requisitioned only by an officer, NCO, or private who has been expressly ordered to do so by a superior who has power to discipline him. An individual soldier may requisition without such an order only the amount of food that he absolutely needs, and then only in case he has lost contact with his unit.

b. When goods are requisitioned, a memorandum receipt must be given for them or else they must be adequately paid for (Receipts will be issued by the Division).

c. All payments will be effected, not in currency of the Reich, but in certificates issued by the Reich's Credit Office (Reichskreditkassenscheinen) or in foreign currency. Currency conversion tables will be issued to the troops at the proper time.

d. When motor vehicles, horses, etc., are involved, the owner's name must be noted if possible.

3. In order to secure supplies, the various units will designate an able officer or NCO, who must thoroughly familiarize himself with the "Service Instructions for Supply Officers" (Army Reg. Secret, 87) and the "Regulations concerning Supply during Operations" (Army Reg. 86, 1) before the troops are engaged.

3. If a building which has already been damaged or looted is occupied by a troop unit, the company or other commander should briefly discuss (with the owner) the condition of the building, so as to prevent subsequent trouble.

4. Offenses against discipline and order in the presence of the enemy will be punished severely and without mercy.

Every superior is obligated to take steps promptly and energetically to prevent the abuse of alcohol.

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5. Every member of the Division must be thoroughly informed concerning this Order and concerning Secret Army Regulations 2, Section 9, on "Behavior in War".

(signed) Count von Sponeck
Lieut. General.

Signature authenticated by Captain Sommer.

Distributing agencies: Units no larger than companies, etc.

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Document No. 10.

Instructions of the 22d Division as to the Handling
of "Fifth Columnists" by German Troops.

NOTE: There follows below an order of the 22d Division with regard to a number of general matters. Paragraph 4 of these "Instructions" deals with "Fifth Columnists" and furnishes the troops a sample identification card which is to be given to each "Fifth Columnist" to permit him to pass German military outposts. The enclosures mentioned in the document were not found.

SECRET MATTERS.

To the 22d Division
Battalion Ia, No. 150/40, secret, Hq.

Enclosure VII.

This Order will be "secret" from the hour of publication.

Special provisions relating to general measures in occupied enemy territory.

1. Imparting mobility.

In order to increase the mobility of the troops and their readiness to strike, all units must secure motor and animal-drawn vehicles in accordance with German regulations, as soon as possible after landing.

For details see the provisions of the orders relating to supply (Enclosure IX).

2. Civil traffic:

All traffic from places like Leyden, Delft, etc., and particularly all traffic bound for and coming from The Hague, must be kept out of the forbidden district by means of the prescribed street barricades.

Civilians who have been arrested will be temporarily detained, as there is danger that they will spread information. Consequently, each of the groups mentioned in Par. 6a of the "Operations" Order must establish a prison camp for civilians during the first two days.

For details, see the provisions of the Decree concerning supply (Enclosure IX).

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3. Treatment of prisoners:

See provisions of Decree concerning supply (Enclosure IX).

4. German civilians with special missions have been placed in The Hague. They have certificates like the sample given below. The troops are to give them any assistance requested.

IDENTITY CARD (Sample)

The has the right to pass thru the German lines in the execution of a special mission.

All troop units are requested to assist him in every way.

This certificate is valid only in connection with a personal identity certificate bearing his photograph.

(Service seal)

(Signature)

Distributing agencies: the same agencies which distribute orders for the employment of troops.

(signed) Graf Sponeck.

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Document No. 11.

Bulletin on Enemy Information Published
by the 22d Division.

NOTE: The following divisional memorandum is undated, but appears to have been published between April 25th and May 5th.

Paragraph 5 is of special interest, as it shows the psychological measures taken by the German high command to instill the German troops with a feeling of superiority over the Dutch enemy.

Secret Intelligence

To the 22d Division, etc.

Enclosure 1.

Memorandum Containing Information About the Enemy.

There is forwarded herewith a Memorandum containing information about the enemy relating to his order of battle.

1. New information about the enemy.

- a. Reserve depot of 3d Artillery Regiment has probably been located in The Hague since April 9; it was formerly at Bergen Op Zoom. The strength, armament, and location of this depot in The Hague are unknown.
- b. The reserve depot of the 15th Infantry Regiment is probably located in the barracks at the northern edge of Delft (formerly at Breda); it is certainly not the depot of the 6th Infantry Regiment.

2. It appears, from several articles in the Dutch press, that the Netherlands are preparing for the landing of troops by enemy aviation. In spite of this fact, the surprise caused by the landing of our parachute troops and airplanes will be so great that the enemy troops stationed around The Hague will probably be unable to offer any organized resistance. It must be expected, however, that resistance will repeatedly flare up at different points, especially at the landing fields. This resistance must be broken by quickly attacking and capturing even the smallest units.

The barracks located at the northeastern edge of The Hague will be attacked by fighting units of the air force before the parachute troops land, as will the crews of landing fields I and III

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(Landing Field I only if it has a defensive force. This is at present uncertain). The fighting value of these troops must, therefore, be regarded as slight. Utilization of the moral effect of the aerial attack by boldly seizing the point attacked is, therefore, indicated. It should be noted that the Grenadier Regiment stationed in The Hague is the best regiment of the Dutch Army.

3. After the evening of A-day or after A + 1 day the enemy's resistance must, therefore, be expected to stiffen.

The elements of the reinforced 47th Infantry Regiment (German) to be employed on the Rhine must expect attacks by parts of the 3d Dutch Division (area south of Haarlem) and of the 4th Dutch Infantry Regiment (Katwijk - Noordwijk). The elements of the 2d Dutch Artillery Regiment reported in Katwijk on the Sea must, therefore, be driven out as soon as possible, before they succeed in preparing to fire.

It is impossible to state whether or not the depot troop elements stationed in Leyden are capable of active fighting, but they must be taken into account.

During maneuvers held in April, parts of the Delft depot battalion were sent to The Hague to guard buildings. The barracks on the northern edge of Delft should, therefore, be kept under constant observation. If necessary, they must be attacked and captured.

No enemy troops are reported in Rijswijk and to the northwest of it.

The elements stationed in the Monster-Poeldijk area and south of it will either try to go north to the relief of the Capital, or will push on via Delft toward the north and east. In this case, they must be held back until stronger forces are released to destroy them through the capture of the city. (Probably on A + 2 day.) Weak detachments feeling their way forward must always be attacked and disarmed, even by forces which are inferior to them in strength.

4. The intervention of strong forces coming from an easterly direction in the area around The Hague need not be expected before A + 2 day. It is possible, however, that reconnaissance detachments of motorcyclists and cyclists will appear as early as A-day.

5. All commanders and subordinate commanders (H.C.O.'s) should constantly be reminded of the moral and technical inferiority of the enemy, and of the consequent necessity of attacking them boldly. Every enemy detachment must be attacked, even when the attacking force is inferior to it in strength and must be forced to lay down its arms or be annihilated.

6. The situation in the air.

- a. Isolated antiaircraft guns located in the vicinity of landing fields must be expected to fire, in spite of the attacks of parachute troops. These guns must be the first objectives to be attacked by the elements which land first.
- b. After noon on A-day, attacks by enemy aviation, and particularly by fighting units of the English Home Air Fleet, must be expected. It is, therefore, urgent that the landing fields be cleared as soon as possible after landing, and that our troops be protected against enemy planes both while marching and at rest. Preparedness for antiaircraft defense must not be overlooked, even when the situation on the ground is quiet. Every unit that remains in one place for a long time must quickly dig protective trenches resembling the pits dug for protection against tanks. As the example of Norway shows, the the English do not hesitate to bomb even open towns and cities. Night air attacks must also be expected. It is, therefore, necessary to institute blackouts (even of civil buildings) and remain constantly prepared for an alarm.

Preparations for antiaircraft protection must be made by every troop unit, as well as by the antiaircraft defense battalion. Every machine gun which is not used in ground combat must be employed in the antiaircraft defense. The defense must be organized in such a way that the object to be protected will be surrounded by a ring of antiaircraft weapons which will be as deep as possible. Air-raid warning stations located in out-of-the-way places commanding good views will immediately give the air-raid warning to all the troops by blowing a whistle.

The use of time-fuze bombs by the British Air Arm will be pointed out to our troops.

(signed) Count von Sponeck,
Lieutenant General.

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Document No. 12.

Intelligence Report of the German Military Attache - The Hague.

NOTE: In this letter, the German military attache at The Hague informed the military high command of the German Army of the details of Dutch protective measures in and around The Hague. This letter is published in order to show the great variety and exactness of the information gathered by the German intelligence service with regard to Dutch defenses in the weeks preceding the actual invasion. The enclosures referred to were not found with the document.

German Embassy,
Military Attache.

The Hague, April 9, 1940.

Secret Intelligence for Headquarters.
(For the Chief of the Division)

To the High Command of the Army,
General Staff of the Army; Attache Group
Berlin.

Appendix #2 to Report No. 381403, from Military Attache at The Hague.

Re: Communication dated March 2, 1940, No. 26/40, General Staff-
Intelligence Division, Group West, secret intelligence matters
for the Chief.

"Att. Gr. v. 23,3,40.

161/40 g.Kdos Chefsache."

For the reply to questions 1, 3, and 4, you are referred to the appended plan of The Hague. It was impossible to ascertain the residence of the Commander in Chief, Gen. Winkelmann.

With regard to question 2, it is observed that the Crown Prince and Princess have no palace of their own in The Hague, but live in the Queen's castles (the palace in Nordeinde St. and the Huis Ten Bosch) when staying in The Hague. As a rule, the Crown Prince and Princess live in Soestdijk Castle, which has been taken over from the Queen Mother and is marked on attached Fortification Map at #32.

Re 5. Information received on April 6 and 7, 1940, shows that Katwijk on the Rhine is occupied by a very weak force. The number of the regiment was not ascertained.

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Katwijk on the Sea is occupied by elements of the 2d Artillery Regiment. The quarters of the 1st and 12th Batteries have been ascertained with certainty. The location of the infantry was not learned.

Two hundred meters west of the road from Katwijk on the Rhine to Noordwijk, and about 1.5 km. north of the point where this road crosses the Rhine, barracks for not more than two companies or batteries are under construction. Four hundred meters northwest of the bridge over the Rhine north of Katwijk on the Rhine, a new stone bridge over the Rhine is under construction; it will connect with the projected detour to the west of Katwijk on the Rhine.

Preliminary inquiries made in The Hague outside the barracks at Loosduinen and Poeldijk show that these places are occupied by grenadiers and chasseurs. We are making further inquiries.

I.V.

1 plan of city and 1 copy.

CONFIDENTIAL

Comment on Documents

A reading of the preceding documents permits considerable insight into the German staff preparations for this well planned but unsuccessful coup de main against The Hague. These preparations covered a wide variety of subjects. Every detail of the enterprise was worked out with an elaborateness which bespeaks the thoroughness of the German general staff.

The German hope of success in this risky attack was largely based on the success of their espionage service in collecting full information on the Dutch defensive dispositions at The Hague. Without the full success of such espionage activity, the attack on The Hague would never have been attempted. Based on this espionage activity, the 22d Division Headquarters could and did work out a sound plan for the capture of The Hague.

The parachutists were to seize the landing fields and then secure them with outposts at strategic points in this vicinity. The first troops of the 22d Division were to broaden and deepen this outpost zone. Until these fields were secure, no attack on The Hague was to be launched on the city.

The Air March Table is a first class pioneering document in a new field of staff work. It should be made the basis of careful study by our staffs, which may be called upon to execute air movements of American troops in the future.

The German organization table of an air infantry division suggests that they follow certain definite principles in organizing a unit of this type.

Compared to a normal division, the German air infantry division is:

- (1) Smaller—only 40% of the strength of a line division.
- (2) Contains only two infantry regiments.
- (3) Has a higher percentage of riflemen in the infantry and a smaller percentage of accompanying weapons.
- (4) Has no artillery of a higher calibre than the 75 mm. Mountain Howitzer.
- (5) Has a very reduced supply echelon.
- (6) Has a higher proportion of officers and non-commissioned officers than is normal.
- (7) Contains no transportation vehicles.

In connection with the last point—the absence of transportation—attention is directed to the frequent references in many orders to the system of requisitioning civilian transport promptly after landing.

The references to "Fifth Column" activity in these documents do not warrant assigning this form of activity any special importance. It is possible, however, that a wider use of German civilians was made at The Hague than is suggested in these orders of German troop units. There is some evidence that German "Fifth Columnists" actually participated in the fighting. In these papers, it appears that their principal use was as guides for the troops.

Lastly, attention is directed to the minute instruction given by the 22d Division to its soldiers regulating their behavior toward Dutch civilians. According to our Attache in The Hague, the instructions of the high command were followed by the German troops to a surprising extent, and resulted in easing the task of the invading army. Such careful instruction of the troops would seem to be an essential element of German staff preparations for an invasion.

BRITISH EMBASSY,
WASHINGTON, D.C.

August 12th, 1940

Personal and
Secret.

Dear Mr. Secretary,

I enclose herein for your
personal and secret information copies
of the latest reports received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

W. L. Murray

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

Telegram despatched from London

late in the evening of August 10th, 1940.

Royal Air Force. Night bombing 8th/9th August again hindered by clouds, only one-third of aircraft despatched reached main objectives. Light attacks made on all primary targets, large fires and explosions seen. Aerodromes and power stations at Bremen were attacked without visible result.

Fourteen Blenheims despatched yesterday, one successfully attacked thirty to forty enemy aircraft on Guernsey aerodrome and another bombed seaplanes and hangars near Brest. All our aircraft returned.

Last night sixty-two aircraft despatched as follows:

Twenty-four Wellingtons, aluminium works at Cologne and other military objectives; fourteen Whitleys to aluminium works at Ludwigshafen; six Blenheims to attack docks and shipping at Flushing; twelve more to Guernsey aerodrome; six mine-laying aircraft to Ems river. All machines have returned safely.

R. German Air Force. Yesterday enemy activity slight and confined to the coastal reconnaissance, with one casualty. Single bomber attacked Swede-land where bombs fell in shipyards, at a concrete works and near a colliery. Casualties reported as one killed, seventy-two injured.

-2-

Aircraft was subsequently intercepted and shot down.

Early this morning considerable enemy air activity. Bombs were dropped on or near aerodromes and at an ironworks. Also in north-east England near Liverpool, Manchester, and in Essex and Hampshire. There was no serious damage and casualties slight.

Mine laying suspected off east coast.

Weather flights are being carried out fairly regularly over western approaches and including southern Ireland.

3. Naval armed merchant cruiser "Transylvania" torpedoed off northern Ireland and sank early this morning.

Reported Dutch steamer 9,300 tons captured by German raider in south Atlantic July 1st and arrived Lorient with armed guard July 18th.

4. Middle East. Egypt. On August 8th a ground S/T set simulated reconnaissance aircraft being despatched on patrol, but instead thirteen Gladiators were sent across Libyan frontier. As hoped, they found twenty-seven enemy fighters waiting. Our fighters attacked and destroyed fifteen enemy aircraft. We lost two Gladiators.

Same day, one enemy aircraft bombed Bersa-Batruh without causing damage.

Somaliand. On August 8th three Blenheim dropped ten hundredweight of bombs among enemy troops in a pass seventy miles south west of Berbera.

Telegram despatched from London
in the evening of August 11th, 1940.

1. Naval.

Destroyer "Fearless" in collision with
His Majesty's Trawler "Wilful" probably need
docking. Trawler badly damaged.

2. Royal Air Force.

Heavy bombers during night of the 9th-
10th August dropped 13 H.B. and 680 incendiary
bombs on aluminium factory at Cologne; many hits
observed causing fires and explosions. Aircraft
attacking during latter stages of operation reported
seeing burnt out buildings.

Nine heavy bombers located and
attacked aluminium works at Ludwigshafen, results
doubtful; various railway targets also attacked
apparently successfully. Our medium bombers
started fires among hangars at Guernsey
aerodrome and obtained direct hits on oil tanks
at Flushing.

Yesterday 22 Blenheims carried out
harassing attacks on aerodromes in the Low
Countries and Northern France.

Three twin-engined aircraft damaged on
ground. Two of our aircraft missing.

Last night 20 heavy bombers despatched
against shipbuilding yards, oil stocks and other
military objectives and 2 to drop leaflets on

prescribed/

prescribed areas in France. 17 medium bombers

left to attack synthetic oil works and 12 coastal command aircraft to lay mines at Buz and attacked oil tanks at Cherbourg. All but one returned.

3. German Air Force.

Little enemy activity during yesterday beyond one attack on aerodrome where some buildings were damaged and four casualties; spasmodic raids off coast. Weather conditions hampered fighter operations and only one interception made. Unsuccessful W/O attacks by fighter aircraft against balloon barrage at Dover.

Last night mine-laying suspected off East coast and Plymouth. Some bombs were dropped in Norwich district and on viaduct at Swansea necessitating diversion of traffic, otherwise no further activity. No damage or casualties yet reported.

4. Attacks on Trade.

(a) Several convoys off East Coast and North West Ireland shadowed without attack. "Warwick Castle" 2,500 tons unescorted not in convoy bombed off Northern Ireland, not hit.

(b) It is pointed out that convoy which has been subjected to heavy scale air attack on two occasions recently, is coastal convoy composed of number of small ships trading between United Kingdom ports only. Despite all forms of enemy opposition during week ended August 3rd ocean-going vessels in convoy discharged in United Kingdom ports 1,161,638 tons of cargo including following tonnages:

cereals/

-3-

cereals 189,478. Other food 98,291. Oil fuel 308,588.

5. Middle East.

Somaliland. Yesterday 3 medium bombers again attacked troops and anti-aircraft positions at Karrin Pass. Now confirmed that enemy main column from Hargeisa forced withdrawal of our outpost on to main position. Enemy tanks and vehicles approached position after dark and flanking columns are also reported. Movements of right enemy column obscure, but so far no advance on Dursu reported. This town and Berbera both raided by enemy aircraft recently, damage insignificant.

Egypt. On August 9th shipping and oil tanks at Tobruk harbour successfully attacked. All our aircraft returned.

Aden. Yesterday 3 medium bombers twice attacked water-hole near Hargeisa, probable troop concentration and transport.

Kenya. South African Air Force successfully attacked enemy aerodrome on August 9th. Two Italian bombers destroyed 2 damaged.

Sudan. On August 9th 5 heavy bombers attacked barracks Messava, hits observed. Five more attacked fuel dump same area. Also 3 Blenheim bombed harbour and floating dock. All aircraft returned, but 3 severely damaged. One enemy fighter claimed destroyed.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 12, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

I received the attached memorandum from Mr. Livesey this morning and subsequently talked with Mr. Henderson in regard thereto. I told Mr. Henderson that the draft which he proposed for Mr. Welles to hand to Ambassador Oumanaky this afternoon quoted from the memorandum which I had provided the State Department last week, and gave a safe expression of the Treasury's position with respect to gold purchases. I told him that both Secretary Morgenthau and Under Secretary Bell, with whom I had cleared my memorandum last week, were absent from Washington today. Personally, I saw no objection to the proposed draft.

Mr. Henderson thought his Department should go no further than the draft under reference, since there is a possibility that Soviet Russia may desire to refuse us raw materials such as manganese and dump gold on us to such an extent that we may have to reconsider our gold purchase policy vis-a-vis Russia at some time in the future.

I have told Mr. Livesey of my conversation with Mr. Henderson, and have forwarded additional copies of the Secretary's address to Messrs. Livesey and Henderson, as requested.



DEPARTMENT OF STATE

Adviser on

INTERNATIONAL ECONOMIC AFFAIRS

August 12, 1940

Mr. Cochran:

Mr. Henderson has submitted the attached text of an explanation of this Government's present policy with respect to the buying and selling of gold. He asks whether there would be any objection on the part of the Treasury Department to an explanation of this kind being handed informally to Mr. Oumansky at three o'clock this afternoon by Mr. Welles.

It will be recalled that the Soviet Government has asked this Government to agree to continue purchasing Soviet gold during the next 12 months. Mr. Oumansky has already been informed that it would be impossible to give any agreement whatsoever along these lines. If the Treasury Department has no objection, however, we would like to give some kind of an explanation of our present policy to Mr. Oumansky.

It would also be appreciated if the Treasury would inform us regarding any comments which it might like to have made to Mr. Oumansky orally when the memorandum, which would be on plain paper with no indication of origin, is handed to him.

Would you be good enough to send us several additional copies of the address of Secretary Morgenthau of May 3, 1940.

(Signed) F. Livesey

EA:LIVESY:msg

COPY

It has been the established policy of the Government of the United States for many years not to enter into any undertaking which might tend to limit its freedom of action in purchasing or selling gold and silver. The Government of the United States takes the position that the giving of any commitment, whatsoever, which would tend to limit its freedom in this respect would be contrary to the public interest.

On January 31, 1934, the Secretary of the Treasury made the following statement:

"In connection with the announcement today (Jan. 31) that the Treasury will buy gold, the Secretary of the Treasury states that, until further notice, he will also sell gold for export to foreign central banks whenever our exchange rates with gold standard currencies reach gold export point. Like the purchases, all such sales of gold will be made through the Federal Reserve Bank of New York as fiscal agent of the United States upon the following terms and conditions which the Secretary of the Treasury deems most advantageous to the public interest:

"Sales of gold will be made at \$35 per fine ounce plus one-quarter percent handling charge and will be governed by the regulations issued under the Gold Reserve Act of 1934."

On February 1, 1934, the Secretary made the following announcement in amplification of the statement quoted above:

"Beginning Thursday, February 1, 1934, and until further notice, I will buy imported fine gold bars through the Federal Reserve Bank of New York as fiscal agent of the United States;

and

-2-

and other gold, foreign or domestic, through any United States Mint or the United States Assay Offices at New York or Seattle, both at the following rate and upon the following terms and conditions deemed by me most advantageous to the public interest:

"Purchases will be made at the rate of \$35 per fine troy ounce, less the usual mint charges and less one-quarter of one percent for handling charges, all subject to compliance with the regulations issued under the Gold Reserve Act of 1934."

The Department of the Treasury has consistently followed the policy with respect to the buying and selling of gold outlined in the above statements since the dates on which those statements were made.

The views expressed by the Secretary of the Treasury in a speech delivered before the National Institute of Government, Washington, D.C., on Friday, May 3, 1940, a copy of which is attached hereto, may be helpful in disclosing the present attitude of the Government of the United States with respect to the buying and selling of gold.

COPY

inc

JR

GRAY

Berlin

Dated August 12, 1940

Rec'd 9:30 p.m.

Secretary of State,
Washington.

3491, August 12, 4 p.m. (SECTION ONE)

My 3203, July 25, midnight.

FOR TREASURY AND FOR DEPARTMENT'S INFORMATION.

The German press this morning gives prominence to a speech by Economics Minister Funk on the occasion of the opening of the Koenigsberg Fair. As reported in the press Funk's speech was largely a repetition of statements made in his previous speeches and inspired editorials. The first of Germany's war time economy was praised and the assertion was made that Germany's food supply is absolutely assured. Great Britain was declared to be in inescapable industrial and financial difficulties and in danger of hunger through the blockade net which Germany has allegedly established. The press version of his speech celebrating with a rosy picture of the European economy under German direction which will lead to increased international trade since Germany's autarchic measures are directed to freeing the Reich from oppressive dependence on foreign countries and not aimed at a restrictive self-sufficiency.

The

-2- #3491, August 12, 4 p.m. (SECTION ONE) from Berlin.

The only statistical details given in the press version are (one) the statement that German savings deposits stood at 24,000,000,000 marks on June 30 (an increase during the previous 12 months of 2.9 billions marks as compared with an increase of 2.5 billions marks from mid-year 1938 to mid-year 1939) and (two) a statement that 3 and one-half billions marks of 4 per cent medium term Treasury certificates had been issued since their introduction on March 12 without any decrease in the sales of longer term bonds to the savings banks and insurance institutions.

According to a stenographic record of the actual broadcast Funk made the following remarks additional to those reported in the official press version. He alleges that the world stands at the beginning of a new era and the understanding of this fact is gaining momentum throughout the world as exemplified by Colonel Charles Lindbergh's statement that "If the rich become too rich and the poor too poor something must be done". Already twenty years ago it was clear that the Versailles system did not contribute to Europe's welfare. (END SECTION ONE)

TFV

KINC

JR

GRAY

Berlin

Dated August 12, 1940

Rec'd 3:34 p.m.

Secretary of State,
Washington.

3491, August 12, 4 p.m. (SECTION TWO)

The new Europe will rid itself of all obstacles preventing successful cooperation. Agricultural policy will coordinate production and markets so as to insure reasonable profits. A check will be made on industries from the point of view of appropriate geographical and geological location. The standard of living will be improved through proper distribution of living. All this can not be accomplished by imagine flights of fancy but must be built up step by step through coordination of the economies of all states. Barter trade will be facilitated by the simplification^{of} /regulations and reduction of "red tape". The multilateral clearing agreement to be established in Europe will not exclude trade with countries not participating in the clearing and he added that he himself did not regard a multilateral clearing system as a permanent remedy but as a necessary next step. As regards gold this is particularly a problem of the United States. Funk said he had always emphasized that gold was a useful means of settling international payments

-2- #3491, August 12, 4 p.m. (SECTION TWO) from Berlin.

payments balances but that it could not perform this role if one party had all the gold while the others had nothing. The situation is similar to that of children playing with marbles: If one child has all the marbles the play can start again only if he lends them to the other children. But the resumption of play depends on the conditions under which the marbles are lent. (END OF MESSAGE)

KIK

HSM

CABLE

FROM: Treasury Attache Nicholson,
Shanghai, China.

DATE: August 12, 1940

For the Secretary of the Treasury.

Shanghai market closed uncertain August 10 at 3-45/64
for cash and August 3-11/16 for September for sterling 5-13/32
for cash and August 5-11/32 for September for U.S. dollars.
Gold bars closed at 5.840 and wei wah at discount of 4.60%.

NICHOLSON

TREASURY

102
18615

JRL

PLAIN

STOCKHOLM

Dated August 12, 1940

Rec'd. 9:03 p.m.

SECRETARY OF STATE,
WASHINGTON.

824, Twelfth. ¹⁵⁹⁵⁶

Refer our 689; Sweden will import approximately 30 million crowns German goods in threeway clearing to pay for Swedish exports to Denmark. Stocks over 100 kilos raw cotton and wool also molasses over 1,000 kilos expropriated. Sweden's exports of steel manufactures and machinery to Russia greatly improved and Germany's clearing credit here being steadily reduced.

INFORM COMMERCE.

STERLING

NPL

Treasury Department
Division of Monetary Research

Date August 12, 1940 19

To: Mr. White

Mr. Collado called. The State Department wants to send a telegram to Argentina this morning; some things have come up over the week-end that make it urgent. Would like to say as follows:

With respect to possible monetary and exchange arrangements which were discussed at Havana the Treasury is prepared to continue such discussions in Washington at the initiative of the Argentine Government. In your conversation with the Foreign Office you may suggest that if the Argentine Government wishes to pursue such discussions at this time it designate Irigoyen or some other representative to come to Washington for the purpose.

MR. WHITE
Branch 2058 - 210

Aug 13, 1940
Handed by Special Agent
10, FBI.

Washington, D. C.,
August 12, 1940.

copy to Phil Young
8/14-

MEMORANDUM FOR: The Chief of Staff.

SUBJECT: Allison Engines.

1. With further reference to the Allison engine situation, I had a conversation with Mr. Burdette Wright of the Curtiss Aeroplane Company, Buffalo, at noon on Saturday and he explained to me the exact status of the production line at his factory. At one-fifteen Mr. Korgenthau called me at my home. I gave him the information which Mr. Wright had furnished to me and which is as follows:

- a. Engine No. 79 has been installed and the airplane has been accepted by the U. S. Government.
- b. Engines Nos. 80 to 95 are installed and sent to the airport in airplanes awaiting final test and acceptance.
- c. Engines Nos. 96 to 122, inclusive, are being installed in aircraft at the factory.
- d. There are no additional engines.
- e. The above indicates that all available engines are already installed or being installed in P-40 airplanes for the U. S. Government.
- f. Mr. Wright made the statement that he needs 15 engines a week to maintain his production line. He at the present time is short nine engines, therefore, if he could get 24 engines during the week of August 12 he could catch up with his delivery schedule.
- g. He further stated that after this week anything over 15 engines a month could be delivered to the English.
- h. In addition to the above, there is a requirement for 13 engines for the P-39 airplanes and 28 engines for the P-38 airplanes (2 engines per plane). The undersigned is this day wiring Allison to determine what de-

Memo. to The Chief of Staff,
August 12, 1940,
Subj: Allison Engines.

liveries can be expected over the period of the next two weeks. You will be informed upon receipt of this information.

3. I also informed Mr. Morgenthau that we had no objection in any way, shape or form to the use of any spare engines for installation in English aircraft. I told him I thought we should reserve at least one engine out of every ten as spare engines for operating aircraft. A review of this from the standpoint of hours in the air would indicate this ratio should be one engine out of every five as spare engines for operating aircraft. After a period of time and should we be able to get spare engines on hand to meet our requirements then we might be able to let the British have additional engines at the ratio of nine out of every ten, holding for ourselves one out of every ten.

GEO. H. BRETT,
Brig. General, Air Corps,
Chief, Materiel Division.

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G-2/2657-235

M.I.D., W.D.
Tentative Lessons
Bulletin No. 29
August 12, 1940.

TENTATIVE LESSONS FROM THE RECENT
ACTIVE CAMPAIGN IN EUROPE

NOTICE

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. Its reproduction in whole or in part is subject to the provisions of letter TAG, November 15, 1939, AG 350.05 (11-1-39) MBM, "Dissemination of Military Information by the Military Intelligence Division and by Recipients of M.I.D. Information".

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and are in no sense mature studies.

ContentsSOME ASPECTS OF TRAINING IN THE BRITISH ARMY

1. Notes Based Upon Expressed Opinions of British Officers.
2. Notes Based Upon Information Obtained From A High British Official Source.
1. Notes Based Upon Expressed Opinions of British Officers:

"In recent conversations with British officers, most of whom have been through strenuous combat service in Flanders or in Northern France, one point sticks out definitely. That is, they all emphasize the necessity for full basic training, physical, disciplinary and thorough as regards the use of basic weapons.

"Everyone told the same story: no sleep, extreme rapidity of movement, nerve-racking aerial bombardment, tanks suddenly appearing at very close range and from most unexpected directions, quick decisions, fragmentary oral orders, small groups of men operating on their own under junior officers or non-commissioned officers, intense concentration and activity by day, and marching by night. All of this, day after day and without time to rest, was a terrific and gruelling test of endurance and stamina. Numbers of officers and men were unequal to the test.

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"The German troops encountered, whether air borne, mechanized, or otherwise, were tough specimens, trained and conditioned for the work in hand.

"The British have always been strong believers in thorough physical and disciplinary training. The extreme rapidity of movement and the great physical and psychological strain incident to mechanized warfare, together with continuous aerial bombardment, demand that even greater emphasis than before be placed on hard physical condition and thorough disciplinary training.

"Many officers say that the best development of the war thus far is the establishment of Training Centers.

"These Training Centers are outgrowths of the peacetime regimental depots which were manned by a small permanent cadre of selected officers and non-commissioned officers, each a specialist in his own line. They trained recruits for the service battalions of their regiments and sent them out as perfect physical specimens and thoroughly trained individuals. Even before the war these depots had been enlarged to accommodate the young men of the "militia intake", and since the war they have been further enlarged and their number augmented.

"A high standard has also been maintained in the selection of instructors who are the best officers available. The non-commissioned officers are effective specialists. Particularly outstanding are the sergeants from the Army Physical Training School who conduct physical training, gymnasium work, and athletics.

"In the hurry of the big expansion last summer and last fall, not all recruits were able to go through these Training Centers before joining their units. In great haste, many units, particularly new units of the Territorial Army took men directly into the tactical units to be trained there. All officers agree that the results in these cases were most unfortunate. The recruits themselves never got the thorough physical and disciplinary training, or the instructions in the use of weapons that they should have got in the depots or Training Centers, and the progress of the units themselves was seriously retarded by the inclusion of these untrained men.

"The effect on the training of officers and non-commissioned officers was particularly unhappy, as officer training and non-commissioned officer training were pushed aside of necessity by administrative and recruit training activities. All appear to agree now that more speed and less haste should have been used, that all recruits should have gone through basic training in depots, and the existing units should have devoted their period of waiting for the arrival of recruits to technical, tactical, and troop-leading training for their own officers and non-commissioned officers.

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"Many officers are convinced that any attempt to conduct brigade (the British brigade is the equivalent of the American regiment) division or corps exercises at the expense of basic individual and small-unit training is a great mistake. They prefer to conduct command, staff, and communication training as skeleton exercises without troops, holding that three good battalions will, under a competent brigadier, make a good brigade, and that three such brigades, with training auxiliaries and services, will make a good division.

"The German break-through in France, cut off the combat units of the B.E.F. in Flanders. In the frantic attempts to stem the German advance and preserve the British line of communications, several provisional forces were formed. They used anything and everything available in the line of communication. In several of these forces, provisional battalions were quickly formed by bringing together many small groups of replacements. These replacements were the product of the Training Centers, thoroughly trained as individuals, but with little training higher than platoon and none at all higher than company. They were actually provisional platoons from many Training Centers. Having never seen each other or their senior officers before they were thrown together to form battalions entirely without headquarters personnel, and with very few antitank or antiaircraft weapons or artillery of any kind.

"These provisional forces did marvelous work despite all the disadvantages under which they labored. Their staunchness, stamina, discipline, and morale were truly remarkable and a proof of the value of the training their individual members had received at the Training Centers.

"Many officers, particularly those in artillery units, deplore the fact that training with the antitank rifles and anti-aircraft machine-guns assigned their units has been confined to the individuals assigned to these weapons, and that, in some cases, even these individuals have not been as well trained as they might have been. Many feel that every junior officer and soldier should be trained to use such weapons in an emergency, and that training in their use cannot be overemphasized. Opportunities for their use are fleeting and much depends on the result of such use.

"Individual marksmanship should be emphasized, not only with the basic weapon of an organization, but with such auxiliary weapons as may be carried. This includes not only antitank and anti-aircraft weapons but the rifles and pistols issued to artillery and transport units.

"All officers of recent combat experience have harked back, at the end of any discussion of recent actions, to the physical,

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disciplinary, and basic weapon training of the individual. They attribute all successes to the excellence of such training, and account for reverses and failures by attributing them to lack of one or more of these three essentials.

"All officers agree that the doubling of Territorial Army (the British Territorial Army is the equivalent of the U. S. National Guard) units was most unfortunate. Already the Territorials included many individuals essential to industry and some over-age or physically or professionally incompetent officers and men. The doubling of the number of units in the Territorial Army, by the method of having each existing unit sponsor a new unit, and the consequent intensive recruiting drive greatly aggravated this situation. The necessary plucking of these units, both old and new, months after mobilization caused a serious set back in training. Furthermore the weeding out of incompetents after incorporation of these Territorial Army units in the war army was embarrassing and difficult, and was not in all cases sufficiently thorough."

2. Notes Based Upon Information Obtained From A High British Official Source:

"Conclusions drawn from recent fighting on the Continent make it necessary to modify methods of training although not principles, in certain respects. British training, which has hitherto been conducted along general purpose lines, now must be adapted to the immediate enemy and the local theater of operations.

"During the recent Continental campaign, the British theory of defense in depth could not be employed. Immediately open warfare started, frontages became so enormous that the British Army found itself forced to hold lines instead of areas. However, that experience does not lead to the conclusion that the theory of defense in depth is wrong and present training principles are still based upon that theory.

"The present scheme of defense for the British Isles contemplates divisional occupation of areas having a depth of 2500 yards, more or less, depending upon the nature of the ground. Divisions will hold these areas with much more decentralization of control and responsibility to subordinate commanders than ever before. The principal combat unit is considered to be the brigade (the British brigade is the equivalent of the American regiment) and this is the smallest unit which will ordinarily include several arms. Nevertheless this general rule does not preclude the possibility of even battalions being reinforced with artillery, tanks, etc. Every unit down to and including platoons must be fully conversant with the proper employment of all divisional arms.

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"The defense of such an area by its troops must be a mobile defense. That is to say, although an area must be held at all costs, troops must frequently change position within the area so that troop locations and fire positions will not be the same from day to day. The rule governing such changes of position is that they must always be either lateral or to the front--never to the rear--and must maintain a supporting relationship to other units within the area.

"This method of defense requires (A) a high degree of individual training and self-reliance on the part of every soldier; (B) a most thorough training of junior officers and non-commissioned officers who will have to fight small battles on their own responsibility and with their own resources. Such fighting was defined by another officer as "a war of clumps".

"The direct result of (A) on training is to re-emphasize the importance of rigorous and extended individual training for each soldier, which cannot be reduced below four months.

"There is no royal road or short cut to the attainment of high disciplinary and physical standards, but marching with full pack must be insisted upon to ensure that soldiers can march up to 20 miles a day with ease. Motor transport can be utilized only up to a limited and definite point, after which fighting and all movement must be on foot. Another important feature of training is marksmanship with the rifle, which was for a time somewhat slighted in favor of the Bren gun. All infantrymen must be qualified to shoot accurately and with confidence with both weapons. The amount of musketry training is being increased, and every soldier is required to qualify up to 300 yards. This includes soldiers of supply corps and trains who must be ready to resist attacks with their own resources.

"The only speeding up which has been found possible in the training of enlisted men has been in the case of specialists, such as artillery artificers, motor repair men, etc., called "Tradesmen" in the British Army. In time of peace all these are customarily trained in all phases of their work. There is no time for this in war, and it has not been found necessary. At present two or three specialists for each regiment are highly trained in all the phases of their specialty; other men assigned to the same regiment are trained to be experts in only one phase of the same specialty. This method of speeding up applies only to "tradesmen". It has not been found possible to shorten the individual training period of signallers, carrier personnel, machine gunners, range takers, and motor drivers.

"The effect of (B) is to require more instruction in tactics and higher standards of tactics than formerly in circumstances where operations of small units can be closely supervised.

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"The question of instructors has, next to the shortage of materiel, been the worst bottleneck in training. For modern warfare, an officer who was up to date in 1930 is now out of date. The first thing to do, therefore, is to start centers for the training of instructors, who are to be definitely assigned to instructional duty for an indefinite time. Although this system was begun when war was declared, it was not started on a large enough scale, and the supply has never caught up with the demand.

"The underlying idea is to take the instruction, other than basic individual, to the divisions, where all tactical training, except in the case of machine guns, is attempted. Members of machine gun units are sent to school in turn and given intense instruction by the whole staff of instructors.

"For divisional tactical instruction, the director of training attaches six of his qualified officers to each division. They are for the most part officers who have been called back from retirement or active officers physically unfit for hard field service, all of whom have been freshened up. There are ordinarily six officers assigned to each division in training, one to division headquarters, one to artillery, one to each of the three infantry brigades and one to the administrative staff (supply). They act on the staff of the division commander as advisers on training and as umpires on problems and exercises.

"They do not ordinarily correspond directly with the director of training but stay with a division until its training is completed and are then transferred to a newly formed unit.

"The principal difficulty at the start was the question of personalities, but this has rapidly been solved, and the directorate of training is now unable to meet the requests from division commanders who are all anxious to have umpires to assist them.

"It is strongly emphasized that the assembly of instruction cadres must precede mobilization and be constantly pushed in order to keep ahead of the mobilization rate.

"The Thompson sub-machine gun is considered a valuable asset but will not replace other hand weapons. The rifle and Bren gun are considered to be the basic infantry weapons. They are to be supplemented on the one hand by Thompsons, and, on the other, by heavy machine guns, which are necessary wherever sustained fire is required against such mass attacks as the Germans stage. The infantry also wants a mortar similar to the German 15-cm., which was used against them with such great effect.

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"All the foregoing remarks bear upon the present position, which must necessarily be one of defense. Methods of offensive operations and tactics are being studied. There is nothing to indicate that the Germans have novel ideas of defensive operations, so their deployment, it is believed, will probably follow existing ideas.

"There is no limit to the size of the army Britain proposes to train except the limit imposed by industrial activities.

"There is a necessity for combing out in advance all men who sooner or later will be required for industrial or other war effort civilian tasks. These should not be sent to training centers or organizations, for the time spent in processing and in training such men is wasted. The worst result of not doing this advance combing out is the very adverse effect on the training program of the unit to which men are sent. Sooner or later they will be plucked out by the demands of industry and business and gaps will be left in the partially trained unit. These must be filled by raw recruits, with resulting dislocation to continuity of training in the unit."

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August 13, 1940

MEMORANDUM FOR THE PRESIDENT:

I have your memorandum of August 12 and Mr. Jones' letter of August 5 in regard to the expansion of the Packard plant for the production of Rolls-Royce-Merlin engines for British and United States order. I have the following comments:

(1) Mr. Jones states in his letter

"...and there would have been no delay in this situation if Henry Morgenthau had not told Mr. Purvis, of the British Purchasing Commission, and Mr. Knudsen that the RFC would finance the plants and that it would not be necessary for the British to furnish any money for this purpose."

After RFC secured enlargement of its powers last June to finance the national defense program, I took the position that RFC should provide funds to expand plant facilities of a capital nature for the production of materials and supplies necessary for national defense, and that the funds remaining available to the British should not be dissipated on additional plant expansion which would be available for our own defense needs. Prior to my statement to Purvis and Knudsen, I discussed this policy with you and you indicated your approval.

(2) Mr. Jones states in his letter

*** If we built a plant for the manufacture of airplane engines, two-thirds for Great Britain and one-third for the United States Government, we might be violating international law ***.

At a meeting with Ed Foley on July 12 Mr. Jones took the position that his powers were not broad enough under the new legislation to permit him to loan money to a manufacturer for the purpose of expanding his plant facilities when the RFC knew that part of such additional facilities were to be employed for the manufacture of airplane engines for the British Government. Mr. Foley took issue with Mr. Jones and has given us the attached opinion which holds that "there is adequate authority in the Reconstruction Finance Corporation to make the proposed loan either under the 1940 National Defence amendment, AMRA, or under the 1938 Glass-Steagall amendment, AMRA". This opinion has the informal approval of Attorney General Jackson.

Now it appears that Mr. Jones is placing his legal inability to make the loan not on lack of RFC power but on grounds of international law. Mr. Foley informs us that there is no legal merit in this position. The question of the applicability of international law was considered at the time the opinion was prepared and was not mentioned since it was inconsequential.

(3) Because of Mr. Jones' legal objection to advancing all of the money for the expansion of the Packard plant, the British Government has agreed to put up a large sum of money for capital as well as non-capital items. As yet, the contracts between Packard, RFC and the British have not been executed.

July 23, 1940

My dear Mr. Secretary:

The X Company, a manufacturer of articles and materials useful for national defense, has contracted to supply the Government of the United States and the Government of Great Britain with certain of those articles and materials. In order to fulfill those contracts it is necessary that the X Company increase its productive capacity by plant construction, expansion, and equipment. Those new plant facilities will be used for the fulfillment of the above-mentioned contracts. While it is not known what use will be made of those facilities after the completion of those contracts, presumably they will continue to be available for fulfilling future contracts of a similar nature, if that becomes necessary for the national defense. It is understood that the X Company desires to obtain the capital for that expansion from the Reconstruction Finance Corporation by way of a loan and has, in order to secure the repayment of the loan, offered to execute to the Corporation a mortgage without recourse covering the new plant facilities.

You have inquired whether the Reconstruction Finance Corporation may lawfully lend that capital to the X Company for those purposes. It is my opinion that, as a matter of law, the propriety of such a loan is beyond question.

Section 5d of the Reconstruction Finance Corporation Act, as amended (U.S.C., Sup. V, title 15, sec. 606b), as added to by section 5 of the Act of June 25, 1940 (Public, No. 664, 76th Congress, 3rd Sess.), provides in part:

"In order to aid the Government of the United States in its national-defense program, the Corporation is authorized--

"(1) To make loans to, or, when requested by the Federal Loan Administrator with the approval of the President, purchase the capital stock of, any corporation (a) for the purpose of producing, acquiring, and carrying strategic and critical materials as defined by the President, and (b) for plant construction, expansion and equipment, and working capital, to be used by the corporation in the manufacture of equipment and supplies necessary to the national defense, on such terms and conditions and with such maturities as the Corporation may determine; * * *."

In my opinion, the above statute confers complete authority on the Reconstruction Finance Corporation to make the loan in question.

Under the terms of the statute the loans which the Reconstruction Finance Corporation is authorized to make, in aid of the national defense program, are for plant construction, expansion, and equipment, which in turn are to be used for the manufacture of articles "necessary to the national defense". The plain purpose of those words is simply to define the kind or type of equipment and supplies which will be produced by the plant. There is no language used which would require the United States to purchase all or any of those products. The language of the statute is clear and

unmistakable that so long as a plant produces equipment and supplies of a type "necessary to the national defense", a loan for the construction, expansion, or equipment of the plant falls within the authority of the Reconstruction Finance Corporation.

One of the most pressing problems with which the Congress was concerned in providing for the nation's defense was the expansion and augmentation of private plant capacity which could be used in producing not only the articles and materials which are needed at the present time to strengthen our armed forces, but also for fulfilling the needs of an uncertain future. The Congress in enacting section 5d(1) was not concerned with the acquisition of specific articles and materials for defense purposes; various appropriation acts were passed for that purpose. See: Act of June 13, 1940 (Public, No. 611, 76th Congress, 3rd Sess.); Act of June 15, 1940 (Public, No. 635, 76th Congress, 3rd Sess.); Act of June 26, 1940 (Public, No. 667, 76th Congress, 3rd Sess.); Act of July 2, 1940 (Public, No. 703, 76th Congress, 3rd Sess.). See also the statute to expedite the acquisition of naval equipment - the Act of June 28, 1940 (Public, No. 671, 76th Congress, 3rd Sess.).

The problem of expanding existing private plant capacity beyond the nation's immediate needs was known to the Congress. The President had repeatedly brought the problem to the attention of the Congress, and he had specifically pointed out to the Congress that the production of war materials in this country for export would

increase our plant capacity and our skilled personnel to the advantage of our national defense, since the increase in plant capacity and the additional skilled personnel would be available if and when the time for their need should arise.

In an address delivered personally to a Joint Session of the Congress, on September 21, 1939, the President stated:

"From a purely material point of view, what is the advantage to us in sending all manner of articles across the ocean for final processing there when we could give employment to thousands by doing it here? Incidentally, and again from the material point of view, by such employment we automatically aid our own national defense." ((1939) 85 Cong. Rec. 10; H. Doc. No. 474)

In an address on national defense delivered personally to a Joint Session of the Congress, on May 16, 1940, the President said:

"From the point of view of our own defense, therefore, great additional production capacity is our principal air requisite.

"For the permanent record, I ask the Congress not to take any action which would in any way hamper or delay the delivery of American-made planes to foreign nations which have ordered them, or seek to purchase more planes. That, from the point of view of our own national defense, would be extremely short-sighted.

"During the past year American production capacity for war planes, including engines, has risen from approximately 6,000 planes a year to more than double that number, due in greater part to the placing of foreign orders.

"Our immediate problem is to superimpose on this production capacity a greatly increased additional production capacity. I should like to see this Nation geared up to the ability to turn out at least 50,000 planes a year." (Underscoring supplied.) (86 Cong. Rec., May 16, 1940, at 9534; H. Doc. No. 751)

In a message to the Congress, transmitting a request for additional appropriations and authorizations for the national defense, the President said:

"Over and beyond the acquisition of this actual material is the evident requirement for the immediate creation of additional production facilities to meet possible future emergencies as well as present deficiencies in the making of munitions, such as guns, ammunition, and fire-control equipment. These facilities require a long time to create and to reach quantity production. The increased gravity of the situation indicates that action should be taken without delay.

* * * * *

"In the national effort for defense upon which we are now engaged, it is imperative that we make full and effective use of the mighty capacities that lie in our population. Here as yet undeveloped lie the ability and the strength needed in the building up of our armaments to provide a sure industrial foundation for the meeting of any and all defense requirements. Without the full development of these skills, our national defense will be less than it must be in the critical days which lie ahead. Without the full contribution of our people, our defense cannot attain the invulnerability which the Nation demands and which we are determined it shall have." (86 Cong. Rec., May 31, 1940, at 11055 and 11087; H. Doc. 799)

It appears from the debates on the bill in the Senate that the concern of the legislators was to encourage the establishment of private enterprises rather than the creation of Government corporations to supply the Government with needed materials for national defense. (86 Cong. Rec., June 15, 1940, at pages 12597-12615) The same appears in the debates of the House of Representatives. (86

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Cong. Rec., June 14, 1940, at pages 12497-12520). The debates of the Congress are, of course, relevant to show a common agreement on the purpose of a statute. Wright v. Vinton Branch of the Mountain Trust Bank of Roanoke, (1937) 300 U.S. 440, 464 n. See also the hearings on S. 3938, 76th Cong., 3rd Sess. (1940) 38-71, a companion bill to H.R. 9958, 76th Cong., 3rd Sess., which became the Act of June 25, 1940. It would have been inconsistent with that purpose for the Congress to have refused to authorize loans to private industry for the enlargement of its productive capacity except upon the condition that all the output be sold to the United States Government. Furthermore, it would have been a shortsighted policy indeed which would have limited plant expansion to exactly that necessary for the immediate needs of the Government. The events happening in Europe were such that no person could undertake to say what the needs of the United States Government would be at any time in the future. It is well known that a plant expansion cannot be carried out over night. The erection of new buildings, the installation of new machinery, and the organization of such a plant require time. The Congress could not have intended that the placing of future orders should await additional expansion in the future. That is especially true when it is realized that, since every order which is filled for customers other than the United States will also bear a portion of the cost of that increased expansion, such expansion can be had at less

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expense to the Government.

If it be argued that the Congress could not have intended that the increased plant capacity, achieved by capital provided by the Reconstruction Finance Corporation, should be available to fulfill contracts for others than the Government of the United States because such other contracts might hold up production for the United States, a complete answer is to be found in section 2(a) of the Act of June 28, 1940 (Public, No. 671, 76th Congress, 3rd Sess.), which provides, in part:

"* * * deliveries of material under all orders placed pursuant to the authority of this section and all other naval contracts or orders and all Army contracts and orders shall, in the discretion of the President, take priority over all deliveries for private account or for export:" * * *^{1/}

Under that section it is clear that all increased plant capacity will be available for the fulfillment of contracts of the Government if the President should find that necessary. Since but a few days elapsed between the passage of those Acts, the Congress must have enacted each in the light of the other. It is, therefore, self-evident that all augmentations of plant facilities made with the

^{1/} See also section 120 of National Defense Act of 1916, 39 Stat. 213 (U.S.C. title 50, sec. 80), granting the President similar (but more drastic) authority when war is imminent or during time of war.

use of loans by the Reconstruction Finance Corporation will be available for the national defense.

II.

It is not necessary, however, to rely solely on the paragraph added to section 5d of the Reconstruction Finance Corporation Act by section 5 of the Act of June 25, 1940, for authority to make the loan here under consideration. Authority to make the loan may also be found in section 5d of the Reconstruction Finance Corporation Act, as amended by the Act of April 13, 1938 (the Glass-Steagall Act) 52 Stat. 212 (U.S.C., Sup. V, title 15, sec. 606b), without the new paragraph. That section provides, in part, as it appears in the Code:

"* * * The Corporation is further authorized and empowered to purchase the securities and obligations of, and to make loans to, any business enterprise when capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available: Provided, That all such purchases of securities and obligations and all such loans shall be, in the opinion of the board of directors, of such sound value, or so secured, as reasonably to assure retirement or repayment; may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate or by the purchase of participations, or otherwise; shall be made only when, in the opinion of the board of directors, the business enterprise is solvent; and shall be made under such terms, conditions, and restrictions as the corporation may determine: Provided further, That in carrying out the provisions of this section, the Corporation may purchase securities and obligations, and may make loans, with such maturities as the Corporation may determine, notwithstanding any other provision of law." * * *

The language of that section clearly would seem to authorize the Corporation to make a loan, taking as security a non-recourse mortgage, provided that the loan is of such sound value or is so secured that repayment or retirement will reasonably be assured and that the business enterprise to which the loan is made is, in the judgment of the board of directors of the Corporation, solvent. It is understood that capital or credit, at prevailing rates for the character of loan applied for, is not otherwise available. There is nothing in the Act which, if the enterprise be solvent, either requires security for all loans, or requires security of a particular type to be taken. This is borne out, not only by the plain language of the statute quoted, supra, but also by the evidences of Congressional intent appearing in the legislative history of the Act. The language in the Act before the Glass-Steagall amendment was as follows:

" * * * Such loans shall, in the opinion of the board of directors of the Corporation, be so secured as reasonably to assure repayment of the loans, * * *." Section 10 of the Act of January 31, 1935, 49 Stat. 5.

That the Congress intended to liberalize that portion of the Act by providing "sound value" as an alternate basis for a loan, so that security need not be the sole condition therefor, is plain from the statements by Representative Steagall, Chairman of the Committee on Banking and Currency, who introduced the measure in the House.

In (1938) 83 Cong. Rec. 4674-4675, he stated:

" * * * The bill has another provision which liberalizes the authority of the Corporation in making business loans of all types. Under existing law the Corporation, in making industrial or business

loans, is required to take security that will reasonably insure the repayment or liquidation of the loan. Under this bill the Corporation may make loans on a different basis -- and I will read the language so as to be sure that I am entirely accurate:

"Such loans or obligations to be of such sound value or so secured as reasonably to assure retirement or repayment."

"It is quite clear from this language that it is the agreed purpose of the bill to authorize the Corporation to make loans upon a basis of soundness on the one hand, or to purchase obligations, make advances, or still as under existing law, to make such loans where repayment is reasonably assured. There is not in the present bill the arbitrary requirement that no loan shall be made except where its repayment is secured by collateral. We have departed from that requirement of existing law. That is quite a marked change and constitutes a very large liberalization of the act.

* * * *

"Mr. STEAGALL. * * * I have tried to make it clear that this bill authorizes loans to be made without the customary collateral or security requirements. The basis is soundness. Any loan that is of sound value, whether it is to an individual, a partnership, or a corporation, would be considered.

"The purpose of that is to permit the Corporation to deal with actualities in these transactions and to grant extensions from time to time. There is no limit here within which maturities are to be established under contracts for loans, the purpose being to permit the Corporation to so liberalize its policies and its practices that it may come to the aid of any city, corporation, or partnership that has security of sound value upon which they cannot secure accommodations through ordinary channels. That is the whole purpose of the bill.

* * * *

"Mr. SADOWSKI. The purposes of the bill are good, but it seems to me that all of the provisions of the bill seem to rest upon the kind of rules and regulations the R. F. C. will promulgate. What assurance has the gentleman or the Members of this House it is going to bring out such rules and regulations that the Nation will be able to benefit under the provisions of this bill?

"Mr. STEAGALL. May I say to the gentleman, in answer to his question, that the whole matter was discussed by the committee in the hearings held on the proposed legislation. Statements have been made that it probably would not be helpful to publicize. The committee will bear out this statement, that delinquencies and foreclosures by the Corporation upon industrial loans show that the Corporation has gone further than was ever contemplated under either the language, the letter, or the purpose of the law by which they were acting. That is the reason we have liberalized the law in this instance, to prevent immediate foreclosures, to permit extension of obligations from time to time, and to permit loans without rigorous rules of collateral."

During the hearings on H.R. 10055 (which was superseded by S. 3735, a bill which, except for the addition of a paragraph not relevant here, was identical therewith, and which became the Glass-Steagall Act), some disagreement was expressed upon the interpretation of the words "of sound value". Most of the Committee members, especially Mr. Steagall, took the view that the addition of the new language liberalized the making of loans, so that collateral security need not be required in all cases, provided there was "sound value". The Chairman of the Reconstruction Finance Corporation, Mr. Jesse Jones, and the General Counsel of the Corporation, Mr. Claude Hamilton, Jr., took the narrower position that the proposed legislation

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made no change in the security requirements at all; that "of such sound value" referred only to purchases of obligations, and not to loans; and that loans must still be secured. That difference of opinion will be found on the following pages of the Hearings on (1938) H.R. 10055, 75th Cong., 3rd Sess.: 13, 15, 19, 20, 25, 32, and 34-35.

It is manifest from the hearings that the Congress was trying to liberalize, while the Chairman of the Reconstruction Finance Corporation was attempting to restrict, the security requirements for loans to be made under the proposed statute. The anomalous situation was thus presented of an administrative officer of an agency attempting to restrict powers which it was intended to bestow upon that agency. The only member of the Committee who appears to have accepted the interpretation of Messrs. Jones and Hamilton with relation to the phrase "of such sound value" was Mr. Williams. Chairman Steagall, however, in his explanation of the bill on the floor of the House of Representatives, quoted, supra, did not accept the interpretation of Messrs. Jones and Hamilton.^{2/} Expository statements by the sponsors of legislation may be used as aids in the interpretation of that legislation. Wright v. Vinton Branch of the Mountain Trust Bank of Roanoke, (1930) 300 U.S. 440, 463; United States v.

^{2/} Even in the face of Mr. Steagall's statement, Mr. Jones, in a speech made after the passage of the Act, declared that loans made by the Reconstruction Finance Corporation under the Glass-Steagall Bill must be secured. See (1938) 83 Cong. Rec. (Appendix) 1641-1642.

The American Trucking Associations, (No. 713, U.S.S. Ct., May 27, 1940).

There can be no doubt, then, of the Congressional intent in the Act of April 13, 1938, to remove the requirement of security as the sole condition upon which a loan may be granted. If the Reconstruction Finance Corporation has power to make loans without requiring any security, it cannot be argued that, when security is offered, it must be security of a particular type. The Act itself does not specify what kind of security shall be taken if security is offered. It merely requires that the security shall reasonably assure repayment. The Corporation has not in practice restricted itself to one specific type of security. During the hearings which are mentioned above, many kinds of security acceptable to the Corporation were mentioned. At page 13, thereof, Mr. Hamilton stated, in response to a question, that the security might be a pledge of personal property, assignment of accounts receivable, or a mortgage on real estate. On page 17, he indicated that an inventory would be good security for a loan to a retail store, if the state law permitted. On page 28 Mr. Jones said that the usual security for an industrial establishment was a mortgage on the plant. On page 44, Mr. Jones made the following statement:

"We want to make any sound loan where we think the credit is good and the money will be repaid. We do not care what the security is. We would be glad to make the loans. What we are trying to do is to promote work and business." (Underscoring supplied.)

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In the Senate Hearings before the Committee on Banking and Currency on (1938) S. 3735, 75th Cong., 3rd Sess. 4, Mr. Jones said:

"* * * We want to say: 'All right; if somebody needs some money in any community, and they can give us security and put the money to good use, and not use it to pay some present-existing debt, but to buy something and hire someone, then we want to make the loan'."

Nowhere in the hearings was indication given that any security other than that which would reasonably assure repayment was required.

Under section 5d of the Reconstruction Finance Corporation Act, as amended by the Glass-Steagall Act, it is my opinion, therefore, that the Reconstruction Finance Corporation would be acting wholly within its powers in making the proposed loan to the X Company if the X Company is solvent and the prospective loan is "of such sound value" as to reasonably assure repayment, or if the mortgage without recourse, covering the proposed additional plant facilities, reasonably assures repayment.

It should be pointed out, however, that what constitutes "sound value" and what loans are secured "reasonably to assure retirement or repayment" are matters left solely to the discretion of the Board of Directors of the Reconstruction Finance Corporation and are not subject to review by any other governmental agency except possibly the Federal Loan Administrator under his general supervisory powers.

It is my opinion, therefore, that there is adequate authority in the Reconstruction Finance Corporation to make the proposed loan either under the 1940 National Defense Amendment, supra, or under the 1938 Glass-Steagall Amendment, supra.

Very truly yours,

(Signed) E. H. Foley, Jr.

General Counsel.

The Honorable

The Secretary of the Treasury.

THE WHITE HOUSE
WASHINGTON

Handwritten initials
August 12, 1940.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY
FOR YOUR INFORMATION AND
RETURN.

F. D. R.

Handwritten notes:
see memo
to [illegible]
L.M. [illegible]

FEDERAL LOAN AGENCY WASHINGTON

JESSE H. JONES
FEDERAL LOAN ADMINISTRATION

August 5, 1940

Dear Mr. President:

In reply to your note of the 3rd, asking how we were getting along with commitments to finance plants that are working for both the United States and the British, beg to advise that the Packard plant is the only one which seems to fall in this category, and there would have been no delay in this situation if Henry Morgenthau had not told Mr. Purvis of the British Purchasing Commission and Mr. Knudsen that the RFC would finance the plant, and that it would not be necessary for the British to furnish any money for this purpose.

When Mr. Knudsen told me of this I advised him that I was afraid that, if we built a plant for the manufacture of airplane engines, two-thirds for Great Britain and one-third for the United States Government, we might be violating International Law, but that if the Packard Company wanted a loan from the RFC, they should make application to the RFC for it.

We have agreed with the Packard Company to install equipment in their plant to a cost of \$8,000,000 under conditions which we are satisfied will not conflict with International Law. This, with other funds available to the Packard Company, is all they say they will need.

I might add that I wrote Mr. Knudsen on July 12th, suggesting a solution for the Packard problem and one in which the RFC could participate.

Trusting that you are getting some relief from the Washington weather and strain,

Sincerely yours,

Jesse H. Jones
Administrator

The President
Hyde Park, New York

August 19, 1940

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Memorandum to Mr. Forster:

In accordance with the telephone conversation which I had with your office this morning, I am returning to you herewith Mr. Morgenthau's memorandum to the President dated August 13th. The Secretary would like to have you retain this letter as part of your files in connection with this matter.

Mrs. M. McHugh

Excerpt from Group Meeting held on
September 10, 1940 at 10:00 a.m.

Present: Mr. Bell
Mr. Gaston
Mr. Haas
Mr. Sullivan
Mr. Graves
Mr. Chamberlain
Mr. Buckley
Mr. Cochran
Mr. Thompson
Mr. Foley
Mr. Schwarz
Mrs. Klotz

HM Jr: Well now, what about Packard - Judge Patterson?

Foley: I am ready, Mr. Secretary.

HM Jr: Why don't we do it now while we are talking about the British? What is the situation?

Foley: The contracting officer out at Dayton has refused to sign the contract and Judge Patterson can only approve, he can't sign the contract in the first instance. Now, he would like to have a letter from the British Ambassador which confirms the earlier informal understanding between Lord Beaverbrook and Kennedy and yourself, and I have a draft of that here. If that is satisfactory with you, I will clear it with Patterson and then I think we should give it to Mr. Purvis and ask him to use his good offices with Lothian to get it signed at once.

HM Jr: Purvis is here and I told him you were handling it, so after you leave here, I think if you would call him up, you see, and just ask him whether he wouldn't take it to Lothian today.

Foley: That seems a good idea.

HM Jr: Purvis knows that you are handling it. Where did you get the 250?

- 2 -

Foley: From the records. Mead said 200 and you said 250, but it figures out 8,000. I think there are 3,000 firm and 5,000 conditional. Eight times 250 makes two million dollars, which is the amount which has been set aside.

HM Jr: Wonderful. My mathematics are all right. Will you see that through?

Foley: Yes. I think this is good for us, too, because it gets this thing into --

HM Jr: It was kind of sketchy.

Foley: Yes, it certainly was.

HM Jr: Well, we had the engine, but you saw what Beaverbrook said. I went back at him, you know, and I asked how much and he said, "We will take that up after the war is over."

Foley: That was this last paragraph; it leaves it up to you. But this will give both yourself and Patterson the protection you ought to have.

HM Jr: Well, you take the initiative in the case of going after Purvis, will you?

Foley: Yes. I will see this is all right with Patterson and this is what he wants, and then I will get Purvis to see Lothian.

TO:

135

9/10/40

Mrs. Klotz

The attached is a copy of the proposed letter to the Secretary of State which was informally approved by the British Ambassador at 5:20 this afternoon by telephone call and which I understand is to be signed tomorrow morning (9/11/40).

E. H. F. Jr.

MR. FOLEY

My dear Mr. Secretary:

I have the honor to confirm the prior informal understanding between His Majesty's Government and your Government and to represent on behalf of His Majesty's Government with respect to the patents, designs and right to manufacture the Rolls Royce Merlin XX engine, which were supplied to your Government through your Ambassador in London and received in Washington on June 13, 1940, as follows:

(1) By proper authority, His Majesty's Government is authorized to and has licensed the Secretary of the Treasury on behalf of the United States Government, upon such future payments as it wishes and consents to make to His Majesty's Government, to use the patents and designs and to manufacture for its own use such engine either itself, through the Packard Motor Car Company or through any other private manufacturer agreeable to both governments; and

(2) His Majesty's Government will indemnify the United States Government against any and all claims asserted or sustained by anyone against the United States Government by reason of the use of such patents, designs and manufacture for its own use.

Very truly yours,

The Honorable,

The Secretary of State

September 13, 1940.

My dear Mr. Secretary:

I wish to thank you for your letter of September 12 transmitting an exact copy of the British Ambassador's letter to you with regard to the Rolls Royce Merlin XX engine.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of State.

HMF:fm

Typed 9/12/40

By Messenger 10¹⁰

September 13, 1949.

My dear Mr. Secretary:

I wish to thank you for your letter of September 12 transmitting an exact copy of the British Ambassador's letter to you with regard to the Rolls Royce Merlin II engine.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of State.

HMB/ta

Typed 9/13/49

By Messenger



THE SECRETARY OF STATE
WASHINGTON

September 12, 1940.

Dear Mr. Secretary:

The attached is an exact copy of a letter addressed to me by the British Ambassador and left with me today. The signed original is being held in the files of the Department of State.

Sincerely yours,

A handwritten signature in cursive script, reading "Cordell Hull".

Enclosure:
As stated.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

BRITISH EMBASSY

WASHINGTON, D.C.

September 12th, 1940

My dear Mr. Secretary,

I have the honour to confirm the prior informal understanding between His Majesty's Government and your Government and to represent on behalf of His Majesty's Government with respect to the patents, designs and right to manufacture the Rolls Royce Merlin XX engine, which were supplied to your Government through your Ambassador in London and received in Washington on June 13th, 1940, as follows:

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- (2) His Majesty's Government will indemnify the United States Government against any and all claims asserted or sustained by anyone against the United States Government by reason of the use of such patents, designs and manufacture for its own use.

Believe me,

My dear Mr. Secretary,

Very sincerely yours,

LOTHIAN

The Honourable
Cordell Hull,
Secretary of State
of the United States,
Washington, D. C.

September 13, 1940

My dear Mr. Secretary:

I am enclosing a copy of the correspondence which I received yesterday from the Secretary of State with regard to the Rolls Royce Merlin II engine.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of War.

~~Typed~~ ✓
Typed 9/12/40

Copy of Hull's letter of 9/12/40 to Sec'y transmitting an exact copy of a letter from the British Ambassador to the Sec'y of State with regard to the Rolls Royce Merlin engine.

By Messenger 10¹⁰

September 13, 1940

My dear Mr. Secretary:

I am enclosing a copy of the correspondence which I received yesterday from the Secretary of State with regard to the Rolls Royce Merlin II engine.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of War.

Enclosures

HMJr/c
Typed 9/12/40

Copy of Hull's letter of 9/12/40 to Sec'y transmitting an exact copy of a letter from the British Ambassador to the Sec'y of State with regard to the Rolls Royce Merlin engine.

By Messenger

BRITISH EMBASSY,
WASHINGTON, D. C.

Personal and Secret

August 13th, 1940.

Dear Mr. Secretary,

I enclose herein for your
personal and secret information a
copy of the latest report received
from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

L. Murray

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

Telegram despatched from London
on the evening of August 12th

(1) Naval Yesterday morning enemy aircraft made large scale attack on Portland and Weymouth. Destroyer "Scimitar" had several holes caused by near misses; no serious damage, one killed, 14 wounded. In dockyard, floating dock badly damaged also office block and hospital buildings. Considerable minor damage to other buildings. One oil fuel tank ignited and another damaged. Only two wounded in dockyard.

Northbound convoy attacked from air off Harwich. One tanker (5500 tons) had stern blown off and is anchored, another ship (3800 tons) damaged.

Submarine "Sealion" reports having sunk Norwegian ship (3300 tons) off Norwegian coast August 3rd. Later, when making a further attack on convoy she was rammed by small ship and sustained some damage to periscope. A M/S trawler claims to have shot down one or possibly two enemy aircraft during attack on shipping in Thames estuary; same area in afternoon destroyer "Windsor" attacked by dive bombers and hit

art/

aft. Returned to harbour with two wounded.

(2) Royal Air Force

During night bombing August 10th - August 11th fires and explosions caused at chemical factory and blast furnace at Frankfurt-on-Main and power station at Cologne. Oil and military targets successfully attacked elsewhere. Six bursts seen near "Bremen" and "Europa", Hamburg large explosion reported by squadron. Yesterday medium bombers sent reconnaissance North Sea alternative attack aerodromes North West Germany, Netherlands and Northern France. Seaplane base Brest attacked, also oil tankers Cherbourg. Results generally satisfactory, one M.E. 109 shot down; one aircraft did not return.

Last night 59 heavy bombers sent to attack oil and military targets north west Germany, 18 aircraft mine-laying in Kiel and Ems areas, 5 dropped leaflets on Brittany, 14 coastal command Blenheims despatched oil tanks Amsterdam and Cherbourg; large fires started at Cherbourg other target not located. Two of our aircraft did not return.

(3) German Air Force

Night of August 10th - 11th. Diversion of railway traffic South Wales reported yesterday expected last 3 or 4 days only. Extensive damage to working class houses this district - 17 killed, 8 wounded.

Considerable activity early yesterday morning developed into attacks employing 300-

400 aircraft. Beside Portland raid, convoys attacked off East Coast and in Thames estuary. 70 bombs dropped Portland, 30-40 Weymouth.

Fairly extensive damage to houses, only casualties report^{ed}/so far one killed 22 wounded in 4 attacks on Dover balloon barge, 7 balloons destroyed.

All raiders intercepted by our fighter squadrons, enemy lost 37 aircraft(..... by anti-aircraft) confirmed and another 47 (one by anti aircraft) probable. Our casualties 25 fighters, from which 3 pilots saved.

Last night activity fairly general except in Midlands. Bombs reported dropped on railway sidings near Nottingham, in Bristol Channel, and South Devon areas and in Wiltshire and Sussex. No particulars yet received.

(4) Shipping Casualties

British "Llanfair" (5000 tons) from Australia, straggler from convoy torpedoed yesterday off West of Ireland.

(5) Italian East Africa

Reported that owing to Royal Air Force attacks on Massawa area, an aerodrome

has/

has been evacuated and fuel tanks at oil Port have been emptied, oil having been taken in barrels to underground tanks in preparation in the vicinity.

(6) Summary of damage caused by Royal Air Force bombing reported between 1st and 8th August.

Osnabruck. Factory seriously damaged.

Krefeld. Station, steel works, factory offices and Port on the Rhine seriously damaged. Barracks and water tower destroyed.

Hanover. Largest motor factory has stopped work owing to severe damage.

Kassel. Aircraft factory hit; complete stoppage of 10 days.

Bremen. Considerable damage done to wharves.

Essen. Krupp Works hit; considerable part stopped for 10 days.

Railways. Bombing most effective, very serious interference to both military and non-military goods traffic.

St. Nazaire (Donges). Two small lubricating-oil tanks destroyed.

Bergen. Ammunition dump hit and blew up.

Mine laying. Several reports received of successful operations.

Kiel Canal damaged. Large transport and several fishing craft struck mines in sound, Germans compelled to send additional mine sweep-

ore this area. Ferry services Denmark
to Sweden interrupted.

August 13, 1940
10:47 a.m.

H.M.Jr: Hello.

Operator: Mr. Evans.

H.M.Jr: Hello.

R.K.
Evans: Hello.

H.M.Jr: Henry Morgenthau, Jr.

E: Yes, Mr. Secretary.

H.M.Jr: How are you?

E: Very well, thank you. How are you?

H.M.Jr: Oh, I'm alive.

E: (Laughs). Well, I heard you were down at your farm last week-end.

H.M.Jr: That's right. Mr. Evans, the reason I'm calling you -- Mr. Haas gave me everything -- but I wasn't quite sure -- see if I have the picture correctly. You people delivered one engine last week, is that right?

E: I think so.

H.M.Jr: And you have got there in storage 9 engines for the Army as spares.

E: No. 9 engines have been shipped to the Army as spares.

H.M.Jr: Oh, they've been shipped.

E: Yes, for some time.

H.M.Jr: You don't know where to.

E: I have got the record somewhere, but I haven't got it here in front of me.

H.M.Jr: But 9 have been sent.

- 2 -

E: Yes. This came about partially through the 7 ships that were flown at Wright Field on a durability test and when they finished their 150 hours the engines came back here, were replaced by new engines, the old engines were rebuilt and returned to the Field.

H.M.Jr: I see. Yeah, I understand that, but you don't know where they went to?

E: No.

H.M.Jr: Would you find out and send me a telegram on that?

E: Yes.

H.M.Jr: Thank you. Now the other thing, as I understand it you have 50 engines partially completed waiting for some adjustment on the super-charger?

E: That's right.

H.M.Jr: Now those 50, could you make a guess when those could be released?

E: No, sir, I can't because we're still tied up today.

H.M.Jr: You're still tied up today.

E: Yeah.

H.M.Jr: And you don't know when.

E: No. There were, I believe, 49 engines have been through Green Run we didn't tear down. In addition to the 49 there are engines assembled up to the super-charger but haven't even been through Green Run.

H.M.Jr: But there are 49 which have been through the Green Run.

E: That's right.

- 3 -

H.M.Jr: And do I understand that there was something that broke in the super-charger which has to be replaced?

E: No, nothing broke, but they showed high bearing load which indicated out of balance and we haven't yet cured it.

H.M.Jr: I see. So you don't know when.

E: No.

H.M.Jr: Would you do me a little favor?

E: I'll try to.

H.M.Jr: When you've made that correction on the 49, will you call me up?

E: All right.

H.M.Jr: My number that you reach me on is District 2626.

E: District 2626.

H.M.Jr: Washington, and reverse the charges.

E: All right.

H.M.Jr: I'll be glad to pay for the call.

E: Well, just as soon as we know we're in the clear, I'll call you.

H.M.Jr: On those 49.

E: Yeah. Well, it doesn't only affect those 49, it affects everything, because we can't produce until we get the thing in balance.

H.M.Jr: I see. So your whole place is tied up.

E: So far as assembly is concerned, yes.

H.M.Jr: Now, let me ask you this, are you being held up at all because, as I understand it or do I understand correctly, that the Army has not approved the next engine which is the F engine?

- 4 -

E: Well, don't put it on the Army. We haven't passed satisfactory tests with the F engine.

H.M.Jr: I see.

E: It's not on the Field at all, it's still on us.

H.M.Jr: Oh, but when you've finished

E:

H.M.Jr: I see. Well, let me see if this is right. When you've manufactured and shipped 300 of these C engines, then the next engine for the Army is the F engine?

E: That's right.

H.M.Jr: Is that right?

E: That's right.

H.M.Jr: How many F engines do you have on order for the Army?

E: We have on order a total of 300 C's only. Following that we go on to F and E.

H.M.Jr: F and E.

E: Yes.

H.M.Jr: How many F's?

E: The first order is 324

H.M.Jr: 344.

E: 324.

H.M.Jr: 324.

E: That's F-3R for Curtiss.

H.M.Jr: Oh, for Curtiss.

E: Yes. Then we go on to 79 planes and 19 spares for Lockheed.

- 5 -

H.M.Jr: 79 and 19.

E: Yes. The 79 adds two times because it's a 2-engine ship.

H.M.Jr: 79 two times.

E: Plus 19 spares with option on additional 99 not taken up yet.

H.M.Jr: That's 172, isn't it?

E: That's right -- (adds) -- 177.

H.M.Jr: 177. That's right.

E: Then we have E-4 for Bell, P-39, a total of 94 plus an option of 60.

H.M.Jr: I see. That's for Bell.

E: Uh-huh.

H.M.Jr: First comes Curtiss, then Lockheed and then Bell.

E: That's right.

H.M.Jr: Now, neither the F nor the E have been approved yet.

E: That's right.

H.M.Jr: Well, the Army is going to have a long wait, aren't they?

E: Well, that's hard to say. If the F's are approved shortly -- they were trying to get approval this month, trying to get through flight tests this month, why we could start production pretty rapidly because everything is fairly well prepared for it. Now, the extent to which they change any part will affect the availability of tooling and I can't say how soon the tooling can be corrected until I know the extent of the changes. Now the Army is considering, I understand, the addition of 150 C's, 100 more P-40's.

- 6 -

H.M.Jr: Yeah. Well, if they ask my advice, I'd tell them to continue on the C's until the F's and the E's were cleaned up.

E: Well, of course, that's exactly what we're doing on British contract. The British contract was made on the basis of we'd deliver C's until the F's and E's were ready.

H.M.Jr: Well, they've got some sense.

E: (Laughs). At that time we weren't in a position to make any commitments; in fact, we never were but we were forced to do it, when the Army modified its contracts on the basis of the April 15th agreement, we were forced to accept delivery dates on the F and the E. Prior to that we had only a small quantity.

H.M.Jr: Would it ease your picture any, take any pressure off you, if the Army would take the same policy as the English and say they'll continue to take the C's until you straighten out the F and the E's?

E: They could do that, Mr. Secretary, with respect to P-40 Curtiss ships.

H.M.Jr: Pardon me?

E: They could do it with respect to Curtiss -- take C's until we could straighten out the F's.

H.M.Jr: Would that take a little of the pressure off you?

E: It would take some of the pressure off, except that we are not in a position to add to the U. S. schedule without displacing British schedule.

H.M.Jr: I see.

E: As our total availability was assigned to the British.

- 7 -

H.M.Jr: But with the C, let's say, that within a reasonable time you get the C rolling, I mean, couldn't you super-impose some for the Army.

E: Well, we're scheduled up to 400 a month already.

H.M.Jr: For the

E: For the British -- taking up the French.

H.M.Jr: But I mean if you just concentrated on the one type

E: We wouldn't be able to exceed that capacity even then until we have additional machinery.

H.M.Jr: I see.

E: It'll take additional capacity before we can exceed that figure.

H.M.Jr: I see. Well, thank you. I appreciate talking to you, and would you call me the minute that this thing is cleaned up?

E: All right. I'll call you as soon as the super-charger is fixed and I'll advise you where these spares were delivered.

H.M.Jr: If you please.

E: 9 engines.

H.M.Jr: Thank you.

E: Right-o.

Treasury Department

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TELEGRAPH OFFICE

Kaas

17
13POBR- 34

PXX TO INDIANAPOLIS IND AUGUST 13-40-236

THE HON HENRY MORGENTHAU JR.

1940 AUG 13 PM 4 32

SECRETARY OF THE TREASURY

SEVEN EXTRA HAVE BEEN SUPPLIED PATTERSON FIELD TO REPLACE ENGINES
USED ON DURABILITY TESTS WHICH HAVE BEEN RETURNED HERE FOR
INSPECTION AND ARE BEING OVERHAULED ONE ENGINE SHIPPED TO LANGLEY
AND ONE TO WRIGHT

R K EVANS

ALLISON ENGRG CO

427P

M. Kaas
1/14-

August 13, 1940
11:00 a.m.

H.M.Jr: Hello.

Operator: Secretary Stimson.

H.M.Jr: Hello.

Secretary Stimson: Yes.

H.M.Jr: Henry talking.

S: Yes.

H.M.Jr: How are you? Henry Morgenthau.

S: Well, a little distracted but otherwise all right.

H.M.Jr: (Laughs). Well, what I'd like to ask is this. I have sitting here with me Major W. B. Smith from General Marshall's office and we've been talking for half an hour on this Allison engine situation which is the engine which goes into all of your pursuit ships, and I wondered whether I could either talk to you or to Mr. Patterson and bring him up to date just what I've been doing on this thing in connection with the English. You see?

S: Yes.

H.M.Jr: The situation is a terrible mess and you're not getting your engines and the English aren't getting any.

S: Yes.

H.M.Jr: Now, how would you like me to proceed on this thing?

S: Well, I can't make any step just now. I'd rather have you go through Patterson. I'm waiting a call from the President on the much more urgent matter that doesn't concern

- 2 -

me really at all but which is of the British destroyers, and so that my mind is all churned up with that.

H.M.Jr: Well, could you

S: Engines seem of minor importance

H.M.Jr: I see. Well, it's a whole pursuit program of pursuit ships for the English is all tied down.

S: I know. Well, I was going to try

H.M.Jr: Well, could Patterson come over and see me?

S: Who?

H.M.Jr: Could Mr. Patterson come over and see me?

S: Yes, I think he could perhaps. It means my finding out -- going into his room and getting hold of him and I -- oh, Lord!! I can't do anything until I get this damn thing with the President off my chest. (Laughs). I'm just so nervous over it and so worried over it and the news is so bad that I'm very much troubled. I don't know whether we can do anything or not but

H.M.Jr: Is there any chance of doing anything on that?

S: Why, there is a chance, but it's a big chance.

H.M.Jr: I see.

S: And what I mean it's a dangerous chance, and I don't know how -- he's been away and he left it on my lap and he's skipped off and I don't know what he's been doing.

H.M.Jr: Well, would this bother you too much just to

- 3 -

S: I'll try to get hold of Patterson.

H.M.Jr: Couldn't you just call him on the phone?

S: About engines --

H.M.Jr: Allison.

S: Allison engines. Yes, I'll tell him --
I want to help up anything in the program
and I'll try to do so.

H.M.Jr: Well, if you could just ask him

S: But I don't want to miss this call.

H.M.Jr: Well, if you could just have somebody tell
Mr. Patterson to call me.

S: I will, yes.

H.M.Jr: What?

S: Yes. I'll do that right off.

H.M.Jr: Would you do that?

S: Yes.

H.M.Jr: Thank you.

August 13, 1940
11:55 a.m.

Present: Mr. Purvis
Mr. Fairey
Mr. McKim
Mr. Foley (for last part of the meeting)

HM Jr: Well, I have been spending all morning in your behalf.

Purvis: Well, it won't be the first morning.

HM Jr: On Saturday and on Sunday I have been fussing with this Allison engine picture. Well, I thought I had 53 Friday. That's what General Brett told me and then I found out he was wrong.

Purvis: Yes.

HM Jr: And the situation out there is very discouraging.

Purvis: Quite.

HM Jr: There are 49 engines. There were two men there yesterday, and I checked it with Mr. Evans this morning. Those 49 have passed the so-called green test which is the first run given them, and they developed a out of balance in the supercharger.

Purvis: Yes.

HM Jr: And until that's fixed, Mr. Evans will make no promises on any more deliveries to any one.

Purvis: Yes.

HM Jr: They delivered one last week. When I see the President today at lunch I am going to recommend that the rest of the so-called "C" engine go to you.

- 2 -

Purvis: Good work.

HM Jr: Now I may run into this - the Army may say, "That's fine providing that continues."

Purvis: Yes, that's a difficult one.

HM Jr: You see they may say it's no good unless it works both ways.

Purvis: Quite.

HM Jr: They have delivered 122 out of a total of 300 as of Saturday.

Purvis: Good.

HM Jr: 100 of the 300 are for spares which are not so urgent. So that if we do this - the difference between 122 and 300 - any way the Army isn't going to take any more "C" type after they get these. They're going on to the "F" engine; So it wouldn't be so bad because the Army only has on order 300 of which they already have received 122.

Purvis: Quite.

HM Jr: As of the ninth you had 36 completed planes sitting at Buffalo.

Purvis: Yes.

HM Jr: Now Judge Patterson, the new Assistant Secretary of War, just left my office and I told him I was going to do this. Whether I get anywhere I don't know, but it would be immediately giving you pursuit ships.

Fairey: Sounds very good.

HM Jr: Now that very roughly is that. I don't see how you could get stuck on it because the Army wants its 300 engines first, and this would immediately give you engines, if and when, Allison would release them.

- 3 -

Purvis: I haven't heard from Sloan in two weeks.

HM Jr: Well, he is out on the West Coast, you know.

Purvis: That's in the supercharger, is it?

HM Jr: Yes.

Now, on the Swedish thing - I finally dumped the whole thing into the lap of Mr. Patterson, and what we are asking them to do and what we are recommending to the President - I think there are 156 Vultees and I don't know how many Republics. Well, we discovered Sweden had some 300 Pratt Whitney engines, so I said Army could have those if you gentlemen could have the planes.

Fairey: Well, those are surplus engines.

HM Jr: They are engines for Sweden.

Purvis: We didn't know about that.

HM Jr: Yes. You see the only way they could do that would be for the Army to seize these planes, turn them back, and then permit these companies to sell them to you. I think there are 36 Republic planes all finished.

Purvis: It's quite an important thing - the Swedish thing.

HM Jr: I'm going to put it in terms of 24 hours.

Purvis: Last thing we heard from General Arnold was he was going to try to tack it on the Army.

HM Jr: Well, we have been fussing with it for a month now. It's getting sickening.

Purvis: Well, these things all take time to work out.

- 4 -

HM Jr: But I wanted to tell you what I was going this morning. Now could I do one other thing before I go into your list?

Purvis: Yes. Yes.

HM Jr: All right?

Purvis: Yes. Yes. Yes. You know I'm going to get another chance tonight.

HM Jr: Mr. Jones has written a memo to the President putting the entire blame on me because I told you and Mr. Knudsen the RFC would finance the plant expansion and that you didn't have to put up any money, that I hadn't messed in it everything would have been lovely.

Purvis: Who's doing that, Mr. Jones?

HM Jr: I will let you see it. We have written an answer.

Purvis: Why that's - that's

HM Jr: - It's just Washington. Any capital.

Fairey: That's terrible.

Purvis: Why everything I had on that came from you.

HM Jr: Well, that doesn't bother me except that again I want to give it a push at 1:00.

Purvis: I wonder if that has any reference to the stuff Agar and Bingham are plotting.

HM Jr: Has Agar been around to see you?

Purvis: The same man who wrote that letter to the Ambassador sent me that. I had warned him against Bingham. (Purvis handed memo to HM Jr. HM Jr read it silently and then handed it back to Purvis, who retained it.)

HM Jr: Well, isn't that about the same sort of thing - I think the first thing covers it.

Purvis: Packard and I couldn't help feeling a tip is being given to Jones in some way. I'm keeping it exactly where it stands. You know me on that. But I just thought I would mention it.

(Foley entered the conference)

HM Jr: Ed, where are we now?

Foley: Well, Mr. Secretary, I don't know whether the way I'm doing this is the way you want it done. What I'm trying to do is to answer directly the letter that Mr. Jones has submitted which says that because of your statement that we can finance these facilities even though they are to be used in part by the British no funds in capital items need be put up by the British. I'm answering it on that basis rather than to go into great detail. I want to show first that he took the position he didn't have the power under the legislation to do it. We gave him an opinion which was concurred in by the Attorney General showing that he did have the power. And then he shifts over to the question of international law. We thought that that was unimportant and wasn't even necessary to go into. And then we show that even though the British should now agree to put up a very large sum of money the contracts are not signed.

HM Jr: When we're through, could you (Purvis) drop back to Mr. Foley's office and then have it in shape for me by 1:00?

Purvis: I think there's nothing more important.

HM Jr: I'm writing this as a memo to the President which he undoubtedly will in turn send to Mr. Jones.

Purvis: Is it all right that it should be emphasized how vital it is to this whole program?

- 6 -

Foley: Well, I wasn't shaping it on that tone. We have been right all along and the delay was on his account.

Purvis: I feel it is very vital. Here we are on the tank deal. You know that is 2/3-1/3, too.

HM Jr: Send me a memorandum on that from that angle because . . .

Purvis: I had that as my principal item on my bill.

Foley: Well, I had an opinion on the tank thing but we hadn't had to use that yet. *(see memo attached to letter to Rosenfeld dated 3/16)*

Purvis: That could be done as a separate thing. Then it wouldn't interfere with this.

Foley: Tank funds come from the Army, and that is a different appropriation so the question wouldn't arise.

HM Jr: Well, just take a minute on it. Did you (Foley) talk to Campbell?

Foley: Yes, I talked to him. His name is Gilman - not Campbell. He said the British were going to put up approximately \$14,000,000 and that RFC was going to put up \$6,000,000 or \$8,000,000 depending on whether 20 or 22 million was necessary. That money was to be used to furnish tools and machines which would be installed in his plant out there. Those tools and machines would be leased by Packard for a period of - commensurate with the life of the contract. They had written a letter last night to Mead over at Defense Council asking him whether they were to be indemnified against patent infringement. And he asked me if I would try to speed up the answer to that.

Purvis: Infringement of Rolls Royce patents?

Foley: No. A manufacturer producing for government order, United States Government, and then his rights for patent infringement. I think your government will have to supply him with assurance . . .

- 7 -

Purvis: Well, in any case

HM Jr: It's just as I thought. Ed, put into my hands that plan we had for a defense finance corporation which we sent over to the President (see wire to the President dated July 24, 1940). I want to again recommend it to the President. If you will have that in my hands and then walk over with me at 1:00.

COMPLEMENTARY PROGRAMMES

As the possibilities develop for complementary

programmes as between United States defense and United Kingdom war needs, I am more than ever impressed with the value and importance of the arrangement whereby United Kingdom dollar resources are conserved by permitting postponement of payments for capital items until the product of the plant is ready for delivery. This may become a vital factor in the winning of the war.

While, as you know, I have not hesitated to pledge the United Kingdom resources for the further \$10 millions capital payments which become necessary in order to try and break the deadlock over, and prevent delay in, the Packard Rolls-Royce engine programme, I am very disturbed lest this constitute a precedent barring future transactions.

May I ask your cooperation in an endeavour to overcome this unexpected difficulty in working out an arrangement which, when you authorized me to cable it to the United Kingdom Government some weeks back, excited the liveliest expressions of appreciation and thanks. I am sure London will be most disappointed if it were found necessary to withdraw the facilities then granted.

R. B. Lewis

*given to King
by Pennie at
11:55 meeting
on 8/13 -
and taken over to
W. H. at luncheon by
H. M. G. on same
day.*

*Taken to W.H. Lumsden
by HM gr. 5/12/40*

August 13, 1940

MEMORANDUM FOR THE SECRETARY:

Colonel Donovan telephoned yesterday saying that he believed the time had come to press very strongly for -

- (a) motor torpedo boats (20 - a priority)
- (b) rifles (250,000 - a release)
- (c) flying boats (25 - a release).

I thought you would be willing to keep this in mind during your conversation today.

A.B.P.
A. B. P.

HM Jr took this copy of Mr. Foley's
memo of 7/24 to White House with him
on August 13, 1940.

169

Mrs. McHugh

170

○ For the President

This was incorporated in a wire
to the President from the Secretary while the President
was at Hyde Park (7/24'40)

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE

C
O
P
Y
TO Secretary Morgenthau
FROM Mr. Foley

It is suggested that the following steps be taken in order to provide a mechanism whereby small and medium-size business may obtain credit and capital to enable it to participate in the national defense program:

1. There should be established within the R. F. C. a separate division, to be known as the Defense Finance Administration, specially equipped to deal quickly and effectively with the financing of our national defense needs. The division should be in charge of an aggressive administrator aided by a few key men with a passion for taking and not evading responsibility, cutting red tape and making quick decisions. The division should be authorized to avail itself of the powers of the Reconstruction Finance Corporation under section 5d of the RFC Act as provided by the Glass-Steagall Act of 1938 and the 1940 National Defense Amendment.
2. The Defense Finance Administration should have a separate section to look after the credit and capital needs of small and medium-sized businesses in order to make it possible for them to take an active part

Secretary Morgenthau

2.

in the national defense program. The expediting of the national defense program requires the full utilization of the capacity and skill of all business, small as well as large.

3. The Defense Finance Administration would conduct a widespread publicity campaign, making known to small and medium-sized business that funds will be available on liberal terms, including low interest rates and without the rigorous requirements which have heretofore characterized the making of loans to small and medium-sized business by the Reconstruction Finance Corporation and Federal Reserve Banks.
4. The Defense Finance Administration should utilize not only the RFC regional fiscal agencies but also other decentralized government offices as well as ordinary commercial banks, with a view to bringing credit and capital to business men on their home ground and making it unnecessary for them to come to Washington. These local agencies and banks could act as the agents of the RFC, or in the case of local banks, the loans could be made by the banks with the RFC participating therein. Regulations governing the program should lay down standards which will enable the local agencies and banks to approve small loans without reference to Washington.

Secretary Morgenthau,

3.

5. The Reconstruction Finance Corporation would make available to the Defense Finance Administration a billion dollars to be provided by borrowed funds to the extent that the RFC might not have such amount available. This money would be used as a revolving fund by the Defense Finance Administration.
6. Once a month the Defense Finance Administration would make a detailed report of its activities during the preceding month to the Board of Directors of the RFC so that the RFC would always be advised of the activities of the Defense Finance Administration. The degree of control which the Federal Loan Administrator would exercise over the Defense Finance Administration would be substantially the same as the control which he exercises over the Federal Housing Administration, the Federal Home Loan Bank Board, or other organizations under his supervision.

August 13, 1940
4:25 p.m.

George
Haas:

Hello, Mr. Secretary.

H.M.Jr:

What do you know?

H:

I haven't got any news that's particularly exciting. They've reduced the number in storage down to 46 on those P-36's which require the Wright engines. They got 13 Wright engines in the last two days and the P-40's -- they have 40 of those in storage.

H.M.Jr:

For the English.

H:

These are both for the English.

H.M.Jr:

How many P-40's have they got?

H:

40.

H.M.Jr:

40.

H:

Those requiring Allison engines.

H.M.Jr:

40, I see.

H:

And they could have more in storage if they wanted to hurry up a little bit, you see, they're holding back.

H.M.Jr:

But there are 40.

H:

There are 40 of them. They had to build a separate building for that purpose, and they've revised the schedule for the amount the British are going to get of Allison engines and the Army, and it's practically the same figures which you gave me yesterday and I've got a copy of that I'm going to send you.

H.M.Jr:

Well, that can all wait.

H:

I heard too that -- one of the men just came back from New York, and he said these P-36's that are going to the British are piling up on the docks at New York.

- 2 -

H.M.Jr: Really?

H: He says they evidently haven't been able to move them.

H.M.Jr: Really?

H: Uh-huh.

H.M.Jr: I'll have it surveyed.

H: Uh-huh.

H.M.Jr: What else?

H: I asked Jansen what he thought you know about the chances of getting larger deliveries from Allison, and he seems to share somewhat this not so optimistic -- about like you are. He was down and went through their plant here about a week or ten days ago.

H.M.Jr: Well, George, that can all keep, unless you've got something special.

H: Nothing special.

H.M.Jr: I'm overtired just now.

H: Yeah. All right.

H.M.Jr: And unless you have something -- there are 40 P-40's over there?

H: Yes.

H.M.Jr: Then you'll be here tomorrow?

H: Yes, I'll be in tomorrow, Mr. Secretary.

H.M.Jr: O. K., George.

H: All right.

H.M.Jr: Thank you.

August 13, 1940

Dear Mr. Collado:

This is to confirm our telephone conversation of this morning.

The Secretary approved the proposal made by the State Department and transmitted by you to me over the telephone that a telegram be sent to our Ambassador to Argentina containing the following statement:

"With respect to possible monetary and exchange arrangements which were discussed at Havana the Treasury is prepared to continue such discussions in Washington at the initiative of the Argentine Government. In your conversation with the Foreign Office you may suggest that if the Argentine Government wishes to pursue such discussions at this time it designate Irigoyen or some other representative to come to Washington for the purpose."

Very truly yours,

(Signed) H. D. White
H. D. White,
Director of Monetary Research.

Mr. E. G. Collado,
Division of American Republics,
Department of State.

8/13/40 - Mailed from Rm. 210

HDW:lrs
8/13/40

No. 346

AIR MAIL

AMERICAN CONSULATE GENERAL

Rangoon, Burma, August 13, 1940.

Subject: Burma's Transit Trade with China
in Supplies Other Than War Materials
During July, 1940.

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to report that the transit trade of Burma with China in supplies other than war materials during July, 1940, amounted in value to Rupees 13,050,482, or approximately \$3,915,145 at the average rates of exchange for the period. The total value of such trade, therefore, amounted to Rupees 39,617,098, or approximately \$11,885,130, during the first four months of the current fiscal year, which began on April 1, 1940.

Detailed statistics relating to this trade during July, 1940, and showing countries from which these re-exports were imported, appear in an enclosure submitted herewith.

The aforementioned and enclosed statistics obtained from customs records represent shipments from Rangoon of goods destined to China, rather than goods actually exported across the border from Burma to China during the period indicated. Statistics regarding actual exports over the border are not yet available.

Respectfully yours,

W. LEONARD PARKER
American Vice Consul

Enclosures:
Statistics of trade.

Distribution:

1. In triplicate to Department.
2. Copy for Embassy, London.
3. Copy for Embassy, Chungking.
4. Copy for Consulate, Yunnanfu.

AMERICAN VICE CONSUL
at Rangoon, Burma, entitled "Burma's Transit Trade with China in Supplies Other Than War Materials during July, 1940".

BURMA'S TRANSIT TRADE WITH CHINA DURING JULY, 1940

(Sources of Supplies, Quantities, and Values of Re-Exports from Rangoon)

Commodity	United States Quantity Value	Hong Kong Quantity Value	Indochina Quantity Value	Dutch East Indies Quantity Value	United Kingdom Quantity Value	Italy Quantity Value	China Quantity Value	India Quantity Value	Straits Settlements Quantity Value	Total Quantity Value
Bacon & ham (Cwts.)	-	-	-	-	-	-	-	-	-	(17)
(Rs.)	(17)	-	-	-	-	-	-	-	-	2
Meat & meat (Cwts.)	2	-	-	-	-	-	-	-	-	(162)
preparations (Rs.)	(162)	-	-	-	-	-	-	-	-	1
Cheese (Cwts.)	1	-	-	-	-	-	-	-	-	(115)
(Rs.)	(115)	-	-	-	-	-	-	-	-	1
Butter (Cwts.)	1	-	-	-	-	-	-	-	-	(150)
(Rs.)	(150)	-	-	-	-	-	-	-	-	-
Condensed milk (Cwts.)	-	-	-	-	-	-	-	-	-	(41)
(Rs.)	(41)	-	-	-	-	-	-	-	-	2
Tinned or (Cwts.)	2	-	-	-	-	-	-	-	-	(428)
canned fish (Rs.)	(428)	-	-	-	-	-	-	-	-	-
Drinkable	-	105	-	-	-	-	-	-	-	105
spirits, other (Gals.)	-	(931)	-	-	-	-	-	-	-	(931)
worts (Rs.)	-	50	-	-	-	-	-	-	-	50
Cigarettes (Lbs.)	-	(242)	-	-	-	-	-	-	-	(242)
(Rs.)	-	1,205	-	-	-	-	1	-	-	1,243
Oils, vegetable (Gals.)	37	(4,772)	-	-	-	-	(666)	-	-	(4,847)
(Rs.)	(19)	-	-	-	-	-	-	-	-	-
Chemicals, all (---)	-	-	-	-	-	-	(1,208)	-	-	(137,608)
(Rs.)	(93,263)	(43,137)	-	-	-	-	-	-	-	-
Drugs & Medi- (---)	-	-	-	-	-	-	-	-	-	-
cines, all (Rs.)	(864,581)	(1,210,763)	-	-	-	-	(2,094)	-	-	(2,077,438)
worts (---)	-	-	-	-	-	-	-	-	-	-
Paints & (---)	(35,286)	(1,518)	-	-	-	-	(372)	-	-	(37,176)
varnishes (Rs.)	-	-	-	-	-	-	(13)	-	-	(4,380)
Painters' (---)	(3,125)	(1,242)	-	-	-	-	-	-	-	-
materials (Rs.)	-	-	-	-	-	-	-	-	-	-

Commodity		United States Quantity Value	Hong Kong Quantity Value	Indochina Quantity Value	Dutch East Indies Quantity Value	United Kingdom Quantity Value	Italy Quantity Value	China Quantity Value	India Quantity Value	Straits Settle- ments Quantity Value	Total Quantity Value
Printers' & litho- graphers' ink	(---) (Rs.)	- -	(25) -	- -	- -	- -	- -	(24) -	- -	- -	(49) -
Polishes, all kinds	(---) (Rs.)	- (992)	- -	- -	- -	- -	- -	(68) -	- -	- -	(1,060) 3
Soaps, all kinds	(Qwts.) (Rs.)	1 (74)	2 (189)	- -	- -	- -	- -	- -	- -	- -	(263) 150
Pneumatic motor covers	(No.) (Rs.)	130 (9,931)	20 (1,828)	- -	- -	- -	- -	- -	- -	- -	(11,759) 36
Pneumatic motor tubes	(No.) (Rs.)	- -	36 (379)	- -	- -	- -	- -	- -	- -	- -	(379) 2
Cork manufactures	(Qwts.) (Rs.)	- (93)	2 (165)	- -	- -	- -	- -	- -	- -	- -	(258) -
Rubber manufactures	(---) (Rs.)	- (67,638)	- (3,440)	- -	- -	- -	(1,475) -	- -	- -	- -	(72,543) -
Furniture, other than bedsteads	(---) (Rs.)	- -	- (4,250)	- -	- -	- -	- -	(91) -	- -	- -	(4,341) -
Manufactures of wood other than furniture	(---) (Rs.)	- -	- (118)	- -	- -	- -	- -	- -	- -	- -	(118) 176
Lac, shell & button	(Qwts.) (Rs.)	- -	- -	- -	- -	- -	- -	- -	(7,678) -	- -	(7,678) -
Paper & stationery, including paper manufactures	(---) (Rs.)	- (329)	- (13,635)	- -	- -	- -	- -	(361) -	- -	- -	(14,325) -
Leather & leather manufs. (excluding boots & shoes)	(---) (Rs.)	- (138)	- (1,466)	- -	- -	- -	- -	- -	- -	- -	(1,604) 1
Cotton, raw	(Tons) (Rs.)	- -	1 (406)	- -	- -	- -	- -	- -	- -	- -	(406) 216,256
Cotton twist & yarn, grey	(Yds.) (Rs.)	- -	43,680 (16,476)	- -	- -	- -	- -	172,576 (74,217)	- -	- -	(90,693) 80
Flax thread for sewing	(Lbs.) (Rs.)	80 (348)	- -	- -	- -	- -	- -	- -	- -	- -	(348) -
Cotton manufactures, all sorts	(---) (Rs.)	- (6,152)	- (379,647)	- -	- -	- -	- -	(2,427) -	- -	- -	(388,226) -

Commodity		United States Quantity Value	Hong Kong Quantity Value	Indochina Quantity Value	Dutch East Indies Quantity Value	United Kingdom Quantity Value	Italy Quantity Value	China Quantity Value	India Quantity Value	Straits Settlements Quantity Value	Total Quantity Value
Cotton shirtings, white (Yds.)		5,281	46,400	-	-	-	-	-	-	-	51,681
dyed & colored (Rs.)		(8,528)	(7,126)	-	-	-	-	(509)	-	-	(16,163)
Cotton piece goods, white, dyed & colored (Rs.)		-	52,652	-	-	-	-	-	-	-	52,652
Flannels & flannelettes (Yds.)		-	(10,919)	-	-	-	-	-	-	-	(10,919)
(Rs.)		-	7,500	-	-	-	-	-	-	-	7,500
Jute gunny bags (Yds.)		-	(1,380)	-	-	-	-	-	-	-	(1,380)
(Rs.)		-	600	-	-	-	-	-	-	-	600
Woollen & worsted piece goods (Yds.)		60	(212)	-	-	-	-	-	-	-	(212)
Woollen manufactures, other sorts (Rs.)		(90)	-	-	-	-	-	-	-	-	60
Other textile manufactures (Rs.)		(5,044)	-	-	-	-	-	(11)	-	-	(90)
Balting for machinery (Rs.)		(2,145)	(11,619)	-	-	-	-	(15)	-	-	(5,055)
Cordage & rope (Cwts.)		-	(378)	-	-	-	-	-	-	-	(13,779)
Apparel (Rs.)		-	6	-	-	-	-	-	-	-	(378)
Waterproof clothing (Rs.)		(500)	(193)	-	-	-	-	-	-	-	6
Woollen blankets & rugs (Rs.)		-	(6,302)	-	-	-	-	(498)	-	-	(193)
Haberdaasery & Millinery (Rs.)		-	(331)	-	-	-	-	-	-	-	(7,300)
Boots & shoes, all kinds (Rs.)		(50)	-	-	-	-	-	-	-	-	(331)
Kerosene oil (Gals.)		(835)	(47)	-	-	-	-	(2,885)	-	-	(50)
Lubricating oils, other sorts (Rs.)		-	100	-	-	-	-	100	-	-	(3,767)
Mineral oils, other sorts (Rs.)		(869)	(384)	-	-	-	-	(336)	-	-	200
Mineral grease (Lbs.)		69,552	-	-	-	-	-	-	-	-	(720)
		(21,600)	834	-	-	-	-	-	-	-	30
			(1,202)	-	-	-	-	-	-	-	(65)
			85	-	-	-	-	1,654	-	-	3,500
			(226)	-	-	-	-	(3,580)	-	-	(5,856)
			2,615	-	-	-	-	-	-	-	1,869
			(697)	-	-	-	-	-	-	-	(4,675)
			-	-	-	-	-	-	-	-	72,167
			-	-	-	-	-	-	-	-	(22,297)

Commodity	United States Quantity Value	Hong Kong Quantity Value	Indochina Quantity Value	Dutch East Indies Quantity Value	United Kingdom Quantity Value	Italy Quantity Value	China Quantity Value	India Quantity Value	Straits Settlements Quantity Value	Total Quantity Value
Paraffin wax (---) (Rs.)	-	(30)	-	-	-	-	-	-	-	(30)
Building & engineering materials (---) (Rs.)	(3,416)	(1,822)	-	-	-	-	(5)	-	-	(5,243)
Glassware, all sorts (---) (Rs.)	(294)	(686)	-	-	-	-	(4)	-	-	(984)
Articles of stone & marble (Tons) (Rs.)	-	1 (638)	-	-	-	-	-	-	-	1 (638)
Iron & steel products (Tons) (Rs.)	2,874 (1,162,102)	5,312 (882,241)	-	1 (953)	1,379 (301,069)	-	3 (2,911)	-	-	9,569 (2,349,786)
Aluminum ingots & other aluminum products (Tons) (Rs.)	696 (170,676)	192 (18,485)	-	-	-	-	-	-	-	888 (189,161)
Brass & brass products (Cwts.) (Rs.)	829 (87,927)	111 (11,289)	-	-	-	2 (1,404)	8 (576)	-	-	950 (101,196)
Copper wrought & copper products (Cwts.) (Rs.)	26 (3,226)	1,017 (73,725)	18,360 (915,000)	-	-	-	12 (1,527)	-	-	19,415 (996,478)
Lead, pig lead & products (Cwts.) (Rs.)	2 (83)	19,683 (318,688)	-	-	-	-	-	-	-	19,685 (318,771)
Zinc or spelter (Cwts.) (Rs.)	7,001 (204,680)	409 (14,199)	-	-	-	-	-	-	-	7,410 (218,879)
Metals, un-enumerated (Cwts.) (Rs.)	10 (3,660)	5 (4,972)	-	-	-	-	-	-	-	15 (8,632)
Cutlery (---) (Rs.)	-	(98)	-	-	-	-	-	-	-	(98)
Hardware, all sorts (---) (Rs.)	(223,793)	(92,771)	(426,678)	(466)	(5,970)	-	(2,728)	-	(1,701)	(754,107)
Machinery & parts all sorts other than motor vehicles (---) (Rs.)	(394,179)	(610,646)	-	(175,826)	(17,039)	(235,598)	(99,354)	(16,680)	-	(1,549,322)

Commodity

	United States	Hong Kong	Indochina	Dutch East Indies	United Kingdom	Italy	France	Japan	Other Settlements	Total
	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity
	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value
Instruments & apparatus, including electrical, scientific, etc.	(Rs.) (792,336)	(1,081,757)	-	-	(149,530)	(45,556)	(17,808)	(643)	-	(2,087,630)
Parts & accessories of cycles	(Rs.) -	(1,950)	-	-	-	-	(4)	-	-	(1,954)
Cycles	(Rs.) -	(5,182)	-	-	-	-	-	-	-	(5,182)
Motor cars	(No.) 1	3	-	-	-	-	1	-	-	5
	(Rs.) (10,230)	(12,417)	-	-	-	-	(2,964)	-	-	(25,611)
Motor cycles	(No.) -	22	-	-	-	-	-	-	-	22
	(Rs.) -	(33,477)	-	-	-	-	-	-	-	(33,477)
Motor vehicles imported with bodies	(No.) -	14	-	-	-	-	-	-	-	14
	(Rs.) -	(47,621)	-	-	-	-	-	-	-	(47,621)
Motor chassis	(No.) 7	16	-	20	-	-	-	-	-	43
	(Rs.) (65,557)	(45,100)	-	(37,984)	-	-	-	-	-	(148,641)
Vehicles, parts of mechanically propelled vehicles	(Rs.) (197,603)	(206,444)	-	(801,789)	-	-	-	-	-	1,205,836
Clocks & watches	(Rs.) -	(152)	-	-	-	-	-	-	-	(152)
All other articles	(Rs.) (22,427)	(10,781)	-	-	-	(15,149)	(1,486)	-	(295)	(50,138)
Totals	(Rs.) 4,469,441	5,200,816	1,344,678	1,017,018	473,608	299,182	218,742	25,001	1,996	13,050,482
	(\$1,340,832)	(\$1,560,245)	(\$403,403)	(\$305,105)	(\$142,082)	(\$89,755)	(\$65,623)	(\$7,500)	(\$600)	(\$3,915,145)

	Rupees	U.S. Dollars
Total value of transit trade in first three months of fiscal year 1940-41 (April to June, 1940)...	26,566,616	7,969,985
Total value of transit trade in July, 1940.....	13,050,482	3,915,145
Grand total (4 months).....	39,617,098	11,885,130

AUG 13 1940

STRICTLY CONFIDENTIAL

Dear Mr. Hoover:

Please accept my sincere thanks for your letter of August 7 transmitting a memorandum dated August 6, together with a number of documents indicating activities on behalf of German interest in establishing and creating sources of available funds in the United States.

*from the
Mr. H. H. H.
9/14/40*

In this connection I desire also to thank you for having your representatives, Messrs. Tamm and Kimball, call upon Mr. Cochran of my office on Friday afternoon, August 9. Mr. Cochran indicated to your agents the type of information which we are interested in receiving, and also let them see certain data which are already available to the Treasury. I am sure that a mutually helpful system of cooperation may be worked out.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

J. Edgar Hoover, Esquire,
Director, Federal Bureau of
Investigation,
U. S. Department of Justice,
Washington, D. C.

R.M.S.
HMC:lap-9/12/40

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Buenos Aires, Argentina.

DATE: August 13, 1940 8 p.m.

NO. : 342

Please refer to telegram dated August 12, 2 p.m. no. 180 from Department.

This afternoon I called on the Under Secretary for Foreign Affairs and told him that the Department does not consider it advisable to send an official mission to Buenos Aires at this time. The Department, I also told him, had not indicated to the press that a mission of this kind was coming here.

The reason for this decision was explained by me and I also informed him of Mr. Warren Lee Pierson's projected visit to Buenos Aires and I said that this visit by Mr. Pierson could be considered as an alternative to the mission of Hawkins.

Keen interest in Mr. Pierson's projected visit was shown by Dr. Gache and he promised me that the matter would be brought to the attention of the Ministry of Finance.

TUCK

EMB

611.3531/

EA:EHS

CABLE

FROM: Treasury Attache Nicholson,
Shanghai, China.

DATE: August 13, 1940

For the Secretary of the Treasury.

Shanghai market closed quiet August 12 at 3-23/32
for cash and August 3-45/64 for September for sterling
5-15/32 for cash and August 5-13/32 for September for
U. S. dollars. Gold bars closed at 5,785 and wei wah
at discount of 4.55%.

NICHOLSON

RESTRICTED

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Regraded Unclassified

No. 168

SITUATION REPORTM.I.D., W.D.
August 13, 1940.
12:00 M.

This military situation report is issued by the Military Intelligence Division, General Staff. In view of the occasional inclusion of political information and of opinion it is classified as Restricted.

I. Western Theater of War.

1. No ground operations.
2. Air Force Operations.

Large scale air fighting on the 12th occurred in connection with German attacks on ports and airbases in southern England. Points attacked included Portsmouth, Plymouth, Dover, and airfields at Hayston, Canterbury, Hawkins and Lympne. There is still no reliable information on damage inflicted or losses incurred. The British pursuit reaction to German attacks appeared to be weaker than on the 11th.

Both sides conducted normal night-bombing raids on the night of August 12-13.

According to press reports from Great Britain and Germany, the German attacks are being renewed today. They have been delivered in southern England and also in the Newcastle area on the North Sea coast.

II. Mediterranean Theater of War.

No important ground or aerial activity reported.

III. East African Theater of War.

The Italian offensive in British Somaliland has now reached the British main defensive position at the mountain passes about 60 miles south of Berbera. The defending garrison has been reinforced by a battalion of the Black Watch. Italian forces engaged are estimated at 8000-9000; British at 3000-4000. In the limited air activity the Italians appear to possess air superiority.

RESTRICTED

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 13, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling purchases of £22,000, all for customer account, were executed today by the six reporting banks. There were no reported sales.

Open market sterling had a firm tone, advancing from 3.96 at the opening to a high of 4.00-1/2 at the close. The reporting banks effected sales of £57,000 and purchases of £47,000 for account of their commercial customers.

The Swiss franc continued strong in today's market, possibly reflecting the reconversion into Swiss francs of private Swiss dollar holdings. This afternoon, a current high of .2281 was reached, and the closing rate was .2280. A Dow Jones despatch from London stated that the Swiss National Bank had lowered its buying price for the dollar from 4.40 to 4.39 Swiss francs (equivalent to raising the value of the Swiss franc from .2272-3/4 to .2278). Accordingly, the Bank of England officially quoted higher rates for the Swiss unit today.

The other currencies closed as follows:

Canadian dollar	13-7/16% discount
Lira	.0505
Reichsmark	.4005
Cuban peso	11-5/8% discount
Mexican peso	.1992 bid, .2016 offered

We purchased the following amounts of gold from earmarked accounts:

\$ 8,214,000 from the Royal Netherlands Government
7,000,000 from the Central Bank of the Argentine Republic
<u>4,419,000 from the B.I.S.</u>
\$19,633,000 Total

The B.I.S. released the above-mentioned \$4,419,000 in gold from its account No. 3. We understand that gold in this account is the property of the National Bank of Hungary, and it is possible that the proceeds of the gold sale will be used to redeem coupons on four Hungarian dollar bond issues. It was announced in last Friday's press that such a redemption would be effected by the New York paying agent of the Hungarian Cash office of Foreign Credits.

The Chase National Bank notified the Federal Reserve Bank of New York today that it had received a cable from the Russian State Bank stating that a shipment of "goods" was en route to San Francisco via Vladivostok. It is assumed that this refers to a shipment of gold.

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The Federal Reserve Bank of New York reported that the following gold shipments had been consigned to it:

\$ 9,500,000 from Argentina, representing two shipments by the Central Bank of the Argentine Republic for its own account, disposition unknown.
 2,285,000 from South Africa, shipped by the South African Reserve Bank for account of the Bank of Sweden, for sale to the U.S. Assay Office.
 1,130,000 from England, shipped by the Bank of England for account of the Bank of Greece, disposition unknown.
 75,000 from Mexico, representing a shipment of Mexican gold coins made by the Bank of Mexico, to be earmarked for its account.
\$12,990,000 Total

The State Department forwarded to us a cable stating the the Chartered Bank of India, Australia and China, Hong Kong, shipped \$161,000 in gold from Hong Kong to the Bank of California N.A., San Francisco for sale to the U.S. Mint there.

The report of August 7 received from the Federal Reserve Bank of New York giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all currencies was short the equivalent of \$13,287,000, an increase of \$824,000 in the short position. The net changes in the positions are as follows:

Country	Short Position July 31	Short Position August 7	Increase in Short Position
England*	\$ 1,175,000	\$ 1,785,000	\$610,000
Europe	7,051,000	6,949,000	102,000 (Decrease)
Canada	499,000 (Long)	382,000 (Long)	117,000 (Decrease in Long Position)
Latin America	238,000	260,000	22,000
Japan	3,497,000	3,806,000	309,000
Other Asia	1,048,000	869,000	179,000 (Decrease)
All others	47,000 (Long)	-0-	47,000 (Decrease in Long Position)
	<u>\$12,463,000</u>	<u>\$13,287,000</u>	<u>\$824,000</u>

*Combined position in registered and open market sterling.

The Bombay gold price was equivalent to \$33.76, up 4¢ from Saturday's quotation.

Spot silver in Bombay was unchanged from Saturday at the equivalent of 44.92¢.

In London, spot silver was unchanged at 23-1/2d, while the forward price was 22-5/8d, up 1/8d. The U.S. equivalents were 42.67¢ and 41.08¢ respectively.

Handy and Harman's settlement price for foreign silver was unchanged at 34-3/4¢. The Treasury's purchase price for foreign silver was also unchanged at 35¢.

We made two purchases of silver totaling 250,000 ounces under the Silver Purchase Act. One of these represented a sale from inventory, and the other consisted of new production from foreign countries, for forward delivery.

B. M. R.

GROUP MEETING

August 13, 1940
9:30 a.m.

Present: Mr. Gaston
Mr. Sullivan
Mr. Thompson
Mr. Graves
Mr. Cochran
Mr. Foley
Mr. Schwarz
Mr. White
Mr. Buckley
Mr. Chamberlain
Mrs McHugh

H.M.Jr: Harry, will you take this (press clipping), because Stettinius and Batt are coming to have lunch with me today and you are invited to have lunch. The purpose is, I asked them what is the situation on scrap iron. He asked if he could bring Batt along with him. You might be here a little bit before 1:00.

White: I can give you the situation very quickly, if you will give me a few minutes.

H.M.Jr: I will, before 1:00. I have got to do something to keep myself busy.

Gaston: Yes. Down at this meeting of the Advisory Committee, they all unanimously said that scrap iron was cheap and plentiful and there was no need for restrictions at all.

H.M.Jr: What is that?

Gaston: Maxwell has representatives from different departments, including three from the Treasury Department. The only contrary word that was said at that meeting was that I said I thought there were considerations of general policy that might cause us to accumulate more than otherwise, but they said it was the consensus that we don't need to restrict the exports of scrap metal.

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H.M.Jr:

I had on file a memorandum which was given to me from Mr. Stettinius by his - one of his economists. I don't know who has it. There was about a six or seven page memorandum which ends up by saying that the supply in this country is sixty days or less; we do not have enough. And I mentioned the - (to Mrs. McHugh) give it to Mr. White - I mentioned it at the time to Mr. Welles and he said - excuse my swearing - "God damn it to hell, why doesn't the Advisory Council get together, because they told me there was no shortage," and I said, "Well, here is Stettinius saying it is and it isn't safe to run the country on a supply of sixty days or less."

Gaston:

Well, nobody spoke such a word down there and I assumed that these fellows on the Army and Navy Munitions Board and the Advisory Commission were the fellows that were supposed to know and they all said, "No, we have plenty of scrap iron. The price is low." And the Maritime Commission put in its word on the sale of some ships that they couldn't get any quotations on because scrap metal had dropped way off.

H.M.Jr:

Over the week-end when I was working on it, I asked Stettinius for this memorandum, which he gave me, by a man - I can't remember his name, but it is in there in my shop. The last sentence of the thing is that, "We recommend that we have not got enough - only a sixty-day supply, which is not enough to run the country on."

Gaston:

What I object to is this whole gang of people down there undertaking to decide on general administration policy. I think it is cock-eyed.

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H.M.Jr: Would you mind taking a minute and telling me what gang you are referring to?

Gaston: I am referring to Lieutenant Colonel Maxwell's interdepartmental advisory committee on export control.

H.M.Jr: Well, who is on the committee?

Gaston: Well, there are --

H.M.Jr: Just a second. That didn't show up on your chart, did it?

Buckley: No, that is purely an advisory committee. It has nothing to do with the route of the applications proper, but Mr. - Colonel Maxwell calls them in every once in a while and has a chat --

Gaston: Uses their word as a support for his policy direct, you see. They have on that committee representatives of the Army and Navy Munitions Board and separate representatives of the Army and Navy. They have men from the Department of Commerce. They have men from --

H.M.Jr: How often do they meet?

Gaston: Just when Maxwell sees fit to call them and he called them immediately after this proclamation and regulation went out on scrap iron and gasoline.

H.M.Jr: Have they been called since then?

Gaston: No, not since then.

H.M.Jr: Are you a member of it?

Gaston: Yes, sir. It is just who Maxwell calls. The first meetings to prepare the - to work out

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the plan for operation of the export control administrator - he called representatives of different departments. He called me and I took with me at different meetings a man from Customs, and then later when I was gone, Phil Young was assigned to go down to some of these meetings, so at this last meeting they notified three of us, they notified me and notified Nugent of Customs and Phil Young. We were all at the meeting.

White: Did they take up this --

H.M.Jr: Excuse me. Have any of you seen the chart that Buckley has prepared?

Gaston: Yes.

H.M.Jr: For me?

Gaston: This chart that I saw was Colonel Maxwell's chart.

H.M.Jr: See Buckley's chart. He spent - not now, show it to Mr. Gaston and anybody else who is interested. He spent - how long on it?

Buckley: Oh, all morning, with shoe leather going around. (7)

H.M.Jr: It is very interesting. I gave him the task, if I wanted to get a license, what did I have to do, and he has charted the thing. It is very interesting and of course what it shows when it is all through and done is that the policy is not with Colonel Maxwell, that the policy rests with Joe Green.

Gaston: Well, as the regulations were set up --

H.M.Jr: Am I right?

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Buckley: Right.

Gaston: As the regulations were set up for the export control administrator, the application is made to the Department of State, the Division of Controls, and then it - Maxwell is to give general directives as to how the Division of Controls is to act in granting licenses. If they are in doubt as to whether a license should be granted under those directives, they turn it over to Maxwell and he makes the decision, and then also if it is machine tools, it always goes to Maxwell.

Now, that is the thing that is on the regulations.

H.M.Jr: Well, take time - that isn't the way it works, because I took the trouble to find out. Am I right?

Buckley: Well, it really works like that. The real problem in the situation is the basis upon which Colonel Maxwell issues his directives, because they are on a basis that if there isn't a directive saying you can't export a product, the State Department will automatically issue the license. That is where so many of these things get through.

White: May I tell you of an episode --

H.M.Jr: Do you mind, Harry? I am spending more time --

White: It is important.

H.M.Jr: All right, go ahead.

White: I think it is, anyway. The recent ruling on oil called for prohibition of crude oil that contained enough tetraethyl lead to make certain octane gas. Colonel Maxwell, according

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to our information, which came from Yost, ruled that they would let all crude oil go out, whether it had those contents or not and they are not stopping any crude oil. Yost said he thought it might be administrative difficulties, but those are his instructions. It seems to me it is a direct violation.

Gaston: No, Harry.

H.M.Jr: Wait a second, please. Today anybody that has any idea on scrap iron, get it to White before a quarter of 1:00. I am going - am I seeing straight? Is that the light causing that (mark on Mr. Foley's nose)?

Sullivan: We might as well have an explanation now.

H.M.Jr: My God, one day out of town.

Sullivan: Yes, and Junior gets in trouble.

H.M.Jr: I hear it was an Amazon.

Sullivan: That is a fine way to maintain our public relations.

H.M.Jr: As a matter of fact, Allen called me up last night. He wanted to get the low-down on it. I gave it to him. He says you never played tennis with his wife. Do you see how things spread? Does it hurt bad?

Foley: No.

H.M.Jr: Allen called me up clear in the country last night and wanted to get the low-down. When Pearson and Allen get so they have got to take it out on a new racquet....

No, let's do it this way. If anybody has anything today who is interested in scrap

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iron, or if you (Gaston) know of anything that stuff is going out in ships or anything like that, will you get it to Harry this morning, see.

Gaston: Yes.

H.M.Jr: And then I will take up the oil thing tomorrow, but I want to do this scrap iron today.

Gaston: Yes.

H.M.Jr: I mean, if you know about scrap iron leaving the country --

Gaston: There is no restriction on this scrap iron going freely.

H.M.Jr: Where is my report that comes in to us? Will you find out?

Gaston: It is in my office being distributed now.

H.M.Jr: Can I have that?

Gaston: You may have it immediately. I can get it now for you.

H.M.Jr: Do you mind using the phone?

Gaston: No.

H.M.Jr: I told them to make a report on that.

Anything else?

Gaston: No.

H.M.Jr: Ed?

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Foley: I wasn't able to get Gilman, the president of Packard, on the telephone yesterday. I have a call in for him now.

I had dinner with Knudsen last night and he told me that they are going ahead with the design of the plant and they have a general commitment, although nothing has been signed up in the way of a loan agreement as yet. He says providing there are no delays the thing is progressing as well as may be expected.

H.M., Jr: This just came in this morning, dated August 12th, from the President for our information and return. This is from Jesse Jones, dated August 5th.

"My dear Mr. President: In reply to your note of the 3rd, asking how we were getting along with commitments to finance plants that are working for both the United States and the British, beg to advise that the Packard plant is the only one which seems to fall in this category, and there would have been no delay in this situation if Henry Morgenthau had not told Mr. Purvis of the British Purchasing Commission and Mr. Knudsen that the RFC would finance the plant, and that it would not be necessary for the British to furnish any money for this purpose."

Isn't that wonderful?

"When Mr. Knudsen told me of this I advised him that I was afraid that, if we built a plant for the manufacture of airplane engines, two-thirds for Great Britain and one-third for the United States Government, we might be violating International Law, but that if the Packard Company wanted a loan from the

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RFC, they should make application to the RFC for it.

"We have agreed with the Packard Company to install equipment in their plant to a cost of \$8,000,000 under conditions which we are satisfied will not conflict with International Law. This, with other funds available to the Packard Company, is all they say they will need.

"I might add that I wrote Mr. Knudsen on July 12th, suggesting a solution for the Packard problem and one in which the RFC could participate."

Foley: There is no international law problem involved.

H.M.Jr: Will you prepare an answer for me? Can you get up all right?

Foley: Sure.

H.M.Jr: I mean, it is just on the nose?

Foley: Yes.

H.M.Jr: He didn't kick you anywhere else?

Foley: I didn't get kicked anywhere else, just on the nose.

H.M.Jr: Isn't that dirty? That calls for an answer. In the first place, I never told them that. As a matter of fact - I wonder if you could find out just what I did tell Purvis? As I remember, the original thing called for - I can find out, because then the thing that bothered Knudsen some was the putting up - they wanted an additional ten, you see. Do you remember how much I told Mr. Purvis?

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Buckley: That was before my time, I think the week before, but I can get it out of our files.

H.M.Jr: See if you can find out if there is anything - how much did I tell Mr. Purvis. I don't remember.

Sullivan: At one stage of the process, I recall your saying that they would put up the same amount.

H.M.Jr: Well, two-thirds. They are going to get two-thirds of the engines.

Sullivan: Then after that I think it was raised. I don't recall it very well.

Foley: It wouldn't make any difference whether the British put up a dime or not. That is not the problem. There isn't any international law problem involved. The RFC can loan money to Packard to build a plant and what Packard does with the facilities after they are constructed doesn't make any difference.

H.M.Jr: Write a memorandum for me today, will you, so I can get it this afternoon, Ed?

Foley: Yes. That will be a memorandum from you to the President?

H.M.Jr: And if Buckley doesn't have it, you could call up Purvis on the wire and ask him just what I did tell him originally.

Foley: All right.

H.M.Jr: There is a point where he was under a certain impression and then Knudsen said, "I will carry on the thing, but I think we will need another ten million," and Purvis said, "Well, I sent word across as to the figure we agreed

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and now you come along with another ten, so Knudsen agreed that he would do just as much as he could, but if they needed another ten, would Purvis come along, and Purvis said he would, but get the story right from Purvis. I would call him up direct.

Foley: All right.

H.M.Jr: Will you?

Foley: Yes.

H.M.Jr: I mean, there was a stage where he agreed to a certain amount and then Jones upped him on the thing after Knudsen and he had agreed that - you could get it easier from Knudsen.

Foley: All right.

H.M.Jr: Why don't you get it directly from Knudsen?

Foley: All right.

Buckley: I think our file would give you that. Originally, the plan was that they were going to amortize the British investment over five years and include it in the price of the planes and Jesse Jones said that would be all right for our Army orders but they couldn't go along if the British wanted to do that. They had to put their money up in advance.

H.M.Jr: Well, get the whole thing, will you?

Buckley: That is where the ten million came in. I can get it.

H.M.Jr: There is a stage where they suddenly asked for ten million more.

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Foley: We took the position earlier, Mr. Secretary, that so far as the securities that the British Government requisitioned from their nationals sold in this country, they had to pay two transfer taxes, one on the transaction from the national to the British Government and again when the securities were sold in this country and they were transferred to the transferee. The British then asked us to reconsider the matter and we have looked into it again and it is one of those questions where we have decided that only one transfer tax should be paid.

Professor Chamberlain had looked over the memorandum and it involves international law, and if it is all right with you, we will go ahead on that basis.

H.M.Jr: Only one?

Foley: Only one.

H.M.Jr: That is what they want?

Foley: That is what they asked for. They said they are perfectly willing to pay one, but they didn't feel they should be asked to pay two.

H.M.Jr: Okay. What else?

Foley: We talked at some length yesterday with Stimson on that Pan-American question. They are coming in on it this afternoon.

H.M.Jr: Want to give me a thumbnail sketch of it?

Foley: Yes. Pan-American wants 12 million dollars. Part of it is to be advanced in the first instance by way of loan from the RFC which will be repaid by advances to be made to

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Pan-American by the Army out of that hundred million dollars that has been given to the President. The money is to be used for the improvement of air bases in South America. If there is a landing field and there are water facilities for --

H.M. Jr: Talk louder.

Foley: If there is a landing field and there are water facilities for landing seaplanes nearby, they will install those facilities. They also will install storage tanks for high octane airplane gas at those facilities down there. The gasoline may be used by Pan-American, but if it is used, it will have to be paid for by Pan-American. It will be owned and held for our Army and our Navy in case they have to send planes down there and the runways on some of the fields will be lengthened, and so forth.

Well, Pan-American will be the beneficiary of the improved facilities, but our Army and our Navy will be able to use them without cost at any time. It isn't an awfully good deal. The reason they come to us is that the tax question, in so far as the 12 million dollars is concerned - they don't want to go ahead on this deal and they have predicated everything on the assumption they won't have to pay a tax. In other words, the 12 million dollars will not be income to them but will be a capital contribution paid for by us in so far as the gasoline storage tanks and improvements to the runways and the other capital facilities are concerned and then in so far as the maintenance costs are concerned, they want to be able to take a deduction on their income tax returns. It is a tough one. We may be able to work it out.

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I don't know whether from the purely practical standpoint of the policy involved it is an awfully good deal. It seems to me that it is pretty much of a subsidy of Pan-American of almost 12 million dollars.

H.M.Jr: Well, let's go into it. If you are not up on the Hill, I would like you to sit in on this at 3:00 o'clock, John.

Sullivan: All right, sir. I went over this last night with Mr. Kades and I am afraid it is something we have got to do. It is too bad we didn't make the deal earlier because I think it could have been steered into a trusteeship that would have been very much more satisfactory. I am surprised that Pan-American lawyers are willing to rely on that.

H.M.Jr: Incidentally, when you are through with this Pan-American thing, immediately after that, if you have ready my answer to the President, you can bring it in.

Foley: All right.

H.M.Jr: But Knudsen is entirely familiar with the thing. I hate to call up Purvis.

Foley: Okay. I can get the story. I am very well familiar with it, anyway.

H.M.Jr: Anything else?

Foley: No. Do you still want me to talk to Gilman? I have that call in.

H.M.Jr: Yes.

Foley: All right. I will have that written up, too.

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H.M.Jr: John?

Sullivan: I hope we will finish the public hearings before midnight tonight.

H.M.Jr: The newspapers didn't seem very much interested.

Sullivan: They won't be from now on. Alvord is entirely neutral and he envisages excess profits as something to prevent the control of prices and they think Harrison is trying to get him not to give his speech.

H.M.Jr: What was your reaction to that letter that McReynolds sent up there on that business as to the plant?

Sullivan: That is going to be fought out.

H.M.Jr: But I mean, after you gave Biggers and his lawyer a chance to be heard, I mean, was it necessary for McReynolds to follow it up with a letter?

Sullivan: No, it wasn't necessary.

H.M.Jr: I thought it was most uncalled for.

Sullivan: Yes.

Foley: Mac didn't do that. I spoke to him about that yesterday. He was over on something else and he said that the Commission voted unanimously and directed him to send a letter.

Sullivan: He is very much upset about it.

H.M.Jr: Who?

Sullivan: McReynolds. He told me he thought they were crazy to take such an action.

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H.M.Jr: In the original Treasury plan - I mean, there are so many plans - after the five-year amortization period is through, what disposition would there be of the plant?

Sullivan: They can do anything they want with it if they get permission from the Secretary of War or the Secretary of Navy, but if the Secretary of War or the Secretary of Navy said the plant should not be torn down, then they have to buy it.

H.M.Jr: Who has to?

Sullivan: War or Navy.

H.M.Jr: Does the Government have a chance to buy it?

Sullivan: That is who has to buy it.

H.M.Jr: What?

Sullivan: The War Department has to buy it.

H.M.Jr: At the end of the five-year period?

Sullivan: That is right.

Gaston: Having paid for it already?

Sullivan: I know, but they don't pay for it.

H.M.Jr: What do they pay for it?

Sullivan: The difference between the adjusted value and one dollar. They pay not more than what is left in the property or not more than one dollar.

H.M.Jr: If it has all been amortized --

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- Sullivan: They pay one dollar so you won't have any question about the consideration and the title. I think there is great danger of the entire amortization being licked on that and they don't seem to get that at all.
- H.M.Jr: The one thing that Nelson and I agreed on was the idea that after we go through this amortization thing, the way Sears and Roebuck runs it, the property and the tools belong to the Government, remember?
- Sullivan: The difference of opinion isn't the result, it is the method that is to be used to achieve that result. They say they should be able to handle different situations in different ways.
- H.M.Jr: Yes.
- Sullivan: By putting a restricting clause in the contract.
- H.M.Jr: Yes.
- Sullivan: Well, Congress isn't ever going to stand for that. In fact, Doughton and Harrison themselves yesterday morning were very much disturbed about it.
- H.M.Jr: Well, do I understand in the Treasury plan that at the option of the Government we can take the plant at whatever its value is, less whatever has been written off? We don't pay twice for it, do we? It is a complete write-off?
- Sullivan: Then we pay one dollar.
- H.M.Jr: If ninety percent has been written off, we pay ten percent, is that right?

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Sullivan: That is right.

H.M.Jr: And is the bill before Congress now --

Sullivan: That is the way it is.

White: Are you sure of that?

Sullivan: Well, there isn't any bill before the Congress.

H.M.Jr: Well, as to whatever they have in mind --

White: That isn't my understanding.

H.M.Jr: On this thing that we are talking about, Chick, I think you overlooked something. There has been a series of articles in the New York Post and a series of articles in the P.M. that have never been brought to my attention. The ones in P.M. are particularly good and I would like them collected and put on my desk. In the P.M., the fellow who writes in Washington says that the Government taxes the people, builds the plant and then gives the whole plant away to the manufacturer. If that is not so, then the man who writes for P.M. and the man who writes for the Post - his name is Flynn - ought to have a chance to talk to John Sullivan.

Sullivan: Well, what they say is true and I think this is maybe what Harry has in mind.

H.M.Jr: But the man writing for P.M. is writing brilliantly. It is a special man, a name I never heard before.

Schwarz: Nate Robertson?

H.M.Jr: It might be, I don't know, but both those things - your shop ought to have those things down here.

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Schwarz: I will get them down.

H.M.Jr: Well, they ought to have them here.

Sullivan: We let them have the plant if they don't tear it down or alter it, but they can't tear the plant down without getting permission.

H.M.Jr: If they want to keep the plant --

Sullivan: Then they keep it.

H.M.Jr: It is theirs?

Sullivan: That is right.

H.M.Jr: And at no cost?

Sullivan: That is right, but they can't afterwards alter it or demolish it without getting permission.

H.M.Jr: But the plant is theirs; the Government makes them a present of the complete plant?

Sullivan: Absolutely.

H.M.Jr: And the thing I originally wanted was that when the period was over, the plant should belong to the Government. That was the thing that you argued against. That was my original position. Am I right?

Foley: Yes, that is right.

H.M.Jr: Didn't I say --

Foley: He put that on, as far as machine tools and dies are concerned, Mr. Secretary, not as to the plant. That was what I argued with and I said the RFC was no different than a private bank and if there was a loan and

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the loan was repaid, the fellow that borrowed the money had the right to keep the facilities. I still think that is right.

H.M.Jr: The great difference is, he is paying it out of a Government order.

Foley: Well, he has to pay it back, anyway.

H.M.Jr: Yes, but he is adding it on to the cost of the - whatever the --

Sullivan: That is right.

White: It is two ways.

Sullivan: There are two parts to the contract. One part is the price that is being paid for the articles and the other is the payment each year of one-fifth of the total cost of the construction.

H.M.Jr: Which he deducts from his profits.

Sullivan: So the Government --

H.M.Jr: And the young fellow said to me last night - Mrs. Roosevelt had him with her. He said, "What you are doing is, through your amortization plan, you are making a gift."

Sullivan: Entirely.

H.M.Jr: And you not only make a gift, but each year you deduct that from his income before he pays any excess profits.

Sullivan: Oh, no.

H.M.Jr: Why not?

Sullivan: Well, if you don't have amortization to offset the gift, you are not making a gift. Here is

- 21 -

a corporation putting up a plant that --

H.M.Jr: But you do permit him to deduct the cost.

Sullivan: You have to.

H.M.Jr: Before he pays excess profits.

Sullivan: You have to, to make effective --

H.M.Jr: And then when he is finished, at his option he can retain a complete building with all the tools.

Sullivan: That is correct.

H.M.Jr: I understand it. Isn't that the way you understand it, Harry?

White: Yes, and I thought that was a little different and they are getting something.

H.M.Jr: They get a complete plant at the end of a five-year period which they can continue to manufacture and take war orders, if there is any business.

Sullivan: That is right.

Foley: But then after that, they can't take any deduction. I mean, it is on their books at zero and they have to pay the higher taxes, so the Government may be giving up something during the first five years, but after that if the orders continue, because they have no deduction, the Government is making it back and if the taxes are higher at the end of the five-year period than they are now, the Government ultimately is going to get more back than it loses in the five-year period when the taxes were lower and they were taking the deductions.

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H.M.Jr: Well, don't ever put me on record for it, see. To me, the wiser plan from the standpoint of getting things done rapidly is for the Government to build a plant.

Sullivan: Amen, we all agree with you.

H.M.Jr: Why didn't somebody say so?

Foley: They kicked that out over there at the Advisory Commission because they were afraid of Socialism. They don't want the Government to have title to these plants.

H.M.Jr: Just a second. This is more important than anything else. The Government builds a plant and then releases it to the management.

Foley: That is what you are doing to Chrysler on the tanks. The Government is building the plant and leasing the plant to Chrysler and Chrysler is manufacturing there for the Government the tanks.

White: And after the contract is through, the plant reverts to the Government?

Foley: Sure, the title is always in the Government. It never goes out. The money is turned over to Chrysler and Chrysler is agent for the Government, construction of the plant. The title is in the Government. Chrysler has paid a fee of a dollar for building a plant.

White: Why were they willing to do that in the case of Chrysler and not in the other cases?

Foley: Because there is no commercial use for tanks.

H.M.Jr: Is there any commercial use for Rolls Royce or Allison engines? Look, I go back to

- 23 -

Mr. Nelson and Sears Roebuck. When they want a manufacturer to build for them a new kind of an icebox, they buy the tools and keep title to them and lend them to the man. They have a way of writing it off. I don't understand it, but they have a way of writing it off. The tools are always the property of Sears Roebuck so they say at the end of the time or during the contract if they don't come up to schedule, any time during the contract they can pick up those tools, take them away and give them to somebody else. Am I right? Isn't that what he told us?

Sullivan: He didn't tell me that.

H.M.Jr: Well, he did me. Ask him. I sat back here and chuckled inwardly. It was most amazing. Ask him how Sears Roebuck handles the things and buys the tools and everything else.

Foley: I think that is what he said.

H.M.Jr: Look here, he pointed out, he said, "Supposing at the end of three months you find the manufacturer isn't going to produce?" He says, "Pick the tools up and give them to another manufacturer." We can't do that on any of these contracts.

Sullivan: No. Now, in case you are worried about your being on record, Mr. Gaston --

H.M.Jr: Well, I am not worried about it. What I am worried about is getting production.

Sullivan: Here is what we had in our statement and our discussion on the Hill. We said the Treasury Department had been advised by the Advisory Commission and by the War Department, the Navy Department, that this would be necessary and we have acted on the advice given us

- 24 -

by them both in amortization and suspension of the Vinson-Trammell, so you are not on record as initiating anything like that at all.

H.M.Jr: That is very unimportant, but the fact remains that here we have been fussing since May to get a plant to begin to produce the Rolls Royce engines and they are still fussing and Mr. Jones gets a perfectly stupid alibi and tries to blame it on me and we still aren't getting any engines started. What do you think, Herbert? Am I talking differently than what you think?

Gaston: Well, I have always thought on this question of plant facilities for defense contracts, the Government ought to build and own the plants and it simplifies all this complicated tax and amortization problem.

Foley: Well, that is perfectly all right, Herbert, if you are talking about a completely independent plant like the plant that we are going to build and in which Chrysler is going to make tanks, but where you are doing what Packard is doing, for instance, merely tooling up or building inside the Packard fence where Packard won't let the Government have title, won't let the Government come in if the Government even has a mortgage where the mortgage may be foreclosed and the building that is part of the Packard facilities could be taken away from them, it is entirely different and there you have got a financing problem, purely and simply.

H.M.Jr: I would give it to somebody else.

White: Is it possible to get the present proposal written up and compared with the other

- 25 -

proposal to see what plants it does apply on, what plants it is likely to apply on as more expenditures are made so that a layman could see the issues very clearly? There may be still some possibility of doing something. There is so much advantage in having, where possible, the Government own the plant and lease it. It is such a simple arrangement and I think the objection to it is - has been in the past - very specious and though it may be very true in the kind of case you outline where you have got a going plant and you want to expand it that it raises all kinds of difficulties, I am wondering whether that will be the typical type of arrangement which would take place under the large investments which are taking place.

Gaston: I don't think it will be difficult, Harry. I think this business added on to their commercial business and I think in most cases they are going to lay out a separate wing of the plant and effect a separate plant.

White: I don't think there should be any doubt in the minds of those who are interested as to just what are the respective merits in the respective plans.

Foley: There are three kinds of situations. The first --

White: I don't want to take the time now.

H.M.Jr: I think if you two gentlemen could do it - if there are three different kinds of situations, let's have them and let's have it tomorrow and then let me take a look at it and maybe I will send it over to the President, but we are never going to get this

- 26 -

thing through Congress.

Sullivan: Never going to get what through?

H.M.Jr: The bill the way it is now. The longer they take, the people are going to get - look at the articles in P.M. and the Post. The public is never going to stand for it.

Sullivan: You are never going to get the other thing through, that Mr. White is speaking about.

H.M.Jr: You have got it. You have got it now. He has got several million dollars worth that the President has to build plants.

Sullivan: The objection of the Advisory Commission, and the members of Congress have advised their opinions on it, is that the reason they are afraid of this idea of letting the Government buy these plants at the end of the emergency period is that it is a measure of Government control over private industry.

H.M.Jr: Well, let's - I think if you two gentlemen would get somebody in your shops to write a brief - if there are three different plans, I would like to see them.

Foley: There are various ramifications and variations of each plan. The three plans are the Chrysler one, where we own the plant outright - that is the only way Keller will go ahead and that is the way Harry says he thinks all of it ought to be done - then there is the situation like Curtiss-Wright where we set it up on Government land and we take a leasehold interest and at the end of the eight years, if they don't continue the lease or renew the lease, then the Government owns the building and the plant. That is the Curtiss-Wright situation.

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And then the third situation is where - is the Packard situation where you loan money to Packard to put tools in an existing plant inside the Packard plant and there they won't --

White:

I think if it is written down on paper so that some of us laymen can see it and see clearly the issues, I don't think there would be any disagreement in this group. There shouldn't be, at any rate, and I think part of it may spring from a lack of clarity of understanding on our part as to what specifically are the issues and what are the problems. If it were possible, I think probably Chuck would put it down in such form that we could examine it and see it, because there is a lot of growing discontent with the way things are operating and it will increase in the event of conscription because there will be increasing criticism and let's at least know what is the best plan that we would like to get if we could and what is the compromise that we have to make so that everybody here knows exactly where they stand and how much they have compromised themselves in agreeing to these other things they have agreed to.

Buckley:

An important problem that just came up yesterday, the British are worrying where they are going to come in on these complimentary programs where you have different types of capital assistance and they think our program has got to be set up so we can tie in with the British on a complimentary tank production program so they know in advance where they are going to be and we know who is going to get what in case of an acute emergency.

Foley:

As long as you have Mr. Jones feeling that if some plant is financed with any money

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that the Government puts up and the manufacturer may produce something for the British in that plant that that is a violation of international law, you are not going to be able to do very much for the British.

H.M.Jr: And don't forget, in writing the memorandum for the President, this idea of financing Packard. I originally cleared it with him first and so did Mr. Knudsen. He approved the whole idea. Do you want to go on the Hill?

Sullivan: I don't have to go now. I can stay a little longer.

Cochran: You may have seen in the papers this morning that Colonel Rieber was forced out as Chairman of the Board of the Texas Company.

H.M.Jr: The next man they ought to force out is Maloney - is that his name, the man in charge of war orders for General Motors?

Cochran: There are two or three cablegrams in.

H.M.Jr: Good. He is the next man who ought to be forced out.

Schwarz: I have nothing.

Chamber'n: I don't know whether you noticed a letter from Senator Harrison which we have taken care of and been able to grant his - we were able to grant the request that he made on the basis of information that we got, a letter that he sent to us. I thought you would be glad to know that.

The only other thing is that we are getting considerable - we are going to have considerable requests, I think, from the Red Cross

- 29 -

to send money to Europe. We have got one before us now. I think we can clear it on the basis of information I have got from the Red Cross. I suggested to the Red Cross people that they try to get - to bring up the question whether they are to be allowed to send money abroad so that it can be decided and we can then have policy on that question.

H.M.Jr: When you are ready, I would like very much to talk to you. Whenever you are ready, I am ready.

Chamber'n: I will have to clear a little more with them and then I would like to bring it up with you.

H.M.Jr: As each of these steps are taken, I would like very much to be able to discuss them with you.

Chamber'n: All right. There are a number of questions in respect to these relief payments that I should like to take up with you. I won't be ready for two or three days, because it takes a little time to get the Red Cross moving.

H.M.Jr: Whenever you are ready, will you let me know?

Chamber'n: Yes, I will, Mr. Secretary, I will be very glad to.

Buckley: We persuaded the administrator of export control yesterday on the Swedish items to consider the whole Swedish list instead of just limiting himself to the airplanes and cartridges, and his man and the State Department will probably be in my office

- 30 -

in five or ten minutes, and we got the whole list, because from a preliminary examination there are somewhere around 150 airplane engines in addition to the airplanes and the additional cartridges and I have a feeling that the list may speak for itself when we get the whole thing laid out in front of us and save some more argument.

I talked to the Maritime Commission yesterday on their relation to export control and they control the granting of charters of American vessels to aliens and also change in registry of American vessels. They don't tie in with export control in any way except that they have a man on this Advisory Committee, and basically they aren't supposed to make decisions on any basis other than, is it safe for the boat to go here or there, outside the Neutrality Act, but I understand that they make their decisions individually on each case, that they are amenable to suggestion and that the decisions within the Commission are often influenced by things well beyond the problem of safety of the hull, and that explains the news article which you saw. They were very sorry about the news article, although in effect it may be true. They don't like to have it in the paper.

H.M.Jr: Anything else?

Buckley: That is all.

H.M.Jr: Herbert, would you take a look at the official release of the resignation of Captain Rieber, in which he makes a statement that the Texas Company never sold directly or indirectly any oil to Germany and check that against these Captains' logs that you have?

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Gaston: Yes. What we have there is a sale to the Italian line. They haven't, as far as we know --

H.M.Jr: Then will you talk to me sometime? Colonel Knox says that all of these men on these American tankers are Naval Reserve people and I will tell him what we want in the way of information and he will issue instructions.

Gaston: Not the crew?

McHugh: Not all of them, but there is one on each ship.

H.M.Jr: Would you (Mrs. McHugh) give that letter to Mr. Gaston?

McHugh: Yes.

H.M.Jr: Will you? Will you give him the letter?

McHugh: Yes.

Gaston: They have talked pretty freely, but that is a good thing to know.

H.M.Jr: He said if we will tell him what we want, he will give it to them, or instruct them to see that we get it.

Harry?

Am I keeping anybody from a meeting?

White: The State Department called yesterday and would like to send that cable to their ambassador in Argentina with respect to possible monetary and exchange arrangements that were discussed at Havana, that the Treasury is prepared to continue such discussions in

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Washington at the initiative of the Argentine Government.

H.M.Jr: That is okay.

Buckley: Mr. Secretary, if you excuse me, I will leave now.

H.M.Jr: Go ahead. If Purvis is coming to town tomorrow, you had better talk up for an appointment.

Buckley: He is here today and tomorrow.

H.M.Jr: Has he asked to see me?

Buckley: He hasn't, but he probably will.

H.M.Jr: I didn't know that, because I am booked up pretty solidly. This is pretty important.

(Mr. Buckley left the conference)

How do I get this into my record?

White: Well, you get a copy of the cable. Here is a memorandum on the food situation in Europe which may be of some interest, because it indicates that it is not nearly so serious as the papers make out.

H.M.Jr: Will you give a copy to Professor Chamberlain right away?

White: Yes.

Here is a letter that I think you ought to read.

H.M.Jr: I will read it at the house.

White: And I would like to see you this morning for a few minutes.

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H.M.Jr: You come in at a quarter of 1:00.

White: All right.

H.M.Jr: Harold?

Graves: Nothing.

Thompson: I hope the law is being observed with respect to stickers and badges being displayed by Presidential appointees.

Sullivan: What did he say?

Foley: Presidential officers.

Thompson: Stickers on automobile and so forth.

H.M.Jr: Are you (Foley) a Presidential appointee?

Foley: Sure I am.

H.M.Jr: No, you are not.

Foley: What law does it violate, Norman?

Thompson: Civil Service Rule 1, as construed by the Civil Service.

Foley: That is obvious partisanship, is that what you mean?

Thompson: Yes.

Foley: I don't think it is.

Thompson: It is in that warning circular that you can't put a button your suit or a sticker on your automobile.

Foley: I don't think it is.

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H.M.Jr:

Well, you two fellows get together, but on any of that stuff, if there is any doubt, I would lean the Civil Service way. I would much rather lean - if there is any question, I would lean toward Civil Service.

Thank you all.

August 13, 1940

Professor Chamberlain

Mr. Cochran

In accordance with the decision reached at our meeting yesterday afternoon, I told Mr. George Whitney, President of J. P. Morgan & Co., Inc., by telephone this morning that, from the information provided in his two cablegrams, it appeared to our group that an application for a license would be necessary in opening the credit for account of the Royal Netherlands Government. I added that this matter should be taken up through the Federal Reserve Bank at New York.



August 13, 1940

Professor Chamberlain

Mr. Cochran

Mr. Collado of the Department of State telephoned me yesterday evening to the effect that the Colombian Embassy in Washington had complained to the Department of State against the delay involved in the issuance of Treasury licenses to permit transfer of funds to Colombian diplomatic and consular establishments in occupied areas in Europe. I told Mr. Collado that we were considering very sympathetically any such applications received from Latin American Embassies, and I promised that effort would be made to expedite the disposal of any applications that may now be pending in the case of Colombia. I suggested that future applications be definitely "flagged" as made in behalf of the Colombian Embassy.

MAP

8/13/40

August 13, 1940

Professor Chamberlain

Mr. Gockran

Mr. Eakin telephoned me this morning that the Federal Reserve Bank was forwarding to the Treasury applications No. 12391 and 12392, made by the Chase Bank, in behalf of the International Hydrographic Bureau of Monaco, whose problem of disposing of gold in New York was mentioned in my memorandum yesterday. Mr. Eakin stated that Admiral Leahy was coming to Washington and would probably bring pressure through the State Department for action in the premises. I promised him that every effort would be made by the Treasury to expedite consideration of the two applications.



ENC:123-5/13/40

August 13, 1940
4:00 p.m.

RE CLOSING AGREEMENTS

Present:

Colonel Jonett
Mr. Cooper
Mr. Lane
Mr. Friendly
Mr. Simpson
Mr. Sullivan
Mr. Foley

H.W.Jr:

Who is going to give me this thumbnail thing?

Jonett:

Well, we have three camps here, Mr. Secretary.

H.W.Jr:

First, may I apologize, but I have been at the White House since one, so you can have what is left of me. I have just come in the room this minute.

Jonett:

I was asked by General Marshall and the Secretary of War to coordinate this whole project, if I could, in the name of the Army and the Navy and the State Department, that liaison thing. So I am doing my best now to coordinate and get at the strings tied together that can be tied to expedite the whole proposition. It is going along very well. The estimates --

(Mr. Foley entered the conference.)

H.W.Jr:

Bit down, Ed, this is a lawyers' field day.

Jonett:

I am just a poor army officer.

H.W.Jr:

I am just a farm boy.

- 3 -

Jouett:

And the estimates of the construction to be done have been worked out. The approximate costs have been worked out. The contracts have been worked out to the point where the Judge Advocate General of the Army this morning gave his stamp of approval and is writing a letter to that effect today to the Chief of Staff.

There was one thing that the Pan-American people thought should be cleared up as soon as possible so that the whole thing could be carried on and that is the question of closing agreements on the contract.

H.M.Jr:

Is that it?

Jouett:

I believe that is it.

H.M.Jr:

Now wait a minute, I have never sat in on one of those in my life and I am not going to now. If that is what you want, it is Mr. Sullivan's job. I never sat in on one of those. Have you anything further to add to that, John?

Sullivan:

No.

H.M.Jr:

If that is what it is, the closing agreements are between Sullivan and Foley. I never sat in on one yet. I know how long it takes. I would just throw up my hands in holy horror. I thought it was a matter of policy.

Cooper:

Mr. Secretary, the Government decides it has to do this job and we are trying to work out the way to do it, and in doing a non-profit job we thought we ought to be protected by some arrangement with the Treasury.

Sullivan:

Well, let's go to it.

H.M.Jr:

Who does it, you, John, or Ed?

Sullivan:

Ed talked with Mr. Simpson yesterday, I think.

Foley:

And then I arranged for Mr. Simpson to see

- 3 -

people over in the Bureau, the people in Phil Wenchel's office and also the people in the Commissioner's office, so we had a preliminary.

H.M.Jr: Who gets this, Ed?

Foley: It would go to the Bureau, Mr. Secretary, and it would be worked out there between the Engineering Division and the Lawyers and the Commissioner's office and then it would come up here through John and me to you.

Sullivan: That is right.

H.M.Jr: Well, you fellows are trying to cut red tape. We never heard of that before.

Jouett: Well, the Army wants some air bases. The only people that can do it is Pan-American and the Army wants them in a hurry.

H.M.Jr: Well, gentlemen, in all seriousness, I couldn't run my office if I tried to do these men's work, you see.

Jouett: Yes, sir.

H.M.Jr: So, if you don't mind, Mr. Sullivan and Mr. Foley. I didn't know what it was.

Jouett: I could only give you a thumbnail sketch over the telephone.

H.M.Jr: I didn't understand, but they are perfectly competent to handle it. They always have.

Sullivan: Let's go right to it now.

223 August 13, 1940
Taken to White
House by H.M. Jr.

Re: Swedish Export Licenses

The following is a complete analysis of undelivered balances of export licenses now in effect for shipment to Sweden:

Aircraft

- 22 Republic 2 PA pursuit ships are covered by licenses out of a total of 113 still to be delivered on an old order. 34 of these ships were on hand complete with engines ready for delivery on August 9.
- No export license exists for 136 Vultee pursuit planes on which delivery will begin in September. The Swedes have asked Vultee to offer these planes to the U. S. Army.

Engines

- 211 Pratt and Whitney aircraft engines suitable for pursuit ships are covered by existing export licenses.

Propellers

- 106 Hamilton Standard Hydromatic propellers
- 35 Hamilton Standard propeller blades
- 60 Hamilton propeller hub forgings
- 65 Hamilton propeller blade forgings
- All the above are covered by existing export licenses.

Spare Aircraft Parts

- \$193,602.00 worth of spare parts for the Republic 2 PA pursuit ships are covered by an existing export license.
- \$ 29,091.67 worth of spare parts for Douglas DC-3 commercial planes are covered by existing export licenses.

- 2 -

Cartridges

23,150,000

rounds of 9 mm. parabolium ammunition suitable for Swedish, British, Canadian and German pistols are covered by existing export licenses.

10,000

rounds of rifle bullets are covered by existing export licenses.

AUG 13 1940

My dear Mr. Secretary:

There are attached copies of various confidential tables and statements submitted by domestic petroleum producers at the recent conference in connection with the petroleum situation.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable Harold L. Ickes,
Secretary of Interior,
Washington, D. C.

Enclosures. ✓

File to Mr. Thompson
mini attachments
By Messenger 44 52

WLF:md
8/22/40

AUG 13 1940

My dear Mr. Secretary:

There are attached copies of various confidential tables and statements submitted by domestic petroleum producers at the recent conference in connection with the petroleum situation.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable Frank Brow,
Secretary of Navy,
Washington, D. C.

Enclosures. ✓

File to Mr. Thompson
minus attachments

By Messenger #50

WJH:md
8/13/40

AUG 13 1940

My dear Mr. Secretary:

I am enclosing as of possible interest to your Department copies of various confidential tables and statements submitted by some petroleum producers at a recent conference in the Treasury.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable Henry L. Stimson,
Secretary of War,
Washington, D. C.

Enclosures. ✓

File to Mr. Thompson
minus attachments
By Messenger 4⁵⁰

WLU:md
8/12/40

JAPANImports Feb. 1940

<u>From</u>	<u>Crude</u>	<u>Motor Fuel</u>	<u>Lubricating</u>
United States	1,620,205	67,225	34,217
British Malaya	-	60,706	-
Manchukuo	-	5,037	-
Netherland E. Indies	-	90,899	66
Great Britain	-	-	774
Other Europe	-	-	154
Unknown	-	-	24
Total	1,620,205	223,867	35,235

Imports 2 Mos. 1940

<u>From</u>	<u>Crude</u>	<u>Motor Fuel</u>	<u>Lubricating</u>
United States	3,329,000	288,000	82,000
British Malaya	-	224,000	-
Manchukuo	-	11,000	-
Netherland E. Indies	-	165,000	-
Great Britain	-	-	1,000
Other countries	-	-	2,000
Total imports	3,329,000	688,000	85,000

lrs
8/8/40

GERMANYRomanian Exports to GermanyMarch 1940

<u>Crude</u>	<u>Gasoline</u>	<u>Lubricating</u>
71,573	208,399	112

No information on Russian shipments to Germany

3 Nov. 1940

173,000	488,000	448
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lrs
8/8/40

SPAINU.S. and Colombian Exports to SpainMay 1940

	<u>Crude</u>	<u>Motor Fuel</u>	<u>Lubricating</u>
U.S.	-	64,668	69,365
Colombia	76,375	-	-

1 Nov.

U.S.	-	817,000	220,000
Colombia	372,000	-	-

 lre
 8/8/40

PORTUGALU.S. and Colombian Exports to

May 1940

	<u>Crude</u>	<u>Motor Fuel</u>	<u>Lubricating</u>
U.S.	58,346	9,128	6,954
Colombia	78,883	-	-

	<u>Gas.</u>	<u>Gas.</u>	<u>Gas.</u>
U.S.	291,000	89,000	47,000
Colombia	143,000	-	-

 lrs
 8/8/40

IRAQ
CRUDE OIL EXPORTS
(Partly Estimated)

Mls. 42's

Year
1939

To

Belgium	629,000
France	20,600,000
Great Britain	4,000,000
Italy	834,000
Canary Islands	<u>2,489,000</u>
Total	28,552,000

ml
2/8/40

MEXICOExports of Crude & Products1st 6 Mos. 1940

<u>To</u>	
United States	5,750,000
Italy	2,956,000
Germany	-
Japan	266,000
Other countries	<u>391,000</u>
	9,355,000

1st 6/7/40

EXPORTExports of Crude & Products1st 5 Mos. of 1940

To	
Argentina	1,083,361
Brazil	435,513
Chile	632,030
Uruguay	519,789
Belgium	111,127
France	578,655
Great Britain	214,836
Japan	102,915
Canada	160,889
Panama Canal Zone	259,677
Netherlands West Indies	152,775
Other countries	<u>134,578</u>
Total	4,385,145

 lrs
 8/8/40

TRINIDAD**Exports of Crude & Products****1st 9 Mos. 1939****In**

Great Britain	5,090,000
Netherland West Indies	727,000
West Indies and Central America	1,016,000
French West Africa	400,000
Canada	396,000
Other countries	<u>752,000</u>
Total	8,281,000

lrm
8/8/40

CONFIDENTIALIron Exports of Crude & Products

<u>To</u>	<u>Year 1939</u>
Great Britain	14,183,000
British India	9,259,000
South Africa	4,220,000
East Africa	2,575,000
Egypt	2,094,000
Italy	1,868,000
Australia	1,912,000
Norway	1,699,000
France	1,176,000
Other countries	16,523,000 (includes Admiralty Oil)
Total exports	55,509,000

lrs
6/8/40

Venezuela Exports of Crude & Products

In	3 Mos. 1940
United States	7,042,000
Netherland West Indies	31,342,000*
France	1,139,000
Great Britain	1,274,000
Netherlands	1,446,000
Other countries	<u>1,887,000</u>
Total exports	44,130,000

* Re-exports from Netherland West Indies not available.

lrs
8/8/40

COLOMBIAExports of Crude and ProductsMay 1940To

Canada	661,000
Netherland West Indies	534,000
France	562,000
Portugal	79,000
Spain	<u>76,000</u>
Total	1,912,000

5 Mos.

Canada	2,692,000
Argentina	417,000
Netherland West Indies	3,797,000
France	2,154,000
Italy	460,000
Norway	50,000
Portugal	143,000
Spain	372,000
United States	<u>75,000</u>
Total	10,160,000

lrs
8/8/40

Netherland East Indies Exports of Goods and Products

To	Year 1939
British Malaya	12,771,000 Mostly for re-export
China and HongKong	2,045,000
Japan	2,278,000
Egypt	1,265,000
Australia	6,350,000
New Zealand	1,621,000
Philippine Islands	1,459,000
Palee Bintan	6,606,000 For re-export
Palee Samboe	5,752,000 For re-export
Other countries	<u>5,539,000</u>
Total exports	45,686,000

Above figures do not show complete totals by destination because of re-exports from British Malaya, etc.

lrs
8/8/40

ROMANIAExports of Goods and Products1st 3 mos. 1940

<u>To</u>	
France	301,357
Germany	896,520
Great Britain	2,611,609
Greece	170,633
Italy	554,871
Yugoslavia	193,496
Turkey	452,724
Egypt	128,388
Morocco	161,653
Tunisia	230,585
Other countries	<u>449,715</u>
Total	6,151,551

lrs
8/8/40

JAPAN
Refineries

Bbls. 42's Daily

<u>Company</u>	<u>Number of Plants</u>	<u>Capacity as of Jan. 1, 1940</u>	<u>Crushing</u>
Nippon Oil Co.	8	24,650	2,600
Igusa	2	10,000	1,100
Asahi Sekiyu	3	1,050	-
Karugan Mach. Oil Co.	2	1,120	-
Marushin	3	1,400	-
Mitsubishi	1	5,500	1,200
Hayama	1	3,000	400
Chosen Sekiyu	1	4,000	600
Aikoku	1	2,000	600
Other companies	4	4,350	-
Total	26	57,270	6,500

lrs
8/8/40

SUMMARY**Refining****Pls. 42's Daily****Estimated Capacity as of Jan. 1, 1940**

	<u>Crude</u>	<u>Cracking</u>
Crude Oil Plants	73,000	5,000
Hydrogenation Plants	60,540	-
Coal and Coal Tar Plants	4,110	260

lrs
8/8/40

SPAIN**Refineries****Pls. 42's Daily**

	<u>Number of Plants</u>	<u>Estimated Capacity as of Jan. 1, 1940</u>	<u>Crushing</u>
Compan	1	550	-

lrs
8/8/40

PORTUAL
Refineries

ENL. 42's Entry

<u>Company</u>	<u>Number of Plants</u>	<u>Capacity as of Jan. 1, 1940</u>	
		<u>Crude</u>	<u>Cracking</u>
S A C O R	1	4,600	-

170
8/8/40

ITALY
Refineries

Bbls. 42's Daily

<u>Company</u>	<u>Number of Plants</u>	<u>Capacity as of Jan. 1, 1940</u>	
		<u>Crude</u>	<u>Cracking</u>
Jersey	2	4,000	-
Shell	1	3,500	2,800
Vacuum Oil	1	5,000	5,300
A.G.I.P.	2	8,400	3,200
S.A. Aquila Trieste	1	6,800	-
Azienda Nac. Irog. Combust.	2	10,000	-
Other companies	<u>4</u>	<u>1,800</u>	<u>-</u>
Total	13	39,500	11,300

lrs
8/8/40

CANARY ISLANDS (TENERIFFE)RefineriesBbls. 42's Daily

<u>Company</u>	<u>Number of Plants</u>	<u>Capacity as of Jan. 1, 1940</u>	<u>Crude</u>	<u>Cracking</u>
CEPSA	1	5,000		4,100

lrs
8/8/40

Latest Crude Production by Companies

Bbls. daily

Japan	March 1940	6,266	(Nippon Oil Co. largest producer)
Iraq	April 1940	95,307	(Iraq Pet. Co.)
Iran	May 1940	187,872	Anglo-Iranian
Netherlands E Indies	Dec. 1939	165,133	(Shell 121,183; N.E.P.N. 43,950)
Romania	March 1940	124,614	
Romano		13,671	
Shell		23,687	
Concordia		17,976	
Steama		15,052	
Unirea		13,323	
Colombia		12,127	
Other companies		28,578	

Germany, including Austria, Czechoslovakia and Western Poland, estd.
at 25,000 bbls. daily in 1940.

Hungary	Week ended July 29, 1940	5,699	(Maort)
Venezuela	Week ended July 29, 1940	515,600	
	Lago	112,961	
	S.O.V.	89,127	
	Shell	204,798	
	Gulf 100%	102,884	
	Others	5,830	
Colombia	Week ended July 22	60,587	
	Tropical	54,587	
	Texas-Economy	6,000	estd.
Trinidad	April 1940	58,000	estd.
	Trinidad Leaseholds	21,000	
	Shell	11,000	
	E.C.O.	8,000	
	Apex	11,000	
	Others	7,000	
Peru	Week ended July 22	29,474	
	International	22,474	
	Lobitos	7,000	estd.
Argentina	April 1940	54,700	
	T.F.P.	31,685	
	Shell	11,924	
	S.O. Arg.	4,720	
	Others		
Mexico	May 1940	110,824	Mex. Govt.
Egypt	March 1940	16,886	(Shell)
Iraq/8-8-40			

Question (1) The latest 100 octane situation, domestic and foreign.

Attached is the following information regarding probable production of 100 octane gasoline during the remainder of this year and 1941 in this country and abroad.

- (a) A table showing installations for the production of high octane aviation blend agents in the U.S. and foreign countries. This is the only information that we have regarding capacities in foreign countries.
- (b) An estimate based on the figures obtained by Garland Davis at the N.A.C.A. Subcommittee Meeting in Washington on June 20th of possible production of 100 octane aviation in this country from equipment now completed and second that under construction. The total blend agent that can be produced from equipment now completed, you will note, now totals 20,050 B/D. which is somewhat above that which we knew about and listed in the table in Item (a), totalling 17,557 B/D. The former figure corresponds to the production of 44,000 B/D of 100 octane gasoline with 3 c.c. of lead available from completed plants in this country. If there be added to this the production from plants now under construction this figure becomes 51,500 B/D.
- (c) A letter to Mr. Shoemaker dated August 2nd showing that, with the requirements now indicated, industry will have a surplus of 1,880,000 B. of 100 octane gasoline production in the last six months of this year, and 7,158,000 B. during 1941, making a total accumulation possible by the end of 1941 of about 9,000,000 B. However, the export requirements used in making this estimate included only offers already definitely accepted.

Question (2) What are the exports to Europe and Japan from Mexico, Colombia, Venezuela and Peru?

We assume that this question is directed only towards future supplies, and have therefore confined our estimates to the last five months of 1940.

To the best of our information no shipments will be made from Mexico to Europe over the remainder of 1940. The Japanese have a contract for taking two million barrels of crude and 200,000 barrels of products from Mexico, on

which there has been delivered to date 356,000 barrels of crude. It is not known how long this contract has to run.

Colombia It is understood that the information with respect to disposition of Barco crude will be secured separately. None of Jersey's Colombian crude production goes directly to Europe or Japan. Some Colombian products go to England by way of Aruba and are included in the products shown in the Aruba statement below.

Peru No crude or products from Jersey's Peruvian production are scheduled for Europe for the remainder of this year. One cargo of crude has been sold to Japan, and three other cargoes have been offered for delivery during the last five months of this year.

The only producer other than Jersey in Peru is Lobitos, having a production of about 7,000 B/D, over half of which in the past has been supplied to the U.K. and Europe, the remainder going to Uruguay and the Argentine.

Venezuela The N.W.I. have been grouped together with Venezuela, since the N.W.I. refineries are run primarily on Venezuelan crude. Jersey's exports of crude and products from the N.W.I. and Venezuela over the remainder of this year will be confined entirely to the U.K. and are listed as follows:

Gasoline	4,632,200 B.
Kerosene	1,436,700
Gas and Diesel Oils	2,606,900
Residual Fuel Oils	<u>735,800</u>
Total	9,411,600 B.

Sheets are attached showing details of these shipments from the last 5 months outlook.

We are not at present shipping any Venezuelan crude to our English refinery, although it is possible, before the year's end that crude takings from Venezuela will be re-instated.

We do not have any data on other companies' shipments from Venezuela and the N.W.I. to Europe and the U.K. The principal other supplier is the Shell, whose shipments approximate fairly closely those of Jersey. Gulf Oil Company shipments to France, of course, have been discontinued. It is suggested that Shell be contacted directly if it is desired to determine their shipments accurately.

ESTIMATED SHIPMENTS OF PRODUCTS FOR U.K.
LAST FIVE MONTHS 1940

BARRELS 42'S

GRADE	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL LAST FIVE MONTHS
<u>II ARUBA</u>						
<u>NAPHTHA</u>						
Aviation 74	-	-	35,000	-	-	35,000
Aviation Base for Leading To 100 Octane	140,000	76,000	113,000	49,500	110,500	489,000
Pool Motor Spirit	540,000	973,300	787,600	846,200	811,400	3,958,500
Standard Vacuum Naphtha	38,000	48,900	-	-	-	86,900
T.O.P.O./T.L.L. Exchange (1)	-	62,800	-	-	-	62,800
<u>TOTAL NAPHTHA</u>						<u>4,632,200</u>
<u>REFINED OIL</u>						
Export R.O. - 25 Smoke Pt.	96,000	448,600	383,500	238,000	238,600	1,404,700
Pool Signal Oil	16,000	-	16,000	-	-	32,000
<u>TOTAL REFINED OIL</u>						<u>1,436,700</u>
<u>DISTILLATE OIL</u>						
U.K. - Pool Derv	137,600	164,700	62,400	40,000	40,000	444,700
U.K. - Pool Diesel	49,000	152,300	89,400	80,000	80,000	450,700
Asiatic U.K. - Pool Derv Exch.	-	33,800	16,900	-	27,900	78,600
Anglo-Iranian/Std. Vac. Exch. - Gas Oil	-	-	-	-	26,600	26,600
Exchange #172 - Gas Oil	-	-	75,000	-	-	75,000
U.K. - Pool Vaporizing Oil	-	-	-	-	60,000	60,000
U.K. - Marine Diesel	-	-	-	-	-	-
U.K. - Pool Fuel Oil	49,000	-	-	-	-	49,000
A.I. & Shell (Std. Vac. Exch.) - Diesel Oil	154,000	150,300	235,400	155,300	152,500	847,500
Trinidad Exchange (1) - Diesel Oil	-	20,000	-	-	19,100	39,100
<u>TOTAL DISTILLATE OIL</u>						<u>2,071,200</u>
<u>RESIDUAL FUEL OIL</u>						
U.K. - Pool Marine	-	29,500	75,000	75,000	75,000	254,500
U.K. - Pool Heavy	186,000	-	19,900	31,000	31,000	267,900
Standard Vacuum (A.I. Exch.) - Fuel Oil	45,500	-	30,000	-	31,800	107,300
Trinidad Leaseholds Exch. (1) - Fuel Oil	-	56,000	-	-	50,100	106,100
<u>TOTAL FUEL OIL</u>						<u>735,800</u>
<u>II CARIPITO</u>						
<u>DISTILLATE OIL</u>						
U.K. - Pool Fuel Oil	21,000	-	-	81,800	81,800	184,600
U.K. - Pool Marine Diesel	32,000	-	11,200	30,000	30,000	103,200
Standard Vacuum - Diesel Oil	-	85,000	-	80,000	82,900	247,900
<u>TOTAL DISTILLATE OIL</u>						<u>535,700</u>

NOTE: (1) Destination not definitely known, but believed to be for U.K.

L. SEIDEMAN
E:MF
AUGUST 6, 1940

GENERAL 7-SP-542
MEMORANDUM

DATE August 6, 1940

TO Mr. E. J. Sadler

FROM S. P. Coleman

Herewith attached data on the three questions you raised, as follows:

- (1) What is the latest 100 octane situation, ~~domestic and foreign~~?
- (2) What are the exports to Europe and Japan from Mexico, Colombia, Venezuela and Peru?
- (3) What are the latest estimates on German petroleum supplies.

S.P.C.

Question (3) Latest estimates on German petroleum supplies.

There is attached a letter and data previously submitted you on May 29th on German supplies. These have since been checked with everyone who has come back from Europe. No major corrections have been indicated.

It should be borne in mind that these estimates make no allowance whatsoever for any destruction in Germany, either of stocks or current producing capacity, and we do know that the Royal Air Force has concentrated on petroleum supplies, and have achieved some success in bombing hydrogenation plants in Germany.

The only other factor that might change is the possibility of increased supplies from Roumania as the result of increased Nazification of that country. Whereas the estimate assumes 10,000,000 barrels imported from Roumania over 1940, the rate of Roumanian supplies to date to Germany over the first third of this year were only at the rate of approximately 5,000,000 barrels per year. Thus supplies would have to be considerably increased over the remainder of the year in order to total 10,000,000 barrels for the entire year. Total potential Roumanian supplies are, of course, several fold this figure, and the small shipments to date have been the result of transportation limitations either by tank car or up the Danube. Given time to augment transportation facilities, possibly even for pipeline construction, the quantity to Germany could be greatly increased.

No estimate has been included of stocks that might have been acquired by Germany in France, as, to the best of our information, these supplies were destroyed by the retreating French Army.

SPC:JHC
8-6-40

SCHEDULE I

Last Six Months 1940 and Year 1941

100 O.N. Aviation Gasoline Situation

Barrels 42's

1940 - Last Six Months

U. S. Production 32,000 B/D		5,890,000
U. S. Domestic Consumption		
U. S. Army & Navy	800,000	
Engine Builders, Etc.	<u>100,000</u>	900,000
Exports		
Intava	1,810,000	
Others	<u>1,300,000</u>	<u>3,110,000</u>
Total Demand		<u>4,010,000</u>
Possible Stock Accumulation		<u>1,880,000</u>

1941 - 12 Months

U. S. Production 40,000 B/D		<u>14,600,000</u>
U. S. Domestic Consumption		
U. S. Army & Navy	2,800,000	
Engine Builders, Etc.	<u>300,000</u>	3,100,000
Exports		
Intava	2,242,000	
Others	<u>2,100,000</u>	<u>4,342,000</u>
Total Demand		<u>7,442,000</u>
Possible Stock Accumulation		<u>7,158,000</u>

Total Possible Accumulation July 1, 1940 -
Dec. 31, 1941

9,038,000

8-3-40
WJE:EMC

REFINERY REPORT - JAPAN

AS OF JANUARY 1, 1940

(Barrels of 42 U.S. Gallons)

Company	Location of Refinery	Type of Plant*	Daily Potential Crude Capacity	Current Actual Crude Runs to Stills	Number & Type of Cracking Units	Daily Potential Prodn. Cracked Gaso. Each Unit	Total Daily Potential Production Cracked Gaso.	Current Actual Production Cracked Gaso.
Nippon Oil Company	Tsurumi	Comp.	6 000		2-Dubbs 1-NHC	300 500	1 200	572
	Amagasaki (Osaka)	Comp.	4 000		1-NHC	600	600	385
	Kudamatsu	Comp.	4 000		2-Cross	400	800	445
	Akita	Comp.	4 000					
	Kashiwazaki	Comp.	3 000					
	Niigata	Lube.	3 000					
	Garugawa	Comp.	400					
	Bioritsu	Comp.	250					
			24 650	17 932				
Ogura Oil Company	Yokohama	Comp.	7 000		2-Cross	400	800	522
	Tokyo	Comp.	3 000		2-Jenkins	150	300	102
			10 000	8 176				
Mitsubishi Oil Company	Kawasaki	Comp.	5 500	3 984	2-Cross	600	1 200	576
					1-Stev-Swartz	400	400	238
Nayama Oil Company	Kawasaki	Comp.	3 000					
	Niigata	Lube.	200					
			3 200	2 311				
Aikoku Oil Company	Kawasaki	Comp.	2 000	1 607	1-NHC	600	600	185
Toho Sekiyu Company	Yokohama	S.L. & A.	500	421				
Toyo Shoku Company	Yokohama	S.L. & A.	500	310				
Nittsu Sekiyu Company (Marushin)	Nakadori	Comp.	700					
	Niigata (2)	S & L	500					
	Akita	S.L. & A.	200					
			1 400	833				

Note - Here list plants which have been dismantled or permanently abandoned since previous year's report; also list plants under construction or proposed and state capacities and estimated dates of completion.

- * - Comp. - Complete Plant
- Lube. - Lube plant

Top. - Topping plant.

S.L. & A. - Skimming, lube & asphalt
S & L - " and lube

Note - Does not include Naval Refinery - Tokuyama.

CONTINUED ON NEXT PAGE

REFINERY REPORT - JAPAN
AS OF JANUARY 1, 1940

(Barrels of Crude Oil & Gallons)

Company	Location of Refinery	Type of Plant*	Daily Potential Crude Capacity	Current Actual Crude Runs to Stills	Number & Type of Cracking Units	Daily Potential Prodn. Cracked Gaso. Each Unit	Total Daily Potential Production Cracked Gaso.	Current Actual Production Cracked Gaso.
Asahi Sekiyu Company	Tokyo	S.L. & A.	500					
	Hikoshima (Moji)	S.L. & A.	500					
	Akita (2)	S.L. & A.	50					
			1 050	793				
Marusen Sekiyu Co.	Osaka	Comp.	1 000					
	Niigata	S & L	120					
			1 120	745				
Toyo Sekiyu Company	Osaka	Comp.	700	524				
Nihon Kogyo Company	Funakawa (Akita)	Top.	500	382				
Daikyo Sekiyu Co.	Niigata (19)	S & L	270	204				
Nihon Seiro Co. (Shale)	Tokuyama	Fuel & Wax	1 200	1 000				
Chosen Sekiyu Co.	Gensan (Chosen)	Comp.	4 000	2 764	1-NMC	600	600	385
Independent Refiners	Niigata (3)	S & L	30					
	Akita (6)	S.L. & A.	150					
	Others (19)	S.L. & A.	500					
			680	389				
TOTAL	77		57 270	42 375	15		6 500	3 410

Note - Here list plants which have been dismantled or permanently abandoned since previous year's report; also list plants under construction or proposed and state capacities & estimated dates of completion.

* - Comp. - Complete Plant
Lube. - Lube plant

Top. - Topping plant.

S.L. & A. - Skimming, lube & asphalt
S & L - " and lube

Note - Does not include Naval Refinery Tokuyama.

x - These totals should not include plants under construction.

REFINERY REPORT - MANCHUKUO

AS OF JANUARY 1939

(Barrels of 42 U.S. Gallons)

<u>Company</u>	<u>Location of Refinery</u>	<u>Type of Plant *</u>	<u>Daily Potential Crude Capacity</u>	<u>Current Actual Crude Runs to Stills</u>	<u>Number & Type of Cracking Units</u>	<u>Daily Potential Prodn. Cracked Gaso. Each Unit</u>	<u>Total Daily Potential Production Cracked Gaso.</u>	<u>Current Actual Production Cracked Gaso.</u>
S.M.R. Shale Oil plant	Fushun	Comp.	4 000	2 840	2-Dubbs	150	300	138
Manchu Sekiyu K.K.	Dairen	Comp.	4 000	3 025	1-MNC	600	600	310
			8 000	5 865	3		900	448

Note - Here list plants which have been dismantled or permanently abandoned since previous year's report;
also list plants under construction or proposed and state capacities & estimated dates of completion.

* - Comp. - Complete plant

100 O.N. AVIATION GASOLINE SUPPLY BASED ON PLANTS INSTALLED AND UNDER CONSTRUCTION

(1) Immediately Available						(2) Available on Completion of Units Under Construction						(3) Using Maximum Houdry Base					
		Percent Off						Percent Off						Percent Off			
B/D	Clear O. N.	Reid Vapor Press	212°	225°		B/D	Clear O. N.	Reid Vapor Press	212°	225°		B/D	Clear O. N.	Reid Vapor Press	212°	225°	
<u>100 O.N. - 3 c.c. Pb/Gal.</u>																	
<u>Blending Agents</u>																	
Hydrocodimer	4,225	96.0	2.0	0	50.0	5,325						5,325					
Butene Alkylate	14,463	93.0	4.4	40.0	60.0	16,113						16,113					
Pentene Alkylate	1,000	90.0	2.0	10.0	30.0	1,000						1,000					
Propene Alkylate	362	89.0	4.0	80.0	90.0	362						362					
Total	20,050	93.4	3.8	30.8	56.9	22,800	93.5	3.7	30.0	56.8		22,800	93.5	3.7	30.0	56.8	
<u>Base Stock</u>																	
Houdry Aviation	3,500	78	7.0	58.0	65.0	3,500						19,286					
Hydro Aviation	3,500	75.5	7.0	58.0	65.0	3,500						3,500					
Natural Aviation	12,200	74.0	7.0	50.0	60.0	10,045											
Hydroformed Aviation						7,000	78.0	7.0	58.0	65.0		7,000					
Isopentane	4,700	90.0	22.0	100.0	100.0	4,700						4,700					
Total	43,950	85.0	7.0	47.9	63.7	51,545	85.0	6.9	47.9	63.6		57,286	85.0	6.9	50.3	64.6	
<u>100 O.N. Aviation- 4 c.c. Pb/Gal.</u>																	
(Estimated to require 83.0 O.N. Clear)																	
Houdry												15,714	78.0	7.0	58	65.0	
Natural	9,878	74.0	7.0	50.0	60.0	11,455						4,000					
Total	53,828	83.0	7.0	48.3	63.0	63,000	83.0	6.9	48.3	62.9		77,000	83.0	7.0	51.9	64.4	

S.C.B.
6/25/40

IMPORTATIONS OF CRUDE AND PETROLEUM PRODUCTS INTO MANCHUKUO

YEARS 1935 THRU 1939 INCL.

ALSO 1ST 3 MONTHS 1940

(Barrels 42's)

Product & Country of Origin	1935		1936		1937		1938		1939		1ST 3 MOS. 1940	
	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports
<u>LUBRICATING OIL</u>												
U.S.A.			21 202	19.2	56 091	35.6	45 162	23.6	69 709	32.9	4 785	8.5
Other			89 169	80.8	101 510	64.4	146 123	76.4	142 005	67.1	51 221	91.5
Total	72 383	100.0	110 371	100.0	157 601	100.0	191 285	100.0	211 714	100.0	56 006	100.0
<u>WAX</u>												
U.S.A.			10 223	46.5	8 642	16.5	1 404	6.9	-	-	-	-
Other			11 766	53.5	43 887	83.5	18 893	93.1	13 891	100.0	2 618	100.0
Total	29 570	100.0	21 989	100.0	52 529	100.0	20 297	100.0	13 891	100.0	2 618	100.0
<u>ASPHALT</u>												
U.S.A.			391	2.5	1 822	7.7	129	0.9	193	0.6	-	-
Other			14 967	97.5	21 917	92.3	14 026	99.1	34 816	99.4	2 214	100.0
Total	11 605	100.0	15 358	100.0	23 739	100.0	14 154	100.0	35 011	100.0	2 214	100.0
<u>OTHER PRODUCTS</u>												
U.S.A.			4 452	34.3	6 617	40.9	7 253	32.7	11 082	29.5	108	2.0
Other			8 546	65.7	9 572	59.1	14 918	67.3	26 529	70.5	5 199	98.0
Total	12 924	100.0	12 998	100.0	16 189	100.0	22 171	100.0	37 611	100.0	5 307	100.0
<u>TOTAL CRUDE AND PETROLEUM PRODUCTS</u>												
U.S.A.			865 241	49.4	1 335 913	53.5	2 156 418	81.5	2 212 207	85.4	374 308	80.0
Other			884 804	50.6	1 161 458	46.5	488 861	18.5	377 886	14.6	93 860	20.0
Total	1 191 967	100.0	1 750 046	100.0	2 497 371	100.0	2 645 279	100.0	2 590 093	100.0	468 168	100.0

Statistical & Distribution Dept.
August 6, 1940

IMPORTATIONS OF CRUDE AND PETROLEUM PRODUCTS INTO JAPAN

YEARS 1935 THRU 1939 INCL.

ALSO 1st 3 MONTHS 1940

(Barrels 42's)

Product & Country Origin	1935		1936		1937		1938		1939		1st 3 Mos. 1940	
	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports
REFINING OIL												
U.S.A.	267 641	88.8	314 514	93.3	347 166	92.0	212 766	94.1	294 774	95.9	107 006	97.9
Other	33 614	11.2	22 444	6.7	30 086	8.0	13 242	5.9	12 468	4.1	2 242	2.1
Total	301 255	100.0	336 958	100.0	377 252	100.0	226 008	100.0	307 242	100.0	109 248	100.0
OTHER PRODUCTS												
U.S.A.	76	1.2	86	0.1	543	0.4	223	0.2	9	-	-	-
Other	6 146	98.8	162 811	99.9	147 525	99.6	146 295	99.8	140 909	100.0	20 697	100.0
Total	6 222	100.0	162 897	100.0	148 068	100.0	146 518	100.0	140 918	100.0	20 697	100.0
CRUDE												
U.S.A.	29 851	99.9	25 904	99.7	40 311	98.8	22 127	50.2	3 815	24.8	908	100.0
Other	16	0.1	66	0.3	488	1.2	21 973	49.8	11 548	75.2	-	-
Total	29 867	100.0	25 970	100.0	40 799	100.0	44 100	100.0	15 363	100.0	908	100.0
OTHER PRODUCTS												
U.S.A.	12 795	83.9	15 637	82.8	21 980	79.6	14 374	79.1	32 412	93.7	3 983	99.5
Other	2 462	16.1	3 246	17.2	5 636	20.4	3 799	20.9	2 194	6.3	22	0.5
Total	15 257	100.0	18 883	100.0	27 616	100.0	18 173	100.0	34 606	100.0	4 005	100.0
TOTAL CRUDE AND PETROLEUM PRODUCTS												
U.S.A.	30 018 724	61.7	19 970 667	61.3	28 285 350	68.5	32 601 003	77.9	27 497 977	80.9	6 879 445	83.7
Other	12 750 670	38.3	12 595 101	38.7	13 018 534	31.5	9 243 261	22.1	6 479 426	19.1	1 336 526	16.3
Total	42 769 394	100.0	32 565 768	100.0	41 303 884	100.0	41 844 264	100.0	33 977 403	100.0	8 215 971	100.0

Statistical & Distribution Dept.
August 6, 1940

IMPORTATIONS OF CRUDE AND PETROLEUM PRODUCTS INTO MANCHUKUO
YEARS 1935 THRU 1939 INC.

(Bbls. 42's)

Also 1st 3 MONTHS 1940 - SHIPMENTS IN BULK FROM CALIF. - 1st 6 MONTHS 1940

Shipper	Country of Origin	1935		1936		1937		1938		1939		1st 3 MOS. 1940		SHIPMENTS FROM CALIFORNIA - 1st 6 MOS. 1940	
		Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Shipments
CRUDE OIL															
Am. Pet.	U.S.A.					-	-	-	-	-	-	-	-	-	-
A.O. Co. Cal.	U.S.A.					584 711	67.0	1 000 253	88.5	1 106 221	99.9	135 774	100.0	495 217	85.5
Associated	U.S.A.					-	-	-	-	-	-	-	-	-	-
Union	U.S.A.					82 236	9.7	20 415	1.8	-	-	-	-	-	-
Exxon	U.S.A.					-	-	-	-	-	-	-	-	84 120	14.5
Hohfield	U.S.A.					-	-	-	-	-	-	-	-	-	-
Unknown/Other	U.S.A.					-	-	-	-	-	-	-	-	-	-
Total	U.S.A.			314 724	52.6	646 947	76.7	1 020 668	90.3	1 106 221	99.9	135 774	100.0	579 537	100.0
A.V.O. Co.	N.E.I.			-	-	-	-	-	-	-	-	-	-	-	-
A.P. Co.	NEI, SS, Borneo			-	-	-	-	-	-	-	-	-	-	-	-
A.O. Co. Cal.	Bahrain			247 351	41.3	196 419	23.3	109 255	9.7	-	-	-	-	-	-
Other	Asiatic			4 602	0.8	-	-	-	-	(Mex) 639	0.1	-	-	-	-
Monopoly/Jap.	Japan			31 895	5.3	-	-	-	-	-	-	-	-	-	-
Total	Other			283 848	47.4	196 419	23.3	109 255	9.7	639	0.1	-	-	-	-
Total Imports		491 922	100.0	598 572	100.0	843 366	100.0	1 129 921	100.0	1 106 860	100.0	135 774	100.0		
DIESEL OIL															
Am. Pet.	U.S.A.					-	-	-	-	31 871	33.8	-	-	-	-
A.O. Co. Cal.	U.S.A.					49 343	20.6	52 143	53.9	-	-	-	-	-	-
Associated	U.S.A.					-	-	-	-	-	-	28 651	54.3	28 653	100.0
Union	U.S.A.					-	-	-	-	-	-	-	-	-	-
Exxon	U.S.A.					35	-	408	0.5	-	-	-	-	-	-
Hohfield	U.S.A.					-	-	-	-	-	-	-	-	-	-
Unknown/Other	U.S.A.					-	-	-	-	-	-	-	-	-	-
Total	U.S.A.			92 353	39.7	49 378	20.6	52 549	64.4	31 871	33.8	28 651	54.3	28 653	100.0
A.V.O. Co.	Aruba					46 493	19.0	-	-	-	-	-	-	-	-
A.V.O. Co.	N.E.I.					66 647	27.8	-	-	-	-	-	-	-	-
A.P. Co.	NEI, SS, Borneo					74 862	31.1	24 108	29.6	60 648	64.3	24 150	45.7	-	-
A.O. Co. Cal.	Bahrain					-	-	-	-	-	-	-	-	-	-
Other	Asiatic					-	-	-	-	-	-	-	-	-	-
Monopoly/Jap.	Japan					3 829	1.5	4 907	6.0	1 800	1.9	-	-	-	-
Total	Other			140 324	60.3	190 631	79.4	29 015	35.6	62 448	66.2	24 150	45.7	-	-
Total Imports		162 278	100.0	232 677	100.0	240 009	100.0	81 564	100.0	94 519	100.0	52 801	100.0		
BRASS															
Am. Pet.	U.S.A.					-	-	-	-	-	-	-	-	18 900	13.9
A.O. Co. Cal.	U.S.A.					132 718	27.4	-	-	-	-	-	-	86 418	63.6
Associated	U.S.A.					-	-	249 778	59.6	184 286	54.6	15 541	100.0	-	-
Union	U.S.A.					-	-	-	-	-	-	-	-	-	-
Exxon	U.S.A.					50 638	10.4	35 200	8.4	17 166	5.1	-	-	-	-
Hohfield	U.S.A.					86 397	17.8	-	-	-	-	-	-	30 512	22.5
Unknown/Other	U.S.A.					-	-	77 424	18.4	106 048	31.4	-	-	-	-
Total	U.S.A.			129 326	41.4	269 763	55.6	362 403	86.3	307 500	91.1	15 541	100.0	135 830	100.0
A.V.O. Co.	N.E.I.					18 323	3.8	13 579	3.2	8 480	2.5	-	-	-	-
A.P. Co.	NEI, SS, Borneo					1 023	0.2	6 026	1.4	2 724	0.8	-	-	-	-
A.O. Co. Cal.	Bahrain					85 415	17.6	-	-	-	-	-	-	-	-
Other	Asiatic					-	-	-	-	(Mex) 5 952	1.8	-	-	-	-
Monopoly/Jap.	Japan					110 900	22.8	38 285	9.1	12 989	3.8	-	-	-	-
Total	Other			182 609	58.6	215 661	44.4	57 690	13.7	30 145	8.9	-	-	-	-
Total Imports		141 215	100.0	312 135	100.0	485 414	100.0	420 093	100.0	337 645	100.0	15 541	100.0		

Does not include package shipments or any bulk shipments that may have been made from the Gulf.

Statistical & Distribution Dept.
August 6, 1940

Regraded Unclassified

IMPORTATIONS OF CRUDE AND PETROLEUM PRODUCTS INTO MANCHUKUO

YEARS 1935 THRU 1939 INCL.

ALSO 1ST 3 MONTHS 1940

SHIPMENTS IN BULK FROM CALIF. - 1ST 6 MOS. 1940

(Barrels 42's)

Shipper	Country of Origin	1935		1936		1937		1938		1939		1ST 3 MOS. 1940		SHIPMENTS FROM CALIFORNIA 1ST 6 MOS. 1940	
		Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Shipments
GASOLINE															
Gen. Pet.	U.S.A.					12 745	1.9	631	0.1	1 560	0.2	-	-	-	-
S.O.Co.Cal.	U.S.A.					117 652	17.3	-	-	-	-	-	-	53 156	11.6
Associated	U.S.A.					-	-	-	-	119 339	15.8	103 701	52.4	232 019	50.9
Union	U.S.A.					11 707	1.7	442 223	57.7	230 551	30.6	-	-	85 428	18.7
Texas	U.S.A.					79 375	11.7	26 524	3.5	56 304	7.5	-	-	-	-
Hickfield	U.S.A.					75 184	11.1	-	-	277 877	36.9	85 748	43.3	86 748	18.8
Unknown/Others	U.S.A.					-	-	197 474	25.8	-	-	-	-	-	-
Total	U.S.A.			292 570	65.6	296 663	43.7	866 852	87.1	685 631	91.0	189 449	95.7	456 360	100.0
S.V.O.Co.	N.E.I.					15 446	2.3	36 021	4.7	12 856	1.7	-	-	-	-
A.P.Co.	NEI,SS					50 431	7.5	32 868	4.3	24 660	3.3	8 458	4.3	-	-
Romanian	Borneo					156 959	23.1	-	-	-	-	-	-	-	-
S.O.Co.Cal.	Roumania					77 339	11.4	-	-	-	-	-	-	-	-
Monopoly/Jap.	Bahrain					81 686	12.0	30 063	3.8	30 095	4.0	-	-	-	-
Total	Japan			153 375	34.4	381 861	56.3	98 942	12.9	67 411	9.0	8 458	4.3	-	-
	Other														
Total Imports		270 070	100.0	445 945	100.0	678 524	100.0	785 794	100.0	753 042	100.0	197 907	100.0		
FUEL OIL															
		Nil		Nil		Nil		Nil		Nil		Nil		Nil	
TOTAL CRUDE OIL, FUEL OIL, DIESEL OIL, KEROSENE, AND GASOLINE															
Gen. Pet.	U.S.A.					12 745	0.6	631	-	33 431	1.5	-	-	-	-
S.O.Co.Cal.	U.S.A.					864 424	38.5	1 052 396	43.8	1 106 221	48.3	135 774	33.8	567 272	47.3
Associated	U.S.A.					-	-	249 779	10.4	303 625	13.2	147 893	36.8	347 090	28.9
Union	U.S.A.					93 945	4.2	462 636	19.3	230 551	10.1	-	-	85 428	7.1
Texas	U.S.A.					130 048	5.8	62 130	2.6	73 470	3.2	-	-	-	-
Hickfield	U.S.A.					161 581	7.2	-	-	277 877	12.1	85 748	21.3	169 868	14.2
Unknown/Others	U.S.A.					-	-	274 898	11.5	106 048	4.6	-	-	30 512	2.5
Total	U.S.A.			828 973	52.2	1 262 741	56.2	2 102 470	87.7	2 131 223	93.0	369 415	91.9	1 200 170	100.0
S.V.O.Co.	Aruba					45 493	2.0	-	-	-	-	-	-	-	-
S.V.O.Co.	N.E.I.					100 416	4.5	49 400	2.1	21 136	0.9	-	-	-	-
A.P.Co.	NEI,SS					126 116	5.6	82 992	2.6	88 032	3.8	32 608	8.1	-	-
Romanian	Borneo					156 959	7.0	-	-	-	-	-	-	-	-
S.O.Co.Cal.	Roumania					359 173	16.0	109 255	4.6	-	-	-	-	-	-
Other	Asiatic					-	-	-	-	(A) 31 240	1.4	-	-	-	-
Monopoly/Jap.	Japan					198 415	8.7	73 255	3.0	20 235	0.9	-	-	-	-
Total	Other			780 356	47.8	984 572	43.8	294 902	12.3	160 643	7.0	32 608	8.1	-	-
Total Imports		1 065 465	100.0	1 569 329	100.0	2 247 313	100.0	2 397 372	100.0	2 291 866	100.0	402 023	100.0		

* Incl. Mexico 24,849 Bbls.

(A) Mexico

Does not include package shipments or any bulk shipments that may have been made from the Gulf

Statistical & Distribution Dept.
August 6, 1940

Regraded Unclassified

IMPORTATIONS OF CRUDE AND PETROLEUM PRODUCTS INTO JAPAN

YEARS 1936 THRU 1939 INCL.

ALSO 1ST 3 MONTHS 1940

SHIPMENTS IN BULK FROM CALIF. - 1ST 6 MOS. 1940

(Barrels 42's)

Shipper	Country of Origin	1936		1937		1938		1939		1ST 3 MOS. 1940		SHIPMENTS FROM CALIFORNIA - 1ST 6 MOS. 1940	
		Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Shipments
Refining													
Amoco Co.	U.S.A.	1 895	0.1	102 550	2.3	133 868	2.8	231 303	5.5	215 498	7.8	30 502	5.6
Amoco-Cal.	U.S.A.	696 576	17.2	1 002 932	22.6	644 150	15.4	184 895	4.4	66 770	2.0	27 871	5.5
Associated	U.S.A.	-	-	7 266	0.2	157 323	3.3	98 150	2.3	79 267	2.9	-	-
Standard	U.S.A.	-	-	86 448	1.9	258 016	5.4	282 902	6.9	120 603	4.2	121 186	14.5
Shell	U.S.A.	49 284	1.2	33 862	0.8	37 560	0.8	47 256	1.1	38 923	1.4	6 784	0.8
Shellfield	U.S.A.	-	-	4 826	0.1	73 973	1.5	109 822	2.6	152 910	5.6	11 082	1.5
Shell	U.S.A.	-	-	-	-	22 650	0.5	145 826	3.5	48 779	1.7	20 760	2.4
Standard	U.S.A.	-	-	-	-	-	-	5 313	0.1	-	-	-	-
N.O.Co.	U.S.A.	19	-	13	-	13	-	117 357	2.8	14 905	0.6	-	-
Others	U.S.A.	-	-	22 333	0.5	187 963	3.5	100 469	2.4	245 060	8.8	109 881	13.0
Total	U.S.A.	747 772	18.5	1 260 250	28.4	1 495 516	31.2	1 328 293	31.6	970 715	34.9	328 365	38.7
N.O.Co.	N.E.I.	810 183	20.0	597 080	13.4	924 824	19.3	1 002 944	25.9	704 567	25.3	164 746	19.4
N.O.Co.	N.E.I., SS, Borneo	2 196 091	54.2	2 129 655	47.9	1 908 274	39.8	1 667 400	39.6	1 011 583	36.4	355 962	41.9
Standard	Romania	-	-	-	-	-	-	208 669	5.0	95 708	3.4	-	-
Standard	Black Sea	296 918	7.3	456 353	10.3	464 095	9.7	-	-	-	-	-	-
Total	Other	3 303 172	81.5	3 183 089	71.6	3 295 193	68.9	2 889 013	68.4	1 311 336	45.1	520 708	61.3
Total Imports		4 050 944	100.0	4 443 338	100.0	4 790 709	100.0	4 197 306	100.0	2 782 551	100.0	849 074	100.0
TAL CRUDE OIL, FUEL OIL, DIESEL OIL, KEROSENE, AND GASOLINE													
Refining	U.S.A.	3 617 815	11.0	3 217 695	10.1	3 945 858	9.7	4 428 695	10.7	3 783 579	11.2	811 109	10.0
Amoco-Cal.	U.S.A.	5 762 433	17.5	4 344 555	13.5	6 672 072	16.4	7 421 728	17.3	5 017 223	15.0	1 578 798	19.5
Associated	U.S.A.	3 418 972	10.4	4 090 125	12.9	5 699 663	14.0	7 157 755	17.3	6 586 187	25.6	1 825 967	22.6
Standard	U.S.A.	3 092 943	9.4	3 968 133	12.1	6 309 935	15.3	5 202 001	12.6	8 655 228	11.5	717 375	8.9
Shell	U.S.A.	1 390 897	4.2	1 165 452	3.6	2 133 473	5.3	2 625 521	6.3	1 495 585	4.5	556 582	6.9
Shellfield	U.S.A.	1 421 552	4.3	1 134 958	3.5	1 361 439	3.3	2 216 363	5.4	2 045 613	6.1	238 287	3.0
Shell	U.S.A.	336 723	1.0	474 588	1.5	547 209	1.4	1 613 177	3.9	1 189 930	3.5	520 443	6.4
Standard	U.S.A.	221 349	0.7	322 290	1.0	120 117	0.3	321 382	0.8	-	-	-	-
N.O.Co.	U.S.A.	19	-	13	-	13	-	117 357	0.3	14 905	0.1	-	-
Others	U.S.A.	925 579	2.3	998 613	3.1	1 080 513	2.6	1 249 432	3.0	1 208 379	3.6	519 157	6.4
Total	U.S.A.	20 208 381	61.4	19 614 525	41.3	27 375 350	68.5	32 351 513	78.1	27 168 967	81.1	6 747 548	83.7
N.O.Co.	N.E.I.	1 994 514	5.2	1 988 276	5.2	1 562 382	3.3	1 169 319	2.9	985 217	2.9	231 714	2.9
N.O.Co.	N.E.I., SS, Borneo	7 470 080	22.7	7 310 923	22.8	7 200 338	17.7	6 492 227	15.3	3 838 786	11.5	744 374	9.2
Standard	Romania	-	-	-	-	-	-	208 669	0.5	95 708	0.3	-	-
Standard	Black Sea	296 918	0.9	456 353	1.4	464 095	1.1	-	-	-	-	-	-
Standard	Malacca	1 582 924	4.9	1 315 285	4.1	1 326 800	4.0	1 102 297	2.7	1 000 000	3.0	250 000	3.1
Amoco-Cal.	Malacca	551 566	2.0	957 837	2.9	1 347 058	3.3	294 994	0.7	-	-	-	-
Amoco-Cal.	Peru/Ecuador	424 017	1.3	73 597	0.2	192 408	0.5	363 894	0.9	114 407	0.4	-	-
Amoco-Cal.	Colombia	360 413	1.1	397 223	1.3	441 738	1.1	425 582	1.0	277 581	0.8	57 477	1.1
Total	Other	12 688 432	38.5	12 408 544	39.7	12 834 799	31.5	9 056 353	21.9	6 312 307	18.2	1 310 555	16.3
Total Imports		32 896 813	100.0	32 022 060	100.0	40 210 149	100.0	41 407 865	100.0	33 479 274	100.0	9 057 113	100.0

IMPORTATIONS OF CRUDE AND PETROLEUM PRODUCTS INTO JAPAN

YEARS 1935 THRU 1939 INCL.

ALSO 1ST 3 MONTHS 1940

SHIPMENTS IN BULK FROM CALIF. - 1ST 6 MOS. 1940

(Barrels 42's)

Shipper	Country of Origin	1935		1936		1937		1938		1939		1ST 3 MOS. 1940		SHIPMENTS FROM CALIFORNIA* 1st 6 MOS. 1940	
		Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Total Imports	Bbls.	% of Ship'ts
USMC OIL	U.S.A.	1 617 332	26.0	2 249 751	31.2	2 305 786	28.5	2 162 048	32.5	1 896 930	28.8	311 248	18.7	933 303	57.0
W.Pet.	U.S.A.	-	-	-	-	-	-	129 094	1.9	-	-	82 719	5.0	-	-
W.Co.Cal.	U.S.A.	-	-	-	-	-	-	1 608 747	24.2	1 761 015	26.6	599 592	36.9	1 057 800	42.0
Associated	U.S.A.	862 512	13.9	999 439	13.9	1 487 598	18.4	442 295	5.5	485 038	7.1	-	-	21 150	0.8
tion	U.S.A.	38 444	0.6	431 548	6.0	442 295	5.5	189 526	2.8	589 617	8.9	287 819	17.2	422 078	16.8
Wass	U.S.A.	832 895	13.4	557 318	7.7	841 820	10.4	614 054	9.2	-	-	-	-	-	-
Whitfield	U.S.A.	228 935	3.7	162 064	2.2	151 935	1.9	63 188	1.4	-	-	-	-	-	-
Well	U.S.A.	210 259	3.4	474 586	6.6	270 690	3.3	115 983	1.7	240 800	3.7	55 566	3.3	85 449	3.4
Amcock	U.S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unknown/Others	U.S.A.	44 170	0.7	125 300	1.7	56 043	0.5	66 555	1.0	28 000	0.4	106 057	6.4	-	-
Total	U.S.A.	3 834 547	61.7	5 000 107	69.3	5 536 187	69.5	4 949 195	74.5	4 971 400	75.5	1 448 001	86.5	2 619 580	100.0
W.O.Co.	N.E.I.	-	-	4 991	0.1	-	-	-	-	-	-	-	-	-	-
W.Co.	NEI, SS, Borneo	2 382 590	38.3	2 210 863	30.8	2 551 612	31.5	1 694 980	25.5	1 612 282	24.5	225 806	13.5	-	-
Manchukuo	Manchukuo	-	-	-	-	-	-	28	-	259	-	49	-	-	-
Other	Other	2 382 590	38.3	2 215 654	30.7	2 551 612	31.5	1 695 008	25.5	1 612 541	24.5	225 855	13.5	-	-
Total Imports		6 217 137	100.0	7 215 761	100.0	8 087 779	100.0	6 644 204	100.0	6 583 941	100.0	1 668 856	100.0		
W.O.Co.	U.S.A.	-	-	-	-	-	-	1 779	0.4	2 145	0.3	-	-	41 846	36.2
W.Co.Cal.	U.S.A.	26 664	4.3	6 221	1.1	149 615	21.0	-	-	76 951	12.1	95 545	35.2	51 019	44.1
Associated	U.S.A.	-	-	-	-	-	-	-	-	-	-	-	-	22 870	19.7
tion	U.S.A.	-	-	-	-	38 280	5.4	-	-	108 743	17.1	22 870	8.4	-	-
Wass	U.S.A.	-	-	-	-	17 143	2.4	15 021	3.3	29 758	4.7	15 933	5.9	-	-
Whitfield	U.S.A.	9 043	1.4	12 570	2.1	-	-	-	-	-	-	-	-	-	-
Well	U.S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amcock	U.S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unknown/Others	U.S.A.	-	-	-	-	-	-	442	0.1	-	-	-	-	-	-
Total	U.S.A.	36 712	5.7	18 791	3.2	206 038	28.3	17 842	3.3	217 597	34.2	134 248	49.5	115 735	100.0
W.O.Co.	N.E.I.	302 347	48.5	307 317	51.8	239 370	33.5	156 375	36.4	281 250	44.1	66 968	24.7	-	-
W.Co.	NEI, SS, Borneo	284 309	45.7	289 055	45.2	269 407	37.7	272 822	59.9	139 399	21.7	70 126	25.9	-	-
Manchukuo	Manchukuo	-	-	-	-	-	-	7	-	26	-	-	-	-	-
Other	Other	586 656	94.3	574 373	96.9	506 777	71.2	439 204	98.2	419 675	65.3	137 094	50.5	-	-
Total Imports		622 368	100.0	595 184	100.0	713 815	100.0	456 446	100.0	637 272	100.0	271 342	100.0		

Does not include package shipments or any bulk shipments that may have been made from the Gulf.

Statistical & Distribution Dept.
August 6, 1940

ALSO 1ST 3 MONTHS 1940

Barrole 4276

Does not include package shipments or any bulk shipments that may have been made from the Gulf

Patricia A. Kuhl

Refined Petroleum Facilities in Russia									
I	II	III	IV	V	VI	VII	VIII	IX	X
1/1/39 Crude Handling Capacity B's(42's)/D	1/1/39 Cracking Capacity Charge in B's(42's)/D	Reported Crude Handling Capacity Under Constr. or Com- pleted in 1-39 B's(42's)/D	Reported Cracking Cap- acity under Constr. or Com- pleted in 1939 B's(42's)/D	U.O.P. Selective Poly. Plants under Constr. B's(42's)/D of Aviation Dimer	Hydro Plants under Constr. B's(42's)/D of Aviation Blending Acet.	Prob. B's(42's)/D of 100 O.N. Avia- tion Gasoline from Hydro Plants in Col. VI	Prob. B's(42's)/D 87 O.N. Avia- tion Gasoline Based on Columns I and III (4)	Prob. Gra- Motor Gasoline B's(42's)/D Based on Columns II and IV	Production B's(42's)/D of Virgin Motor Gasoline Based on Columns I and III (10)

Organization	Location								
ASKEPT	BAKU	290,590	32,200	63,000	4,900		7,080	11,130	26,320
ASKEPT	BATUM	66,150	17,360				1,320	9,208	5,292
BAKKEPT	ISHIMBATVO	10,500	-				210		840
BAKKEPT	UYA	11,200	3,500	21,000	3,500		644	2,100	2,576
CENTRAL TRUST	SARATOV	-	35,000	-	7,000			12,600	
CENTRAL TRUST	MOSCOW	-	4,200	-	-			1,260	
CENTRAL TRUST	ODESSA	-	5,250	-	-			1,575	
CENTRAL TRUST	KHARKOV	-	5,250	-	-			1,575	
CENTRAL TRUST	BERDIANSK	-	5,250	-	-			1,575	
BERKEPT	(Constan- tinovsky) TAROSLAVL	3,500	1,800					567	280
BERKEPT	(Varla- ski) NIJNI-NOVGOROD	3,500	-						280
BERKEPT	ORSK	11,900	4,200	16,100	-		560	1,260	2,240
FAE EAST TRUST	SARATOVSK	4,200	3,500					1,050	336
GROCKEPT	GROZNY	139,790	50,960				2,800	15,288	11,183
GROCKEPT	TULAPE	32,200	6,720				544	2,016	2,576
GROCKEPT	MAKHACH-KALA	2,800	-						224
GROCKEPT	DAGHESTAN	-	-	17,500			370		1,400
GRUMKEPT	GEORGIA	420	-						34
HAISEPT	KHASHADOR	21,000	-				420		1,680
MAKINOIMPORT	UYA	34,000 ⁽¹⁾	17,000 ⁽⁴⁾		400 ⁽²⁾	1,200 ⁽³⁾	2,400 ⁽⁵⁾	6,800 ⁽⁶⁾	5,100
MAKINOIMPORT	SARATOV				400 ⁽²⁾				2,720
MAKINOIMPORT	GROZNY				400 ⁽²⁾				
TOMKINWIFT	KRISTIDAG	4,200	2,400					840	336
PORTKINWIFT	GARONET	525							42
TOTALS		636,875	198,080	117,900	15,400	1,200	1,200	2,400	20,848 ⁽⁷⁾
									63,144 ⁽⁸⁾
									60,359

- Notes:
- (1) Includes 1 Alco combination unit of 12,000 B/D
1 Lummus combination unit of 22,000 B/D
 - (2) Each unit charges 2,080 B/D of butane cut to catalytic (selective) U.O.P. units
 - (3) Hydro unit 1,500 B/D. Dimer feed from 3 units shown in Column V listing
 - (4) Assumes half of total combination unit capacity in cracking section
 - (5) Assumes 75 octane gasoline, isopentane available. 50% of product shown in Column VI (Hydrocracked dimer) required in blend to reach 100 O.N. (lead)
 - (6) Two units shown under (1) known to produce 0,800 B/D of 75 O.N. Aviation gasoline
 - (7) Assumes 2% average recovery of Aviation gasoline on crude, except quantity shown under (5)
 - (8) Assumes 30% yield on charge to cracking units; since uncertain whether cracking capacity based on fresh feed or total feed to units
 - (9) Probably requires 4 cc TML/gal. to reach 87 O.N.
 - (10) Assumes 8% yield of virgin motor gasoline on crude charging capacity Columns I and III, over and above 2% yield of Aviation gasoline shown in Column VII.

Plant	Location	Capacity (Barrels per day)	Notes	Products	Notes
Refining Plants					
Mitsubishi Oil Co. (1)	Yokohama	2,000	Oil		
Yokohama Oil Co. (2)	Yokohama	2,000	Oil		
Yokohama Oil Co. (3)	Yokohama	2,000	Oil		
Yokohama Oil Co. (4)	Yokohama	2,000	Oil		
Yokohama Oil Co. (5)	Yokohama	2,000	Oil		
Yokohama Oil Co. (6)	Yokohama	2,000	Oil		
Yokohama Oil Co. (7)	Yokohama	2,000	Oil		
Yokohama Oil Co. (8)	Yokohama	2,000	Oil		
Yokohama Oil Co. (9)	Yokohama	2,000	Oil		
Yokohama Oil Co. (10)	Yokohama	2,000	Oil		
Yokohama Oil Co. (11)	Yokohama	2,000	Oil		
Yokohama Oil Co. (12)	Yokohama	2,000	Oil		
Yokohama Oil Co. (13)	Yokohama	2,000	Oil		
Yokohama Oil Co. (14)	Yokohama	2,000	Oil		
Yokohama Oil Co. (15)	Yokohama	2,000	Oil		
Yokohama Oil Co. (16)	Yokohama	2,000	Oil		
Yokohama Oil Co. (17)	Yokohama	2,000	Oil		
Yokohama Oil Co. (18)	Yokohama	2,000	Oil		
Yokohama Oil Co. (19)	Yokohama	2,000	Oil		
Yokohama Oil Co. (20)	Yokohama	2,000	Oil		
Yokohama Oil Co. (21)	Yokohama	2,000	Oil		
Yokohama Oil Co. (22)	Yokohama	2,000	Oil		
Yokohama Oil Co. (23)	Yokohama	2,000	Oil		
Yokohama Oil Co. (24)	Yokohama	2,000	Oil		
Yokohama Oil Co. (25)	Yokohama	2,000	Oil		
Yokohama Oil Co. (26)	Yokohama	2,000	Oil		
Yokohama Oil Co. (27)	Yokohama	2,000	Oil		
Yokohama Oil Co. (28)	Yokohama	2,000	Oil		
Yokohama Oil Co. (29)	Yokohama	2,000	Oil		
Yokohama Oil Co. (30)	Yokohama	2,000	Oil		
Yokohama Oil Co. (31)	Yokohama	2,000	Oil		
Yokohama Oil Co. (32)	Yokohama	2,000	Oil		
Yokohama Oil Co. (33)	Yokohama	2,000	Oil		
Yokohama Oil Co. (34)	Yokohama	2,000	Oil		
Yokohama Oil Co. (35)	Yokohama	2,000	Oil		
Yokohama Oil Co. (36)	Yokohama	2,000	Oil		
Yokohama Oil Co. (37)	Yokohama	2,000	Oil		
Yokohama Oil Co. (38)	Yokohama	2,000	Oil		
Yokohama Oil Co. (39)	Yokohama	2,000	Oil		
Yokohama Oil Co. (40)	Yokohama	2,000	Oil		
Yokohama Oil Co. (41)	Yokohama	2,000	Oil		
Yokohama Oil Co. (42)	Yokohama	2,000	Oil		
Yokohama Oil Co. (43)	Yokohama	2,000	Oil		
Yokohama Oil Co. (44)	Yokohama	2,000	Oil		
Yokohama Oil Co. (45)	Yokohama	2,000	Oil		
Yokohama Oil Co. (46)	Yokohama	2,000	Oil		
Yokohama Oil Co. (47)	Yokohama	2,000	Oil		
Yokohama Oil Co. (48)	Yokohama	2,000	Oil		
Yokohama Oil Co. (49)	Yokohama	2,000	Oil		
Yokohama Oil Co. (50)	Yokohama	2,000	Oil		
Yokohama Oil Co. (51)	Yokohama	2,000	Oil		
Yokohama Oil Co. (52)	Yokohama	2,000	Oil		
Yokohama Oil Co. (53)	Yokohama	2,000	Oil		
Yokohama Oil Co. (54)	Yokohama	2,000	Oil		
Yokohama Oil Co. (55)	Yokohama	2,000	Oil		
Yokohama Oil Co. (56)	Yokohama	2,000	Oil		
Yokohama Oil Co. (57)	Yokohama	2,000	Oil		
Yokohama Oil Co. (58)	Yokohama	2,000	Oil		
Yokohama Oil Co. (59)	Yokohama	2,000	Oil		
Yokohama Oil Co. (60)	Yokohama	2,000	Oil		
Yokohama Oil Co. (61)	Yokohama	2,000	Oil		
Yokohama Oil Co. (62)	Yokohama	2,000	Oil		
Yokohama Oil Co. (63)	Yokohama	2,000	Oil		
Yokohama Oil Co. (64)	Yokohama	2,000	Oil		
Yokohama Oil Co. (65)	Yokohama	2,000	Oil		
Yokohama Oil Co. (66)	Yokohama	2,000	Oil		
Yokohama Oil Co. (67)	Yokohama	2,000	Oil		
Yokohama Oil Co. (68)	Yokohama	2,000	Oil		
Yokohama Oil Co. (69)	Yokohama	2,000	Oil		
Yokohama Oil Co. (70)	Yokohama	2,000	Oil		
Yokohama Oil Co. (71)	Yokohama	2,000	Oil		
Yokohama Oil Co. (72)	Yokohama	2,000	Oil		
Yokohama Oil Co. (73)	Yokohama	2,000	Oil		
Yokohama Oil Co. (74)	Yokohama	2,000	Oil		
Yokohama Oil Co. (75)	Yokohama	2,000	Oil		
Yokohama Oil Co. (76)	Yokohama	2,000	Oil		
Yokohama Oil Co. (77)	Yokohama	2,000	Oil		
Yokohama Oil Co. (78)	Yokohama	2,000	Oil		
Yokohama Oil Co. (79)	Yokohama	2,000	Oil		
Yokohama Oil Co. (80)	Yokohama	2,000	Oil		
Yokohama Oil Co. (81)	Yokohama	2,000	Oil		
Yokohama Oil Co. (82)	Yokohama	2,000	Oil		
Yokohama Oil Co. (83)	Yokohama	2,000	Oil		
Yokohama Oil Co. (84)	Yokohama	2,000	Oil		
Yokohama Oil Co. (85)	Yokohama	2,000	Oil		
Yokohama Oil Co. (86)	Yokohama	2,000	Oil		
Yokohama Oil Co. (87)	Yokohama	2,000	Oil		
Yokohama Oil Co. (88)	Yokohama	2,000	Oil		
Yokohama Oil Co. (89)	Yokohama	2,000	Oil		
Yokohama Oil Co. (90)	Yokohama	2,000	Oil		
Yokohama Oil Co. (91)	Yokohama	2,000	Oil		
Yokohama Oil Co. (92)	Yokohama	2,000	Oil		
Yokohama Oil Co. (93)	Yokohama	2,000	Oil		
Yokohama Oil Co. (94)	Yokohama	2,000	Oil		
Yokohama Oil Co. (95)	Yokohama	2,000	Oil		
Yokohama Oil Co. (96)	Yokohama	2,000	Oil		
Yokohama Oil Co. (97)	Yokohama	2,000	Oil		
Yokohama Oil Co. (98)	Yokohama	2,000	Oil		
Yokohama Oil Co. (99)	Yokohama	2,000	Oil		
Yokohama Oil Co. (100)	Yokohama	2,000	Oil		

NOTES.

- (1) Operating several years.
- (2) In design stage.
- (3) Exclusive of 1000 B/D pipe still (atmospheric and vacuum).
- (4) Operating several years.
- (5) Includes 1 - 1000 B/D pipe still - 1 - 1000 B/D shale oil coking still.
- (6) Two units of 1000 B/D each.
- (7) Five plants operating since 1937 or earlier - 500,000 T/yr. coal. Mitsubishi Oil Co. plant at Saghalien reported to charge 150,000 T/yr. coal.
- (8) Construction reported started on 5 plants (two or coke to be utilized in Hydrogenation operations or Fischer-Tropsch Operations).
- (9) Operating Fischer crude yields 80% - 40 to 50 Gals gasoline - 20% Diesel Fuel. Low G.V. gasoline can be cracked to 70 G.V. (80% yield), or hydrogenated (90% yield) to same G.V. level.
- (10) Combination High Temp. distillation - Fischer Synthesis.
- (11) Low "carbonization" -
- (12) Using so-called Tubing (Kobing ?) synthesis.
- (13) Probably in operation in 1939.
- (14) Reported to have started operations in 1939. Nothing known about quality of gasoline.
- (15) Based on 30% yield on feed to cracking units, some uncertainty whether capacities given are on fresh feed or total feed basis.
- (16) Based on output of Hydro plants (Column VI) and assuming 50% of Hydrogenated Diesel in blend for 100 G.V. Landed Gasoline.
- (17) Could also be used as aviation fuel, if hydrogenation operations carried out along conventional lines.
- (18) The yield on crude of virgin naphtha, to be used for incorporation with cracked motor gasoline under Column IX, is unknown.
- (19) There is no information available as to the present production or potential production of virgin aviation gasoline fractions which will reach 87 octane number with 80% & cc. of lead.

Gasoline marked to 100 octane finished

Gasoline gasoline multiply by 2.5

STANDARD

Company	Refinery	Type	W/G	Notes
Domestic				
Std. Oil Co. of Indiana	Whiting, Ind.	U.O.P. Selective	775	Op.
Gulf Oil Corp.	Port Arthur, Tex.	"	350	Op.
Std. Oil Co. of Calif.	Richmond, Calif.	G ₂ Alkylate	1,500	Blg.
"	El Segundo, Calif.	S.O.C. Catalytic	1,000	Op.
Shell Oil Co.	Dominguez, Calif.	G ₂ Alkylate	200	Op.
"	Martinez, Calif.	Not Acid	450	1/2 Cap.
"	Houston, Texas	"	240	1/2 Cap.
"	Wood River, Ill.	"	100	Op.
"	Martinez, Calif.	G ₂ Alkylate	250	"
"	Dominguez, Calif.	"	500	"
"	Houston, Texas	"	800	"
"	Wood River, Ill.	"	1,500	"
"	Bureau, La.	"	1,500	"
Phillips Pet. Co.	Burger, Texas	Not-Excess	600	Op.
Texaco Co.	Okichawa City, Okla.	Polys	300	"
Magnolia Pet. Corp.	Port Arthur, Texas	G ₂ Alkylate	680	"
Union Oil Co.	Brownsville, Texas	"	1,530	"
Atlantic Refining Co.	Wilmington, Calif.	"	320	"
	Port Brown, Pa.	U.O.P. Selective	500	Pro.
Total on Jersey			13,395	
Esso Oil & Ref. Co.	Baytown, Texas	Not Acid	710	Op.
"	"	G ₂ Alkylate	1,200	"
"	"	G ₂ Alkylate	1,000	"
Std. Oil Co. of La.	Baton Rouge, La.	G ₂ Alkylate	890	Blg.
"	"	G ₂ Alkylate	245	"
Std. Oil Co. of N. J.	Bayway, N. J.	Trimer Alkylate	117	"
	"	G ₂ Alkylate	-	-
Total Jersey			4,162	
Total Domestic			17,557	

Foreign

Shell Oil Co.	Curacao, Curacao	G ₂ Alkylate	600	Pro.
"	Fladjo, Sumatra	"	550	"
"	Rotterdam, Holland	U.O.P.	700	Op.
"	Curacao, Curacao	"	-	-
"	Stanley, England	Not Acid	500	Op.
Credit Mobil	Ploesti, Roumania	U.O.P.	100	"
"	Bucari, Roumania	"	50	Pro.
Trinidad Petroleum	Trinidad, B.V.I.	"	360	Op.
Imperial Chem. Ind.	Billingham, England	"	300	"
Che. Ind. de Ref.	Cambridge, France	"	200	Pro.
"	Martinez, France	G ₂ Alkylate	200	"
Anglo-Franco	Abadan, Iran	A-1 Process	1,200	Op.
"	"	G ₂ Alkylate	1,000	Blg.
Bahrain Pet. Co.	Bahrain Island	S.O.C. Cat.	-	"
Nippon Oil	Kawasaki, Japan	U.O.P.	35	Blg.
"	Tokushima, Japan	"	45	Pro.
"	"	"	1,500	"
Standard Export	Sumatra	"	1,000	Blg.
Total on Jersey			8,398	
Esso Oil & Transport	Braka, Curacao	Not Acid	600	Op.
"	"	G ₂ Alkylate	520	"
Standard-Sumatra	Tekong, Sumatra	"	560	Blg.
Total Jersey			1,680	
Total Foreign			10,078	
Grand Total			27,635	

20 Standard volume



10

NETHERLANDS EAST INDIES

Scale 1:10,000,000



INDIAN

SPM	SPM
17,400	SPM
42,100	SPM
43,000	SPM
15,100	SPM
1,300	SPM
10,000	SPM
10,000	SPM
1,000	SPM
100,000	Total

21015

Paris, France, August 13, 1940

No. 6792

Subject: Situation of the American Banks in Paris Under the German Occupation.

The Honorable,

The Secretary of State,

Washington, D. C.

Sir:

As of interest to the Department, I have the honor to submit the following brief survey of the present situation of the American banks in Paris. Much of the material contained in it has already been transmitted in the form of weekly despatches on the financial conditions obtaining in Paris during the German occupation. For purposes of reference, however, it has been deemed advisable to combine these various data into one report.

As the Department is aware, there are four so-called "American banks" in France at the present time, the Chase Bank, the Guaranty Trust Company of New York, Morgan & Cie. and the National City Bank of New York (France). Two of them, Morgan & Cie. and the National City, are actually French companies which have been formed with American capital. Of the remaining two, the Guaranty Trust operates as a branch of the parent organization in New York, while the Chase Bank is an independent

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American company whose capital has been subscribed by the Chase National Bank of New York.

Well before the German invasion of France, the securities owned by the banks or held in deposit account with them were moved to what were considered to be places of safety in Southern and Western France. The Guaranty Trust sent its holdings to Nantes, Morgan & Cie. to Niort, the National City to Le Puy and the Chase Bank to Montauban. Two of these depositories, Nantes and Niort, are situated in occupied territory.

When the fall of Paris became imminent, the records and most of the personnel of the banks were similarly transferred to the South, the Guaranty Trust establishing headquarters at Vichy, Morgan & Cie. at Niort (subsequently transferred to Chatel-Guyon), the National City at Le Puy and the Chase Bank at Chateaufort-sur-Cher. All of these localities are in the unoccupied zone. Morgan & Cie, left behind a skeleton staff in charge of a Swiss employee, while American assistant managers of the Guaranty Trust and the Chase Bank remained in Paris to safeguard the interests of their respective organizations. The National City, however, shut down completely.

Banking activities came to a standstill when the German troops entered Paris. Some of the banks in the city still had enough employees to remain open but no cash, having destroyed their reserves in compliance with the Bank of France's instruction

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of June 10, 1940. Others had cash but insufficient personnel. Finally, the records of practically all of them had been transferred to the South, and communication facilities with these temporary headquarters had been broken. In view of these various circumstances, the Paris banks voluntarily closed down. Their status was made legal by a prefectural arrete dated June 24 which declared a moratorium on deposits made before June 13, 1940. (Embassy's despatch No. 6683 of June 25, 1940).

During the period in which the banks were theoretically closed, clients of the Guaranty Trust and Morgan & Cie. were able to make withdrawals in amounts required to cover their immediate needs. Similar facilities were extended by a number of French banks.

By July 14 financial conditions had improved sufficiently to enable the moratorium on deposits to be lifted (Embassy's despatch No. 6737 of July 23, 1940). The monetary shortage had been relieved by the distribution of new bank-notes by the Paris branch of the Bank of France, various sections of the Finance Ministry including the Mouvement General des Fonds, had returned to Paris, and much of the personnel of the banks had been brought back as well as part of their records. Thus when the moratorium ended, three of the American banks re-opened, namely, the Chase Bank, the Guaranty Trust and Morgan & Cie. Their status is that of branches since their head offices are still located in unoccupied territory. The National City still remains closed, and its failure to re-open has occasioned a certain amount of criticism in the German-controlled press. Several members of its staff have recently returned to Paris, however, and it is believed that plans

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are being made to re-open its local office as a branch of the bank at Le Pay. Arrangements would then be made to transfer back to Paris the accounts of clients desiring such action.

Owing to the conditions at present prevailing, the activities of the American banks in Paris are largely confined to cash transactions. Operations in foreign exchange have been forbidden by the German authorities, and no exchange rates are quoted. The Paris Stock Exchange was closed on August 7 after having been open for only a week (Embassy's despatch No. 6791 of August 9, 1940), while the Curb Exchange still remains closed. A moratorium is still in effect on commercial paper drawn prior to June 13, 1940, and falling due before August 1, (Embassy's despatch No. 6737 of July 23, 1940). Transfers between banks in Paris and their offices in the unoccupied zone have been stopped during the past week because of the cessation of communication facilities (heretofore the Union Syndicale des Banquiers maintained a daily courier services between Vichy and Paris for its members). Finally, the activities of the banks are seriously handicapped by the fact that most of their records are still in unoccupied territory (in this respect the situation of Morgan & Cie. is somewhat better than that of the other American banks since it possesses a duplicate set of its books in Paris).

Thus far the American banks have had little direct contact with the German authorities. Representatives of the Devisenschutzkommando in Paris called on the Guaranty Trust, the Chase Bank and Morgan & Cie. shortly after the arrival of the German troops and told them that no safety deposit box could be opened except in the presence of a German

official. Certain clients of Morgan & Cie. subsequently informed it that they wished to open their boxes. Accordingly, arrangements were made to have an official of the Dienstnachtkommando present when the clients called. He made a list of the foreign securities, gold, mount stones and foreign bank-notes contained in the boxes and had them placed in a separate compartment for safekeeping. Morgan & Cie. furnished the owners with a receipt for them. Up to the present time the other American banks have not received a similar request from their clients.

The German officials also instructed the banks to furnish information regarding the foreign securities, foreign exchange and currency, Reichsmark bank-notes, gold, precious stones and foreign accounts held by them, and to supply a list of their safety deposit box holders. The American banks have not yet been able to give much of the desired data because of the absence of their records.

That the German authorities intend to extend their control over banking operations in occupied France is indicated by the projected establishment of a Bank Surveillance Office under the direction of Dr. Karl Schaeffer, a former official of the Reichsbank (Embassy's despatch No. 6791 of August 9, 1940). This fact, taken in conjunction with the difficulties under which the American banks are now operating and the uncertainty as to the future, may possibly lead to the liquidation of one or more of them.

Respectfully yours,

Waynard B. Barnes
First Secretary of Embassy

BSI
WOB/ab
In duplicate.

lms

COPY

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE August 13, 1940

to Secretary Morgenthau
from Mr. Cochran

STRICTLY CONFIDENTIAL

In an effort to obtain the data desired by the Secretary in regard to payments to diplomatic and consular establishments in the United States of Germany, Italy, Japan and Russia, I have again spoken with Mr. Knoke in the Federal Reserve Bank of New York, who has promised to obtain from the Chase Bank any recent and current entries which may disclose payments from the Russian State Bank and the Amtorg of the character in which we are interested. I have also talked this morning with Commander Thompson. He has had recent reports to the O. H. I. on the Russian accounts with the Chase Bank, and finds no payments which can be identified as to Russian diplomatic or consular establishments. Important transfers have been made from the Amtorg account to the New York Trust. The National City Bank and the Guaranty Trust Company of New York. If desired, I can arrange for inquiries to be made of these three banks, as to whether they may be the establishments through which funds are being transmitted occasionally or regularly to Russian diplomatic and consular officers in this country.

* * * * *

This afternoon, Mr. Knoke called me back to let me know that he had discussed with Vice President Rovenaly of the Chase Bank our interest in payments to Russian diplomats and consuls in the United States. Knoke was reminded by Rovenaly that the F. B. I. sends a man once a week to the Chase Bank to go over the Amtorg account from which such payments are likely to be made. I told Knoke that I would be in touch with the F. B. I. on this point. I asked, however, that he learn from Rovenaly whether any such payments are made from the official account of the State Bank of Russia with the Chase, which account, I understand, is not scrutinized weekly by the F. B. I.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 13, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the vesting order effective February 19:

	No. of Shares Sold	\$ Proceeds of Shares Sold	Nominal Value of Bonds Sold	\$ Proceeds of Bonds Sold
August 5	500	11,152	N11	N11
6	300	5,932	N11	N11
7	2,000	26,990	31,000	24,011
8	210	3,186	N11	N11
9	1,300	18,703	5,000	3,373
10	<u>2,050</u>	<u>48,026</u>	<u>N11</u>	<u>N11</u>
	6,360	113,989	36,000	27,384

Sales from
February 22 to
August 3

<u>1,405,811½</u>	<u>48,705,839</u>	<u>3,111,000</u>	<u>2,694,392</u>
-------------------	-------------------	------------------	------------------

TOTAL FEBRUARY
22 TO AUG. 10

1,412,171½	48,819,828	3,147,000	2,721,776
------------	------------	-----------	-----------

Mr. Pinsent reported that sales of non-vested securities for the week ending August 3 totaled \$1,500,000.

J.B. M.P.

August 13, 1940

To: The Secretary

From: Mr. Buckley

RE: Background on Swedish
Export License Situation

Commander Hintze and Colonel Trunk of Colonel Maxwell's staff and Major Smith met with me Monday morning to discuss the revocation of the export licenses for Swedish airplanes and ammunition.

They delivered to me a memorandum from Colonel Maxwell to Mr. Young which set forth the following points: (1) that it was Colonel Maxwell's understanding from Major Smith that you recommended the revocation of export licenses for the undelivered 9 MM cartridges and the undelivered Republic planes, (2) that Colonel Maxwell would like a statement from you (a) justifying your recommendations and (b) giving the disposition of the goods if the licenses were revoked, (3) that Colonel Maxwell would then take the matter up with the Secretary of State.

It was obvious that an awkward situation might well develop if we attempted to give Colonel Maxwell a statement such as he requested in point 2 above. Also, it was obvious that he, at the time, was limiting his consideration to the narrow problem of the airplanes and the ammunition rather than considering the broad problem of the entire Swedish export situation.

Accordingly, I suggested that the State Department prepare a complete list of all export licenses still in effect for Sweden and that we meet this morning to consider the entire problem. Colonel Maxwell's men agreed, as did the Colonel with whom I discussed it over the telephone. He also agreed to withdraw the memorandum mentioned above, pending further discussions. He suggested that after we discussed the entire problem of the Swedish licenses in the meeting this morning, and after I had conveyed the information to you, that you might want to give your views on the matter directly to Mr. Welles over the telephone.

We then met this morning and prepared the complete picture of the Swedish situation, of which you now have copies. Subject to your conversation at lunch with the President, you may wish to follow Colonel Maxwell's suggestion and call Mr. Welles directly.

400

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 13, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

The Minister of Switzerland telephoned me this afternoon. He stated that his Legation had received a telephone call from New York today to the effect that the report was again current on the New York market that Swiss funds in the United States would be frozen. The Minister felt sure that no such step would be taken without some consultation with his Legation, but felt, nevertheless, obliged to inquire of the Treasury as to whether there is any basis for this report.

I assured the Minister that there had been positively no discussion in the Treasury of the possibility of freezing Swiss assets in this country since I last talked with him on this same subject. I asked him to let us know if he is able to determine the specific banks or news agencies from which this rumor continues to recur.

It is possible that the strengthening of the Swiss franc today may have resulted from some nervous holders of dollars on this market disposing of them and purchasing Swiss francs.



AUG 13 1940

My dear Mr. Swift:

The receipt is acknowledged of your letter of August 6.

Mr. Clifton E. Mack, Director of Procurement, with Mr. Robert LeFevre as his alternate, will serve as the representative of this Department in the discussions which you have in mind.

Mr. Mack has been requested to furnish you with copies of the Executive orders to which you refer, and to cooperate with you in such other ways as may be desirable.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Ernest J. Swift,
Vice Chairman,
American Red Cross,
Washington, D. C.

cc. to Mr. Bartelt. ✓

HNG/mff

cc. to Mr. Thompson. ✓

H. Morgenthau, Jr.
By Messenger 5/10



AMERICAN RED CROSS

WASHINGTON, D. C.

OFFICE OF VICE CHAIRMAN

August 8, 1940

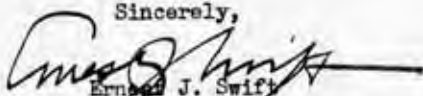
My dear Mr. Secretary:

I am advised that the President has issued Executive Orders setting up allotments for the purchase of relief supplies, pursuant to the provisions of Section 40 of the Emergency Relief Appropriation Act and the Executive Order designating the Department of Agriculture and the Department of the Treasury to purchase such supplies, and the American Red Cross as an agency to distribute the supplies.

In order that the responsibilities thus established may be cleared between the American Red Cross and the Department of the Treasury, I will appreciate it if you will designate the member of your staff with whom our representatives may discuss the procedure to be followed.

We should like to have copies of the Executive Orders referred to for our records, and I would appreciate your kindness in having copies sent to me.

Sincerely,


Ernest J. Swift
Vice Chairman

The Honorable
The Secretary of the Treasury
Department of the Treasury
Washington, D. C.

August 13, 1940.

My dear Mr. Secretary:

I thank you for your letter of August 8th informing me that generally reserve officers are included in the personnel of American flag ships and that you would be glad to supply the names of such officers aboard each tanker that operates under the American flag.

In connection with an investigation we are now making, I should appreciate having the names of such reserve officers who were aboard the Texas Company tanker DUNGANNON during a voyage from Port Arthur, Texas, to Santa Cruz de Tenerife, Canary Islands, departure having been on June 4, 1940, and similar information with respect to the voyage of the Texas Company tanker CONNECTICUT departing from Port Arthur, Texas, June 2, 1940, for Malaga and Barcelona, Spain.

If I may, I shall ask you from time to time for the names of Naval Reserve officers aboard other ships where the circumstances of the voyage may be of particular interest to us.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of the Navy.

HEO/mah

By Messenger 3⁰⁰

August 13, 1940.

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Secretary of the Treasury.

The Honorable

The Secretary of the Navy.

HMJ/nah

By Messenger

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The Honorable

The Secretary of the Navy.

HEB/mah

By Messenger

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Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of the Navy.

HMQ/msh

By Messenger

THE SECRETARY OF THE NAVY
WASHINGTON

August 8, 1940

My dear Mr. Secretary:

I have looked into the matter of sending a Naval Reserve officer with every tanker sailing abroad as you asked. I found that in many of the crews of these tankers, in fact practically all of them that fly the American flag, will be found reserve officers among the officer personnel.

Would it suit your purpose to avail yourself of these reserve officers instead of putting an additional man on board? I would be very glad to supply you with the names of the reserve officers on each tanker that operates under the American flag.

Yours sincerely,

Frank Knox

Hon. Henry Morgenthau, Jr.
The Secretary of the Treasury
Washington, D. C.

DEPARTMENT OF STATE
WASHINGTON

August 13, 1940

In reply refer to
340.1115A/1332

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and with reference to telegram no. 178 dated July 26 from the American Legation at Kaunas and the State Department's telegram no. 158 dated August 2 to the Legation, regarding funds of American citizens to be repatriated on the steamship American Legion, encloses copies of a paraphrase of an excerpt from telegram no. 204 dated August 10 from the Legation.

Enclosure:

From Legation, Kaunas,
no. 204, August 10, 1940 (8).

EXCERPT FROM TELEGRAM NO. 204, DATED AUGUST 10, 1940,
10 a.m. FROM THE AMERICAN LEGATION AT KAUNAS.

PARAPHRASE.

Ninety-eight American citizens and four documented aliens constituting the Legation's repatriation party crossed the Lithuanian frontier at 12:15 a.m. August 9. To this end the entire office force of the Legation had worked day and night since July 27 when the notice of the sailing of the American Legation was received.

Unfortunately the Chairman of the Foreign Exchange Commission was overruled by some higher authority and the Commission refused permission for the export of the citizen's capital in spite of the fact that the Treasury of the United States had expressed willingness to release \$100,000 of Lithuanian frozen credits. The Lithuanian Minister of Finance finally authorized the use of lits in possession of the citizens to purchase dollar amounts sufficient to pay transportation to Stockholm and 5 marks per person. I shall telegraph my certificate, probably involving about \$1,850, when exact calculations are completed.

GUTLER

EMB

FL
EA:EHS

PARAPHRASE OF TELEGRAM RECEIVED

293

FROM: American Consul General, Stockholm, Sweden.
DATE: August 13, 3 p.m.
NO. : 828

Please refer to telegram from Department dated June 21, noon, no. 208.

We recommend that the release of \$6,000 be made from the account of Zalaman Joelsons in the National City Bank, New York City, to be paid, in connection with a business transaction, to Dr. S. Rubin, address: 2808 East Spring Street, Seattle, Washington.

GREENE

TFV

EA:EHS

August 13, 1940

Mr. Liversay

Mr. Cochran

Will you kindly send the following cablegram:

American Legation,

Guatemala.

The Treasury Department provides the following reply to your No. 73, August 6, 3 p.m.:

"Executive Order No. 8389 of April 10, 1940, as amended, prohibits the following transactions if they involve property in which on or since certain dates therein specified, Norway, Denmark, the Netherlands, Belgium, Luxembourg, France, Estonia, Latvia and Lithuania, or nationals thereof, have had any interest of any nature whatsoever, direct or indirect:

"A. All transfers of credit between any banking institutions within the United States; and all transfers of credit between any banking institution within the United States and any banking institution outside the United States (including any principal, agent, home office, branch, or correspondent outside of the United States, of a banking institution within the United States);

"B. All payments by or to any banking institution within the United States;

"C. All transactions in foreign exchange by any person within the United States;

"D. The export or withdrawal from the United States, or the earmarking of gold or silver coin or bullion or currency by any person within the United States;

"E. All transfers, withdrawals or exportations of, or dealings in, any evidences of indebtedness or evidences of ownership of property by any person within the United States; and

"F. Any transaction for the purpose or which has the effect of evading or avoiding the foregoing prohibitions."

- 2 -

'A full set of the Executive Orders, as amended, Regulations and General Rulings and General Licenses issued thereunder is being airmailed to you.'

The documents mentioned in the final paragraph of the above draft are enclosed for transmission under cover of an appropriate instruction from the Department of State.



(Handed by Mr. Pinsent of the British Embassy to Mr. Cochran in the Treasury at 5:45 p.m., August 13, 1940.)

Two French ships, steamship "Van" and steamship "Wisconsin" are at present arrested at San Pedro, California, as a result of a claim for bunker debts by Asiatic Petroleum Co. French Government have now authorized their debt settlement committee in London to offer immediately full amount claimed being 24,000 pounds.

2. The company which by arrangement with the M. E. W. is more interested in maintaining arrest of the ships than collecting money can delay matters for a few days by haggling over extra costs and production of documents but French seem determined to pay anything to free the ships.

3. Do you think it possible that if grounds for arrest are thus removed U. S. Government would agree to refuse clearance under order of June 27th or under any other appropriate United States order?

G. H. S. P.

British Embassy,

13th August 1940.

COPY

13p

TREASURY DEPARTMENT
Office of the Secretary 297
Technical Assistant to the Secretary

Date August 13, 1940

TO:

The Secretary

Room

Pinson desires urgently to discuss
this with you. Mr. Gaston is familiar
with the question.

B.M.P.
Secretary will not see

From: MR. COCHRAN

(Handed by Mr. Pinsent of the
British Embassy to Mr. Cochran
in the Treasury at 5:45 p.m.,
August 13, 1940.)

Memorandum for the Secretary of the
Treasury.

Owing to the fact that the Chancellor of the Exchequer wishes to make a statement regarding the purchase tax provisions of the Finance Bill in the debate on the Bill in Parliament on August 15th, we desire to bring the matter to the urgent attention of the Secretary of the Treasury.

The full text of the Bill cannot possibly be received here in time, but a recent telegram from London provided what is probably the crucial part of the relevant provisions - Clause 22 (1) (a) which is:

"the person accountable for the tax charge shall, where the purchase by virtue of which it is chargeable was made from a wholesale merchant or a manufacturer, be the seller under that purchase"

and it will be the seller who will be liable at law.

It would seem inescapably clear therefore that the purchase tax will be includable by the United States Customs in the valuation of goods subject to the tax in the United Kingdom and that such United Kingdom imports would therefore attract additional duty.

The closest attention has been given to devising a satisfactory modification of the law, but it has been found that administrative difficulties would preclude any change in the direction which has already been suggested by Mr. Johnson. The

-2-

British Government are on the one hand compelled by most pressing revenue considerations to adopt the purchase tax and, on the other hand, their need to maintain and increase United Kingdom exports to the United States is no less urgent.

Recalling the interest recently expressed to Sir F. Phillips by the President and Mr. Morgenthau in the maintenance of the flow of United Kingdom exports to this country, the British Government wish to enquire whether the Secretary of the Treasury could exercise his good offices in endeavouring to suggest a means whereby the United Kingdom imports affected might be relieved of the burden of additional Customs duties which might result from the introduction of the purchase tax in the United Kingdom.

SH

BRITISH EMBASSY,
WASHINGTON, D.C.

August 13, 1940.

British Embassy
Washington, D. C.

13th August, 1940

My dear Mr. Cochran,

The Ministry of Economic Warfare have asked whether the Treasury intends to extend the freezing order to Channel Island assets in this country. They would themselves welcome such action on the part of the Treasury, although the British Trading With the Enemy Act has not yet been extended to cover the Channel Islands. You will appreciate that the extension of the British Act raises some extremely complicated questions in view of a close connexion between the Channel Islands and the United Kingdom. I should be very grateful if you could let me know whether there is any possibility of such an extension being made here.

Yours sincerely,

(s) Robert Stopford

Mr. H. Merle Cochran
United States Treasury Department,
Washington, D. C.

British Embassy,
Washington, D. C.

13th August, 1940

My dear Mr. Cochran,

An article in the "Financial News" of July 10th on the use Germany might make of newly acquired foreign assets, suggested among other points, that part of these might be used to "play the markets" on Wall Street, creating alarm and despondency in the U. S. A. during the Presidential election, and injuring our interests there as well as American.

Such manoeuvres would be carried out through neutral countries, especially Switzerland, Sweden and Spain.

I believe that Pinsent has already mentioned this question to you in the past, but I should be very glad to know your views about it and have any information which you can give me, if there have ever been any indications that such action was being taken.

Yours sincerely,

(s) Robert Stopford

Mr. H. Merle Cochran,
United States Treasury Department,
Washington, D. C.

TELEGRAM RECEIVED
FROM

6n eb 103 NL 6 EX

SI NEW YORK NY AUG 13, 1940.

Sumner Welles

WDC

Sixteen American newspapermen all members American Newspaper Guild were discharged by Agence Havas in New York six weeks ago and are in serious plight due delay in securing renewal of license for release of funds by Department. French applications in Federal Funds control Department of Treasury. Treasury Department advises they have no objection to renewal of license but State Department investigation responsible for delay. This application pending several weeks. Approximately eight thousand dollars back wages and severance pay due these guild members. Would greatly appreciate any action you can take to speed granting of application. Please wire immediately.

JOHN F RYAN Organizer Newspaper Guild of
New York

117 West 46 St. NYC

August 13, 1940
10:30 a.m.

H.M.Jr: Hello.

Operator: Mr. Henderson.

H.M.Jr: Hello.

Leon
Henderson: Hello, Henry.

H.M.Jr: Yes, Leon.

H: Say, we've been working on this contract form as to when the Government through the price of the product really pays for increased facilities and as to the retention of the Government's interest at the end of that period and I think we've gotten a very, very good understanding with it, and it just occurred to me that through the informal arrangements we might not have kept up with you and I was calling to find out whether you had heard anything about it or not.

H.M.Jr: Well, somebody told me -- Sullivan mentioned it. I don't think he knew the Council was behind it, he said that he understood it was Alvord who had worked this out.

H: No. What we did -- this is between us -- Don Nelson and I made up our minds that on these facilities that were paid for in price by the Government that the Government's interests should be maintained and so I got put into one committee -- we've got the Biggers informal committee that started on that amortization, and I have you to thank for getting on the committee by the way.

H.M.Jr: You have me to thank?

H: Yes. Since you asked me to come over that day, I've been a member of the committee and I got Don on it and we've brought together in that committee everything on taxation and finance and then Don and I

- 2 -

started pushing for a type of contract form which would preserve the Government's interest in these things.

H.M.Jr: Well, that's highly important because it isn't preserved the way it is now.

H: That's right, and we've gotten to a place -- we've been bickering about two weeks now -- whereby we've got a basis upon which a bank could make a loan on a Government contract and at the end of -- we've isolated the payments for plant from the price and we've arranged at the end of the contract period, of the 5-year period which we specified for amortization of cost, 5 annual payments and there's a little difficulty there with the Comptroller but I think we're getting over it all right -- that each side appoints an arbitrator as to the value and the contractor has the first call on them. If he doesn't take them, the Government can remove or can compel him to maintain them as standby facilities, with the Government of course bearing the expense of the maintenance of the property.

H.M.Jr: Well, it was Nelson's original suggestion 'way, 'way back. He told me about how Sears Roebuck do it. They buy the tools and give it to a manufacturer and if at the end of 3 months he doesn't make good, the tools belong to them and they can pick them up and give them to somebody else, but the way the thing is written now we couldn't do that.

H: Well, we've got this arranged, as I say, so that those payments are isolated and the Government retains

H.M.Jr: Well, now, Leon, when do you want to get together?

H: Well, I can send you over the memorandum which represents where we are now and we've still, as I say, got a couple of legal questions which I think we've gotten licked. Young Ginsberg here has done some very brilliant work.

- 3 -

H.M.Jr: Well, get it over to me and send it -- the man at my outer door is Lieutenant McKay. Get it into his hands, will you?

H: McKay.

H.M.Jr: Yes. Mrs. Klotz is away.

H: Lieutenant McKay and I'll get it over -- I'll send it right over, Henry.

H.M.Jr: Will you do that?

H: And if there's is any questions on it why

H.M.Jr: There will be.

H: And I'd like to -- one of these days I think we ought to have a pretty good talk.

H.M.Jr: Well, if you fellows have got something -- this thing is moving so fast -- you'll hear from me certainly today or tomorrow on this, as soon as my boys can look at it and as soon as I can look at it.

H: All right. I'll send it right over.

H.M.Jr: O. K. Thank you.

August 13, 1940
11:07 a.m.

H.M.Jr: Hello.

Operator: Go ahead.

H.M.Jr: Hello.

Robert
Patterson: Mr. Morgenthau.

H.M.Jr: Yes.

P: This is Patterson down at the War Department,
on the Allison business.

H.M.Jr: Yes.

P: Could I come and see you a minute?

H.M.Jr: Could you come now?

P: I'll be right there.

H.M.Jr: You'd be doing me a service.

P: I'll be right there.

H.M.Jr: You're coming over.

P: Yes, sir. Right away.

H.M.Jr: Thank you.

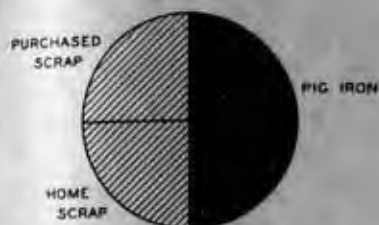
P: Good-bye.

From Mr. Stettinius

Graphic Analysis of Steel Scrap Situation
with Particular Reference to Export Licensing

August 13, 1940

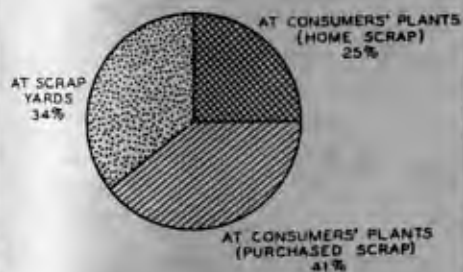
STEEL SCRAP - I

COMPOSITION OF OPEN HEARTH STEEL
(APPROXIMATE)DOMESTIC SCRAP CONSUMPTION*
STEEL INDUSTRY AND ALL OTHER

* In 1939, Steel Industry used about 80% of total

SCRAP STOCKS

APPROX. 6,800,000 LT'S AT JUNE 30, 1940



SCRAP PRICE*

AND STEEL OPERATING RATE



* No. 1 heavy melting scrap at Pittsburgh

SCRAP EXPORTS

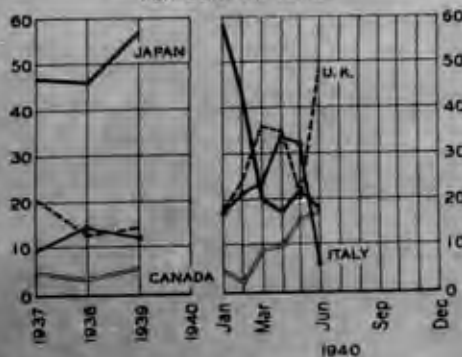
MILLIONS OF LONG TONS



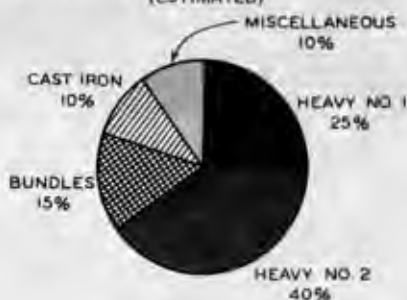
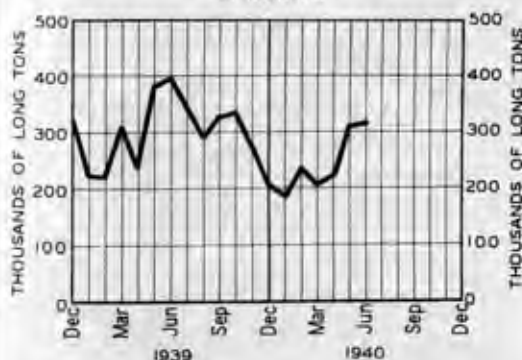
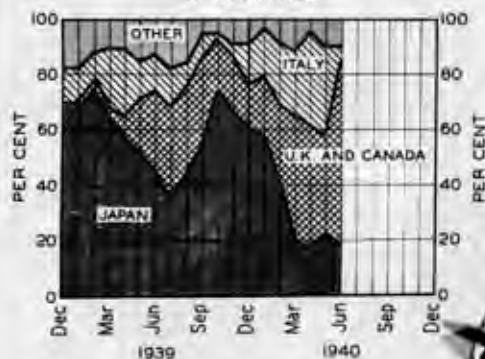
basis

SCRAP EXPORTS BY DESTINATIONS

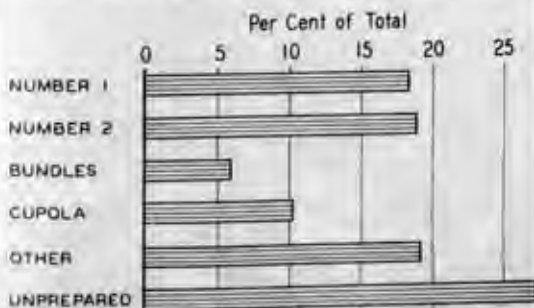
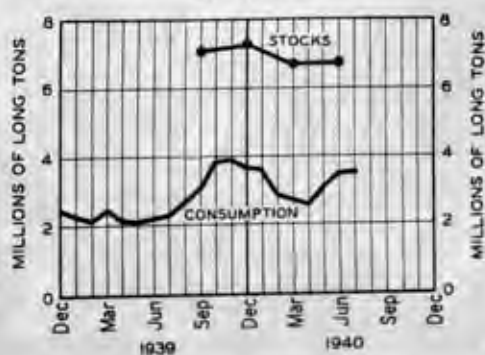
PER CENT OF TOTAL



STEEL SCRAP - II

DISTRIBUTION OF SCRAP SOLD
1939COMPOSITION OF SCRAP EXPORTS
(ESTIMATED)TOTAL SCRAP EXPORTS
BY MONTHSPERCENTAGE DISTRIBUTION OF EXPORTS
BY COUNTRIES

COMPOSITION OF STOCKS AT YARDS

DOMESTIC CONSUMPTION AND STOCKS
BY MONTHS

HIGH SPOT COMMENTS ON STEEL SCRAP CHARTS

1. Steel scrap and pig iron are used in about equal amounts in open hearth furnaces. Roughly half of the scrap is produced in the plants themselves and the other half is purchased. The steel industry uses about 80 per cent of the scrap consumed in the U.S.
2. Steel scrap prices are affected mainly by the steel industry operating rate and only slightly by exports.
3. Scrap for export comes chiefly from industrial areas. Shipments from Pacific ports could be used at domestic consuming centers only at increased cost.
4. In recent years, from 3 to 4 million tons of scrap have been exported. This represents about 20 per cent of the scrap sold by domestic dealers.
5. Export licensing under Executive Order effective August 1, 1940, applies only to the No. 1 heavy melting scrap (the highest grade for steel manufacture). Only one-fourth of scrap exports are of this grade. Most of No. 1 scrap exports have gone to England and European countries and relatively little to Japan. Roughly three-quarters of U.S. scrap exports to Japan are No. 2 heavy melting and bundles.
6. During recent months, much more scrap has gone to the United Kingdom and Canada and less to Japan and Italy than in previous years. Italy has been practically cut off since her entry into the war.
7. Approximately two-thirds of stocks of scrap are in the hands of consumers and not available for export. Only 18 per cent of the stocks at dealers' yards are of the grade to which export licensing applies.
8. While the large amount of steel in use in this country assures a continuous flow of steel scrap to scrap yards, present stocks are equal to only two months' consumption. Higher prices tend to increase the supply of scrap.