

DIARY

Book 295

August 20 - 25, 1940

- A -

	Book	Page
American Banking Corporation, French		
See War Conditions: Foreign Funds Control		
American Securities Owned Abroad		
See War Conditions		
Appointments and Resignations		
Maloney, Paul Herbert: Appointment as Collector of		
Internal Revenue, Louisiana, discussed by Bell		
with FDR at Cabinet meeting - 8/23/40.....	295	188
Argentina		
See Latin America		

- B -

Batavia		
See War Conditions		
Belgium		
See War Conditions: Belgium; Foreign Funds Control		
Bullitt, William C.		
HMJr congratulates Bullitt on speech - 8/20/40.....		41,43

- C -

Canada		
See also War Conditions: Airplanes (Engines); Gold		
Luncheon given by Prime Minister for HMJr - 8/24/40...		222
Tea given by Pierrepont Moffat.....		223
Chile		
See Latin America		

- D -

Dutch East Indies	
See War Conditions: Netherlands	

- F -

France	
See War Conditions: Foreign Funds Control; France; Gold	
French American Banking Corporation	
See War Conditions: Foreign Funds Control	
French Indo-China	
See War Conditions: Strategic Materials (Tin)	

- G -

Germany	
See War Conditions	
Gold	
See War Conditions	
Great Britain	
See War Conditions: United Kingdom	

- H -

	Book	Page
Holland		
See War Conditions: Netherlands		
Housing		
Defense housing discussed by Cabinet - 8/23/40.....	295	193
a) Knox discouraged over Palmer appointment of which FDR seemed to know nothing		

- I -

Ickes, Harold		
HMJr congratulates Ickes on speech - 8/20/40.....		41,42
Indo-China, French		
See War Conditions: Strategic Materials (Tin)		

- J -

Japan		
See War Conditions: Export Control (Oil)		

- L -

Latin America		
Enemy propaganda in Latin America: British Embassy report - 8/22/40.....		125
Buenos Aires, Argentina: Chase National Bank receives \$2,244,419 from Banco de la Provincia de Buenos Aires for Banco Nacional Ultramarino, Lisbon (8/19/40)		8
Chile: Copper and Nitrates: Sale to British Purchasing Mission suggested by State Department - 8/22/40.....		132
Latvia		
See War Conditions		
Louisiana		
Maloney, Paul Herbert: Appointment as Collector of Internal Revenue discussed by Bell with FDR at Cabinet meeting - 8/23/40.....		188

- M -

Maloney, Paul Herbert		
See Appointments and Resignations		
Mexico		
Hochschild transmits report - 8/22/40.....		111
Stocks and bonds of Mexican companies held in countries overrun by Germany - 8/22/40.....		113
Military Planning		
See War Conditions		

- N -

Netherlands		
See War Conditions: Gold; Netherlands		

- O -

Oil

See War Conditions: Export Control

Book Page

- P -

Paish, Sir George

See War Conditions: Strategic Materials

Portugal

See War Conditions: Foreign Funds Control

- R -

Revenue Revision

Pending bill discussed by Bell with FDR at Cabinet meeting - 8/23/40.....	295	190
---	-----	-----

- T -

Taxation

See Revenue Revision

Tin

See War Conditions: Strategic Materials

- U -

United Kingdom

See War Conditions: Gold; United Kingdom

- W -

War Conditions

Airplanes:

Progress reports sent to Secretaries of War, Navy, etc. - 8/22/40.....	68
--	----

Progress report (photostat copy) - 8/24/40.....	252
---	-----

Engines: Progress report for HMJR in Canada - 8/22/40.....	137
--	-----

American Securities Owned Abroad: Destruction of discussed by Cochran and State Department - 8/22/40..	133
--	-----

a) Draft of phraseology planned - 8/24/40.....	249
--	-----

Batavia: Economic resume - 8/22/40.....	116
---	-----

Belgium: Financial situation following German occupation discussed in Heath cable - 8/20/40.....	16
--	----

Exchange market resume - 8/20/40, etc.	27, 46, 81, 195, 217
---	----------------------

Export Control:

Oil: Naval Attaché's report on Japanese oil situation - 8/24/40.....	228
--	-----

Steel Scrap: Stettinius report on situation - 8/23/40.....	163
--	-----

	Book	Page
War Conditions (Continued)		
Foreign Funds Control:		
Chase National Bank receives \$2,244,419 from Banco de la Provincia de Buenos Aires for Banco Nacional Ultramarino, Lisbon (8/19/40)....	295	8
Belgium: Legation staff in Turkey asks for help - 8/20/40.....		12
Transfer of American dollars to branches of American banks in France and Belgium: Bell reports on conversations with FDR and Hull - 8/23-24/40.....		189,219
French American Banking Corporation: Situation discussed by French Financial Counselor and Cochran - 8/24/40.....		225
See also Book 296, page 209		
France: Bank of France resume of situation - 8/2/40.....		79
Germany:		
"How Germany Finances the War" - Article by Reinhardt, Ministry of Finance: American Embassy comment - 8/23/40.....		170
Long-term loan - first publicly announced in early 1939 - 8/23/40.....		175
Total debt as of June 30, 1940: American Embassy report - 8/23/40.....		177
Gold:		
French reserves at Dakar discussed in Kennedy cable - 8/20/40.....		24
a) Bell discusses with FDR at Cabinet meeting - 8/23/40.....		189
Federal Reserve Bank of New York to hold gold under earmark for Governments of Canada, Great Britain, and Netherlands in its own name rather than in its capacity as fiscal agent of United States - 8/24/40...		246
See also Book 296, page 217		
Japan:		
Oil: Naval Attaché's report - 8/24/40.....		228
Latvia: Resume of economic and financial situation - 8/20/40.....		
		34
Military Planning:		
British Chiefs of Staffs of Army, Navy, and Air Corps reports prepared for American military and naval observers - 8/22/40.....		88
(See also Book 296, page 51)		
British tank operations near Arras: War Department bulletin.....		92
Tentative Lessons from Recent Active Campaign in Europe: War Department bulletins		
Use of tanks by Italian Army.....		211
(See also Book 296, pages 53, 71, and 129)		
Use of French tanks and armored cars: Book 296, page 150		
German principles of employment of armored units: Book 296, pages 254, 265, and 272		
German chemical warfare and smoke: Book 296, pages 345 and 360		

- W - (Continued)

	Book	Page
War Conditions (Continued)		
Netherlands:		
Swedish trade agreement with occupied Holland - 8/22/40.....	295	83
Dutch East Indies: Financing of purchase of armaments discussed by State Department and Cochran - 8/24/40.....		247
Purchasing Mission:		
Chilean Copper and Nitrates: Sale to British Purchasing Mission suggested by State Department - 8/22/40.....		132
List of urgent requirements transmitted to HMJr at request of FDR - 8/23/40.....		181
Strategic Materials:		
Paish (Sir George) and Gaston discuss United States reserves - 8/20/40.....		11
Steel Scrap: See War Conditions: Export Control		
Tin: Export restrictions on future shipments from French Indo-China - 8/20/40.....		23
Sweden:		
Trade agreement with occupied Holland - 8/22/40.....		83
United Kingdom:		
Bank of England notes no longer to be imported into United Kingdom (one exception: to afford existing holders an opportunity to obtain value for sterling notes) - 8/20/40.....		5,21,55,61, 144,151,156
Enemy propaganda in Latin America: British Embassy report - 8/22/40.....		125
Purchasing Mission: List of urgent requirements transmitted to HMJr at request of FDR - 8/23/40....		181
War Department		
Military Intelligence Department bulletins:		
See War Conditions: Military Planning		

THE ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE
FEDERAL RESERVE BUILDING
WASHINGTON, D. C.

August 20, 1940

My dear Mr. Secretary:

Please accept this acknowledgment of your note of August 15 accompanying reports on the deliveries of, and new orders for airplanes and airplane engines through Aug. 10, 1940, together with unfilled orders and estimated deliveries on August 10, 1940.

This information is of the utmost usefulness to the Advisory Commission, and in its name I wish to extend to you thanks for your generous cooperation.

Sincerely yours,

Stacy May
Stacy May, Director
Bureau of Research
and Statistics

The Honorable
The Secretary of the Treasury
Washington, D. C.

RECEIVED
AUG 22 1940
U.S. DEPT. OF TREASURY

DEPARTMENT OF STATE

WASHINGTON

In reply refer to
EA 840.51 Frozen Credits/474

August 20, 1940.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses two copies of despatch no. 918 dated August 9, 1940 from the American Consulate General at Hamburg, Germany, transmitting the request of Mr. Karlis Freimanis, the former Latvian consul in Hamburg, to put at his disposal deposits which he has in the American Express Company and the Chase National Bank in New York.

Enclosure:

From Consulate General, Hamburg,
no. 918, August 9, 1940. (2)

No. 918

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE GENERAL

Hamburg, Germany, August 9, 1940.

AIR MAIL.

SUBJECT: Deposits in the United States of Former
Latvian Consul Freimanis in Hamburg.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to transmit the request of Mr. Karlis Freimanis, the former Latvian consul in Hamburg, to put at his disposal deposits which he has in the American Express Company and the Chase National Bank in New York.

At the time that the Latvian Government became a part of the Soviet Union, Mr. Freimanis resigned his position as Latvian Consul in Hamburg and has no connection whatever with the country. He has no intention of returning to Latvia and desires to draw on his funds in the United States to start a business and to support his family. He telegraphed to the Latvian Minister in Washington to secure the release of his funds in the United States and received a

reply

reply to the effect that the

"only possible way to meet your requirements is first to transfer your assets to name of Latvian Minister in Washington stop If agreeable notify me and banks of transfer"

Mr. Freimanis is not inclined to accept this advice inasmuch as it appears to him that the tenure of the present Latvian Minister in Washington is insecure and would prefer that the Treasury Department would give him permission to draw at least part of his funds from the two banks named. He could do this through the branch of the American Express Company in Hamburg. The financial situation of Mr. Freimanis in Hamburg at the present time is extremely awkward and it is respectfully requested that the Department telegraph me the decision of the Treasury in the matter.

Respectfully yours,

Wilbur Keblinger
American Consul General

Despatch in triplicate.
Copy to the Embassy, Berlin.

File No. 702
WK/lo

(Copy of memorandum handed by Mr. Pinsent of the British Embassy to Mr. Cochran in the Treasury at 1 p.m., August 20, 1940.)

MEMORANDUM FOR THE SECRETARY OF THE TREASURY

With reference to the memorandum of the 19th August on the subject of the import of Bank of England notes into the United Kingdom, the British Embassy is instructed to make the communication below to the Secretary of the Treasury. It will be noted that this communication is strictly confidential until the opening of business on Wednesday, August 21st. The Bank of England is making a similar confidential communication to the Federal Reserve Bank.

1. His Majesty's Government in the United Kingdom have decided that subject to the exception referred to below, Bank of England notes cannot henceforth be imported into the United Kingdom. This will in no way affect the normal transfer of sterling through banks which will continue in accordance with existing arrangements.

2. In order to afford existing holders the opportunity to obtain value for sterling notes held by them the following arrangements have been made. The

/period

period allowed for carrying out these arrangements is necessarily short and immediate steps must be taken by those desiring to take advantage of the offer. The period can in no case be extended.

3. Bank of England notes delivered to a bank in the United States or its dependencies up to the close of business on August 27th will be credited on receipt in the United Kingdom to a United States registered account provided that (1) the notes are forwarded by the bank in question from a post office in the territories above-mentioned not later than midnight on August 27th, and (2) the total of each bank's holding is cabled by the forwarding bank before the opening of business on August 28th to its correspondent in the United Kingdom or to the correspondent of its head office. Every consignment should contain a letter from the forwarding bank stating that the contents form part or all of the amount notified by cable.
4. Notes now in transit to the United Kingdom from the United States will be accepted.
5. Notes will, as is customary, be forwarded at the sender's risk.

/6.

6. Consignments not complying with these conditions will not be accepted in the United Kingdom for collection. Notes forwarded by individuals or by any other agency than a reputable and recognised bank to its regular correspondent in the United Kingdom will not be credited on arrival.

(Initialed) G.H.S.P.

British Embassy.

20th August 1940.

dm

(Copy of memorandum handed to Mr. Cochran in the Treasury by Mr. Pinsent of the British Embassy at 1 p.m., August 20, 1940.)

We learn that the Chase Bank have received from the Banco de la Provincia de Buenos Aires \$2,244,419 for the account of the Banco Nacional Ultramarino, Lisbon.

Though we have no specific ground for connecting this transaction with enemy operations, we venture to suggest that it might be worth investigating on account of its size.

(Initialed) R. J. S.

British Embassy,

19th August 1940.

dm

(Copy of memorandum handed by Mr. Pinsent of the
British Embassy to Mr. Cochran in the Treasury
at 1 p.m., August 20, 1940.)

9

We have secret and reliable
information that Berlin have advised the German
banks in South America such as the Banco
Germanico de La America Del Sud that they can
make relief payments in Belgium, Holland,
Denmark and Norway in local national currencies
against provision in South America of free
devisen at Berlin official rates. They
expect to be able to act similarly in the case
of France in the near future.

We should much appreciate it if
the United States Treasury would take steps to
prevent this kind of business so far as it
involves transactions in the United States.

(Initialed R. J. S.)

British Embassy,

19th August 1940.

dm

British Announce Terms Of U.S. Rubber Purchase

Company Will Buy 180,000 Tons to Increase Reserves

LONDON, 17, Aug. 19 (AP).—The British Consular Office announced today that "an additional agreement has been reached for the purchase by United States organizations through normal trade channels of further stocks of rubber."

A statement said the agreement had been reached "as a result of further negotiations between representatives of the United States government and a representative appointed for the purpose by the International Rubber Regulations Committee."

The statement added that an American company, formed for the purpose, would increase its reserve stocks from 150,000 tons, as agreed upon a June 29, to 330,000 tons "for shipment so far as may be possible before December, 1941, at a price of 17 to 18½ cents a pound."

U. S. Lends \$75,000,000

WASHINGTON, Aug. 19 (AP).—An additional loan of \$75,000,000 to the Rubber Reserve Company was announced yesterday by Jesse Jones, Federal Loan Administrator. Mr. Jones said the money would be used to buy 180,000 tons of rubber, which would give this country a reserve stock of 400,000 tons.

August 20, 1940.

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston

Sir George Paish came to the Treasury Saturday, August 17th, and talked to me at some length. Much of his talk was on general lines about the desirability of British-American cooperation and the increasing importance of the role which the United States will have to play in world affairs. He had, however, one specific thing to propose. He thought the United States ought to lay in a considerable stock of crude rubber, both for strategic reasons and for the assistance it would give to Great Britain. I told him it was my impression that we were acquiring a reserve stock of rubber, but he said it was his understanding that the amounts we had so far acquired were relatively insignificant. He said that the total of United States consumption was now about 600,000 tons annually and it was his belief that the United States should lay in a stock of not less than 200,000 tons, which he believed would amount in case of war to a year's supply, taking into consideration the restrictions which would be applied to automobile travel in time of war and the full use of reclaimed rubber. I told him I would report his suggestion to you. He is making a similar suggestion to others in the Government whom he sees.

The attached clipping indicates that Sir George is misinformed as to what the United States is doing.

COPY

12

DEPARTMENT OF STATE

WASHINGTON

In reply refer to
EA 840.51 Frozen Credits/471

August 20, 1940.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of despatch no. 1512 dated August 3, 1940, from the American Embassy at Istanbul, with enclosures, regarding requests of Belgian Minister and Counselor of Belgian Legation in connection with "Frozen" funds in the United States.

Enclosure:

From Embassy, Istanbul,
no. 1512, August 3, 1940,
with enclosures. (4)

COPY

EMBASSY OF THE
UNITED STATES OF AMERICA

Istanbul, Turkey, August 3, 1940.

No. 1512

Subject: Requests of Belgian Minister and Counselor of Belgian Legation in connection with "Frozen" Funds in the United States.

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

With reference to my telegram No. 54 of May 13, 1940, 6 p.m., my despatch No. 1459 of May 22, 1940, and the Department's telegram No. 40 of May 18, 1 p.m. and No. 56 of July 2, 1 p.m., 1940, relating to the honoring of certain checks of Alexandre Paternotte de la Vaillée and Monsieur Hadelin Rothe, Belgian Minister and Counselor of the Belgian Legation in Ankara, respectively, I have the honor to enclose a copy and translation of two memoranda submitted to me by Monsieur Rothe.

The memoranda cover two points: 1) The desire of Messrs. Paternotte de la Vaillée and Rothe to effect an arrangement whereby a general authorization may be given to the Guaranty Trust Company and the Banque Belge pour l'Etranger, respectively, to honor any of their checks when and as presented and 2) the desire of Monsieur Paternotte de la Vaillée to obtain permission to transfer all of his funds, i.e. registered shares, deposited in the Guaranty Trust Company, to his wife, an American citizen, at such time as he may wish. It will be noted in this latter connection that Monsieur Paternotte expresses the hope that should such a transfer prove desirable it might be accomplished in such a manner as to reduce the taxes incident thereto to a minimum. Presumably this is a matter which he should take up with the Guaranty Trust Company itself or some competent legal advisor.

In view of the fact that neither Mr. Paternotte de la Vaillée nor Mr. Rothe is now receiving any funds from the Belgian Government and that they are experiencing a certain inconvenience because of the "freezing" of Belgian funds in the United States, it is respectfully requested that the Department reply to this despatch by air mail.

Respectfully yours,

J. V. A. MacMURRAY.

Enclosures:

1. Memorandum, with translation.
2. " " "

701.1/851.6

RM/ah/rs

Regraded Unclassified

COPY

Enclosure to despatch no. 1512 dated August 3, 1940.
from Embassy at Istanbul.

TRANSLATION

MEMORANDUM

I.

As the Belgian Government has, since the month of May, suspended the payment of salaries to the staff of the Belgian Legation in Turkey, H. E. Monsieur Paternotte de la Vaillée, Belgian Minister, and Monsieur E. Rothé, Counselor of the Legation, may be shortly obliged to dispose, according to their needs, of the funds which they have in American Banks.

Such a possibility exists in principle following a decision taken by the competent authorities thanks to the kind intervention of H. E. the American Ambassador to Turkey; but according to an information of the Bank lengthy formalities will have to be accomplished, however, prior to effecting payment each time when a check will be drawn.

Under these circumstances the Belgian Minister and Monsieur Rothé would greatly appreciate that an arrangement be made whereby checks which they may draw on their deposits be honored without difficulty taking into consideration the fact that they reside in a country which is not under enemy occupation.

II.

H. E. Monsieur Paternotte de la Vaillée would be glad to obtain authorization in principle for a transfer to his wife, formerly Miss Ann Cruger, of American nationality, the full right of ownership of all his funds in the United States; namely, registered shares, deposited and registered in the GUARANTY TRUST CO. of New York, where Mme. Paternotte de la Vaillée has her own account under the name of Anne Cruger Paternotte de la Vaillée.

The purpose of this request is the taking of some measure for the protection of Mme. Paternotte de la Vaillée; it would concern a transfer of ownership rights to be effected in accordance with American legislation and in such a manner as to reduce the taxes incident thereto to a minimum.

Ankara, July 27, 1940.

COPY

Enclosure to Despatch no. 1512 dated August 3, 1940,
from the Embassy at Istanbul.

TRANSLATION

MEMORANDUM

The shares referred to in paragraph No. II of the MEMORANDUM of the 17th, which had been deposited in a "Safe keeping account" with the Guaranty Trust Co. of New York, 140 Broadway, New York, are registered shares listed in the name of Monsieur Alexandre Paternotte de la VAILLEE, Belgian Minister to Turkey.

The latter would like to obtain permission in principle for an eventual transfer of the full ownership rights on the above to his wife, formerly Miss Ann Gruger, an American citizen.

He would naturally desire to effect such transfer of ownership rights in a manner entailing the least possible amounts of taxes; as it is only a simple measure of protection of the beneficiary of the transfer, he ventures to suggest that the operation in question should take place without sale to the new owner.

Ankara, August 1, 1940.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin.

DATE: August 20, 1940, 5 p.m.

NO.: 3652.

FROM HEATH FOR THE TREASURY, AND FOR DEPARTMENT'S
INFORMATION.

Reports have been received that the German military authorities in Brussels have ordered that all holders of gold and alloys containing gold and of gold coins in Luxemburg, northern France and Belgium offer their holdings to the Reichskreditkase in Luxemburg or to the new Belgian bank of issue. There is no available estimate here relating to the amount of gold which still is held privately in northern France and Belgium; however, informed sources report that a great part, if not most, of the gold holdings were either hidden or taken out in the exodus in June. As yet I have received no report of any order directing the surrender of silver and other valuable metals but I have learned that the people will have to sell to the German authorities their holdings of Swiss, French and American currency. All holdings of foreign securities in the possession of Belgian banks will have to be registered with the German authorities, under a recent order; holdings of foreign securities in the possession of private individuals are not affected by this order, however.

(EA:MSG)

-2-

Last winter in Poland there were issued orders similar to these. It has not been possible to get any definite estimates of the amount of gold taken. However, it is thought the amount considerable because during the winter the Warsaw Berlin train had attached daily a special valuta car which carried to the Reichsbank acquisitions of currencies and precious metals. In 1937 it was estimated by a monetary specialist of the Polish Government that about \$60,000,000 of gold was held privately in Poland and of this amount it was believed that the refugees had taken only about one-third.

A systematic collection of Polish silver coinage was also made by the Germans of which, prior to the war, about 450,000,000 zlaty was in circulation. There were also large official collections as well as ^{some} looting of foreign securities and currencies.

(END OF MESSAGE)

KIRK

NPL

EA:EHS

DEPARTMENT OF STATE
WASHINGTON

For Miss Gannock Mr. Eochan

18

In reply refer to
EA 940.91 Bremen Credits/578

August 20, 1940.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses two copies of despatch no. 918 dated August 9, 1940 from the American Consulate General at Hamburg, Germany, transmitting the request of Mr. Karlis Freimanis, the former Latvian consul in Hamburg, to put at his disposal deposits which he has in the American Express Company and the Chase National Bank in New York.

Enclosure:

From Consulate General, Hamburg,
no. 918, August 9, 1940. (2)

No. 918

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE GENERAL

Hamburg, Germany, August 9, 1940.

AIR MAIL.

SUBJECT: Deposits in the United States of Former
Latvian Consul Freimanis in Hamburg.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to transmit the request of Mr. Karlis Freimanis, the former Latvian consul in Hamburg, to put at his disposal deposits which he has in the American Express Company and the Chase National Bank in New York.

At the time that the Latvian Government became a part of the Soviet Union, Mr. Freimanis resigned his position as Latvian Consul in Hamburg and has no connection whatever with the country. He has no intention of returning to Latvia and desires to draw on his funds in the United States to start a business and to support his family. He telegraphed to the Latvian Minister in Washington to secure the release of his funds in the United States and received a

reply

Memorandum from Mr. Pehle on this subject passed by Mr. Cochran to Mr. Livesey on August 26, 1940.

- 2 -

reply to the effect that the

"only possible way to meet your requirements is first to transfer your assets to some Latvian Minister in Washington step if agreeable notify me and banks of transfer"

Mr. Freimanis is not inclined to accept this advice inasmuch as it appears to him that the tenure of the present Latvian Minister in Washington is insecure and would prefer that the Treasury Department would give him permission to draw at least part of his funds from the two banks named. He could do this through the branch of the American Express Company in Hamburg. The financial situation of Mr. Freimanis in Hamburg at the present time is extremely awkward and it is respectfully requested that the Department telegraph me the decision of the Treasury in the matter.

Respectfully yours,

Wilbur Kohlenger
American Consul General

Despatch in triplicate.
Copy to the Embassy, Berlin.

File No. 72

RECEIVED
THE TREASURY DEPARTMENT

NO PM 2 21

TO THE SECRETARY
OF THE TREASURY
FROM THE
CONSUL GENERAL
HAMBURG

COPT

DISPATCH CABLEGRAM

21

London, August 20, 1940

Federal Reserve Bank of New York

New York

No. 902/40 CONFIDENTIAL FOR ALLAN SPROUL

ONE

The following is a text of a cable which is being communicated to Mr. Morgenthau by the British Ambassador in Washington

- " 1. His Majesty's Government in the United Kingdom have decided that, subject to the exception referred to below, Bank of England notes cannot henceforth be imported into the United Kingdom. This will in no way affect the normal transfer of sterling through banks which will continue in accordance with existing arrangements.
2. In order to afford existing holders the opportunity to obtain value for sterling notes held by them, the following arrangements have been made. The period allowed for the carrying out of these arrangements is necessarily short, and immediate steps must be taken by those desiring to take advantage of the offer. The period can in no case be extended
3. Bank of England notes delivered to a bank in the United States or its dependencies up to the close of business on the 27th August will be credited on receipt in the United Kingdom to a United States registered account provided -
 1. The notes are forwarded by the bank in question from a post office in the territory above mentioned not later than midnight on the 27th August and
 2. The total of each bank's holdings is cabled by the forwarding bank before the opening of business on the 28th

London, August 20, 1940

- 2 -

August to its correspondent in the United Kingdom or to the correspondent of its head office. Every consignment should contain a letter from the forwarding bank stating that the contents forms part of or all of the amount notified by cable.

4. Notes now in transit to the United Kingdom from the United States will be accepted
5. Notes will as is customary be forwarded at sender's risk
6. Consignments not complying with these conditions will not be accepted in the United Kingdom for collection. Notes forwarded by individuals or by any other agency than a reputable and recognized bank to its regular correspondent in the United Kingdom will not be credited on arrival."

TWO Please regard the contents of this cable as strictly secret until your opening of business August 21st when we should appreciate your co-operation in giving the widest publicity in the United States to the arrangement

THREE For your own confidential information these steps have been taken to prevent the encashment by Germans of sterling notes held in occupied territory and you will appreciate that the period of grace granted for encashment by holders in United States must of necessity be limited owing to possibility of importing into United States by Clipper. Arrangements as in paragraph one have been made for other neutral countries with varying days of grace dependent upon geographical situation.

IMC

COPY

Cattners
Bank of England

By Airmail

23

21056

No. 255

AMERICAN CONSULATE

Saigon, French Indochina, August 20, 1940.

Subject: Exportation of Tin from French Indochina
to the United States.

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to refer to the Consulate's despatch No. 237 of July 8, 1940 relating to the control of exports of tin from French Indochina, and to report that according to a governmental order of August 9, 1940 and promulgated in the Journal Officiel de l'Indochine Francaise of August 14, 1940, the general waiver previously granted for exports of tin to the United States is cancelled.

Shipments of tin to the United States will therefore now be subject to existing export restrictions, that is, to the granting of an export permit covering each shipment.

Respectfully yours,

Peter H.A. Flood
American Consul

In quintuplicate
610.22
jf/KWH/PHAF/jf

A true copy
of the signed
original.

C.J.

JR

PLAIN

London

Dated August 20, 1940

Rec'd 1 p.m.

Secretary of State,
Washington.

2831, August 20.

FOR TREASURY FROM BUTTERWORTH.

1. American journalists have been inquiring about gold held at Dakar but have received no information from me. According to the British Treasury about pounds 60 million of gold is being held near Dakar about one third of which belongs to the Poles and about two thirds to the Belgians. Apparently before the Franco-German armistice the Belgium and Polish Governments requested the French to ship this gold to Canada for safekeeping. Inquiries as to whether this had been done were met with evasive replies and eventually after the armistice the gold was found to be at Dakar. Attempts are now being made to obtain its release.

2. After ten days of the air-blitzkrieg the stock exchange maintains a steady tone. Though the volume of business is not large. Since the low reached when the Bordeaux Government signed the armistice there has been a considerable recovery in ordinary share values while gilt-edged remained relatively steady throughout.

The

-2- #2831, August 20, from London.

The FINANCIAL NEWS index of 30 ordinary shares (July 1, 1935 equals 100) which had dropped during the campaign in the low countries and France from 74.5 on May 6 to 50.4 on June 24 when the Franco-German armistice was signed, had recovered to 60.1 by the beginning of August. After ten days of intensive air attack on Britain this index stands at 61.3. Meanwhile the FINANCIAL TIMES index of Government securities (November 15, 1926 equals 100) which had moved from 111.2 on May 6 to 107.4 on June 24 stood at 109.2 on August 2 and is at the same level today.

KENNEDY

CSE

ADDRESS THE COMMANDANT, U. S. COAST GUARD
AND REFER TO HQ.

HEADQUARTERS

TREASURY DEPARTMENT

UNITED STATES COAST GUARD

WASHINGTON

20 August, 1940.

SECRET

From: Spagent, Shanghai, China.
To : Secretary of the Treasury.

Message from Mr. Nicholson.

I understand from reliable sources that the Germans are dickering with the Chungking Government over a new barter agreement, mining and industrial concessions in South China and using the Japanese and French Indo China as a wedge in their bargaining. The negotiations are said to be handled by German commercial interests in Shanghai.

TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE
COAST GUARD
AND WIND TO BR S 30

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 20, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

The only transactions in registered sterling effected today by the six reporting banks were purchases of £21,000 for customer account.

After opening at 4.01-1/2, the open market rate for sterling was bid up to 4.02-1/2 by Japanese banks in New York. The rate remained at that level until late in the afternoon when it improved to 4.03. It closed at 4.02-3/4. The reporting banks sold £39,000 and purchased £14,000.

The other currencies closed as follows:

Swiss franc	.2280
Swedish krona	.2387
Canadian dollar	13-7/8 % discount
Lira	.0505
Reichsmark	.4005
Cuban peso	11-3/4 % discount
Mexican peso	.2004 bid, .2024 offered

We purchased \$42,000 in gold from the earmarked account of the National Bank of Nicaragua.

The Federal Reserve Bank of New York reported that the Bank of Canada was shipping approximately \$9,110,000 in gold from Canada to the Federal, for sale to the U. S. Assay Office.

The equivalents of the Bombay gold and silver prices were \$33.78 and 44.92¢ respectively.

The London price for spot silver was 23-7/16d unchanged and for forward 22-15/16d, up 1/16d. The U. S. equivalents were 42.56¢ and 41.65¢ 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 four purchases of silver totaling 200,000 ounces under the Silver Purchase Act. Of this amount 150,000 ounces represented new production from various foreign countries for future delivery and the balance of 50,000 ounces represented a sale from inventory by one of the refining companies.

The report of August 14 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 countries was short the equivalent of \$13,197,000.

CONFIDENTIAL

- 2 -

a decrease of \$90,000 in the short position. The net changes in the positions are as follows:

<u>Country</u>	<u>Short Position</u> <u>August 7</u>	<u>Short Position</u> <u>August 14</u>	<u>Decrease in</u> <u>Short Position</u>
England*	\$ 1,785,000	\$ 2,696,000	\$911,000 (Increase)
Europe	6,949,000	6,408,000	541,000
Canada	382,000 (Long)	463,000 (Long)	81,000 (Increase in Long Position)
Latin America	260,000	267,000	7,000 (Increase)
Japan	3,806,000	3,453,000	353,000
Other Asia	869,000	928,000	59,000 (Increase)
All Others	-0-	92,000 (Long)	92,000 (Increase in Long Position)
Total	<u>\$13,287,000</u>	<u>\$13,197,000</u>	<u>\$ 90,000</u>

*Combined position in registered and open market sterling.

August 20, 1940

Professor Chamberlain

Mr. Goehman

The Minister of Switzerland called on me at 11 o'clock this morning. He had with him a cablegram received from his Government setting forth the complaints of Swiss banks in regard to the operation of the Treasury's General Ruling No. 5 in regard to the inspection of securities entering the United States. The Minister stated that the Swiss banks found it a great inconvenience to have so much of their mail held up indefinitely at the Federal Reserve Bank of New York. I outlined the arrangement which had recently been made permitting securities to be withdrawn from the Federal into the custody of the banks to which they are addressed.

The Minister asked whether we could consider one of the following alternatives:

1. That the two or three Swiss bank establishments in the United States be authorized to accept shipments from Switzerland with the understanding that they guarantee not to accept shipments of securities which have come into Switzerland since the occupation of the countries whose assets are blocked by the United States. That is, the envelopes would be delivered directly to the Swiss banks in the United States under this arrangement.

2. That the Swiss Bankers Association guarantee to the United States Treasury that securities which have entered Switzerland from occupied countries since such occupation will not be permitted to be shipped from Switzerland to the United States.

In explaining the second alternative, the Minister emphasized the desire to which his Government depends upon the cooperation and trusts in the integrity of the Swiss banks. I told him that we had not yet worked out any system by which the Treasury permits the banks to share in the responsibility, except, of course, in the matter of reporting and of applying for licenses in cases which are covered by our regulations. I told him that it would be impossible for us to grant any privilege to Swiss banks in the United States which were not similarly to American banks.

I assured the Minister that we were anxious to do everything possible to expedite matters, and that an officer was coming to Washington from the Federal Reserve Bank of New York tomorrow to discuss means toward such end. If my colleagues may be able to suggest any relief in the situation which the Minister has described, I am able to inform him thereof.



END:dm:8.20.40

August 20, 1940

Professor Chamberlain

Mr. Cochran

Mr. Livesey telephoned me from the Department of State at 11:45 this morning. He stated that the State Department had received a request from the Mexican Embassy this morning to the effect that the Treasury Department be asked to expedite favorably the application filed by the National City Bank for the payment of \$10,000 to the Mexican diplomatic establishment at Vichy. The Mexican Embassy alleged that this is a matter of considerable urgency, and that the delay at the Treasury seems unduly long. I promised Livesey that we would look into the matter and call him back.



HMC:dm:8.20.40

August 20, 1940

Professor Chamberlain

Mr. Cochran

Mr. Henderson, the State Department officer who is in charge of Eastern European affairs, telephoned me today in regard to a matter which we had discussed last week, that is, of difficulties experienced by members of our diplomatic staffs in the three Baltic countries as a result of our blocking regulations. I told Henderson that I had discussed the general proposition of assisting our official representatives in all blocked countries through some general regulation. I had taken this matter up with my colleagues here, as well as with one or two other officers in the Department of State.

Henderson recommended that any such regulation be made applicable to all officials and employees of the American Government who are residing in countries falling under our control regulations, provided they are in such countries under instructions from this Government and provided they are American citizens. I told Henderson that this recommendation would have our attention.

For immediate consideration, Henderson told me that telegrams had either been received from the following members of our staffs in Kaunas, Lithuania, and Riga, Latvia, or the American Minister from Kaunas, Mr. Owen J. C. Norem, who was in Mr. Henderson's office when he spoke with me, had checks from such individuals which he will endeavor to cash in this country. Mr. Henderson therefore gave me the following list of American officials or employees in the above-mentioned legations, with an indication of their banks in this country whose accounts are desired to be freed:

Helen E. Wayvoda, Plainfield, New Jersey, State Trust Company
 Basil F. Macgovern, First National Bank, Baltimore, Maryland
 E. Tomlin Bailie, Peoples Trust Company, Hasbrouck Heights, New Jersey
 Owen J. C. Norem, Montana National Bank, Havre, Montana

The above are members of the staff of the American Legation at Kaunas, Lithuania.

Earl L. Packer, Washington Loan & Trust Company, Washington, D. C.
 John C. Wiley, Fiduciary Trust Company, 1 Wall Street, New York
 Miss Lois M. Berney, Riggs National Bank, Washington, D. C.
 Emma B. Brecker, Central National Bank, Dean Office, Cleveland, Ohio
 William L. Snider, Citizens National Bank, Orange, Virginia

The above are members of the staff of the American Legation at Riga, Latvia.



August 29, 1940

Professor Chamberlain

Mr. Cochran

At 10:45 this morning Mr. Bernard Carter telephoned me from Morgan & Co. in New York, asking whether he and Mr. Alexander could come down to Washington tomorrow morning to continue the conversations which they had with us last week. They were interested in talking over both the immediate problem of getting funds to their bank in Paris, together with remittances, and the problem of taking care of service on French Government loans issued on the American market.

I told Mr. Carter that we would be happy to receive him and his associate at any time. On the other hand, I advised him that we had been studying the French branch problem since he was here last week and had not yet reached a final decision. I told him that we were continuing to study this problem, and that I would give him a call following this afternoon's meeting, indicating whether or not it might be advisable for the visit to be made tomorrow.

J. M. R.

HMC:lap-3/20/40

August 26, 1940

Professor Chamberlain

Mr. Cochran

At 10:15 this forenoon Vice President Howard Shepard telephoned me from the National City Bank. He referred to the conversation which Mr. Sheehan had with me yesterday and emphasized that Montfort had insisted that unless he received funds shortly from New York he would be obliged to default at the Brussels Branch of the National City. I told Shepard that this question had been discussed at our Group Meeting yesterday, presided over by Professor Chamberlain, who was to take up with Acting Secretary Bell the matter of reaching some decision.



~~REASON~~

19651
19651

34

JT

GRAY AND SPECIAL GRAY
RIGA

Dated August 20, 1940

Rec'd 2:15 p.m.

Secretary of State,
Washington.

NOT FOR PUBLICATION

312, August 20, 3 p.m.

Following is summary of the present situation.

With respect to industry some 800 enterprises have been nationalized and commissars have been appointed to run many others. Controlled press contains warnings against unjustified persecution of specialists; against unjustified complaints regarding bad working conditions and unjustified requests for relief when applicants have merely deserted former jobs; also against failure to obey foreman, tardiness and absenteeism. Increased production and productivity are being urged.

Banks have been nationalized and limitation of 100 lats monthly has been placed on withdrawals from bank accounts. Stocks and bonds, also information as to liabilities abroad and claims against persons abroad, are being registered. Contents of safe deposit boxes are being registered and appraised. Minister of Finance stated on August 9 that contrary to all rumors lat will remain

JT -2- #312 , August 20, 3 p.m., from Riga

remain in force in the future as legal tender.

Land, transport, communications and public utilities were already largely state or urban owned. The merchant marine has been declared to be at the disposal of the state.

Trade unions press theatre and educational institutions (now definitely anti-religious) have been placed under complete Soviet control.

Urban apartment houses have not been nationalized nor municipalized although "supervision" by the municipalities over the larger houses has been established. Many tenants are being expelled to make room for Soviet military officers and other officials including many Lettish communists who are being brought here from other parts of the Soviet Union to take over old and newly created positions. The former Riga Lettish Club center of Lettish social life has become the House of the Red. The Foreign Office building is shortly to be turned over to the Latvian Communist Party. Former office holders in Government and business are being discharged with little prospects of finding employment in Latvia.

As concerns trade, wholesale and retail, commercial establishments have not yet been nationalized. They are affected

-3- #312, August 20, 3 p.m., from Riga

affected by restrictions on bank withdrawals their payrolls must be approved by government appointed commissars before funds are made available and in some cases approval has been denied on the ground that salaries are too large. Practically all retail shops are open although quantity of goods is noticeably less abundant and some restrictions on sales, particularly woollens, exist. The Minister of Finance has promised that "every honest merchant will have the support of the government". Some foreign firms, for example Socony Vacuum and Shell, are receiving and paying out money as usual and carrying on negotiations for further business. Socony Vacuum representative is hopeful that his firm's lubricating oils will be of sufficient importance to Moscow that he will be permitted to proceed there. Shell representative will remain as long as possible. Representative of the British Government is buying large quantities of flax. Foreign firms which have Latvians as the principal officials have curtailed their activities as the Latvian officials are uncertain as to the consequences of their connection with foreigners. (Fear of Soviet reprisals has in some cases caused managers of American owned firms to refuse to sign documents in the consular section which

-4- #312, August 20, 3 p.m., from Riga

which might be used as evidence one day in making claims against the Soviet Government). Private taxis and horse-drawn vehicles are available and private motor cars are allowed to operate ample gasoline being available.

(END SECTION ONE)

PACKER

WWC

MM

GRAY AND SPECIAL GRAY

Riga

Dated August 20, 1940.

Rec'd. 6:40pm.

Secretary of State
Washington

NOT FOR PUBLICATION

312, August 20, 3pm. (SECTION TWO).

With respect to agriculture the land has been nationalized but old owners not classed as "enemies of the people or land profiteers" may continue to utilize up to thirty hectares of their former holdings. Reallotment of land from the government land reserve to landless peasants in lots not larger than ten hectares may begin this fall. It is stated in the press that the 1940 crops will be collected by the sowers thereof. One case of voluntary collectivization near Daugavpils has been denounced by a Latvian Communist Party official who promises punishment for the guilty persons. He stated that no peasants were permitted to found collective farms without permission from the Ministry of Agriculture and the Communist Party. Member of the delegation which has just returned from Moscow states that Stalin indicated there should be no hurry about collectivization.

Compulsory

mm 312, August 20, 3pm. Section Two. from Riga. -2-

Compulsory collectivization, delegate stated must not occur. It seems possible that authorities hope that difficulty of making a living from 10 hectare allotments will induce demand for collectivization.

Latvian Army and Navy still nominally exist as separate organizations, but are of course subject to Moscow control.

The conduct of the Russian Red Army has in general been excellent and relations with the population of Red Army officers and soldiers who are seen everywhere on the streets seem to be good.

Soviet secret police is responsible for arrest of hundreds of Russians. There is widespread fear that something approaching a reign of terror will occur as soon as the Diplomatic Corps and other foreigners, most of whom are preparing to leave, have departed.

A number of prominent Latvians including Kvaisis, former President, Skujenieks former Prime Minister, Einbergs former Cabinet member, and Laspins former Mayor of Riga are under constant observation allegedly for their own protection.

It is possible that I shall be able to communicate by telegraph only with Embassy at Moscow after August 25.

(END OF MESSAGE).

PACKER

NPL

RECEIVED
JUL 25 1941
THE WHITE HOUSE

-40 28
7

August 20, 1940.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

WEG

I reported to Chief Wilson the request of Ralph Ingersoll of P M that John Hanly be given leave from the Secret Service for a month to assist Henry Paynter and instructed the Chief that leave was to be granted if the work Hanly was to do was of such a nature as to not embarrass the Secret Service.

Today I received word from the Chief that the work Hanly would be expected to perform "would comprise an investigation of various local German-owned or German-controlled firms, to show their interlocking activities with a view to disclosing that these organizations might be acting to delay Government or private contracts of importance to the country at this time." This assignment seems to be quite different from the one you mentioned to me. Accordingly I have instructed Chief Wilson not to grant leave to Agent Hanly for this purpose.

Aug 20, 1940 41



Log Chateau
Seigniorie Club, P.Q., Canada

Ambassador Bullitt

State Department

Washington, D.C.

U.S.A.
magnificent

We ~~have~~ just read your ^{magnificent} Philadelphia
address ~~so~~ our very heartfelt
congratulations and affectionate
greetings.

The Morgenthau's

Secretary Harold Ickes

Just read your speech
great stuff proud ^{good work}
to know you ^{keep up the}
Harry and Ethel M—



THE SECRETARY OF THE INTERIOR
WASHINGTON

September 5, 1940.

My dear Henry:

I have just returned to my desk after an absence of two weeks, to find the telegram which you and Mrs. Morgenthau were good enough to send me on August 21. It is fine to have such a message from you.

With personal regards to you both,

Sincerely yours,

Harold Z. Ickes

Hon. Henry Morgenthau, Jr.,
2211 Thirtieth Street,
Washington, D. C.

DEPARTMENT OF STATE
WASHINGTON

August 23, 1940

Dear Henry and Eleanor:

I cannot thank you enough for having taken the trouble to telegraph about that speech in Philadelphia. The bricks are now flying from the Senate but you will be interested to know that I received more than 4,000 letters and that only ten have been unfavorable and four of those anonymous. I suspect that the country is more awake than we believe.

Good luck and every good wish,

Yours always,

William C. Bullitt

The Honorable Henry Morgenthau, Jr.

and Mrs. Morgenthau,

Seignior Club,

Quebec, Canada.

CABLE

From: Commercial Attache Nicholson,
Shanghai, China.

Date: August 20, 1940

For the Secretary of the Treasury.

Shanghai market August 19th closed easy at 3-45/64
for cash and August 3-11/16 for September for sterling
5-9/16 for cash and August 5-17/32 for September for
U.S. dollars. Gold bars closed at 5,730 and wei wah
at discount of 3.60%.

NICHOLSON

TO THE SECRETARY OF THE TREASURY
WASHINGTON, D.C.
AUG 21 1940
RECEIVED

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Buenos Aires, Argentina.

DATE: August 20, 1940, 1 p.m.

NO. : 352

Substance of telegram from Department dated August 17, 1940, 3 p.m. no. 186 was yesterday, Monday afternoon, delivered orally to the Under Secretary of Foreign Affairs who said that he would give this information to the Ministry of Finance and that he would in due course advise the Embassy whether they will take advantage of the Treasury's willingness to discuss monetary questions.

TUCK

KLP

EA:EHS

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 21, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

The purchases of registered sterling for commercial account by the six reporting banks were considerably increased today, totaling £124,000. Sales amounted to only £3,000.

The Federal Reserve Bank of New York sold £206 in registered sterling to a non-reporting bank.

The open market rate for sterling was first quoted at 4.02-1/2. In the late afternoon it moved up to 4.03. The closing quotation was 4.02-3/4. Transactions of the reporting banks about offset with purchases of £35,000 and sales of £34,000.

The other currencies closed as follows:

Swiss franc	.2279-1/2
Swedish krona	.2386
Canadian dollar	13-3/4¢ discount
Lira	.0505
Reichsmark	.4005
Cuban peso	11-15/16¢ discount
Mexican peso	.2004 bid, .2034 offered

There were no gold transactions consummated by us today.

The equivalents of the Bombay gold and silver prices were \$33.79 and 44.92¢ respectively.

Spot silver in London was fixed at 23-5/16d, up 1/8d and forward at 22-15/16d, unchanged from yesterday. The U. S. equivalents were 42.33¢ and 41.65¢ 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 under the Silver Purchase Act.

CABLE

FROM: Commercial Attache Nicholson
Shanghai, China.

DATE: August 21, 1940

For the Secretary of the Treasury.

Shanghai market August 20th closed at 3-45/64
for cash and August 3-11/16 for September for sterling
5-17/32 for cash and August 5-1/2 for September for
U.S. dollars. Gold bars closed at 5,722 and wei wah
at discount of 3.60%.

NICHOLSON

TO THE SECRETARY OF THE TREASURY
WASHINGTON, D. C.
AUG 22 11 AM '40

PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

48

FROM: AMERICAN EMBASSY, BERLIN, GERMANY.

DATE: August 21, 1940, noon.

No. : 3668

Please refer to my telegram dated August 5, 1940,
5 p.m. no. 3390.

FOR TREASURY FROM HEATH AND FOR DEPARTMENT'S INFORMATION.

As customary during the first part of the month there has been a decrease both in Reichsbank investments and note circulation but the decrease is less than normal. From July 31 to August 15 total investments (bills, collateral loans and security holdings) of the Reichsbank declined from 13,183 to 12,987 million marks; miscellaneous assets from 18,014 to 15,079 million marks; and note circulation from 12,750 to 12,325 million marks.

However, the position of the Reichsbank the middle of August both in regard to credit operations and note circulation was higher than at the middle of July which situation can be attributed to pre-harvest financing only in part. Indications would seem to be that financial demands of the Government have little if any slackened despite the fact that there has been a certain measure of demobilization and the fact that a share of the military expenses of the Reich are being forced on the occupied countries. The Reichsbank's investments increased by 274,000,000 marks from the period July 15 to August 15; there was an increase of 50,000,000 marks in note circulation; and there was a decline of 89,000,000 marks in miscellaneous assets.

KIRK

EMB
EA:EHS

PARAPHRASE OF TELEGRAM RECEIVED

FROM:	Dublin
TO	Secretary of State, Washington
DATED	August 21, 1940
REC'D	1:30 p.m.
NO.	71, August 21, 6 p.m.

Reference Department's telegram no. 55, August 19.

I had a conference today with the Minister of Finance. With the approval of the Department of External Affairs the Minister assured me informally that upon application American citizens would be exempted from the order requiring registration of securities. He said that he would confirm his assurances in a formal reply to my note as soon as modification could be made in the Irish Government's order.

Bu:EBS:RIC

C O P Y

bj

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 21, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Yesterday morning Mr. Knoke of the Federal Reserve Bank of New York had his secretary read to my office the attached draft of a cablegram which the Federal proposed to send to the National Bank of Afghanistan on the subject of earmarking gold in New York. I told Mr. Knoke that I would read the message over and call him back. This I did at 2:15 p.m. yesterday, advising Mr. Knoke that the Treasury approved the message as drafted.



17-2-17
CABLE

51

From: Federal Reserve Bank of New York
To: National Bank of Afghanistan
Date: August 20, 1940

At the request of Mohammad Omar, New York, we inform you that we have been authorized by the Secretary of the Treasury to buy for your account for the purpose of strengthening Afghanistan's monetary reserve approximately 50,000 ounces of gold at the Treasury current sales price of \$35 (plus 1/4%) per troy ounce of fine gold provided you arrange for funds in payment thereof to be made available to us not later than August 26. We are prepared to hold this gold in our vaults in your name on the same basis as we hold gold for other foreign accounts and under a license issued to us by the Secretary of the Treasury pursuant to the Provisional Regulations issued under the Gold Reserve Act of 1934. It will of course be necessary for you to furnish us with appropriate instructions and specimen signatures. Kindly confirm your agreement with the above by sending us a properly tested cable through the National City Bank of New York.

sgd. Federal Reserve Bank of New York

Rec'd by phone from Mr. Knoke's secretary - Aug. 20/40 - ka

DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON

PR2(453)

AUG 21 1940

PM Mr. Gorton

My dear Mr. Secretary:

In reply to your letter of August 13, 1940, I am pleased to inform you that a check has been made of the names of the ships' officers serving on board the vessels listed below, and it has been found that none of these officers are members of the U. S. Naval Reserve:

Texas Company tanker DUNGANNON, during a voyage from Port Arthur, Texas, to Santa Cruz de Teneriffe, Canary Islands, departure having been on June 4, 1940.

Texas Company tanker CONNECTICUT, departing from Port Arthur, Texas, June 2, 1940, for Malaga and Barcelona, Spain.

The Navy Department will be very glad to furnish additional information in regard to Naval Reserve officers, whenever you desire.

Sincerely yours,

Frank Knox

The Honorable
The Secretary of the Treasury

AMERICAN CONSULATE,

Fort-de-France, Martinique, August 21, 1940.

Subject: Licenses required for transfer of French funds.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

Sir:

I have the honor to enclose a copy of a letter dated August 21, 1940, received from the banking house "Credit Martiniquais", Fort-de-France, Martinique, relative to a refusal of the Federal Reserve Bank to authorize the transfer of funds to the credit of the Banque de la Martinique with the French-American Banking Corporation, New York City, until full information is given concerning the use of the funds.

As will be noted from the attached copy of letter, the banks in Martinique desire that a general license be granted for these funds, so that payments may be made to American merchants without delay.

In case it is found practicable to comply with the desires of the bank, it is requested that this office be so informed by telegraph.

Respectfully yours,

V. Harwood Blocker
American Vice Consul

Enclosure:

1. Copy of letter.

In quintuplicate to the Department,
the original and duplicate of which
is being sent by airmail.

File
VHB

C O P Y

CREDIT MARTINIQUEAIS
Societe Anonyme
Capital de 10,000,000
Francs

Fort-de-France, 1e August 21st, 1940.

Fort-de-France, Martinique.

Mr. V. Harwood Blocker,
American Consul
Fort-de-France.

Dear Sir:

We are informed by the Colonial Exchange Control Board that the French Government has put at the disposal of the Government of Martinique a certain sum in USA dollars to cover the urgent needs of the Colony.

We understand the transaction is to be made as follows in New York:

The bankers of the French Government have been instructed to remit to the French-American Banking Corporation for the credit of Banque de la Martinique with them the following amounts:

\$: 125,000. (One Hundred Twenty Five Thousand 00/00 dollars)
\$: 33,000. (Thirty Three Thousand 00/00 dollars)
\$: 14,600. (Fourteen Thousand Six Hundred 00/00 dollars)

The Banque de la Martinique is now informed by their New York correspondents that apparently the Federal Reserve Bank refuses to authorize the transfer of these funds to their credit until they are fully informed of their utilization.

As these dollars are urgently needed to cover American exporters with the cost of goods of first necessity they have already shipped to local merchants, we therefore wish to inform you the delay in settling American exporters is not imputable to Martinican Banks and we will be greatly obliged to you if you could approach your Government in order that a general license could be granted for the above amounts.

Thanking you in advance, we are

Yours very truly,

(Signed) Sub-Directeur,
CREDIT MARTINIQUEAIS.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 21, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 9:15 this morning Governor Harrison telephoned from the Federal Reserve Bank at New York to state that he had received from the Bank of England a confidential communication in regard to regulations upon the importation of Bank of England notes into the United Kingdom, to which the British had asked that the Federal Reserve give full publicity. I confirmed that the Treasury had received the message under reference directly from the British Treasury. I spoke with Mr. Bell who entered at that moment the office from which I was talking with Governor Harrison and then told the Governor that the Treasury did not itself desire to give publicity to the communication. It had no objection to the Federal Reserve Bank of New York giving appropriate publicity through whatever medium or media they might choose, that is, the Loree Committee, the ticker, the Federal Reserve Banks, etc.

An hour later Acting Secretary Bell telephoned me that Governor Harrison had spoken with him and had inquired as to how the Treasury thought the message in question should be disseminated to American territory outside of the United States. I told Mr. Bell that I would look after this. After talking with Mr. Livesey in the Department of State, and after consulting the appropriate officials in the Ministry of the Interior and the Panama Canal office, I addressed letters to the latter two agencies requesting that the message be communicated to the appropriate authorities in the Virgin Islands, Hawaii, Alaska, Puerto Rico, the Philippine Islands and the Panama Canal Zone, in order that due publicity might be given thereto.

Before sending out these letters I checked with Mr. Cameron's office in the Federal Reserve Bank at New York and found that the text of the message received by them from the Bank of England corresponded with the text which the British Embassy had provided the Treasury. Mr. Knoke was with me when I spoke with Cameron's office and also talked. He was informed that the Federal had given the message to the Federal Reserve Board in Washington, the other Federal Reserve Banks in the continental United States, the Loree Committee, the press in New York, and the news tickers.



DEPARTMENT OF STATE

WASHINGTON

In reply refer to
EA 840.51 Frozen
Credits/472

August 21, 1940

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits a copy of despatch no. 2981 dated July 16 from the American Embassy at Berlin, regarding increase in the funds blocked in the United States which the Brazilian Ambassador has requested be released.

Enclosure:

From Berlin, no. 2981,
July 16, 1940.

No. 2981

Berlin, Germany, July 16, 1940.

SUBJECT: Increase in the Funds Blocked in the
United States which the Brazilian
Ambassador has Requested Be Released.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

1/ With reference to the Embassy's despatch No. 2873 dated July 3, 1940, concerning the request of the Brazilian Ambassador in Berlin for the release of the sum of \$40,745.92 which was paid by the Brazilian National Treasury to the Amsterdam branch of the Hollandsche Bank-Unie N.V. and which is held for the account of the Dutch bank by the Chase National Bank, New York, I have the honor to enclose a copy of a supplementary memorandum dated July 15, 1940, from the Brazilian Embassy stating that the amount to the credit of the Ambassador should be increased from \$2,707.80 to \$3,206.09 making a total sum of \$41,244.21 which is now blocked in accordance with the regulations of the Treasury Department and which the Brazilian Ambassador has requested be released. In this connection the Brazilian Embassy has informally advised me that the German authorities have authorized the

Hollandsche

- 2 -

Hollandsche Bank-Unie N.V. to pay its depositors. Consequently, if the Treasury Department finds it possible to issue a license for the release of the blocked funds in question by the Chase Bank to the Dutch bank, the funds would be available for payment to the Brazilian officials and army officers in Germany and Denmark.

Respectfully yours,

Alexander Kirk
Charge d'Affaires ad interim

Enclosure:

Copy of memorandum dated
July 15, 1940, from
Brazilian Embassy, Berlin.

To the Department in quintuplicate.

851.6

mg

COPY

Enclosure to despatch No. 2981 dated July 16, 1940,
from the American Embassy, Berlin, Germany.

COPY

AMBASSADE DU BRESIL

Berlin

MEMORANDUM

A propos due Memorandum remis a Monsieur Heath
le 2 courant, l'Ambassade du Bresil se permet de
faire une petite correction au montant du compte de
Monsieur de Freitas-Valle a la Hollandsche Bank-Unie
N.V., Succursale d'Amsterdam, qui s'eleve a \$3.206,09,
en vertu d'une operation qui n'a par ete effectuee.
2. La somme total des dollars bloques a Amsterdam
monte ainsi a \$41.244,21.

Berlin, le 15 juillet 1940

LS.-

mg

Translation of enclosure to despatch No. 2981 dated July 16, 1940,
from the American Embassy, Berlin, Germany.

Braslian Embassy
Berlin

Memorandum

In regard to the memorandum transmitted to Mr. Heath
on July 2, the Braslian Embassy wishes to make a slight
correction in the amount of the account of M. de Freitas-Valle
with the Hollandsche Bank-Unie N. V., Amsterdam Branch,
which is increased to \$3,206.09, due to a transaction not
carried out.

2. The total sum of dollars blocked at Amsterdam is thus
increased to \$41,244.21.

Berlin, July 15, 1940

LS.-

lap

JR

PLAIN

London

Dated August 21, 1940

Rec'd 12:35 p.m.

Secretary of State,
Washington.

2841, August 21.

FOR TREASURY FROM BUTTERWORTH.

The projected announcement about Bank of England notes has now been made and the Order in Council put into effect prohibiting the import of such notes into the United Kingdom. Nevertheless special steps have been taken to give existing holders in neutral countries an opportunity to realize Bank of England notes now held by them which I gather means that so far as the United States is concerned if mailed within six days, or Switzerland if mailed within one day. Needless to say Bank of England notes held inside the sterling area will continue as at present to be freely negotiable and will be exchangeable with the currency authorities of the various territories concerned. A Treasury order made under the new regulation provides that the prohibition shall not apply to notes brought or sent from Eire into the United Kingdom and that travellers from overseas shall be allowed to bring in pounds 10 in Bank of England notes with them. Travellers going to countries outside the sterling area are advised

to

-2- 2841, August 21, from London.

to consult their bankers as to the most convenient way of providing themselves with funds for use abroad. The order comes into effect immediately.

KENNEDY

KLP

1
C
O
P
Y

63

BRITISH EMBASSY,
WASHINGTON, D.C.

21st August 1940.

Dear Merle,

I enclose two notes of reports we have just received, which I am sending to you on Stopford's behalf.

I shall be leaving tomorrow morning for my holiday of just over a fortnight, but Stopford should be back about the same time. During my absence my work will be done by Mr. R. Opie and by Stopford.

Yours ever,

(Signed) Jerry Pinsent

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

C
O
P
Y

Banco Germanico, Santiago de
Chile, recently sent \$700,000 in currency notes
to person named Knaack at Panama. Money was
sent in packet which also contained numerous
letters for re-transmission.

(Initialed) R. J. S.

British Embassy.

21st August 1940.

dm

C
O
P
Y

We have secret but reliable information that on August 3rd Nordiska Forenings Bank of Helsingfors placed an order with the Reichsbank for francs required to cover freight outlay in Morocco. Counter value by credit to the Reichsbank on customer account in United States dollars.

British Embassy.

21st August 1940.

dm



ASSISTANT SECRETARY

TREASURY DEPARTMENT

Washington,

August 22, 1940.

Dear Mr. Secretary:

I have experienced some difficulty in checking the figures quoted in the New York Times story for August 21st against any statements released by the Army and Navy because we have been unable to find the statements by the Army and the Navy you referred to.

At Mr. Gaston's suggestion I asked Mr. Schwarz's office to go through the Congressional Record and the clipping service and I am enclosing all of the information they were able to get for us.

Mr. Young was unable to recall or to discover any statements made by the Army or the Navy or the Defense Commission in regard to the hesitancy of the aviation industry in expanding its plants. Mr. Young was also unable to check the validity of the figures quoted in the Times story. Since this money is privately raised there seems to be no place we can get a record of it.

I am afraid this is an exceedingly unsatisfactory report. However, if when you call in tomorrow you can give us a lead on the statements by the Army and the Navy to which you referred in your telegram, we will bend every effort to expedite the investigation.

Phil joins me in wishing you and Mrs. Morgenthau a pleasant vacation. May you each hook a lot of big ones.

Sincerely,

Honorable Henry Morgenthau, Jr.,
Seignior Club,
Montibello,
Quebec, Canada.



CANADIAN PACIFIC TELEGRAPHS

67

C.D. 2.

CLASS OF SERVICE DESIRED

☒ Full Rate Telegram	
Day Letter	
Night Telegram	
Night Letter	

Please mark an X opposite the class of service desired; OTHERWISE THE MESSAGE WILL BE TRANSMITTED AS A FULL-RATE TELEGRAM

MONEY TRANSFERRED BY
TELEGRAPH TO PRINCIPAL
POINTS IN CANADA AND
THE UNITED STATES



CABLE CONNECTIONS TO
ALL PARTS OF THE
WORLD
RADIOGRAMS TO SHIPS

NO.	CASH OR CHG.
TIME FILED	
CHECK	

W. D. NEIL, General Manager of Communications, Montreal.

the following message, subject to the conditions on the back thereof, which are hereby agreed to.

Mr. John Sullivan.

Aug 22 1950

Wed. N.Y. Times says Douglas
Lockheed Boeing Vultee gone ahead
and spent 100 million for expansion
How does this agree with statements
by Army and Navy please ~~me~~ follow
up and write me results of your
investigation

M. J.

Sender's address or telephone number for reference.

August 22, 1940.

Dear Admiral Stark:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 - August 17, 1940; Unfilled Orders and
Estimated Deliveries on August 17, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane Engines,
May 1 - August 17, 1940; Unfilled Orders and
Estimated Deliveries on August 17, 1940.

These tables carry forward through August 17, 1940 the information furnished you last week.

Sincerely,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

Admiral Harold R. Stark,
Chief of Naval Operations,
Navy Department,
Washington, D. C.

By Messenger AUG 22 1940 3:45 P.M.

Amby *h*
FILE COPY

August 22, 1940.

My dear Mr. Secretary:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 - August 17, 1940; Unfilled Orders
and Estimated Deliveries on August 17, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, May 1 - August 17, 1940; Unfilled
Orders and Estimated Deliveries on
August 17, 1940.

These tables carry forward through August 17, 1940
the information furnished you last week.

Sincerely,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

The Honorable,
The Secretary of War,
Washington, D. C.

By Messenger AUG 22 1940 2:45 P.M.

amh *for*
FILE COPY

August 22, 1940.

My dear Mr. Patterson:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 to August 17, 1940; Unfilled Orders
and Estimated Deliveries on August 17, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, May 1 to August 17, 1940; Unfilled
Orders and Estimated Deliveries on
August 17, 1940.

These tables carry forward through August 17, 1940
the information furnished you last week.

Sincerely,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

Honorable Robert P. Patterson,
Assistant Secretary of War,
Washington, D. C.

By Messenger AUG 22 1940 3:45 P.M.

Amek *for*

FILE COPY

August 22, 1940.

My dear Mr. Patterson:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 to August 17, 1940; Unfilled Orders
and Estimated Deliveries on August 17, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, May 1 to August 17, 1940; Unfilled
Orders and Estimated Deliveries on
August 17, 1940.

These tables carry forward through August 17, 1940
the information furnished you last week.

Sincerely,

(Signed) D. W. BELL.
Acting Secretary of the Treasury.

Honorable Robert P. Patterson,
Assistant Secretary of War,
Washington, D. C.

By Messenger AUG 22 1940 3:45 P.M.

Amek *for*
FILE COPY

August 22, 1940.

Dear Mr. May:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 - August 17, 1940; Unfilled Orders and
Estimated Deliveries on August 17, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane Engines,
May 1 - August 17, 1940; Unfilled Orders and
Estimated Deliveries on August 17, 1940.

These tables carry forward through August 17, 1940 the information furnished you last week.

Sincerely,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

Mr. Stacy May, Director,
Bureau of Research and Statistics,
The Advisory Commission to the
Council of National Defense,
Room 2715, Munitions Building,
Washington, D. C.

By Messenger AUG 22 1940 3:45 P.M.

FILE COPY

August 22, 1940.

Dear Mr. Knudson:

I am sending you herewith, for your confidential use, two copies of the following reports:

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 - August 17, 1940; Unfilled Orders
and Estimated Deliveries on August 17, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, May 1 - August 17, 1940; Unfilled Orders
and Estimated Deliveries on August 17, 1940.

These tables carry forward through August 17, 1940 the information furnished you last week.

Sincerely,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

By Messenger AUG 22 1940 3:46 P.M.

Mr. William S. Knudson,
Chairman, The Advisory Commission to
the Council of National Defense,
Room 2262, Federal Reserve Building,
Washington, D. C.

Alley *Thur*
FILE COPY

August 22, 1940.

Dear General Marshall:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 - August 17, 1940; Unfilled Orders and
Estimated Deliveries on August 17, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, May 1 - August 17, 1940; Unfilled
Orders and Estimated Deliveries on August 17, 1940.

These tables carry forward through August 17, 1940 the information furnished you last week.

Sincerely,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

General George C. Marshall,
Chief of Staff,
War Department,
Washington, D. C.

By Messenger

AUG 22 1940 3:45 P.M.

all *thru*
FILE COPY

August 22, 1940.

My dear Mr. Secretary:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 - August 17, 1940; Unfilled Orders
and Estimated Deliveries on August 17, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, May 1 - August 17, 1940; Unfilled
Orders and Estimated Deliveries on
August 17, 1940.

These tables carry forward through August 17, 1940
the information furnished you last week.

Sincerely,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

By Messenger AUG 22 1940 3:45 P.M.

The Honorable,
The Secretary of the Navy,
Washington, D. C.

FILE COPY

STRICTLY CONFIDENTIAL

JL

GRAY

Lisbon

Dated August 22, 1940

Rec'd 10:50 a.m.

Secretary of State

Washington

166, August 22, noon.

As result of British measures prohibiting importation of British bank notes, the Bank of Portugal has announced that it will suspend purchase of pound notes after 12 noon August 24. The rate until then is fixed at 95 escudos or approximately \$3.07. It is understood that the Germans have seized large quantities of sterling bank notes in France.

PELL

DMM

TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE
ATTORNEY GENERAL

U S DEPT OF JUSTICE
RECEIVED

U S DEPT OF JUSTICE
RECEIVED

P

mg

AS

PLAIN

(Bordeaux)
La Reole

Dated August 22, 1940

Rec'd 8:31 a.m., 27th

Secretary of State,
Washington.

750, twenty-second.

Queen Malekeh Djahn of Persia request transfer of funds from Guaranty Trust Company of New York through Department and this office. If acceptable to Department please communicate with Guaranty Trust.

WATERMANN

DDM

RECEIVED
JAN 11 1941
U.S. DEPT. OF COMMERCE
TECHNICAL DIVISION

RECEIVED
JAN 11 1941
U.S. DEPT. OF COMMERCE
TECHNICAL DIVISION

RECEIVED
JAN 11 1941
U.S. DEPT. OF COMMERCE
TECHNICAL DIVISION

TELEGRAM SENT

JI

GRAY

August 22, 1940

6 p.m.

AMERICAN LEGATION

STOCKHOLM

302

Your 733, July 16, 1940.

Treasury is authorizing the transaction.

WELLES
(Acting)
(FL)

EA:FL:GC

COPY
TELEGRAM SENT

August 22, 1940

8 p.m.

AMERICAN LEGATION
RIGA (LATVIA)

147.

Your account and accounts of Berney, Brooker and Snidow are being unfrozen by special action of Treasury Department.

Any checks returned unpaid because of frozen account should be again presented for payment.

WELLES
Acting
(BL)

\$40.51 Frozen Credits/439

DA:FRY:EU:EA:FA:SD

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Vichy (Paris).

DATE: August 22, 1940, 6 p.m.

NO.: 406.

FROM MATTHEWS FOR THE TREASURY.

The Governor of the Bank of France, M. Fournier, has returned to Clermont-Ferrand. He is very depressed I understand. Although I haven't managed to talk ~~with~~ (?) Guyon this week, Rist has just come back from there and I had lunch with him yesterday. Bank of France officials told him that around 8 to 10 billion francs a month of kreditkassenschein now are being taken in by the bank; this represents the occupying army's expenditures. French authorities are becoming worried over the inflationary possibilities of this paper circulation which is increasing. But on the other hand it appears that revenue expenditures and collections in occupied territory, excluding those of the German army, are balancing approximately.

It does not seem that Rist has any illusions regarding the future should the British be defeated or if there is "a negotiated peace". It is his opinion that German military authorities will effectively ~~arrange~~ manage to cripple France economically and otherwise in so thorough a manner that France will not be able to threaten the supremacy of Germany for the next 50 or 100 years.

Rist

-2-

Rist foresees that the coming winter in France will be very miserable in view of serious fuel deficiencies and deficiencies in agricultural produce and rolling stock. He says that eight tenths of these things normally comes from the occupied territory. However, no serious social disturbances are anticipated by him.

A German "commissioner", I understand, has been placed at Paris in the Banque de Paris et des Pays Bas. Apparently the German Bank Supervision Office is exhibiting great interest in the liquidity of the Paris "branches" of the various banks. It is their desire that currency which is actually held in occupied territory cover deposits at Paris by almost 100 percent.
(END OF MESSAGE)

MATTHEWS

EA:MSG

RDS

GRAY

BERLIN

Dated August 22, 1940

Rec'd 8:25 p.m.

Secretary of State,
Washington.

3682, August 22, noon (SECTION ONE)

My 1117, April 23, 7 p.m.

FOR TREASURY FROM HEATH AND FOR DEPARTMENT'S
INFORMATION.

A special despatch from Stockholm to the BOERSEN ZEITUNG announces the conclusion of a provisional trade agreement between Sweden and the Government of occupied Holland which provides that trade between the two countries will henceforth be on a (*)ing basis with payments made through Germany via the German-Swedish and German-Dutch clearing arrangements. The despatch further states that Germany had acquired a "considerable" credit balance in its clearing agreement with Sweden, a substantial part of which, however, has now been transferred to Denmark to offset the latter's clearing balance in Germany. Denmark will use these transferred German credits for purchases in Sweden. The article states that it is anticipated that clearing trade between Sweden and Holland will be largely balanced and that in September permanent trade agreements will

-2- #3682, August 22, noon (SECTION ONE) from Berlin.

will be negotiated to replace the present provisional arrangement between the two countries.

KIRK

EMB

(*) apparent omission

PARAPHRASE OF SECTION TWO OF TELEGRAM NO. 3682, DATED
AUGUST 22, 1940, NOON, FROM THE AMERICAN
EMBASSY, BERLIN.

A considerable beginning has been made looking toward the realization of the European clearing system which is proposed, with the conclusion of provisional clearing arrangements through Berlin between Sweden and Holland. Besides that, Yugoslavia is trading with Holland and Belgium through Berlin, Dutch-Belgian trade likewise is being cleared over Berlin, and Hungary is trading with Belgium, Holland and Norway through its clearing apparatus with Germany. Through Berlin passes every trade payment in all the arrangements mentioned above. However, the basis of the trilateral arrangement between Sweden, Germany and Denmark is different. In this arrangement the 3 countries continue to make payments to each other directly, on a bilateral basis and not over a Berlin central clearing office, the innovation being that now if one of these 3 countries should acquire a clearing credit from another of these countries which it either can not or does not wish to make use of immediately in order to make increased purchases in that country it can apply the credit on a clearing debt which, through trade with the third country, it may have acquired.

KIRK

EA:MSG

PARAPHRASE OF SECTION THREE OF TELEGRAM NO. 3682, DATED
AUGUST 22, 1940, NOON, FROM THE AMERICAN
EMBASSY, BERLIN.

Regarding the exact organization of the European multilateral clearing which was announced by Funk, no final decision has been taken yet. It has been indicated by certain officials that all payments in trade between pairs of countries must pass through a Berlin central clearing agency. Corollary indications have been given that there will be a tendency to induce all the countries which belong to the system to bill their exports in marks rather than in currencies of their own. It should be noted in this connection that certain German export groups have been instructed to bill in marks only instead of in Swiss francs, dollars and other currencies, as has frequently been the case heretofore. Some other authorities are just as definite in their conviction that payments will continue to be made direct between pairs of countries, with Berlin emerging merely as the clearing arbiter in order to offset the credit and debit balances which are accumulated in clearing agreements of the bilateral type. However, it should be noted that all agreements so far^{made}, with the exception of the Danish-Swedish-German ~~ag~~ arrangement, were of the former type, wherein all payments were required to be made over the Reich capital.

(END OF MESSAGE)

KIRK

EA:MSG

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

81

DATE August 22, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

The reporting banks had a very dull day in registered sterling as indicated by the transactions listed below:

Sold to commercial concerns	£15,000
Purchased from commercial concerns	£ 6,000

Sterling in the open market was featureless with the rate opening at 4.03 easing to 4.02-1/2 and closing at 4.02-3/4.

Transactions of the reporting banks in open market sterling were as follows:

Sold to commercial concerns	£24,000
Purchased from commercial concerns	£ 4,000

The other currencies closed as follows:

Swiss franc	.2279
Swedish krona	.2386
Canadian dollar	13-1/2¢ discount
Idra	.0905
Belchmarkt	.4005
Cuban peso	.11-15/16¢ discount
Mexican peso	.2004 bid, .2034 offered

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that gold valued at \$760,000 was shipped from India by the National Bank of India to the Chase National Bank, New York, for sale to the U. S. Army Office.

The equivalents of the Bombay gold and silver prices were \$13.77 and 44.92¢ up .02¢ and unchanged respectively.

The London fixing price for spot silver was 25-1/4d and for forward 22-7/8d both off 1/16d. The U. S. equivalents were 42.22¢ and 41.54¢.

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¢.

- 2 - **CONFIDENTIAL**

We made two purchases of silver totaling 100,000 ounces under the Silver Purchase Act, both of which consisted of new production from foreign countries, for forward delivery.

B. M. S.

CABLE

FROM: Commercial Attache Nicholson
Shanghai, China.

DATE: August 22, 1940

For the Secretary of the Treasury.

Shanghai market August 21st closed at 3-45/64
for cash and August 3-11/16 for September for sterling
5-19/32 for cash and August 5-9/16 for September for
U.S. dollars. Gold bars closed at 5,700 and wei wah
at discount of 3.60%.

NICHOLSON

RECEIVED
AUG 23 1940

RECEIVED
AUG 23 1940

88

Paraphrase of Code Radiogram Received at the
War Department 10:34 a.m., Aug. 22, 1940

CONFIDENTIAL

London, Filed 09:43, August 22, 1940.

(The British have requested that special care be taken to preserve the confidential nature of the information contained in this series of cables.)

In a memorandum prepared jointly by the Chiefs of Staff of the British Army, Navy and Air Force for the visiting American military and naval observers, dated August 16, 1940, the following summary of British war experiences up to the present time is set forth:

1. In general it has been German strategy to attack with the greatest strength at the weakest point.

2. In order to weaken the victim a technique of internal disruption by means of propaganda and subversive activity has been developed.

3. German methods have been characterized by careful planning and rapid execution. The enemy has shown no scruples, but has made full use of surprises and flexibility and has been bold in taking chances.

4. Germany has achieved tactical surprise, not by the use of new weapons, but by the use of known weapons in new ways, particularly:

a. The employment of dive bombers in cooperation with mechanized and motorized troops in land operations.

b. The use of parachute troops and air-borne Infantry on a large scale.

CONFIDENTIAL

CONFIDENTIAL

85

c. The organization of fifth column activities as an adjunct to military operations. (It is noteworthy that the enemy has not made use of toxic gases as yet, at any rate not in the Western operations.)

5. The efficiency of British antisubmarine measures has been demonstrated by the test of war. Although we have suffered, and undoubtedly will continue to suffer, considerable losses from enemy submarine operations, we have largely mastered the submarine threat. It does not at present constitute the grave threat that it did in the last war. However, a very heavy strain has been thrown on our available resources of light naval craft and our requirements in this respect constitute our most pressing current naval problem.

6. The Navy has also succeeded in developing an efficient means of sweeping magnetic mines; and we are giving our own ships immunization against the present German magnetic mines by demagnetisation. At the same time we have a magnetic mine that is more difficult to counter.

7. The British campaign in Norway brought home to us very forcibly the difficulties of maintaining a force in such a theater in the face of enemy superiority in the air when we lack good air defenses, especially at our bases. In any future combined operations involving the permanent occupation of an area within the range of an enemy air force we consider that fighter support will be essential. In addition the antiaircraft defenses for our airdromes must be installed from the start.

8. Our experience in France demonstrated:

a. The immense offensive power of armored formations and the value of mobile motorized units.

- 2 - CONFIDENTIAL

CONFIDENTIAL

90

b. The need for a higher proportion of antitank weapons.

c. The demoralizing of armored and mechanized forces thrusting deep into our lines without waiting for the support of other arms or worrying about their own flank protection.

9. In the realm of aerial warfare the following are the outstanding lessons.

a. The great ascendancy of the modern fighter over the bomber by day. It is not too much to state that daylight bombing, unless protected by fighters in great force, is so costly in casualties that it is uneconomical and usually ineffective. Even with such a fighter escort the day bombers are liable to a very severe rate of loss, as the current attacks on Britain are proving.

b. Night bombardment with highly trained crews is very effective and casualties are comparatively insignificant.

c. The importance of fire power in fighter aircraft, as evidenced by the devastating effects of the eight guns in our Hurricanes and Spitfires.

d. Even at the expense of bomb-carrying capacity, bombardment aircraft needs armor, self-sealing gasoline tanks, and a high standard of armament of which the power operated turret is an example.

10. While war experience has confirmed our previous opinion that the fighter provides the primary defense against the bomber (and undoubtedly we underestimated our fighter requirements

CONFIDENTIAL

CONFIDENTIAL

91

before the war) the value of antiaircraft gun fire has at least come up to our expectations. A strong concentration of heavy antiaircraft guns is essential in the defense of vital areas and serves as a deterrent.

11. The most conspicuous success has been achieved by the light antiaircraft gun. The great density of the light flank antiaircraft guns covering the German columns advancing into France resulted in very heavy losses of our aircraft and undoubtedly contributed greatly to the speed of their advance.

12. Experience has proved the mental and physical effects of the balloon barrage defense system.

13. Our radio direction finder system has proved itself invaluable in giving our fighters time for interception.

LEE

Copies to: General Watson
Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
ONI
WPD

CONFIDENTIAL

CONFIDENTIAL

G-2/2657-231

M.I.D., W.D.
Special Bulletin No. 11
August 22, 1940

BRITISH TANK OPERATIONS IN THE VICINITY OF
ARRAS, MAY 19-23, 1940.

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) MEM, "Dissemination of Military Information by the Military Intelligence Division and by Recipients of M.I.D. Information".

CONTENTS

I. INTRODUCTION.

General Situation Created by the
German Advance, May 10-21.

II. LIMITED TANK OPERATIONS ABOUT ARRAS.

A. Operations South of Arras, May 19 -
21.B. Operations North of Arras.

1. May 22.
2. May 23.

CONFIDENTIAL

23

CONFIDENTIAL

I. INTRODUCTION.

A. General Situation Created by the German Advance,
May 10 - 21.

The invasion of the Low Countries began at daybreak on May 10, when the Germans crossed the borders of the Netherlands, Belgium, and Luxembourg, and simultaneously launched air attacks against the Netherlands, Belgium, and France. The story of the German advance is too familiar to call for elaboration, but as an introduction to the limited operations of May 21, 22, and 23 in the vicinity of Arras, some mention of its more important phases may well be made.

On May 11 Fort Eben Emael, one of the strongest Allied forts, was surrendered; the following day the Germans claimed that Luxembourg was in their hands, and on May 14 they reported the capitulation of Rotterdam, although the Dutch stated that their troops were still holding the northern part of the city. By May 16 Amsterdam and The Hague were claimed by the Germans, and it was admitted by the French that the invader had pushed westward through Belgium to the Meuse between Namur and Sedan. The Germans said they had crossed the Meuse in several places, including points near Sedan.

According to German accounts, Brussels capitulated May 18, and on the same day, south of Maubeuge, German armored corps pierced French frontier defenses, smashed two enemy divisions, and pursued retreating forces over the Upper Sambre and as far as the Upper Oise. The following day the Germans crossed the Oise and claimed the capture of St. Quentin, although the French did not admit this loss. They reported that, to the southwest, they had taken Fort 505 of the Maginot Line and had reached the district north of Laon, as well as the Aisne River near Rethel, "with heavy forces." The French claimed to have repulsed an attack upon Montmedy.

Meanwhile the advance continued in other quarters. The Germans reported that all the Netherlands was in their hands on May 19 and that, on the following day, the British were hurrying toward the Channel ports in forced marches.

On May 20 near Maubeuge, according to German reports, a French-Belgian army, thwarted in an attempt to retreat southward, started to move westward. Southwest of Maubeuge, German tanks and motorized units reached the Somme Battlefield of 1916 on the Cambrai-Peronne Road.

CONFIDENTIAL

CONFIDENTIAL

The Germans claimed the defeat of the Ninth French Army, located along the Meuse between Namur and Sedan, and the capture of its staff and headquarters on May 21. Armored cars and motorized troops, they said, took Arras, Amiens, and Abbeville, and all French and Belgian armies north of the Somme were being pushed toward the Channel. On the same day they claimed the capture of Rethel, the capture of Laon, and an advance as far southwest as the Aisne-Oise Canal.

II. LIMITED TANK OPERATIONS ABOUT ARRAS.

The following account, based upon eyewitness reports, was obtained from a high British official source.

A. Operations South of Arras, May 19 - 21.

"By May 19 the Germans had made a gap in the line from Arras to Cambrai some 20 miles in width, and through this gap they had poured great numbers of troops who had encircled the British and French troops to the north. Up to this date the French had made little attempt to close the gap; it was believed, however, that at long last they had concentrated the necessary forces south of the Somme to counterattack northwards via Cambrai, with a view to cutting these very vulnerable enemy communications.

"In order to support these operations, G.H.Q. was very anxious to take any possible steps to launch even a small offensive southwards from Arras. The troops of the B.E.F. were already very much extended, and there were very few reserves; nor had the French any fresh troops in that area for such actions.

"On the evening of May 19, the Commander-in-Chief saw the general officer commanding the 50th Division and informed him that at any rate a portion of his division would be sent south to Arras for this purpose, and that the 1st Army Tank Brigade would also be sent and placed under his orders. The 50th Division had left the 25th Infantry Brigade Group to fight on the River Dendre behind Brussels, and the 151st Brigade Group was in position on the La Bassée Canal. The 150th Brigade Group was in hand. (Note: The strength of the British infantry brigade is a headquarters company, 3 infantry battalions, and one antitank company of nine 25 mm. guns, with a total of about 2100 men. This approximates the strength of the American infantry regiment. G-2.)

"A little later, it was decided that the 5th Division would also be sent to Arras for this purpose, and the senior commander, Major General Franklyn, took command.

CONFIDENTIAL

CONFIDENTIAL

"The 50th Division moved south as fast as possible with the 150th Infantry Brigade Group and reached Vimy, just north of Arras, at mid-day on May 20. It was decided that the 25th Infantry Brigade Group, which had suffered fairly heavy casualties on the Dendre, should replace the 151st Infantry Brigade, and the latter would then be free to rejoin the 50th Division at Vimy early on May 21.

"In the meantime the 13th Infantry Brigade, which was the leading brigade group of the 5th Division, had arrived at Vimy during the afternoon of May 20.

"On arrival at Vimy, it was clear that the town of Arras might be attacked at any moment. The garrison was both small and tired. The general officer commanding the 50th Division therefore sent one battalion, one antitank battery, and one field company as reinforcements. These were sent from the 50th Infantry Brigade.

"During the afternoon of May 20, Major General Franklyn, who became known as the general officer commanding Frankforce, arrived at Vimy and decided to relieve the French light mechanized division on the east of Arras with the 150th Infantry Brigade and the leading brigade of his own division. This was carried out after dark.

"The position was now fairly secure; Arras had been reinforced, and the two infantry brigades which were to relieve the French 1st Light Mechanized Division would hold the River Scarpe east of Arras without much difficulty. Moreover, this relief would give us the light mechanized division to cooperate with our offensive operations; they were tired troops, but they still had some 60 or 70 good tanks with thick armor.

"Late on the night of May 20, a conference was held by General Franklyn. A general discussion took place, but no detailed plan for offensive operations could be made, for no further troops had yet arrived. Moreover, the tactical situation might well change before this happened.

"The 151st Infantry Brigade Group and the 1st Army Tank Brigade arrived during the early hours of the morning of May 21 after a tiring journey. The 50th Division sent them instructions to obtain all possible rest for a few hours preparatory to carrying out reconnaissances and a forward move to assembly areas for an attack.

CONFIDENTIAL

CONFIDENTIAL

"At 0600 hrs. on May 21, General Franklyn held a conference to settle the details of the plan for an attack. The general scheme was that the 50th Division, which consisted mainly of the 151st Infantry Brigade Group, was to attack in cooperation with the 1st Army Tank Brigade around the south of Arras and clear the area of the enemy as far around as the River Sensee. The general officer commanding the 50th Division was to command the attack, which was to be carried out in two phases; the first to the River Cojeul, and the second to the Sensee. During the second phase, the 13th Infantry Brigade Group of the 5th Division was to advance over the River Scarpe and cooperate. General Franklyn was in command of the whole operation and responsible for liaison with the French and for cooperation from the 5th Division. The attack was timed to cross the infantry start line on the Arras-St-Pol road at 1400 hrs.

"The operation resolved itself into clearing an area about 10 miles deep and 4 miles wide, and the commander of the 50th Division stated that he proposed to carry this out by advancing through the area with two small mobile columns. The area was, of course, much too large for a normal advance with troops extended on the front when only such a small force was available. He also asked that the time for passing the start line should be made 1500 hrs., as it was then 0700 hrs., and the troops had an 8-mile march to the start line in addition to the reconnaissances which had to be carried out. General Franklyn, however, pressed for the attack to be launched at 1400 hrs., and in point of fact, it was eventually launched at 1430 hrs.

"The troops had not been rested for several days and had passed a sleepless night. They had never, of course, received much training in working as a mobile column with tanks, and this was their first serious encounter with the Germans. The test was, therefore, a high one for a territorial division. The 1st Army Tank Brigade was not going to be employed in the role for which it had trained, but was given a task more suited to an armored division.

"Although the French troops had been in this neighborhood for several days, they had little idea as to what German troops opposed them. The general opinion was that the enemy had a few troops scattered about in the area and a considerable number of tanks. It was the latter which the French feared, although they possessed better tanks in fair numbers themselves.

CONFIDENTIAL

CONFIDENTIAL

"With so little time and information available, it was not easy for the commander of the 50th Division to decide on the best tactics. If the opposition were chiefly tanks, then the right plan was to send our infantry tanks ahead to deal with them while the infantry and gunners followed up to secure the objectives. Infantry would be merely in the way in a battle of tank against tank. If, however, a defensive position were met, then close cooperation would be required between infantry and the tanks. The plan was therefore adopted of sending the tanks in a little ahead of each column. If enemy tanks were met, our infantry tanks with their thick armor should fend them off while the infantry followed up. If, however, a defensive position were met, then the infantry tanks would wait under cover until the infantry advanced and a combined plan was made.

"The 1st Army Tank Brigade, which had marched by road from Brussels, now had only 16 Mark II tanks, 58 Mark I tanks, and 12 light tanks available for operation. For the actual attack, the allotment of tanks was as follows: 7th Battalion, Royal Tank Regiment, 23 Mark I tanks, 10 Mark II tanks, and 5 light tanks; 4th Battalion, Royal Tank Regiment, 35 Mark I tanks, 6 Mark II tanks, and 7 light tanks.

"The two mobile columns, in addition to the tank battalions, each consisted of one infantry battalion, one anti-tank battery, one battery of 18 pounders, and one company from the machine gun battalion.

"Each column was commanded by the infantry battalion commander, and they duly arrived at their assembly areas - Maroeuil for the right column and Anzin St. Aubin for the left. At this point, the commanders of the tank battalions were able to have a brief discussion with the infantry commanders, and agreement was reached on the main points.

"The infantry on the left column arrived late, and the advance to the tank start line (line of railway 700 yds. south of and parallel to the Arras-Doullens Road) was further delayed by the fact that the enemy were found to be holding posts on our side of the start line. Those posts had remained silent during the preliminary reconnaissances, but it showed how little interest the French troops had taken in the enemy movements on this front.

"The French light mechanized division with some 60 tanks, was to advance on our outer flank to give us flank protection. The 8th Light Infantry Division was on the right,

CONFIDENTIAL

CONFIDENTIAL

and the 6th on the left, while the 9th was kept in reserve. The center lines of advance of each column were:

"Right Column: Haroeuil - Duisans - Warlus -
Willy - Mercatel - Neuville -
Hainin-sur-Cojeul - Croisilles.

"Left Column: Anzin, St. Aubin - Dainville -
Achicourt - Beauraines - Tilloy
les Hofflaines - Wancourt -
Cherisy.

"The 4th Battalion, Royal Tank Regiment, advancing in front of the left column, met the enemy almost at once to the west of Dainville. They shot up, with one section, a German motorized column which was advancing on Dainville from the west, killing many of the enemy and destroying their vehicles. The battalion met further opposition in the form of fire from anti-tank guns and enemy field batteries simultaneously with crossing the start line.

"Owing to the nature of the ground (i.e., railway cuts, etc.), the advance of this battalion was more to its right than it should have been until the River Crinchon was crossed. After crossing this stream, the correct line was followed.

"The 6th Light Infantry Division followed the tanks at some distance in artillery formation. There was a good deal of sniping and artillery fire, but the battalion continued the advance in a steady manner and mopped up the area around Dainville. Many prisoners were taken. The men had started rather tired from their march, but the sight of the damage caused by tanks and the fact that they were capturing and killing many Germans gave them new energy.

"The 4th Royal Tanks continued their advance on Achicourt, where the six Mark II tanks were told verbally by the commanding officer to deal with strong enemy antitank gun positions north of that place. Shortly afterwards, Company A, 4th Royal Tanks (in battalion reserve) was ordered to go into the attack between B and C Companies, which, by this time, had become separated.

"Very considerable antitank gun and field artillery opposition was met until the advance of the tanks was held up on the Arras-Bapaume road between Beauraines and Mercatel. Shortly before this, the battalion commander, Lieut.-Colonel J. G. Fitzmaurice, was unfortunately killed. He was commanding from a

CONFIDENTIAL

CONFIDENTIAL

light tank which received a direct hit from a field gun of a battery sited east of Mercatel.

"It was now about 1600 hrs., and the 6th Light Infantry Division was seen advancing toward the Arras-Boullens Road. Touch was gained with the infantry by the adjutant of the 4th Royal Tanks, Capt. T. Cracroft, who informed them that there was no opposition on the ridge immediately in front. The 6th Light Infantry Division at this time was taking numerous prisoners, who were putting up no opposition.

"In the meantime, the right column had not been progressing quite so well. The 7th Battalion, Royal Tank Regiment, which was to lead the column, arrived rather late. It proceeded at once through Duisans, where it shot up enemy infantry and transport. It was followed by the 8th Light Infantry Division, which entered Duisans at about 1900 hrs. Some sniping and machine gun fire and a certain amount of shell fire were encountered crossing from the west, but casualties were slight. The whole area was mopped up, and about 100 prisoners were taken. Although tank crews and infantry were inevitably tired from their previous exertions, they were elated by these successes and by the sight of the damaged enemy transport and equipment caused by the leading tanks.

"At this stage, however, the advance of the 8th Light Infantry Division was held up at or around Marlas by the enemy, who were reported to be in some strength and supported by some tanks.

"At about 1530 hrs. the commander of the 50th Division arrived and saw that the left column was pushing ahead a good deal faster than the right column. He therefore ordered the left column to secure Beauraines, and made it into a tank proof locality. He then returned, at about 1600 hrs., to the right column where the situation was somewhat confused. The 7th Royal Tanks had continued their advance past Marlas and were well on their way to Bailly-Ficheux, which was strongly held by German field and antitank guns.

"About this time the 7th Battalion commander was put out of action. His tank had been hit by several field gun shells, which had damaged the track without injuring the crew. Later, Lieut.-Colonel Heyland was hit and killed by machine gun fire. As the adjutant's tank was also out of radio touch at this time, control was very difficult, and was only carried out by the use of liaison officers in

CONFIDENTIAL

CONFIDENTIAL

light tanks. Enemy tanks were reported to be near Warlus. The division commander impressed on the right column commander the necessity to press hard and obtain further information, so that the necessary forces or artillery support could be brought to bear to clear a way through Warlus. Unfortunately, because of the fact that both tank battalions had been already committed, one to each column, and that the 3rd Battalion of the brigade had necessarily been left in England, there was no reserve of tanks in the brigade to deal with this situation. A little later the French tanks, which were advancing rather slowly on our right flank, saw our antitank guns, which were in position protecting the right of the 8th Division. They turned toward them, and the antitank battery presumed that they were French tanks, although they had no special marking visible. Suddenly the French tanks opened fire and knocked out one antitank gun, killing two men. Fire was then opened and one gun fired five shots, which killed or wounded the crews of four tanks. The tanks were now coming to close quarters, and the French saw their mistake and emerged from their tanks. Their commander apologized for their regrettable mistake.

Meanwhile the 4th Battalion, Royal Tank Regiment, was continuing to push ahead. The adjutant of the battalion, Captain Gracraft, advanced into a shallow valley 1,000 yards northwest of Mercatel, where he found the remainder of the battalion. On this advance, antitank guns, armored cars, and miscellaneous stationary transport vehicles were spotted on the road running west of Mercatel. Some of these antitank guns were in position. He collected all available tanks and led the attack on to this road. This attack was successful, and very considerable damage was inflicted both on personnel and material. No further casualties were sustained by the tanks.

"Although the advance had been successful as a whole, it now became clear that the original proposal to reach the Sensee River could not be achieved. This plan had entailed an advance of some ten miles, which could obviously not be carried out against anything except the very lightest opposition. It was necessary now to decide on plans for that night and the following day, and the commander of the 50th Division returned to see the commander of Frankforce, General Franklyn, at Vixy. So far, heavy casualties had been inflicted on the enemy with only small losses on our side. It was, however, certain that the enemy would hit back and that he could do so presently with very superior forces. If we had possessed more troops immediately available to support these small forces which had penetrated so deeply into the enemy area, it would have been another matter, but such forces were

CONFIDENTIAL

CONFIDENTIAL

not available. The 50th Division commander therefore suggested a withdrawal, as there did not seem very much object in retaining his troops in these very exposed positions. In view, however, of the necessity to make a demonstration south of Arras in support of the French counter-attack from the south, the 50th Division was ordered to hold the tank-proof locality at Beaudraines and another at Duisans after the situation at Warlus had been cleared up. Orders had already been sent out to both tank battalions to stand fast. The 4th Battalion had already taken up a forward rally position immediately behind the infantry, which was being subjected to heavy artillery fire from a battery due east of Mercatel. At the request of the forward company commander of the 6th Division, who thought the tanks were drawing this fire on them, the battalion was withdrawn another 400 yards and rallied there ready for counter-attack.

"The enemy were, however, very incensed at the successful attack which had been launched against them. They had complete superiority in the air and had watched the whole progress of the battle. As soon as they saw our columns collecting in their tank-proof localities, they made their plans for a counter-attack, for which they had already concentrated the necessary forces. Their general plan was simple and sound. They had no intention of attacking us if we held a strong defensive position, especially in an antitank locality. The plan was, therefore, to use an intensive air attack to drive us out of such a position and then launch a tank attack against us in the open, using large numbers of tanks and counting on catching the infantry before they could be protected by antitank guns.

"About 1815 hrs., the enemy launched very heavy dive bombing attacks on Beauraines, where the 6th Division was forming a tank-proof locality, and also on the main body of the right column near Warlus. These attacks were delivered by more than a hundred planes and lasted for 20 minutes. They were easily the most intensive air bombardments which our troops had yet encountered, and the men were already very nearly exhausted. The 6th Division was forced to extricate itself from Beauraines and was later attacked by a number of tanks in the open.

"The 4th Battalion, Royal Tank Regiment, though now somewhat reduced in numbers, stemmed the tide of the enemy advance. The details of the action on this part of the front are of interest.

"After the heavy German air attack, the infantry had withdrawn from Beauraines toward Achicourt, with the tanks at a forward rally 200 yards behind the forward line held by

CONFIDENTIAL

CONFIDENTIAL

the infantry. It was just beginning to get dark by this time. As soon as the tanks were in position, the adjutant of the 4th Royal Tanks went forward about 200 yards to the crossroads 800 yards southeast of Achicourt and made contact with the infantry commander of the 6th Division. While talking to him, the adjutant heard tanks approaching along the road from the front. As it had been previously reported that a Mark II Tank of the 4th battalion had broken down on the ridge in front, it was thought that it was this tank returning. At the request of the infantry commander, the adjutant went to investigate. It was quite dark by this time and there was a considerable amount of smoke from fires burning in the vicinity. The leading tank had approached almost up to the crossroads. The adjutant stopped it by waving a bundle of maps in front of the driver's visor. Flaps were then opened and German heads appeared; there was some shouting in German. It was then realized that this was a German tank about the same size as a Mark II or a little bigger. The adjutant shouted a warning and ran back to his tank, a distance of about 250 yards. The German tanks, about five in number, started firing and took up a line along the road facing the 4th Battalion rally position, about 250 yards away. All tanks on both sides opened heavy fire, which was maintained for about 8 minutes, when it was realized that ammunition was being wasted, as fire could only be directed at approximate position of enemy tanks. A few of the enemy tanks were firing guns about the size of 2-pounders. A smoke candle was then effectively fired from a smoke projector to stop the firing. When the smoke cleared, firing broke out again, but shortly afterwards the German tanks withdrew. After this withdrawal by the enemy, both tanks and infantry of the left column withdrew to Achicourt.

"On the right flank the air bombardment was followed by tank attacks on the troops from the southwest of Duisans and on Marlus. Antitank guns were quickly in action under the direction of the commander of the 260th Antitank Battery of the 65th Antitank Regiment, Major Forrester. Second Lieutenant Spens, with one troop, was particularly successful, knocking out several German tanks, many of which were set on fire.

"After these attacks, it became clear that the enemy was in very superior strength, and both columns were ordered to withdraw. The 4th and 7th Battalions, Royal Tank Regiment, were rallied during the night at Ecurie. The darkness and the shortage of large scale maps made the withdrawal most difficult. During the early hours of May 22, both

CONFIDENTIAL

CONFIDENTIAL

battalions returned to the Viny area, many tanks having been in action for some seven hours with crews inside them for 10 to 12 hours.

"To sum up, the result of the attack was that heavy casualties were inflicted on the enemy, and between 300 and 400 prisoners were taken. A total of some 20 enemy tanks were destroyed. Our infantry tanks showed a definite superiority over the enemy tanks. The armor of the Mark I and Mark II tanks resisted direct hits from enemy antitank guns quite easily, and the bursting of the shells had no effect upon the crews. Conversely, our 2-pounder gun penetrated all the enemy tanks, and the tracer often set the tanks on fire. The advance of five miles through enemy country, carried out by the 6th Division and the 4th Royal Tanks, showed remarkable powers of endurance, especially when it is remembered that the troops had had little rest and had had an approach march of 8 miles to the start line. The 8th Division and the 7th Royal Tanks on the right met stronger opposition, and the tanks on this flank lost contact with their infantry and advanced without them. The loss of the commanding officer, the adjutant, and the senior company commander of the 7th battalion increased the difficulties of command and control on this already extended front. The enemy counterattack during that evening was, however, resisted with success. Both the 4th and 7th Battalions, Royal Tank Regiment, showed great determination and fighting qualities. The number of tanks available and their mechanical efficiency had been considerably reduced by the long marches, which had necessarily been undertaken. If larger numbers of tanks had been available, properly supported by air, artillery, and stronger mobile forces, a very great success might have been achieved.

Points of Interest from This Action.

- (1) "The large number of enemy antitank guns (37 mm.) encountered.
- (2) "The vulnerability of the crews of these antitank guns. A burst of well directed .303 machine gun fire at the flash invariably silenced the guns, even up to ranges of 800 yards.
- (3) "Frontal siting of antitank guns. In no case was an antitank gun seen in a defiladed position. The guns were usually well concealed, but were clearly indicated by the flash of firing.

CONFIDENTIAL

(4) "The poor fighting qualities of the German troops encountered. They were very young, and large numbers were observed lying on the ground face downwards feigning dead; others ran up to the tanks, surrendering.

(5) "The accuracy of the German field batteries and the efficient spotting of German observation planes. Targets were rapidly and effectively engaged by these batteries.

(6) "Lack of support of any description from our own artillery during the attack.

(7) "Lack of support from our own air force and no defense against enemy bombers or reconnaissance machines.

(8) "Long distances covered by the tanks during the previous week. Both battalions had arrived at Brussels during the night of May 14-15 by rail, had left Brussels by road during the afternoon of May 17, and had marched continuously since that date before going into this battle. Thus they covered about 120 miles in five days. The strain on crews and tanks had been great and had led to losses of tanks because of mechanical failure. The speed of Mark I tanks is about 3 m.p.h.; of Mark II tanks, about 6 m.p.h.

(9) "Armor. Both Mark I and Mark II tanks were definitely proof against the German 37 mm. antitank gun.

"One tank shows 14 direct hits and another 24, including two hits from the gun of the German tank that appeared in the semi-darkness on the 4th Battalion front. Ranges varied from 150 yards to 250 yards. The only indication the crew had of being hit was a red glow for a few seconds on the inside of the armor plate.

"Another Mark I was hit three times by a French 88mm tank without any ill effects. The mark on the outside of the armor plate was only 1/10th of an inch deep.

"Although on frequent occasions tanks passed through heavy enemy artillery fire, nothing but a direct hit from their field gun (105 mm. gun-howitzer) affected them. One tank commander reports that a shell burst just above the radiator of the Mark I and that the crew suffered slight concussion only. There was no damage to the tank. This shot was probably from the German 75 mm. infantry gun (14-lb. shell) and not the 105 mm. gun-howitzer (33 lb. shell).

(10) "Tracer Ammunition. This was most effective, and it is essential to have a proportion of tracer, 1 in 4 in each belt of small arms ammunition. Conversely, penetration of tracer ammunition through the front louvres of the Mark II tanks caused fires in some of our tanks.

(11) "Radio. Radio communication inside battalions broke down early in the battle. This was partly due to lack of time for netting, bad atmospherics, and casualties to commanders' tanks. Two commanding officers, one adjutant, and two company commanders were lost.

"There was intermittent radio communication with battalion liaison officers (Anchor sets) from brigade headquarters. Communication was maintained through liaison officers and by sending each message with light tanks. The width of front and depth of advance made this a slow and difficult affair.

"During the evening, when radio communication was established with the 7th Battalion, the enemy definitely tried to jam but without much success."

B. Operations North of Arras

1. May 22.

"During the morning and early afternoon, the 1st Army Tank Brigade returned to the Vinny area from the brigade rallying point at Ecurie. All vehicles were widely spaced out, as German aircraft were very active, and roads were continually machine gunned and bombed. The move was successfully completed. The 7th Battalion, Royal Tank Regiment, now under the command of Major H. F. G. Barrett, took up a position on the Givenchy Ridge covering the Souchez Gap.

"Casualties, chiefly of a mechanical nature, had reduced the fighting strength of the battalion to that of a strong company. It had 7 Mark II tanks and 13 Mark I tanks.

"In the evening it became apparent that a German threat was developing on the right flank in the general direction of Mont St. Eloi. In view of this, the 4th Royal Tanks, which now had about 14 Mark I's, were moved up on to the Vinny Ridge and concealed in the trees on the west side of the main Vinny-Arras Road, with the role to counterattack any enemy advance from Arras and west of it toward the Vinny Ridge. The 7th Royal Tanks remained on high ground east of Souchez, with a role of protecting the right flank of the divisional reserve position (Vinny Ridge) and covering the Souchez Gap."

CONFIDENTIAL2. May 23.

"During the early morning, Major General Franklyn ordered the commander of the 1st Army Tank Brigade to coordinate the Allied tank forces (British and French) for the defense of the area. The brigade commander visited General Prioux, commanding the French cavalry corps in Petit Vimy, and also General Picard, commanding the 1st Light Mechanized Division. From General Picard and from Commandant Pinon he gathered that in the Souchez-Neuville-Mont St. Eloi area there were some 30 Somua and 24 Hotchkiss tanks.

"The importance of clear distinguishing marks on tanks was again emphasized during the visit to General Picard at Neuville, where a French 75 mm. battery fired some ten to fifteen rounds at one of their Somua tanks at a range of 800 to 1,000 yards. Fortunately the tank was not hit before this regrettable mistake was discovered.

"It was agreed with the French that some 10 Somua tanks would support our 17th Infantry Brigade, commanded by Brigadier Stopford. This infantry brigade was now holding a line on the River Scarpe from Mont St. Eloi (excl.) to Arras (excl.), with brigade headquarters at Ecurie. Another ten Somua tanks would watch Mont St. Eloi, all of them on counter-penetration role. The remainder of the Somua tanks were concentrated about Souchez. Later all the Hotchkiss tanks moved northwest through Souchez to meet a German threat in that direction.

"About 1100 hrs., a heavy German attack on Mont St. Eloi developed, and the right flank of the 17th Infantry Brigade was turned. The commander of the 1st Army Tank Brigade saw Major Garrett, commanding the 7th Royal Tanks, who now had the majority of his tanks on the high ground northwest of Souchez near the cemetery, and ordered him to move south through Souchez, leaving one company to face north and northwest.

"Accompanied by Major Garrett, a reconnaissance was made to find a suitable position from which to deal with the German attack, which could be seen advancing on the general line Mont St. Eloi - Givenchy. The position selected was south of Carency on a ridge flanking the German advance. Major Garrett led A and B Companies to meet the attack and ordered D Company to hold the Souchez Gap.

CONFIDENTIAL

CONFIDENTIAL

"The German advance was making progress as these two weak companies arrived on the ridge. The German tanks leading their advance appeared to be of the same size as our Mark II. They made use of smoke, but several were knocked out by the fire of our 2-pounder antitank guns. French Somua tanks were cooperating on the right flank. The combined action of the 7th Battalion and the French successfully stopped the German attack, and the enemy withdrew.

"Unfortunately, Major Garrett was killed by machine gun fire about this time, while directing operations outside a tank.

"The 7th Battalion rallied near Souchez about 1400 hrs., where Major Parkes took over command. It still continued to defend the right flank of the Viny Ridge position. Information was received from the French of a further German attack to the northwest. The battalion was accordingly moved back again to the Notre Dame de Lorette Ridge. From an O.P. near the Cemetery Memorial a German motorized column could be seen out of range in the direction of Villers au Bois-Mont St. Eloi, lined up in close order. The column then moved in the direction of Souchez.

"All available tanks of the 7th battalion (some 14 to 15) were disposed to meet this new threat. Two sections were left to hold the Lorette Ridge, two sections to hold the outskirts of Souchez in collaboration with the French, and one section under the acting battalion commander advanced through Souchez toward Carinel in the direction of the German advance. This section met German antitank guns covering the blazing barricade in Carinel as well as German infantry, who had apparently de-bussed and were advancing toward an assembly area at the foot of the Lorette Ridge. These were successfully engaged by fire and the assembly area sprayed with machine gun fire.

"The acting battalion commander withdrew again to the Lorette Ridge, leaving one section to cover Souchez.

"When the positions on the ridge were taken up, small parties of infantry were observed from time to time at several points approaching the position. No great fire effect, however, could be obtained on these parties because of their skillful use of cover.

CONFIDENTIAL

CONFIDENTIAL

"It was by this time approaching dusk, and, in accordance with previous instructions, arrangements were made to withdraw to the Givenchy Ridge on the east side of Souchez. While this withdrawal was in progress, an attack of German tanks and infantry developed against the ridge. This was engaged by two Mark II tanks, one forward of the Givenchy Ridge and one to a flank at the foot of the ridge covering the withdrawal of the remainder. Enemy tanks were of light and medium type; four or five were knocked out. It was not easy to observe fire effect, owing to the fading light, and toward the end, fire was confined to shooting in the direction of the enemy gun flashes. Two of our Mark II tanks had to be abandoned eventually because of serious mechanical trouble (gearbox and rackbars) and consequent inability to get away, but all ammunition was first expended.

"There is no doubt that the action of the 7th Battalion, Royal Tank Regiment, throughout May 23, with its reduced number of tanks, definitely held up the German advance toward Lens and saved the right flank of the 5th and 50th Divisions, all under the command of Major-General Franklyn, from being turned.

"The 1st Army Tank Brigade had been told that the battle was to be fought out on the Vimy Ridge and its continuation to the north, and action had been taken to comply with these orders.

"The 4th Royal Tanks had not been engaged during the day. The battalion unfortunately had no Mark II tanks of its own, and could only have dealt with enemy infantry attacks on to the Vimy Ridge.

"German aircraft were very active all day, starting at dawn with air reconnaissances, followed by heavy bombing and machine gun attacks on all roads, villages, and located troops. Brigade Headquarters, the Command Post of the field ambulances, and unit rear echelons had casualties from these attacks. During the afternoon, it was decided to move the rear echelons of units and all spare personnel to the north of Lens, and orders were issued for moves to start at dusk.

"About 2300 hrs., General Franklyn sent for the brigade commander and issued verbal orders for an immediate withdrawal to an area northwest of Carvin (southwest of Lille). This was a complete reversal of the decision given during the afternoon, that the whole force would stand and fight on the ground then held.

CONFIDENTIAL

CONFIDENTIAL

109

"Orders were issued to the brigade, and a withdrawal in good order was made during the night on the Menin Iistard-Carvin route. Fortunately, as night fell, German activity ceased as usual, and no attempts were made to follow up any success gained during daylight."

CONFIDENTIAL

Telegram received by The American Metal Company
from Monterrey, August 22, 1940.

- - - - -

"Banco de Mexico has suspended silver purchases understand indefinitely."

The foregoing refers to purchases at the rate of 2,000,000 ounces per month, beginning last June, which had been prorated among some but not all of the Mexican silver producers.

Copy of Letter from B. Mexico City, August 22, 1940.

A momentary excitement was caused in this city, when it became known that a new attempt to kill Trotsky had been made on Tuesday last. And on this occasion his enemies were more successful than they had been in May. Trotsky died last night of the wounds inflicted by just one man with a miner's pick. The murderer was caught while slaying Trotsky, and was badly beaten up by the latter's assistants, but his injuries are such that he will survive. His identity seems to be that of a French or Belgian Canadian who entered the country on a transit passport and posed as a close friend of the former Soviet War Commissar. It is generally believed that this man was an envoy from Moscow, in some way connected with the G.P.U., but it is doubtful if this point will ever be cleared up. There are so many dissensions and intrigues amongst the local communists, and Trotsky had succeeded in making so many enemies amongst them that it is quite possible that the plot has its origin right here. Trotsky's death should remove a source of constant trouble and concern to the Mexican Government, which has existed since he entered the country as a political refugee. It is astounding that the man could be reached, because he was constantly guarded, both privately and officially. His friends and followers both here and abroad made every effort to save his life, and even called for outstanding American specialists, who were reported flying to Mexico from New York and California, but it was too late. The miner's pick had fractured his skull and entered the brain. We believe that public in general is viewing his death with indifference, some of the communistic factions with delight, and a comparatively small group with regret.

The electrician's strike which had been threatening for so long and had been postponed several times, finally came into existence on Tuesday morning, affecting a number of cities and adjacent territories in different States; these are Puebla, Veracruz, Tampico, Torreon, Teacatecas and Mazatlan, and all plants belong to the Electric Bond and Share System, although we understand that not all of their plants are affected. The history of the strike, as we understand it, is the same as usual; renewal of collective labor contract, for which the Union, backed by the C.T.M., is making exorbitant economical demands, which are far beyond the possibilities of the companies. We understand that this evidence has been furnished by the Companies to the Government. The Labor Department is making efforts to obtain the Companies and the Union's consent to arbitrate this strike. But the latest information available shows no headway in this direction, which is not surprising after the experience learned from the arbitration of the oil companies labor troubles. One of our friends of the Electric Bond and Share Company tells us that solution of the difficulty is not in their hands, which we interpret to mean that the strike may last unless the Government brings pressure on the Union. We do not believe that the Government is viewing this strike very favorably, and in the affected

-2-

sections it is decidedly unpopular, as in some of them the most essential services such as drinking water are lacking. Talking about strikes, the Cananea strike continues in the same state.

Politically there have been no outstanding events, and on the surface everything seems to be normal and quiet, but there are still plenty of rumors predicting trouble, but no outward indications.

The reorganization of the Oil Administration is now in full swing, and the President himself is taking a hand in it. He also continues to deal with the Railroaders in regard to their reorganization.

The exchange has been fluctuating between 4.95 and 4.99.

20158

Mexico, D. F.
August 22, 1940.

No. 11263

Subject: Stocks and Bonds of Companies in Mexico which
are held in countries Overrun by Germany.

Strictly ConfidentialVia Air Mail.

NOT FOR PUBLICATION

The Honorable

The Secretary of State

Washington, D. C.

Sir:

I have the honor to refer to Embassy Despatch No. 11071 of July 23, 1940, relative to stocks and bonds of companies in Mexico which may be held in Norway, Holland, Belgium and France. The Commercial Attache reports to me as follows on the subject, with particular reference to the French-owned copper producing company, Cia. El Boleo, S. A. of Lower California:

"In Embassy Despatch No. 11071 of July 23, 1940, the French copper producing company, Cia. El Boleo, S.A., located in Lower California was listed as one of the companies whose entire stock was held in France. At

the

114

the time of the writing of the aforementioned report, little definite information was available about the company, but, since that time I have been able to secure definite data through Mr. Marcel Mangematin, who is "conseiller du Commerce Extérieur de la France" at Guadalajara, Jalisco and who is also an agent of the company.

"The Cia. Boleo is producing at the present time from 9,000 to 10,000 metric tons of copper yearly with the ores being a lower grade than formerly. It is running slightly under 3%. The product in the form of blister copper is being shipped to Tacoma, and delivered to the American Smelting and Refining Company for refining and ultimate disposal. Generally, the American Smelting and Refining Company places the copper in bond for re-exportation. Mr. Mangematin stated that one reason for shipping the blister copper to Tacoma is that the company could obtain its timber, lumber and many other supplies from the State of Washington so that its steamers could be loaded on the return trip. The Cia. Boleo employs about 1,500 men at an average wage of 5.04 pesos per day with the minimum rate being 3.25 pesos a day.

"The company owns and operates three ships which formerly flew the Mexican flag and were known as 'Providencia', 'Corrigan IV' and 'Argyle'. The latter is a tanker. The boats fly between Santa Rosalia, Lower California, and other Pacific ports of Mexico and the United States, with an occasional trip to the Pacific ports of South America. Recently two of the ships 'Providencia' and 'Argyle' were changed to Panamanian registry. The name of the 'Providencia' was changed to 'Santa Agueda' and the tanker 'Argyle' became the 'San Luciano'. The 'Corrigan IV' remained under Mexican registry. In general, the tanker 'Argyle' or 'San Luciano' is used to bring fuel oil from California to Santa Rosalia and occasionally takes a cargo of the same product to South America.

"The most important point relating to Embassy despatch No. 11071 of July 23, 1940, is the possibility of the Cia. El Boleo or its stock falling into the hands of Germany. Mr. Mangematin stated that all of the shares and bank deposits of the company had been brought to the United States before the Germans reached Paris. He said that about 900,000.00 dollars of the company's funds in the United States had been frozen by the American Government. He said that recently operations were seriously hampered because the company could not obtain funds to pay labor in Mexico and bills due in the United States for supplies purchased. He added that after considerable effort 100,000.00 dollars of the funds were unfrozen, although, the company is still not out of the woods as it requires about 100,000.00 dollars monthly to meet the payroll and other immediate expenses.

"Thus

- 3 -

"Thus, my conclusion is that there exists very little likelihood of either the stock or funds of the company falling into German hands. The question of the unfreezing of the company's funds has already been taken up with the Treasury Department and Mr. Mangematin's statement concerning them is not placed in this report for any action."

Respectfully yours,

Josephus Daniels.

File 851.

TEL-jgl - EC - A

In quintuplicate to the Department of State
Copy to the Department of Commercial Affairs
2 copies for the Embassy files.

(Prepared for the Ambassador by the Commercial Attache)

MG

COPY

RDS

PLAIN

BATAVIA VIA MANILA & N.R.

Dated August 22, 1940

Rec'd September 4, 1940
11:20 p.m.

Secretary of State,

Washington.

August twentysecond (SECTION ONE)

Monthly. Indications are that there was further slight improvement since mid July in position wholesale and retail trades taken as whole but business still dull. Marked upswing not expected immediate future largely owing continued uncertainty international situation and readjustments required in economic life of Netherlands Indies since invasion of Netherlands. Importers still keenly interested in establishing connections with American exporters for wide variety products. Future course of non-military purchases in the Netherlands Indies appears to be largely dependent on dollars balances and willingness of authorities to allow use of dollars exchange. Prices of export commodities recovered noticeably in first half August after remaining at low level during second half July. Local tea market reacted favorably immediately upon decision of British Government to purchase forty million pounds Netherlands Indies tea. Prices principal native crops retail market continued slight decline. Reported government considering aid measures for copra producers in eastern part of Archipelago as economic situation in that area has steadily become worse due to eliminating by war of principal markets for its copra. This product is chief source of natives income there.

FOOTE

JRL

HR

PLAIN

Batavia via Macao & NR

Dated August 22, 1940

Rec'd 2:10 p.m.

September 4, 1940

Secretary of State,

Washington.

August 22 (SECTION TWO).

Monthly. Export commodity prices steady at low level second half July but recovered noticeable first half August; official whole-sale price index August tenth four seven point one against four four point eight July thirteenth four eight point eight consamer. Harvesting of main rice maize crops raised total harvested area native food-crops June thirteen above consamer nineteen above previous ten year average; replanted area larger by seven and twenty five respectively so this outstanding area end periods showed increases six and eighteen respectively; all in percent. Prices principal native crops retail markets continued slight decline. Food situation outer provinces remained generally favorable. Rubber market general quiet with only spasmodic demand from United States. As shipments now chiefly directed American continent and as freight rates to United States raised beginning August first local producers had accept during second half July discounts on August to spot rubber. Interest in futures practically nonexistent except towards mid August when some parcels September October transacted.

FOOTE

CSB

JT

PLAIN

BATAVIA VIA MANILA & N.E.

Dated August 22, 1940

Rec'd September 4, 9:34 p.m.

Secretary of State,

Washington.

August twenty-second, monthly. (SECTION THREE)

Issuance towards end July of Netherlands Indies permits for exports rubber in sterling currency beneficially influenced local market. In metric tons: exports July estate three three eight eight four, native two seven six one two, stocks estate end June three zero three five zero, native end July one two zero two eight, estate production June two three seven six zero. Sugar market improved considerably sales during month ended mid-August about double preceding period. Total Nivas publications from April first to August eleventh two seven six eight five two metric tons. Was reported early August that British Indian Government decided issue general import permits all goods originating Netherlands Indies but Netherlands Indies Government declined readiness limit sugar exports git India during current Nivas year--ending March 31, 1941--35,000 metric tons. Current year campaign reached peak of activity latter part July and since then increasing number mills reported completion grinding. Fourth official estimate 1940 crop one five zero three three eight zero metric tons.

FOOTE

LMS

JT

PLAIN

BATAVIA VIA MANILA & NR

Dated August 22, 1940

Rec'd September 4, 8:02 p.m.

Secretary of State,

Washington.

August twenty-second, monthly. (SECTION FOUR)

Pepper market recovered considerably and prices advanced thirteen percent month ended August thirteenth. It closed with good demand but small offerings. Exports June totalled one zero four seven metric tons of which three four seven United States. Coffee trade which suffered from loss European markets recovered considerably on receipt report possibility adoption aid measures by government. Further pronounced improvement tea market. Quotations other export products fluctuated fractionally. Government revenue June totalling four six million guilder decreased thirty point one percent compared preceding month due principally smaller receipts corporation tax import duty but increased eight point four percent consumer due chiefly larger receipts corporation income taxes export duty petroleum excise. Total receipts first half current year amounting two nine zero point seven million guilders increased sixteen point seven and twelve point one percent over consumer and estimated respectively.

FOOTE

IMS

RDS

PLAIN

BATAVIA VIA MANILA & N.R.

Dated August 22, 1940

Rec'd September 4, 1940
8:38 p.m.

Secretary of State,

Washington.

August twentysecond, Monthly (SECTION FIVE)

Banknote circulation declined further July averaging two one zero point six million guilders against two one three point six preceding month. This presumably due redepositing money withdrawn from banks and other institutions immediately after invasion Netherlands. Stock market remains officially closed. Credits and collections situation: Credits available in any amounts for large wholesalers but greatly restricted for small retailers; collections prompt from large import houses but increasingly slow from small retailers. Government railway receipts heavy July increasing sixteen point nine percent over June and three point eight per cent over consamper to four million guilders. Passenger receipts increased seventeen point nine freight receipts fifteen point four percent over June. Automotive registration figures June show continued decline demand passenger cars but large Government purchases commercial vehicles. Sales in units: passenger cars, June two six zero against three nine eight preceding months four zero eight consamper, commercial vehicles one eight one, one six two, one five one respectively.

FOOTE

LMS

bj

JT

PLAIN

BATAVIA VIA MANILA & N.R.

Dated August 22, 1940

Rec'd 8:15 p.m.

Secretary of State,
Washington.

August twenty-second, monthly. (SECTION SIX)

Total registrations first half current year three eight two six against three seven four three consumer of which two seven zero zero and two seven five five passenger cars. Government measures adopted since July twenty-second Monthly Economic cable include suspension certain obligations life insurance companies premium reserve of which invested in occupied territory; regulations governing delivery preserved albumen milk and buttermilk; authority deviate from certain provisions match excise ordinance in connection prevailing extra-ordinary circumstances; certain regulations pertaining foreign exchange Netherlands Indies; reduction tea export *restricting year commercial April 1, 1940 to one four one seven three five six zero zero half kilograms; regulations governing legal intercourse in war time further revised supplemented; revision tobacco excise regulations in connection raising tobacco excise; supplement coffee interests ordinance of 1937 stipulating previously established coffee fund act as single buyer and seller to aid distressed local coffee industry; levying

FOOTE

LMS

mg

RDS

PLAIN

BATAVIA VIA MANILA & N.R.

Dated August 22, 1940

Rec'd September 4, 1940
8:55 p.m.Secretary of State,
Washington.

August twentysecond, Monthly (SECTION SEVEN)

extra export duty of five percent ad valorem petroleum and products thereof chinchona bark, quinine, crude quinine, quinine, salt, rubber, tin, and tin ore beginning August eleventh this year. Foreign trade Netherlands Indies began feel impact invasion Netherlands strongly in June when imports very small and exports showed sharp drop in volume but increase in value over preceding month and consamer. Volume in thousand metric tons value in million guilders: imports volume one two six value two nine point seven, exports volume eight four seven point three value six eight point six. Imports from and exports to United States may value one zero point three and two four million guilders respectively against five point nine and eight point nine million respectively consamer. Paddock. END REPORT.

INFORM COMMERCE.

FOOTE

LMS

mg

COPY

No. 942.

Bogotá, Colombia, August 22, 1940.

Subject: Request for Assistance in Obtaining Release
of Blocked Funds.

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to inform the Department that the Belgian Chargé d'Affaires at Bogotá has requested the assistance of this Embassy in obtaining the release of certain blocked funds.

The funds are deposited in an account current at the National City Bank, 55 Wall Street, New York City. They belong to and are deposited in the name of Georges Martin, a Belgian citizen and Belgian Consul General at Bogotá. He has been established in business in Colombia for the past eleven years.

Mr. Martin states that the funds were transferred to the United States from Belgium a considerable time before the declaration of war. They originated from the operation of certain mines in Colombia, and a large part, provided they are released, will be used to purchase in the United States material for use in Colombian mines. The National City Bank is in possession of more complete details regarding the funds.

- 2 -

In view of the source of this request, assistance
 i.e. the Belgian Charge d'Affaires at Bogota, I trust
 that it may be possible for the Department to inquire
 regarding the release, and it would be appreciated if the
 Department's reply can be sent by air mail.

Respectfully yours,

Spruille Braden

350/702/711
 TJM/td

A true copy of
 the signed orig-
 inal. *As Atley*

C
P
Y
(Received from Mr. Pinsent of the British Embassy by Mr. Cochran in the Treasury at 12 noon, August 22.)

BRITISH EMBASSY,

WASHINGTON, D. C.

22nd August 1940.

Dear Merle,

I enclose, for the information of the Secretary, a copy of a memorandum and a covering letter which the Ambassador has sent to Mr. Sumner Welles.

Yours ever,

(Signed) Jerry Pinsent

Mr. H. Merle Cochran,

United States Treasury,

Washington, D. C.

dm

Confidential.

The British Government has been considering its position in relation to the South American states, in view of the force and extent of enemy propaganda in South America, the economic difficulties which Great Britain will herself create by her blockade policy, and the necessity of increasing merchandise exports from the United Kingdom to meet the adverse balance caused by indispensable imports from those countries and the diminution of invisible exports.

One proposal under active consideration at present is the despatch of a strong mission to South America, the functions of which would be (a) explanatory and (b) positive.

On the explanatory side the mission would try to persuade the South American states of their community of interest with ourselves and to demonstrate that, since their ultimate prosperity must largely depend on the full restoration of the purchasing power of the United Kingdom and on the fair and open methods of trading hitherto pursued rather than those which Germany would impose, they would do well to cooperate with us as far as they can in our firm intention of winning the war and doing it as soon as possible. This will involve the necessity of explaining our present policy, economic, financial and blockade, deriving as it does from that determination. The mission would endeavor to show that we desire to apply these policies in such a way as to cause a minimum of damage to the economic interests of all American countries, and that this objective can best be achieved through their collaborating with us. For example, if they will collaborate with our control of imports into Europe we will be ready to join with them in seeking a remedy for the problem of surplus production, which also affects the Empire countries and which can only be solved by cooperative action between all the principal producing countries.

On the positive side, the mission would contain representatives of

- 2 -

various export groups well able to carry on an export drive and to talk business in connection with supplies, deliveries and prices, as well as to counteract German propaganda and offers of deliveries in the near future at prices lower than ours.

The mission would not be vested with any powers of negotiation on questions of policy, but it would, of course, watch and advise us on the reactions to our policy which they note, and transmit any suggestions which would help to promote our objectives.

It is contemplated that the mission would be headed by some prominent personality already known to the South American public. He would be supported by two deputies, one of whom would be a senior diplomatic officer, and would be accompanied by six or eight representatives of industrial groups. An unofficial group of thirty to forty representatives of commerce and industry would be invited to accompany the mission but would not form part of it.

The mission, or some part of it, would endeavor to visit every South American country excepting probably Paraguay. It is not the intention that it should visit Central America or Mexico. As at present contemplated it is hoped that it might arrive in South America at the beginning of October.

This scheme has not yet reached the stage of a definite decision and the British diplomatic representatives in the principal South American countries are at present being consulted on the subject. In view, however, of the interest which it is felt the United States Government would have in the objectives of the proposed mission, which are closely related to the suggestions for trade cooperation between the United States and the United Kingdom contained in the British Ambassador's memorandum of August 14th, it is desired

- 3 -

to inform the State Department at this stage of the contemplated plan.

BRITISH EMBASSY,
WASHINGTON, D. C.

August 22, 1940.

L:FM:HOC:EG

dm

C O P Y

129

Confidential.

August 22, 1940.

Dear Mr. Acting Secretary.

I enclose a communication which my Government wish me to make to the State Department regarding their proposal to send a strong commercial mission to South America.

We hope that we may count on your sympathetic interest in the objects of this mission. They are in line with the suggestions for trade cooperation between the United States and United Kingdom which were discussed by the President and Mr. Morgenthau with Sir Frederick Phillips and formed the subject of my memorandum of August 14th.

We should be very glad if the consideration of any methods by which the proposed mission could contribute to giving effect to those suggestions might be included in the discussions which have ensued between Mr. Grady and Sir Owen Chalkley.

I am instructed to request that the proposal may be regarded as confidential for the present as a definite decision to send the mission has not yet been taken.

May I add that in all these economic matters affecting Latin America it is the desire of my Government to work in the closest understanding with the United States.

Believe me,

dear Mr. Acting Secretary,

Yours very sincerely,

(Sgd.) LOTHIAN

L:FM:HOC:EG

dm

August 22, 1940

PERSONAL AND STRICTLY CONFIDENTIAL

My dear Mr. Hoover:

In the absence of Secretary Morgenthau I have pleasure in acknowledging with appreciative thanks the receipt of your letter dated August 15, 1940, enclosing reports of July 19 and August 1 from Special Agent Joseph A. Genau, and report of August 9 from Special Agent Howard H. Miller.

Sent to Mr. Tolson 9/14/40

Faithfully yours,



H. Merle Cochran
Technical Assistant to the Secretary

J. Edgar Hoover, Esquire,
Director, Federal Bureau of Investigation,
United States Department of Justice,
Washington, D. C.

EMC:lmw-8/22/40

TO:

131

Mr. C. C. C. C.

you may find
this of interest.

QMS

FROM: MR. GASTON

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 22, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 6:00 yesterday evening Mr. Collado telephoned me from the Department of State. He reminded me that he had presented a Chilean delegation to the Secretary last week, with Dr. Harry White present. Collado stated that the Secretary had suggested that the Chileans be placed in touch with the British Purchasing Commission in this country with the view to disposing of Chilean copper and nitrates. Mr. Collado understood that Mr. Buckley would assist on this point. I told Mr. Collado that I was not informed in the premises, but that I would get in touch with either Mr. Buckley or Mr. Philip Young and call him back. This morning I talked with Mr. Philip Young, recounting my conversation with Mr. Collado. I then telephoned Mr. Collado's office that Mr. Young would act as intermediary in establishing connections between the Chileans and the British, or in first ascertaining whether the British might be interested in such contact. Mr. Collado was to call Mr. Young for further arrangements.

B.M.P.

August 22, 1940

Professor Chamberlain

Mr. Cochran

Reference is made to my recent memorandum in which the question was raised as to the handling of affidavits in regard to the destruction of American securities in occupied countries. After discussing this matter with our own Legal Division and with Messrs. Liversay and Clark of the Department of State it was agreed that the Department of State was the appropriate department for transmitting information or statements received from the Foreign Service Officers of that Department stationed abroad, and who performed the notarial services in connection with the affidavits under reference. It was the general opinion that when the owner of securities has had them destroyed and has made an affidavit to that effect and forwarded a copy to the State Department, that Department should give appropriate notice thereof to the parties mentioned by the applicant, whether these be the issuing corporation, the registrar or the transfer agent. If all are mentioned, communications should be sent to all of them.

The State Department will draw up a draft letter to be used in cases of this type and will submit it to the Treasury, for examination by our General Council before sending it out.

August 22, 1940

Professor Chamberlain

Mr. Cochran

Counselor Peier of the Swiss Legation telephoned me this morning to inquire whether we could get any reply to the representations made by the Swiss Minister in regard to the handling of securities received from Switzerland by branches or agencies in this country of Swiss banks. I told him that we had held a meeting yesterday, attended by Vice President Knake of the Federal Reserve Bank of New York, in which we considered various means of improving our control system, and expediting its business. The suggestions of the Swiss Minister had been made known to my colleagues. I told him that our common hope was to handle this business as expeditiously as possible, and that I would let him know of any formal arrangements which may be made and announced toward that end. I advised him, as I had the Minister, that they should expect no treatment on the part of the Treasury vis-a-vis the Swiss banks which could not be extended generally to American banks.



HMC:lap-3/22/40

man fighting planes and brought
(See LONDON, Page A-6.)

Knudsen Says Aircraft Factories Are Booming

By the Associated Press.

LOS ANGELES, Aug. 22.—William S. Knudsen, member of the National Defense Commission, in charge of production, told reporters after a tour of the aircraft manufacturing plants here:

"These factories are booming under the accelerated program. Their methods appear exceedingly efficient and their ships, I am assured, are second to none."

With him was Maj. Gen. Henry H. Arnold, Army Air Corps chief, who declared:

"It is encouraging, very encouraging. Nevertheless, American aircraft factories will have to keep digging if they are to reach the production numbers set for the deadline next April 1."

one
day
thru
in

T
con
bloc
A
and
desp
yest
were
DNE
plan
facto
boml
plan
DN
drop
the
Fried

Prim

MA
Cardi
of Sp
month
to be



ASSISTANT SECRETARY OF THE TREASURY
WASHINGTON

136

Dear Mr Secretary,

I enclose a
clipping somewhat germane
to my letter earlier this
evening. It appeared in tonight's
(Star - and seems encouraging.

Sincerely,
John

August 22nd

August 22, 1940

Dear Mr. Secretary:

The information which I was able to get from Allison late this afternoon is as follows: Allison turned out four engines yesterday and four more engines today. It expects to increase this rate to five engines per day in less than a week. Further, this rate of production will probably be increased even more within two weeks. As usual, Allison is enthusiastic and makes the statement that the production difficulties have been completely ironed out so that deliveries will increase rapidly from now on.

The eight engines produced yesterday and today are being shipped immediately to Curtiss Wright at Buffalo. If Allison is correct and this rate of production becomes realized, Allison should meet its Army delivery requirements by Labor Day or shortly thereafter with the possibility that a few engines might be released to the British around that time.

I have received from Ballantyne a memorandum on Canadian Army requirements based upon a letter of August 12th from Mr. Howe to Mr. Purvis. This memorandum represents a request for the release of equipment on hand in order to supply 35,000 men of the Canadian Active Force which is now training in Canada. The list includes 1650 Thompson sub-machine guns with 10 million rounds of ammunition, 150 three-inch anti-aircraft guns with ammunition, 150 - 75 mm. guns with ammunition, 74 Howitzers with ammunition, 250 light tanks (obsolete) and 10 eight-inch guns with railway mounts and ammunition. The memorandum states that this equipment is not for export but is to remain as part of this hemisphere's defense. A copy of this memorandum has been forwarded by the Liaison Committee in accordance with the usual procedure.

You may recall that a few weeks ago when Mr. Howe was in Washington a request was made for the release to Canada of

four airplane designs, namely, the PBY-5 Flying Boat, the Douglas B-25 Bomber, the Lockheed P-38 Twin Interceptor, and the Cessna T-50 Trainer. At that time we requested Mr. Howe to furnish a statement as to the production program to be developed in Canada for these planes. The second attempt to outline this Canadian plane program was received this week and, as in the case of the first attempt, I have referred it back to Ballantyne for additional information as it was understood the designs could not be released until a complete survey of the Canadian situation was submitted.

Due to the pressure on Secretary Stimson, I was unable to see him personally but had a long conversation with him via the White House on the subject of the 50 million rounds of .30 calibre ammunition promised for release to the British. As this is a serious situation, I shall repeat briefly a little of the background.

On June 6th, you were advised by the War Department that 30 million rounds of .30 ball ammunition could be made immediately available to the British, and that, in addition, 4 million rounds would be made available during June, another 4 million rounds during July, and then 10 million rounds per month from August until December, 1940. This ammunition was to be released from existing stocks as new production came into being. On the same date, June 6th, under your instructions, I informed Mr. Purvis by phone of the foregoing.

At the time the 80,000 Enfield rifles were turned over to Canada, it was agreed that the 4 million rounds of ammunition released in July would be delivered to Canada rather than to England. To date, the 10 million rounds for August have not been delivered. It is my understanding from Secretary Stimson that the War Department regarded the original release only as a tentative release and not as absolute. Further, certain conditions have come up, according to Secretary Stimson, which make it imperative to withhold this ammunition from the British and make it available to certain territories of the United States. By way of compromise, Secretary Stimson has decided that 5 million rounds of .30 ball ammunition will be released to the British almost immediately, and that there is a good possibility of 250,000 additional rifles. This is intended to take the place of the release of the 45 million rounds remaining under the original agreement.

- 3 -

The tank program under Mr. Dewar of the British Purchasing Commission is making genuine progress and with the exception of two or three minor explosions it is going well. Because of the fact the tank program was rapidly taking shape, Mr. Biggers and Mr. Vance held a conference with the British Wednesday afternoon, at which Mr. Cox, Mr. Buckley, and I were present, to discuss possible methods of financing and working out a complementary tank program. As the conversation seemed to revolve generally around Jesse Jones attitude, and as neither Mr. Vance nor Mr. Biggers seemed interested in discussing the financing problems with Mr. Jones, I volunteered to take up the whole question and, not only attempt to iron out certain rough spots left over from a recent transaction, but to line up something definite on the tank program.

Both Mr. Vance and Mr. Biggers were vastly relieved that I should thus stick my neck out (Mr. Biggers is scared to move anyway while Mr. Knudsen is away), and I have to admit that I had some doubts about it myself. Both Mr. Vance and Mr. Biggers gave me detailed advice as to how to approach the great Mr. Jones. Fortunately, I already knew Mr. Jones as he is a good friend of my father-in-law, both of them having known each other in Texas for many years.

At the risk of boring you still further, I feel it necessary to give you a brief summary of the hour and ten minute conference that I had with Mr. Jones this morning. I think I successfully broke the ice at this interview by stating that for the last two days I had been greatly irritated by people telling me how to approach him in order not to rub his fur the wrong way. However, I proposed to put that course of instructions in the wastebasket and just sit and talk with him for as long as he would let me stay. He was greatly pleased at the approach, and, despite the fact that he stated financing of plants for British production could not be done because it violated international law in the spirit of the Neutrality Act, he admitted there was always more than one way to shuffle the cards and that he had shuffled them in many different ways in the past.

The upshot of it was that I see no trouble ahead if he is allowed to work out his own scheme, and I feel certain that that scheme will not only help the British but, of course, will also protect Mr. Jones and the RFC financially as well as politically. I guaranteed to keep the British in line with his thoughts and plans insofar as it was possible to do it. His

- 4 -

parting words were: "Don't call up any of these people in the HFC, call me up on the telephone any time you like or just drop in and see me. I should like to go to some of these meetings myself, but, if for any reason I couldn't, Earl Schram could go although, of course, he still hasn't got the experience that I have." It was agreed that on all these tank program meetings, and possibly on future programs which may develop, Jones should have an observer to keep him informed of developments.

Mr. Yost of the State Department advised me yesterday that after a very tearful proceeding the Swedish Minister had accepted the fact that no more export licenses would be issued in the future for Swedish war supplies, but that he was still pleading for the export of those goods already licensed. However, as you know, Colonel Maxwell has revoked all Swedish licenses with the exception of the 9 mm cartridges. The Swedish Minister is calling upon the Liaison Committee tomorrow afternoon for two reasons: first, to plead his case once more, although he must recognize its hopelessness, and to make the technical arrangements necessary to turn over the Swedish goods directly to the United States Government.

The State Department, in accordance with its usual procedure, had let the Minister continue to think that as the licenses were revoked in the interests of National Defense the goods could only be turned over to the United States Government and not back to the original manufacturers. As the clarification of this situation has been passed to the Liaison Committee, I intend to have a full Committee meeting to receive the Minister, including Col. Maxwell. At that time, the Swedish Minister will become convinced that it is in the interests of National Defense to turn the goods under contract back to the original manufacturers for cash rather than to the United States Army or Navy.

I apologise for the various long-winded stories noted above, but, considering the fact that you are on leave, I have taken the liberty of including a little background as well as the essential facts. Taking it all in all, I think that everything is under control, and insofar as it is within my power it will stay under control.

If you have managed to wade through the foregoing, please forget it and then go ahead and enjoy your vacation. Faith and

- 2 -

I had a wonderful time during our visit at Montserrat, and it is our hope that you and Mrs. Mergenthau will have as good a time between now and Labor Day.

Sincerely,

Honorable Henry Mergenthau, Jr.,
Seigneurie Club,
Province of Quebec,
Canada.

FT:bj

August 22, 1940

Professor Chamberlain

Mr. Cochran

Mr. Maurice Beyer telephoned me from New York this morning, requesting an appointment with me for 10:00 tomorrow, Friday morning. He indicated, in the meantime, his interest in seeing me take prompt action on the application for the renewal of the license for the Banque Francaise et Italienne pour l'Amerique du Sud, which application he understands is already in the Treasury.

August 23, 1940

Mr. Beyer called on me at 10:00 this morning. Upon learning that he had individual cases to discuss, I got in touch with Mr. Fable who sent Mr. Towson to my office. I introduced Mr. Beyer to Mr. Towson, who took him to his office for consideration of the applications in question.



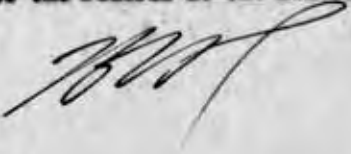
ENC:1-5/22/40

August 22, 1940

Professor Chamberlain

Mr. Cochran

Mr. Bernard Carter telephoned me at 10:15 this morning from J. P. Morgan and Company, Inc., New York. He asked concerning the status of the French branch bank in question. He understood from Mr. Bentschler that some progress had been made yesterday. I confirmed that Mr. Howard Shepard and Mr. Knake had been with us yesterday and that a further study of the question had been made. I told him also that the Federal Reserve Bank had been asked last night to obtain further statistical information from the New York banks having branches or affiliates in Belgium and France. Carter stated that his bank had so far had no word from the Federal this morning. I told him that either Vice President Knake or Assistant Vice President Kimball would be the officer in the Federal to speak with. I reminded Mr. Carter that the meetings which the Federal Reserve Bank of New York had arranged with the representatives of the four banks in that city having establishments in Paris had taken place before Mr. Carter arrived from France, and that consequently he might be able to contribute more up-to-date information in regard to Morgan and Company of Paris than was made available to the Federal at the meetings.



HMC:lap-8.22.40

August 13, 1940

Acting Secretary Bell

Mr. Cackran

STRICTLY CONFIDENTIAL

Yesterday afternoon Mr. Knocks telephoned me from the Federal Reserve Bank at New York. He referred to the cablegram of August 20 from the Bank of England to the Federal which gave the text of the message which the British Ambassador had previously delivered to the Treasury, in regard to the imposition of regulations upon the importation of Bank of England notes into the United Kingdom.

Mr. Knocks stated that since our freezing regulations apparently would not take care of supervising the inspection of imports of currency into this country, we might want to consider any measures toward watching the arrivals of clipper's during those few days of grace.

Mr. Knocks stated that there might also be a question as to the alignment of sterling notes from this country to the United Kingdom since neutrality law and the regulations of the Post Office Department therewith, of last April, require that little to much valuables must be declared by the shipper he have passed to a foreign owner before the shipment leaves this country. Knocks stated that since April certain alignments of currency to belligerent countries had been facilitated through selling them to British or Canadian banks in the United States, thus getting them into foreign possession. It was conceivable, Knocks thought, that the volume of sterling notes that will be assembled in this country might surpass the facilities of foreign banks in New York to take care of them.

Knocks suggested that Mr. Darford be given the text of looking into this proposition and of conferring with the Federal. I passed this information on at once to Mr. Darford, by telephone, before I entered the Group Meeting which took up the afternoon.

This noon Mr. Bernstein came by my office and I summarised to him my conversation with Mr. Darford.

I should add that there has been no query made of me by the British Embassy or by anyone other than Mr. Knocks on this subject. It will be recalled, however, that some days ago the British Embassy did make the suggestion that we stop the importation of all valuables by clipper. This matter had been discussed at our Group Meeting and we had not seen fit to make any such recommendation.

I am reluctant to make any recommendation for hostile action under the first of the two points above mentioned. I should regret very much to see any such file American recipient of sterling notes by clipper ship after less through any important which we might place to his redeeming within the days of grace any sterling currency that we might receive from abroad during such days of grace.

- 2 -

My personal recommendation is that this is a foreign matter, as far as American interests are concerned, and does not warrant our taking any action involving more than the usual customs inspection. As to Mr. Knake's second point, one of us should discuss that with him the first of the week.

A handwritten signature in dark ink, appearing to be 'JMP' or similar, written in a cursive style.

UNCLAS:R.23.40

*Cairns & Ry. have
seen 8/26/40.
Hwy. has not seen
Ry.*

BRITISH EMBASSY,
WASHINGTON, D.C. 146

August 23rd, 1940

Dear Mr. Secretary,

I am writing with reference to my letter of August 19th regarding the motor rescue boats purchased by the British Admiralty from the Higgins Company, New Orleans, to let you know that I have now been instructed by the Foreign Office to give the usual assurance to the State Department that these vessels are not intended to be employed for belligerent purposes. A copy of the letter which I have sent to the State Department on this subject is enclosed herein.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

L. Cairns

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

August 23rd, 1940

Dear Mr. Atherton,

I am writing with reference to the letters which I have sent on previous occasions to Mr. Berle or Mr. Dunn regarding the purchase of American ships by British interests to let you know that the British Admiralty are now buying six motor "rescue boats" from the firm of Higgins Company of New Orleans.

I have been authorised by the Foreign Office to give the assurance that these ships are not intended to be employed to cruise or commit hostilities against the subjects, citizens or property of another belligerent.

That being so I trust that the United States authorities will be prepared to approve the purchase and shipment of these vessels to the United Kingdom.

(SGD) LOTHIAN

Mr. Ray Atherton,

United States Department of State,

Washington, D. C.

C O P Y

148

BRITISH EMBASSY,

WASHINGTON, D.C.

23rd August, 1940.

WITH THE COMPLIMENTS OF

MR. R. J. STOPFORD.

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

Extracts from telegrams received from London on
August 22nd, 1940.

"Sofina lawyers have informed Trading with the Enemy Branch that SECURITAS, the shares of which are wholly held by voting trust under U. S. management, has become the owner of all assets of sofina outside Belgium to be held on trust for Sofina with reversion after the war by reason of an automatic switch-over, provided for in the deed of trust which T.E.B. were assured were covered by notice given on May 4th, of which further notice was given by Sofina to Midland Bank on May 26th as from which date or dates it is claimed that the property was vested in Securitas. Further assurance was given that resultant trusts had been so framed that so long as Sofina exists no enemy may benefit and no person being in enemy territory may have any interest or exercise any voice. They were further told that committee of management created under trustees is composed of individuals now in the United States.

T. E. B. think they must release to Securitas the securities held for Sofina subject to defence (finance) regulations but before agreeing I should like to hear what attitude the American Treasury intends to adopt towards Securitas in order that so far as possible our policy in this matter may be in harmony with theirs."

"We have now discussed the question with Lord Swinton, the most active British Sofina Director. He telegraphed HEINEMAN our anxiety regarding assistance that it was thought Chade was giving to over-large cotton imports. Heineman replied that Chade had categorically refused the suggested guarantees. In any case we have achieved our object in warning Heineman of danger of proposed schemes.

Heineman affirms that German Directors exercise no control over Chade policies."



150

TREASURY DEPARTMENT
WASHINGTON

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

IT:P:CA
CAA

August 23, 1940.

REPORT FOR SECRETARY MORGENTHAU:

In regard to closing agreements under the Vinson-Trammell Act, the developments during the week were as follows:

Wright Aeronautical Corporation, Paterson, New Jersey:

A ruling by the Commissioner was mailed to the contractor's representative, together with a draft of a closing agreement.

Commissioner.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 23, 1940.

TO CONFIDENTIAL FILES

SUBJECT TELEPHONE CONVERSATION WITH
BANK OF ENGLAND.

FROM L. W. Inghs

I called the Bank of England at 11:40 o'clock a.m. today and in the absence of Mr. Catterns, Mr. Slegmann and Mr. Bolton, spoke to Mr. Tong. I referred to Mr. Catterns' cable No. 902/40 of August 20 contents of which, as he knew, we had given to the press, the news ticker service, the other Federal Reserve banks, etc. I had canvassed the market a little, I told Mr. Tong, as to the reaction to the Bank of England's announcement and was under the impression that the thing was likely to work without a hitch. I had been advised, I continued, that Barclays Bank in New York had received instructions from London to buy these notes as offered and that Barclays Bank here felt that they were equipped to handle the business. Other British banks here, I said, seemed reluctant to do anything. If Barclays Bank found themselves overwhelmed here, I said to Mr. Tong, the Bank of England might wish to approach the London officers of the other British banks represented here and urge them to overcome their reluctance and get busy. Mr. Tong assumed that if such a situation should develop Barclays Bank, New York, would cable Barclays Bank, London, and Bank of England would then hear from Barclays. I responded that it was safe to assume that that procedure would be followed. I reminded Mr. Tong that under the Neutrality Act the American banks were precluded from forwarding such notes to Great Britain for their own account because of the affidavit which they had to sign under oath to the effect that all right, title and interest therein had been transferred to foreign ownership. I reminded him that this had been the situation for many months now and that our banks had heretofore overcome this difficulty by selling their coupons, etc., to the local foreign banks which

- 2 -

were in a position to sign the required affidavit. If however the foreign banks, in this case the British banks, should decline to buy these notes there would, of course, be a real difficulty here. I repeated that I did not expect such a situation to develop as long as Barclays Bank was prepared and equipped to handle the business.

Mr. Tong seemed a bit surprised at what I said about the Neutrality Act because, as he put it, American banks had been sending coupons, etc., for their own account to London for some time now. All I could reply, I said, was that if that was really so it looked to me like a violation of the Neutrality Act.

I reported briefly to Mr. Tong on the New York market for Bank of England notes. The volume in the past, I said, had been very limited, probably not more than £5,000 a week and after checking this morning with three of our banks I was fairly well satisfied that even in the last few days the offers had been moderate, possibly in the neighborhood of £10,000 yesterday, for instance. There was, of course, the possibility that just before the end of the last day of grace large shipments might come in from abroad although even that did not seem very likely. The present price, I said, was between 3.45 and 3.50 and that seemed to be in line with the current rate for cable transfers, bearing in mind the high cost of shipping and insuring shipments of bank notes to London in prevailing circumstances.

LWK:KW

bj

WAR DEPARTMENT
WASHINGTON

G-2/2655-146

AUG 23 1940

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

I wish to acknowledge your letter of August 16 inclosing confidential maps and tables on oil extracting and refining facilities in Europe, Asia, Oceania, South America and Africa as submitted by the Standard Oil Company of New Jersey.

These data will be of considerable value to the War Department and I desire to thank you for forwarding this information.

Sincerely yours,

Henry L. Stimson

Secretary of War✓

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

August 23, 1940.

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

Dear Mr. Morgenthau:

Thank you very much for the following
reports, which you sent me this date:

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 - August 17, 1940; Unfilled Orders
and Estimated Deliveries on August 17, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, May 1 - August 17, 1940: Unfilled
Orders and Estimated Deliveries on Aug. 17,
1940.

Faithfully yours,



Chief of Staff.

In reply refer to Initials
and No.

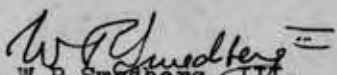
NAVY DEPARTMENT
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON

23 August 1940

My dear Mr. Bell:

This will acknowledge receipt by
Admiral Stark of confidential reports, Part I -
Airplanes, and Part II - Airplane Engines, which
information carries through August 17, 1940.

Yours sincerely,


W.R. Smedberg, III,
Lieutenant, U.S. Navy,
Aide to Chief of Naval Operations.

Mr. D. W. Bell,
Acting Secretary of the Treasury,
Washington, D.C.

L. W. Cochran

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 23, 1940.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH
BANK OF ENGLAND.

L. W. Knoke

I called the Bank of England at 11:40 o'clock a.m. today and in the absence of Mr. Catterns, Mr. Siepmann and Mr. Bolton, spoke to Mr. Tong. I referred to Mr. Catterns' cable No. 902/40 of August 20 contents of which, as he knew, we had given to the press, the news ticker service, the other Federal Reserve banks, etc. I had canvassed the market a little, I told Mr. Tong, as to the reaction to ^{the} Bank of England's announcement and was under the impression that the thing was likely to work without a hitch. I had been advised, I continued, that Barclays Bank in New York had received instructions from London to buy these notes as offered and that Barclays Bank here felt that they were equipped to handle the business.

Other British banks here, I said, seemed reluctant to do anything. If Barclays Bank found themselves overwhelmed here, I said to Mr. Tong, the Bank of England might wish to approach the London offices of the other British banks represented here and urge them to overcome their reluctance and get busy. Mr. Tong assumed that if such a situation should develop Barclays Bank, New York, would cable Barclays Bank, London, and Bank of England would then hear from Barclays. I responded that it was safe to assume that that procedure would be followed. I reminded Mr. Tong that under the Neutrality Act the American banks were precluded from forwarding such notes to Great Britain for their own account because of the affidavit which they had to sign under oath to the effect that all right, title and interest therein had been transferred to foreign

FEDERAL RESERVE BANK
OF NEW YORK

157

OFFICE CORRESPONDENCE

DATE August 23, 1940.

CONFIDENTIAL FILES

SUBJECT TELEPHONE CONVERSATION WITH

L. W. Knoke

BANK OF ENGLAND.

2

ownership. I reminded him that this had been the situation for many months now and that our banks had heretofore overcome the difficulty by selling their coupons, etc., to the local foreign banks which were in a position to sign the required affidavit. If however the foreign banks, in this case the British banks, should decline to buy these notes there would, of course, be a real difficulty here. I repeated that I did not expect such a situation to develop as long as Barclays Bank was prepared and equipped to handle the business.

Mr. Tong seemed a bit surprised at what I said about the Neutrality Act because, as he put it, American banks had been sending coupons, etc., for their own account to London for some time now. All I could reply, I said, was that if that was really so it looked to me like a violation of the Neutrality Act.

I reported briefly to Mr. Tong on the New York market for Bank of England notes. The volume in the past, I said, had been very limited, probably not more than £5,000 a week and after checking this morning with three of our banks I was fairly well satisfied that even in the last few days the offers had been moderate, possibly in the neighborhood of £10,000 yesterday, for instance. There was, of course, the possibility that just before the end of the last day of grace large shipments might come in from abroad although even that did not seem very likely. The present price, I said, was between 3.45 and 3.50 and that seemed to be in line with the current rate for cable transfers, bearing in

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 23, 1940.

CONFIDENTIAL FILES

SUBJECT: TELEPHONE CONVERSATION WITH

L. W. Knoke

BANK OF ENGLAND.

3

mind the high cost of shipping and insuring shipments of bank notes to London in prevailing circumstances.

LWK:KW

TO THE FEDERAL RESERVE BANK
OF NEW YORK
FROM THE
BANK OF ENGLAND

END PAGE 30, W 3 02

RECEIVED
FEDERAL RESERVE BANK
OF NEW YORK

DEPARTMENT OF STATE
Washington

August 23, 1940

In reply refer to
EA 811.51651/15

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of an unnumbered despatch dated July 20, 1940 from the American Embassy at Vichy, France, with enclosure reporting a conversation with Mr. Robert E. Pearce concerning the status of American banks in unoccupied territory of France.

Enclosures:

From Embassy at Vichy
July 20, 1940 and its
enclosure.

COPY

Vichy, July 20, 1940.

Subject: The National City Bank of
New York (France).

The Honorable

The Secretary of State,

Washington, D.C.

Sir:

I have the honor to enclose, as of possible interest,
a memorandum of a conversation with Mr. Robert H. Pearce,
Director of the National City Bank of New York (France),
and M. Jacques Rueff, Vice Governor of the Bank of France,
on the subject of the status of American banks in
unoccupied territory.

Respectfully yours,

(SIGNED) ROBERT D. MURPHY
Robert D. Murphy
Charge d'Affaires ad interim

Enclosure:

1. Memorandum dated July 19, 1940.

In triplicate
Copy to Paris

RDM/FP

COPY

Enclosure 1 to Despatch dated July 20, 1940
from the Embassy at Vichy.

Vichy, July 19, 1940.

MEMORANDUM.

Mr. Robert E. Pearce, Director of The National City Bank of New York (France), accompanied by Mr. Henry Leigh Hunt and General de Chambrun of his Board of Directors, called at the Embassy to state the position of the National City Bank of New York (France).

Mr. Pearce began with a description of the losses which the National City Bank had incurred in Russia and in other countries as a result of wars and political disturbances, which, he said, reinforced his natural desire to protect the interests of both his company and clients. He said that the National City Bank of New York (France) is, of course, a French company subject to French law, but entirely American owned. The assets of the bank and its clients total about one and one-half billion francs, all of which are in unoccupied France. As a result of an order which Mr. Pearce said was given by the Bank of France at Paris on June 10th, his company and other American banks left the Paris area, and the National City Bank established itself at Le Puy, (Haute Loire), where it has remained ever since. It removed all officers and all records from Paris. The National City Bank building in Paris is owned by a separate corporation and the

bank has no property or personnel in Paris except office furniture and a custodian.

Mr. Pearce's idea is to keep the Bank's assets and personnel in unoccupied territory until ordered by the Bank of France to return to Paris, at which time he considers he will have no discretion but to comply. Mr. Pearce said that in other words he had no intention of sticking out his neck until the situation had clarified and he intended to do everything within his power to protect the interests of both his company and the clients.

Later in the day, I lunched with Jacques Rueff, Vice Governor of the Bank of France, at Hotel Guyon.

I inquired of Rueff whether the Bank of France intended to issue an order to American banks to return to Paris should the situation shape up that way. He replied that no such order was contemplated and he did not understand why one should be issued. I said that it had been reported that the Bank of France had issued an order for the departure of American banks from Paris, and if that were true it seemed logical that their return would be dictated by the wishes of the Bank of France. Rueff denied that any order had ever been issued by the Bank of France to American banks to leave Paris.

I conveyed this information to Mr. Pearce by letter.

(SIGNED) ROBERT D. MURPHY
Robert D. Murphy
Chargé d'Affaires ad interim

RDM/PP
lmo

CONF

163
THE ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE
FEDERAL RESERVE BUILDING
WASHINGTON, D. C.

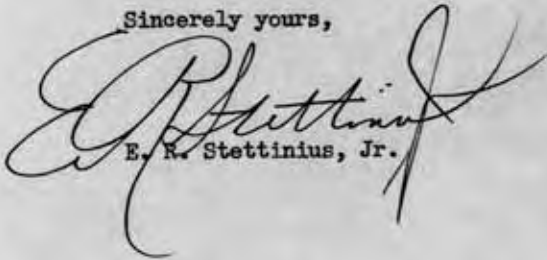
August 23, 1940

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

Dear Mr. Secretary,

You will find, herewith, copy of a self-explanatory Memorandum of August 22nd on the current situation as to the supply of steel scrap, copy of which I left with the President yesterday, after a discussion with him on this subject. Mr. Leon Henderson will supplement this with a Memorandum of his own within the next day or two, covering certain aspects of the price situation.

Sincerely yours,



E. R. Stettinius, Jr.

Attachment

OFFICE MEMORANDUM

To: Mr. Edward R. Stettinius, Jr.
From: W. L. Batt
Subject: Current Situation on Scrap Supply and Exports

Date: August 22, 1940

In our memorandum of August 12 to you, we stated:

1. The steel industry feels the supply of scrap is below safe requirements; that
2. there is a likelihood of a higher price for scrap which would tend to a higher price for steel; and that
3. inasmuch as the licensing system now affects only No. 1 heavy melting scrap, and as this is being exported as freely as ever, the principal consequence of licensing may have been to accelerate purchasing from abroad against the uncertainty of restriction on exports.

In the same memorandum, we stated that the latest figures from the Bureau of Mines on visible scrap would shortly be available, and promised you a further report at that time. The June 30 figures as to visible scrap are not yet analyzed as to classes, but in total, there is no substantial change from the March 30 figures.

We had a meeting yesterday to listen to the point of view of the President of the Scrap Dealers Association. Up to rather recently, they have opposed any limitation on scrap exports and the significance of this visit is that they now conclude that a shortage in scrap is developing. They point out that scrap for Pittsburgh which formerly could be picked up on short notice in the East, is now brought from as far West as Minnesota and Oklahoma. It is their conclusion that, if the steel industry is to operate at 90% capacity for any sustained period, a positive shortage of scrap will develop. They point to the further possibility of some of the larger steel companies who have depended entirely on synthetic scrap, going into the market for ordinary scrap. This would come about through the necessity for deflecting blast furnace capacity now used in the production of synthetic scrap, toward the production of iron and steel. There is some difference of opinion as to this point, but if it should come about to any considerable degree, the consequence to scrap supply and price would have to be taken into account.

The following estimates for the first seven months of 1940 will be of interest: total scrap consumption - 22,000,000 tons, of which 11,000,000 tons represent purchased scrap; of this, perhaps, 3,000,000 is cast scrap, leaving eight million tons as the amount of steel-making scrap consumed. 1,800,000 tons have been exported, of which 525,000 went to Japan. Of this total to Japan, one-third to one-half was shipped from Atlantic ports north to Cape Hatteras.

NDC-5--7/40--50M.

Mr. Edward R. Stettinius, Jr.

August 21, 1940

Exports to the United Kingdom and Canada for the same seven-month period were 815,000 tons.

The State Department continues to take the position that, if the Defense Commission can show that the export of scrap is adversely affecting the interests of national defense, it would make no objection to limitations on such export, but in the absence of such proof, it does not believe there should be any change in the present procedure. The Tariff Commission feels that the restriction of exports to Japan alone would have no material effect on the price level. The Treasury Department has asked for our conclusions, and it is to aid you in arriving at our position that this memorandum is prepared.

We are of the opinion that some shortage in scrap may develop if steel production is maintained at the present level. There seems to be ample ground for the conclusion that the scrap situation on the West Coast and Gulf ports is considerably easier than elsewhere, and is not such as to give cause for alarm at the present time. Any shortage of scrap will develop in the Atlantic Coast area. The exports to England come almost entirely from the North Atlantic Coast ports, while only about one-third to one-half of the Japanese exports come from these ports.

We understand that it must be assumed there will be no restriction of British or Canadian exports. The question, therefore, narrows down to the effect of the Japanese exports from the North Atlantic Coast ports - about 400,000 tons.

This is a small amount compared to the total annual consumption of, say 11,000,000 tons, and it seems unlikely that an embargo on these ports would have a very important influence on prices. However, this effect may be magnified by the fact that the eastern plate mills (Ingers at Coatesville, North at Claymont, Central at Harrisburg, and Alameda at Conshohocken) are the most dependent on scrap. These four mills have an aggregate plate capacity of about 1,000,000 tons, and, if called upon to operate close to capacity, would require about 500,000 tons of scrap.

If, therefore, there were no objection from the State Department, it would be a move in the direction of safety to prevent shipments to Japan from the North Atlantic Coast ports, and possibly also to limit such shipments from the Gulf ports. However, we cannot predict with assurance that Japanese exports alone will cause a shortage of scrap or an increase in its price.

It would seem to us desirable that this position should be clearly placed before the President as a matter of administration policy.

W. L. B.

August 27, 1940

My dear Mr. Stettinius:

In the absence of the Secretary, who is away from Washington on a brief vacation, I am acknowledging your letter of August 23rd with which you inclosed a memorandum dated August 22nd on the current situation as to the supply of steel scrap.

I shall be very glad to bring this material to Mr. Morgenthau's attention just as soon as he returns to the office.

Yours sincerely,

H. S. Klotz,
Private Secretary.

Mr. E. R. Stettinius, Jr.,
The Advisory Commission to the
Council of National Defense,
Federal Reserve Building,
Washington, D.C.

August 27, 1940

My dear Mr. Stettinius:

In the absence of the Secretary, who is away from Washington on a brief vacation, I am acknowledging your letter of August 23rd with which you inclosed a memorandum dated August 22nd on the current situation as to the supply of steel scrap.

I shall be very glad to bring this material to Mr. Morgenthau's attention just as soon as he returns to the office.

Yours sincerely,

H. S. Klotz,
Private Secretary.

Mr. E. R. Stettinius, Jr.,
The Advisory Commission to the
Council of National Defense,
Federal Reserve Building,
Washington, D.C.

EH

GRAY

Riga

Dated August 23, 1940

Rec'd 7:40 a.m.

Secretary of State,
Washington.

320, August 23, noon.

Your 147, August 22, 8 p.m.

Please request Treasury Department to unfreeze the accounts of Washington, Lightner, Lejins, Reinhardt and Lipski. Banks of first three obtainable from allotment forms. Lipski's bank is Annapolis Banking and Trust, Annapolis, Reinhardt's is Riggs National Bank.

PACKER

RR

EH

PLAIN

Oslo

Dated August 23, 1940

Rec'd 2:41 p.m.

Secretary of State,
Washington.

941, 23rd.

Reference rejected application of Folkebanken Oslo through Irving Trust Company New York for license payment dollars 23,965.48 to to Banque Credit Bulgare Sofia account Salo Ventura Plovdiv. Request Treasury reconsider application as amount represents Tobacco purchased and received prior occupation. Settlement vital importance Langaard factory here.

PRESTON

TFV

MacD

GRAY

Berlin

Dated August 23, 1940

Rec'd 10:10 p.m.

Secretary of State,

Washington.

3716, August 23, 6 p. m. (SECTION ONE)

FOR TREASURY FROM HEATH AND FOR DEPARTMENT'S
INFORMATION.

The party organ the VOLKISCHER BLOBACHTER today features an article by State Secretary Reinhardt of the Ministry of Finance entitled "How Germany Finances the War". Reinhardt opens his article with the question as to how the Reich has been able to finance gigantic expenditures for armament and military operations without publicly floated bond issues, without the further increases in taxes which have been generally expected, and without endangering the stability of the mark. His answer to the question is that every public expenditure represents a corresponding amount of income for the natural and juridical persons of the Reich and the part of the income which is not spent for consumption goods or property acquisition of which is restrained by

-2- #3716, August 23, 6 p.m. (SECTION ONE) from Berlin

by rationing in the first instance and by the limited supply in the second returns to the Reich in the form of taxes and investments in government securities.

KIRK

WSB

JI

GRAY

Berlin

Dated August 23, 1940

Rec'd 1:41 a.m. 24th

Secretary of State

Washington

3716, August 23, 6 p.m. (SECTION TWO)

He predicts that the tax revenues during the current fiscal year will be at least 25,000,000,000 marks as compared with 23.6 billion marks the last fiscal year. Tax revenues for the first four months of the present fiscal year beginning April 1st are stated to be 8171 million marks. Without giving a complete statement of tax revenues for this period he compares the yield of the following taxes with collections during the corresponding four months of 1939 income tax on wages yielded 935,000,000 marks in the period from April through July, 1940 (877,000,000 marks in the corresponding period of 1939) the general income tax 1503 (1430) property tax 127 (106) sugar tax 153 (132) beer tax 205 (196) tobacco tax 471 (355). These figures do not include the war tax on the income tax and excise taxes on tobacco, beer, spirits and champagne which

JI-2-#3716, August 23, 6 p.m. (Section Two) from Berlin which during the April-July period yielded 1,250,000,000 marks. The increase in tax revenues is not the result of the acquisition former Polish territories which he asserts have as yet yielded only insignificant revenues.

Following this expose of increased tax revenues, he announced that there would be shortly published in the REICHSGESETZBLATT a decree rescinding the tax on income increases (see my 202, March 25, 1 p.m., 1939) and that this tax would not be levied in future years. Income tax payers will be liable for the surtax on additional income received during the calendar year 1939 but not for any increases in income received in 1940. He followed with an appeal to tax payers to invest their increases of income in government securities.

KIRK

WSB

PARAPHRASE OF SECTION THREE OF TELEGRAM
No. 3716 of August 23, 1940 from the
American Embassy, Berlin

Conservative circles look with both amusement and satisfaction on the exposé on financial matters given by Reinhardt - it is the general opinion that Reinhardt represents the Party and radical viewpoint in the Government's financial section. The conservatives are pleased by the indication in the speech that the group which was not in favor of increase in taxes has temporarily won the battle (reference, telegram of March 14, 11 a.m., No. 641 from the Embassy). There is also satisfaction on their part because of the announcement of the rescinding of the surtax on additional income which had been so unpopular.

The conservatives are amused by Reinhardt's "explanation" of the reason why the very large war expenditures of the Government do not involve any monetary or economic danger, as well as by his suggestion to the public that they invest in bonds of the Government - all by the man who attacked the plan for financing through taxation and issue of public bonds which had been put forth by Schacht, and who put into effect instead the plan for financing the Government through tax certificates, which latter plan, after six months experiment, was definitely discontinued.

END MESSAGE.

KIRK.

EA:LWV

RECEIVED
AMERICAN EMBASSY
BERLIN

25 JUL 25 1942

PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin

DATED: August 23, 1940, .5 p.m.

NO: 3714

FOR TREASURY FROM HEATH AND FOR DEPARTMENT'S
INFORMATION.

The Berlin financial press this morning announced the issuance beginning today of 20 year 4% treasury certificates at an issue price of 99-3/4% in denominations of 100, 500, 1000, 5000, 10,000, 50,000, 100,000 and 500,000 marks. Purchasers are urged instead of insisting on delivery of actual bonds to content themselves with certification of the entry of their subscription in the Reichs debt books.

This is the first publicly announced long term loan since the beginning of 1939. The five and ten year 4% treasury certificates were introduced last spring without publicity and subsequent press comment concerning them has contained nothing in the nature of an invitation to the general public to subscribe. While the present issue may be considered to be a public flotation

it

-2-

it differs from the pre-war issues in that as yet there has been no public advertising, the bonds are not issued in a fixed amount nor is there a fixed term for their subscription. They will apparently be issued periodically in accordance with the financial needs of the government and the ability of the market to absorb them.

The question of whether to issue long-term bonds publicly while there is a war has been debated by the government for several months. Opposition to issuing bonds during the war has been voiced by some party groups, including Hitler. They give as their objections the fact that issues during the World War had such a sad result and the fact that "interest slavery" was opposed by party doctrine earlier. The issuing of long-term bonds has been insisted upon by the conservatives as they consider that a policy of sound financing would make it necessary. For the present the conservatives have succeeded in holding the upper hand.

KIRK

EA:MSG

RECEIVED
GENERAL DEPARTMENT

NOV 10 1944

ECONOMIC ASSISTANT
OFFICE OF THE
SECRETARY OF THE
TREASURY

MacD

GRAY

Berlin

Dated August 23, 1940

Rec'd 1:21 a.m., 24th

Secretary of State,
Washington.

3711, August 23, 4 p.m. (SECTION ONE)

My 3134, July 24, 2 p.m. and 3414, August 7,
11 a.m.

FOR TREASURY FROM HEATH AND FOR DEPARTMENT'S
INFORMATION.

The Reich's Anzeiger has just published a statement of the Reich's total disclosed debt on June 30. For some unknown reason the usual monthly long term debt statement for the end of May was not published possibly to hide abnormally heavy borrowing during that month by combining it with the smaller borrowings in June.

According to the statement just published during June the short term debt (including tax certificates) increased by 1,159,000,000 marks to a total of 26,504,000,000 marks. The amount of short term Treasury certificates and bills outstanding increased by 544,000,000 marks. Use of the Reich's possible credit at the Reichsbank increased by 435,000,000 marks "short term loans". A separate item which achieved importance for the first time in May, the exact nature of which is not known, increased by 288,000,000 marks whereas the

amount

-2- # 3711, August 23, 4 p.m. (SECTION ONE) from Berlin

amount of tax certificates outstanding decreased by 108,000,000 marks. The Reich's long gauge medium term debt increased by 2,783,000,000 marks during May and June to a total of 33,646,000,000 marks. It is to be noted that these figures do not agree with those in my second telegram under reference. Unfortunately such discrepancies in figures for the long term debt cannot be avoided since there are discrepancies varying in amount usually over 50,000,000 marks between the statements in the two official publications, the WIRTSCHAFTS-UNDSTATISTIK and the DEUTSCHER REICHS ANZEIGER, and as frequently the statement is published in only one of these it is impossible to use the same source each time. Of the total increase 1,500,000,000 marks was in the form of 4% Treasury certificates, 878,000,000 marks in 4 1/2% 11-loans and 343,000,000 marks in 4% 11-loans.

KIRK

CSB

MacD

GRAY

Berlin

Dated August 23, 1940

Rec'd 1:28 A.M.

Secretary of State,
Washington.

3711, August 23, 4 p.m. (SECTION TWO)

Although as stated, it is not possible to determine the May and June figures for long term borrowing separately, all available information tends to indicate that the larger part occurred in May although short term borrowing in that month reached a record total of 2671 million marks. According to press reports a total of 2 1/2 billion marks of 4% Treasury certificates were sold by the middle of May so it may be assumed that approximately 1250 million marks of the total sold in May and June was actually sold in May. Since the rate of interest on li-loans was decreased from 4 1/2 percent to 4 percent in May it may be assumed that almost all of the total 4 1/2 percent li-loans issued in May and June were actually issued in May. If these assumptions are correct May long term borrowing amounted to close to 2 billion marks indicating total borrowing in that month of roughly 4 1/2 billion marks, whereas the previous monthly record

was

-2- # 3711, August 23, 4 p.m. from Berlin (SECTION TWO)

was 2 1/2 billion marks in October 1939. In June total borrowing (1159 million marks increase in short term debt plus the balance of the May-June long term debt increase) presumably amounted to roughly 2 billion marks. One explanation of the apparent decline of government borrowing in June is the fact that in that month the army paid for part of its expenses in Holland, Belgium and France in Reichs Kredit Passen marks and utilized captured material. The total disclosed debt in the two month period from April 30 to June 30 increased by 6613 million marks an average of 3.3 billion marks for each month. For the preceding eight months of the war the monthly average of disclosed borrowing of the Reich was roughly 2 billion marks. (End of message)

KIRK

PEG

RECEIVED
DEPARTMENT
JULY 24 1941

AND WIRE
JULY 24 1941

TO THE
RECEIVED
JULY 24 1941

August 23, 1940

Memorandum

To: Mr. Cochran

From: Mrs. McHugh

The Secretary would like to have you ask the State Department to transmit to him in confidential code the attached note from the President, dated August 22, 1940, and the inclosure dated August 17, 1940. The message should be sent to Mr. Morgenthau, in care of Mr. Jay Pierrepont Moffat, American Minister at Ottawa. Mr. Morgenthau is going to be in Ottawa tomorrow morning and Mr. Moffat will know where to contact him.

THE WHITE HOUSE
WASHINGTON

August 22, 1940.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY
THE SECRETARY OF WAR
THE SECRETARY OF THE NAVY

FOR YOUR INFORMATION. THE
ENCLOSURE WAS GIVEN TO ME BY
PRIME MINISTER MACKENZIE KING
ON AUGUST 18, 1940.

F. D. R.

2 photographs
1 negative to State Dept. for transmittal
1 positive to HM Govt at Ottawa

August 17, 1940.

LIST OF URGENT REQUIREMENTS WHICH IT IS UNDERSTOOD
MAY BE AVAILABLE

- (1) 150 - 3" ANTI-AIRCRAFT GUNS
complete with fire control and all
ammunition obtainable up to 2,000 rounds
per gun for same. (Newfoundland and East Coast)

- (2) 15,000,000 ROUNDS .30-06 AMMUNITION
(less 4,000,000 rounds already received).

This ammunition (.30-06) is U. S. standard
calibre. The regular standard Canadian
ammunition is .303.

This U. S. .30-06 is needed to fit the 80,000
Mark I Lee Enfield rifles which were recently
purchased in the United States. We only got
4,000,000 rounds of .30-06 ammunition with
these rifles, which was only 50 rounds per
rifle.

We are also expecting to get 800 Lewis guns
of this same calibre (.30-06).

We, therefore, need urgently the remainder
of 11,000,000 rounds to fit these rifles
and these prospective Lewis guns.

- (3) 250 - LIGHT TANKS, Model 6T.

While these tanks have been superseded by
later models for operational purposes, they,
nevertheless, would be exceedingly useful
for training the armoured formation which
has been authorized.

It is understood that there are over 500 of
these readily available.

- (4) 50 - .155 MM. GUNS, and
100 rounds of ammunition per gun or more,
if possible;

To be used for Coast Defence, Newfoundland
and Canada.

* MEMO: These particular items were not considered by
Mr. Purvis and Mr. Morgenthau.

- (5) 150 - 75 MM. GUNS, high speeded, and 30, 000 rounds of ammunition for same.
- (6) 24 - .155 MM. HOWITZERS (if these are British 6" - 26 cwt.) and 500 rounds of ammunition per Howitzer.
- (7) 10 - 8" RAILWAY MOUNTING GUNS, with 3,000 rounds of ammunition per gun.
- (8) SPARE BARRELS, SPARE MAGAZINES, AND TRIPODS for the 800 Lewis guns, referred to in paragraph (2).

While it is understood that the Lewis guns themselves are being made available, word has just been received that so far there has been no release of the necessary spare barrels, spare magazines, and tripods. These are obviously requisite for the proper and effective use of the weapon.

There has been a hint given that the reason these spare parts are not made available is that Canada had already obtained some of these and had supplied them to the United Kingdom. Enquiry here by the Deputy Minister of Munitions and Supply from every officer connected with the Supply or Ordnance Branches brings the definite information that this impression is absolutely unfounded. Any material of this kind previously obtained was for the purpose of equipping the 1st and 2nd Canadian Divisions.

- (9) 1.650 - THOMSON SUB-MACHINE GUNS and 10,000,000 rounds of ammunition for same.

Probably could be obtained through British Purchasing Commission from private industry if U. S. Government concurs.

If possible for Naval Service
15 P.B. 7 Flying Boats to be based
Halifax - operated from Newfoundland.

Amphibion, Consolidated Air Craft Corporation.

185
THE WHITE HOUSE
WASHINGTON

August 22, 1940.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY
THE SECRETARY OF WAR
THE SECRETARY OF THE NAVY

FOR YOUR INFORMATION. THE
ENCLOSURE WAS GIVEN TO ME BY
PRIME MINISTER MACKENZIE KING
ON AUGUST 18, 1940.

F. D. R.

August 17, 1940.

**LIST OF URGENT REQUIREMENTS WHICH IT IS UNDERSTOOD
MAY BE AVAILABLE**

- (1) 150 - 3" ANTI-AIRCRAFT GUNS
complete with fire control and all
ammunition obtainable up to 2,000 rounds
per gun for same. (Newfoundland and East Coast)

- (2) 15,000,000 ROUNDS .30-06 AMMUNITION
(less 4,000,000 rounds already received).

This ammunition (.30-06) is U. S. standard
calibre. The regular standard Canadian
ammunition is .303.

This U. S. .30-06 is needed to fit the 80,000
Mark I Lee Enfield rifles which were recently
purchased in the United States. We only got
4,000,000 rounds of .30-06 ammunition with
these rifles, which was only 50 rounds per
rifle.

We are also expecting to get 800 Lewis guns
of this same calibre (.30-06).

We, therefore, need urgently the remainder
of 11,000,000 rounds to fit these rifles
and these prospective Lewis guns.

- (3) 250 - LIGHT TANKS, Model ST.

While these tanks have been superseded by
later models for operational purposes, they,
nevertheless, would be exceedingly useful
for training the armoured formation which
has been authorized.

It is understood that there are over 500 of
these readily available.

- (4) 50 - .155 MM. GUNS, and
100 rounds of ammunition per gun or more,
if possible;

To be used for Coast Defence, Newfoundland
and Canada.

MEMO: These particular items were not considered by
Mr. Purvis and Mr. Morgenthau.

- (5) 150 - 75 MM. GUNS, high speeded, and 30, 000 rounds of ammunition for same.
- (6) 24 - .155 MM. HOWITZERS (if these are British 8" - 36 cwt.) and 500 rounds of ammunition per Howitzer.
- (7) 10 - 8" RAILWAY MOUNTING GUNS, with 3,000 rounds of ammunition per gun.
- (8) SPARE BARRELS, SPARE MAGAZINES, AND TRIPODS for the 800 Lewis guns, referred to in paragraph (2).

While it is understood that the Lewis guns themselves are being made available, word has just been received that so far there has been no release of the necessary spare barrels, spare magazines, and tripods. These are obviously requisite for the proper and effective use of the weapon.

There has been a hint given that the reason these spare parts are not made available is that Canada had already obtained some of these and had supplied them to the United Kingdom. Enquiry here by the Deputy Minister of Munitions and Supply from every officer connected with the Supply or Ordnance Branches brings the definite information that this impression is absolutely unfounded. Any material of this kind previously obtained was for the purpose of equipping the 1st and 2nd Canadian Divisions.

- (9) 1,850 - THOMSON SUB-MACHINE GUNS and 10,000,000 rounds of ammunition for same.

Probably could be obtained through British Purchasing Commission from private industry if U. S. Government concurs.

If possible for Naval Service
15 P.B. 7 Flying Boats to be based
Halifax - operated from Newfoundland.

Amphibion, Consolidated Air Craft Corporation.



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

August 23, 1940

pcc also 8/24

Cabinet Meeting August 23, 1940

The President said that he did not think there was any need of discussing in detail the Canadian agreement as it was fully explained in the papers, and the question of bases on English territory in this hemisphere had been taken up through the British Ambassador with the British Government and he was now awaiting a reply to some questions which he had asked.

He then asked Mr. Hull if he had anything, and Mr. Hull said the only matter on his mind was that of the Japanese Government withdrawing all of its ambassadors and ministers from this hemisphere. This had created quite a problem, the answer to which he did not have at the present time.

The President then asked me if I had anything, and I said I had three rather important subjects to discuss.

I told him that Congressman Maloney's nomination as Collector of Internal Revenue in the Louisiana district, which he had sent to the Senate early in August, was confirmed and his commission signed by the President on August 9. The Treasury sent Mr. Maloney the oath of office and other papers to execute late last week and no word having been received from him, Assistant Secretary Sullivan asked him on Wednesday when he intended to take the oath of office. He replied that he did not want to take it until after Congress had adjourned as he thought his services were necessary on the Ways and Means Committee to help put the Excess Profits Tax bill through the House. Governor Jones of Louisiana has wired the Treasury that Congressman Maloney's name is still on the ticket and available to be voted on in the primaries on September 13 and it was his understanding that Mr. Maloney would withdraw his name from the Louisiana primaries when he received this appointment.

I told the President that a representative of the surety company had appeared at the office of Congressman Maloney this week for the purpose of getting him to execute his bond as Collector, but his secretary would not let him in and said that he did not think the Congressman was interested in the position.

- 2 -

at all. This clearly indicates that he is using the position for political purposes. I asked the President if he wanted to give the Treasury any instructions in the matter. He said he thought it was a matter for the Attorney General and the Secretary of the Treasury under the Hatch Act. I told him that in view of the fact that Mr. Maloney had not taken the oath of office I did not believe he would come under the Hatch Act although that was a question for the lawyers to decide. Mr. Jackson said he thought probably he would not come under the Hatch Act until he had qualified as Collector.

The President tried to change the subject but I asked him again if he wanted to give me any instructions in the matter. He said the only instruction he had to give was that I had not taken the matter up with him and the Secretary of the Treasury should handle it upon his return.

I then discussed the question of foreign funds control as it concerns the branches of American banks in France and Belgium. I told the President what the banks wanted to do and what we contemplated approving; that is, allowing them to purchase French francs with American dollars to meet their obligations in France with the understanding that the dollars paid to the Bank of France would be blocked in New York, and with respect to Belgium, because of peculiar conditions there we would have to give free dollars with which to buy the belgas to meet their obligations. I said I thought this was the best solution in order to allow these American banks gradually to liquidate their obligations outstanding in these countries; that if we allowed them to default we are not in a position in the Treasury to say just what will happen or just how it will affect their reputations. I thought, in view of the amount of money involved -- somewhere between ten and eighteen million dollars -- it was best to allow them to proceed as I had outlined it.

The President apparently was a little confused on the matter as he said he did not see how the purchase of French francs would help the situation when the Germans had introduced a credit mark and that was the only thing that could be used. I tried to argue with him on this point but he was quite insistent that this was the case. He then said for me to tell the French that if they would deliver to the United States the \$300,000,000 in gold stored at Dakar, we would be glad to give them dollars for that.

I said that was an entirely different proposition. In that case the French would be selling us gold for dollars, whereas what we wanted to do under the proposition stated would be to give the

- 3 -

French dollars for French francs, which would be used to meet franc obligations of American institutions in France. While the President did not definitely say that he would not permit the transaction, he said we should go slow and suggested that I might discuss the matter with Secretary Hull. I said I would be glad to discuss it with the Secretary and that I had already had it up on an informal basis with one representative of the State Department. (I have made an appointment to discuss the matter at twelve, noon, with Secretary Hull tomorrow.)

I then discussed the present status of the tax bill. I told the President that the tax bill was in a terrible mess and I should like to give him the complete picture from the beginning as to what has happened. I said he would recall that when the matter was up around the first of August he told me at Cabinet Meeting that I should tell the Secretary that he did not want the tax bill to get bogged down with differences of opinion between the Treasury experts and the Congressional experts, and that he had told Harrison and Doughton that he wanted a tax bill this session but was not concerned with the details; that any loopholes in it could be straightened out at the next session of Congress. I said he would also recall that upon the return of the Secretary on the Monday following that Cabinet Meeting, he immediately called a large meeting at which representatives of the Senate Finance Committee and representatives of the Ways and Means Committee, as well as representatives of the War and Navy Departments and the Treasury, were present. The Secretary told this group that the Treasury was prepared to accept anything that the Committee decided upon and that if we could get speed on the tax bill he assured them that the Treasury would be in agreement with the Congressional experts before ten o'clock the following morning. We were in agreement but it meant that the Treasury practically accepted the Stam plan.

When the group undertook to draft a bill along the lines of the Stam plan it found that the Stam plan did not fit certain situations, so it finally concluded that about the only thing that could be done at this stage of the game was to adopt both plans and allow the tax-payer to take his choice, thereby increasing the difficulties and also the loopholes.

This bill was finally drafted, passed by the sub-committee and then submitted to the full committee. They were proceeding to read the bill, section by section, when during the week, along

- 4 -

about Wednesday, there was read to the committee a long list of prosperous American corporations which would not pay any taxes under the proposed bill. At that point one Congressman said that in that connection he would like to ask Assistant Secretary Sullivan a question and that was whether or not the burden of the tax bill under consideration would not be borne by small companies. I said that Sullivan could do nothing but honestly answer the question, so he told the Congressman that the burden of this bill would fall for the most part upon small and new companies. One Congressman said that being the case he wanted to serve notice on the committee that he intended to file a minority report on the bill and he intended to show to the House, when this bill was up for consideration, by facts and figures, that it was unfair to these types of corporations and that the large, prosperous corporations would not pay any tax.

Then another Congressman proceeded to air his views on the bill and before the committee adjourned practically everybody on the committee except Mr. Doughton was against the bill as it was drawn. I told the President that Mr. Doughton apparently is quite sore at Assistant Secretary Sullivan and that there was an attempt being made to make Sullivan the goat, but he has worked hard for the bill and tried to cooperate with the committee and it just seemed to be something that was bound to come out sooner or later and what has happened apparently could not have been prevented.

I told the President that the Treasury's estimates of the revenue from the bill as it was presented to the committee amounted to \$190,000,000, whereas Mr. Stam's estimates were \$225,000,000. Upon being questioned before the committee, Mr. Stam admitted that he had not deducted \$35,000,000 which would be eliminated as income taxes, because he thought that the legislative branch ought to know just what the bill before it would raise and not how it would interfere with other tax laws. Apparently Congressman Cooper put him straight on this by saying that it had always been the policy of the committee to have the net effect of the bill considered and he thought the committee was interested in the \$190,000,000 estimate rather than the \$225,000,000 figure.

I told the President that the amendment which had been adopted by the committee would probably reduce this estimate to \$160,000,000, and that another amendment pending, which in all

- 5 -

probability would be adopted, would reduce it again to \$100,000,000, and that I did not believe the President could consider this an excess profits tax bill in view of the fact that there were pending before the Congress appropriations and authorizations of an additional \$5,000,000,000 for national defense.

The President said he thought that was right, that at that rate it would take fifty years to pay off just that one authorization alone. He said that he could not understand the attitude of the Congressmen and Senators on the proposed excess profits legislation.

I then told him there was some talk of considering the La Follette amendment which would raise approximately \$400,000,000 of revenue and that Sullivan thought that, if this amendment were permitted to come to a vote before the Ways and Means Committee, it would be adopted, but he did not think Doughton would allow it to come to a vote. I told him also that Sullivan was quite certain that the present tax bill could not get through the Ways and Means Committee and that the Stam plan alone could not get through either. He believed, however, that if the Treasury plan were brought to a vote it would pass.

I told the President it was my understanding that Doughton and Harrison would like to see him to discuss the situation and I wanted to suggest that, if he did see Harrison and Doughton, Jere Cooper be brought into the picture; that if he talked to Harrison and Doughton alone he was talking to two who did not want any excess profits taxation this session, whereas Jere had been in complete sympathy with the President's desires.

The President said he thought the best plan would be to see Cooper alone over at the house where no one would know; that he would do it right away in order to get the picture and afterwards he might call Doughton. (Late this evening General Watson called me and asked me to get in touch with Mr. Cooper and have him report at the White House tomorrow morning at 9:30.)

Secretary Stimson said that the failure of Congress to pass this legislation was holding up numerous contracts of the War Department, particularly those dealing with ordnance. It was highly important, he said, for this bill to get through in order that the defense program could proceed.

- 6 -

Secretary Knox said that he had recently been trying to work out some methods of awarding contracts whereby the Government would guarantee the contractors that they would not lose money on their plant expansions. There was quite a discussion of this matter. Jesse Jones raised one or two objections and the President finally asked Stimson and Knox both to get in touch with Mr. Jones to see whether or not the ideas which Mr. Knox advanced are feasible.

Mr. Purdum, the Acting Postmaster General, discussed the revenues of the Post Office. He said they had shown a substantial increase. In a study he had made over the past years, he found that postal revenues were quite a sensitive business barometer. He said the trend shows that business conditions are getting much better because postal revenues are increasing.

Secretary Knox then said he had received a visit from a friend of his in Mexico who had brought back a message from the present government to the effect that the Mexican Government would like to donate to the United States sufficient land on the Pacific coast of Mexico for a United States naval base, and named the point at about which this land lies. The President commented that this is the territory over which the defeated President, Almazan, has some control. It may be that it has something to do with that matter. Anyway, the President said that it was a good thing to look into and he thought the Army and Navy officers concerned with this matter should study their geography, particularly with respect to Mexico, the Gulf of St. Lawrence, Nova Scotia and Newfoundland.

Colonel Knox also discussed the decentralization of industry having to do with national defense from the standpoint of its effect on railroads in general and freight rates in particular.

He said he had received a call today from the Director of the Bureau of the Budget suggesting that in setting up the machinery to carry out the selective draft consideration be given to the use of the Postal Service rather than the election boards. Knox thought the Director had made some good points and that they were worthy of consideration. The President said he was familiar with it and that he had made the suggestion yesterday that the Postal Service be used.

Colonel Knox also said that he was getting to the point of desperation in defense housing. He understood that there was a Mr. Palmer who had now appeared on the scene and was trying to work out some kind of housing program. I told the President that I had

- 7 -

an engagement tomorrow morning at ten o'clock to discuss a housing program with Mr. Palmer but I did not know what he had in mind. The President apparently knew nothing of the Palmer appointment.

The President then asked Jesse Jones to find out from both the Secretary of War and the Secretary of the Navy the places where additional housing is needed and the number of workers to be accommodated, and try to work out a plan whereby the Reconstruction Finance Corporation can finance a housing program for defense purposes.

Mr. Wirtz, Acting Secretary of Interior, discussed at some length the Bonneville power project and the problem that is presented out there.

Mr. Wallace and Mr. Hopkins said they had nothing.

The President then commented that Harry was leaving the Cabinet, which would be announced in a short time, but said that he would still be around close so that we could have his advice. He said that Jesse Jones was going to take over Harry's duties.

Miss Perkins said that she had nothing particular to report but that the President might be interested in the information that employment had picked up 135,000 in July, which ordinarily drops about 300,000.

Jesse Jones said that he had nothing except that he wanted to impress upon the Secretary of War and the Secretary of the Navy that in making their defense contracts it might be well for them to keep in close touch with him as they did not want to get their wires crossed in their financing arrangements.

The President then said he would like to have a short session of the Cabinet on Tuesday of next week as he was leaving shortly after that and would not be here on Friday.

OWB

Note: See memorandum of August 24, 1940, on conference at State Department re transfer of American dollars to branches of American banks in France and Belgium.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 23, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Today's transactions in registered sterling by the six reporting banks were as follows:

Sold to commercial concerns	£54,000
Purchased from commercial concerns	£17,000

Sterling in the open market was featureless. The opening quotation was 4.02-3/4. After moving up to 4.03, the rate eased, closing at 4.02-3/4. Transactions of the reporting banks in open market sterling were as follows:

Sold to commercial concerns	£10,000
Sold to foreign banks (South America)	£ 3,000
Total	£13,000

Purchased from commercial concerns	£11,000
------------------------------------	---------

The sale of £3,000 was made by the Guaranty Trust Company to a bank in Venezuela. This sale of open market sterling from a United States account to a Venezuelan account, is permissible under the British foreign exchange regulations due to the fact that Great Britain has no payment or clearing arrangement with Venezuela.

The other currencies closed as follows:

Swiss franc	.2279
Swedish krona	.2386
Canadian dollar	13% discount
Lira	.0505
Reichsmark	.4005
Cuban peso	.11-7/8% discount
Mexican peso	.2004 bid, .2034 offered

We purchased \$1,125,000 in gold from the earmarked account of the Bank of Mexico.

The Federal Reserve Bank reported that two shipments of gold valued at \$5,673,000 were shipped from Mexico by the Bank of Mexico. This gold is to be earmarked at the Federal for account of the Bank of Mexico.

The equivalents of the Bombay gold and silver prices were \$33.79 and 44.87¢, up .02¢, and about unchanged, respectively.

The London fixing prices for spot and forward silver were both off 1/16d at 23-5/16d and 22-15/16d respectively. The dollar equivalents were 42.33¢ and 41.65¢.

- 2 -

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¢.

We made three purchases of silver totaling 125,000 ounces under the Silver Purchase Act, all of which consisted of new production from foreign countries, for forward delivery.

From August 1 to August 23, inclusive, we purchased 3,645,000 ounces of silver under the Silver Purchase Act. Of this amount 3,345,000 ounces were purchased in the New York market and the remaining 300,000 ounces were bought from Canada under the regular monthly agreement.

CONFIDENTIAL

A handwritten signature in dark ink, appearing to be "B. M. F.", is written across the middle of the page.

August 23, 1940

Secretary Morgenthau

E. H. Foley, Jr.

I am attaching a digest of decisions of the United States Processing Tax Board of Review received during the week ended August 22, 1940. No decisions were reviewed by the Board of Tax Appeals during this week.

E. H. F. Jr.
/K

RECEIVED
AUG 23 1940

DECISIONS of the UNITED STATES PROCESSING TAX BOARD OF REVIEW
received during the week ending August 22, 1940.

PEOPLES BAKING COMPANY, a
corporation,
v.
Commissioner of Internal Revenue.

Docket No. 283.

Issue: Does the Board have jurisdiction of a claim
for refund of floor stocks tax paid under the
Agricultural Adjustment Act?

Decided in favor of the Government on authority of Anniston
Mfg. Co. v. Davis, 301 U. S. 337, 57 S. Ct. 816.
(Order of dismissal by the Board dated August 16, 1940,
signed by Charles West, Member.)

No dissents.

August 23, 1940

Secretary Morgenthau

E. H. Foley, Jr.

I am attaching a digest of decisions of the United States Processing Tax Board of Review received during the week ended August 22, 1940. No decisions were reviewed by the Board of Tax Appeals during this week.

(Initials) E. H. F., Jr.

7c

DECISIONS of the UNITED STATES PROCESSING TAX BOARD OF REVIEW
received during the week ending August 22, 1940.

PEOPLES BAKING COMPANY, a
corporation,
v.
Commissioner of Internal Revenue.

Docket No. 252.

Issue: Does the Board have jurisdiction of a claim
for refund of floor stocks tax paid under the
Agricultural Adjustment Act?

Decided in favor of the Government on authority of Amiston
Wg. Co. v. Davis, 301 U. S. 387, 57 S. Ct. 814.
(Order of dismissal by the Board dated August 16, 1940,
signed by Charles West, Member.)

No discounts.

Paris, France, August 23, 1940

No. 6834

Subject: Transmission of Memorandum of Conversation
with Official of the Finance Ministry.

STRICTLY CONFIDENTIAL.

The Honorable,

The Secretary of State,

Washington, D.C.

Sir:

I have the honor to transmit a memorandum of a recent conversation between a high Official of the Ministry of Finance and an officer of the Embassy in regard to current financial conditions. It is respectfully requested that this memorandum be distributed in the same manner as the telegrams marked "For the Treasury".

Respectfully yours,

Maynard B. Barnes
First Secretary of Embassy

851
WT/mh
Encl: memorandum.

Enclosure to Despatch No. 6834 dated August 23, 1940
from American Embassy, Paris.

MEMORANDUM OF CONVERSATION WITH M. COUVE DE
MURVILLE, ACTING DIRECTOR OF THE MOUVEMENT
GENERAL DES FONDS.

I called on M. Couve by appointment on August 20, 1940. I opened the conversation by asking his opinion on the recent German ordinances concerning the appointment of a Commissioner at the Bank of France and the establishment of a Bank Surveillance Office. M. Couve replied that these measures were undoubtedly designed to extend the control of the German authorities over all banking activities in France. While the Commissioner was only attached to the Paris branch of the Bank of France, he was in a position to influence its head office in unoccupied territory as well since, if he so desired, he might refuse to allow branches of the Bank in the occupied zone to obey instructions given by the head office. He said that the Commissioner and his assistants had already commenced a careful examination of the records of the Paris branch and that the French personnel were required to furnish all information desired by the Germans. I mentioned having heard that the Commissioner had demanded the sum of 100,000 francs per month to cover his salary and those of his staff. M. Couve replied that he did not know how much the Commissioner had asked for his "services", but that all of his expenses would, of course, be paid by the Bank.

Turning

- 2 -

Turning to the question of the Bank Surveillance Office, M. Couve remarked that several of the Paris banks had been visited during the past week by representatives of the Office who had examined their records. I said that I had heard of these calls and inquired if M. Couve agreed with the view recently expressed by an American banker (Mr. J.G.B. Campbell, Assistant Manager of the Guaranty Trust Company) to the effect that the primary aim of the German authorities at the present time was to obtain information concerning the liquidity of the banks and that the investigations made by the Bank Surveillance Office might therefore be considered as similar to those conducted by certified public accountants. M. Couve replied that he did not concur in this opinion. To him, the visits represented the first step taken by the Office in the direction of a general control over the activities of all banks in the Occupied Zone. Indeed, he thought it quite possible that a representative of the Office would be installed in each bank to act as a kind of "police officer".

I asked M. Couve whether he thought the Germans might deliberately attempt to bring about a monetary inflation by flooding the country with Kreditkassenschein, their action being motivated either in revenge for what happened to them after the last war or in line with a policy to stir up discontent. He replied that he did not believe the Germans contemplated such a move, at least for the time being, since they are desirous of

deriving

- 3 -

deriving the greatest possible benefit from French production and are therefore opposed to the introduction of any disturbing factors in the economic situation. While he had no information concerning the amount of Kreditkassenschein in circulation in France today, he believed that it had not been issued in excess of the actual requirements of the Army of Occupation.

M. Couve then remarked that a tentative agreement had recently been reached between the French and German authorities, whereby the French would furnish all the francs needed to cover the expense of the occupying forces. In return, the issuance of Kreditkassenschein would cease. While the cost to France would be the same in the end, the French authorities would at least have data regarding the amount of money in circulation. I inquired if any provisions would be made for expenditures by German tourists such as members of the "Kraft durch Freude" who are now visiting Paris in fairly large numbers. In reply, he said the German authorities maintain that there are very few German tourists in France today and hence the matter is not of particular importance.

I asked M. Couve whether he thought many "Black Bourses" exchange operations were being carried on in Paris, remarking that I just read a newspaper article about a French merchant who had sold francs for dollar bills at the rate of 79, and had subsequently discovered that the dollars were counterfeit. M. Couve said that while there was undoubtedly some surreptitious hawking

of dollars

of dollars, he did not believe that any organized "black" market existed.

M. Couve said that he had been greatly surprised by the lack of organization displayed by the German authorities in non-military matters, stating that they had not as yet realized the value of the French "system D". I related some of my own experiences in attempting to discover the official responsible for the issuance of regulations limiting the amount of money which may be carried by persons leaving France to 200 francs, mentioning that at least six officials had been communicated with before the correct one had been found. He said that my adventures were not unique.

M. Couve considered that action would shortly be taken by the Germans against Jewish bankers and industrialists. I related a story which I had heard to the effect that these people were being allowed to come back to the Occupied Zone because the Germans desired to ascertain the whereabouts of their "hoards of gold". M. Couve felt that any such hoards had long since been removed from France. He said that most of the privately-owned gold still in the country is in the "peasant's sock". He added that it will probably remain there, as he doubted whether the Germans would be able to gain possession of it, considering that the efforts of the French Government in that regard during the past several decades had been without result.

W.C.T.

mb

COPY

inc

CONFIDENTIAL

No. 640.

Chungking, August 25, 1940

Subject: Possible Importation of Embargoed Goods

from Burma.

206

Air Mail

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

1/ I have the honor to transmit herewith for the Department's information a copy of Yunnanfu's despatch no. 35 of August 12, 1940, in regard to the subject of the possible importation of restricted categories of goods from Burma into China.

The Embassy has no information which leads it to believe that the Burma authorities would permit the exportation by air or water of the five classes of goods now subject to prohibition, although reference to Bangoon's report of July 20, 1940 entitled Prohibition upon Exportation by Land from Burma of Five Classes of Goods and to Bangoon's despatch no. 335 of July 20, 1940 on the subject Effect of Regulations of Government of Burma Prohibiting the Exportation from Burma to China of Five Classes of Goods shows that the prohibition by the restricted classes of goods is limited to "exportation by land from Burma". Doubtless, the interpretation of the Burmese Government will be forthcoming in due course. And in any event it would appear that even though the Burmese authorities were to allow exportation of the five classes of goods by air, the advantages to be derived therefrom are not great.

The Embassy has not been approached on the matter of the formation of an American-incorporated firm for the purpose of transporting goods in the restricted categories by air from Burma to China.

Respectfully yours,

Nelson Trusler Johnson

Enclosure:

1/ Copy of despatch, as above.

Original and four copies to the Department by air mail

Copy to Peiping

Copy to Yunnanfu

Copy to Bangoon

815.4

KFD:MCL

True copy of signed
original

-207

Enclosure no. 1 to despatch no. 640 dated August 23, 1940 from American Embassy at Chungking on subject of "Possible Importation of Embargoed Goods from Burma".

(C O P Y)

No. 35

AMERICAN CONSULATE

Yunnanfu, China, August 12, 1940

STRICTLY CONFIDENTIAL

Subject: Possible Importation of Embargoed Goods From Burma.

The Honorable

Nelson Trusler Johnson,

American Ambassador,

Chungking.

Sir:

I have the honor to report the substance of an informal interview which I have recently had with a foreign employee of a National Government agency in Yunnanfu. The agency is interested in the importation of gasoline, motor vehicle parts, tires and other equipment prohibited by the recent Anglo-Japanese agreement concerning the Burma road.

My informant stated that in his opinion the agreement was, as he phrased it, "a joke", that it covered only exportations from Burma by road, and that exportations by water or by air were still entirely free. He stated that a tentative plan was under consideration for the formation in Burma of a nominally American company to engage in the shipment of goods of the prohibited classes by air, and inquired as to the probable attitude of the United States Government with respect to granting protection to such a company.

My informant stated that the proposed company would be organized by the Sassoon interests of Shanghai, and gave me to understand that it would obtain in return for its services certain concessions with respect to the mercury deposits of Kweichow. He was particularly desirous of knowing what the legal status of the company would be, and what protection would be extended to it by the United States Government, because the plan calls for the advance of a large credit to the company by the National Government agency. I informed him that such a company, established and operating in Burma, would presumably be subject in all respects to Burmese law, and that the degree of protection that would be accorded it is a matter of policy to be determined by the Department. When he inquired whether any person in China could

- 2 -

advise them as to the degree of protection that could be expected, I advised him to consult the Embassy. It is therefore probable that the Embassy will in the near future be approached on the subject if it has not already been consulted.

My informant also expressed the opinion that considerable quantities of the prohibited goods could be smuggled across the borders of both Burma and Indochina. He believed that it would be most difficult to patrol these borders efficiently, and suggested (though he did not state) that the various agencies of the Chinese Government were making efforts to organize the smuggling on a large scale. He himself is to proceed to a border town in the near future, apparently with this in view.

Respectfully yours,

(Signed) Stephen C. Brown

Stephen C. Brown
American Vice Consul.

800 SCB/scb
Copy to Consulate, Rangoon.
Copy to Peiping.

C
O
P
Y

bj

August 24, 1940

Acting Secretary Bell

Mr. Cochran

At 12:00 today Mr. Knake telephoned me that he had been in touch with Barclay's Bank in New York and had learned that the latter had well in hand the matter of locking after offers of sterling bank notes. Only between twenty and twenty-five thousand pounds had so far been taken in by Barclay's. There is, therefore, to the present no situation developing which might cause doubt as to whether all of the sterling notes on this market could be taken care of within the days of grace stipulated by the British authorities. In this connection I have today circulated a memorandum of a conversation between Mr. Knake and the Bank of England upon this subject which further indicates that there will probably be no need for action on the part of our officials with respect to the question of the disposition of sterling notes on this market.

BMJ

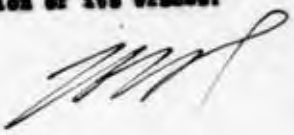
HMC:lap-S/26/40

August 24, 1940

Acting Secretary Bell

Mr. Cochran

Mr. Opie, Acting Financial Counselor of the British Embassy, telephoned at 12:30 this noon. He stated that Mr. Gifford still has a troublesome problem in connection with the matter of paying twice on transfers of British securities whose title has been vested in the Government. Mr. Gifford finds that it is not feasible to effect a transfer without affixing a stamp. Since Mr. Gifford plans to sail from the United States for England on September 1, it is desirable that this matter be resolved as soon as possible. Mr. Opie asks, therefore, whether it may be possible for him to meet with General Counsel Foley and myself on Monday. Will Mr. Foley's office please give me an indication of its wishes?



HMC:lap-S/24/40

CONFIDENTIAL

G-2/2657-235

M.I.D., W.D.
 Tentative Lessons
 Bulletin No. 32
 August 24, 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) MRM, "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.

TYPES OF TANKS EMPLOYED BY THE
ITALIAN ARMY

The following list of Italian tanks and their characteristics was obtained from a British official source. It is possible that the Italians may recently have acquired some German tanks, the details of which have been fully outlined in TENTATIVE LESSONS, BULLETIN NO. 23.

The main distinguishing features of Italian tanks are as follows:

Serial 1. Name: C.V3/33-35.
 Type: Light.
 Weight: 3-3½ tons.
 Crew: 2 drivers, 1 gunner.
 Dimensions: Length, 10'6"; width, 4'7";
 height, 4'3"; belly clearance, 9".
 Armor (Thickest plate known): 8mm. for
 early model; 16mm. for later model.
 Armament: Two 8mm. machine guns coaxially
 mounted or one light machine gun and
 a flame thrower with range up to 110
 yards; inflammable liquid carried in
 heavy trailer; later model tank has a
 20mm. machine gun.

CONFIDENTIAL

CONFIDENTIAL

Ammunition Carried: 2240 rounds.
 Engine: 42 h.p., 4 cylinder Fiat, water-cooled.
 Drive: Front sprocket.
 Maximum Speed on Roads: 26 m.p.h.
 Radius of Action: 55-60 miles
 Suspension: 7 small bogie wheels; 2 bogies connected by outside girder bearer; 1 small independent bogie wheel in the rear; leaf springing; no jockey wheels; upper part of track runs along a small rail.
 Hull: Built up to form a small square fixed turret in which driver and gunner sit; gun mounting on left of vehicle is forward on sloping front plate; 2 machine guns are mounted close together on twin mounting system.
 Performance: Trench crossing, 4'1"; step, 2'; water forded, 2'2"; maximum gradient, 45°.
 Intercommunication: Flag, or sometimes radio.
 Miscellaneous: Tank is standard and used in large numbers; designed from the Carden-Lloyd; some tanks equipped with long light steel bridges which can be placed against an obstacle up to 16½ feet high so that they may be used as ramps for light tanks.

Serial 2.

Name: Fiat Ansaldo 3000 B.
 Type: Light
 Weight: 5 tons without tail.
 Crew: 2 drivers and 2 gunners, or 3 drivers and 1 gunner.
 Dimensions: Length, 13'10", with tail; width, 5'6"; height, 7'7"; belly clearance, 1'6".
 Armor (Thickest plate known): 18mm.
 Armament: 37/40mm. gun and one light machine gun or two 6.5 light machine guns coaxially mounted.
 Ammunition Carried: 60 rounds for gun.
 Engine: 45 h.p., 4 cylinder Fiat, water-cooled.
 (In 1934 an American source indicated that this tank had a 54 h.p. engine. A later report said it had a 70 h.p. engine. G-2)
 Drive: Rear sprocket.
 Maximum Speed on Roads: 13 m.p.h. (An American source stated in 1937 that this tank had a steel track adapted to various terrain but not very suitable on roads. Tanks were often carried over roads by drays and tractors. G-2)

CONFIDENTIAL

CONFIDENTIAL

Radius of action: 60 miles.

Suspension: 4 bogie wheels completely obscured by large outside girder bearer; very large spoked front idler wheel of thin metal construction; no jockey wheels; upper part of track runs along a rail; rear driving; sprocket almost on ground; no running; board above track.

Hull: Rear of hull built up above track forming a square engine compartment; on back of hull, large flat trail attached to 2 girders which are fixed perpendicularly onto rear of hull.

Turret: High, square, fixed; surrounded by round mushroom-shaped cupola.

Performance: Trench crossing, 5'; step, 1'8"; water forded, 2'1"; maximum gradient, 45°.

Miscellaneous: This tank is obsolescent, although a considerable number may be in existence. It is carried on a trailer or lorry.

Serial 3.

Name: Fiat Ansaldo 3000 B (Later model).

Type: Light.

Weight: 5 tons.

Crew: Commander, 2 or 3 drivers, 1 gunner.

Dimensions: Length, 11'6"; width, 5'7"; height, 6'6"; belly clearance, 1'11".

Armor (Thickest plate known): 16mm.

Armament: One 37mm. gun, one light machine gun.
(American sources reported in 1938 that there were two machine guns. 9-2)

Ammunition Carried: 60 rounds for gun.

Engine: 45 h.p., 4 cylinder Fiat, water-cooled.

Drive: Front sprocket.

Maximum Speed on Roads: 20 m.p.h.

Radius of Action: 90 miles.

Suspension: 5 bogie wheels; 2 bogies sprung by leaf springing protected by armored casing; 1 small fixed independent bogie wheel at rear; 2 jockey wheels.

Hull: Built up to form high, square-shaped turret base, which is surmounted by octagonal revolving turret; 37mm. gun coaxially mounted with 1 light machine gun in roller type mounting.

Performance: Trench crossing, 5'; step, 1'8"; maximum gradient, 45°.

CONFIDENTIAL

CONFIDENTIAL

Miscellaneous: Modern type of Italian light tank; may be extensively used.

Serial 4.

Name: Carro d'Assalto.
 Type: Light.
 Weight: 6-8 tons.
 Crew: Commander, 3 drivers, 1 gunner.
 Dimensions: Length, 12'10"; width, 6'; height, 6'3"; belly clearance, 1'1".
 Armor (Thickest plate known): 26mm.
 Armament: One 20mm. heavy machine gun and one 8mm. light machine gun or two 8mm. light machine guns and possibly a flame projector. (In 1936 an American source reported use of one 37mm. cannon and two machine guns. G-2)
 Ammunition Carried: 2000 rounds for light machine guns, 500 rounds for heavy machine gun.
 Engine: 100 h.p. (An American source reported in 1937 that experiments were being conducted with heavy oil engines to reduce danger of fire and increase radius of action. G-2)
 Maximum Speed on Roads: 20 m.p.h.
 Radius of Action: 124 miles.
 Suspension: Completely obscured by skirting; long oblong fluting in rear of skirting; shape of track is symmetrical, since large driving sprocket and idler wheel are of same size.
 Hull: Built up to form large square fixed turret which is mounted rather forward in vehicle; on right of turret is ball gun mounting with either twin light machine guns or one 20mm. heavy machine gun; on left, over driver's flap is small ball mounting with either flame projector or one light machine gun; at side of turret is large entrance door.
 Performance: Trench crossing, 6'10"; water forded 2'6"; maximum gradient, 45°.
 Intercommunication: Radio, radio telephone.
 Miscellaneous: 300 of these tanks were to be delivered in February, 1939; rather clumsy for a tank of this size and similar in appearance to an armored office.

Serial 5.

Name: M.13 (Formerly M.11).
 Type: Light medium.
 Weight: 13 tons.
 Crew: 3 drivers, 2 gunners.

CONFIDENTIAL

CONFIDENTIAL

Dimensions: Length, 16'1"; width, 7'2"; height 6'11"; belly clearance, 1'4".
 Armor (Thickest plate known): 30mm.
 Armament: One 37mm. gun, two light machine guns, 37mm. gun in hull.
 Ammunition Carried: 90 rounds for gun, 3000 rounds for machine guns.
 Engine: 130 h.p. Diesel.
 Drive: Front sprocket.
 Maximum Speed on Roads: 20 to 22 m.p.h.
 Radius of Action: 112 miles.
 Suspension: 8 small bogie wheels, 2 bogies, each having 2 pairs of bogie wheels; leaf springing; large solid front driving sprocket.
 Hull and Turret: Hull built up to form a square turret base in which one 37mm. gun is mounted on right hand side; on top of square base is square revolving turret in which are mounted twin machine guns as on the C.V3.
 Performance: Trench crossing, 6'6"; step 2'8"; water forded, 3'; maximum gradient, 45°.
 Intercommunication: Radio in commander's tank only.
 Miscellaneous: Vehicle identified in Libya and may exist in large numbers; mounting gun in hull may reduce effectiveness considerably.
 (Note: In 1939 an American source reported the presence in the Italian Army of a tank similar to the Serial 5, but differing in these respects: Type, medium; weight, 11 tons; engine, 140 h.p. Diesel; suspension 4 sets of 2-wheeled bogies. Since the Serial 5, now known as the M.13, was previously known as the M.11, it is likely that these were its characteristics before it was changed. It is reported that manufacture of the M.11 has been discontinued. G-2)

Serial 6. Name: Carro di Rotturo
 Type: Light medium. (Giuseppe Rossini, prominent Italian tank engineer, refers to this as a heavy tank. G-2)
 Weight: 14 3/4 tons.
 Crew: Commander, 4 drivers, 2 gunners, radio operator.
 Dimensions: Length, 14'8"; width, 7'; height, 7'3"; belly clearance, 1'4".

CONFIDENTIAL

CONFIDENTIAL

Armor (Thickest plate known): 30mm.
Armament: One 47mm. gun, two 8mm. machine guns.
Ammunition: 150 rounds for 47mm. gun, 4000 rounds
for machine guns.
Engine: 160 h.p. Diesel.
Maximum Speed on Roads: 25 m.p.h.
Radius of Action: 186 miles.
Performance: Trench crossing, 6'; step, 1'11";
water forded, 2'6"; maximum gradient, 40°.
Intercommunication: Radio; radio telephone.
Miscellaneous: First issue was made to troops
in 1939; possibly 150 more were in service
in June, 1940.

Serial 7.

Name: Fiat 36.
Type: Medium.
Weight: 20-25 tons.
Crew: 6 to 8 men.
Armament: One 37mm. or 47mm. gun, three 8mm. machine
guns.
Maximum Speed on Roads: 22 m.p.h.
Performance: Trench crossing, 9'10"; step, 3'7";
water forded, 2'6".

CONFIDENTIAL

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE August 24, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Only one of the six reporting banks consummated transactions in registered sterling today. The only reporting bank who operated in registered sterling today was the Irving Trust Company which purchased £8,000 from commercial concerns.

The open market rate for sterling opened at 4.03 and closed at 4.02-3/4. The transactions of the reporting banks in open market sterling were as follows:

Sold to commercial concerns	£17,000
Purchased by commercial concerns	£1,000

The other currencies closed as follows:

Swiss francs	.2278
Swedish krona	.2386
Canadian dollar	13 1/2 discount
Lira	.0505
Reichsmark	.4005

About 12:15 p.m., New York time, the Federal Reserve Bank of New York received an order from the National Bank of Yugoslavia to sell 440,000 Swiss francs at the best rate. Due to the lateness of the day the Federal was able to dispose of only 50,000 Swiss francs. The balance of 390,000 Swiss francs is being held by the Federal for execution on Monday.

There were no gold transactions consummated by us today.

The Federal Reserve Bank reported the following gold shipments consigned to it:

\$4,132,000 from Canada, shipped by the Bank of Canada for sale to the U.S. Assay Office.
2,891,000 from Portugal, shipped by the Bank of Portugal to be earmarked for its account.
1,876,000 from Mexico, shipped by the Bank of Mexico to be earmarked for its account.
507,000 from England, shipped by the Bank of England to be earmarked for the account of the Bank of Greece.

\$9,406,000 Total

- 2 - **CONFIDENTIAL**

For some unexplained reason the Chase Bank did not receive gold and silver quotations from Bombay.

B.M.R.



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

August 24, 1940

Further Conference on Transfer of American
Dollars to Branches of American Banks in
France and Belgium

As indicated in my memorandum of yesterday on the Cabinet Meeting, Professor Chamberlain and I conferred with Secretary Hull, who had Dr. Pasvolaky and Mr. Livesey present.

I gave the Secretary the information concerning this proposed transfer to take care of the current liabilities of branches of American banks in unoccupied France and Belgium. After a great deal of discussion, and after answering a number of questions by Secretary Hull, he asked Pasvolaky and Livesey what they thought of the matter under discussion. They both said they felt the Treasury was right and that the licenses requested should be granted in order that the American banks would be in a position to meet their obligations. Livesey added that these branches were all established at the urgent request of American business interests and now to let them default on their obligations or liquidate under forced conditions would be short-sighted in his opinion.

Secretary Hull then said that I could go to the President and tell him that the State Department was in agreement with the Treasury on this matter.

-oOo-

Telephone Conversation with the White House

Upon my return to the Treasury I called Miss LeHand and asked her if she could get a message to the President before he left on his week-end trip. She said she could, so I told her that at the direction of the President I had conferred with Secretary Hull on the matter of granting licenses to American banks to cover the transfer of dollars to their branches in France and Belgium to meet their obligations in those countries, and that Secretary Hull had authorized me to say to the President that he and his experts in the State Department were in agreement

- 2 -

with the Treasury's position in the matter. I asked her if she could get me an answer, not that I wanted the President's approval of what we contemplated doing, but I hoped that he would offer no objections.

Within a few moments Miss LeHand called me back and said that the President still had some doubts about the transfer and wanted me to get in touch with the Secretary of the Treasury over the week-end and get his approval or disapproval before the President finally passed upon it.

-oOo-

August 26, 1940

Early this morning I related the foregoing to the Secretary of the Treasury over the telephone and explained to him in detail what the Treasury contemplated doing. He asked me to get all of those interested in the matter together in his office and we would have a general discussion of the subject on the loud-speaker. I told him that in view of the fact that I had explained the matter to him on two occasions I thought it was only fair to him to hear Professor Chamberlain's side of the story so that he would have two viewpoints. He agreed that Professor Chamberlain should explain it to him in his office.

I then sent word for Professor Chamberlain, Merle Cochran, Mr. Upham, Mr. Bernstein and Mr. Pehle to come to the Secretary's office for the purpose of discussing this matter. Mr. Bernstein had not gotten in and Mr. Pehle is away on vacation, so only the others mentioned were present.

Professor Chamberlain explained to the Secretary just what was involved in about the same manner as I had previously explained it. The Secretary said that he was willing to go along with the French proposal but did not want to pass upon the Belgian matter at this time; that he would talk to us on Wednesday of this week.

I told him that that was quite satisfactory as we wanted to approve the French first anyway since we did not want the Belgian approval to be considered as a precedent for the French. He told me that I could tell the President that he approved of

- 3 -

the French end only and the Belgian would be delayed for further consideration.

All of this discussion was recorded in the Secretary's office.

-oOo-

I then called Miss LeHand and related to her my conversation with the Secretary, and asked her to tell the President about it and get an answer from him. In due course Miss LeHand telephoned back that the President said to go right ahead with the French matter.

sub 3

Table Seating Plan

Luncheon given by The Prime Minister of Canada in honour of
 Hon. Henry Morgenthau, Secretary of the Treasury of the United States
 Country Club, Ottawa, Saturday, August 24, 1940

Mr. V.H.Measures

Mr. Laurence Brockington
 Miss Morgenthau
 Mr. Robert English
 United States Legation
 Mrs. Keenleyside
 Mr. J. S. Duncan
 A/Dep.Min. of National Defence
 for Air
 Mrs. Woodward
 Hon. W. P. Mulock
 Postmaster General
 Mrs. Dunning
 Hon. J. L. Ilsley
 Minister of Finance
 Lady Campbell
 Rt.Hon. Sir Lyman P. Duff
 Chief Justice of Canada
 Mrs. Pierrepont Moffat
 Hon. Pierre Casgrain
 Secretary of State
 Mrs. Clifford Clark
 Sir Gerald Campbell
 United Kingdom High Commr.
 Mrs. Sheils
 Maj.-General H.D.G.Crerar
 Chief of the General Staff
 Mrs. Measures
 Mr. W. C. Woodward
 Department of Munitions
 and Supply

Miss Jean Campbell
 Mr. P. A. Chester
 A/Master Gen. of the Ordnance
 Miss Dorothy Crerar
 Mr. G. K. Sheils
 Dep.Min. of Munitions & Supply
 Mrs. Towers
 Mr. Morgenthau, Jr.
 Mrs. H.D.G. Crerar
 Hon. J. Pierrepont Moffat
 United States Minister
 Mademoiselle Casgrain
 Hon. Henry Morgenthau
 Secretary of the Treasury
 Rt.Hon. W.L.Mackenzie King
 Prime Minister of Canada
 Mrs. Morgenthau
 Hon. C. D. Howe
 Minister of Munitions & Supply
 Miss Duff
 Mr. Graham Towers
 Governor, Bank of Canada
 Mrs. Duncan
 Hon. Charles Dunning
 P.C.
 Mrs. English
 Dr. H. L. Keenleyside
 Department of External Affairs
 Miss Pamela Campbell

ENTRANCE

Mr. Colin Brockington

Dear Mr. Morgenthau - Here is a list of the very small group 223
I have asked in to tea this afternoon. P.M.

TEA FOR MR. AND MRS. MORGENTHAU

The Secretary of the Treasury and Mrs. Morgenthau
Mr. Morgenthau, jr.

The Prime Minister

The Minister of Finance (Mr. Ivesley)

The Governor of the Bank of Canada and Mrs. Graham Towers

The Adviser to the Bank of Canada and Mrs. H.A.C. Osborne
and Mrs. Northcott (sister-in-law)

The Minister of Munitions and Supplies

The Deputy Minister of Munitions and Supplies
and Mrs. Leslie Thomson

The Counselor to the Department of External Affairs
and Mrs. Keenleyside

The Counselor to the Department of External Affairs
and Mrs. Robertson

Mr. Coulter, Assistant Chief, Visa Division, Washington

Mr. Harrington, " " " " " "

Mr. Shaughnessy, Department of Justice, Washington

Mr. Byington, Consul General in Montreal

in Ottawa on special mission

Mr. Simmons (Counselor of United States Legation) and
Mrs. Simmons

Mr. English (Secretary of United States Legation)

**EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN
AS SHOWN BY DEPARTURE PERMITS GRANTED**

Week ended August 24, 1940

	: JAPAN	: RUSSIA	: SPAIN	: GREAT BRITAIN
PETROLEUM PRODUCTS				
Fuel and Gas Oil (including Diesel Oil)	411,117 Bbls.	—	—	90,000 Bbls.
Crude -				
Blended or California High Octane Crude *	—	—	—	—
All Other Crude	200,158 Bbls.	—	—	—
Gasoline -				
Aviation Motor Fuel **	3,155 Bbls.	—	—	77,400 Bbls.
All Other Gasoline (including Kerosene and Benzine)	964 Bbls.	—	—	35,500 Bbls.
Lubricating Oil -				
Aviation Lubricating Oil **	—	—	—	5,816 Bbls.
All Other Lubricating Oil	6,020 Bbls.	—	22 Bbls.	74,747 Bbls.
Tetraethyl Lead **	—	—	—	—
"Boosters", such as Iso-Octane, Iso-Hexane, or Iso-Pentane	—	—	—	—
SCRAP IRON AND SCRAP STEEL				
Number 1 Heavy Melting Scrap	4,448 Tons	—	—	10,776 Tons
All Other Scrap	18,109 Tons	—	5,824 Tons	26,881 Tons

Office of the Secretary of the Treasury, Division of Research and Statistics.
Source: Office of Merchant Ship Control, Treasury Department. August 26, 1940

* Any material from which by commercial distillation there can be separated more than 3% of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.
As defined in the President's regulations of July 26, 1940.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 24, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Herve Alphand, the new French Financial Counselor, called at 12:00 noon yesterday by appointment made with me by the French Ambassador. I in turn presented Mr. Alphand to Acting Secretary Bell and to Professor Chamberlain. It will be recalled that Mr. Alphand is the son of a distinguished French Ambassador, and has himself had important positions in the French Government at an early age. His last post was that of Chief of Commercial Treaties. Mr. Alphand realized that he had arrived here at a difficult time, for his first visit to the United States. He immediately brought up the question of the freezing of French assets in this country, and stated that he would like to negotiate with us a special Franco-American agreement thereon. He asked very pointedly the purposes of this control and indicated his feeling that our administration thereof was a puzzle to French interests.

It was explained to Mr. Alphand that we are not negotiating separate arrangements with the individual countries which have been occupied and whose funds in the United States have been blocked. I told Mr. Alphand that I would continue to mail to him, as I had to his predecessor, all of the proclamations, laws, regulations and rules affecting our control system. It was understood that we would also gladly receive any representations from him on the matter of general treatment of French interests or on individual applications. We made the point, however, that applications should be filed with the appropriate Federal Reserve Banks for forwarding to the Treasury Department. It was further explained to Mr. Alphand, in response to his repeated request of an enunciation of our policy, that we were busily engaged in studying measures toward expediting the handling of applications, and simplifying the process.

Mr. Alphand handed to me the attached note in regard to the request of the French American Banking Corporation for the free disposal of \$5,000,000 deposited with the Banco Frances del Rio de la Plata. Mr. Alphand insisted that it was a matter of extreme urgency that this application be favorably acted upon. I volunteered the information that the part thereof referring to the Uruguayan item of \$210,000 in payment of canned beef had already been approved. When Alphand insisted to Professor Chamberlain and myself that the purchases of lentils and beans in Chile should have been similarly dealt with we let him know that we had received certain information to the general effect that the British Government had relieved the French of their contracts for the beans and lentils in question and it had actually paid therefor with sterling. It was explained to Alphand that we hoped to be of real service to the French in our supervision of their funds on this market, we being in a position to have certain information, such as that cited in the present case, which might not have been made available to the French authorities. Because of difficulty of communication, etc. Professor Chamberlain promised Mr. Alphand that his note could have our consideration, and that he would be informed as to the status of the application.

- 2 -

At the Group Meeting yesterday evening there were signed several instructions to the Federal Reserve Bank at New York, ending the free facilities which certain official French bank accounts in this country have enjoyed. The French are sure to resent this action, and it is an unhappy coincidence that it should occur on the day that Mr. Alphand paid his first call.

A handwritten signature in dark ink, appearing to be 'BMP' or similar, written in a cursive style.

(Handed by Mr. Alphonse, new French Financial Counselor, to Mr. Cochran in the Treasury at 12:00 noon, August 23, 1940.)

AMBASSADE
DE LA REPUBLIQUE FRANCAISE
Aux Etats-Unis

Washington, le _____

NOTE

The French American Banking Corporation has requested on July 15, 1940 the free disposal of \$5,000,000 deposited in the credit account of Banco Frances del Rio de la Plata.

The payments to be made on this account are as follows:

1. Expenditures of diplomatic and consular offices and purchasing missions in South America \$285,520
2. Expenditures for the upkeep of boats and their crew in South American harbors 216,370
3. Payment of purchases made in Argentina, Uruguay and Chile \$3,195,281
- Total..... \$3,697,171

The difference to make up the \$5,000,000, namely \$1,302,829, will be appropriated as "a reserve for current expenses of embassies and legations after January 1, 1941, and for future purchases".

The Financial Attache wishes to renew his request to the Treasury for the free disposal of these sums promptly. This request is particularly urgent in the case of past-due and future payments for expenditures of our legations and consulates, and the settlement of purchases made, especially Chile \$210,000 in payment of 300 tons of lentils and 4,880 tons of beans, and Uruguay \$210,000 in payment of 90% of the value of 13,745 cases of canned beef purchased from the "Frigorifico Nacional Montevideo"./.

Merle Cochran, Esquire,
Technical Assistant to the Treasurer
of the United States, Washington, D. C.

eh

ATTACHE'S REPORT

Forward seven copies (original and six carbon); this number is necessary because of the limited personnel in O. N. I. and because of the expense of making disseminating information from this source. These copies will be distributed by O. N. I. as per schedule or otherwise, according to subject matter.

From **F-1, ONI** Date **August 24, 1940** Serial No. **13** File No. **108-1000**
(Commence new series each January first) (Select proper number from O. N. I. Index)
Source of information **Reliable**
Subject **JAPAN** **Economic Forces (B) Industrial**
(Nation reported on) **Minerals, Mineral** **Petroleum**
(Indicate title as per index shown) (Subtitle)

Reference

NOTE: (The review, selecting and distribution of reports by O. N. I. will be greatly expedited if a brief summary of the contents is entered in this space. Mention leading geographical, personal, or political names, and the gist of the report.)

CONFIDENTIAL

JAPANESE OIL SITUATION

1. As of 1 January 1940 Japan had on hand 74,361,000 barrels of petroleum products.
2. Assuming that Japan is cut off from all outside sources of oil, Japan has on hand enough oil plus production within the Empire to support a first class naval war for about 1 1/2 years.
3. Japan is dependent upon distant overseas foreign sources for 84% of her petroleum requirements.
4. The United States supplies Japan with 74% of her oil imports.
5. Japanese refineries are equipped to handle U.S. crude oil and are not easily adaptable to handling other crudes.
6. At the present time Japan is dependent upon the United States for 70%-100% of her supplies of crude oil, aviation gasoline, anti-knock boosters and lubricants, particularly high grade aviation lubricants.
7. Japanese refinery facilities are inadequate to produce Japan's minimum needs of low count octane gasolines, anti-knock boosters, and aviation lubricants.
8. If Japan can monopolize the petroleum resources of the Dutch East Indies, her needs for petroleum products can be entirely satisfied from this source.

A.H. McCollum,
Lieut. Comdr., USN.

CONFIDENTIAL

✓ 108-1000-13

Forward seven copies (original and six carbon); this number is necessary because of the limited personnel in O. N. I. and because of the expense of making disseminating information from this source. These copies will be distributed by O. N. I. as per schedule or otherwise, according to subject matter.

ADN	F-10	A-B-C-D-E-F	Man-	Arch-	Index	C.N.O.	Gen's	War	N.I.S.	Nar.	Ord.	T.B.H.	C.A.R.	Eng.	S.A.A.	M.A.R.	Av.	U.S.	H.O.
Direct	B-1, B-2, B-3, B-4, B-10, B-11, B-12, B-13, B-14, B-15, B-16		graph	ives			Board	College										N.C.	
Trk.	C. in C.	Com.	Com.	C. in C.	Com.	Com.	At	At	At	At	At	At	At	At	At	At	At	At	At
Div.	U. S.	Est. For.	Sea. For.	App.	S. S. S.	Ar													

Use forms for all copies. Use only forms as supplied by O. N. I. Make all sketches, etc., uniform in size with this form where practical. Submit extra copies of drawings, sketches of situation, etc., where practical. If practicable, submit sketches in suitable style for blueprinting or photostating.

JAPAN
July 1940

ECONOMIC FORCES
(B) INDUSTRIAL

408 - Minerals,
Non-Metal
1000 - Petroleum

CONFIDENTIAL

<u>CONTENTS</u>	Page
I. Petroleum in the Far East	1
II. U.S. as Chief Source of Japan's Oil Supplies	2
III. Resources, Sources, and Reserves - Tabular View	3
IV. Towards Self-Sufficiency	10
(1) Increase in Domestic Production	10
(2) Synthetic Petroleum and Substitutes	10
(3) Reserve Stocks	
(a) Estimates	10
(b) Storage Facilities	12
(4) Improvement of Refinery Technique	14
(5) Control of Consumption (Rationing)	14
(6) Conclusions	15
V. Conclusions	16
(1) Weakness of position	16
(2) Strength of position	16

SOURCES

FOREIGN COMMERCE YEARBOOKS

CONFIDENTIAL LETTERS - an AMERICAN OIL CO.

N.A. REPORTS, TOKYO

BUREAU OF FOREIGN AND DOMESTIC COMMERCE REPORTS

CONSULAR REPORTS, TOKYO

U.S. BUREAU OF MINES (INTERIOR)

U.S. DIVISION OF MUNITIONS CONTROL (STATE)

FAR EASTERN SURVEY, I.P.R.

CONFIDENTIALI. Petroleum in the Far East

From a world point of view, the Far East plays a minor part in the production and consumption of petroleum, for it produces only 3.4% of the world's supply and consumes only 4.6% of world production. Producing areas in the Far East are concentrated: - ninety percent of the output originates on the islands of Sumatra, Java, and Borneo - Dutch and British colonial regions lying entirely within a radius of a thousand miles of Singapore; but this area is separated politically and geographically from the chief consuming area, Japan, fully 2500 to 3500 miles distant.

In the Netherlands East Indies financial control of production, refining, and distribution rests primarily in the hands of two international combines which work in close collaboration: the Royal Dutch Shell Group (representing British and Dutch capital) and the Nederlandsche Koloniale Petroleum Mij (a wholly-owned subsidiary of Standard Vacuum, U.S.). Policies of the N.E.I. Government definitely favor these interests to the extent that they have monopolistic control of exploitation and development.

Increasing interest of the U.S. in the production and use of petroleum in the Far East results from conflicting trends. In Japan and in Japanese-controlled areas, government regulation is gradually driving foreign (including U.S.) companies out of the refining and marketing phases of the industry; at the same time the U.S. is steadily becoming a more important source to Japan of crude oil imports and American companies are increasing participation in the exploitation of oil fields in the N.E.I. and British Malaya. The U.S. oil interests in the Indies control 1/4 to 1/3 of the entire N.E.I. petroleum industry. It is possible that U.S. interests have been encouraged to enter some of these regions in order to check Japanese penetration.

CONFIDENTIAL

II. U.S. as Chief Source of Japan's Oil Supplies

Even in the narrowest sense of the term, only the U.S. and the Soviet Union can claim to be "self-sufficient" in petroleum. The term "self-sufficiency" implies more than possession of adequate reserves of crude oil, however; it means also control of adequate transportation, refining, and marketing facilities. Such factors as geographic location and political control of oil fields, and financial control of producing, refining and distributing facilities may be of strategic as well as economic importance. In time of war, refining capacity and secure transportation routes may be of greater significance than formal ownership of resources. To Japan the security of trans-Pacific routes is of greatest importance in procuring petroleum supplies, for her imports from the East Indies are relatively small, while her dependence on American sources is large. It may well be that Japan is availing herself fully of trans-Pacific supplies while the routes are open, fully aware that the resources of the Indies are within her grasp at her own leisure.

Japan's efforts to attain self-sufficiency, combined with steadily increasing consumption, have resulted in an increase of crude oil imports from the United States and a decline in the proportion of imports from the N.E.I., which export chiefly refined products. The increasing production of south-eastern Asia has been absorbed by rising consumption in Australia, New Zealand, and in other Far Eastern countries having no domestic refining industry. So long as these areas continue to absorb the refined products of the N.E.I., there will be little surplus crude oil there for Japanese refineries, for the sale of refined products is more profitable than the sale of crudes. It is likely, therefore, that Japanese dependence on U.S. supplies will continue until Japan attains self-sufficiency or until Japan takes full possession and control of N.E.I. resources. The extent to which Japan now relies on the U.S. for oil is probably also the measure of her urge to "take over" the N.E.I. If deprived of U.S. supplies, Japan might find this urge irresistible.

From the point of view of Japan's war plans and in the light of existing U.S.-Japanese political relations, this situation is ironic and unsatisfactory. Politically, economically, and militarily Japan is expanding into a region (the South Seas) which provides about 25% of her oil imports, while the expansion policy is an essential factor in raising the possibility of Japan being cut off (by embargo or war) from the region (Western Hemisphere) whence she draws at least 74% of her oil imports.

It is clear that Japan can pursue the Southward Policy only in-so-far as her leaders are confident of continuing adequate oil supplies; such confidence can be founded only on one of three assumptions:

- (1) The U.S. will not be provoked to embargo or war by any act of Japan in the South Seas.
- (2) Control of the South Seas area will yield oil supplies sufficient immediately to replace those now derived from the U.S. in case Japan is deprived of U.S. supplies.
- (3) Japan is building or has built up stock reserves which, together with development of synthetic fuels and substitutes plus what she can get out of the Indies at once and by intensive monopoly exploitation later, will be adequate to offset for an indefinite future period the loss of American supplies.

All evidence suggests that Japan has ceased to feel confident of assumption (1) and that the possibility of the Indies coming into Japanese hands intact, without prior disablement of the oil wells, is so small as to preclude assumption (2). Japan's increasing emphasis on a "National Fuel Policy", aiming at the attainment of self-sufficiency in liquid fuels, can mean only the pursuit of a policy founded on assumption (3).

CONFIDENTIAL

III. Resources, Sources and Reserves - Tabular View

Table I emphasizes the following summarized conclusions concerning Japan's petroleum situation:-

- (1) Domestic production (including Formosa and Manchuria) is insignificant, until recently meeting only 9-12% of requirements, but production of synthetic petroleum has recently substantially increased domestic production.
- (2) Imported supplies meet 84% of requirements and have grown steadily to meet increasing consumption (China War) and need for stock reserves.
- (3) Civilian consumption has been steadily reduced as military consumption has increased.
- (4) Stock reserves are probably adequate (added to domestic production) to meet minimum normal consumption requirements for three years, or to meet war-time (10 times normal military and reduced civilian consumption in a first-class naval war) for at least 18 months.

TABLE I
Summary of Japan's Petroleum Resources
Quantity = Barrels. * = Estimated

<u>Year</u>	<u>Domestic Production (Natural & Synthetic)</u>	<u>Imports (Incl. Manchuria)</u>	<u>Consumption (Actual)</u>	<u>Dependence on Imports (Prod.Cons)</u>	<u>Probably Stock Reserve</u>
					<u>Military</u>
1936	Crude & Shale				Crude 19,000,000
	Japan Proper 2,458,000	30,333,000	Civil 22,000,000	88%	& Fuel
	Formosa 36,000		Mili- 5,000,000		Gasoline 2,000,000
	Manchuria 1,100,000		tary		
	Total 3,594,000		Total 27,000,000		
					<u>Civilian</u>
					18,200,000
					Tokyo N.A. 39,200,000
					<u>Military</u>
1937	Crude & Shale				Crude 21,000,000
	Japan Proper 2,450,000	43,861,000	Civil 22,000,000	89%	& Fuel
	Formosa 35,000		Mili- 10,000,000		Gasoline 2,100,000
	Manchuria 1,043,000		tary		
	Total 3,528,000		Total 32,000,000*		
					<u>Civilian</u>
					20,300,000
					Tokyo N.A. 43,400,000
					F-2 54,589,000
					<u>Military</u>
1938	Crude & Shale				Crude 21,000,000
	Japan Proper 2,580,000	44,708,000	Civil 18,000,000	87%	& Fuel
	Formosa 36,000*		Mili-		Gasoline 2,100,000
	Manchuria 1,042,000		tary 21,000,000		
	Total 3,658,000		Total 39,000,000*		
					<u>Civilian</u>
					19,600,000
					Tokyo N.A. 42,700,000
					F-2 65,455,000
					<u>Military</u>
1939	Crude & Shale				F-2 74,361,000
	Total 3,600,000*	37,240,000	Civil 18,000,000	84%	
					<u>Military</u>
					16,000,000
					Total 34,000,000*
					<u>Civilian</u>
					2,000,000*
					5,600,000

CONFIDENTIAL

A detailed analysis of Japan's imports of petroleum supplies is shown in the following tables, which emphasize these salient points:-

- (1) Japan's imports of petroleum have steadily increased since 1934; Manchuria, once regarded as potential source of supplies, is itself an importer of petroleum, both for refining and for use in heavy industry. (Table II).
- (2) The U.S. in recent years has been the source of 67-78% of Japan's imports; M.E.I. (including Foeloe Binton) provides 9-13% (Table III-A).
- (3) Japan has imported a steadily increasing proportion of crude oil, indicating expansion of refining facilities and stock reserves. Practically all Japan's imports of crude oil come from the U.S. and it is believed Japanese refineries are planned chiefly for the refining of U.S. crudes. (Table III-B).
- (4) Imports of oil into Occupied China from M.E.I. have steadily increased. (Table III-C).
- (5) The substantial increase in monthly imports from the U.S. in the first six months of 1937 clearly forecast the China campaign, and the high points of imports from U.S. coincided with preparations for the most active phases of the China campaign. (Tables IV,V).

CONFIDENTIAL

CONFIDENTIALTABLE IIImports of Petroleum and Oils
into Japan and Manchuria

	<u>TOTAL:</u>	<u>% TO MANCHURIA:</u>
1934	23,387,000 Barrels	6%
1935	27,318,000 "	3%
1936	30,333,000 "	4%
1937	43,861,796 "	5%
1938	44,708,077 "	5%
1939	37,240,000 "	6%

CONFIDENTIAL

TABLE III
 (A) Chief Sources of Oil Imports
 (Quantity)

	1937		1938		1939	
	Barrels	% Total	Barrels	% Total	Barrels	% Total
U.S.A.	29,707,000	67	35,012,000	78.5	27,430,000	73.7
Ecuador	192,000	.4	109,000	.2	114,000	.3
Dutch E. Indies	4,808,000	11	3,279,000	7.3	2,564,000	6.9
British Borneo	1,924,000	4.4	1,538,000	3.5	857,000	2.3
Malaya	2,207,000	5	1,970,000	4.4	1,224,000	3.3
*Poeloe Rintan	959,718	2.2	1,067,691	2.4	914,255	2.5
Bahrein	1,706,000	4	403,000	.9	-	-
North Saghalien	1,672,000	4	1,102,000	2.5	910,000	2.5
Russia	465,000	1	-	-	-	-
Rumania	-	-	209,000	.4	96,000	.3
Total	43,862,000	100	44,708,000	100	37,240,000	100

* Transshipment of N.E.I. oil.

Note: Only crude oils are imported from Ecuador, Mexico, Saghalien and Persia.
 Only residual fuel oil is imported from Borneo.
 Chiefly gasoline is imported from British Malaya.

CONFIDENTIAL

CONFIDENTIAL

(III) (B) Imports of Oil from U.S. Into Japan and Bearer
(Types-Barrels)

	Crude	Aviation Gasoline	Other Gasoline	Gas & Fuel Oil	Lubricat- ing Oil	Kerosene	Total
1937	16,933,000		1,485,000 (all)	10,843,000	350,000	-	29,317,083
1938	21,951,123		1,910,354 (all)	8,827,050	324,027	-	33,012,554
1939	16,502,000	590,000	1,432,000	9,961,000	540,000	211,000	29,436,000
1940							
Jan.	1,198,750	23,976	284,651	590,809	98,411	41,111	2,237,708
Feb.	757,039	27,252	78,856	476,790	25,337	-	1,365,274
Mar.	818,566	18,557	95,487	513,734	30,287	-	1,476,631
April	894,142	1,360	100,454	513,671	30,360	70,903	1,610,890
May	1,043,639	29,069	-	742,271	18,772	-	1,833,751
June	1,035,366	5,048	31,421	835,859	24,254	-	2,017,333
		* Anti-knock Boosters					

(III) (C) Imports of Oil from N.E.I. into Japan and Occupied China
(Types-Barrels)

	Crude	Gasoline; Incl (Kerosene, Benzine)	Gas & Fuel Oil	Lubricat- ing Oils	Total (incl. Others)
1939					
Japan	2,153,872	664,398	245,458	1,302	3,478,000
Occ. China	590,811	738,810	858,317	2,569	2,168,810
1940					
Japan					
Jan.	79,079	84,175	46,949		210,203
Feb.	119,924	106,750	29,840		256,514
Mar.		115,045	58,170		276,409
April	163,338	114,632	-		277,970
May	310,401	124,782	17,857		453,040
Occ. China					
Jan.		107,840	113,673	-	221,513
Feb.	10,500	53,704	42,480	-	107,044
Mar.	101,626	127,800	42,301	-	271,726
Apr.	100,415	-	139,328	-	239,841
May	66,542	119,819	188,167	-	374,528

CONFIDENTIAL

Regraded Unclassified

CONFIDENTIAL

TABLE IV
Imports of Oil from the United States
into Japan and Ewantung
(Quantity-Monthly)

	1936	1937	1938	1939	1940
JAN.	1,736,107 Bbls.	2,728,832 Bbls.	3,816,423 Bbls.	1,678,132 Bbls.	2,237,708 Bbls.
FEB.	1,665,264	2,116,163	2,019,378	2,112,347	1,365,274
MAR.	1,754,542	1,930,853	2,950,561	2,725,701	1,476,631
APR.	1,780,950	2,147,327	3,814,966	2,401,370	1,610,890
MAY	1,798,330	2,323,787	2,127,157	3,503,358	1,224,500
JUNE	1,450,375	2,438,217	2,782,391	2,235,284	2,017,333
JULY	1,912,459	2,449,904	2,773,423	1,942,475	
AUG.	1,471,170	2,682,000	3,071,170	1,285,149	
SEPT.	1,694,850	2,425,000	1,973,831	2,712,129	
OCT.	1,518,525	2,625,000	2,560,447	3,355,723	
NOV.	2,890,046	3,150,000	1,900,271	2,876,453	
DEC.	1,478,138	2,300,000	2,227,694	2,375,368	
TOTAL:	20,140,766	29,317,083	33,012,554	29,203,489	

Barrels

TABLE V. EXPORTS OF OIL FROM U.S. TO JAPAN AND KWANGTUNG

Barrels

4,000,000

4,000,000

3,500,000

3,500,000

3,000,000

3,000,000

2,500,000

2,500,000

2,000,000

2,000,000

1,500,000

1,500,000

1,000,000

1,000,000

Preparation for drive in summer and fall of 1938 which resulted in capture of Aiukiang (July), Canton and Hankow. (October)

Preparation for April drive in Aiungai (Nanchang captured) campaign in north Hunan and air raids on Chungking.

Preparation for Kwangai campaign beginning Nov. 1939, resulting in capture of Nanning (Nov. 23); signs also of U.S. embargo on oil exports in treaty denunciation.

U.S. oil embargo

1911 Treaty denounced.

European War

Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec. Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.

CONFIDENTIAL

IV. Towards Self-Sufficiency

Announcing a plan to achieve immediate self-sufficiency in petroleum, Japan adopted in 1936 a "National Fuel Policy" and established a Bureau of Fuel which has pursued its objective of self-sufficiency by proceeding along five lines:

(1) Increase in domestic production. The prospects of increasing production of natural oil in Japan Proper are small, for the output has been practically stationary for many years; new fields have not been found and old fields are working out. Some optimism prevails with regard to potential fields in Manchuria, but the enthusiasm which greeted a small find near Fushin (Jehol) in May, 1940, shows how slight must be the basis for substantial output. Even the most optimistic plans for increase in domestic production of natural oil have not foreseen a maximum increase of more than 12% in a three year period (1937-40); such an increase is insignificant and in any case improbable. Since 1937 Japan's share of Saghalien production has steadily declined (due to Soviet obstruction), but Manchurian oil shale is being treated with increasing success, and the output of 436,000 barrels at Fushun for 1937 may well have been doubled in 1939. It is probable, however, that the industrial self-sufficiency program of Manchuria will continue to absorb the greater proportion of the output.

A costly but more promising method of expanding domestic production consists in taking political control over proven oil producing regions. Broadly speaking, Japan's southward expansion policy, if it is aimed at acquiring control in the Netherlands East Indies, is a phase of the general policy of expanding domestic production and lessening reliance on "foreign" sources.

(2) Synthetic and Substitute Fuels. It is through the development of synthetic fuels and substitutes for gasoline that Japan expects the greatest progress towards self-sufficiency. Considerable advance has recently been made in perfecting processes for the reduction of coal and tar to motor fuels; such synthetic fuels are produced at a cost well above prevailing market prices and heavy government subsidies are essential. Blending of alcohol with gasoline has been pushed, but limited alcohol production has not permitted substantial saving of gasoline.

Plans for the expansion of synthetic fuel production are ambitious but impractical. Recent plans have called for production in amounts which would necessitate a 50% increase in coal output (1940 over 1937). In fact, however, there was in 1939 and 1940 a serious coal shortage, even for essential power requirements.

Manchuria, however, has adequate supplies of two materials which lend themselves to production of synthetic fuels, - low grade coal and oil-bearing shale. Recently, half of the Manchurian oil output has been derived from shale (high cost production, all purchased at cost by the Navy). The country has vast supplies of coal suitable for hydrogenation (direct liquefaction) and low temperature carbonisation and the output of synthetic petroleum is steadily expanding. (For details of production and techniques, see 409-300).

(3) Stock Reserves. The following facts concerning Japan's imports of petroleum and tetra-ethyl lead suggest that Japan has for some years been building large stock reserves of petroleum.

(a) Since 1936, Japanese imports of crude oils have risen steadily in proportion to refined products; with full allowance made for use of crudes as fuel oil, it is clear that during this period Japan's crude imports have far exceeded her refining and consuming capacity.

(b) Japan's imports of tetra-ethyl lead in 1938 exceeded by 50% the maximum usable by existing facilities for production of aviation gasoline base stock (1,480,000 barrels/year) 100 Octane, and by an even larger percentage for 87 octane production.

CONFIDENTIAL

(c) Comparison of resources (domestic production plus imports) with probable actual consumption shows a steady surplus since 1936.

(d) Storage facilities, known and estimated, have increased steadily since 1936, far out of proportion to increase in probable military consumption (civilian consumption has steadily declined since 1937). The complete enforcement (in 1936) of the 1934 Oil Industry Law, requiring private companies to maintain six months supplies in storage (subsidized in part by the Government) has substantially increased stocks in hand. Several reliable clues to the existence and amount of stock reserves are described in the following paragraphs.

Estimate of Reserves

Examination of Table I (above) will show that Japan's oil resources (domestic production plus imports) have, since 1936, regularly exceeded her actual consumption. The accumulation of these yearly surpluses, added to a reliable estimate of stock reserves in hand at the end of 1936, yields a probable total accumulation as of January, 1940, of 74,300,000 barrels.

Stock Reserves end of 1936 = 39,300,000 Barrels

1937 Domestic Production = 3,528,000

Imports = 43,861,000

Total = 47,389,000

Consumption = 32,000,000

Surplus = 15,389,000

1938 Domestic Production = 5,158,000

Imports = 44,708,000

Total = 49,866,000

Consumption = 39,000,000

Surplus = 10,866,000

1939 Domestic Production = 5,600,000

Imports = 37,240,000

Total = 42,840,000

Consumption = 34,000,000

Surplus = 8,840,000

Stock Reserves January 1940 = 74,300,000

This reserve stock represents, at the 1939 rate of consumption, slightly more than a two years supply, not counting continuing domestic production and probable further reduction of civilian consumption in case of necessity. In estimating Japanese supplies in the face of an embargo or a war blockade, domestic production must be counted as a continuing source of supply; further, civilian consumption could easily be cut from the present estimate of 18,000,000 Barrels/year to 12,000,000 Barrels/year. (For details on limited number of civilian oil-consuming vehicles and scope of present ration plan, see (5) below). On this basis, even without the importation of a single barrel of oil from foreign overseas sources, Japan would have available for use in a two year period:

CONFIDENTIAL

CONFIDENTIAL

(1) Stocks in hand -	74,300,000 Barrels
(2) Two years domestic production -	11,200,000 "
Total	85,500,000 "

This constitutes a supply adequate to provide 12,000,000 Barrels/year for civilian consumption plus 30,750,000 Barrels/year for military consumption during the two year period of complete embargo or blockade.

To face a complete embargo or blockade of one year's duration Japan would have

(1) Stocks in hand -	74,300,000 Barrels
(2) One year domestic production -	5,600,000 "
Total	79,900,000 "

This constitutes a supply sufficient to provide 12,000,000 Barrels for civilian use plus 67,900,000 barrels for military use during the one year period of complete embargo or blockade.

Oil Storage Facilities

Any estimate of Japan's total oil storage facilities must be based on three sets of figures, namely:

1. Known, visible facilities as of 1937 ----- 38,998,000 Bbls

A. Japan Proper, Korea, Formosa, Karafuto	
Commercial Companies -	14,575,000
Navy Oil at Naval Bases -	14,805,000
Tanker Storage (38 ships) -	3,124,000
B. Manchuria	
Dairen (Standard) -	200,000
" (Manch. Oil Co.) -	500,000
Pt. Arthur (Std. & Shell) -	200,000
" " (Naval Base) -	147,000
Newchang, Hulutao, Mukden, Hsingking,	
Harbin, Antung -	2,200,000
27 Airports and landing fields	3,247,000

2. Known facilities - no definite figures; estimated, 50% of 19,500,000
38,998,000

Army Oil - n.d.a.
Government Railways n.d.a.
Increase in facilities 1937-1940 n.d.a.
Facilities in Amori, Bonins, Mandated Islands,
Amami Oshima, etc. - n.d.a.

3. Secret (location, facilities and quantities concealed). - - - - ?

From reliable information it is known that the Japanese have a number of secret caches of oil scattered over the Empire in strategic locations. While it is obvious that no exact figures can be assigned to these secret stores, it is certain that the stores exist. It seems credible that secret facilities for at least 17,000,000 bbls. have been provided, an amount sufficient to store the balance of the oil reserves of Japan, which were estimated above at 74,300,000 bbls.

Notes on Storage Facilities Data

(1) Commercial Companies Storage. In 1936, the Japanese Government expended \$765,000 as "compensation for oil storage" required of oil companies by the Petroleum Law of 1934. This law required oil companies (distributors) to keep on hand an amount equal to 50% of their annual sales quota. Shortly after this law was passed the government agreed to compensate the companies for approximately one half of the cost of complying with the storage provisions. Later (in 1937) the rate of compensation was announced as ranging from 32 cents/barrel for domestic refined gasoline to 12 cents/barrel for imported crude or fuel oil; the average compensation was 18 cents/barrel. Using these figures, we may conclude that the oil held in storage in 1936 by private companies in distribution centers only amounted to $\frac{\$765,000 \times 2}{.18} = 8,500,000$ Barrels.

Until 1936 the Standard Oil Co. and the Rising Sun Petroleum Co. refused to comply with the storage requirements of the Oil Industry Law of 1934. On June 27, 1936, these firms agreed to comply in return for a government subsidy to meet the storage expense. At the same time they made an arrangement whereby Mitsui Bussan agreed to construct the extra tanks needed (3 month's supply) in return for a rental. The tankage required for storage was estimated at: 30-10,000 ton tanks. This estimate (2,100,000 Barrels) is for 1.4 year supply in storage - a total storage for these two companies of 4,200,000 barrels. This arrangement eventually was abandoned but the figures are regarded as reliable.

In 1936 it was further reported that the oil stored by Standard, Rising Sun, and Nissei Oil Co. was practically all gasoline and heavy oil; Japanese companies held in storage (1936) 9,500,000 barrels of crude oil. The total oil stored by Standard, Rising Sun, Nissei and Japanese companies could in 1936 have amounted to (4,200,000 + 9,500,000) 13,700,000 barrels, to which must be added 1,074,500 barrels stored in Formosa, Korea and Karafuto. The total stored by commercial companies thus amounted in 1936 to 14,774,500 Barrels.

(2) Naval Oil at Naval Bases. The estimate of 14,805,000 Barrels stored at naval bases is derived from information dated 1931 to 1936 and covers only known facilities as of these dates, these figures are clearly subject to large increase in the past 3 years. The following Naval Bases are covered

Ryojun	147,000 Barrels
Chinkai	63,000
Maizuru	1,505,000
Ominato	637,000
Kure	4,424,000
Tokuyama	4,683,000
Yokosuka	1,407,000
Sasebo	1,750,000
Boko	189,000
Total	14,805,000 Barrels

It is believed these supplies consist entirely of fuel oil.

(3) Marginal Allowance of 50%. It is considered safe to increase the estimated total of Japanese storage facilities by 50% for the following reasons, all of which indicate the minimum character of the figures used:-

(a) The figures on Naval Oil stores are based on old (1931-36) reports, chiefly prior to the operation of the Oil Industry (Storage) Law of 1934. Stores listed are almost entirely fuel oil, data on gasoline, lubricants, and kerosene not being available.

(b) Data on Army storage facilities and Government Railways facilities are not available; no figures are available for Amori, Bonina, Mandated Islands and Ansei Oshima.

(c) All petroleum statistics have been so carefully guarded since 1937 that any figures available for visible storage may safely be regarded as minimum and subject to increase in substantial amounts for unknown stores.

(d) The Oil Industry Law of 1934 required all companies to increase storage to a 6-month supply; in many cases this meant a doubling of existing storage facilities.

For these reasons an additional allowance of 50% is added to the base estimate.

(4) Improvement of Refining Techniques. With most minerals the end products are determined by the composition of the raw material. So long as crude oil was treated by the straightrun distillation process this was true of the petroleum industry, for the proportion of gasoline, fuel oil, lubricating oil and other products was a result of a physical separation. In the past ten years, however, new techniques have been developed: (a) The "cracking" process converts heavier products of straightrun distillation into lighter products by chemical reaction. (b) Polymerization of gases resulting from cracking converts them into high grade gasoline. (c) Hydrogenation of heavy residues produces further valuable products. Now, in the petroleum industry, the end products may be largely determined in advance and secured from almost any given crude oil. Quantitatively, this improvement shows up thus in U.S. experience: whereas in 1918 refining gave a gasoline yield of 25% from a certain crude, now cracking yields 60-65% and more advanced processes may yield 80%. Japan's rapid development of refining capacity in recent years, her strenuous efforts to secure maximum value from limited resources, and her search for synthetic fuels, have given her a modern industry using the most advanced techniques and securing high returns from base materials. (For details on refining capacity and methods see 409-900).

(5) Control of Consumption

Civilian. In 1936, prior to the operation of any official restriction on the use of oil for civilian purposes, the total annual civilian consumption was 21,100,000 barrels distributed as follows:

Consumption of Oils (1936)

Gasoline	7,000,000 Barrels
Heavy Oils	9,100,000 "
Fuel oil and Lubricants	5,000,000
Total	<u>21,100,000</u>

The limited scope of civilian consumption may be gauged by the following table showing the number of vehicles and ships (not including small craft) normally using oil as fuel:

Vehicles and Ships Using Oil (1937)

(1) Motor Vehicles

Pass. cars and buses -	82,775	
Trucks -	52,084	
Motor Cycles -	26,000	
		<u>160,859</u>

(2) Aircraft

Comm'l Air Lines Planes -	56	
Civil Airplanes -	91	
		<u>147</u>

(3) Ships*

Oil burning steamers -	97 (564,000 T)	
Motor Ships -	709 (832,000 T)	
Tankers (Motor) -	12 (34,000 T)	
Total		<u>818 (1,430,000 T)</u>

* It is estimated that Japanese motor ships use 5,500,000 B/y of heavy oil, most of which is picked up at foreign ports of call.

CONFIDENTIAL

On May 1, 1938, the Fuel Board of the Japanese Ministry of Industry and Commerce put into operation a card system of rationing for all oil supplies (excepting Government, Army, Navy and Diplomatic vehicles). The daily average quota for trucks, cars and buses in Tokyo was set at 3 gal./day. The quotas were designed to effect a saving of 40% in the consumption of the Tokyo area and of 60% in other areas. Fishing boat consumption in the Tokyo Bay area was cut 37% by this ruling. These savings were to be increased by greater use of alcohol mixtures after July 1, 1938.

In May 1940, these quotas were drastically reduced; private cars were assigned 3/10 gal./day and ordinary buses 2 1/2 gal./day with other types in between these quotas. The average quota per motor vehicle is now approximately 1 1/2 gal. per day, which means a civilian consumption for motor vehicles of 2,000,000 Barrels/year. The official price is 83 sen/gal, an increase of 30% over 1939.

Government Consumption

Reliable estimates on Army, Navy and other government consumption of oil are not available. In 1936, it is estimated, the military services used 5,000,000 barrels of oil; the Navy's share of this was estimated at 2,800,000 barrels, the army at 2,200,000. These figures were doubled in 1937, and in 1938 military consumption rose to at least 21,000,000 barrels; in 1939 military requirements dropped to 16,000,000 barrels in accordance with a slow-up in the China campaign. In 1937 military planes used 835,000 barrels of aviation gas; in 1939, 2,148,000 barrels.

(6) Conclusions The most optimistic of official sources in Japan do not contemplate even approximate self-sufficiency in petroleum before 1943. Meantime, Japan is attempting to reduce her increasing dependence on the U.S. supplies by seeking out other alternative sources. Reports indicate that Japan has made efforts, especially since the abrogation of the U.S.-Japan Treaty of 1911, to initiate or increase purchases in N.E.I., Peru, Ecuador, Colombia, Mexico, Iran. It is noted also that in recent months (February-June 1940) shipments of oil to Japan from American ports have frequently been made in Japanese-chartered Norwegian ships. The entire Japanese tanker fleet (38 tankers, not including 8 under construction, 1939) has a "storage capacity" (3,124,000 Bbls.) just adequate to transport the present annual import requirements of Japan from regions as far distant as 3,600 miles from Japan (N.E.I.), but not adequate to supply minimum imports if a substantial part of imports come from American ports or from Bahrain and Persia.

The present stage of Japan's attempt to attain self-sufficiency calls for large imports, which means the use of increasing numbers of tankers and of expanding storage facilities. In recent months (1940) Japanese have searched the U.S. market for old oil storage tanks to be cut down, shipped to Japan, and re-erected - a confirmation of a report in July, 1939, to the effect that all storage space was filled and that henceforth purchases of fuel oil would be limited in amount to storage space available.

In general, Japan has made much progress in meeting her oil problem. Domestic production has been nearly doubled by success in manufacture of synthetic oils; reserve stocks are large; refineries use most modern methods and equipment and secure high efficiency and returns; civilian consumption is controlled by quota; and substitutes (alcohol, coal gas) are coming into wide use. She is far from self-sufficiency, but she is less dependent on foreign sources than is generally believed. - 13 -

CONFIDENTIALV. Conclusions(1) Weak points

- (a) Dependence (70-100%) on U.S. for supplies of
 - crudes
 - aviation gasoline
 - anti-knock boosters
 - lubricants
- (b) Domestic refineries are adapted chiefly to handle U.S. (Cal.) crude oils.
- (c) Reliance on foreign (originally German, now U.S.) imports of refinery equipment; now practically 100% dependent on U.S. for high pressure tanks used in refining.
- (d) Domestic refinery facilities are inadequate to produce minimum needs of low-count octane; almost totally unable to produce anti-knock boosters and aviation lubricants.

(2) Strong Points

- (a) Large stock reserves of crude oil, gasoline, and anti-knock boosters.
- (b) Unlimited supplies of basic materials for production of synthetic petroleum (coal and shale).
- (c) Scanty civilian consumption even in normal times, reducible almost to zero without great handicap.
- (d) Rapid advances since 1936 in expansion of synthetic processes.
- (e) "Availability" (under intimidation) of N.E.I. resources which produce normally 61,000,000 Barrels/year and are more than adequate for Japan's needs in peace and war if monopolized by her.
- (f) All evidence points to the existence of stock reserves of oils approximating 74,000,000 barrels. An analysis of civilian consumption, current military consumption, and increase in domestic production yields the following essential conclusion covering Japan's oil supplies in relation to wartime conditions:-

(1) If Japan were suddenly cut off from overseas (South Seas and trans-Pacific) sources of oil by complete embargo or effective naval blockade, her current oil reserves plus domestic production would enable her to provide 12,000,000 Barrels/year for civilian use plus 30,750,000 Barrels/year for military use for a two-year period. In a one-year period of blockade or embargo Japan would be able to provide 12,000,000 Barrels/year for civilian use plus 68,000,000 Barrels for military use.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 24, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

After obtaining a clearance from Acting Secretary Ball, I told Mr. Knoke at 2:30 p.m. on August 22 that the Treasury had no objection to the Federal Reserve Bank of New York holding gold under earmark for the Government of Canada, and for the Governments of Great Britain and the Netherlands, in the name of the Federal Reserve Bank itself, rather than in its capacity as fiscal agent of the United States. It was understood between Mr. Knoke and myself that the question of the wording of the letter which would be written by the Treasury in this sense should be discussed further between the office of the General Counsel of the Treasury and the legal counsel of the Federal Reserve Bank. I let Mr. Ball know of this conversation.

During this conversation with Mr. Knoke the latter brought up the subject of the British regulations upon the importation of sterling notes into the United Kingdom, and I immediately telephoned Mr. Luxford in the premises. This matter has been made the subject of a separate memorandum.

This morning Mr. Knoke telephoned me to the effect that Governor Towers of the Bank of Canada had called him late last night to say that the letter requesting the opening of the Canadian Government accounts in New York had been signed the preceding night by Prime Minister King. It had been delivered to the American Legation in Ottawa which was forwarding it yesterday by pouch to the State Department in Washington. It had been the original idea of the Federal Reserve Bank that this communication should be transmitted through the Canadian Legation in Washington, rather than through the intermediacy of the American Legation at Ottawa. I have let Mr. Livesey in the State Department know that the communication has been sent and have asked him to be on the watch for it.

I have given the foregoing information to Mr. Friedman this morning, and have found that he had likewise received it from the lawyers of the Federal Reserve Bank. It is understood that there is nothing further for the Treasury to do until it hears from the State Department in regard to the communication from Prime Minister King.

JMC

August 24, 1940

Acting Secretary Bell

Mr. Cushman

Mr. Liversy telephoned me at 5:30 yesterday evening in regard to the financing of the purchase by the Netherlands officials of armaments on this market to be shipped to the Netherlands East Indies. This matter had originally been taken up through the American Embassy in London. The suggestion had been made that the United States might give the Netherlands credit on account of the future tin and rubber shipments to the United States, so that a sum of \$16,000,000 could be used to pay for armaments. The matter has now been transferred to Washington and the Netherlands Legation has been in touch with the Department of State. The Department of State is explaining that it would be difficult to extend such credits for the purchase of arms, under the Neutrality Law. The State Department has asked the Netherlands officials whether they have any funds on this market which might be utilized. Before going further into the question Liversy asked what I thought of the possibility of the Netherlands Government utilizing funds frozen here in the name of the Netherlands Bank.

I read to Mr. Liversy certain cablegrams which had established the Netherlands Government account with the Federal into which certain funds had been paid by the Netherlands Bank. I agreed with Mr. Liversy that there had in the past been a consistent effort to maintain the independence of the Netherlands Central Bank vis-a-vis the Government.

I told Mr. Liversy that the question as to whether the Dutch officials could now draw on the account of the Netherlands Bank for the purpose indicated was one which would have to have the attention of our own lawyers if we were called upon to approve a license, and would also require very careful consideration by the Federal Reserve Bank at New York which, after all, would have the responsibility for permitting the gold to come out of the Netherlands Bank account. I indicated Mr. Liversy proceeds thereof be credited to the Netherlands account. I said, and the point that the Federal might be quite reluctant to approve such a step, considering that there has so far been no legal test of the validity of the decree of May 21 issued by the Netherlands Government in London taking into custody Dutch assets for the duration of the war and considering that the legislation sought by the Federal Reserve Bank to protect it in such a situation has not yet been passed by our Congress.

Mr. Liversy asked nothing more definite from us, but promised to keep me informed of developments.



EMC:lsp-5/26/40

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D. C.

August 24, 1940.

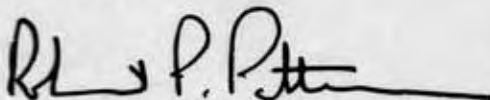
Honorable D. M. Bell,
Acting Secretary of the Treasury,
Washington, D. C.

My dear Mr. Bell:

I have your letter of August 22nd.

I appreciate very much receiving copies of the reports
listed therein - Part I - Airplanes; Part II - Airplane
Engines.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'R. P. Patterson', with a long horizontal flourish extending to the right.

Robert P. Patterson,
The Assistant Secretary of War.

C
O
P
Y

DEPARTMENT OF STATE

WASHINGTON

August 24, 1940

PERSONAL AND CONFIDENTIAL

Dear Merle:

In compliance with my promise by telephone the other day, I am enclosing a draft of the phraseology which we had planned to use in notifying the registrars and corporations regarding destruction of stock certificates. Following the colon would be described the certificates which have been destroyed.

This draft has had the approval of our Legal Adviser and our Economic Adviser.

Please let me have your comments as soon as it is convenient.

Sincerely yours,

(Signed) Lewis Clark

Enclosure:

Draft.

Mr. H. Merle Cochran,

Treasury Department,

Washington, D. C.

dm

DRAFT

Under cover of despatch no. 6743 of July 24, 1940, (file 851.5151/2605) from the Embassy at Paris, there has been received for the records of the Department of State a certificate signed and sealed with the seal of the American Consulate General of Paris, France, by John R. Wood, Vice Consul of the United States of America, Paris, France, and witnessed by Ernest de W. Mayer, Vice Consul of the United States of America, Paris, France, certifying to the fact that Edith Louise Schlater, also known as Louise Slater, personally appeared before them on July 20, 1940, and did in their presence destroy the following described securities by burning:

dm

PARAPHRASE OF TELEGRAM SENT

TO: American Legation, Stockholm, Sweden

DATE: August 24, 1940, 11 a.m.

NO.: 303

Reference is made to telegram of August 13, 3 p.m.,
No. 828 from the Legation.

On August 22 the license was approved.

HULL
(FL)

RECEIVED
TREASURY DEPARTMENT

SEP 15 1940

TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE

EA:LW

STRICTLY CONFIDENTIAL

AIRPLANES - SUMMARY - Table 1

New Orders,* May 1, 1940 to Date

	May 1- June 1	June 2-29	June 30- July 27	July 28 -Aug. 3	Aug. 4-10	Aug. 11-17	Aug. 18-24	Aug. 25-31	Sept. 1-7	Sept. 8-14	Sept. 15-21
SUMMARY BY COMPANY											
Beech Aircraft Corp.....	3	6			1	1	72				
Bell Aircraft Corp.....			250								
Bellanca Aircraft Corp.....	4		2	1	1						
Boeing Aircraft Co.....	275		1								
Brewster Aeronautical.....		380	40		336						
Cessna Aircraft Co.....	15	4	3	1	33		1				
Consolidated Aircraft.....	60	127	1			36	60				
Curtiss-Wright Corp.....	510	60	110								
Douglas Aircraft Co.....	264	24		20							
Fairchild Engine and Airplane Corp.....	17	11	25	1	2	8					
Fleetwings, Inc.....											
Glenn L. Martin Co.....	600	158									
Grumman Aircraft.....	84	10		302							
Lockheed Aircraft Corp.....	1,345	28	2	7	95	2	1				
Naval Aircraft Factory.....	600										
North American Aviation.....	1,044	869					23				
Porterfield Aircraft.....	12	97	27	3	4	11	19				
Rearvin Aircraft.....	6	6	11	3	2	4	8				
Republic Aviation Corp.....		4	36	8							
Ryan Aeronautical Corp.....		52	12			24					
Spartan Aircraft Co.....	1		201								
Stearman Aircraft.....		600					337				
Stinson Aircraft Div.....	20	51	49	11	19	8	10				
Vought-Sikorsky.....		56			3	12					
Walter Aircraft, Inc.....			200								
Waco Aircraft Co.....	3	28	41	135							
TOTAL ALL COMPANIES.....	5,163	2,573	1,011	492	496	106	531				
SUMMARY BY PURCHASER											
United States Army.....		776		28	33	1	475				
United States Navy.....	600	691	202	303		12					
Total Army and Navy.....	600	1,467	202	331	33	13	475				
British Empire and France.....	4,438	695	601	6	430						
South America.....	5	2		2		4	23				
Other Foreign.....	10	236	59			66					
Total Foreign.....	4,453	873	660	8	430	70	23				
United States Commercial.....	109	233	149	153	33	23	33				
Unclassified.....	1										
TOTAL ALL PURCHASERS.....	5,163	2,573	1,011	492	496	106	531				

Office of the Secretary of the Treasury, Division of Research and Statistics.

Date: August 24, 1940

* Including Spares

SOURCE: Reports from Individual Companies.

(4)

STRICTLY CONFIDENTIAL

AIRPLANES - SUMMARY - Table 2

Deliveries,* May 1, 1940 to Date

	May 1- June 1	June 2-29	June 30- July 27	July 28 -Aug. 3	Aug. 4-10	Aug. 11-17	Aug. 18-24	Aug. 25-31	Sept. 1-7	Sept. 8-14	Sept. 15-21
SUMMARY BY COMPANY											
Beech Aircraft Corp.....	9	7	4	1		1					
Bell Aircraft Corp.....	1	3	2								
Bellanca Aircraft Corp.....	4		1			2					
Boeing Aircraft Co.....	5	2	1	2	2		3				
Brewster Aeronautical.....	9	21	10		4						
Cessna Aircraft Co.....	6	4	5	2	1	1	2				
Consolidated Aircraft.....						1					
Curtiss-Wright Corp.....	118	147	104	39	25	27	28				
Douglas Aircraft Co.....	54	77	69	22	20	17	11				
Fairchild Engine and Airplane Corp.....	22	28	30	5	12	8	11				
Fleetwings, Inc.....											
Glenn L. Martin Co.....	47	33	34	1							
Grumman Aircraft.....	4	12	6	8	6	6	7				
Lockheed Aircraft Corp.....	29	26	19	9	14	10	8				
Naval Aircraft Factory.....	22	10	22	7							
North American Aviation....	141	163	91	37	36	15	17				
Porterfield Aircraft.....	11	18	30	4	5	8	9				
Rearwin Aircraft.....	4	6	4	2	1	1	2				
Republic Aviation Corp.....	19	11	13	7	3	1	6				
Ryan Aeronautical Corp.....	21	13	6	1	3	3					
Spartan Aircraft Co.....	1		1	1	1						
Stearman Aircraft.....	36	34	48	18	26	19	20				
Stinson Aircraft Div.....	7	25	22	12	10	9	8				
Vought-Sikorsky.....	1	4	3	1	1	2	4				
Walter Aircraft, Inc.....	2	18	7	6	5	8	6				
Waco Aircraft Co.....		1	4	1	3	7	14				
TOTAL ALL COMPANIES.....	573	663	536	186	178	146	156				
SUMMARY BY PURCHASER											
United States Army.....	129	158	163	62	62	53	64				
United States Navy.....	45	40	32	11	3	3	5				
Total Army and Navy.....	174	198	195	73	65	56	70				
British Empire and France..	239	299	213	79	61	90	39				
South America.....	9	5	8								
Other Foreign.....	87	76	35	8	21	6	11				
Total Foreign.....	335	380	256	87	82	96	50				
United States Commercial...	62	78	81	25	29	32	34				
Unclassified.....	2	7	6	1	2	2	2				
TOTAL ALL PURCHASERS.....	573	663	536	186	178	146	156				

Office of the Secretary of the Treasury, Division of Research and Statistics.

Date: August 24, 1940

* Including Spares

SOURCE: Reports from Individual Companies.

[7]

STRICTLY CONFIDENTIAL

254
AIRPLANES - SUMMARY - Table 3

Unfilled Orders* August 24, 1940, and Estimated Deliveries, by Month

SUMMARY BY COMPANY	Unfilled orders* Aug. 24, 1940	Estimated Deliveries																											Radio- checked
		1940							1941							1942													
		Aug. 25-31	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.		
Beech Aircraft Corp.....	90	5	8	5	3	8	9	11	10	11	10	10																	
Bell Aircraft Corp.....	598	7	5	6	11	26	38	45	50	50	50	50	50	50	50	50	50												
Bellanca Aircraft Corp.....	6	1	1																										
Boeing Aircraft Co.....	355	3	7	7	7	7	7	7	16	28	39	49	47	50	49	23	6	1		1									
Brewster Aeronautical.....	978	26	40	39	56	46	55	49	69	77	88	69	75	100	78	60	31							1					
Cessna Aircraft Co.....	47	7	5	3	2	3																							
Consolidated Aircraft.....	662	7	9	15	18	28	31	32	33	46	69	60	58	67	46	50	51	46											
Curtiss-Wright Corp.....	1,735	20	101	140	131	129	146	115	126	106	128	115	114	122	146	45	36	15											
Douglas Aircraft Co.....	1,381	55	95	116	64	92	126	120	112	115	133	104	46	117	5				2	3	5	4	6	4	1				
Fairchild Engine & Airplane Corp.....	234	26	57	50	45	43	13																						
Fleetwings, Inc.....	1			1																									
Glenn L. Martin Co.....	991	6	2	22	50	57	72	78	76	81	83	84	85	57	57	57	41												
Grumman Aircraft.....	467	7	26	32	36	39	39	41	41	33	36	38	36	36	27	169	5	5	3	3	4	3	3	4	4	4	4	4	
Lockheed Aircraft Corp.....	2,089	27	64	96	103	102	101	134	143	119	136	156	175	199	213	169	5	5	3	3	4	3	3	4	4	4	4	4	
Naval Aircraft Factory.....	709		21	20	53	46	54	54	54	54	54	54	54	50	50	50	41												
North American Aviation.....	2,839	47	83	116	148	186	202	215	237	260	252	212	166	190	123	78	78	95	56	57	58	58	10	12					
Porterfield Aircraft.....	204	12	21	22																									
Rearwin Aircraft.....	26	14	10		1																								
Republic Aviation Corp.....	178		20	24	25	25	7	12	16	19	15	15																	
Ryan Aeronautical Corp.....	80	12	23	24	21																								
Spartan Aircraft Co.....	202		1			1	3	5	10	16	19	20	20	20	20	20	20	7											
Stearman Aircraft.....	1,187	20	80	80	90	100	100	120	120	120	120	120	117																
Stinson Aircraft Division.....	256	12	47	33	21	11	15	15	16	17	18	19	29																
Vought-Sikorsky.....	362	6	26	26	46	90	67	53	56	12	15	2					1			1									
Walter Aircraft, Inc.....	617	26	58	80	105	36	20	23	20	26	25	30	25	41	41	51	10												
Waco Aircraft Co.....	182	57	75	50																									
TOTAL ALL COMPANIES.....	16,366	406	919	1008	1040	1035	1110	1133	1209	1194	1291	1212	1136	1087	905	657	370	187	68	64	68	45	19	22	5	4	4	168	
SUMMARY BY PURCHASER																													
United States Army.....	3,827	107	246	249	273	248	310	391	435	381	385	356	194	110	55	80	71	15											
United States Navy.....	2,737	61	119	139	231	269	269	247	219	163	175	195	247	134	106	70	61	20	7										
Total Army and Navy.....	6,564	168	365	388	504	517	579	638	654	544	561	551	341	244	161	150	132	35	7										
British Empire and France.....	8,159	66	252	408	404	390	444	434	903	602	702	652	738	813	712	472	206	130	56	57	58	34	10	12					2
South America.....	58	15	14		1	16	10																						
Other Foreign.....	679	36	70	81	75	78	60	45	35	38	21	16	10	22	24	28	24	12	1	2	1								
Total Foreign.....	8,896	117	336	489	480	464	514	479	938	640	723	668	748	835	736	500	230	142	57	59	59	34	10	12					2
United States Commercial.....	280	119	210	123	42	34	17	16	17	10	7	9	7	8	8	7	8	10	4	5	9	7	9	9	5	4	4	166	
Unclassified.....	26	2	8	8	8																								
TOTAL ALL PURCHASERS.....	16,366	406	919	1008	1040	1035	1110	1133	1209	1194	1291	1212	1136	1087	905	657	370	187	68	64	68	45	19	22	5	4	4	168	

Office of the Secretary of the Treasury, Division of Research and Statistics.

*Including Spares.

Source: Reports from Individual Companies.

Date: August 24, 1940 [v]

Regraded Unclassified

STRICTLY CONFIDENTIAL

AIRPLANE ENGINES - SUMMARY - Table 100

255

New Orders,* May 1, 1940 to Date

	May 1- June 1	June 2-25	June 30- July 27	July 28 -Aug. 3	Aug. 4-10	Aug. 11-17	Aug. 18-24	Aug. 25-31	Sept. 1-7	Sept. 8-14	Sept. 15-21
SUMMARY BY COMPANY											
Allison Engineering Co....							1				
Continental Motors Corp....	61	665	136	966	670	1,203	214				
Jacobs Aircraft Engine Co.	19	2,772	1								
Kinner Motors, Inc.....		33	6	1	1	2					
Lycoming Division, Aviation Mfg. Corp.....	202	244	635			3	200				
Wasson Manufacturing Co..		477			7						
Wool Aircraft Factory....	638										
Pratt & Whitney Aircraft..	1,828	967	409	71	18	28	31				
Wagner Aircraft Engines...	6	905	34	6							
Wearville Aircraft and Engines, Inc.....	6	2	1		2	1	2				
Warner Aircraft Corp.....	7	24	267		55						
Wright Aeronautical Corp..	5,045	211	945	24	339	103	11				
TOTAL ALL COMPANIES....	7,812	5,900	2,044	664	1,092	1,340	499				
SUMMARY BY PURCHASER											
United States Army.....		57	184	431	469		14				
United States Navy.....	638	1,092	853	5	59		11				
Total Army and Navy....	638	1,149	1,037	436	528	0	25				
British Empire and France..	6,729	3,876	321	62	9	7	5				
South America.....	18	11	11	2		1	10				
Other Foreign.....	9	300	69	8	12	20					
Total Foreign.....	6,756	4,187	401	72	21	28	15				
United States Commercial..	418	470	607	154	263	1,288	406				
Unclassified.....		94	39	2	280	24	13				
TOTAL ALL PURCHASERS...	7,812	5,900	2,044	664	1,092	1,340	499				

Office of the Secretary of the Treasury, Division of Research and Statistics.
 * Including Spares.
 SOURCE: Reports from Individual Companies.

Date: August 24, 1940

(11)

STRICTLY CONFIDENTIAL

AIRPLANE ENGINES - SUMMARY - Table 101

256

Deliveries,* May 1, 1940 to Date

	May 1- June 1	June 2-29	June 30- July 27	July 28 -Aug. 3	Aug. 4-10	Aug. 11-17	Aug. 18-24	Aug. 25-31	Sept. 1-7	Sept. 8-14	Sept. 15-21
SUMMARY BY COMPANY											
Allison Engineering Co....	15	31	50	30	1	1	15				
Continental Motors Corp...	266	305	300	129	96	137	125				
Jacobs Aircraft Engine Co.	15	18	23	10		2	2				
Kinner Motors, Inc.....	27	43	41	24	13	4	20				
Lycoming Division, Aviation Mfg. Corp.....	98	235	211	53	49	62	62				
Wenatchee Manufacturing Co..	18	7	8	4	7	2					
Naval Aircraft Factory....	1	16	21	5	7	7	7				
Pratt & Whitney Aircraft..	412	465	520	431	70	177	179				
Ranger Aircraft Engines...	26	25	28	12	9	8	6				
Rearwin Aircraft and Engines, Inc.....	4	6	3	2	1	1	2				
Warner Aircraft Corp.....	18	14	19	7	3	5	5				
Wright Aeronautical Corp..	432	345	301	142	70	101	110				
TOTAL ALL COMPANIES....	1,332	1,510	1,525	849	326	907	533				
SUMMARY BY PURCHASER											
United States Army.....	230	293	273	145	52	69	62				
United States Navy.....	60	85	93	44	31	25	23				
Total Army and Navy....	290	378	366	189	83	94	85				
British Empire and France.	569	513	511	388	73	175	197				
South America.....	17	10	33			2	10				
Other Foreign.....	109	61	91	102	12	23	17				
Total Foreign.....	695	584	635	490	85	200	224				
United States Commercial..	345	498	488	158	151	204	214				
Unclassified.....	2	50	36	12	7	9	11				
TOTAL ALL PURCHASERS...	1,332	1,510	1,525	849	326	907	533				

Office of the Secretary of the Treasury, Division of Research and Statistics.

Date: August 24, 1940

* Including spares.

SOURCE: Reports from individual companies.

[10]

Refilled Orders* August 24, 1940, and Estimated Deliveries, by Month

STRICTLY CONFIDENTIAL

	Refilled orders* Aug. 24, 1940	Estimated Deliveries																										Ballistic- shaded
		1940												1941														
		Aug. 25-31	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	
SUMMARY BY COMPANY																												
Allison Engineering Co.....	5,223	59	347	374	386	376	362	416	416	444	408	437	320	294	431	47	45	45	25	25								
Continental Motors Corp.....	5,805	132	423	430	447	567	567	599	146	143	120	72	29															
Jacobs Aircraft Engines Co.....	2,868	41	75	40	54	94	80	80	94	110	126	154	176	190	190	200	200	200									448	
Kinner Motors, Inc.....	326	30	30	49	40	40	40	40	37																			
Lycoming Division, Aviation Mfg. Corp.....	2,195	101	328	299	276	217	154	166	146	125	74	74	30	30	30	30	30	45										
Wenatch Manufacturing Co.....	465	63	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25										
Naval Aircraft Factory.....	417	5	5	25	26	26	26	25		40	40	40	40	50	50	50	50	50	30	30	30	30	30	19				
Pratt and Whitney Aircraft.....	10,549	430	1221	864	841	796	725	642	704	766	535	616	596	528	445	142	120	107	30	30	45	70	70	70	33		27	
Ranger Aircraft Engines.....	670	7	51	55	50	27		5	15	25	30	30	40	40	40	40	40	20	20	20	25	30	30	30	30	30		
Rearwin Aircraft and Engines, Inc.....	10	7	1		1		1																					
Warner Aircraft Corp.....	326	3	20	20	20	20	30	30	30	30	35	35															53	
Wright Aeronautical Corp.....	10,436	527	476	630	646	645	709	727	726	694	660	477	425	695	698	13	13	15									166	
TOTAL ALL COMPANIES.....	37,648	1441	5252	2959	2908	2813	2719	2795	2539	2542	2055	2560	2085	1452	1909	547	543	425	145	122	153	137	140	111	53	30	296	
SUMMARY BY PURCHASER																												
United States Army.....	4,460	254	600	340	372	339	299	305	343	374	225	256	220	129	77	47	45	45	25	25								
United States Navy.....	3,882	198	221	298	300	274	256	221	206	217	211	179	130	145	145	145	140	133	90	90	45	65	70	39	30	30		
Total Army and Navy.....	8,342	452	821	638	672	613	555	526	549	591	436	435	400	274	222	192	185	178	115	111	45	67	70	41	30	30		
British Empire and France.....	23,149	609	1511	1416	1442	1342	1204	1566	1566	1741	1700	1403	1444	1506	1645	314	301	285	30	30	30	30	30	30	33		252	
South America.....	38	2	5	13	15	2	1																					
Other Foreign.....	291	160	54	54	54	64	64	60	71	78	22	23	15	25	33	33	33	28										
Total Foreign.....	29,178	771	1626	1527	1566	1368	1273	1626	1639	1819	1722	1426	1479	1554	1678	378	334	313	30	30	30	30	30	30	33		252	
United States Commercial.....	4,992	196	741	700	612	618	542	540	109	95	64	66	34	16	8	4	4	4									219	
Unclassified.....	576	29	62	62	56	74	49	43	42	37	33	33	32	1	1												23	
TOTAL ALL PURCHASERS.....	37,648	1441	5252	2959	2908	2813	2719	2795	2539	2542	2055	2560	2085	1452	1909	547	543	425	145	122	153	137	140	111	53	30	296	
Source: Reports from Individual Companies. Date: August 24, 1940																												

* Including Spares.

Source: Reports from Individual Companies.

Date: August 24, 1940 (12)

Office of the Secretary of the Treasury, Division of Research and Statistics.