

DIARY

Book 299 (Puleston Reports)

April and May, 1940

Puleston Reports

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 3, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Importance of the Norwegian Water Route for
Germany's Supply of Iron Ore.

Summary

At the present tempo of the war the Allied action blocking the Norwegian territorial waters route for German iron ore exports would not be a severe blow to Germany. In the first year it would stop the shipment of a maximum of 4.5 million tons and a minimum of 2 million tons of ore. Until the consumption of ore is on a war-time basis, the loss in iron and steel that this blockade inflicts (1.5 - 3 million tons) Germany can spare without hardship.

1. A continuous supply of Scandinavian iron ore is vitally necessary to the German iron and steel industry. In peace time, Sweden and Norway provided somewhat less than one-half of all the iron ore (domestic and foreign) in iron content used in the German iron and steel industry. This dependence still continues and must remain so, as the new German domestic ore developments can do no more than make up for the loss of French and Spanish supplies.

2. In peace time, half of the German iron ore imports from Scandinavia come through Norwegian territorial waters and half through the Baltic. If all normal Baltic shipments were

diverted to Germany, she would receive at most 6.3 million tons this way, leaving 4.5 million tons still to come by way of Norway and the Atlantic.

3. If Sweden made strenuous efforts to aid Germany in this respect, she could, at most, in the coming year increase Baltic shipments by about 2 million tons, leaving from 2 - 3 million tons still to come by way of Norway and the Atlantic.

4. A deficit of several million tons of iron ore compared to the peace-time level would not hurt the present German war effort. The volume of iron and steel which Germany could divert from civil consumption to military uses is more than sufficient to cover all present military requirements and this possible deficit due to a decrease in ore imports.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE April 5, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Enclosed Memorandum

Enclosed is a rather long discussion of the European situation, which you may find time to read. I spent three days in New York seeing various people and have some interesting information, but it will keep until you return.

I hope you are having a pleasant vacation.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

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TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE March 25, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The European Situation

Summary: In spite of all the delays of the British and French governments, they have brought two united countries into action, they have not been drawn into side shows and wasted their military resources, they have not whipped up public opinion by propaganda. They now find themselves being urged by the natural indignation of their own people to pursue the war with greater vigor. No war leader could ask for more than this, for it implies that the British and French people realize that they have to bear the burdens of war and are willing and anxious to do so. There only remains now for the Allied civil leaders to keep the spirit of the people at the present high level and the military, naval, and air leaders in Britain and France to make skillful use of their resources, so that the fine edge of their people will not be blunted and their morale depressed.

1. The most important events of the war are still in the political and diplomatic fields.

2. The French Cabinet has been given a directive by the Parliament to conduct the war more vigorously; at the same time the British Parliament is demanding more vigorous action by

Secretary Morgenthau - 2

Chamberlain. Both Parliaments are sensitive to the sentiments of their peoples; therefore, it can be said that it is the British and French people who are insisting that their Governments fight this war with more vigor. Public opinion in England has been in advance of Chamberlain in all of the crises that preceded the war. Chamberlain did not have to incite the British people to enter this war. The sentiments of the British and French people are contrary to those held three years ago, when they were all for appeasement, and of a decade ago when they were mainly pacifists. The instincts of the British and French people are very sound. They recognize, and perhaps recognized before their leaders, that this present war is an inevitable struggle for the preservation of their empires.

The British Empire was formed partly by territory taken from Spain, Holland, and France; the present French Colonial Empire dates from 1870 when, after her defeat by Germany, France turned overseas for compensation. About 1890 Emperor William II commenced to found a Germany overseas. His threat to English supremacy at sea and the security of France in Europe caused the Anglo-French alliance and these two countries, assisted by their allies, defeated Germany in 1914-1918 and confiscated German colonies.

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3. The British and French Empires, like all other empires, were founded and maintained by navies and armies and today must be supported by navies, armies, and aviation. The determinative cause of the present war is no longer of practical importance to the Allied governments except for its appeal to neutral opinion abroad and its tonic affect on morale at home. After the war began, the practical and more sordid question of world power and imperial possessions was added to the moral issue and will have more weight on the chancelleries of Russia, Italy, and Japan.

The greatest danger that still confronts Britain and France is that Germany, by some spectacular tactical success on land, sea, or air, may convince these three realistic nations that she has a very good chance of winning, which could be turned into a certainty if they would actively participate. The booty available if Britain and France are defeated is so enormous that ideological differences between Russia and Italy would disappear, and the territorial disputes between Russia and Japan could be postponed while they united to turn a German tactical success into a real defeat of Britain and France. It would be no help to Britain and France if their conquerors later quarrelled on the division of their spoils.

Chamberlain's refusal to be "hustled into adventures which appear to us to present little chance of success and much chance of danger and perhaps even disaster", indicates that he is aware of the danger of a spectacular German tactical success which might have widespread political consequences. And also indicates that he will be guided by the advice of his High Command and not be goaded by newspaper experts into hastily conceived action.

4. During the World War of 1914-1918, the Governments of both France and England were frequently criticized for the losses incurred in fighting on the Western Front. These criticisms led Lloyd George in England and Briand in France to divert troops from the Western Front to Salonika, Mesopotamia, and Palestine in a vain effort to win the war without incurring heavy casualties. In the present war, on the contrary, by abstaining from ill-considered land offensives, concentrating their first efforts on defense measures, and building up their military resources, the British and French Governments now find themselves relatively stronger and being urged by their people to take more drastic action. The governments are not forced to stimulate public opinion in favor of an offensive.

When the war broke out, the British and French were relatively deficient in soldiers, military material, and airplanes. The Maginot Line and the French army prevented a land attack on France and preserved French territory and resources. The Allied superiority was in their fleets, which gave them command of the sea; since the war, the British and French have taken energetic steps, measured by their own standards, to draw level with Germany on the land and in the air. They have not wasted any of their military resources on minor objectives, and they have employed their only superior arm, their fleets, energetically.

Today two important factors in the war are:

a. Public opinion in England and France is willing to accept the burden of war.

b. The British and presumably the French Government will not be hustled into ill-considered military "adventures".

The British and French High Command could not ask for a better situation. They have only to show that they can skillfully employ the resources of men and material that the people of Great Britain and France place at their disposal.

5. The following estimate of the courses of action open to the Allied High Command is based upon this favorable coincidence of public opinion and an understanding government. It

is assumed that the Allies can retain command of the sea, that the German submarines and aircraft will inflict large but not unendurable losses on the British merchantmen, that the British and French air arms will gradually draw level with the German. If at any time it appears that the German air arm is sufficiently superior to inflict vital losses on the British fleet, merchant marine, or the installations in the United Kingdom or France that are vital to the life of either country, it will be necessary for the Allied High Command to concentrate all military resources of both countries on defending the United Kingdom and France from this air menace.

6. The destruction of Germany's overseas trade and the economic pressure by Great Britain and France will overcome Germany very slowly if Germany is able to limit consumption of goods and men to a peace-time rate. During the time Germany is being starved into submission, she is free to inaugurate vigorous counter-measures against the Allies, therefore it is to the advantage of the Allies to force the fighting on land as soon as the air force and army is equal to Germany's. No outsider can say exactly when that time will be, but it is probable that it will not be before late summer of 1940, at the earliest.

7. Simultaneously, the German High Command must decide whether it is to their advantage to seize the initiative and

use their present loudly proclaimed land and air superiority to reach a quick decision on the Western Front.

During the next few months it is quite possible that Germany may actually be increasing her superiority in the air and the efficiency of her Army Officers; if so, her High Command would be justified in delaying their attacks on the Western Front. But all other factors indicate that in a war of long duration time will favor England and France. The German High Command are well aware of these factors, they have been carefully trained to face doubtful problems squarely, to decide upon a reasoned course of action which offers the best chance of success, and to resolutely adhere to the decision.

A "wait and see" policy is abhorrent to the military mind of Germany. If the inactivity of the Germans on the Western Front continues and no new fronts are developed, it will indicate that the German High Command are convinced that they can outlast the enemy and compel them to yield, or force them to commence an offensive.

There is a chance that the German High Command hesitates to attack the Maginot Line on account of the losses and the consequent internal upheaval that might ensue. This supposition would become more probable if they increase the activity of the war at sea and in the air and remain quiet on the Western Front.

There is a definite probability that a conflict of opinion between the German High Command and Hitler causes the present indecision which may be only temporary. Finally, there is always the possibility of an impulsive, perhaps irrational move dictated by Hitler.

Regardless of the motives of the German leaders, if the Germans remain on the defensive until the Allies have attained equality in the air and on the land, the Allies should seize the initiative and force the fighting on the land and in the air, in order to reap the full benefits of sea power and their partial interruption of German trade.

8. Before considering an offensive on land, it is desirable to examine the assertion often made that enormously disproportionate losses are suffered by the side taking the offensive. Figures from Field Marshal Sir Douglas Haig's final despatch, written in March and April, 1919, give evidence on this question. The total British casualties from the commencement of the Somme battle in 1916 to the conclusion of the armistice was 2,140,000 men; during this time Haig estimated the British inflicted 2,500,000 casualties on the Germans; and the British statistics show that half the total of the British casualties were incurred in the fighting of March-July, 1918, when their armies were on the defensive.

The statement that the offensive is more expensive in lives than the defense, therefore, is only a half-truth.

An unsuccessful attack is generally more expensive than defense, but an unsuccessful defense is far more costly than an attack. Successful attack in its later stages almost always inflicts more losses on the enemy than it receives. In addition, the victor captures prisoners and recovers its own wounded, while the retreating enemy has to abandon the wounded and much material.

9. Assuming equal skill and military leadership among the belligerent officers, and equal courage and determination among the soldiers, the British and French could start an offensive on the Rhine-Moselle front which would bring on the fighting at the time and place they desired, and by retaining the initiative they could accelerate or retard the intensity of the battle, with the sole purpose of consuming German men and material.

The German military psychology would demand that an effort to regain the initiative be made, the Germans would almost certainly resort to counter-attacks; in a short while there would be intensive fighting all along the Rhine-Moselle front, in some sectors the British and French would be attacking, in others the Germans. As the British and French regular officers and petty officers have been under training longer than the Germans, they should be able to inflict equal or greater loss of life than they receive in the total fighting that results. Their main objective is to consume German soldiers; they do not need to capture any territory except for tactical purposes.

Their secondary objective is to force Germany to expend her surplus of military supplies and munitions.

Applying these considerations to the Rhine-Moselle Front where both sides have elaborate defense systems, it is apparent that it will require a tremendous local artillery superiority to break through. But territory is not the objective. The situation resembles that in the Verdun area in 1916, where von Falkenhayn's idea was simply to bring on a battle where the French would be forced to fight at the time and place selected by him. He simply wanted to kill more Frenchmen than he lost Germans, and he actually did just that.

10. Having selected the place where the main action should be mounted, the Allied High Command would have to determine the time of an attack. Roughly, that should be when the British Army now in training is ready to put soldier for soldier beside the French. That may be late this autumn; it may be early in the spring of 1941, it may be later. The time is only known to the British and French High Commands and Governments, but when that date arrives, the Allies should attack the Germans on land, sea, and air, to force the Germans to fight continuously on the Western Front from the Swiss border to the Sylt.

The moment large-scale operations are commenced, the Germans will be compelled to consume their supplies of ammunition, food, and oil at a much greater rate than their present

consumption. The British and French are in a much better position to replace these stores. In an economic war the British and French are bound to win.

11. It may be argued that Russia will supply both men and stores to Germany and thus restore the balance. It is probable that Russia would supply Germany sufficient supplies to get her engaged fully on the Western Front, for Stalin's ideology and territorial ambitions both would be furthered if Germany has to fight to the finish along the Rhine. Stalin would gladly see Germany bled to death on the Western Front, and he would be additionally pleased if the British and French suffered heavily in the process. It would give him a freer hand in the Far East and in the Near East.

The Allies can most quickly disengage Russia from Germany by fighting on the Western Front. If they go into the Balkans, Russia's interests will be involved; and if Russia and Germany agree on a division of spoils, they will operate together in that area. Correspondingly, if the Allies decide to enter the Scandinavian Peninsula, both Russian and German interests will be involved. But Russia has no interests in the Rhine, except the hope of seeing Germany fully occupied there. While the Allies are engaging Germany along the Rhine, they will have to remain on the defensive, possibly in cooperation with Turkey, in the Near East. If they are skillful in

the use of their forces, they should be strong enough to restrain Russia after they have disposed of Germany.

The Allies can depend upon Italy and Turkey both to oppose the advance of Russia into the Balkans while the Allies are fighting Germany.

12. Italy, in any event, is going to wait the result of the fighting before taking sides. There will be less chance of involving her on the side of Germany by an offensive on the Rhine-Moselle Front than by an advance into the Balkans, which might precipitate her action in accord with Germany.

13. The stamina of the German people is sufficiently strong to endure the present limited war; it is questionable whether it would survive a year of real war and a heavy casualty list in addition to the increased economic privations. An internal collapse of Germany probably would be anticipated by an overthrow of the Hitler regime. Exactly what would happen in Germany with Hitler's downfall is conjectural. The German labor, led by Robert Leys, would probably turn to Russia. The numerous groups of Germans who have been suppressed under the Hitler regime certainly would attempt retaliation against the Nazi Party. The German Army would attempt to maintain order and would probably endeavor to negotiate a peace with the Western Powers. The military resistance of Germany would be much weakened.

14. There are unquestionable many risks involved in a Rhine-Moselle campaign by the Allies, but they are less than the risks in any other campaign open to them. If the British and French attempt to defeat Russia first, they involve themselves in a fight with a practically undefeatable country. If they seek to extend the war to the Balkans in order to get the small nations, Turkey, Greece, Rumania, etc. to do their fighting for them, they will find, just as they found in the last war, that hiring other nations to do their fighting for them is throwing money away.

Even if by a devious negotiated peace the British and French could bring about Hitler's downfall, it would only be a temporary triumph. The Germans could find another Hitler and start to create another situation like that existing in 1938. The British and French people have to convince the German people that they can not be bullied by threats of war or by war itself. They can only do this by fighting the Germans. When the average German realizes that the French and British are both able and willing to fight, the spell of "Germany-Over-All" will be broken; and until it is, the Germans can be deluded into continuing this war and engaging in another.

15. The quickest, surest, and most economical method open to the British and French to win this war is to compel the German Army to attack or to accept battle under conditions wherein the French and British Armies can inflict approximately the same casualties that they suffer. The Allies can compel German

action by commencing air raids over Germany or by assuming a tactical offensive along any part of the Rhine-Moselle Front. If skillfully planned and resolutely executed, such a battle should lead to a consumption of German lives and German resources comparable in every way to the losses suffered by the Allies.

It is a part of the German Army's doctrine to counter-attack if they lose any territory. The Allied High Command can depend upon it that any minor tactical successes on their part will occasion counter-attacks by the Germans. The killing will then begin on both sides, and it is only by killing German soldiers that this war can be quickly won. Briefly and brutally, the Allied problem on land is to kill at least one German soldier for every soldier they lose, and to commence the killing as soon as possible.

W.D. Palestine
W. D. Palestine,
Captain, U.S.A., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 4, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Conversation with Mr. White

1. On Tuesday I spent the forenoon talking with Mr. J.W. White. The discussion with Mr. White was particularly interesting, as he is the one big-business man I know who regards Great Britain as a greater competitor with the United States than Germany would be if she won the war. Mr. White emphasized that he was stating his own views and not those of his company but was perfectly willing that I should pass them along to you.

2. From his own experience he is convinced that the British regard the United States as their most formidable competitor. Before this war broke out, under the Empire preferential system and their well-established position in some other countries, like Argentina, the British merchant had the inside track. Since the war, the economic alliance between Britain and France has increased the effectiveness of British competition.

It is already affecting the Westinghouse Company in South Africa, Bermuda, and other West Indian British dependents. Some of their oldest customers have cancelled orders and in some cases contracts that were expiring unless they could pay

in sterling. In some cases they offered to transfer the contract to Westinghouse Ltd., in Canada, a subsidiary of the American Company. This was an unsatisfactory substitute, because the Canadian subsidiary was only partly owned by Westinghouse. Altogether, the war has had a bad effect on Westinghouse export trade.

3. Mr. White told me of an interesting Japanese development. They have been successful bidders for a contract involving over a million dollars to establish a hydroelectric plant in Brazil. The Japanese will not let this contract be carried out by the Japanese company which is licensed by Westinghouse. A new company is formed, which will use Japanese trained in the Westinghouse Company, who are capable of building the installations in Brazil. By this subterfuge the Japanese avoid paying the license to Westinghouse. Mr. White assured me that the Japanese were quite capable of becoming formidable competitors in South America as they have now learned in both the General Electric and Westinghouse subsidiaries in Japan how to manufacture and set up power plants. He said this fact is not generally known but it is true; and when the South Americans discover that the Japanese can put in efficient plants at considerably less cost than we can, we will have difficulty getting the business.

Secretary Morgenthau - 3

4. On the general question of meeting foreign competition in the world market, Mr. White said his company could meet any foreign competition in certain quantity produced articles, like radios, radio accessories, electric fans, etc., but it was simply impossible without a government subsidy of some kind to sell electric generators or turbine installations that had to be built by hand.

5. Mr. White impressed me as being a very thoughtful man who has kept his eyes open while he has been abroad and whose opinions are worthy of careful consideration. It is possible that, having had to compete with the British for the best part of his business life, he is not entirely objective in his views of their methods. There can be no question of his sincerity.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE April 4, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Visit to New York

1. I spent Monday, Tuesday, and Wednesday of this week in New York City. During that time I visited Mr. E. J. Sedler, Vice-President of Standard Oil of New Jersey, Mr. Barton Turnbull, Investment Counsellor for the Rockefeller Foundation, Mr. J. W. White, President of International Westinghouse, Mr. Henry P. Turnbull, Executive Vice-President of Central Hanover Bank, Mr. John L. Pratt, Director of General Motors Corporation and United States Rubber Company, Mr. Curtis McGraw, Treasurer of McGraw-Hill Publishing House, Mr. Frank Page, Vice-President of International Telephone and Telegraph.

2. I discussed different items with different ones of this group, but I asked them all their reactions to the British and French contraband control and economic measures designed to protect Allied foreign exchange. At the beginning of the war all of these gentlemen except Mr. White were decidedly pro-Ally in their sentiments, and while they agreed that the Allied measures might introduce some friction in the relations between American business and Allied nations, they were all convinced that the sentiment in favor of the Allies was so strong that

American business generally would still continue in favor of the Western Powers.

3. Mr. White has spent much of his business life in the Far East and in Argentina, in constant competition with the British for trade. At the beginning of this war he was inclined to regard it as another struggle between Great Britain and Germany for commercial supremacy. His own experience had already given him a thorough respect for the British as competitors. He told me that he knew it was impossible for American business to compete with British business in certain regions of the world -- notably Argentina. On the contrary, he found it was quite easy to compete with the Germans for foreign trade. Accordingly, he had no fears for American business abroad in case the Germans should win this war.

Since the development of the British-French economic bloc, Mr. White's apprehensions have increased lest they continue their business alliance after the war. In this case he fears it would be impossible for American foreign trade to make headway against them.

Mr. White agreed that American business generally was pro-Ally and realized that his attitude differed from that of most of his colleagues. He agreed that American business would continue to be pro-Ally regardless of the contraband control.

4. Most of these gentlemen, including Mr. White, believed that if Great Britain and France were really threatened by Germany, American business would be in favor of going to their assistance.


W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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Confidential

INTER OFFICE COMMUNICATION

DATE April 4, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Conversation with Mr. Sadler

1. I spent Monday forenoon with Mr. Sadler, covering the whole field of the war. He furnished me with a study of the tanker situation throughout the world and supplied specific answers to various questions that we needed to bring our information of the world oil situation up to date. He still believes that Germany has all the oil she needs at the present rate of consumption.

2. He offered a possible explanation of the recent dispatch of a cargo of oil from the Anglo-Persian oil wells to Japan. Since the war a surplus of oil has developed in the Persian oil wells. The revenue of the Shah of Persia has been correspondingly reduced, as the royalties are a principal source of regal revenue. He has been urging the British to take more oil. The British are anxious to placate him and have diverted this oil to Japan, as there is a present surplus of oil.

3. Mr. Sadler had been in receipt of recent information from Italy that indicated that Mussolini's prestige was declining. He did not believe that Mussolini could take Italy into the war on the side of Germany.

4. On the general question of the war, he saw no prospect of either side gaining much advantage by extending the hostilities to the Balkans. He believed Rumania could and would maintain her neutrality.

5. Incidentally, I learned that the German passengers taken off the Japanese steamer were not survivors of the Graf Spee but had been sailors on board some of the Standard Oil steamers.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 5, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Visit with Dr. Riezler

1. On Tuesday and Wednesday mornings, I discussed the general situation in Europe with Dr. Riezler. It is still possible to get uncensored letters out of Germany. The German people suffered very much from a lack of coal and clothing during the winter. They will not feel the shortage of coal so much during the summer, but the lack of woolen clothes, particularly woolen socks is already felt by the men in the army. The people at home shivered throughout the winter from a lack of woolen garments.

2. Dr. Riezler still is convinced that there is a fair chance of a revolt in Germany. It can only be accomplished by the German Army and not until the potential revolutionaries have identified the members of the Gestapo that permeate every regiment of the Army; even then it will not come unless there are some German reverses that will give the Army a chance to appeal to the people over the head of the present government. There is only one way to solidify Germany, and that is to publicly proclaim that Germany will be again dismembered after the war if the Allies win. Dr. Riezler believed that in such a

Secretary Morgenthau - 2

case the German Army would rally to Hitler or any other leader and fight to the end. (Comment: I regard Dr. Riezler's opinions very highly, but I think that as an emigre, devoted to the old Germany, he is swayed in his opinions by some wishful thinking. He would like to see the Hitler regime overthrown and replaced by a moderate republican government or even by a limited monarchy, with Germany retaining all of its pre-World War territory; personally, I think it is no longer possible to differentiate between the German Government, the German Army, and the German people. Only the German Army can stage a revolt, and it will not do so until it has met some sort of defeat. A revolt would be accelerated by the pressure from the home front which will come when the people have suffered hunger and privation. When the revolution comes, it is apt to be beyond the control even of the German Army for awhile.)

3. Dr. Riezler offered some interesting points on Italy. He thought that Italy's bargaining power was diminishing, that she was helpless to do very much against the Allies; and he believed that if the Allies put sufficient pressure she would join them. He even suggested a procedure which is typically German. He said at the proper time, when the Allies were ready to go into the Caucasus, they should offer to buy two thousand of the latest Italian airplanes and all of the latest Italian submarines. At the same time France and England would guarantee

to assist the Italian Army in protecting the frontier from a German invasion. If the Italians refused to sell planes and submarines, then the Allies should strike Italy down and go about the affair of the Balkans.

4. He again pointed to the extreme value of the Caucasus oil wells to Russia. (Comment: In this he is correct. Russian agriculture as well as Russian industry is now mechanized and all their machinery, farmand industrial, burns oil or gasoline. It would be quite possible to paralyze Russian economic life as it exists today by destroying the Caucasus oil wells. Mr. Sadler was as convinced of this as Dr. Riezler, and Mr. Sadler knows more about the oil situation in the Near East than any man in America.)

5. Dr. Riezler said he had positive information that the Pope had spoken in the severest manner to von Ribbentrop on his recent visit to the Vatican. He thought the Pope had considerable influence over the Italian royal family. (Comment: All our information indicates that Mussolini can not carry Italy into the war on the side of Germany.)

Dr. Riezler believes that if Mussolini is displaced or dies, he will be succeeded by Balbo, rather than by Ciano, his son-in-law.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 6, 1940.

TO Secretary Morgenthau
 FROM Captain Puleston
 Subject: Present Situation of Freight Imports into China

1. A total of from 23,000 to 27,000 tons of freight were received by China from the outside through Burma and Indo-China for the last three months, (January, February, and March).

Though complete figures are not yet available, the following fairly accurate estimates can be made.

<u>Route</u>	<u>Freight Shipped to China</u>
Indo-China Railroad	January - 3,000 tons February - 3,000 tons March - 6,000 - 10,000 tons
Caobang Road	January - 400 tons February - 900 tons March - 1,000 tons
Pack trains over bank roads	January - 200 tons February - 200 tons March - 500 tons
Burma Road	January - 3,000 tons February - 2,500 tons March - 2,500 tons
Total	23,200 - 27,200 tons

Secretary Morgenthau - 2

2. The freight stored up at Haiphong has been at most only slightly reduced. There are still at least 100,000 tons of Chinese freight at Haiphong awaiting shipment (not including railway material and equipment and commodities consigned on speculation which would amount to about 75,000 tons).

If the Indo-China Railroad is not bombed by the Japanese again, this accumulation of Chinese freight should be disposed of by October 1, 1940, (assuming as seems probable that only a small part of this freight will be transshipped to Rangoon). No more freight other than new trucks (after the present lot are cleared out) and some gasoline should be shipped to Haiphong for arrival before October 1, 1940. Until then, only the arrival of new trucks to go over the Caobang road to China as replacements and to carry a little freight and the arrival of gasoline to relieve the gasoline shortage in China would be justifiable.

3. The Burma Road can carry 18,000 tons a month at the maximum. With the present number of trucks available, it can handle 12,000 tons a month. Present utilization is only one-quarter of this. An immediate increase of shipment of new freight to China of 9,000 tons is therefore possible. All new cargo should therefore be routed via Burma.

Secretary Morgenthau - 3

4. On October 1, 1940 under most favorable conditions, China would be able to import 60,000 tons of freight per month. The routes by which volume would travel would be:

Indo-China Routes

Indo-China Railroad	25,000 tons
Red River, Laokay-Kunming Road	12,000 tons
Caobang Road	3,000 tons
Pack Trains	2,000 tons

Burma Route

Burma Road	<u>18,000</u> tons
Total	60,000 tons

If the Japanese bomb the railroad and other Indo-China routes, this action would reduce total possible capacity to about 40,000 tons a month.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE April 8, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Attack on Scapa Flow by German Aviation

I learned the following about the recent attack on Scapa Flow by German aviation.

1. The attack was skillfully conducted, completely surprised the British, and was made at an ideal time, between sunset and moonrise, with such wind conditions that the captive balloon barrage had been taken in.

2. One direct hit was made on a battle cruiser, which was damaged to such an extent that it will take six to eight weeks for repairs. Two hits in the water were sufficiently near the ships to damage two other capital ships, probably battleships, so that they will require docking. The casualties to personnel were slight. One-thousand pound bombs were used, and about twenty were dropped.

3. Comment: The British were so completely surprised that they had no gun crews at the station. The airplanes had target practice conditions, were able to drop bombs from an altitude of fifteen hundred feet. Two conclusions are obvious:

- a. That the British Navy was caught napping.
- b. The bombs are not nearly as destructive to ships as has been asserted.

Why the British should neglect such an elementary precaution as keeping their anti-aircraft batteries manned at all times is beyond my comprehension. It is a British custom to learn only by experience, and if this incident shows them the necessity of keeping their anti-aircraft guns manned at all times, it will be well worth the minor damage sustained in this attack.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE April 8, 1940

TO Secretary Morgenthau
FROM Captain Puleston

I am sure you will find the enclosed
Letter 2 Apr. 5
information from Mr. Sadler interesting. In
addition there is an extract concerning the
situation in Rumania, from Mr. Sadler, and
a clipping from the New York Herald Tribune & *H. Breckenridge*
on aviation.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

Enclosures returned -- filed in separate folders
in W. D. Puleston's files.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 8, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Internal Conditions in Germany.

1. On Saturday, April 6, I discussed the internal conditions of Germany with Colonel Magruder. The Army has some late information from Mr. Someray, Swiss banker. (Mr. Cochran says that Mr. Someray is well informed on conditions but is inclined to do some wishful thinking in regard to the downfall of Germany.) What follows depends upon the reliability of Mr. Someray, who in turn obtained this information from Mr. Schacht and Mr. Thyssen. The last two are also definitely anti-Nazi, so their reports may lack detachment. Some of this information, however, has been verified in other discussions; I will commence with that first.

2. The severe winter weather ruined the potato crop in Germany and badly damaged the winter wheat. The continued cold spring has delayed the spring planting until it is too late to restore the losses by extra spring planting. The Germans may be forced to kill their livestock for lack of feed. The climatic conditions were general in eastern Europe; Hungary will have difficulty in feeding her own people. I think we can depend upon the foregoing facts.

3. Ten German tankers have been waiting at the leading Rumanian oil port on the Danube and are unable to obtain oil. Rumania is taking a firmer stand in her dealings with Germany. These facts we can depend upon. Mr. Someray reports that he knows through Dr. Schacht that the reserve supply of fuel in Germany has been greatly overestimated. He claims to have this information from Schacht, who said he knows the exact capacity of German storage.

4. The Army felt sufficient confidence in Someray's report to bring it to the attention of the President, and they have modified their estimate of the situation to the extent of contemplating the possibility of an early German offensive in France.

5. During the same conversation Colonel Magruder confirmed information from other sources that Turkey was still solidly with the Allies. (Comment: She will have to remain with the Allies on account of her fear of Russia.)

6. Italy is still neatly balanced on the fence, but a blockade of the Adriatic might force her to take sides. If the Allies operate in the Adriatic it will indicate either (a) their indifference to Italian reaction, or (b) their confidence that Italy will not move.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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Confidential

INTER OFFICE COMMUNICATION

DATE April 8, 1940

TO Secretary Morgenthau
FROM Captain Puleston

Flash reported from Copenhagen that forty-eight naval vessels were observed passing that city. Naval engagement with British blockade squadron expected. Same source as other flashes.

Add to above: Fifty German war vessels of all types, including minesweepers, observed standing towards the Skagerrack. Increasing number of British vessels sighted off Norwegian coast. Engagement expected off Norway. Same source.

A third flash reports from Oslo that in an engagement off Norway the British claim to have sunk one German warship, two U-boats, several planes.

(Noon) London reports 90 to 100 German vessels in this engagement.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 9, 1940

TO Secretary Morgenthau
FROM Captain Puleston

Flash from New York: The German commanding officer in Oslo reports that Oslo was occupied without incident at 9:30 A.M., our time. Sometime later he ordered the Norwegian police commissioner to broadcast on the radio that the widespread evacuation of Norway must cease immediately.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 9, 1940

TO Secretary Morgenthau
FROM Captain Puleston

Flash from New York: Stockholm reports that Norwegian coastal batteries sunk a German battle cruiser at Oslo Fiord. Battle cruiser believed to be the Gneisenau. (The Gneisenau is a 26,000 ton battleship and carries nine eleven-inch guns. It is one of the first modern battleships of Germany and was launched in 1936.)

W D Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

(Associated Press--Mrs. Betts)

Semi-official report of engagements
in progress between Allied and German fleets
various points along Norwegian coast in heavy
storm.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE April 9, 1940

TO Secretary Morgenthau
FROM Captain Puleston

Flash from New York: Unconfirmed reports from the Associated Press are that large numbers of disguised German soldiers were transported on ore ships and have landed at Narvik, Bergen, and Stavanger. It is reported that there is very little resistance being offered by the Norwegians.

It is also reported that there is a series of naval engagements between British and German forces off the Norwegian coast.

Comment: It is now becoming evident that the German vessels reported yesterday in the Skagerrack were only part of a squadron of ore ships being used as transports. If the Germans have actually occupied these ports, unless they are driven out by the Norwegians or British, they can be reinforced by railway from Oslo. This is the serious part of the situation.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE April 9, 1940

TO Secretary Morgenthau
FROM Captain Puleston

Flashes received from New York:

Stockholm -- Oslo officially surrenders to
Germans at 4:00 P.M., Norway Time.

Belgrade -- Germany demands all Balkan states
accept German policing of the Danube River.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

Information given
TREASURY DEPARTMENT*To Colonel Magruder*
INTER OFFICE COMMUNICATION*Personally*
DATE April 9, 1940

Confidential

TO Secretary Morgenthau
FROM Captain Puleston
Subject: European Situation

1. I have discussed the situation with Colonel Magruder at some length. At present he has only information that we have gotten from the newspapers and from the State Department.
2. We were in substantial accord that even if the invasion of Norway is a complete success it will not vitally affect the war. Germany will have some more airfields and some more bases for her planes. She has sufficient already. Her frontiers will be brought nearer the Scottish coast and she will be able to contest the northern part of the North Sea with more vigor. On the other hand, the problem of blockade will be simpler for Great Britain, as she will not have to consider the feelings of the Scandinavian states and will simply stop everything headed in that direction. So much for the long view.
3. In the next two or three days the situation should crystallize, and we can see how much of the western Norwegian coast the Germans will be able to hold. Oslo is the center of the railway ^{net} of Norway and Sweden. Germany's hold on Oslo will be almost unbreakable if she can forward reinforcements. But the reaction of the British and French should be to seize Narvik and recover Trondhjen and Bergen

in the order named, unless they have more troops available than we think, in which case they could undertake the three movements simultaneously.

4. There was some indication as early as Saturday night of the German movement. It is possible, even probable, that a more elaborate and comprehensive occupation of the coast of Norway was planned and the German action was precipitated by the Allied mine fields in Norwegian waters.

5. In the diplomatic and military field, the Allies should themselves occupy the Faeroe Islands and Iceland. They have a perfect right to do this as Denmark, the mother country, is now occupied by an enemy. It would be in order for our State Department to issue a statement that the United States would view with concern the occupation of Greenland by a totalitarian nation; that would give a hint to the Allies.

6. This German movement will tempt Italy to play a larger part in the Balkans, but she will wait for further developments before she takes overt action that will involve her in the war. Turkey is probably solidly in the orbit of the Allies but would still rather remain neutral than enter the war.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 9, 1940

TO Secretary Morgenthau
FROM Captain Puleston

Iron. Flash from New York: The Norwegian Government has moved to Hamar.

Field Marshal Weygand is flying to Beirut from Paris immediately.

Allied naval units are assembling in the Aegean. Turkish Government states she will stay out of war unless her own interests are involved.

Small Balkan states are depending on Italy to preserve their neutrality.

Allied owned oil companies in Rumania state they will dynamite oil wells if Germany invades Rumania.

My impression of the situation until noon. By cleverly concealing their troops in ore ships and by the negligence of the Norwegian authorities in not examining these ships more thoroughly, the Germans appear to have been able to land bodies of troops, numbers unknown, in Bergen, Stavanger, and Narvik. The Norwegian army units are reported to have fallen back with little resistance. The main German force is probably at Oslo, where it can be very easily reinforced from Germany without

Secretary Morgenthau - 2

violating the neutrality of Sweden.

The immediate objective of the Germans should now be to rapidly reinforce these small units at Narvik, Stavanger, and Bergen. Unless the Norwegian Army puts up some resistance, it will be comparatively easy to reinforce Stavanger and Bergen. It will be very difficult to reinforce the German troops at Narvik except by water, unless the Germans are able to violate the neutrality of Sweden and land at Lulea.

The reported engagements between German and British naval forces in the Norwegian sea may indicate that the British are trying to eject the German forces endeavoring to establish themselves more firmly in Bergen, Stavanger, and Narvik.

The situation has many possibilities and should bring on confused fighting on land, at sea, and in the air, with the outcome uncertain for the next two or three days.


W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE April 10 1940

TO Secretary Morgenthau
FROM Captain Puleston

Subject: Running account of the situation until noon today.

1. There has been a series of fights between Allied and German warships and airplanes along the coast of Norway from Oslo to Narvik. Norwegian coastal guns took part in the neighborhood of Oslo and sank one German cruiser, the Bluecher (10,000 tons); another cruiser, the German Karlsruhe was lost by mine. The British admitted loss of two destroyers off Narvik. This engagement between British and German destroyers was a very smart action. Five British destroyers attacked six German destroyers and some German batteries that had been hastily established ashore. The British claim to have torpedoed one German destroyer and seriously damaged two others. In addition, they sank six merchantmen that were suspected of carrying German supplies. One British destroyer, the Hunter, sank and one ran ashore to avoid sinking, the Hardy. The British ~~vessels~~ ^{destroyers}, Hotspur and Hostile were slightly damaged. In addition to the German destroyers mentioned above, the British claim that three others were heavily damaged and are burning.

In a confused fight such as this must have been, I think the British gave a good account of themselves, and if they

sank the German supply ships, they have inflicted a heavy blow on the Narvik detachment.

It is reported that the Norwegian detachment defending Narvik has only fallen back in front of the German advance with a view to reopening the action with Allied assistance.

Paris announced that Narvik is being blockaded.

The naval and air engagements are diminishing but are still in progress; Germany announced an air attack on the British fleet is now in progress.

2. It is reported from Berlin that the Danish premier has announced that his Government will remain in office and cooperate with the German Government. This is undoubtedly correct. Germany is in complete possession of Denmark.

3. The last report of King Haakon and his government was that they have moved to Elverum, where it is reported that serious action is taking place between the Norwegian and German troops.

A major battle is also reported between Norwegians and Germans near Scoglund, on the coast south of Tromsø. The port of Tromsø is still in the hands of the Norwegians.

Comment: The fact that the Norwegian Army is continuing its resistance is very important. If they can be rallied from their disorganization subsequent to the surprise attack, they may offer considerable resistance to the German occupation.

A large part of the Norwegian Army was in the extreme north, at Kirkenes, where it had been watching the Russian advance through Finland. If the British can escort this force back to some unoccupied harbor, they could possibly form the nucleus of a small Norwegian Army.

4. The Germans announce that they have been unable to make arrangements with Norwegian Government. Therefore, individual German commanders are making arrangements with local officials.

5. There has been some air and probably minor naval fighting in the neighborhood of Bergen. The British claim to have damaged German cruisers in this fighting.

6. Outside of Scandinavia:

Reynaud made a strong speech defending the attitude of the Allies. Great Britain imposed an embargo on all exports to Denmark and provisional ban on shipments to other Scandinavian and Baltic states.

The French Senate applauded Reynaud's speech and called off secret session, and debate on the Government statement was postponed until Tuesday.

Belgium and Holland have cancelled all military leaves.

In the Balkans, anxiety is increasing. Istanbul officials declared that Turkey advises the calling of a new Balkan Entente Conference within the next ten days to line up Rumania,

Greece, Yugoslavia on Allied side. German invasion of Scandinavia demonstrated futility of small nations trying to be neutral, said official, and justified Turkey's position "not neutral but merely non-belligerent".

Iceland declared its independence.

7. Oslo radio stations are under German control and still broadcasting to Norwegian people, urging that they cease resistance to German invasion. This indicates that the Norwegian resistance is continuing.

8. The State Department is entirely cut off from the American Minister in Norway. The American Minister to Sweden has been unable to establish contact with the legation at Oslo or at Hamar.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 10, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Running account of activities from noon to 4:30

1:30 - A high Swedish authority said today that Allied forces had recaptured Bergen and Trondheim. London does not confirm this.

2:37 - British Admiralty reports (about 7:30 English time) operations off Norwegian coast still in progress.

2:45 - The British Navy was reported to have penetrated the Skagerrak and sunk two German transports and one destroyer in a battle just outside Swedish territorial waters.

3:23 - British Admiralty has announced that the British Navy at this moment is engaged in the largest battle in the history of British sea warfare since the Battle of Jutland in 1916.

3:30 - The British naval units reported to have forced the Skagerrak; said the German naval force engaged in the battle is composed of ten warships which are believed to be trapped. The broadcast announced that the Royal Air Force is rendering splendid assistance to the Navy in this battle.

3:50 - (Stockholm) - A three-hour battle at sea, during which British fleet units attacked ten big German troopships,

sinking two and scattering the others, was seen tonight from the Paternoster Beefs, near the Island of Marstrand in the Skaggeiak. One German destroyer also reported sunk. British casualties not reported. German warships which escorted the troopships attempted to fight off the British men-o-war.

Shortly before nine o'clock the fight was over and the transport fleet had been dispersed.

Numerous planes participated

4:00 - (Stockholm) - The fight took place just outside the Swedish three-mile limit southwest of the Paternosters, a group of low and barren rocks and islets, and fishing boats from the Paternosters put out tonight to rescue survivors.

H.B.C. picked up a British Admiralty announcement that distress signals from a German battleship outside Oslofjord had been heard. This may confirm earlier reports that two German battleships had been sunk.

W.D. Puleston

W. D. Puleston,
Captain, U.S.N. Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 11, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: European Situation as Reported Today

1. The important factors of the situation as reported at 9:00 A.M. are:

a. The successful attack on the German reinforcements in the Kattegat. The actual losses are unknown, but it is known that an important German convoy was broken up with loss of several German transports fully loaded with troops.

b. The unexpected resistance offered by the Norwegian Army, who are reported to have recaptured Hamar. Whether they have or not is not important. The important fact is that they are sufficiently strong and organized to resist the German advance. They have also reacted in the north on the outskirts of Narvik.

c. The reports from Bergen and Trondheim are conflicting. The British do not yet claim to have reoccupied these two towns, although the Swedish General Staff reports they have information to that effect.

d. The British successfully resisted several waves of German bombers over northern Scotland and Scapa Flow and brought down six to a dozen bombing planes. The British anti-aircraft defenses showed to much better advantage in this attack.

e. Finland reports that two Russian divisions in Petsamo are withdrawing in accordance with the recent evacuation treaty. This indicates that Russia will not join Germany at present.

f. The situation in Oslofjord is in doubt. Apparently some Norwegian detachments are in the neighborhood on the land side, and some British and perhaps some German naval detachments are in the fjord itself. The same confused situation exists in Trondheim and Bergen.

2. The German High Command now faces a decision of:

- a. Abandoning the German detachments now in Norway,
- b. Endeavoring to supply them by sea with the possibility of further attacks by the British Navy,
- c. Violating Sweden's neutrality and sending troops via the railway from Malmo and Gothenburg to Oslo.

3. The British Air Force attacked the German naval convoy off Horns Reef (near the scene of the Battle of Jutland). We can expect confused fighting between air and naval forces on both sides throughout the day and further developments in Norway.



W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 11, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Estimate of the Norwegian Campaign to
April 11, 8:00 A.M.

1. Naval engagements in the Skaggerack and Cattegat are the most significant. They have interrupted the German reinforcement of Oslo and indicate the willingness of the British Government to take risks with her fleet.

On the tactical side they indicate that ships can operate in narrow waters, in close proximity to land-based aircraft, without suffering unbearable loss. The sinking of German transports (at least six, probably ten, possibly more) shows the desperate nature of the German undertaking. It is vitally necessary for Germany to maintain a flow of supplies and replacements to Norway, which are being sent both by the North Sea, Hungary, the Jutland coast, and via the Cattegat. If these routes prove too hazardous, Germany will be obliged to violate Sweden's neutrality or see her forces landed in Norway gradually wiped out.

2. In Norway the most important development is the decision of the King and Government to fight to the end.

It is reported that the Norwegian Army has reoccupied Hamar and cut off the German detachment at Narvik. It is certain

that sustained fighting has taken place in these areas; the immediate tactical results are not so important as the fact that the Norwegian Army is still in being and prepared to operate in the interior against the communications of the German detachments scattered in various parts. The German invaders number is not yet known, but presumably 10,000 and 25,000 should be trapped between the Allied Navy and the Norwegian Army.

3. It is reported from Finland that two Russian divisions at Petsamo are withdrawing on schedule. This is important as it indicates that at present the Russians are not preparing to get involved.

4. The German Air Force has made a succession of air attacks over Scapa Flow and northern Scotland. The British claim to have shot down several German bombers and assert that no damage was inflicted by the bombs. We can expect the Germans to use the full strength of their aviation in this campaign, and they will try to break up or disperse any naval reinforcements being mobilized. The consumption of fuel and planes should be at a maximum.

5. On the Rhine-Moselle Front the Allied High Command is alert. In the Balkans the situation is rendered more tense by the destruction (perhaps by Allied sabotage) of two Danube steamers carrying foodstuffs to Germany. The Germans are reported to have demanded the right to police the Danube.

Turkey is reported to have called representatives of the Balkan Entente (Yugoslavia, Greece, Rumania, and (Bulgaria)) to meet in Constantinople to consider joint action during the emergency. The prompt reaction of the Allies to Germany's attack on Norway will strengthen the Allied position in the Balkans.

The Italian press continues to attack the Allies and gives verbal support to Hitler.

W. P. Preston

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 11, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: European Situation from noon today

1. The Germans report that nothing is known of the important naval fighting in the Skaggerack reported by the Allies and assert that German reinforcements are steadily arriving in Norway.

This statement is a flat contradiction of the statement made to the House of Commons by Winston Churchill that there was fighting going on and that the fleet would sink every German ship in that area. We have no absolute information on this subject.

2. I discussed the question of the Norwegian campaign very briefly with Admiral Anderson. He believes that the Allies have met this German threat and the situation is generally favorable to them. He is more impressed with the action of the Allies today (which includes the occupation of the Faroe Islands) than he was with the events yesterday. He has no more actual information of the fighting in the Skaggerack than we have. Apparently he does not believe the Germans can maintain the line of communications to Norway. It is certainly questionable whether they can or not.

Admiral Anderson and I agree that it will be several days before this situation crystallizes. Colonel Magruder is already definitely convinced that the Allies can not dislodge the Germans from southern Norway. Colonel Magruder inclines to the opinion that this Norwegian campaign may be a prelude to a German offensive on the Western Front.

3. Sweden announced that she had mined her western coast north and south of Goteborg on the Cattegat. This was the scene of the recent naval engagement. It will make operations in those waters more difficult for both sides.

4. The Maritime Commission estimates that the Germans only got about ten percent of the Norwegian shipping. The rest was at sea and fifty percent of it was in the service of the Allies.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

Confidential

DATE April 11, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Conversation with Colonel Magruder
regarding situation at present.

1. The following is based on a talk with Colonel Magruder.

2. The Army believe that the German aviation has occupied all the Norwegian air fields. They believe one division of German troops, about sixteen thousand, have been distributed between Narvik and Bergen. They believe another division of sixteen thousand men have been landed at Oslo and are moving out to the north and west in an effort to control the railway net from Oslo to the coastal harbors of Norway. They interpret the air attack on Scapa Flow as indicating that there are no targets, that is, British naval vessels or British transports, in the North Sea. They believe that the Germans can maintain the line of communication between Oslo and Germany at not too great a loss of ships and soldiers.

3. Apparently the Allies have no troops en route to Norway, but Mr. Churchill reports they are occupying the Faroe Islands. In addition, Mr. Churchill reports that there is a big battle on in the Cattegat, where it took place yesterday, and promises a fight to the finish. If the British Navy can

stop the flow of reinforcements to Oslo, the situation in Norway will be entirely different. The next two or three days should indicate the possibilities of cutting this line of communication.

4. We should not let this local situation obscure the general situation. If the British Fleet find they can not cut this line of communication without too much loss, they should accept the German occupation of southwestern Norway, for it is certainly daring and may perhaps be too dangerous to continue to attack convoys in such easy distance of land-based aviation.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 12, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The German Campaign in Norway.
(at 8:00 A.M.)

1. There were British air and naval attacks on Trondheim and Stavanger. British bombers attacked German supply ships in the North Sea and in the Baltic. They also made attacks on German vessels in the entrance to the Oslofiord. They report minor successes.

The Germans admit these attacks but say they were repulsed.

2. It appears that the Germans have opened two lines of water communication, one in the North Sea from Helgoland Bight to the western Norwegian ports, and one via the Baltic to Oslo. The British have not made any more organized naval raids on these communications. This indicates that, for the present, at least, they do not wish to use their more valuable naval vessels in these restricted waters.

3. In the German report they claim to have established themselves in the port of Elvenes, located on the Arctic Ocean not far from Petsamo and Kirkenes. This is near the Norwegian iron ore fields. (Comment: This brings the Germans very close to the Russian sphere of influence.)

4. The British report laying mines along the German and Danish coasts from the Dutch frontier and across the Kattegat to the waters of Sweden.

W. S. Puleston

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE April 12, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia.

1. The local military and naval situation in and around Norway is definitely more favorable to the Norwegians and British today than it was yesterday. The Norwegian Army is offering increased resistance. British submarines and probably some destroyers are still maintaining themselves in Oslofiord and have disorganized and inflicted losses on the German convoys coming into Oslo.

The German planes landing on the small and poorly prepared airfields have suffered considerable damage in landing. The best field, at Stavanger, has been repeatedly attacked by British bombs. That is the only real operating airfield in Norway. This will be a definite limitation on German aviation.

The British Navy has offered much more resistance to the German convoys than the Germans expected.

2. The action of Germany in going into Scandinavia has made all Europe jittery. Holland and Belgium are still refusing to let the British and French come in to help. (Comment: This indicates how difficult it is for the Allies to help neutrals, and if in a few days the Germans come through Holland and Belgium,

we can expect the American people to say, "^{where} ~~here~~ were Britain and France? Why didn't they protect these little neutral countries?"

The effect on Italy of the success or failure in Scandinavia may be decisive, but I do not believe so. Hitler is reported to be trying to bribe Mussolini by offering him the Adriatic part of Yugoslavia.

Bulgaria is inclining towards Germany. Rumania is so completely surrounded that she will make a last minute decision on which way to go.

Turkey is still definitely with the Allies, and if Bulgaria moves will probably invite the Allies in.

3. The Army still think that it is probable that Hitler will attack on the Western Front. They assume that this movement into Scandinavia was preliminary to secure their northern flank. If the war breaks out there, they would not be surprised to see it break out in the Balkans simultaneously.

4. The Germans reported that the British have bombed a railway center in Schlesweig-Holstein. The British denied this. The Germans reiterated and said that this may mean a new phase of air warfare. This may be a German alibi for opening up with an "all-out" air attack on England.

5. Press report from London states that British Air Forces attacked two German warships at Kristiansand and engaged in

combat with defending German fighters. Five British and two German planes were lost. British fighters and bombers attacked the air port at Stavanger (the best military airport of the six in Norway), starting a large fire on the field. In the resulting air battle, one British plane was lost.

6. Summarizing, the situation in Norway is definitely improving as far as the Allies are concerned. The chances are slightly in favor of Hitler ordering an attack on the Western Front.


W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 12, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The German Campaign in Scandinavia

1. The situation in Norway is as follows:

The Germans are established in Oslo, having landed probably 25,000 men, many of whom have been pushed out over the railway net as far as Hamar in the north. The Norwegians were still resisting in Frederickstad, a suburb of Oslo, and small detachments of the Norwegian armies are still in the environs of Oslo.

The Norwegian Government, and probably the bulk of the Army, are at Kongsvinger, between Hamar and the Swedish border.

Germans still hold Stavanger, Bergen, Trondheim and Narvik. It must be assumed that they are strengthening the local positions by establishing field batteries.

The German Air Force has occupied the principal Norwegian air fields, maintaining communications between the widely separated army detachments, and attacking British naval and air forces. In addition, the German aviation has been strong enough to keep Scapa Flow under observation, scout the North Sea, and attack Allied naval forces in the North Sea and Norwegian waters. They have also screened the movements of the

German reinforcements proceeding along the west coast of Denmark, thus keeping open two lines of communication to their forces in Norway.

German naval units are present in each of the occupied fiords, including all of their available submarines.

2. In any major effort to dislodge the Germans, an Allied expeditionary force will have to overcome:

- (a) Air and submarine attacks en route and while landing.
- (b) Resistance from local German army and naval forces,
- (c) Repeated air attacks from German aviation summoned from other places.

Manifestly, any attempt to land will require an effort of major proportions and must be carefully organized. This will certainly require time, and may require resources, military and air, that the Allies can not afford.

The only other reaction open to the Allies is to attack by sea and air Germany's two lines of water communication with Norway. This can and probably will be done, but each day the German defenses will increase and the attackers will suffer more losses.

If the Allies succeed in making these lines too dangerous, Germany will simply occupy southern Sweden and transfer her supplies via Kiel and Stettin to Malmo, thence by rail. This will involve more land fighting with the Swedish Army and would

be very helpful to the Allies, so they should make every attempt they can to interrupt the water lines of communication.

While extremely difficult, the landing of expeditionary forces in Norway is not impossible. Narvik is probably the easiest to recover, and the first Allied effort should be concentrated upon recovering that port.

The rapid tactical movement by which Germany occupied Denmark and Norway should be carefully appraised. The skill with which it was executed indicates that the Germans can coordinate land, sea, and air forces with maximum efficiency. The operations in Poland are further proof. But while noting this, we should also remember that at any time during the present war Germany could occupy Denmark and Sweden and advance from there to occupy Norway. Their army, navy, and air forces, plus their geographical position, placed Scandinavia at their mercy.

3. This operation is only surprising in that it began along the coast of Norway, instead of via Sweden. Its actual effect upon the course of the war, while being helpful to Germany in certain directions, will be harmful in others.

The operations seemed to show that naval forces can operate near land-based aviation, but it is quite possible that the German aviation, operating under such conditions, will prevent further naval raids on the German communications. Only the

Allies know the complete damages that have been inflicted on their naval vessels, and they would be very foolhardy to attempt to break up this line of communication at the risk of serious losses to their surface fleet, for in the narrow waters of the Skaggerak and Cattegat the German aviation and submarines would be operating under ideal conditions. Even if they succeeded in breaking the line of communications, the Germans would simply invade Sweden and establish land communication with their forces in Norway. In the larger aspect, this is not such a grievous blow to the Allies. On a separate paper I will give the economic advantages and disadvantages. From the point of view of a naval blockade, it will be just as efficient to operate from the Shetland and Faroe Islands to Iceland as it was to operate between the Shetland Islands and Bergen, Norway.

4. The real test of this war will be whether or not German aviation can inflict such damage on the United Kingdom and the shore establishments that the British people will be forced to give in. We have no indications yet that German aviation is equal to that task.

5. The Germans were able to make this attack by seizing the initiative. If the British and French were to keep the Germans more fully occupied by attacking them along the Western Front and in Germany, the German High Command would not be at liberty to make these excursions all over Scandinavia.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 12, 1940.

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Preliminary Memorandum on the Economic Effects of a Successful German Occupation of Denmark and Norway on England

Summary:

A. Food. England's sources of supply of bacon, butter, and eggs have been severely curtailed. Although large in quantity, only a very small percentage of England's fish consumption came from Scandinavia.

B. Other Commodities. A very large part of England's paper, wood, and wood pulp which formerly came from Scandinavia will now be cut off.

Slightly less than ten percent of the British iron and steel production depended on iron ore from Norway and Sweden and, therefore, the loss of this source is not very important.

C. Shipping. On balance, the Allies will probably come out even in the tonnage of ships available for their use.

D. Shipbuilding capacity. The Allies lost the potential addition of 200,000 tons of shipping a year from Scandinavian ship yards (or a rate of about 15 percent of the present Allied rate of production).

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1. A successful German occupation of Denmark and Norway cuts off not only Danish and Norwegian trade with England but also all trade with the Baltic countries. All of these countries together furnished 15 percent of British imports and took 10 percent of British exports.

2. England's sources of bacon, butter, and eggs have been severely curtailed.

(a) Bacon

The loss of Denmark cuts off 35 percent of England's normal sources of supply of bacon. This plus the loss of the Baltic countries means that England has lost 45 percent of her peace-time total foreign and domestic sources. Two-thirds of the British peace-time foreign bacon sources have therefore been lost.

(b) Butter

The German occupation of Denmark cut off 22 percent of the total English sources of butter. The loss of Denmark plus that of the Baltic countries eliminates 36 percent of total butter sources. (This is equivalent to 40 percent of total imports.)

(c) Eggs

Twelve percent of the total English sources of eggs were removed by the German occupation of Denmark. Together with the Baltic countries, this last loss makes a total

Secretary Morgenthau - 3

of 18 percent of the egg supply sources lost. (This is equivalent to 50 percent of total egg imports.)

3. English supplies of paper, wood, and wood pulp will be greatly restricted. The loss in iron ore supplies is not great and can be easily made up in other ways.

(a) Paper, wood, and wood pulp

Three-quarters of the imports of British wood pulp comes from Scandinavia and the Baltic countries. Forty percent of England's imports of paper and wood likewise comes from this group of countries. Loss of these supplies is chiefly important as making necessary an added drain on British shipping unless drastic rationing of these products is possible.

(b) Iron ore

If Germany is able to consolidate her hold on the whole of Norway, she will be able to cut off the 2,000,000 tons of iron ore England receives from Sweden and Norway.

Even if the whole 2,000,000 tons were lost, the loss is not of major importance since only 10 percent of English iron and steel production is dependent upon these imports. This loss could be easily made up by increased ore imports from Spain and France or by imports of iron and steel from the United States.

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4. Shipping

On balance, the Allies will probably come out even on shipping tonnage available for their use.

(a) Norwegian shipping

Over 50 percent of Norway's large merchant fleet of five million tons was already directly chartered by the Allies and in use carrying freight to the Allies. Probably not more than 10 percent of the Norwegian fleet was captured in home and German waters.

The acquisition of this portion by Germany is compensated for by the previous use of some Norwegian vessels in the German trade and by the possibility of more efficient use of the rest of the Norwegian merchant marine by the more rigorous Allied control now possible.

(b) Danish shipping

The Germans probably were able to seize 20 percent of the Danish merchant fleet of one million tons. The rest should be available for Allied and neutral use.

While England will now have to go farther afield for food supplies to replace Danish bacon, butter, and eggs, the tonnage previously necessary to bring fodder and fertilizers to Denmark will be set free.

Since not only are these agricultural raw materials more bulky than the finished product (bacon, butter,

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and eggs) but enough had to be carried to be processed not only into English but also into Danish and German food. Therefore, there is a net gain in tonnage resulting. This gain will be in tramp tonnage, however, while the added demand will come in refrigerator tonnage.

(c) Swedish shipping

The Allies will probably lose slightly as far as Swedish tonnage is concerned. The ships in the intra-Baltic trade had been of no use to the Allies previously. Most of the newer and larger Swedish ships since the beginning of the war have been kept out of the war zone. Little, then, of the total Swedish shipping of one and one-half million tons had been in Allied service. The Allies will lose, therefore, the Swedish shipping used in carrying supplies from Sweden.

5. The Allies will lose the potential addition of 200,000 tons of shipping a year from the Scandinavian ship yards.

In shipbuilding capacity, the Allies will have suffered a loss of around 200,000 tons a year. Sweden and Denmark were important shipbuilding countries, producing around 400,000 tons a year in peace time. Because of the curtailment of their

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supply of imported ship plates, present production was probably at the rate of 250,000 tons a year. Most of this was for the Norwegian merchant marine which was largely in the service of the Allies.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 12, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia
(as of noon today)

1. The following is based on a conversation with Major Betts, of Military Intelligence. They have a report that the Norwegians have recaptured Bergen. As the report comes by radio from Bergen, it looks as if the Norwegians have certainly recaptured the outskirts of Bergen.

The Norwegian Army is definitely putting up more resistance than the Germans expected and retarding the advance of the Germans.

The German Air Force are having considerable losses in using the landing fields in Norway, which are not very good. The best landing field is at Stavanger; the British are attacking this field right now, making it fairly unsafe for the German aviation. The landing fields at Oslo and Bergen are very poor, and the Germans have cracked up many planes in landing in these fields.

The Army expect that the British will send an expeditionary force either to Bergen or to Trondheim. If they are bold, they will go to Trondheim, which is of more strategic importance. The Army think it is quite a practical move for the British to establish themselves in one of these fiords

and maintain themselves against the German Army.

The important consequences of such an occupation would be to furnish the Norwegian Army with munitions and to cut off the supplies of iron ore to Germany.

2. While I was writing this, a flash came from New York, Postal Telegraph, saying that Germany had demanded the right to move soldiers over Swedish roads. If Sweden refused, she would have to take the consequences. This repeats a former report. If this be true, it indicates that the British have succeeded in making the water communications so dangerous that the Germans have had to resort to land communications. It is unfortunate for Sweden, but it would be a great advantage to the Allies if the Germans are forced onto the land.

3. The Army think the situation has definitely changed in favor of the Allies during the last twenty-four hours. This is also the opinion of Admiral Anderson, Naval Intelligence.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE April 13, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia
(situation at 9:00 A.M.)

1. There is nothing significant to add to last night's report. The British are attacking German shipping with air and submarines, in spite of which some reinforcements are reaching Norway. A good many of these reinforcements have been sent by air.

2. In considering counter measures, the Allies should bear in mind that even if they succeed in cutting the water communications, Germany has a perfectly good land route by way of Sweden. Therefore, in making their decision the Allies should consider whether the losses they will suffer in making this route untenable will be greater than the losses the Germans will suffer in going through Sweden. Above all, the Allies should do nothing in this minor theater that will jeopardize their hold on the Western Front and the sea communications in the southern part of the North Sea. Subject to this reservation, they should make every effort to establish themselves somewhere on the Norwegian coast, ejecting whatever German forces are there.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 13, 1940.

TO Secretary Morgenthau
FROM Captain Puleston
Subject: European Situation at 12:00 Today

The Germans claimed to have landed further reinforcements in Norway in spite of Allied opposition. They probably have succeeded in landing some, but they have not been able to push out from Oslo. Their main line appears to be to extend no further than 10 miles from Oslo with advance forces at Eldevold about half way to Hamar. Their main concentrations are at Copenhagen where they could move either to Oslo or to Malmoe in Sweden.

Belgium and Holland deny that they have invited the Allies to come to their defense.

The Italians deny having increased their armies in Albania but admit having working battalions improving the roads.

The Danubian states are nervous and are endeavoring to police the Danube in order to avoid giving Germany no pretext for intervention on the Danube.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 15, 1940
(8:00 A.M.)

TO Secretary Morgenthau

FROM Captain Puleston

Subject: German Campaign in Scandinavia
(Developments during April 13-14)

1. The British Air Force has repeatedly bombed the Stavanger air field, the most important field in Norway.

British submarines have attacked German convoys and laid mine fields in the Kattegat. Assisted by other British forces (probably air), they have laid mines in the Baltic.

A British naval detachment entered Narvik and destroyed all German naval forces there, including seven German destroyers. The German Admiralty admits this attack and that it has no information of the present situation there.

This morning (April 15) the British Admiralty and War Office announce that the British Army has landed in several parts of Norway.

The Germans state they have reinforced their army in Norway, and they probably have but not very heavily. British submarines and mine fields have delayed and disorganized the German convoys.

An American reporter who had come from Norway to Stockholm announced that three-inch field pieces were the largest artillery he had seen with the Germans.

The Germans have occupied the towns along the Swedish frontier south and east of Oslo. Their main troop concentration is still at Copenhagen, where it can move either towards Oslo or into Sweden.

We can expect vigorous opposition by any local German forces to the British landing, and German air and submarine attacks on British troops. Correspondingly, the British air, light naval forces, and submarines will attack German reinforcements, while British heavier vessels will support the landing parties. The Swedes are increasing their defenses, and if the Germans decide to invade that country, they will meet stubborn resistance.



W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 15, 1940
3:00 P.M.

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Norway

The following is based on conversations with Mr. Moffat and Mr. Henderson, of the State Department, Colonel Magruder, of Military Intelligence, and Admiral Anderson, of the Navy Department.

1. Admiral Anderson thinks the British Navy can be depended upon to react strongly to the situation now developing in Scandinavia. He spent three years in England, returning early in 1937, so he should know pretty well the conditions in the British Fleet.
2. Colonel Magruder is convinced that the British Navy has definitely disorganized and delayed the German plan of occupation of Norway. He estimates that at least eight thousand German soldiers were drowned in the attacks on the convoys. In addition, some supply ships and ammunition ships must have been sunk, thus further deranging the plan of occupation.
3. When the British open up their lines of communication with England to any ports they may occupy, their lines of communication will be open to attack also, and we can expect to see considerably more fighting before this situation definitely crystallizes.

4. A test of the British will be how far south they dare to come, for in southern Norway they will be nearer to the German aircraft.

5. Mr. Moffat was definitely of the opinion that the permanent occupation of southern Norway by the Germans would depress the prestige of the Allies among the small neutral countries in the Balkans. He was a little caustic about the British reaction and did not think it was sufficiently strong. At the same time, he thought that the German movement might be only a prelude to opening the big attack on the Maginot Line or on Belgium.

6. Colonel Magruder was convinced that the Germans could not succeed in an attack on Holland or Belgium and thought they would have to go after the Maginot Line. We all three agreed that Italy would not make a move until the situation was further clarified.

7. It is definitely known that England has not many troops available in England that are sufficiently trained to operate in Norway. I do not think we can expect them to occupy many places in Norway, particularly in view of the fact that Germany still has the initiative and may launch an attack on the Western Front at any time she chooses.

8. Indications are that Russia was not consulted by Germany in moving into Denmark. The possession of Denmark

Secretary Morgenthau - 3

definitely cuts Russia off from access to the North Sea. Mr. Henderson thinks Russia will have to be compensated by Germany but does not know what form the compensation will take. He is also convinced that Russia is probably facing food shortages herself and will not be able to help Germany out.

9. A German battleship of the Scheer class was sighted in the Kattegat, headed back towards Germany, with a heavy list. If this was the Scheer, she will probably get home. She was observed being towed at one time and later proceeding under her own steam.



W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

Confidential

DATE April 15, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia
(Situation at Noon today)

The American Consul at Gothenburg made a trip from Gothenburg to the Norwegian border. He reports that German ships are held up in the Kattegat, four of them being at Stormstedt, right on the boundary between Norway and Sweden, and eighteen at Gothenburg. We already knew that other troop and supply ships were in Copenhagen.

This indicates that the British mines and submarines and light forces have been able to stop temporarily the flow of reinforcements into Oslo. If they succeed in stopping these entirely, we can expect the Germans to go into Sweden in order to obtain a line of communication with the troops already in Norway.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 16, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia

1. There is no further official news from England except of attacks by air and submarine. The Germans have been extending their gains around Oslo and towards the Swedish frontier. They are either near or in possession of Kongsvinger. They are undoubtedly getting some reinforcements into Oslo.

2. Both the British and German Governments have warned their people that there is a severe struggle ahead for Norway. The British Navy and Air Force have secured the time necessary to land British army forces in Norway. The big question is: have the British enough army to land in Norway and undertake the major operation of dislodging the Germans from southern Norway?

3. The fact that the British first landed in the Narvik area would indicate that they regarded this of primary importance or did not feel equal to dislodging the German Army from southern Norway.

4. It is well at this point to consider the effect of the Norwegian campaign on the whole war.

If the Germans succeed in consolidating their position in southern Norway and the British hold Narvik and the Lofoten Islands, it is hard to say that the Germans have gained any advantage economically, politically, or militarily.

At any time since September the Germans could have occupied Denmark, Sweden, or Norway without much effort. The simplest way for them to have taken Norway would have been via Denmark and Sweden. Now the Swedes are on guard, their mine fields are laid, and the Germans will meet some Swedish resistance.

The possible danger is that Mussolini may overestimate the importance of this operation and think the time has come to join Germany. I doubt whether Mussolini will make this mistake.



W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 16, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Preliminary Memorandum on the Economic Gains
To Germany of the Occupation of Denmark and Norway.Conclusions:

a. The occupation of Denmark gives Germany an initial windfall in food (bacon, pork, meat, butter, poultry, eggs) at the cost of a later decrease in supplies after a year's time. It also gives Germany an addition of 150,000 tons a year of shipbuilding capacity and a large Diesel engine industry.

b. The successful occupation of northern Norway would assure Germany continuance of the flow of iron ore imports and make possible an increase of 3 to 4 million tons over the peace-time level of imports from Sweden and Norway. From the occupation of southern Norway, Germany secures only minor economic gains and loses, on the other hand, a valuable channel for blockade evasion.

c. Control of Denmark and Norway gives Germany absolute control of the Baltic countries' trade with the outside world. This enables Germany to increase her food supply only slightly. The only significant gain would be in butter, the supply of which, in addition to Danish supplies, would about meet Germany's import needs. Outside of food, Germany would be able to secure more wood, pulp, and paper if she wanted to - which is doubtful.

1. Denmark

The German occupation of Denmark adds to the German herder 3,000,000 cattle (an addition of 15 per cent) 3,000,000 swine (10 per cent addition), 30,000,000 poultry (30 per cent addition). Because Danish livestock depends on imported feedstuffs which are now cut off and because of the feedstuffs deficit of the Reich, after the present two to three months feed reserves of Denmark are exhausted and after the summer pasture is over, it will be necessary to kill most of this stock. The Germans will then have lost the imports they would otherwise have been able to secure from Denmark.

These food imports from Denmark were significantly important. Denmark normally provided 70 per cent of the German live cattle imports, 20 per cent of the live hogs, 10 per cent of the meat, 25 per cent of the lard, 40 per cent of the butter, 20 per cent of the eggs. Since Germany now has a large food deficit, principally in fats, the loss of Danish supplies after the lapse of a year will then necessitate further tightening of the German belt.

The Danish shipyards of a capacity of 150,000 tons a year increase the German shipbuilding capacity by a third. Denmark also has a diesel engine-building industry which produces a surplus for export. Both the shipyards and the engine-building industry were building mainly for the Norwegian merchant marine,

e.g. ultimately for Allied use. Seizure of these Danish industries, then, both aids Germany and strikes at the Allies.

2. Norway.

(a) Northern Norway

Through Narvik seven million tons of Swedish iron ore are exported in a normal year. Four million tons of this usually go to Germany. One and a half million tons of iron ore is exported by Norway itself, principally from the Arctic town of Kirkenes. Half a million tons of this ore goes to Germany. Control of northern Norway thus would give Germany control of an additional four million tons of iron ore over its normal supplies. If it could be transported to Germany, this iron ore could substitute for the Lorraine ore now cut off by the war, i.e., assume the burden which the costly Hermann Goering Werke were designed to bear.

(b) Southern Norway

Control of southern Norway does not give Germany important gains. She secures small quantities of a few minerals:

<u>Mineral</u>	<u>Norwegian Production as a % of German Normal Imports</u>
Copper	2 (%)
Nickel	25
Pyrites	30
Cadmium	(Est.) 50
Uranium, Molybdenum, Vanadium Ore	60

Secretary Morgenthau - 4

(c) Food

Except for small quantities of milk, butter, and cheese, all that Germany acquired was a food deficit. Norway normally had a fish catch of one million tons a year, but most of this will necessarily have to be written off for the future. At most Germany will only be able to secure the 150,000 tons of fish products she normally imported from Norway.

Norway, as a rule, had to import one-half of her needs in bread grains and just covered her needs in hay and potatoes. Crops in 1939 were slightly under average, and stocks of food correspondingly are not large. Stocks of bread grains are barely sufficient to carry the Norwegian population through to the 1940 harvest. Stocks of other food on hand, it is estimated, are sufficient to last from five months to a year.

These stocks the Germans may seize. However, a year's stocks for a population of three million does not extend very far for a population of ninety million.

There were also in Norway 50,000 tons of recently arrived whale oil which the Germans may appropriate. This should partly help Germany meet her domestic fat deficit of around 500,000 tons.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 16, 1940

TO Secretary Morgenthau
FROM Captain Paleston
Subject: German Campaign in Scandinavia

The following are some of the significant developments in the Norwegian situation:

1. Sweden is taking definite measures to cope with pro-Nazi elements inside of Sweden. In addition they are taking energetic measures to resist the German advance in southern Sweden, including placing huge stones on landing fields, felling trees across the roads and making anti-tank traps.
2. There are no further important developments in Norway itself. The Germans have not been able to extend their hold in southern Norway except to the east and north -- that is to say, they have not been able to extend support towards the occupied sea ports. There is increasing evidence that due to this delay the Allies will have an opportunity to secure their hold on Narvik and possibly take Trondheim before strong German reinforcements can reach them. Of course, this is still problematic.
3. The Army estimates that only thirty thousand German troops are in and around Oslo and their principal movement has been towards Elverum. They have not been able to get more than twenty-five miles to the westward of Oslo.

4. The French contingent in the expeditionary force, the Alpine Chasseurs, are crack troops and may be used as a covering force for some of the more recently raised British troops, including the Canadians.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE April 16, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia

A flash from New York at 3:30 states that there is a naval and air battle going on in the Skagerrak. A report from Gottenburg states that ten thousand Norwegian refugees, including three thousand soldiers have arrived in Sweden.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

John D. O'Leary
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 17, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Situation in the Far East

1. Obviously, if Germany should invade Holland the question of the Dutch East Indies will be immediately involved. The spokesman for the Japanese Foreign Office has announced Japanese interest in any disposition of these islands.

2. I discussed the matter with Dr. Hornbeck in the State Department, and he intimated that the State Department was aware of all the potentialities and was prepared to take necessary steps. He further intimated that the President might issue a statement sometime in the near future.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 17, 1940
(noon)

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia

1. Reports from London, Berlin, and Norway indicate that the British are moving reinforcements by water into Norway and that German air forces are attacking these reinforcements. The Allies will probably suffer some losses.
2. The Germans are making strenuous efforts to extend their holdings in Norway but are still struggling with the problem of reinforcing their troops. Developments around Narvik have been hampered by snow.
3. The Allied High Command is prepared for any move Germany may make, either into Holland and Belgium or an attack on the Maginot Line.
4. The British and Italian presses are again engaged in vituperation. The Italian fleet is in the Dodecanes Islands, and I should expect their return to the Adriatic before any declaration of war.
5. The food situation in the Danubian countries is plainly serious. There is a food shortage in Russia. The effect of this shortage will be felt in Germany and, in spite of the supplies she obtained from Denmark, may cause her to attack on the Western Front, as it is already evident that she will not have any spectacular success in Norway.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 17, 1940
4:00 P.M.

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia

The Admiralty announced that a British cruiser had been hit by a bomb and suffered some damage during an hour and twenty minutes bombardment of Stavanger airdrome by naval forces. The Germans claim that they sunk one cruiser, damaged two others and a battleship, and damaged a transport. The importance of these announcements lies in the fact that the British Navy undertook to bombard Stavanger for an hour and twenty minutes. We had already heard of the transport being damaged somewhere in the North Sea.

There are no further reports from land operations except from Stockholm, which reports that land fighting continues between Norwegians and the German invaders.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 17, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: European Situation

1. During the lull in the actual operations in the North Sea and Norway, it is a good time to survey the possibilities of the situation.

2. Germany will probably be able to hold Oslo and a good part of southwestern Norway. The Allies may be able to retake Trondheim or Bergen or both. The Allies can secure an unassailable position in the Lofoten Islands and the Narvik Fiord. This alone will enable them to prevent Germany using the Narvik terminal facilities for obtaining coal. It will also prevent German naval forces from reaching Petsamo, Kirkenes, and Murmansk.

3. If Sweden is invaded by Germany, the Allies should be able to advance down the railroad line from Narvik as far as Kiruna where the main iron mines are located. If Sweden remains neutral, the Allies could attack the ships entering and leaving Lulea, the Swedish port in the Gulf of Bothnia.

4. The German naval losses will strengthen the Russian position in the eastern Baltic by increasing relatively the Russian naval forces.

5. The food situation in Russia makes it impossible for the Soviet Government to assist Germany with food. The acquisition of Denmark relieves the immediate food shortage but will

leave Germany worse off six months from now.

6. Russia probably was not consulted by Germany before the recent attack on Denmark but probably had given general permission for Germany to operate freely in Denmark and Norway provided Russia could operate freely in Finland. Nevertheless, any campaign in Scandinavia will put extra strain on Russo-German relations, and it is probably true that Germany was more willing to undertake this invasion because she knows that Russia can neither help her with supplies nor, at the present time, make any effective offensive move with her army, which is being reorganized.

7. While playing down Russia, Hitler is playing up Mussolini and Japan. The Italian press is vicious in its attacks on Great Britain and France, while the Italian Army ostentatiously welcomes a German military mission and proudly anticipates the arrival of a Japanese military mission in the near future. The British press replies in kind, some extremists asserting that Italy is more dangerous as a neutral than an enemy. The Allied governments propose tightening the quotas of goods to Italy.

The Italian government is anti-Ally because they feel they are being held back by France and England. Mussolini is aware of certain deficiencies in his Army and does not want to join either side until the outcome is evident; his fleet is engaged in maneuvers; his air force is on a war basis. Mussolini probably will try to wring additional concessions from the Allies

and trade supplies for military equipment with Germany without really committing himself. This is a dangerous game and Mussolini may find himself pushed into the war by actions he set in motion. But I still think he has sufficient freedom of action to keep out of the war and that he still desires to do so.

8. Hitler has told some of his closest collaborators that the war will be over within a year and has assured some Germans abroad that Germany will win within that time.

9. The stroke at Norway certainly has not been completely successful. Mussolini has not joined, and while Hitler has gained a breathing spell as far as the food situation is concerned, his reputation as an organizer of blitzkrieg is dimmed. Operations in the Balkans, even if successful, will not offer a quick and successful end to the war, so I incline to believe that, unless the expedition into Norway turns out to be more of a German success than is now indicated, we can expect Hitler to take a chance on the Western Front.

10. All the information we have indicates that Holland and Belgium are alert and on guard and that Britain and France have complete plans to go to the assistance of these two countries. I do not believe either Hitler or the German High Command will admit defeat until they have tried to attack on the Western Front. I think that Hitler will prefer attempting to go through the Low Countries, not only on account of tactical advantages but because he would hope to entangle Japan in the

Secretary Morgenthau - 4

Dutch East Indies and possibly involve the United States in that area.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 17, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: German Campaign in Scandinavia

1. The only change in the situation in Norway is a report from Stockholm that the German troop train had passed from Trondheim to Storlien, within three miles of the Swedish frontier, dropping small forces at bridges along the railway. London refuses to disclose any movements of the Allies' reinforcements, only asserting that they are steadily reinforcing the British-French-Canadian-Polish expeditionary force.

2. It is reported that there has been bad weather with heavy snow storms in the Narvik region. The British have continued their air attacks on Stavanger air field. The Germans are reported to be landing more planes at Trondheim air field. The Trondheim air field is much nearer the Shetland Islands than it is to Copenhagen, the nearest good German air field. The British should be able to command this air field.

3. Premier Reynaud faces the French Senate today in what may be a critical test of his political power.

4. Our Army is convinced that the British and French are all prepared in case the Germans should attack the Maginot line.

5. From the comments in the British press, the Allies are not unduly apprehensive of Italy's intentions, this in spite of the fact that the Italian press is very bitter in its attack on Great Britain and France. The Italian fleet is reported to be in the Dodecanes Islands, off the Turkish coast. I believe if they intended to go to war their fleet would be nearer the Adriatic.

6. The reported treachery of some Norwegian pro-Nazi groups has strengthened the efforts against seditious groups in Holland, Belgium, Yugoslavia, and Rumania.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE April 18, 1940
9:00 A.M.

TO Secretary Morgenthau

FROM Captain Puleston

Subject: German Campaign in Scandinavia

1. The British and Norwegians have driven the Germans out of Narvik and along the railway towards the Swedish frontier. The Germans have resisted determinedly and have been reinforced by air. Nevertheless, the Allies have definitely succeeded in that area. The Germans are slowly admitting the British successes in the Narvik area. Today they have admitted the loss of two of the seven destroyers that were sunk last week.

2. Farther south the situation is less clear. It is reported that the British have landed one hundred miles south of Trondheim, between Trondheim and Bergen, with a view to moving out from this position and cutting the railway line between Oslo and Trondheim. In all probability the Allied forces have landed in several of the Norwegian fiords and are seeking to cut in behind the railway lines that connect the German occupied ports with Oslo.

3. The distances in Norway are great. Both the Allied and German soldiers will have to maintain lines of communications, building them up as they go. Therefore, we can expect further delay before there is serious fighting between the Germans and British in southern Norway.

4. The Allied, mainly British, naval and air attacks on the Germans continue and indicate that the British feel they can contest the German possession of southwestern Norway.

5. At the same time, the British Government has taken a firmer attitude towards Italy, which indicates that they at least are not frightened by Mussolini's gestures towards Berlin.

6. Russia and Rumania are reported to have agreed to withdraw their soldiers five miles from their common frontier in Bessarabia.

Russia and Yugoslavia have signed a trade agreement. This directly affronts Mussolini, who had looked upon Yugoslavia as a dependent ally of his.

If hostilities begin in the Balkans, it will be almost impossible for Germany to reconcile the aspirations of Russia and Italy. It is much more likely that Russia and Italy will be drawn into conflict. Meanwhile, a French military mission is in Constantinople arranging for common action with Weygand's Allied army and the Turks. The Turkish Fleet is in the Sea of Marmora ready to emerge either in the Black Sea or the Aegean Sea.

If the Allies were able to placate Bulgaria, their position in the Balkans would be very secure. It was reported about two months ago that Bulgaria had been appeased by the Allies. Since that time she has been reported veering towards Germany.

7. One notable effect of the Norwegian tactics of the Germans has been to increase the vigilance of every little neutral country and particularly to increase their precautions against pro-Nazi elements. These precautions may be too late in some cases, but they should prevent Holland and Belgium from falling by the same methods. Hitler has exhausted one more weapon without gaining decisive results.

8. In closing it can be said that all military and naval dispositions have been made for action either on the Rhine-Moselle Front or in the Near East. We can expect no further warnings. We will learn of the attacks almost as soon as they are made, because American correspondents are in all of the places that are threatened, and our first reports will probably come via the press.

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE April 18, 1940
4:00 P.M.

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia

1. The British Admiralty announced the return of the fleet detachment that bombarded Stavanger yesterday morning and asserts that the British cruiser which was hit by a German bomb has now reached its base. The War Office announced that landings of British troops in Norway is continuing and that contact is being made with Norwegian forces. No announcements from Berlin this afternoon.

2. Paris estimates sixty thousand Germans are in Norway, with probably twenty thousand reinforcements en route. The Allied expeditionary force is estimated at between fifty and seventy-five thousand, of whom probably twenty-five thousand have already landed.

3. I think it will be two or three days longer before there is any serious fighting between the Germans and Allies in Norway.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 19, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Situation in Europe and the Far East.

1. The situation in Norway is developing as anticipated. The British and Germans have both added to their troops in Norway. The British apparently have secured their position in the Narvik area except for mopping up scattered detachments of Germans. In the Trondheim area they have apparently landed both north and south of that fiord in an endeavor to encircle the Germans and cut them off from the southward. The decision in that area is still in doubt, and it probably will be several days before the outcome is known.

It is not definitely known whether there are any British army forces in the Bergen or Stavanger areas. The British naval and air forces have kept Stavanger and probably Bergen under air attack and naval observation.

The Germans claim to have inflicted some losses on the British naval forces. In all likelihood they have, for it would be difficult to operate ships that close to air fields without suffering some damage. The determination with which these naval operations are carried out indicates that the British Fleet is willing to accept some losses.

2. The situation along the Rhine-Moselle front is unchanged. An attack may occur there at any time.

3. The situation in the Balkans is marked by growing tension in Yugoslavia, where it is reported that an ex-premier, Milan Stoyadinovitch, a pro-Nazi is reported to be under arrest.

4. The weakened position of Russia will have considerable effect on the situation in the Balkans. She will not be inclined to start an offensive in that area. Her weakness is known to both Germany and Italy, and it may encourage Italy to make a quick move in Yugoslavia. It is known that Hitler attempted to bribe Mussolini by promising him the Dalmatian coast of Yugoslavia.

It is reported from Vladivostok that the Russians propose to escort merchant ships carrying supplies from the United States. I learned from the State Department that the American ship that turned back had five million dollars worth of machinery for Russia. This consignment included essential parts for various factories in Russia. The loss of this cargo was a serious blow to Russian industry, because they can not get replacements in Russia for this American-made machinery.

5. Japan has been showing a conciliatory attitude towards Great Britain, and there are some indications that London and Tokyo are seeking an understanding. We had confirmation of this from one of our New Haven observers, who states that a Japanese

professor who was educated at Oxford and obtained his Ph.D. at Heidelberg was recalled by the Japanese Foreign Office. He was given a choice of Berlin or London. He selected London and intimated to Professor Holborn, who was his tutor at Heidelberg, that he considered London the more important post.

6. The situation throughout Europe still is such that we should not be surprised if the war spreads to the Rhine-Moselle or the Balkan Front. On the other hand, the fact that the Allies are landing in Norway and that the issue there is undecided will tend to prolong the state of tension, because the only important neutral left that is still not decided is Italy, and Mussolini probably will wait for a further development before committing himself.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE April 20, 1940

TO Secretary Morgenthau

FROM A. M. Kamarck
(Based on telephone conversation
with Captain Puleston.)

SUBJECT: The Situation in Europe.

Scandinavia

1. The situation is still quite obscure and there is little to add to Captain Puleston's memorandum of yesterday.
2. The announcement of London that the Allied troops had landed in Norway without the loss of a soldier shows great skill on the part of the British Navy. Apparently what the German bombs hit were empty transports returning to England.
3. Churchill's speech yesterday, stating that the action of the Allies now is but the beginning of the use of Allied armies to drive the Germans out of Norway this summer, shows the serious determination of the Allies to act vigorously in Norway.
4. Several reports indicate that the Germans have still not succeeded in bringing ~~a~~ large forces into Norway. Contact by railroad between the several German occupied areas has not yet been made. The expulsion of the Norwegian minister from Berlin brings out prominently the German failure to secure Norwegian cooperation — this is a Nazi defeat with necessarily important military repercussions.

Italy

Italy still appears to be poised for a decision. Reports are conflicting, although a little relaxation of the tension on balance seems to be indicated.

Russia

The British have finally accepted in principle Russia's persistent advances looking towards trade negotiations. This fact together with other evidence (such as the absence of fulfillment of the recurrent Berlin rumors for the past seven months of imminent visits of Molotov or other high Soviet officials to Berlin) creates the inference that the Soviets are as always actively pursuing their own interests first. And these interests may or may not happen to harmonize with those of Germany.

A. M. Kamarek

A. M. Kamarek

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 22, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The German Campaign in Scandinavia

1. The Germans have continued their efforts to move out from Oslo to join hands with the detachments in Trondheim. Simultaneously the British are moving out from Andalsnes and the French from Namsos. The Germans in Trondheim attempted to move out to meet the Germans coming up from Oslo and have moved along the railway from Trondheim to near Storlien on the Swedish frontier.

2. The Norwegians are in the vicinity of Lillehammer and Elverum, where they have been joined by small British detachments. Engagements between the Norwegians and Germans are in progress in the Lillehammer area and with the Canadians near Steinkjer.

3. There will be small engagements in various places gradually building up into larger engagements as the forces on both sides are reinforced.

4. A bitter struggle for possession of the railway lines running from Trondheim to Oslo in the neighborhood of Dombas and Alvdal can be expected and the result will probably be in doubt for several days.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N. Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 22, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Some Observations on Shipping Developments in the War

(Note: This memorandum is based on the only current statistics available: United States confidential figures on clearances from United States Ports in January, February, 1939, and January, February, 1940.)

1. During the period of the war the Allies have increased controls over their shipping culminating in the requisitioning of all British shipping on February 1. The disposition of Allied shipping, then, can be interpreted as indicating consciously planned action of the Allied Governments.

2. (a) The turnover of British shipping using American ports has declined drastically.

The monthly clearances of British ships from United States ports have decreased by 40 per cent compared to the preceding year, or from 1,300,000 net tons to 800,000 net tons. This decrease might be entirely caused by loss in efficiency due to the war -- a loss which has been estimated as 25-40 per cent of peacetime efficiency.

(b) British shipping has been almost wholly removed from routes between neutral ports.

Practically all British shipping plying between the United States and South America and between the United States and Italy has been taken away, leaving only a negligible tonnage

in this trade. Two-thirds of the British tonnage on the routes to Asiatic waters has been removed. This gives a total decrease of clearances monthly from the United States of about 100,000 net tons.

(c) There has been considerable increase in British shipping used on the routes from the United States to the United Kingdom.

Actual clearances of British ships from United States ports to the United Kingdom have increased by roughly 15 per cent. Making the reasonable assumption that shipping efficiency has been decreased one-third by the war, this increase in clearances of 15 per cent actually represents an increase in British shipping absorbed of around 60 per cent over peace-time levels on this route.

(d) Although total clearances from United States ports to the United Kingdom have decreased by 20 per cent, there has actually been a large increase in shipping absorbed in carrying American goods to England.

Monthly clearances from American ports to the United Kingdom have decreased by around 100,000 tons, or about 20 per cent. At the same time, clearances from the United States to the European neutral countries have increased by at least this amount. A large part of this represents commodities formerly shipped from the United States via the United Kingdom and now shipped directly. Also, the disappearance of the passenger and tourist trade accounts for a large portion of the decrease in clearances. Finally, the convoy system cuts down efficiency

by at least 25 per cent, so that on this account alone a decrease of only 20 per cent in clearances represents an actual increase in shipping employed.

(e) British, Greek and Panaman ships are carrying an increased proportion of the total cargo to England; American, German, and French shipping has totally disappeared, while Norwegian, Dutch, and Danish shipping has decreased.

British tonnage now makes up about 75 per cent of all the shipping on the United States - United Kingdom routes compared to 55 per cent in peace time. Greek and Panaman now make up about 5 per cent each, compared to about 2 per cent each in peace time. American shipping, German and French shipping, which made up respectively 20 per cent, 1 per cent, and 1/2 of 1 per cent of the total in peace time, have now disappeared. Norwegian shipping, formerly 10 per cent of the total has dropped to equality with the Greek at 5 per cent. Dutch and Danish shipping, formerly totaling about 5 per cent, now makes up less than half of this proportion.

3. (a) French shipping has been in large part withdrawn from American waters: almost wholly from routes between neutral ports and even from the United States-France routes.

Monthly clearances of French ships from American ports have fallen off by more than fifty per cent. What little is left (around 60,000 tons a month) is concentrated on the United States-France route. Even on the latter route, the burden has

been shifted from French to neutral tonnage: the proportion of Spanish shipping here has decreased from one French ton out of two to one French ton out of three.

(b) There has been an increase in total shipping tonnage on the United States-France routes compared to peace time.

Total clearances to France from the United States in January and February of this year decreased by 15 per cent. Since warships curtail shipping efficiency by 25-30 per cent, so much a decrease in clearances actually represents an increase in tonnage used.

(c) French, American, and Norwegian ships are carrying a smaller proportion of the total cargo to France; British ships are carrying about the same; Greek, Yugoslavian, and Italian ships are carrying more.

French monthly shipping clearances to France decreased around 30-35,000 tons a month, American by 30,000 tons, and Norwegian, 15,000. Greek ships, on the other hand, increased from zero to 35,000 tons, Yugoslavian from zero to 10,000, and British ships increased by about 5,000 tons per month.

French ships now carry only about 33 per cent of the cargo going to France compared to 50 per cent in peace time; American ships, zero now, 10 per cent a year ago; Norwegian, 10 per cent now, 15 per cent a year ago. The British remain around

15 per cent. The Greeks and Yugoslavs have increased from zero to 20 per cent and 10 per cent, respectively, and the Italians from 1 per cent to 5 per cent.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 23, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia
(Situation at 3:30 P. M.)

1. We have no official information of the fighting in Norway today, but press accounts state that the Germans and Allied forces are still engaged near Lillehammer, with the Germans meeting increased resistance.
2. The Allied forces coming down from Namsos are similarly meeting increased German resistance in their march to Trondheim.
3. The presence of German destroyers is reported in Trondheim Fiord. I would not be surprised if cruisers or even a German battleship may be in Trondheim Fiord or Bergen Fiord, because some ^{ships} that participated in the early fighting have not yet been sighted on their way back to Germany, so they may be trapped in these fiords.
4. Both German and British air attacks have continued.
5. The most significant thing, if the report is true, is the attack on the German convoy by British destroyers inside the Kattegat.
6. Paris reports that it expects the Germans to invade Sweden.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 23, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia

1. The struggle between the Allied and German forces for Norway is proceeding almost as expected. The number of Germans reported in Narvik, 3,500, is greater than at first supposed and explains the reason for the deliberate methods adopted by the British to take Narvik.

2. In the Trondheim area the Germans bombed Namsos, where one detachment of the Allied forces landed. There has been confused fighting between the Allied forces moving out of Namsos and the German forces moving out of Trondheim in an endeavor to avoid being encircled.

3. The main struggle, however, should occur in the area between Domsas, Lillehammer, Hamar, and Elverum, for the possession of the railway lines from Oslo to Trondheim and Romsdals Fiord.

4. The new developments are attacks by the British air force at Fornebu air base, near Oslo, and Kjeller Field, also near Oslo. The extension of the British air attacks to the Oslo area indicates a strengthening of the British air effort.

5. Broadly speaking, it is now a contest between superior sea power on the Allied side and superior air power on the German side.

Although the Allies do not claim to have severed the water communications between Copenhagen and Oslo, apparently they have made that water passage hazardous. Correspondingly, the German air force is continuing its attacks on the Norwegian bases of the Allies, and a report from Norway indicates that the town of Haugesund has been destroyed.

6. It is reported officially from France that Allied reinforcements are being landed without difficulty on the Norwegian coast. This is certainly an optimistic statement, because it must be very difficult to continue operations during air attacks. However, it is feasible, and the Allies are obviously going through with it.

7. It is apparent that it will be some time before the issue is settled in Norway. For this reason I do not think Churchill will make any immediate decision.

It was announced from London that five of the King George class of battleships were having their trial trips. If this be true, they have succeeded in accelerating their building program, as only three of the King George class were due for completion in 1940. They were all laid down in the first seven months of 1937, so it is possible that their completion

has been advanced. Their addition to the British Fleet will have considerable influence on the decision of Italy.

8. It is reported from Paris that the Germans have assembled transports loaded with soldiers at Bornholm Island. It is also known that there are German troop concentrations at Copenhagen. The Berlin press is now attacking Sweden's neutrality. It is entirely possible that if the Germans are held up seriously in Norway they will extend their operations to Sweden. This would not only indicate the failure of their first attempt in Norway but would further involve them in a minor theater with possible serious losses, and with a certain diversion of forces from the main theater along the Rhine-Moselle River. And they must employ their best soldiers for this type of warfare; untrained soldiers are not equal to this form of campaigning.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 24, 1940
9:00 A.M.

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia

1. There has been little change in the geographical positions of the opposing forces in Norway. In Narvik the Germans admit that the British have strengthened their naval and land forces, but the British have not yet attacked. In the Lillehammer region the fighting has spread to Rena on the eastern branch of the railway leading from Oslo to Trondheim.

2. The German news agency claims the Germans have occupied the narrows near Steinkjer, with destroyers moving up the Trondheim Fiord. The Germans also claim to have disarmed two Norwegian regiments in the neighborhood of Stavanger. This last is not particularly important, as the Germans have been in control of the Stavanger area.

3. The British continue their air raids on Oslo, Kristiansand, Stavanger, Aalborg (Denmark), and have extended them to the Sylt Islands, the island base of German aviation.

4. The report of a naval engagement in the Kattegat has not been confirmed by Berlin or by London.

5. There are no further indications that Sweden will be invaded or that Mussolini will join Germany. As German

preparations to invade Sweden are already completed, the German Government can undertake the invasion at a moments notice. It is different with Italy. Mussolini will require more time to complete his preparations to intervene. We will have two or three days notice, at least, of any Italian move.

W.D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

125

INTER OFFICE COMMUNICATION

DATE April 25, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in Norway, 9:00 A.M.

1. Operations in Narvik have been impeded by a blizzard, but the Allies have apparently cut off a German column attempting to escape from Narvik in the direction of Tromso.

2. The German tactical success in capturing Steinkjer has held up the British advance from Namsos towards Trondheim. The British column advancing from Andalsnes still controls the railway junction of Dombas, and it is reported the British are holding their line at Melhus. In the Oesterdal Valley, along the line of the railway from Elverum to Rocos, the Germans have advanced as far as Loppang, and an advance guard was reported to have passed through Tynset. The British line has advanced along the Gudbrandsdal railway from Dombas towards Lillehammer. The two parallel columns are restricted to the valleys. There are unimproved roads that connect the two railway lines in between Dombas and Tynset. There is a fine opportunity for some mountain tactics, like those Stonewall Jackson used in western Virginia, in the existing situation. The final victory, however, probably will lie with the side who can place more troops in the area. The German reinforcements are attacked by British airplanes and submarines; the British reinforcements are attacked by German airplanes.

3. The Germans are all ready to invade Sweden if necessary
4. There is a slight slackening in the tension between Italy and the Allies. At least one Italian newspaper admits that the German success in Norway has been held up by the British counter-stroke.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

127

INTER OFFICE COMMUNICATION

DATE April 25, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Campaign in Scandinavia

1. The fighting for the two railway lines connecting Oslo and Trondheim is approaching a crisis. The Germans are reported by Leland Stowe to have definitely driven back the British force of two battalions advancing from Namsos that had reached Steinkjer. The Germans have advanced to Roros on the eastern branch of the railway, where they are now engaged with a British-Norwegian force, the British contingent arriving across a country road from Dombas. The Germans have also advanced beyond Lillehammer on the western branch of the road. Dombas has been repeatedly bombed by German aircraft, and an unconfirmed report states that German parachute troops have been dropped at Dombas.

2. British ships are bombarding a fort manned by Germans guarding the entrance to the Trondheim Fiord. The British report another convoy with troops, artillery, tanks and supplies left a port of the United Kingdom last night.

3. In Narvik, the British Navy is bombarding Germans who are still holding the town, but the Germans are reported to be leaving in detachments trying to cut their way through the Norwegian and British forces.

4. There is no report of the French Alpine Chasseurs.
5. The question is: who can reinforce their troops first, the Allies or Germany?

W. D. Puleston
W. D. Puleston,
Captain, U.S.M., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 25, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: World Tanker Tonnage
In Service at Start of War[Net Estimated Avail-
ability at 7/1/40]

<u>Country</u>	<u>Number</u>	<u>Deadweight Tons</u>	
<u>Allies:</u>			
Great Britain	410	4,008,000	4,686,420
France	40	363,000	551,750
Canada	28	187,000	
Other British	32	325,000	
Total Allies	510	4,883,000	5,238,170
<u>Norway</u>	262	2,957,000	3,067,300
<u>United States</u>	418	4,137,000	4,501,500
<u>Netherlands</u>	112	843,000	741,403
<u>Italy</u>	78	571,000	644,700
<u>Panama</u>	59	775,000	835,100
<u>Japan</u>	39	519,000	612,400
<u>Germany</u>	31	303,000	
<u>Sweden</u>	17	217,000	282,600
<u>Spain</u>	16	115,000	101,200
<u>Denmark</u>	14	160,000	150,000
<u>Belgium</u>	9	97,000	111,100
<u>Other Countries</u>	73	416,000	760,000
<u>TOTAL</u>	1,638	15,993,000	[17,045,473]

Notes:

1. A large part of the Norwegian tanker fleet has been under the immediate control of American companies by charter; about 50 per cent has been chartered by the British.

2. The source of "Net Estimated Availability" figures is the Standard Oil Company of New Jersey. Figures were obtained by estimating probable delivery of tankers up to that date and estimating a rate of destruction three times as high during spring and summer months as during fall and winter months.

3. Deadweight tonnage is the carrying capacity of a ship in long tons. Gross tonnage equals two-thirds of the deadweight tonnage in tankers.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TOTAL TANKERS SUNK
SEPTEMBER 3, 1939 to APRIL 18, 1940

Flag	Number	Gross Tons
British	22	164,031
French	2	22,378
Norwegian	4	28,701
Roumanian	1	6,394
German	4	16,723
Netherlands	3	20,340
Swedish	3	16,390
Greek	-	-
Danish	1	10,517
Others	-	-
Total	40	285,474

TREASURY DEPARTMENT

132

INTER OFFICE COMMUNICATION

DATE April 26, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: European Situation

1. In the Narvik area there has been little change. The British are continuing their bombardment of the city, where remnants of the German forces are still reported. Some of these German detachments have attempted to escape to the north-eastward.

2. In the Steinkjer region the British advance forces were reinforced by French units coming up from Namsos. This is the first definite mention of French troops in Norway. The German force in Steinkjer has dug in and was not strong enough to pursue the advance detachment of the British in that area.

3. The Germans claim that they have connected up the Trondheim forces with the forces that landed at Kristiansand, the fiord immediately to the southward of the Trondheim Fiord. They also claim to have reinforced the Trondheim detachment; if so, they must have come by air, as it is known that British naval detachments were in the entrance to the Fiord.

4. The most important fighting has been taking place in the two valleys along which run the railways between Oslo and Trondheim. The eastern branch is the Glommen River Valley, and the western branch is the Gudbrandstal Valley. The British

have to prevent the Germans advancing along either of these roads and forming a line to Trondheim. They hold the central position between Dombas and Storen with advance forces out along the railways; the Germans are feeling out both lines and probably will try to concentrate on the weaker.

5. Yesterday a German motorized unit advanced well beyond Boeros but was forced to retreat and is reported to have dug in seventeen miles southwestward of Boeros.

The British were forced to withdraw in the Lillehammer region and established themselves somewhere to the northwestward of Lillehammer.

No decisive action has taken place yet. In the first skirmishes the British have been forced to withdraw but still hold the central position and still interpose between the German forces coming from Oslo and the German forces at Trondheim.

6. The British report from London that they now have fighter planes operating in Norway. This is very important, as until now the German bombing planes have had no opposition in the air. The British report that yesterday they shot down, either with guns or fighters, six German planes.

7. The Norwegian High Command has issued a clarion call to the Norwegian forces "to turn and attack".

8. Allied reinforcements are known to be on the way from the United Kingdom. German reinforcements are being forwarded

via the Kattegat. A French destroyer squadron attacked a German convoy yesterday, and it is reported that two German transports were sunk in the Sound, the passage to the northward of Copenhagen and Malmo. This indicates that the Allies still are operating to prevent German reinforcements reaching Norway.

9. The British Air Force are continuing their offensive against German air bases; they raided Danish and Norwegian fields and bombed oil storage tanks at Oslo Fiord. This is where any reserves of Norwegian gasoline would be stored. The Germans have been threatening reprisals against these British air attacks. It is possible that they have done much damage, and this German resentment may be inspired by the interruption of the German supplies to Norway.

10. The issue still depends upon the number of troops that can be landed and supplied in Norway.

11. There are no further indications of a German move into Sweden and no further indications of decisive action by Italy.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE April 29, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: European Situation

1. In the last forty-eight hours there has been no great change in the geographical situation of the two sides. This factor of little change should be a help to the Allies insofar as they are on the defensive and in that the Germans were better prepared for this conflict in Norway than the Allies were.

Today is the twenty-first day of the invasion of Norway. This should be contrasted with the eighteen days the Germans took to complete their conquest of Poland.

2. Heavy snow storms are still hindering any action at Narvik, preventing the final mopping up of the German contingent there. Farther south, at Namsos, the British and French have landed some more troops and have maintained their positions outside of Steinkjer. The British Fleet has bombarded the forts at the entrance to Trondheim Fiord, and the Royal Air Force has also bombed these forts. So far as we know, no attempt has been made as yet to force passage into the fiord.

3. The Allies still hold the railway from Støren to Dombås and are holding the Germans north of Røros. The German columns from the Oesterdal Valley have met resistance from the

Allies as they approached the Storen-Dombas railway. From the nature of these roads the British should be able to hold the Germans if they continue to secure reinforcements along the Andalsnes railroad. This railroad is being constantly bombed by the Germans, and since it runs along a narrow gorge it is highly vulnerable to air attack. However, the Allies should be able to get troops through.

4. Some word has finally come through about the landing of the Allies at Laerdal. A correspondent is said to have reported that British troops were making some progress towards Fagernes. This report, if true, indicates that the Allies can possibly hinder the junction of the German troops at Bergen with those from Oslo and put pressure on the German flank in their advance to the north.

5. The Italian situation has not changed over the weekend. It is interesting to note that the Russian newspaper Trud, organ of the Soviet trade unions, calls these threats and manifestations of the Italians merely demonstrations of a continuation of their attempt to "blackmail" the Allies.

Rome announced that the Italian liner "Rex" would sail from Italy this coming Wednesday as scheduled. This tends to take the force out of the Fascists' threats.

W.D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

Confidential

DATE April 29, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: German Economic Gains from the Occupation
of Norway. (Supplemental Memorandum)

Oil. There are no accurate figures available on oil stocks in Norway at the time of the German invasion. It may be fairly estimated, however, that these stocks were from 1.5 to 2.5 million barrels, of which not more than 1 million barrels were gasoline.

This acquisition will not represent a net addition to Germany's oil supply, as it is being consumed in the course of the German invasion of Norway. In fact, Germany is reported to have earmarked these supplies for this purpose and will ship little if any to Germany. The longer the fighting continues, the more likely it will be that Germany has acquired an oil deficit rather than an oil addition.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

Confidential

DATE April 29, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Norwegian Situation

1. There are no further reports available either in the State Department or the War Department.
2. Major Betts, of Military Intelligence, with whom I discussed the apparent lull in Norway, attributes it to the fact that the Germans are bringing up their infantry behind the screen of motorized forces. He expects that it will be forty-eight hours before a real battle occurs and believes the Germans will be in superior force at that time.

W. D. Puleston
W. D. Puleston,
Captain, U. S. N., Retired.

TREASURY DEPARTMENT

135

INTER OFFICE COMMUNICATION

Confidential

DATE April 30, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Comment on Major McHugh's Memorandum
On Chinese Transportation.

1. Major McHugh's memorandum brings out the nature of the transportation problem in China, what Mr. Sheehan did accomplish, and what he did not. There were really two tasks, and Mr. Sheehan and his experts worked on one but did not (perhaps could not) do the other.

Task 1. Provide the necessary technical advice on the operation of a transport system. This the American experts did and probably did very well.

Task 2. Actually see that the transportation system was run properly, i.e., the task of execution. This the experts did not and perhaps could not do.

Major McHugh's memorandum makes this evident in several places: The China Transport Corporation, probably a good idea, was created on the advice of Mr. Sheehan, but Major McHugh reports it "is still pretty much of a paper organization to date and unless it is vigorously pushed (my emphasis, W.D.P.), it stands an excellent chance of lapsing into an ineffective substitute for that which it was supposed to replace."

Again, a good system for securing statistics to check up on the congestion in Haiphong was set up by Mr. Sheehan.

These statistics were due February 1, and now Major McHugh reports that they are more than a month overdue. To help eliminate congestion at Haiphong, Mr. Sheahan advised that gasoline should be shipped to Rangoon. This has been done and now "Mr. Bassi is raging" it is piling up at Rangoon.

Although Major McHugh makes some (probably justified) criticism of T. L. Soong, T. L. seems to be the man who can do Task 2 -- actually making the trucks move.

2. Major McHugh's criticism of the formation of the China Transport Corporation as tending to create a government monopoly is probably unwarranted. The main problem at the present time for China is to import supplies and material for the single purpose of prosecuting a war. It is only natural that this service of supply tend to be concentrated in governmental hands.

3. Major McHugh does not substantially alter my impression of Mr. Sheahan's accomplishments in China. Therefore, the memorandum of March 29 summarizing Mr. Sheahan's work is appended.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

Confidential

DATE April 30, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in Norway

1. I have talked with Admiral Anderson and Colonel Magruder. They have little if any more information than we have.

2. We had a flash from New York saying that Berlin reported they had captured Dombas.

3. Colonel Magruder is satisfied that the British can not establish a line of resistance south of Trondheim. The rapidity with which the Germans have advanced from the southward indicates to the Army that the British may be already withdrawing from Andalsnes at night and covering their withdrawal with very light rear guard detachments.

4. Admiral Anderson has been studying the situation from the naval side and still sees no reason why the British Navy can not come into Trondheim Fiord. He does not think the situation south of Trondheim will collapse as rapidly as the Army anticipates.

5. It is possible that instead of withdrawing from Andalsnes the British are reinforcing that area, but in view of the fact that only about eight thousand men were originally

landed there and that they have been engaged by superior German forces, it would probably be wiser to pull them out of Andalsnes and land them at Namsos, where the Allies are in greater force.

6. The Allied commander faces a very difficult decision. His southern force is being continuously attacked by superior forces; his northern force near Steinkjer is held up; his Navy is apparently unable to come into Trondheim Fiord. He will probably maintain his foothold at Andalsnes for a day or two longer at least, in the hope that it can be reinforced or the Navy can enter Trondheim Fiord. After that time he will have no choice but either to embark his force or see it cut to pieces by superior numbers.

7. There is still one other course of action that could delay the German advance, and that is air attacks by British bombers on German troops during their advance. To date the British bombers have limited their attacks to German air fields in Norway and Denmark.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 1, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Parliamentary Debates in London on the Conduct of the War.

1. During the next few days we will see the parliamentary processes in England at their worst. The Government will probably be assailed by the liberal and labor leaders for their management of the Norwegian campaign.

Very likely the Government is open to some criticism, but unquestionably the Conservative Party has a better record in preparing for war and managing war than either the Liberal or the Labor Parties. Both the Liberal and Labor Parties placed their main hopes of imperial security on the League of Nations. They have opposed appropriations for imperial defense since the days of Ramsay MacDonald. The main reason that England is now behind in her aviation is the opposition of the Liberal and Labor Parties to expenditures for imperial defense.

2. The parliamentary debates will undoubtedly give temporary aid and comfort to Hitler and afford ammunition for German propaganda. But the European chancelleries should and probably do know that parliamentary wrangles do not mean any lessening of military or naval effort by the British people.

3. The real danger of the situation is that the Government may be tempted to make unsound military decisions in order to

assess British public opinion and the general demand to do something. I hope Chamberlain has enough strength of character and judgment to resist these proposals; I have not the same confidence in Winston Churchill, whose imagination outruns his judgment.

4. Probably it will be suggested that a national or coalition cabinet be selected to conduct the war. Personally, I believe it will be better if Chamberlain continues to conduct the war as the leader of the dominant party in Parliament. During the last war Asquith was led to include members of the opposition in the cabinet to avoid parliamentary debates. The coalition cabinet silenced parliamentary criticism but was incompetent to conduct the war and indulged in the sideshows in Mesopotamia, Salonika, and Palestine after the debacle in the Dardanelles.

Chamberlain will not make any brilliant moves, but I think he will avoid any bad blunders. And he knows that the only weapon of the Allies is sea power and the blockade, and that time is necessary to make the blockade effective. While the blockade is reducing the powers of Germany, the German army will be free to launch attacks either in the Balkans or against the Western Front. The Germans still have the initiative, but even when they get the situation in Norway stabilized they will only have two alternatives left, so their power of choice is limited. Sooner or later they will have to return to the Western Front and win a decision there if they expect to win the war.

W. D. Puleston
W. D. Puleston
Captain, U.S.N., Retired

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 1, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: General Situation in Europe

Source: Mr. Behn, President of International
Telephone and Telegraph, via Mr. Frank
Page, Vice President.

1. Colonel Behn does not believe Germany will do anything in Rumania before the autumn, as the German Government is very anxious not to disrupt the supplies of grain and oil she hopes to obtain from Rumania.

2. On account of the deplorable internal conditions -- no supplies, no factories working -- Colonel Behn does not believe Spain will enter the war on either side. Spain leans towards Italy and might enter if Italy does, but only after Italy gained command of the Mediterranean. There are no good aircraft bases in Spain that could be used against Gibraltar. If Germany or Italy attempted the same tactics as in Norway, they would have to bring all their own supplies with them.

3. Colonel Behn is in Spain at the present time, and I asked that he furnish us a more detailed report on that situation.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 1, 1940

TO Secretary Morgenthau
FROM Captain Fuleston
Subject: The European Diplomatic Situation

1. I discussed the European diplomatic situation with Mr. Moffat. He added little to what we know about the situation in Italy and Mussolini's intentions. He said that France and England had offered some "small change" to Italy, including certain rights in Tunis, Jibuti, and membership on the Suez Canal Commission. Italy had ignored these terms. He did not think England and France were prepared to raise those terms at present.

He attached more importance than I do to the question of prestige gained by Germany in the Norwegian campaign. I still believe prestige is more effective upon the man in the street than upon a responsible ruler.

2. I inquired about the situation in Spain, and he said that our relations with the present Spanish Government were improving and that he did not believe Spain would join with Mussolini or Hitler unless the internal conditions forced Franco to take some action to turn the minds of his people from their own hardships.

3. He thought Bulgaria would do its utmost to keep out of the war, and if it were invaded by Germany would act much as Denmark had done. I disagree with this view. The Bulgarians

are a pretty sound peasant people who have fought three desperate wars in the last twenty-five years. I think they would fight on one side or the other. Racially they incline to Russia, whom they still regard as a big brother. The whole Serbian population in Yugoslavia would join them. I believe that Russia would go to the assistance of Bulgaria at once if she were invaded by Germany, and that is one reason Hitler hesitates to go into the Balkans. If ^{Hitler} he goes either via Yugoslavia or Rumania, he is bound to incite the apprehensions of Russia and perhaps the fears of Italy.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 1, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Economic Gains to Germany from the German Occupation of Norway (Supplementary Memorandum) -- Fish and Whale Oil.

The German occupation of Southern Norway will tend to decrease rather than increase the German supply of fish for food and will eliminate the last major source for whale oil.

1. Allied control of Northern Norwegian waters (north of Kamsos) cuts off Southern Norway from the source of more than one-third of its fish supply and turns the Norwegian fish surplus available for export into a deficit.

The Norwegian annual fish catch was about 1,000,000 tons. More than one-third of the catch, at least 380,000 tons, was caught in northern Norwegian or foreign waters (i.e., in the waters off Nordland, Tromsøe and Finnmark Provinces and off Greenland, Iceland, the Faroe Islands, and Spitzbergen).

Since there are only a few people in Northern Norway, the fish catch of Northern Norway was a part of the food supply of the southern provinces. Two hundred and eighty thousand tons of fish were exported annually. The loss of the 380,000 tons from northern and foreign waters turns the balance from an export surplus of 280,000 tons into a deficit of 100,000 tons.

Secretary Morgenthau - 2

2. Other effects of the German invasion will further increase the gap between the food needs of Norway and its probable fish catch in the future. Most of the, roughly, 620,000 tons of fish taken from Southern Norwegian waters is caught not in the fjords but off shore from half a mile to ten miles out from shore. The present and future belligerent activity in these waters and the other disorganization caused by the German occupation should reduce the catch in these waters by at least 100,000 tons a year. Therefore, as a result of the occupation the Norwegians will need to import at least 200,000 tons of fish a year to meet their normal food demands.

3. In view of these circumstances, it will be very difficult for the Germans to secure as much fish from Norway as they would have been able to before the invasion. In 1938, Germany imported 70,000 tons of fish from Norway; it will be almost impossible to secure as much now.

4. The German occupation of Norway automatically deprived Germany of the possibility of securing whale oil in the future from the Norwegian whalers. In 1938, Germany imported 100,000 tons of Norwegian whale oil. It is reported that in the occupation Germany secured 50,000 tons of whale oil that had just arrived in port. This will only mitigate to some extent the loss of future supplies from this source.

W. D. Puleston
W. D. Puleston
Captain, U.S.N., Retired

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 1, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in Norway

The following is based on the official German and British communiques.

1. A belated report from the British War Office described Sunday's fighting and stated that during Sunday night the British troops made a short withdrawal to a position covering Dombas.

The German High Command in a special communique said that the German troops reached at noon (April 30) the important railway and highway junction, Dombas. The British War Office reports that in the Dombas area the British resisted any further advances by the enemy. I interpret this to mean that the fighting is still going on in the Dombas area, with the Germans on the offensive.

2. The Germans state that in the advance from the north Opdal was occupied; the British War Office gives no information of Opdal. I believe this means that Opdal has been taken by the Germans as claimed. This is important because it is a junction of two roads, including a British line of retreat to Sundals Fiord. This is the fiord where British landings were reported on the 29th, and it is probably where further landings will be made in case the British make a serious effort to reinforce their southern detachments.

3. The British War Office states that north of Steinkjer they inflicted heavy casualties on the enemy. The War Office also states that in the Namsos and Narvik area the situation remained unchanged.

4. The probable situation in the Dombas-Opdal area is as follows: The British in force and resisting at Dombas; a considerable British force at Hjerkins to hold the junction and to permit the force retreating from Opdal to join up; another British force retreating from Opdal to the westward in the direction of Sundelin.

5. The British War Office reports that troops are being landed, and some of these may be landed in the Romsdal Fiord, which would reinforce the Dombas area and the Opdal area.

6. So far as the situation south of Trondheim is concerned, the big question is: would it be wiser for the British to evacuate that area and consolidate their force in Namsos or to continue their effort to reinforce these detachments. We do not have sufficient information to make an intelligent estimate. In my opinion it would be wiser to decide this question entirely on its military merits, regardless of any questions of so-called prestige. The neutral nations of Europe are going to make their decision deliberately and will be influenced by the actual military results and not by tactical defeats of small detachments of Allied soldiers in southern Norway. The small scale of the engagements in the area south of Trondheim can be gauged by our Army's estimate that

the total British force in the Trondheim area was originally only about eight thousand men.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 1, 1940

TO Secretary Morgenthau
 FROM Captain Puleston
 Subject: Effect of Transferring British Shipping from the
 Suez Route.

The following table indicates the increased distances
 required by avoiding the Suez Canal.

Nautical Miles

London to Karachi, India, via Suez Canal	6,172
via Cape of Good Hope	10,853
via Panama Canal	17,191
London to Bombay, India, via Suez Canal	6,360
via Cape of Good Hope	10,771
via Panama Canal	16,750
London to Colombo, Ceylon, via Suez Canal	6,793
via Cape of Good Hope	10,547
via Panama Canal	15,881
London to Calcutta, India, via Suez Canal	8,002
via Cape of Good Hope	11,662
via Panama Canal	15,947
London to Singapore, British Malaya, via Suez Canal	8,337
via Cape of Good Hope	12,119
via Panama Canal	14,309
London to Basra, Iraq, via Suez Canal	6,693
via Cape of Good Hope	11,409
via Panama Canal	18,198
London to Sydney, Australia via Suez (Cape Leeuwin)	11,630
via Suez (Torres Strait)	12,622
via Cape of Good Hope	14,045
via Panama Canal	12,519
via Cape Horn	14,740

	<u>Nautical Miles</u>
London to Melbourne, Australia, via Suez (Cape Leeuwin)	11,162
via Suez (Torres Strait)	13,196
via Cape of Good Hope	13,577
via Panama Canal	12,771
via Cape Horn	13,373
London to Wellington, New Zealand, via Suez (Cape Leeuwin)	12,527
via Suez (Torres Strait)	13,521
via Cape of Good Hope	15,042
via Panama Canal	11,350
via Cape Horn	12,072

It will be seen that the principal increase is to the ports in the Persian Gulf and northwestern India. The distances to Australia are not changed materially and the route via the Panama Canal to New Zealand is actually shorter than via the Suez.

W. D. Puleston
W. D. Puleston
Captain, U.S.N., Retired

TREASURY DEPARTMENT

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Confidential

INTER OFFICE COMMUNICATION

DATE May 2, 1940

TO Secretary Morgenthau
FROM Captain Puleston

Subject: The European Situation

1. In the Narvik area the British report that operations are continuing successfully. The Germans make no statement regarding Narvik.

2. In the Namsos area the British War Office report the situation remains unchanged. The Germans make no statement about Namsos.

3. In the Dombas area the British report that after stubborn resistance to strong enemy attacks they withdrew to prepared positions. The German High Command reports that German troops were pouring through Dombas and were now within twenty-five miles of Andalsnes and that the Allies were evacuating the area around Andalsnes.

I believe this German report is correct, for it would be very difficult for the British to re-establish themselves along the Dombas-Andalsnes railway after losing Opdal, which the Germans occupied yesterday.

4. Newspaper reports state that British reinforcements are being landed in the Namsos area. Some of these I believe are coming from the Andalsnes area. The British are probably trying to hold a line east of Andalsnes with a rear guard while the main body embarks. The British hold Christiansund, which secures the line of retreat from Opdal.

Secretary Morgenthau - 2

(4). WHILE THIS WAS BEING WRITTEN, CHAMBERLAIN ANNOUNCED THAT ANDALSNES HAD BEEN EVACUATED.

5. The British air force continued its attacks on German held air fields in Oslo, Stavanger, and Aalborg. The German air force attacked British ships and soldiers in Namsos and probably in Andalsnes. British naval and air forces attacked the German convoys headed from Copenhagen for Oslo and claim to have sunk one transport and set another on fire.

Yesterday our Army estimated that the Germans had lost at least eighteen transports and supply ships. As transports are heavily packed with soldiers for these short trips, it is probably safe to say that the Germans have lost between fifteen and twenty thousand soldiers en route to Norway. In spite of these losses our Army estimates that there are about eight German divisions -- something over 100,000 men -- now in Norway. This campaign is assuming major proportions, even for the German Army.

6. Eye-witness accounts of German bombing of Namsos make it plain that landing soldiers and equipment in the presence of a superior air force is extremely difficult.

7. The tension in the Mediterranean appears to have eased. It is reported that our ambassador to Rome had a long conference with Mussolini yesterday, and I have no doubt that what Mr. Phillips told Mussolini will cause Mussolini to hesitate to enter the war.

8. The tension in Bucharest is reported to have increased. I believe there will be "jitters" from time to time in all these

Balkan capitals. But I do not believe Germany will go into the Balkans until her situation in Norway is more firmly established.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 2, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Lest we forget.

In 1812 Napoleon, probably the greatest soldier and statesman of modern times, was at the head of the French Empire with the satellite nations and allies as indicated on the accompanying map. Great Britain was without a single ally except some insurgents in Spain. The United States declared war at this particular time and ravished ^{Britain} her commerce with privateers. By 1815 this situation had entirely changed.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

Confidential

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE May 2, 1940

TO Secretary Morgenthau
FROM Captain Puleston

These extracts from the German press indicate the crudeness of the German propaganda method used with its own people. Only people of German mentality could be influenced by such statements.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

Translation of a paragraph of comment on the film, "BAPTISM OF FIRE".

The commandant at Warsaw maintained his blind stubbornness and calling for the army of the civil population. The German army command tried once again to persuade by reason. Airplanes went aloft, dropping handbills explaining the true situation to the deceived city and depicting the futile stubbornness of a hopeless resistance to fate.

In vain.

The final command had to be given. The Air Force attacked. Frightful was the justice of retribution. In the film there is a scene of gripping bitterness in which the speaker directs his words to Chamberlain and wishes he were participating in the flight over the inferno of Warsaw. Here are words and scenes to the point which might call forth an accusation of mercilessness which forces us to admiration but which would cause the blood to congeal in the veins of the gentlemen in London.

Caption of top photograph -- "Flight over the destroyed quarters of Warsaw. This is how far things had to happen before the Polish governors, worked up to a frenzy of hate by England and betrayed (by England), surrendered the city which was encircled by German troops."

Caption of photo at left center -- "Machine gun in the chancel of a battle plane in a flight over Poland."

Caption of photo at left bottom -- "On many days the battle squadron attacked six, seven, eight times."

Caption, photo lower right -- "The bombing attacks of our air force were especially heavy on the main railway station at Warsaw. Even underground tracks were destroyed."

"BAPTISM OF FIRE"

Scenes from the documentary film of the attack of the German Air Force in Poland.

Top Photo:

Caption — "This is what war is; men and beast homeless.
A misled army destroyed;
A misled people does penance for the sins
of its leaders."

Large Caption in Red — "Our enemies must perish. Pictorial
instruction for plutocrats."

Middle Photo:

Caption — "Thus strikes the German sword, cleaving
apart proud houses, clouds of smoke arise
from the ruins. Flames lick forth; wherever
German bombers drone there is destruction
and death."

Bottom Photo:

Caption — "The Bomb Hit Its Mark!
The torn up rails appear as if they were
blown apart. By the first days bombers
had destroyed the strategic routes of the
enemy."

DER ANGRIFF

File 163

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 3, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The European Situation

1. In Mr. Chamberlain's speech yesterday he stated in substance as follows:

It became evident to us some days ago that it would be impossible, owing to German local air superiority to land artillery and tanks, which would be necessary to enable our troops to withstand the enemy drive from the southward.

It was always possible for the Germans, if they were willing to disregard losses of troops en route, to send reinforcements to Norway faster than the Allies. We therefore decided to abandon any effort to take Trondheim from the southward.

2. The question now is whether the British can land tanks and anti-aircraft at Namsos in the presence of local German air superiority. If they can not, it seems to me they will have to evacuate Namsos. (It is now reported they have evacuated Namsos.) This would leave them with their position in Narvik and the Lofoten Islands, which they should be able to hold. In his prediction of the future action of the British Government, Chamberlain said, "We have no intention of allowing Norway to become merely a sideshow, but neither are we going to be trapped into such dispersion of our forces as would leave us dangerously

weak at a vital center".

3. Mr. Chamberlain continued, "We know our enemy holds a central position. They have immense forces already mounted and ready to attack, and an attack can be launched with lightening rapidity in any one of many fields.

This is a pretty dismal picture he paints, and he has shown rare courage in telling the British people exactly what they face instead of giving them some hopeful generalities that might lull them into an unjustified sense of security.

4. Accompanying this is a brief calendar of the events in the Norwegian campaign. From a study of these, it seems to me that by an unusual coincidence the British started laying mines in Norwegian waters just about two days before the Germans had decided upon seizing Norway.

This was both a help and a hindrance to the British. Their Navy was deployed to support the mine layers with the main body at Scapa. The presence of their forces off Narvik delayed the Germans enough to prevent their seizing Narvik, but the dispersion of the British forces may have prevented the British Fleet from striking at the Germans en route to Norway.

5. On Tuesday, April 9, the British Fleet was off the southwestern coast of Norway when it was attacked by large numbers of German air bombers. In addition to the ships that Chamberlain admits were lost, he says five warships were damaged. If these

were capital ships, it would explain why the British Fleet did not again appear along the Norwegian coast and why they did not attempt to enter Trondheim.

During this engagement the German aircraft had as good an opportunity as probably will ever be given an air force to destroy a naval squadron. Apparently it did not succeed, but also it appears that it did do enough damage to make a fleet act very circumspectly in Norwegian waters adjacent to air bases thereafter. I think this is probably a fair conclusion, and it is in general accord with what our Navy thinks about the relative value of air and sea forces. For several years now the best naval opinion has conceded that only at the greatest risk could fleets operate adjacent to shore-based aviation.

6. The concentration of an Allied fleet in the eastern Mediterranean, based on Alexandria where it can be supported by its own land-based aircraft, ought to secure the eastern Mediterranean. The Gibraltar-Morocco area should control the western Mediterranean, and the French line from Toulon via Corsica to Bizerte with Malta as a base for small craft should form another line around Italy. By removing the British merchant shipping from the Mediterranean, the British have deprived Italian submarines of the opportunity of suddenly striking at them.

7. The threatening attitude assumed by Mussolini during the continuation of the Norwegian campaign raises a question

whether the Allies should not have a showdown with Mussolini at some early date. Italy will be a difficult problem now, but by taking the initiative in this matter the Allies could gain decided military advantages. If they let Italy continue as a thorn in their side, ready to join Germany at any time when the Allies are fully engaged, they will probably accept a greater danger sometime in the future than they would if they took the offensive and ended this menace once and for all.

5. The effect on the Chamberlain government is still problematical. I think the Chamberlain government is more apt to survive than the Reynaud government in France, which was tottering when the Germans invaded Norway and was saved from a vote by the decision of the French Parliament to defer action during the continuation of the campaign. If Reynaud can conciliate Mussolini, he might survive, but I doubt his ability to do so.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

CALENDAR OF EVENTS
IN NORWAY

Authority: Prime Minister Chamberlain

"Only by the cooperation of Norway and Denmark could France and England have prevented the German occupation."

April 7 - British learned that a large German naval force was moving towards and along the west coast of Norway.

Sunday night British battle force sailed from Scapa Flow and the cruiser force from Rosyth port of Edinburgh.

April 8 - Monday morning the second cruiser squadron sailed to join the operations.

At this time German naval forces were landing troops in Oslo, Stavanger, Bergen and Trondheim. Marched into Denmark.

April 9 - ^{Thursday} Monday the battle cruiser Renown, supporting ~~April 9~~ destroyers watching the minefield off Narvik engaged the battle cruiser Scharnhorst in bad weather.

Five British destroyers fought an unsuccessful battle with six German destroyers in Narvik during which they sank German merchant ships.

April 13 - Warspite and British destroyers destroyed the German destroyers in Narvik.

April 14 - British naval forces landed at Namsos.

April 15 - First military forces arrived at Narvik (eight days after first information of German movement).

April 16 and 18 - British military forces landed at Namsos, were reinforced a few days later by Alpin Chasseurs (21st probably), advanced to Steinkjer and held up by Germans.

- 2 -

April 17 - British naval forces landed at Andalsnes; reinforced by land forces on 18th and 19th. They advanced to Dombas, and a contingent advanced to Lillehammer to join the Norwegians.

April 19 to 29 - Germans pushed along both branches of the railway leading from Oslo to Trondheim. British decided to evacuate Andalsnes.

May 1 and 2 - British evacuated Andalsnes.

May 3 - Reported British had evacuated Namsos.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 6, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Impressions gained from lecture given at the Army War College by General Sherman Miles, recently returned Military Attache and now Director of Military Intelligence.

1. In the big pattern of the war as General Miles saw it, Great Britain still controlled the sea, while Germany had superiority in the air and on the land. The Allies were limited in their offensives to an economic war until they could--and General Miles thought they could in time--pull up abreast of Germany on the land and in the air.

2. He thought it was a question of morale, and he gave as his view that the morale of the British and French as individual nations was strong enough to see them through this war. Both England and France realize that this is a war for existence. Neither country could support an armed truce, which would be necessary in case of a negotiated peace. In addition to the morale of the individual countries, France and England were more thoroughly united as Allies than they were in the World War. The French felt their Maginot Line had protected them from any sudden onslaught from Germany and given them the necessary time to prepare their defenses. The British believe that Hitler's failure to attack last autumn had given them the necessary time to prepare against a German blitzkrieg either by air or by land. General Miles

stated that he believed Hitler had missed the best chance of dealing with England by not attacking in September, 1939.

3. He regarded Hitler as something of a genius, who thought England and France would not fight when he went into Poland. Hitler next thought he could get a negotiated peace after he had completed the conquest of Poland. His third objective was to separate England and France by trying to convince the French that he had no designs on them but only against England. General Miles pointed out that Hitler had succeeded in Poland but had failed both in getting his negotiated peace and in separating England and France.

4. He could not understand the ineptitude of the Allies in the Norwegian campaign. He said they had advance information indicating that the Germans were going into Norway. However, he thought that in spite of Germany's being in Norway the British would still command the sea, and he thought it would have one excellent effect on the British — it would rid them of their usual complacency and make them get on with the war more actively.

5. As for the future, he thought the Allies would welcome an attack by the Germans in western Europe, such as in Holland, Belgium, Switzerland, or France, because their line of communication with those countries was secure. He thought they would try to avoid a war in the Balkans, because of the difficulty of a line of communications in the Mediterranean with Italy potentially hostile at present and apt to become actually hostile at

any time. He thought the Allies would do their best to keep Italy neutral.

6. In reply to a question, General Miles gave his opinion that the Allies would win the war. He stressed that that was only his opinion, but he had arrived at it deliberately and with a great effort to be objective.

7. General Miles thought the British Army was being developed solidly but slowly and that their defense against ^{an} air attack ^{on England} was very strong and getting more so. The British people were alive to the threat of an invasion from Germany and had taken measures to meet such a danger.

8. It was General Miles' opinion that the present English Government would survive any attacks in Parliament. He believed that if there was any retirement it would result in the promotion of Winston Churchill, who was the popular choice of the British people to direct the war. At the same time, he indicated that the British were still afraid of another Gallipoli and thought that was one reason they hesitated to take more energetic measures in Norway. General Miles believed that although Churchill was popular, the British public would insist that he work through the technical chiefs of staff of the Navy, Army, and Air Force.

Incidentally, General Miles estimated the aircraft production in England at a thousand planes a month and thought they could provide enough pilots for the planes produced. He said that he had been told that climatic conditions in Canada

were more favorable for training than the conditions in England. He was convinced that the aircraft produced in England and France plus those bought in the United States would in time exceed the production in Germany.

9. The prepared position in Belgium to meet a German offensive was well-constructed, according to General Miles, and the Belgian Army, although not so good as the British, French, or German, was very good for a small nation and could hold their line for a week to ten days. During this time, he was convinced, the British and French could reinforce the Belgian Army.

He did not consider the Army of Holland or the defenses of Holland as good as those of Belgium.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

Confidential

DATE May 6, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Situation in Europe

1. This forenoon I went to the Navy Department and discussed Kirk's dispatches with Admiral Anderson. Anderson said Kirk was a good observer and a realist.

I gathered from this that Anderson did not entirely subscribe to some of the views expressed by Kirk. Anderson returned from London about three years ago after a three-year tour there himself, so he probably has his own ideas about conditions there and about the various personages involved.

2. Admiral Anderson told me he did not believe the German claim that they had sunk a battleship was correct. Neither do I. The British have admitted the loss of one battleship under the most mortifying conditions (sunk at anchor at Scapa Flow). They have admitted the loss of the Courageous, an aircraft carrier, under circumstances that did not justify such a loss. I do not believe they would conceal the loss of a battleship in supporting operations in Norway if they had really lost it.

3. I am confirmed in the above by listening to a lecture by General Miles (see report herewith). He stated that both the British Admiralty and War Office realized that by delaying their official statements they allowed the German claims to gain credence

in the United States that could not be entirely erased by subsequent denials. But after due consideration they had decided that they must retain the confidence of their own people in the truth of their statements. For this reason they would let the Germans gain what advantage they might by exaggerated claims but would withhold any reply until they knew the truth, and then they would publish it.

General Miles also stated that before officially announcing the loss of any ships it was the British custom to notify the next of kin of all officers and men who were lost. This required a certain amount of time, but it gave the members of the family advance notice so they did not first learn of the death of a relative in the press.

4. General Miles added that he and Kirk both accepted at full value any official statement made by the War Office or the Admiralty. Anderson and I both agree with this estimate.

5. I gathered from my conversation with Anderson this morning that he did not entirely agree with the recent statement of Secretary Edison that battleships had to be ^{made} immediately stronger to withstand attacks by air. I drew him out a little on this point and he finally stated that he had no information from England that would justify such a view.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 6, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Situation in Norway

1. The Germans have increased their hold on southern Norway until we may regard it as entirely in German hands from Namsos southward.

2. In addition, the Germans are reinforcing by air their garrison in Narvik and claim to be sending reinforcements by road. There is a disconnected road from Namsos to Narvik requiring several ferriages across the northern fjords. There is a possibility that the Germans can send troops overland to Narvik.

It is also true that the German air can make it very uncomfortable for the British ships and troops in the Narvik area. The only remedy for this is British landing fields from which fighters can operate against German bombers. Whether the British can get these fields set up in time to resist the German attacks is still to be determined. I discussed this question with some of our Army officers and they are doubtful whether the British could hold the Narvik area in the face of the German aviation.

3. Reports from Rome are conflicting. The Pope made an earnest appeal for peace yesterday and held a conference with

the Crown Prince, Umberto. The bulk of opinion seems to be that Mussolini is inclining to join the Germans. I still do not think he will under the existing circumstances.

4. I believe Germany will either attack the Western Front or remain quiet for the present, using the prestige she has gained in Norway to increase her supplies from the Balkans.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 7, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Situation in Europe

1. Chamberlain said that while he retained "complete confidence in our ultimate victory, I do not think that the people of this country realize the extent or the immensity of the threat which is impending against them. Germany, with vast, well-equipped armies, is so placed that she can at any moment attack any one of a number of different points. We want to be ready to meet that attack wherever it may come. The more vital the point the more important it is that we should be ready."

2. He stated that Churchill will in the future have the special responsibility of supervising military operations day by day. Churchill has been authorized by the Cabinet on behalf of its Military Coordination Committee "to give guidance and direction to the Chiefs-of-Staff".

3. Chamberlain explained that he had first used the expression "Hitler missed the bus" on April 5, three days before the invasion of Norway to describe Hitler's failure to attack the Allies at the beginning of the war when Germany enjoyed a greater superiority of armament.

4. Mr. Chamberlain was interrupted so frequently that he sat down and the Speaker called for order. I believe such action will result in Chamberlain's favor, for many members of the Parliament will remember that the hecklers, mainly from the Labor Party, were those who did least to prepare the armed forces of Great Britain for war.

5. Information reaching British sources in the United States estimates Allied casualties at eighteen ^{hundred} ~~thousand~~ in battles around Andalsnes. The report states that a total of 4,704 Allied troops were evacuated from that area; this would be a little short of a total of seven thousand landed at the Andalsnes area. Our Army estimated that about eight thousand had been landed there. This is a large percentage of losses, something over 25 per cent. The surprising fact is that they were able to embark almost five thousand troops with the port facilities almost demolished and with the German aviation endeavoring to prevent their departure. In fact, the Germans had boasted that no British soldier would get away.

Two destroyers, one British and one French, were sunk the following day, by German aircraft. This seems to be the total losses to the Allies due to operations in southern Norway.

6. It was further indicated in Chamberlain's speech that only the "covering party" were put ashore at all. These encountered such resistance that the main body, which was to come from France, was never sent.

6. Chamberlain further stated that careful consideration had been given to an attack by the Navy on Trondheim, and, apparently under the advice of his naval High Command, it was not undertaken.

(Comment: There was a radio broadcast that Admiral Keyes had recommended such an attack and volunteered to lead it. This is probably so, as Keyes is the officer who repeatedly urged that the Dardanelles be forced by naval action.)

7. In considering the Norwegian situation, the possibility that German aviation can force the abandonment of Narvik must be considered. Such a German operation will keep their heavy bombers employed for sometime and at a greater distance from Germany than is southern England. In the large sense Norway is a minor theatre and the more German aviation can be employed there, the less there will be to employ in the Low Countries or against England.

The Allies are now in possession of the Lofoten Islands at the entrance to Narvik. It will be a major undertaking for the Germans to eject them, and I believe it would be a strategic error for Germany to involve herself, even if she succeeded. The real value of Narvik is as a coal exporting port. It is hardly possible that the British will leave the port facilities fit for use, and it would take a good six months to construct new ones.

8. Mr. Chamberlain stated that fifty German bombing planes attacked the convoy leaving Namsos. They were defended by naval anti-aircraft guns alone. The total loss was one British destroyer and one French destroyer. (Comment: I think this indicates that the British naval anti-aircraft guns are getting better)

9. I learned second-hand that Mr. Breckenridge Long, in the State Department, did not believe Mussolini would enter the war at the present time. Mr. Long was in Rome as Ambassador for several years and knew Mussolini well. I have confidence in his estimate of what Mussolini would do.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 7, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in the Far East

1. The following is based on a conversation with Dr. Hornbeck.
2. Ambassador Grew is deferring his visit to the United States for personal and not official reasons. The British Ambassador, Mr. Craigie, simultaneously deferred his visit, but apparently there is no connection between the two except that Mr. Grew thought that, if Mr. Craigie stayed, perhaps he had better stay also.
3. Advices from China indicate that the Chinese Government still feels strong enough to resist Japan and is not even willing to concede Manchuria to Japan.
4. The Japanese are as ruthless as ever and recently took eighteen hundred Chinese out of one city and massacred them. This was not air bombing, this was a deliberate destruction of eighteen hundred people.
5. Dr. Hornbeck still thinks the best method of approach to the Chinese problem is to place an extra import duty of ten percent on Japanese products coming into the United States. This will reduce their foreign balance and prevent their buying munitions of war.

W. O. Puleston

6. Dr. Hornbeck also suggested another loan to China. I told him I thought the State Department ought to do their share in the Far East and get that extra duty on Japanese goods before asking the Treasury Department to loan any more money.

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 7, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Situation in Norway

1. The German High Command reports that the situation in Narvik is unchanged, that German troops have reached Mosjon, and that a flotilla of German submarine chasers sank a British submarine in the Skaggerak.

2. There is increased activity in Narvik, with the British attacking and the Germans reporting that they have beaten off these attacks.

3. The British apparently refreshed the mine field off Gothenborg, for a Swedish fishing boat and a German steamer struck mines in the area declared a danger zone by the British Admiralty. This is the same area in which the Germans report sinking a British submarine. I believe it was probably a mine-laying submarine.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION:

Confidential

DATE May 8, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Far Eastern Situation

1. Today we had a message from Tokyo, dated May 4, of which the salient facts are as follows:

a. The Japanese military authorities have proposed to force munitions makers to lower their corporate profits. The Cabinet Commission pointed out that it could not control prices of munitions without assuming control of other industries.

b. The inflationary trend is becoming more pronounced.

c. Rice is being rationed in the Shokoku Prefecture. This is one of the smaller states of Japan, but it indicates that rationing of rice on a wide scale will be undertaken in the near future.

d. The Japanese cotton circles are reported to be in favor of reaching an agreement with the British cotton interests to divide the world cotton-goods markets. The desire of the Japanese resulted from the decline of their cotton textile shipments to Anglo-French possessions.

2. Simultaneously, Admiral Anderson tells me that Japan has made an agreement with Mexico to buy

2,000,000 barrels of crude oil
210,000 barrels of gasoline
192,000 barrels of kerosene

during the year beginning May 1, 1940.

3. Admiral Anderson is also impressed with the reports they are receiving about the increasing seriousness of the Sino-Japanese fighting in northern China. Commander McCollum, his Japanese expert, thinks this is keeping Japan stretched almost to her utmost. Nor can Japan withdraw in any particular region without releasing more numerous Chinese to operate against the Japanese in the remaining parts of occupied China.

4. The fact that we kept the Fleet in Honolulu instead of returning it to the west coast will give Japan something else to think about; and if we should apply a ten percent extra duty on their imports into this country, it might be sufficient to turn the balance.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 8, 1940

TO Secretary Morgenthau
FROM Captain Paleston
Subject: The European Situation

1. I discussed the European situation with Mr. Pierrepont Moffat at luncheon today. He said the State Department was expecting the invasion of Holland last night. He said the Dutch Minister was very nervous and intimated that he thought Holland would be invaded.

2. We then passed in review all the neutral countries of Europe, and finally he said he was prepared for any developments in any of them. In brief, the deployments of the armies and the concentrations of the fleets in Europe and its waters are such that we can expect no further notice except the word that another country has either been invaded or has joined the war.

3. Turkey has requested further assistance from Great Britain and France, on account of increasing tension.

4. In response to my question whether he could propose a formula that would fit the conflicting ambitions of Russia, Germany, and Italy in the Balkans, he said he thought he could but that it would be almost impossible to carry it out. I base my belief that nothing will happen immediately in the Near East on the extremely conflicting situation. The wisest person in the world would be taking a perfectly good gamble by starting

anything in the Near East, and that applies as much to Germany, Russia, and Italy as it does to France or Great Britain.

5. Germany's problem still is to reconcile Russia and Italy, if she is to make any real move into the Balkans.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 8, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Railway Facilities at Vladivostock

The daily capacity of the railway terminal system in Vladivostock is seventy trains in and seventy trains out per day. There are ample trackage and switching facilities to handle that many trains in the railway yards of Vladivostock.

This number of trains could only be handled if the necessary rolling stock were available.

The best actual performance was the number of seventy-two military trains carrying troops, artillery and military supplies per day. This performance occurred four or five years ago when the Russians expected war with Japan.

The current schedule of trans-Siberian trains is one per day each way; that is, one arrives from Europe and one leaves for Europe. Foreigners are allowed to ride on these trains only twice a week, Tuesday and Thursday.

The road bed of the railway is known to be in good condition. The railway runs along a plain for the most part, and good long trains can be handled by medium-powered locomotives.

There is evidence of a lack of tank cars. A British authority estimates that nine hundred tank cars of soya bean oil per month is the maximum capacity. We know that German agents in Tsingtau, Dairen, and Mukden are bidding up the price of five-gallon tin gasoline containers and the fifty-gallon gasoline drums.

About three years ago an American naval officer crossing the Trans-Siberian counted fifty freight trains in twelve daylight hours, with an average of fifty cars per train. This would be one hundred trains per day. The railway is generally double tracked except in some places where narrow bridges prevent.

The limiting factor in the carriage of cargo from Vladivostock to Europe would be the rolling stock. There is no actual information on the amount available.

The kind of cargo shipped out of Vladivostock is not known accurately, but it must be the cargo that comes into Vladivostock, which is mainly copper, lumber and oil from the United States. In addition, the Russians are using Japanese ports to avoid British contraband control of rubber and other strategic materials. For instance, rubber from the Dutch East Indies will be landed in a neutral steamer at Japan. A Russian steamer will pick up the cargo and make the short run from a Japanese port to Vladivostock, hoping to evade any British cruisers.

The above data is based on information furnished by Naval Intelligence. Admiral Anderson is endeavoring to obtain fuller information on this subject.

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 9, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Far Eastern Situation

The following are extracts from the reports of the Treasury agent in Shanghai.

1. The Japanese gendarme began April 1, 1940 to transfer the right of examination of passengers' passes to the puppet Chinese Government.
2. The consular officials of Italy, Germany, Hungary and Spain met in Shanghai and agreed to recognize simultaneously the puppet central government at the end of May 1940.
 - a. In addition, they agreed to exchange intelligence relating to the diplomatic activities of the Chungking Government.
 - b. After they recognize the puppet central government they will issue a manifesto declaring that they will no longer deal diplomatically with Chungking.
3. The junks and armored boat fleet operating with the Japanese Army has been reorganized and placed under command of the naval expeditionary force commander. Mr. Wang, head of the Chinese puppet government, is reported to have secured the adhesion of the National Socialist Party (the Trotsky group), the Reformed Government of Hanking, the Mongolian Federal Self Control Government and, in addition, ten persons (probably disaffected members) of the Kuomintang of China.

4. The Japanese Army in China is obtaining the cooperation of the Japanese Navy for combined operations against Chinese guerrillas along the Yangtze River. It is also establishing arsenals in Shanghai, Tsingtao and Nanking to manufacture rifles and hand grenades for the puppet government militia.

5. It is reported that on account of our fleet maneuvers in the Pacific the Japanese Navy withdrew part of their gun boat fleet from Chinese waters and at least two of their naval airplane squadrons stationed in Tsingtao composed of forty-five planes each. They are also increasing their intelligence activities in China and endeavoring to secure maps indicating Chinese ammunition stores.

6. Wang Ching-wei, head of the puppet government, is endeavoring to reorganize the Hwa Hsin into a central bank. Other Shanghai banks are reported to be opening branches in Nanking. Wang is also endeavoring to establish, with the guidance of the Japanese general staff, a puppet government army and an aviation unit. This aviation unit will attempt to induce the air force of Chungking to join Wang's regime.

The Treasury agent forwarded a list of prominent Germans in China including those in the embassy at Chungking, consular general at Shanghai and various German organizations in China.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

193

Confidential

INTER OFFICE COMMUNICATION

DATE May 9, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in Europe and the Far East

1. Around Narvik Germans are reported to be dropping parachute troops in rear of Allied forces besieging the German garrison. All movements in the area are hampered by a heavy snow storm.

2. Commentators disagree about the prospective resignation of Chamberlain. The French Premier's position is reported to be stronger.

3. Mussolini made a brief, oracular statement that only acts would break his recent silence.

4. In an order of the day, Hitler announced that Norwegian soldiers taken prisoner by the Germans would be allowed to return to their homes.

5. In Tokyo Rear Admiral Kanazawa, spokesman for the Navy, said: we feel that the retention of the United States Fleet in Hawaii "constitutes another indication of America's anti-Japanese feeling".

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 9, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Port Facilities and Railway Facilities at
Vladivostok.

1. Through Mr. John Lee Pratt, I got in communication with Mr. Stettinius of U.S. Steel. U. S. Steel does have a resident manager in Vladivostok. The man who has the information is away from New York City now but promises to get the information together and forward it to me early next week.

2. In the meanwhile, the Army is going over its data in the hope of adding to that we obtained from the Navy yesterday.

3. The State Department had very little information, most of which confirmed that which we obtained from the Navy.

4. There was one important contradiction. Mr. Henderson, who has recently travelled over the Trans-Siberian railway, estimated that the normal train was thirty-five to fifty cars, and he thought forty would be an average train load. He reported the road bed was in good condition and the railway was double tracked except in a few places where narrow bridges prevented. The speeds of the trains were lower than ours, but there were fewer and shorter stops.

5. The Army, Navy, and State Departments all agree that it is the quantity of rolling stock that will fix the upper limit

of traffic on the Siberian railway. We had information that the Germans had sent some of their own rolling stock to Russia.

(Our information was that they had sent about 9,000 wagons, or about one-sixtieth of the wagons available for the German railway system; while they could spare it, Germany is already short of rolling stock for her internal transportation.)

6. In addition to the European traffic, the Trans-Siberian railway serves the Russian-Siberian provinces, and its traffic with Outer Mongolia, and supplies the troops fighting with Japan along the Manchuria border. The railway employees are ex-Soviet Army officers and men and wear a uniform resembling that of the Soviet Army. Our observers in Siberia agree that the Russians have attained a moderate degree of efficiency in railway transportation, and it is a fact that in the Russo-Japanese war the Russians were able to lay down in the Far East about twice as many soldiers as any foreign observer estimated they could.

7. In connection with the copper exports to Russia, the following is of interest. Since the British Navy has interrupted copper shipments from the United States to Russia, Soviet authorities have been offering to resell American copper. A British mission, during the first week of May, began to check the amount of copper sold by each American company to Russia. Some American companies resented this action, and the executive of one of them emphasized that Japan is purchasing a large amount of copper from

British Columbia with the knowledge and approval of both Canadian and British authorities. We know that Russia is sending steamers to Japanese ports to buy copper and other contraband goods. The action of the British in selling their copper to Japan makes this copper as readily accessible to Germany as the copper purchased by Russia in the United States. The American executive suggested that it might be well for the British mission to get their Allied shipments under control before inquiring into the activities of American business houses.

(The authority for the foregoing information regarding copper is Mr. Carmichael, financial writer for the New York Times.)

5. In comparison with our estimates of the capacity of the Trans-Siberian railway, the following is quoted from a British source that you recently obtained:

"A study of the Trans-Siberian Railway shows that its excess capacity available for through traffic is meagre. Calculations seem to show, however, that about 15,000 tons of goods per week might be sent by this route. Information from a most secret and sure source estimates the actual potential capacity of the South Manchurian Railway available for traffic to Germany at 1,000 tons per day. There should thus be no great difficulty in carrying quantities of copper, rubber, lead, tin, molybdenum, etc. of vital importance to Germany."

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 9, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Extracts from Winston Churchill's Speech

1. The reason we can not take the initiative is our numerical deficiency in the air. This can not be quickly overcome and condemns us to a great deal of difficulty, suffering, and danger until more favorable conditions can be established, "as they assuredly can".

2. We could not dominate the Skagerrak with our surface ships on account of the losses that they would have suffered by attacks from the air. We therefore adopted a submarine blockade.

3. "I have been guided in the advice I gave the Cabinet by responsible naval expert opinion."

(Comment: I think our naval opinion would agree with the British that it would be extremely hazardous to attempt to maintain surface ships in the Skagerrak and Kattegat in such close proximity to German air bases. Most important of all, if Mr. Churchill is now willing to accept technical naval advice, and on this occasion he was, he is a different and improved Churchill over the Churchill of the 1914-1918 war, when he frequently overrode his technical advisers.)

4. The Admiralty was unwilling to send a battle cruiser into Narvik on the first day, because they only had two battle

cruisers and were unwilling to risk one of them. They did send the "Warspite" in, although they considered that she might be sunk by control mines placed by the Germans in the entrance.

5. The original plan for an attack on Trondheim called for ^{or} diversionary landings at Namsos and Andalsnes and a direct naval attack on April 25. By April 17, the two land forces had made good progress, and it seemed easier to capture Trondheim by land than to incur the heavy cost of a direct naval attack.

6. The Germans north of Oslo developed immense strength. By the twenty-fifth or twent-sixth of April the possibility of large German forces, already equipped, arriving in Trondheim had to be anticipated. Continuous bombings of Namsos and Andalsnes prevented our landing large reinforcements or even the artillery for the infantry already landed. It became necessary to withdraw these troops or have them destroyed by overwhelming forces. The withdrawal of these twelve thousand men, "less than a division" was accomplished with very great skill and very good luck.

(Comment: This is the first official statement of the numbers involved in the Norwegian landing -- twelve thousand altogether, of whom probably eight thousand were landed at Andalsnes.)

7. At this point, in answer to an interruption of Herbert Morrison, the belligerent Labor member, Churchill denied that

there were any naval authorities in Trondheim or that they were anxious to enter Trondheim. Morrison was apparently referring to the efforts of Admiral Keyes to obtain permission to take some old ships and attempt to force the entrance. Churchill gave as his opinion, "The Navy could carry troops into Trondheim Fiord, land them, and come to grips with the enemy. I would have been glad to take all possible responsibility in the attempt, provided it was supported by expert opinion".

(Comment: This is the second time Churchill has affirmed his determination to be guided by expert opinion.)

Churchill continued: But even on the assumption that the British could have been masters of Trondheim by the twenty-fifth, he did not believe they could get sufficient soldiers in action on that front to meet the continuously increasing strength of the Germans coming north from Oslo. In other words, the Germans could lay down more and better equipped soldiers in southern Norway than could the British and French. For this reason the whole campaign in southern Norway was abandoned.

8. Churchill frankly stated that the British must be careful not to exhaust their air force, and intimated that if Sweden had entered, the situation might have been bettered.

(Comment: More German forces would have been involved had Sweden entered, and to that extent it would have been an advantage to the Allies. But with the present superiority of the German Army, they could have overrun Sweden just as they

and Norway, only it would have taken a longer time.)

9. In reference to Admiral Hayes, Churchill stated that he sympathized intensely with his desire to lead an attack on ~~Germany~~ and added that he only regretted that Hayes' gallantry should have led him to cast aspersions upon his old shipmates, his own chosen staff officer, Sir Dudley Pound, and Vice Admiral Phillips.

(Comment: This thrust must have gone home. Dudley Pound was Hayes' Chief-of-Staff in the Mediterranean and had been with Hayes in most of his naval career. I have a letter from Hayes, written about a month ago, telling me how he had raised Pound from his midshipman days.)

10. Towards the end of his speech, Churchill resumed his natural manner and paid his respects to the Germans as follows:

"I love to hear the German wireless lies that British ships had been sunk so many times over, and survey the fools' paradise in which they keep their deluded sarfs and robots. The Germans claim to have sunk or damaged eleven of our battleships; actually, two have been slightly damaged, and neither has been withdrawn from service for a day."

(Comment: This is important because these battleships were in action close to the Norwegian coast on Tuesday, April 9, during which the British Admiralty admitted that five ships had been damaged. This would mean that the other three damaged ships were cruisers or ships of lesser value.)

11. The other losses given by Churchill (and I am prepared to accept official statements from the British Admiralty) are:

Aircraft Carriers - one - slightly injured by a near miss. Still in service.

Trawlers - eleven - these were probably sunk at Kansos and Andaluses, where they were used to land troops as port facilities for disembarkation from the transports were lacking.

Destroyers - at various times during this operation the British announced loss of destroyers, which have amounted to five or six altogether.

12. In a very magnanimous manner, Churchill said, "No one has the right to suggest that the Navy withdrew from their undertaking or that politicians overruled the Admiralty. I take the fullest responsibility, together with the Prime Minister and other Ministers, for having accepted unanimously the view of our expert advisers."

13. Churchill ended on a solemn note: "At no time in the last war were we in greater peril than now", and he urged that members of Parliament deal with the situation "in accordance with the dignity of Parliament."

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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Confidential

INTER OFFICE COMMUNICATION

DATE May 5, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The European Situation
(Based primarily on a study of
Chamberlain's speech.)

1. The British Government apparently knew that the Germans contemplated a move in Norway. (I gathered this from General Miles.)

2. When Norway and Sweden refused to permit the passage of the Allied expeditionary force to the aid of Finland, the bulk of this force was sent to France, and the transports that had been assembled were dispatched on other duties. A small covering force was held in readiness. Apparently this was mainly naval, probably marines.

3. When the invasion took place, British destroyers were actually watching some of the mine fields they had laid in Norway with small detachments of destroyers supported by the "Warspite", off Narvik, and the "Renown", off Molde, I think.

4. The German invasion took place during very bad weather in the northern part of Norway. This hindered the Germans some but also made it difficult for the British naval forces in Norwegian waters to attack the Germans in northern Norway.

5. The main British Fleet made one effort to attack the invaders on Tuesday, April 9, two days after the German operation

began. They were counter-attacked by German bombers, and although none of the capital ships were sunk, apparently the German air did enough damage to cause the main fleet to withdraw, for the attack on German convoys inside the Skaggeiak and Kattegat was carried out by light forces only, destroyers and submarines.

6. While these preliminary actions were taking place the British Government decided first, to attempt to retake Narvik and second, with much greater misgivings, to attempt to retake and hold Trondheim. Mr. Chamberlain implies that the only reason they undertook this task was the urgent appeals from the Norwegian Government that Trondheim be retaken, otherwise the Norwegians could not offer organized resistance to Germany. Accordingly, the Government accepted the risk, lest it be open "to the reproach that our only object in Scandinavia was the iron ore of Sweden".

Having decided to take Trondheim, the question of a direct naval attack was considered and rejected in favor of a land attack. It was assumed that Norwegian railways from Oslo to Trondheim would be interrupted by Norwegian soldiers. They were not, and the German troops accompanied by tanks, artillery, and mortars, and skillfully supported by their air forces, advanced so rapidly the Allies could not prevent their reaching Trondheim.

While the British Navy was unwilling to attack Trondheim, and while their fleet was apparently driven off the coast of Norway by aircraft, the ships had their successes against German aviation. For example, the convoy that evacuated Narvik was attacked at sea by between 39 and 50 German bombers. Only two destroyers were

sunk and the survivors from these were taken off to other ships. This indicates that by naval anti-aircraft guns the bombers were kept sufficiently high to make their aim poor. It also indicates that the British Navy is well disciplined and has good morale, and that in the wider reaches of the North Sea ships can face bombers without too great risk.

The most important part of the attack on Trondheim is the evidence it adds to the question of aviation versus naval guns. The evidence is not yet conclusive, but it would appear that a fleet not tied to the protection of a convoy and with the usual types of ships, destroyers, cruisers, as well as battleships, can hold its own against aircraft, except when in the immediate vicinity of land bases. This agrees with the general opinions of our naval officers and most of our naval aviators as a result of our peace-time maneuvers.

7. Admiral Keyes urged that Trondheim be attacked by naval forces. We know that there were eight eight-inch guns, captured from the Norwegians and manned by the Germans at Trondheim. In addition, there were some mine fields and the German air force to contend with. Simultaneously, Mussolini became more threatening in the Mediterranean.

The Naval High Command decided against risking their ships in Trondheim. They were probably encouraged in this by

the belief first entertained that Trondheim could be taken by the army alone.

As a general proposition, ships should not attack forts with eight-inch guns supported by aircraft. Whether the particular circumstances justified the additional risk I cannot judge with the little information I have. But the fact that the British Fleet did not appear close to the Norwegian coast after Tuesday would indicate that they found the German air attacks near shore very risky.

I know Admiral Roger Keyes well. He is one of the most gallant officers alive. He is exactly the person you would choose for a desperate undertaking. I have much less confidence in his ability to balance risks.

8. Denmark and the Scandinavian Peninsula are areas in which army and aviation can operate to much better advantage than ships. Germany had both air and army superiority. To add to this, she seized the initiative and occupied by surprise and with some treachery the only good harbors and airfields in southern Norway. After the first two days the Allies were operating at a great disadvantage.

9. In spite of it all, the Allies did inflict very serious losses of men and materials on the Germans. The actual German losses will exceed those of the Allies.

10. There are some tactical developments that are interesting. After the Allied troops were ashore, they did not suffer heavily from the German air attacks, even without British fighting planes. The German bombers disrupted British communications by destroying the limited port facilities in the small harbors where the British were able to land their forces. This delayed their reinforcements of soldiers and supplies, for the rate of dispatch of Allied troops to Norway was governed "by the speed with which they could be landed" in the very few ports available to them.

The German reinforcements were also attacked by British bombers, British submarines, and by mine-laying submarines and aircraft. But the Germans had more troops ready and were better able to accept these losses than the Allies, who could not afford to risk weakening their position on the Western Front. An idea of the small force with which the Allies undertook to operate in Norway is indicated by the fact that the whole number employed in southern Norway was not much more than one division, that is, about twelve to fifteen thousands.

11. In the Houses of Parliament this morning, Chamberlain stated that British forces at Narvik were exposed to great risk due to lack of aerial power. Chamberlain did not reply to an interjection by a Labor member, "Then we may expect the evacuation of Narvik in ten days or two weeks?"

Some of our Army officers in Military Intelligence have told me that it will be very difficult for the British to sustain themselves in Narvik, unless they can set up some air fields and get fighters over there from England.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

Confidential

DATE May 10, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Some Large Factors in the German Invasion of Holland, Belgium, and Luxemburg.

1. The invasion opened as expected, with heavy German air attacks on (a) airdromes, and (b) railway centers. This is the same tactic used in Poland and to a lesser degree in Norway.

2. Accompanying this, it is reported but not confirmed, were some "Fifth Column" activities. The Germans deny this and assert that their parachute troops were in German uniforms.

3. The Germans reported they have occupied the Frisian Islands, and there was one German report, subsequently contradicted, that they had occupied The Hague with troops brought by water.

4. The most important airports bombed by the Germans were Amsterdam, The Hague, Rotterdam, Antwerp, Brussels, Lille, Dunkirk, Calais, Saint Omer, two in the suburbs of Paris, Vitry-le-Francois, Lyons, Delemont (in Switzerland, near the French border), a small town in England near Canterbury.

5. In connection with these bombings, the German Government announced that only military objectives were being bombed, (a) airdromes, and (b) railway communications; apparently this statement is correct. Nevertheless, numerous civilians have been killed in the operation.

6. Both the British and French Governments have announced that they reserve the right to retaliate in case German planes attack undefended cities.

7. Following the air attacks, German troops, frequently accompanied by planes, overran Luxemburg, north Holland, and the eastern part of Belgium and report that they entered Malm dy, in Belgium. This is the only place of importance in Belgium that they have reached. In Holland the Germans claim to have entered the Groningen, Drenth, Overijssel, and Erland provinces in northeastern Holland, and to have reached as far as the Ysel River.

(Comment: This part of Holland was not held in any strength and was evacuated.)

In central Holland, north of the Maas, the Germans made little advance inside the Netherlands. This central position was where the Dutch expected to put up the strongest resistance.

8. The positions occupied along the Dutch and Belgian frontier, and the overrunning of Luxemburg, represent what our Army estimated the Germans would do the first day.

9. Apparently both the Dutch and Belgians were prepared to meet the parachute jumpers, and the Belgians claim that they had removed their airplanes from the airfields that were bombed and lost only a few in the first German attacks.

10. We have no authoritative statement of the help given Belgium and Holland by the French and British. We do know that elaborate plans had been made to respond to any request for assistance, and both France and England have announced that they are going to the aid of Holland and Belgium.

11. The Germans did not surprise either Holland or Belgium. There was no delay in the reaction of their Governments, and the Allies should be able to march promptly to their assistance. The surprise attack that Germany made on Norway gave her opponents advance notice of the methods she would use in this campaign.

12. So far the Germans have not used gas. That is about the only surprise weapon they can employ. Neither have they made any attacks on the Maginot Line.

13. There is nothing yet to indicate whether this offensive of Germany is aimed wholly at Holland and Belgium, with a view to establishing air bases to operate against England, or the beginning of a major offensive with a view to attacking the Maginot Line and destroying the French and British armies.

14. Military Intelligence does not think that Germany or Britain used more than five percent of their air forces in the Norwegian campaign, so the relative strengths of the air forces of the belligerents are about what they were before the Norwegian campaign started.

Military Intelligence believes it will be three days before the confused picture will clarify.

15. I discussed this situation with Military Intelligence at 3:30. Their general impression was as follows:

The Germans did not effect any surprise. There have been heavy losses in the air on both sides. Most of the parachute troops dropped by German planes have been mopped up. Those in Haarlem and Rotterdam are still resisting.

The Allied troops were marching to the assistance of Holland and Belgium; they apparently got under way during the night. There was fierce fighting in the Ardennes, the province of Belgium next to Luxemburg. Some Allied troops had landed on Walcheren Island in the mouth of the Scheldt.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 11, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Campaign in the Low Countries

1. All the belligerent High Commands agree on the position of the line this morning. It extends from the Zuider Zee, in Holland, along the Ysel and Maas Rivers, then along the German frontier past Aix-la-Chapelle (Aachen), through Luxemburg to the French and Belgian frontier. This means that the northeastern provinces of Holland were evacuated in accordance with the Dutch plan and that the Dutch line of resistance along the Ysel is still intact. The Dutch have begun the inundation of the areas in front of the Grebbe Line.

2. The Germans claim to have occupied the Frisian Islands. It is certain they have bombed them. All the Dutch airdromes have been recaptured, except the one at Rotterdam, which is being attacked by Dutch soldiers and bombed by British bombers.

3. In addition, the British have landed an expeditionary force at Walcheren Island, at the mouth of the Scheldt.

4. The Germans have reached the Belgian first line of defense, and one broadcast claimed the Germans has crossed the Antwerp-Albert Canal; it did not say where, and I would reserve opinion about this claim. The Germans definitely claim to have occupied Maastricht, in Limburg, and Malmedy.

5. A French report indicates that advance elements of the French and German Armies are engaged in Luxemburg, as well as in the Ardennes area of Belgium.

6. At the end of the first day the line was about where our Army opinion thought it would be. Today will commence some severe fighting, and it will be accompanied by bombing attacks from the air and the landing of parachute troops.

7. It might be said that the first day's fighting is a draw. As the Germans selected the time and place of the attack, the fact that the defenders were able to hold their own the first day is encouraging.

8. The Dutch Minister in London reported that the Rotterdam airport had been recaptured from the Germans.

9. The French and British Armies moved promptly to the support of the Belgians, and the Allied air force attacked German Rhineland cities during the night.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 13, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Campaign in the Lowlands
(9:00 A. M.)

1. Air forces on both sides have been fully engaged in attacking moving troops, bridges, roads, and railways. The German air has also attacked British transports carrying troops to Holland.

2. In Holland the situation has improved for the Allies over the week-end. The Germans have made little progress in their invasion of Holland, and the parachute troops have been mopped up fairly well. There are still some in the neighborhood of Rotterdam, probably near Delft, between Rotterdam and The Hague. The Germans had about three regiments of these parachute troops to commence with. They state that one regiment was used in Rotterdam alone. While they have a replacement system to train new parachutists, it is probably a safe assumption that their most violent effort has already been made.

3. In Belgium the Germans had more success. They claim, and the Belgians do not categorically deny, the capture of another fort in the Liege defenses. They have also advanced from Maastricht via Tornges, an important city, to Waremmes, almost in rear of Liege. This is the most formidable advance made by the Germans to date.

A Belgian communique reports that the German force at Wareme was counter-attacked and repulsed by the French.

The French are keenly aware of the importance of Liege. They report that "Our approach operations are developing according to plan", and assert that they have reached central Belgium.

Both the German and French forces are behind schedule predicted by our Army, probably on account of air operations which have delayed both sides.

4. A "meeting engagement" should first develop in the neighborhood of Wareme in order to ensure that the communications of Liege with Belgium are maintained. Neither side enjoys these meeting engagements in the open because of being subjected to attacks from the air. The French will make a supreme effort to reach the line of the canal before engaging in a major battle.

5. The plan of the French probably was to get as many troops as possible up to the Belgian defense line in the first jump and then organize a counter-attack against the Germans in Holland. The French are behind schedule in reaching the Belgian line, and the Germans are behind schedule in Holland. In this connection, the actual operations in war are nearly always slower than anticipated.

6. The operations to watch are those around Liege on land and the transport of troops from England to Holland.

W. D. Paleston
W. D. Paleston,
Captain, U.S.M., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 13, 1940

TO Secretary Morgenthau
FROM Captain Paleston

Subject: Campaign in the Low Countries - Position at Noon
(Based on a conversation with Colonel Magruder,
Military Intelligence.)

1. In northern Holland the Germans have reached the east coast of the Zuider Zee and crossed the line of the Ysel River and have reached the edge of the inundated area.

2. In central Holland the Germans claim that their parachutists moving out from Rotterdam have joined hands with the force moving via South Hertogenbosch. In the meanwhile, a French motorized column has reached the neighborhood of Breda and Tilburg, just southwest of Hertogenbosch. The numbers of these forces are not known, but they probably are not large.

In the hook of Holland the British have landed a small force, which apparently went to the assistance of the Dutch fighting the parachutists in Rotterdam. At Flushing, in the mouth of the Scheldt, another British force, numbers and composition unknown, has been landed.

3. In northeastern Belgium the Germans moving out from Maastricht have encircled Liege and reached Huy, where they were met by a French force coming from the southward. Other German motorized columns to the north of this thrust have crossed the

line of the Antwerp-Maastricht Canal in at least one place and moved as far as Tirlemont, where they were attacked and driven back by the French. Another German force has reached the north bank of the Antwerp Canal at Hasselt.

There is fighting along all the roads in the Ardennes between German forces coming from south Belgium and Luxemburg and the French moving out from Mezierres and Montmedy. From Montmedy eastward along the Maginot Line the Germans have made minor attacks, apparently with a view to detaining French troops in those areas.

4. The Dutch authorities are feeling very glum over the situation. The Belgian authorities are also pessimistic but are not as gloomy as the Dutch. The French High Command expresses itself as being satisfied with the situation.

5. The Germans have progressed further than Colonel Magruder had anticipated. He attributed it to their disruption of the French lines of communications leading into Belgium and Holland, which made it difficult for French troops to take up their expected positions. The Belgians defending Maastricht allowed the bridge crossing the Maas to fall into the hands of the Germans without being destroyed. This facilitated the advance of the Germans to the westward of Liege.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 13, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Conversation with Dr. Riezler

1. Sunday evening, May 12, Dr. Riezler spent with me, discussing the European situation.

2. He stated that Hitler had ordered the Norwegian campaign against the advice of his generals, and when it succeeded, he used that as an argument to overrule them on the question of an invasion of the Low Countries. Of course, some of this is conjecture, some based on his knowledge of the persons involved.

3. The important fact is that, for whatever reasons, the Germans are now fully embarked on a campaign in the Low Countries that can either be used as a jump-off for his attack on England by air or an attempt to encircle the left wing of the French and British army as the Germans did in 1914. I believe the final decision whether to make the main drive against the United Kingdom or the French Army will depend on the events of the campaign. Literally anything can happen.

4. During the evening Dr. Riezler again and again said it will all now depend on General Gamelin, the French Commander-In-Chief. He was not impressed with General Ironside, the British Commander-In-Chief, who he said was just a good division commander. I think, myself, that the French will have to supply the High

Command for the British and French Army. They did this in the last war, and the British are more ready to take their orders from the French High Command today than they were in 1915.

5. Although Hitler is now embarked on a program of territorial expansion of Germany, Dr. Riezler is convinced that he is still a revolutionary and bent upon carrying out his ideology. In the event of a German success, Dr. Riezler said Hitler would make very easy terms for Britain, provided a government came in headed by Sir Oswald Mosley, leader of the so-called British Nazi Party, and similarly for France if there were a French Nazi Party ready to take over.

In this connection he said the article in yesterday's Times by Tolischus "Nazi World Revolution Is Hitler's Objective" is in the main correct. This is the second or third time that Dr. Riezler has suggested to me that I read Tolischus, whom he regards as one of the best informed of our commentators.

6. Dr. Riezler does not think that Mussolini will move for some time, if at all. He thinks it is still possible for the Allies to detach Mussolini from Hitler and thinks it is easier to detach Mussolini than Stalin. He says what Mussolini needs is gold. For this he believes Italy will sell the British planes in large numbers. (I understand that the Allies have made several attempts to purchase military supplies from Italy and have been refused.)

Dr. Riezler said that the Allies would have to offer Italy (a) protection against the German Army coming via the Brenner Pass, (b) British Somaliland and Djibouti railroad, (c) concessions in Djibouti, (d) concessions in the Suez Canal, and, (e) lastly and most important, gold. He said the Italian economic situation was much worse than the German. For sureties the Allies should demand at least two thousand Italian airplanes and half of their submarines (about sixty).

7. Dr. Riezler was raised in the German Foreign Office prior to 1914. During the World War he served both in the Foreign Office and as second secretary of the legation in Stockholm. He has since been a professor of philosophy both in Germany and in the United States and is now an American citizen. I am convinced of his sincerity, but whether or not he understands the mentality of the present German Government is another question. He has averaged over fifty percent in his prognostications of German moves, and after the Norwegian campaign was well developed he wrote me that we should now expect Germany to attempt the Low Countries or the Maginot Line.

8. While he does not believe it is practicable to detach Stalin from Hitler, he does not think Stalin will assist Hitler. Stalin will only be too happy to see a long, drawn-out war on the Western Front with neither side gaining the upper hand. (I agree with this last estimate of Stalin, except that I am convinced

that Stalin would not welcome a German victory, as he does not want to live alongside of a powerful Germany relieved of all fear of France and England. So I believe that Stalin will surreptitiously aid the Allies if he sees Hitler about to gain an all-out victory. Against my theory there is the other theory that Hitler would give him Constantinople or other gains in the Balkans. Any such arrangement, I think, would fall of its own weight.)

9. I asked Dr. Riezler if he thought Hitler would have the temerity to attempt an invasion of England. He said he did not. But in response to my question of whether Germany would rather strike down England or France, he said he believed Hitler would rather strike at England but that the German Army would prefer to destroy the French Army, which would leave them without a rival on the continent of Europe.

10. Dr. Riezler thought that the Germans would begin to feel their lack of supplies, particularly of fuel oil for aviation, and that these limitations would be increasingly felt as the campaign progressed, and if the campaign was prolonged they might become the determining factor.

11. He attributed the German success not so much to a superiority in airplanes as to superior training and coordination

of aviation with land troops, particularly with motorized units. This superiority, he thought, the Germans obtained by the experience gained in the Spanish war. AGAIN AND AGAIN HE RETURNED TO THE RECOMMENDATION THAT WE SEND AT LEAST A HUNDRED YOUNG AVIATORS OVER TO THE ALLIED FORCES AS OBSERVERS, IN ORDER THAT WE MIGHT GAIN WAR EXPERIENCE. WITH THIS WAR EXPERIENCE AND OUR INDUSTRIAL PLANTS, HE THOUGHT WE COULD AVOID THE DELAYS AND MISTAKES MADE BY FRANCE AND ENGLAND IN CREATING THEIR AIR FORCE.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 13, 1940

to Secretary Morgenthau
FROM Captain Puleston
Subject: Summary of Current Reports from the Far East

1. Japs Monopolize Shipping between Canton and Hong Kong

Although the Japanese maintain a formal ban on all shipping on the Pearl River (between Canton and Hong Kong) they are allowing Japanese-controlled tug and lighter cargo services to operate between Canton and Hong Kong. These services are controlled through a go-between by the "Special Service Sections" of the Japanese Army and Navy. Rates charged are far above normal and, in addition, a special tax of 15 per cent ad valorem is assessed. What happens to the resulting large profits and this tax money is not definitely known. The prevailing opinion asserts that the money is used for the maintenance of the Japanese military forces in China. Also, some of it possibly finds its way into the pockets of military and naval officials.

2. Tung Oil Exports

The first large shipment of tung oil by way of the Burma Road left Rangoon on March 26. This was a lot of 545 tons valued at U. S. \$320,000. Although the Indo-China Railroad can easily carry 150 tons a day, the Foo Shing Trading Corporation wisely intends to maintain a flow of 500-1,000 tons of oil a

month by the Burma Road. This is from one-sixth to one-third of total quota of exports.

3. Steamship Service to Burma

The American Export Lines has announced its intentions of maintaining a monthly service of vessels to and from Rangoon. This has been largely motivated by the expectation of receiving regular shipments of wood oil to New York.

4. Japanese Continue to Acquire Control of Chinese Factories

A consular dispatch from Shantung describes the process by which Japanese gradually acquire control of all factories in the occupied areas. The Japanese acquire controlling interests in previously Chinese-owned factories by contributing "good will" and "cooperation" in exchange for a majority of the capital stock. In a few cases, an actual investment is made in exchange for which a disproportionate stock interest is secured.

The control of Chinese factories is relinquished by the Japanese Army only to pass it over to Japanese private interests in one form or another.

5. Withdrawal of Support of Chinese Dollar Enabled Speculators to make Enormous Speculative Profits

An article in a Shanghai financial weekly states that large amounts of foreign exchange were bought on May 1st, apparently by insiders. The withdrawal of support by the Stabilization Fund on May 2nd enabled these speculators to make fortunes.

6. Five Million Ounces of Chinese Silver in Burma,
Probably for Sale in Bombay

A consular dispatch from Rangoon dated March 30 stated that the bulk of a shipment of 5 million ounces of Chinese silver had reached the Burma railroad. This silver is expected to remain in storage in Rangoon for about sixty days (i.e. until around June 1). Bombay is considered as a possible market for the silver but final marketing arrangements will probably not be made until about June 1.

7. Chinese War Materials Imports via Burma

China imported U. S. \$500,000 worth of war materials through Burma in February (latest month available). The United States (aircraft parts, gunpowder, explosives) was the principal supplier shipping U. S. \$320,000 worth. France (five tanks) was second to the value of U. S. \$62,000, and Russia (cartridges and machine gun parts) was third with U. S. \$61,000. Belgium supplied \$50,000 worth of rifles.

The February shipments of \$500,000 is a decline from the January total of U. S. \$2,000,000 and the \$3,000,000 monthly average of 1939.

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 13, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Capacity of Trans-Siberian Railway

1. On the night of May 10 I talked on the telephone with Mr. Stettinius, Chairman of the Board of U. S. Steel. He said he could not add anything to the information that Naval Intelligence and Military Intelligence had about Vladivostok. He had telephoned to all the departments of U. S. Steel.

2. Incidentally, he said Mr. Purvis had asked him the same question two or three weeks before and he had given him some information that he had gotten in various directions.

3. He said that they depended upon the Joint Army and Navy Munition Board for their information about tungsten. I know that this Munition Board has kept account of the quantities available of tungsten for several years.

4. Enclosed herewith is a memorandum from the Chief of Military Intelligence on the capacity of the Trans-Siberian railway. The Chief of Military Intelligence said to tell you they were not very proud of this data but it was the best they could get because the Soviet Government has not allowed visitors in Vladivostok for some time.

I know that the Soviet would not allow the Navy to send an observer to Vladivostok when I was Director of Naval Intelligence.

W. D. Fuleston
W. D. Fuleston,
Captain, U. S. N., Retired.

See M-2. D of 5/6/40

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 14, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Situation in the Low Countries and France

1. The Germans now hold all of northeastern Holland. They have penetrated into the Grebbe Line and are approaching the second line or "citadel" of Holland, which encloses Utrecht, Amsterdam, The Hague, and Rotterdam.

In the central part of Holland a motorized column has penetrated and joined hands with the paratroopers in Rotterdam.

2. Immediately to the south of this detachment are light detachments of the French reported at Breda and Tilburg.

3. The Netherlands' royal family and government have been taken to England.

4. In the northern part of Belgium the Germans have crossed the Antwerp Canal in two columns about twenty miles east of Antwerp, where they are in contact with French forces. The German forces advancing through Luxembourg and the Ardennes have reached the east bank of the Meas at Liege, Huy, Namur, and Givet. South-east of this line they are threatening Sedan, Montmedy, and Longwy, in the Maginot Line.

In this area the Germans had twenty-two divisions. The area that they have taken in the Ardennes was held by only

one division of Belgian troops, who were quickly driven back on the French advancing from the Maginot Line.

The heaviest fighting has taken place in this area, for the German and French armies are in contact here. However, unless Allied forces coming up from the westward can stop the German forces moving out from Maastricht, this force will be outflanked.

5. Berlin stated that in spite of the widespread and bitter fighting of the past four days the main German and Allied forces were still to clash.

In Paris it was stated that a great battle was raging along the Maas River in France as well as in Belgium, and the battle around Sedan might be decisive.

The British Commander-in-Chief expressed confidence in the final outcome.

6. The British expeditionary force has prepared positions extending westward from the Maginot Line almost to the Channel ports. These are not as strong as the Maginot Line but would be very difficult to overrun.

7. It is reported that German labor battalions are in rear of the German Army, ready to dig in in case the Germans are stopped.

8. The Italian Youths in Rome demonstrated in front of Mussolini's balcony demanding "Tunis and Malta".

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 14, 1940

TO Secretary Morgenthau
FROM Captain Puleston

Subject: Situation in the Low Countries at noon.
(Based on talk with Military Intelligence.)

1. There are definite indications that the French and British are attempting to establish a line running from Antwerp through Wavre, along the Dyle River, through Louvain to Namur. Our Military Intelligence believe that the British and French have already reached these positions in considerable force with small motorized units to the east.
2. It appears now that the Allies did not believe they could get to Holland in time, because the only Allied forces sent to Holland were inconsiderable.
3. For the time being it appears that the Allies are in no position to attempt a counter-offensive into Holland.
4. Advance detachments of strong German forces have pushed through the Ardennes area and are near the French frontier, and in some places they have crossed it, notably at or near Sedan. Sedan is an untenable tactical position, something like Harper's Ferry.
5. So far no major combats have occurred between the Allies and the Germans.
6. The major German effort seems to be concentrated along the French frontier between Longwy, where the main Maginot Line

ends, northwestward to Givet, on the Meuse, almost due south from Namur.

Comment: If the Allied army can stop the Germans at any place, they should be able to stop them along the line Longwy--Givet, for although this is not in the main Maginot Line, it is provided with strong points of permanent fortification that have been cross connected with an intricate and strong trench system. It is tactically as strong as the Maginot Line.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 14, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in the Low Countries at 4:00 P.M.

1. The situation at 4:00 P.M. Berlin time as reported to Military Intelligence was as follows:
2. The line now runs: Rosendaal, Turnholt, Moll, Tirlemont, east of Namur, Dinant, Givet, Sedan. Heavy fighting is still continuing in the Ardennes.
3. Military Intelligence believes that the Allies will attempt to hold the line, Island of Zeeland, Antwerp, Louvain, Tirlemont, Namur, Givet, Mexieres, Sedan, Longwy, thence along the Maginot Line. This line north of the Maginot Line is not as strong as the Maginot Line but is a prepared position in which it is believed the Allies have placed considerable troops.
4. There have been no major combats as yet.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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Confidential

INTER OFFICE COMMUNICATION

DATE May 15, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in the Low Countries
(9:00 A.M.)

1. There has been little change in the position of the battle line in the Netherlands, Belgium, and France since last night. There has been obstinate fighting between the French and Germans on the line of the Meuse, south of Namur, via Sedan to the neighborhood of Longwy, where the real Maginot Line commences. In this area the French have the advantage of the terrain and prepared positions; the Germans have air superiority. If the Germans really seek a decision in this area, the battle is certain to be prolonged, because the French can reinforce their line and the Germans can add to the assaulting troops.

2. North from Namur to the Island of Zeeland, Belgian, British, and French divisions are endeavoring to establish another front. So far they have succeeded in holding that line.

3. It is impossible to determine at present whether the objective of this campaign is an air attack on England, with the Netherlands and north Belgium as a base, or an effort to penetrate the French lines and outflank the Maginot Line.

In either operation the German High Command will need to concentrate its air force, so the clue to their first objective

will be whether they use most of their air against the French Army or in preliminary raids on England.

4. The situation in Italy is more critical, and Mussolini may easily excite the Italian people to such a pitch that he can not restrain them. Mr. Someray was apprehensive of a German invasion of Switzerland and a move on the part of the Italians to occupy the Italian cantons.

5. I was told that the French High Command had only left six to eight divisions facing the Italian frontier. The terrain favors the French on this frontier, and the French believe that they can hold up an Italian attack with that number of French divisions.

6. In all probability it will be several days, maybe weeks, before the outcome of the present fighting in southern Belgium and northern France will be determined. For the first time the French claim that they had inflicted severe losses on the Germans. In the encounters with tanks and moving columns in central and northern Belgium, the British, French, and Belgians have held their own so far.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 15, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Situation in Italy

1. I had a report from Mr. Frank Page, Vice-president of American Telephone and Telegraph Company, from Switzerland saying that they expected Italy would enter the war on the side of Germany within a week. While I was talking with Admiral Anderson this morning he had a report from the attache at Paris saying, "It is reported that the entry of Italy on the side of Germany is imminent."

2. Admiral Anderson commented that he did not believe Italy would enter any time in the near future unless she was forced into it by action of the Allies. If Germany won the war he thought Italy would join in time to share the spoils.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

233

Confidential

INTER OFFICE COMMUNICATION

DATE May 15, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Present Condition of the British Fleet

1. I discussed the present condition of the British fleet with Admiral Anderson. I particularly asked him about the reported losses of British battleships and cruisers given out by the German Admiralty and Information Service. Admiral Anderson was quite convinced that these reports were grossly exaggerated. He said the best information that he could get, and he believed it was correct, was that no British battleship had been sunk by the air. On the contrary, one of the Nelson class was hit squarely by the largest size bomb and was still able to make full speed and keep in formation with the fleet.

2. I asked Admiral Anderson the direct question whether he thought the invasion of England was possible by Germans covered by their air. He said that he thought the British Admiralty would welcome any such attempt and thought it would end in a disaster comparable to that of the destruction of the Spanish Armada.

3. I then asked him about the morale of the British people, whether he thought they would give up in case the German air commenced to bomb their cities and industrial centers. He said he was convinced they would never give up. He thought

it was not beyond possibilities, although the chances were very remote, that their cities might be destroyed, but he still thought they would fight on.

4. I agree with Admiral Anderson. I was with the English Navy in March 1918 when it looked as if the Germans were going to crack through to Paris or the channel ports, and when they actually killed or captured five hundred thousand British soldiers, the greatest disaster the British Army has ever suffered. I saw no signs of giving up by the British at that time.

5. I was in France shortly after the same campaign in June 1918 and saw something of the French Army and Navy, and I am convinced that the Germans may be able to invade France, but that they will not be able to defeat the French people.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 15, 1940

TO Secretary Morgenthau
FROM Captain Paleston
Subject: Situation in France and the Low Countries

1. The Germans are reported to have advanced to Mexieres, which is in the Maginot Line prolonged, about ten miles northwest of Sedan.

The Military Intelligence credits the Germans with having a very heavy tank and states that the German columns have tremendous assaulting power. The report from Paris that came over the press does not sound unduly alarmed over the situation along the French border. The line running north from the frontier of France to Antwerp is still not stabilized. It is reported the Allies are digging in along this line.

W. D. Paleston
W. D. Paleston,
Captain, U.S.A., Retired.

TREASURY DEPARTMENT

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Confidential

INTER OFFICE COMMUNICATION

DATE May 15, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Far Eastern Situation

1. I discussed the Far Eastern situation with Dr. Hornbeck. He stated:

- a. He believed that Japan would move into the Dutch East Indies the moment she was convinced the Germans were winning.
- b. He believed the German Embassy in Tokyo was passing along glowing reports of German successes in an effort to convince the Japanese the time had come to strike in the Far East.

2. Dr. Hornbeck was feeling very pessimistic over the European situation, and he even contemplated the possibility of England having to give up the struggle in order to preserve England from air attacks by Germany's superior air force.

3. I regard his attitude as somewhat indicative of a gloomy view that may be prevalent in the State Department.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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Confidential

INTER OFFICE COMMUNICATION

DATE May 16, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in the Low Countries

1. North and west of Longwy, where the Maginot Line ends, the French High Command announces that a war of movement has begun. Severe fighting continues in the neighborhood of Sedan and Mezieres, where the Germans have crossed the Meuse in two points and are being counter-attacked by the French.

2. The next most critical position is north and south of Namur, where the Germans have crossed the Meuse by passing Namur, a strongly fortified city, and attempting to proceed in the general direction of the Sambre River. In this area severe fighting between large French and German forces is occurring.

3. In the Louvain area, east of Brussels, the British Expeditionary Force is in contact with Germans and reports that they successfully held serious German attacks.

4. To the north of Brussels and in the Antwerp area there is a French army which has been reinforced by Belgian divisions and remnants of the Dutch Army that have crossed over from the Netherlands.

5. Both in the Sedan-Mezieres area and in the Namur-Dinant area the French can reinforce their positions and the Germans can

reinforce the attackers. The Germans still have the advantage of air superiority, and they have heavier tanks than either the French or British. If the Germans are held up by the French in these areas, they will probably increase the pressure in the Brussels area in an endeavor to get around the northwestern flank of the French Army as they did in 1914. If they succeed in penetrating further in either the Sedan or Namur area, it will be necessary for the British and French forces north and west of Namur to withdraw to their old positions along the French-Belgian frontier.

6. In addition to the divisions actually engaged, it is reported that the Germans have assembled striking forces of fifteen to twenty divisions opposite the German-Swiss frontier. This position looked so threatening yesterday that it convinced our Army that the Germans intended to go through Switzerland in an effort to outflank the Maginot Line to the south as they are attempting to do through Belgium on the west and north.

Comment: The Germans are employing an enormous number of troops and by now must be employing some second line divisions. These will be neither as well trained nor as well equipped as the first line troops. The French have plenty of troops in reserve, and generally speaking they are better trained than the German reserves. They may not be as well equipped in heavy tanks and some other items of motorized equipment.

7. The tempo of the battle raging from Sedan to north Belgium is increasing in intensity. This indicates that a decisive battle may result much sooner than it did during the 1914 war.

8. In addition to the land operations, the British announce that their bombers attacked the Rhineland railway centers and bridges in an effort to slow down the German reinforcements.

The British Admiralty categorically deny that the Germans sank several British warships and transports. It is part of the German strategy to endeavor to frighten the British public and perhaps the British Government so that they will retain air and land forces at home that could be better employed in France and Belgium.

9. In spite of all the reports about Italy joining Germany, the N.B.C. reporter from Rome this morning stated that the situation seemed a little easier, and although still grave and serious he did not regard it as critical, and he did not think Mussolini would move in the next few days.

10. It was also reported that Russia and Yugoslavia are negotiating a military alliance as well as a commercial treaty; any such alliance would strengthen Yugoslavia against either Germany or Italy.

11. The most serious factor in this present campaign is the Allied inferiority in the air. Some of our Army air enthusiasts are sincerely convinced that this superiority will enable

The German Army to defeat the British and French Armies in short order. Other Army officers with whom I have discussed this question admit that superiority in the air is a great advantage but are not convinced that it will necessarily be decisive.

12. There is the greatest disparity in the reports of air losses, and our Army is not willing to hazard an estimate of whose claims are correct. But they do believe that the German Air Force, commencing with a numerical superiority, will relatively increase this superiority as the campaign progresses, due to being able to inflict greater losses on the smaller air force.

The British Air Force have many of their planes assigned to defensive roles around England. As this situation in France and Belgium becomes more critical, they will probably transfer this air force to France and Belgium.

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 16, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Cable from Chungking

I think you will find the opinion expressed
by the Ambassador on bottom of page 1 and top of
page 2 interesting.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

(CONFIDENTIAL)

PARAPHRASE

A confidential telegram (no. 217) of May 15, 1940, from the American Ambassador at Chungking reads substantially as follows:

On the evening of May 14, the Ambassador called by request on General Chiang Kai-shek. The Generalissimo pointed out that the Chinese Government is now faced with a very serious economic situation. He expressed himself as being more concerned over this situation than over the military situation. He called attention to the fact that on account of the European war France and England could not give much more assistance and, expressing China's appreciation for all of the assistance which had been given in China's time of need, he said that he hoped that some action to assist China in supporting its national currency could be taken by the United States which is the sole great nation now not involved in war. The Generalissimo used the strongest of terms in urging that, for the purpose of making it possible for China to face the serious economic situation now existing, assistance in support of the currency be extended within two months. He asked the Ambassador to stress the gravity of China's needs and he said that he was addressing President Roosevelt on the subject directly. The Ambassador assumes that this message is to be sent through Ambassador Hn at Washington. General Chiang added that if the United States was prepared to assist he was prepared to send some one to talk over matters. The Chinese Minister of Finance and Minister of Foreign Affairs, Mr. Feck, Counselor of the American Embassy, and Mr. Arnold, American Commercial Attache were present during this conversation.

The only comment which the Ambassador made was to the effect that he would gladly send forward the Generalissimo's message.

The

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The Ambassador expresses the opinion that the present stabilization fund and the present operation thereof gives an opportunity of furnishing help before the fund is forced to cease operation after which it would be necessary to work out some special mechanism involving larger responsibilities on our part. He feels that in order to assist American objectives and commerce in China some means should be found to contribute to the existing stabilization fund. The Ambassador adds as his personal belief that the situation warrants the extension of aid.

Confidential

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 16, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Situation in France and Belgium
(Based on conversation with Colonel Magruder)

1. In Belgium the information from Louvain and Namur indicates that this part of the line is shaky.
2. The Germans have advanced to the northwestward from Mexieres, apparently with a view to widening the salient that they created in that area yesterday.
3. There is no precise information of the geographical positions reached by the Germans. The actual territorial gains made by the Germans are not as important as their apparent ability to plow through French positions with their heavy tanks, which have been able to resist the anti-tank guns of the Allies.
4. A report from Paris stated that the situation along the whole frontier "is serious". Our Army agrees with this estimate. A later report by Reynaud denounced German propagandists for spreading wild rumors regarding the military situation. Reynaud said that the French Government is in Paris and will remain in Paris and denied that the enemy columns had penetrated deeply into France.
5. A report from the German wireless states that the Belgian Government has moved from Brussels to Ghent. This would not be

surprising, as there is no natural defensive line for Brussels, and it would be absurd for the Belgian Government to take a chance of falling into German hands.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 17, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Situation in the Far East

I have just been informed by Military Intelligence that the Chinese have won a big victory over the Japanese near Hankow. Apparently, five Japanese divisions were defeated. The wounded are being brought into Hankow and are estimated at about ten thousand.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 17, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Situation Around Rethel (at noon today)
The Battle of the Meuse and Aisne

1. The following from Paris gives a very clear picture of the heavy fighting now going on along the Meuse and Aisne Rivers. The apex of the German thrust is near Rethel and about 25 miles from Rheims. The Allies have brought up heavy reinforcements including heavy artillery and powerful anti-tank guns.

2. At dawn this morning the Allied commander brought this artillery into action in support of fresh infantry troops attacking the German position.

3. In addition to the artillery, British and French planes bombed the German columns.

4. It is essential for the Allies to prevent a rupture of the bulge in this area, for it would not only compromise the northern front but might open the way for an advance to Paris.

5. Although this is not a permanent line of fortifications, the terrain generally favors the Allies.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Personal and
Confidential

INTER OFFICE COMMUNICATION

DATE May 17, 1940

TO Secretary Morgenthau
FROM Captain Puleston

Admiral Anderson told me today that he had learned through the F. B. I. that a strike would be called at the Bowen airplane factory about the first of July. Admiral Anderson had no way to confirm this report.

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 17, 1940

to Secretary Morgenthau
from Captain Puleston
Subject: The Situation in the Near East.

This morning I had a conversation with Mr. Henderson, of the State Department, concerning the probable attitude of Russia. He believes:

1. Russia will be forced to go along with Germany for the present.
2. Russia would be happy to see a prolonged, indecisive struggle on the Western Front that would keep the western powers fully engaged, and she will do nothing to offend Germany.
3. Russia would like to get into Bessarabia and possibly Dobruja, which she would occupy on behalf of Bulgaria.
4. In the diplomatic area she will try to detach Yugoslavia from the Balkan Entente with Greece, Rumania, and Turkey.
5. Berlin is trying to reconcile the conflicting interests of Italy and Russia in the Near East, but neither Russia nor Italy would like to see the other in possession of the Dardanelles or in a position to threaten the Dardanelles.

In the event of a complete German victory, he believed Germany could satisfy the aspirations of Italy by territory in northern Africa and Syria and even Egypt, while Russia compensated

herself in Persia and Rumania, leaving the Dardanelles in the possession of Turkey, as Constantinople is too great a prize to give to any one strong nation.

6. In the Far East Russia will continue to support China against Japan, as she realizes that the Chinese are fighting Russia's battle. In return for her aid, Russia will obtain more and more influence over Chiang Kai-shek and the Chungking Government.

(This is not exactly the view of the Far Eastern Division, who believe Chiang Kai-shek can accept Russian assistance without succumbing to Russian influence.)

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 17, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium

1. The crisis of the battle in France and Belgium is near at hand. Gamelin has called upon the French Army to "conquer or die".

2. The Germans have reached Guise, Marle, Laon, Craone in their push to the southwestward. This action has forced the withdrawal of the troops in Belgium that were defending Brussels and Antwerp. The Germans report that they have broken the line in front of Brussels. It is more likely that this was an orderly withdrawal on the part of the British, French, and Belgians, on account of the critical situation to the southward.

The French will have to ^{be}~~assert~~ every possible effort to prevent the further advance of the Germans to the southwestward in order to save the divisions in Belgium. That is the first urgency.

3. Yesterday Churchill was in Paris and assured the French that the English would stick by them to the end. The French have plenty of fresh divisions ready to be thrown into the fight, and if the German air force does not disrupt the communications, these divisions should be able still to intervene in plenty of time to slow down the German advance.

4. I discussed the situation at length with Colonel Magruder. He believed that it is only their superiority in the air and the possession of the heavy tanks that have enabled the Germans to make such rapid progress.

5. It still seems to me that, with an army like the French practically intact, it would be possible to hold up this German thrust, but I am obliged to state that all of my Army friends say that only a miracle can prevent the British and French Army in Belgium from being cut off. These same friends told me that the British would not be able to evacuate their forces from Namur and Andenne, yet they succeeded in doing so.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 17, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Facilities at Vladivostok and Capacity of
Trans-Siberian Railway.

1. Through Mr. Stettinius I obtained the following information from Mr. George Wolfe, President of U.S. Steel Products. It is not complete, but he is endeavoring to get fuller and more definite information.

2. This came via a Chinese source that he thinks is reliable: there are many trains leaving Vladivostok every day. The first statement was that there was one train every fifty minutes for Russia, but when cross-examined on this point, he was not sure and only said there were many trains.

3. I asked Mr. Wolfe to see if he could get information via some American merchant skipper who had been in the port recently. He is going to make a real effort to find this out.

4. I have already asked Mr. Chen, and he told me they had no reliable information. I tried for three years to get some accurate information of that port and was unable to do so, and I have reason to believe that the Japanese tried and also failed.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 17, 1940

to Secretary Morgenthau
from Captain Puleston

Subject: The Situation in France and Belgium (9:00 A.M.)

1. The situation in northern France and Belgium is not very different from what it was yesterday. Both sides are bringing up reinforcements, and the fighting is continuing from Longwy west and north via Sedan, Nezieres, Givet, Namur, and Louvain. The exact geographic positions are not known. It is possible that some of the German motorized detachments have reached Bethel on the Aisne River in France and opposite Maubeuge.

2. The British and Germans have been fighting fiercely in the neighborhood of Louvain, which has changed hands several times.

North of this the Belgians and French and remnants of the Dutch still are fighting to hold the bastion of Antwerp, which is the anchor of the northwest flank of the Allied line. The Belgian Government has established itself at Ostend.

A deep penetration of the French line around Sedan towards Bethel, if sustained, would force the retirement of the line to the north and west of that position, regardless of the local successes or failures in the Louvain area.

3. Apparently the French used their bombing planes, covered by their fighters, to attack the heavy German tanks and claim to have slowed down their advance. Also the British air force carried

Secretary Morgenthau - 2

out bombing attacks on military objectives in Germany in what they claim was a successful effort to slow down the German reinforcements. The British fighters are also taking part in the land engagements throughout France and Belgium.

The fact that the British and French air force is still able to intervene in this fighting is very encouraging. In this connection, the French fought the whole Verdun campaign with an inferior air force that was only able to carry out operations at night.

Against this must be placed the German claim that they have practically swept the air clear of Allied planes, who could now only put small squadrons into the air.

4. The Berlin radio claimed that they had occupied the Island of Zeeland. A few minutes later a broadcast from London stated that British and Dutch soldiers were still fighting on that island with German forces.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 18, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France and Belgium
(9:00 A. M.)

1. The Germans report that they have entered Antwerp. The British, French, and Belgian armies in Belgium are withdrawing and are probably trying to reoccupy the line the British and French left to go to the assistance of Belgium and Holland.

2. The withdrawal of the forces in Belgium is made necessary by the advance of the Germans into France from Maubeuge to the approximate position Le Cateau, Guise, Marle, Laon, and Rethel. The French are counter-attacking this thrust in an effort to check and stop it. The French are using their three-inch guns and bombers protected by fighters to attack the German heavy tanks. These tanks are the spearhead of the German advance. It is absolutely essential that the French stop the German advance before it gets much farther, so a decisive battle can be expected.

3. I learned in the War Department that the French had already identified in action eleven out of the twelve "Panzer" (motorized) German divisions. If correct, this is important, for it would mean that the Germans had already employed, with consequent wastage and disorganization, practically all of their motorized divisions. It is these divisions that have made their rapid

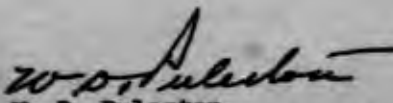
advance possible. Against this item must be placed the German claim that their main southern army (infantry) is only twenty miles behind their forward elements.

4. The French Air Attache told one of our Army officers, after a telephone conversation with Paris last night, that the French in Paris were not as pessimistic as the officers in Washington.

By a curious coincidence this forenoon I received the identical information from Mr. Behn, President of International Telephone and Telegraph, who is in Paris or the south of France. He cabled last night that apparently Washington was more nervous than Paris. He said Spain would not enter the war unless there was an entire collapse of the French Army.

5. The British report that they successfully bombed the reserve oil and gasoline storage at Hamburg, Bremen, and Bergen (?). If they can reduce the German reserve supply of fuel, they will slow their motorized equipment at once and eventually halt it.

6. I gained the impression that our Army was a little more optimistic over the situation this morning than they were last night. I have arranged to be in communication with them over the week-end.


W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

Confidential

DATE May 20, 1940

TO Secretary Morgenthau
FROM Captain Palestine
Subject: The Far Eastern Situation

1. I discussed the Far Eastern situation with Dr. Hornbeck this morning, particularly the reports that the Japanese were seeking a truce with the Chinese. He called my attention to the fact that this statement was given out by Chinese sources in China, which he believed indicated that the initiative for this move came from the Japanese.

2. In view of the fact that the Chinese inflicted a severe defeat on the Japanese in the neighborhood of Hankow and the known economic conditions in the interior of Japan, the Japanese Government has reason to seek a termination of its war in China.

But I believe there is a larger reason. We know that some Japanese regretted that they were involved in a war with China when the European War broke out, for they could not profit by this war as they did in the 1914-1918 war. Accordingly, I am convinced that the main reason for the Japanese seeking an understanding with China now is to free her hands for larger pickings in the Dutch East Indies.

It would be to China's advantage to continue the struggle now, in order to regain the northern provinces, including Peking, which the Japanese will not give them under the proposed

terms. Dr. Chen told me just before leaving that he believed China should fight until she had regained Manchuria.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 20, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Miscellaneous Information about Europe

1. Mr. Frank Page, Vice-President of the International Telephone and Telegraph Company, informed me today that the Germans had allowed their International Telephone and Telegraph plant in Oslo to continue operating under normal circumstances. They had not confiscated any of their reserve supplies, which included copper, oil, rubber, and fuel.

He also told me that their German company had just declared a dividend of fourteen percent. He added that this was in paper money and not available for export.

2. Mr. Page also called my attention to the fact that there had been no criticism of President Roosevelt in the German press since the invasion of Holland, although the President denounced the invasion of the Low Countries.

3. Mr. Page interpreted these facts to mean that Germany is going to cultivate the United States, because she will need foodstuffs, regardless of whether she wins this war or not, and there is going to be a general food shortage in Europe.

Comment: There is no doubt in my mind that there will be a real food shortage in Europe, because there have been failures

of winter crops in eastern Europe, and the spring planting has been delayed by the long winter and shortage of man power. We should remember this in considering our surplus of wheat and other agricultural products.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

265

Confidential

INTER OFFICE COMMUNICATION

DATE May 20, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Situation in France and Belgium at 9 A. M.

1. Over the week-end the French have resisted all German efforts from Longwy to Bethel; in fact, in the neighborhood of Bethel they have pushed the Germans back. To the westward the Germans have advanced as far as St. Quentin and apparently have reached the railroad to the northward of St. Quentin and Cambrai. Maubeuge is still in French hands.

2. In Belgium the British High Command report they have repulsed German attacks west of Brussels. However, the situation in France will force the withdrawal of French and British forces in Belgium to conform to the line in France. It is possible that the British and French in Belgium have been able to withdraw most of their forces under cover of rear guard engagements and are forming a line somewhere in rear of their present position. They have two or three river lines, commencing with the Scheldt, that will afford them some protection.

3. Having delayed the German advance to the east and south, it is now essential that the French stop the German advance to the westward towards Armiens, and we can expect to see some fierce fighting in the area between Cambrai and St. Quentin, either today or tomorrow.

Secretary Morgenthau - 2

4. Petain is the best tactician in the French Army. He was the savior of Verdun, where he fought the same kind of battle that he must fight today. And the battle of Verdun was fought against an army with superior air force. Weygand, who takes over the command in the field, was brought up in the Foch tradition of "Fight! Fight!! Fight!!!"

5. Winston Churchill's speech was of the nature to appeal to the British people, and I believe it will strengthen their morale. If his statement that the British Air Force has inflicted losses of two to three-to-one on the German Air Force, it is the most heartening news yet. This statement is at variance with the assumptions made here by our aviators, who have assumed that the Germans were increasing their superiority in the air.

6. The press has just brought out a statement from Paris denying the German claim to have captured St. Quentin and asserting that only a German motorcycle unit reached that important town and was quickly chased out by the French.

The spokesman emphasized that the use of tanks and motorcycles protected by airplanes resulted in considerable advance by small and isolated German units which were quickly brought under control. He said the Germans failed to make appreciable gains after fierce fighting in the Landrecies region, where they were pushing towards Cambrai. (Comment: This positive statement by a French spokesman indicates that the French are blocking the German attempt to turn westward.)

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

267

Confidential

INTER OFFICE COMMUNICATION

DATE May 21, 1940

TO Secretary Morgenthau
FROM Captain Paleston
Subject: The Situation in France and Belgium
(9:00 A. M.)

1. The following is based on radio and press reports.

The French held their lines to the eastward and counter-attacked in the neighborhood of Montmedy. The Germans claim the French counter-attacks in this area were repulsed. The French report there was little change in the positions in the Rethel to Laon area. They admit they withdrew from Laon and reported the situation between St. Quentin and Cambrai was confused.

2. A late German broadcast claims that their motorized forces have reached Amiens and Abbeville. If this report is correct and the Germans have reached these two towns in any force, the situation for the British, French and Belgian troops in north-western France and Belgium becomes critical.

3. The Allies in Belgium and northern France have had several days to withdraw from their exposed positions. There is evidence that they have withdrawn many of their troops, but there is a distinct possibility of the Germans increasing their hold on the area from Amiens northwestward to the English Channel. If

the Germans succeed in doing this, they will force the evacuation of the entire area to the northward. The climax of this campaign approaches rapidly.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

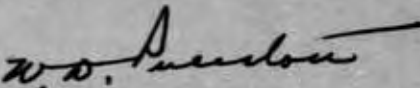
Confidential

DATE May 21, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium
(At Noon Today)

1. The following is based mainly on conversations with Colonel Magruder and Admiral Anderson. Neither of them has precise information of the situation. The question I asked was what proportion of the Allied armies could be saved from being cut off if the Germans held the Channel ports.
2. There were four armies involved: the Seventh, on the extreme left, the British expeditionary force, and the Eighth and Ninth French armies. Of these the Seventh has not been engaged heavily. The British expeditionary force has been engaged heavily to the eastward of Brussels. The bulk of the blow fell upon the Eighth and Ninth French armies, south and east of Brussels from the line Brussels-Namur to the line Mons-Maubeuge-Mexzierees-Montmedy.
3. Colonel Magruder thinks that the French Seventh army should have emerged pretty well intact. The British expeditionary force probably suffered more than the Seventh and less than the Eighth or Ninth. Admiral Anderson thinks that a good bit of the British expeditionary force has already been withdrawn by water at night.

It was the Eighth and Ninth French armies that met the full weight of the German advance, and it was probably the commanders of these armies that Reynaud blamed for the withdrawal when he said that there were some grievous mistakes by high commanders.


W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

271

Confidential

INTER OFFICE COMMUNICATION

DATE May 21, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium
(3:00 P.M.)

1. I discussed the situation at some length with Colonel Magruder subsequent to our forenoon conversation. He thinks the most serious aspect of the situation is the apparent inability of the French to mount a large scale counter-attack. Before the French can complete their preparations, their formations have been sighted by the German observation planes. If a motorized contingent is near at hand, an attack in conjunction with dive bombing by planes is inaugurated by the Germans. These German attacks prevent the French from launching counter-attacks in concert and power.

2. Colonel Magruder is apprehensive that the small German forces now interposing between the Allied forces in Belgium and those in France will be built up and this wedge become permanent. He believes most of the French Seventh Army should have been withdrawn by land before now and that much of the British expeditionary force will be evacuated either by land or by water.

3. The German press claims that their airplanes are bombing British vessels evacuating the British expeditionary force to England. I think this may be true, because the British will probably have to evacuate some of their troops by water.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

272

Confidential

INTER OFFICE COMMUNICATION

DATE May 22, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in Belgium and France, 9:00 A.M.

1. The following is based on radio and newspaper reports. Commencing on the eastern end of the line in the Montmedy area, the French broke up a strong German attack on the western end of the real Maginot Line. Farther to the westward the Germans claim to have entered Rethel and to have crossed the Chemin Des Dames and reached the line of the Oise-Aisne Canal south of Laon. This is the nearest to Paris that the German line has reached, but it has not advanced far geographically. In the area St. Quentin-Cambrai-Valenciennes, the Allies are counter-attacking the Germans, both from the south and the north. One part of this attack has succeeded in recapturing Arras and fortifying the southern bank of the Somme River. This would indicate that the attack had come from the north from the forces endeavoring to fight their way back from southern Belgium and northern France. The French claim that their success at Arras has cut the communications of the German motorized forces operating from Abbeville. However, the Germans claim that these forces have fanned out to Montreuil and St. Pol.

2. The British Air Ministry announces that heavy attacks were made on German communication lines in Belgium and France.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

274

Confidential

INTER OFFICE COMMUNICATION

DATE May 22, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Is the German Drive Likely to be Stopped by a Shortage of Gasoline?

Conclusions:

Although current consumption of gasoline in the present active campaign is probably running ahead of production and imports, stocks accumulated through the inactive months are sufficient to meet the excess consumption. In addition, the gasoline reserves seized in the invasion of the Netherlands and Belgium will help reduce the deficit. However, the dependence of the German war machine mainly on synthetic gasoline plants which are within the range of Allied bombers brings out the possibility of Allied air action creating a shortage of gasoline.

1. Total gasoline secured for consumption by Germany from production and imports from countries not cut off by the blockade is about 325,000 tons per month. In addition, there is an unknown amount secured by Germany by leaks through the blockade.

a. Germany is now producing around 270,000 tons of motor fuel a month. The bulk of this is synthetic gasoline, estimated at 150,000 tons monthly. Benzol and fuel alcohol are produced at the rate of 70,000 tons a month. Production from natural crude is estimated at 40,000 tons.

b. Total imports of gasoline and gasoline equivalent of crude from Romania, Russia, and Esthonia cannot be more than 55,000 tons a month at present.

Imports of gasoline from Romania since the war began reached a peak of 46,000 tons in October, of which 8,000 tons was gasoline produced out of imported Romanian crude. In recent months, the volume has been around 25,000 to 30,000 tons a month. While there are no figures available on imports from Russia and Esthonia, fragmentary reports indicate that these have been very small, probably not larger than 15,000 tons of gasoline a month.

2. Current consumption of gasoline in this active campaign is estimated to be 420,000 tons a month. During the winter it was probably not more than 250,000 tons a month.

a. The German Army of two hundred divisions and 350,000 vehicles in a month of active campaign would consume 290,000 tons of gasoline. An Air Force maintaining a constant strength of 7,000 combat planes and training 10,000 pilots every six months would consume 50,000 tons of gasoline a month. Civilian consumption is probably not more than 80,000 tons a month. This last estimate is based on the following reasoning: Total military and official consumption of gasoline in 1938 was 1.5 million tons a year. At least half a million tons were consumed by the military establishment, leaving one million tons for official use. The factors leading to expansion of this official consumption are

probably counter-balanced by factors restricting its expansion, so one million tons a year is a fairly reasonable guess of the war-time consumption.

b. During the inactive months, consumption by the Army and Air Force was at least fifty percent smaller than it is during the active campaign. This gives an estimate of 145,000 tons for the Army, 25,000 tons for the Air, and 50,000 tons for civil uses, or a total of 250,000 tons a month.

3. During the inactive months, October through April, Germany was probably able to add around 75,000 tons of gasoline a month to her reserves. At present she would be consuming about 95,000 tons a month from her reserves, assuming there is no leakage through the blockade. Since Germany probably has at least one million tons of gasoline in reserve, she runs no danger of having to stop her drive from lack of gasoline, providing the Allies do not wreck her gasoline stores, refineries and, most important of all, her synthetic gasoline plants.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

277

Confidential

INTER OFFICE COMMUNICATION

DATE May 22, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Situation in Belgium and France
(4:30 P.M.)

1. Commencing at the eastward from the region of Montmedy as far west as Bethel, there has been no change. From Bethel the French have established a line running along the south bank of the Aisne River to the Aisne-Somme Canal, thence down the Somme River to the Channel. They hold the south bank of the Somme River at Amiens. They are reported to have recaptured Abbeville, and they still hold Arras. In the neighborhood of Cambrai there has been severe fighting, and the communique from Paris uses the same word used yesterday -- that the condition is chaotic.

2. In Belgium the British are heavily engaged with the Germans along the line west of Ghent and then along the Escaut River. They are reported to be putting fresh divisions into this fight. This indicates that they believe the French, fighting in the northward from Peronne and southward from the neighborhood of Arras - Douai and Cambrai, can close the gap and re-establish communications.

3. Berlin claims that it will be only a matter of a few days before the resistance of the troops in Belgium and northern

France will be gone. The French claim that the British and French armies inside the German circle of mechanized units are "intact and still retain their freedom of movement".

4. General Weygand took an airplane trip over the whole area and then made the dispositions for a counter-attack.

5. Prime Minister Churchill flew over to Paris yesterday for a conference, afterward returning to London.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

279

Confidential

INTER OFFICE COMMUNICATION

DATE May 23, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France and Belgium at 9:00 A.M.
(Based on Radio and Newspaper Reports)

1. The French report nothing of importance except in northern France and Belgium. The Germans report they have broken through the British rear guard at Audenarde on the line of the Escaut River, south of Ghent. In northern France they claim to have widened their hold on the Channel coast but do not claim to be either in St. Pol or Montreuil. It was reported yesterday that they had reached those positions. The French state definitely that Arras is in their hands.

Both the French and Germans report that the heaviest fighting is in the neighborhood of Cambrai and Valenciennes, where the French Army in southern Belgium is endeavoring to break through and join the southern French detachment that is trying to push northward to Peronne. Part of Amiens, north of the Somme River still is in German hands.

2. The German High Commander in Belgium, Reichenau, was very modest in his claims. He stated that the Germans had won the first round but that they realized the main British and French Armies were still intact.

3. The German air forces bombed the port facilities at Zeebrugge, Ostend, Dunkirk, Calais, Boulogne, and probably Havre.

They also destroyed the railway stations at Compiègne and Creil. London admits that the chief danger to Allied communication lines arises from this bombardment. These ports can only be used at certain times at present.

The British have correspondingly attacked German railways and railway stations from Aachen, Namur, and Dinant and also attacked German columns moving on the road.

4. Both sides were vague about the geographical positions of their troops. Both stated the fighting was desperate and chaotic.

5. In Tokyo the official Domei News Agency stated that the German statement that she was not interested in the East Indies gave Japan a free hand in those islands.

6. London warned the Britons against excessive optimism on the basis of local successes by the Allies.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

281

Confidential

INTER OFFICE COMMUNICATION

DATE May 23, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in Belgium and France at Noon

1. The following interpretation of events is based on a conversation with Colonel John Magruder. Apparently the British insisted on attempting to hold the English Channel ports, which meant attempting to keep the western part of Belgium. It involves a major effort on the part of the French and British in Belgium and northern France to regain touch with the French army to the south of the Somme.

2. Colonel Magruder believes that Weygand is making preparations as rapidly as possible for a major effort via Peronne and St. Quentin to form a junction with the British and French trying to move southward from Arras, Douai, Cambrai, and Valenciennes.

The Germans are reinforcing this salient as rapidly as they can, and again it is a question of who can bring the most forces to bear in these critical points.

3. It will take a little time to concentrate the French force in sufficient depth to make the major effort required to join hands with the British and French attempting to come down from the northward.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 23, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium
(4:00 P. M.)

1. The following is based on the news in the papers and a conversation with Major Betts, Military Intelligence.

There has been very little change in the geographical situation. There has been stiff fighting between the French and British and the Germans on the Valenciennes - Cambrai front. The British and French have an artillery superiority. Almost due south of Cambrai, in the neighborhood of St. Quentin, the French are taking the offensive in an effort to join hands with the force in the neighborhood of Cambrai.

In the meanwhile the Germans have been reinforcing the bulge and have infantry divisions along the Chemin Des Dames and continuing into the westward as far as Peronne.

2. The time for the French to make a major counter-attack from the south is within the next forty-eight hours. Otherwise, the Germans will have consolidated their position certainly as far west as Peronne and probably farther.

3. The force operating along the Channel ports is estimated at one motorized division, about four hundred tanks and six to eight thousand men. These tanks are supplied with fuel by airplane,

probably at night, which has enabled them to continue operations although practically surrounded by enemy troops.

4. On the political side, the most interesting event was a report from a Black Shirt paper in Italy to the effect, "It is a mistake to suppose this war is about ending. The United States is just getting ready to join, and the British dominions will fight on even if England is defeated."

This statement in a Fascist newspaper may signify a further delay on the part of Mussolini.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 23, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Situation in France and Belgium
(9:00 A.M.)

1. The most important development has been the increased German pressure in the northern area from Ghent to Maubeuge. The German High Command claims that they have smashed through the line along the Scheldt River, reached the Lys River, and captured the town of Tournai. The Germans also claimed to have captured the fortress of Maubeuge.
2. In addition, the Germans have been pushing troops through the corridor towards the Channel ports. These German reinforcements are attacked both by Allied artillery and Allied airplanes. Paris reports that these detachments that get through the corridor are small and many of their units have been destroyed.
3. The French report they have solidly occupied the positions on the Somme front and that on the eastern part of the line, in spite of heavy German attacks, the Germans have not been able to advance.
4. The significant part of today's information is that the Allied counter-attacks have not been able to close the gap between Peronne on the south and Cambrai on the north. Next in importance is the fact that the Germans have been able to advance their line in Belgium and continue the offensive in the Sedan area.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 23, 1940

TO Secretary Hargrathen
FROM Captain Paleston
Subject: Information received from Coast Guard

1. The Italian radio station at Koltano is still broadcasting messages of weather conditions to ships at sea. It sent code messages to four large Italian tankers. It directed the steamship Salino to proceed to Naples.

2. In plain English it informed an American steamer that it had bullion from Piraeus, Greece, to New York and to make necessary arrangements for a strong room and an armed guard to protect same.

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 24, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium

1. The situation has changed for the worse. The Germans have retaken Arras and St. Pol and moved on to St. Omer and Calais.

2. Farther north they have pushed westward through Ghent and into Tournai. They have also captured Douai.

3. The most serious aspect of the situation is the apparent inability of the French to organize a counter-attack of any weight from the St. Quentin - Amiens area.

4. Unless the British, French, and Belgians left in Belgium can cut their way out to the southward, they will have to evacuate through two small ports, Dunkirk and Ostend.

5. A press dispatch from Rome reports that the Italian steamship "Rex", due to sail May 29, has been delayed to June 12.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 25, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in Belgium and France (at Noon)

The following interpretation is based on conversation with Military Intelligence.

It is reported that ammunition and supplies are running short in the Allied Army in Belgium. General Weygand has promised good news to France in the near future. Doubtless this refers to the counter-attack to join hands from the Amiens-Peronne area with the Allied troops fighting around Cambrai.

Our Army think this junction will have to be effected within the next forty-eight hours in order to extricate the Allied troops now encircled.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

288

Confidential

INTER OFFICE COMMUNICATION

DATE May 25, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Present Situation in Metal-Working Machinery and
the Possibility of Diversion to Airplane Production.
(Enclosures: List of important machine tool pro-
ducers and map showing their locations)

1. The information submitted herewith you may already have.

It was obtained in conversations with various people in whom I have confidence, among them Mr. Lind, Chief of the Division of Machinery in the Department of Commerce, and Mr. Mason Britton, Vice Chairman of the Board of the McGraw-Hill Publishing Company, who publishes the trade paper "American Machinist". Both Mr. Lind and Mr. Britton have been familiar with the metal-working industry in this country for several years.

2. In 1937 twenty percent of the production of metal-working machinery was exported. Last year the proportion exported was around thirty-five to forty percent of total production. During the past decade Russia has been the best customer, but her orders have now practically been filled. England and France also have large orders in this country. Japan has substantial orders here, on which deliveries are now being made, and this machinery could probably be commandeered by this government if it could be usefully employed. Generally, the manufacturers who have supplied Japan have received payment in advance, so that this machinery already is paid for and if it is commandeered,

it will subject the companies concerned to suits by the Japanese Government for failure to deliver.

3. The largest domestic consumer of metal-working machinery is the automotive industry, which absorbs twenty-five to forty percent of the machine tools produced in this country per year. The tools used in the automotive industry are not identical with those used in the production of airplane engines. But the companies and mechanics who produce these tools, with a little modification of method and training, can produce tools for the airplane engines.

4. The heavy industry in the United States is today booked to capacity for the ensuing year. Therefore, to increase the machine tools for airplane engines, it will be necessary to divert mechanics from working on foreign orders and on less essential domestic machinery. The two largest sources indicated are:

- a. Machine tools built for Japan and not yet shipped, and
- b. The automotive industry.

As a measure of the number of mechanics that might be made available from the automotive industry, General Motors employs roughly five thousand tool makers on retooling its machinery for new-model automobiles each year. General Motors produces about thirty percent of the motors; if other automobile companies are in proportion, it would mean that seventeen thousand mechanics

could be made available for working on machine tools necessary for airplane engines.

W. D. Fuleston
W. D. Fuleston,
Captain, U.S.N., Retired.

MACHINE TOOL BUILDERS

Revere Machine Tool Company,
Dexter Road,
East Providence, Rhode Island

The Ames Machine Tool Co.,
4955 Spring Grove Avenue,
Union Place, Cincinnati, Ohio.

The Ames Machinery Company,
4935 St. Clair Avenue, E. E.,
Cleveland, Ohio.

The Adams Company,
550 Fourth Street,
Bridgeport, Iowa.

Chas. G. Allen Co.,
Barre, Massachusetts.

Apex Manufacturing Co.,
Bechtel Branch P. O.,
Cleveland, Ohio.

American Boreach & Machine Co.,
Div. of Superfund Machine Tool Co.,
Box Arthur, Bridgeport

American Tool & Machine Co.,
1415 Hyde Park Avenue,
Boston, Massachusetts.

The American Tool Works Co.,
Forest and Englewood Avenues,
Cincinnati, Ohio.

E. C. Ames Co.,
Baltimore, Mass.

Armstrong-Alton Mfg. Co.,
2853 Blackhawkdale Ave.,
Chicago, Ill.

The Arter Drilling Machine Co.,
15 Sagamore Road,
Kennebunk, Massachusetts.

Auto. Drilling Machine Co.,
228 Chicago St.,
Buffalo, E. T.

The Automatic Machine Co.,
Bridgeport, Connecticut.

The Berg Drilling Machine Co.,
Knox, Lexington, Kentucky,
P. O. - Cincinnati, Ohio.

Baird Machine Co.,
Bridgeport, Conn.

Baker Iron, Inc.,
Post Street,
Pulaski, Ohio.

Baker-Cushman Co.,
Rockford, Illinois.

Bachman & Oliver Inc.,
1135 West 9th St.,
Cleveland, Ohio.

W. F. & John Barnes Co.,
201 S. Water Street,
Rockford, Illinois.

Barnes Drill Co.,
514-520 Chestnut Street,
Rockford, Illinois.

Boris E. Bartlett Company,
Crescent Arthur Presses,
Boston, New Hampshire.

Brown Machine Tool Co.,
Springfield, Mass.

Charles E. Busby and Company,
118-124 North Clinton Street,
Chicago, Illinois.

McDonald-Thames Co.,
Greenville, Mass.

Bullgren Machine Works,
Pittsfield, Mass.

Black Diamond Saw & Machine Works,
Bridg, Mass.

The Blanchard Machine Company,
54 State Street,
Dorridge, Massachusetts.

J. G. Blount Co.,
Woodland Street,
Beverly, Massachusetts

The Bodine Corporation,
317 Mountain Grove Street,
Bridgeport, Connecticut

Bugs & Emme Machine Tool Co.,
Cincinnati, Ohio.

Bradford Machine Tool Co.,
Cincinnati, Ohio.

The Breckenridge Machine Co.,
25000 St. Clair Avenue,
Cleveland, Ohio.

The Bridgeport Safety Emery Wheel Co.,
P. O. Box 2031,
Bridgeport, Connecticut.

Brown & Sharpe Mfg. Co.,
235 Promenade Street,
Providence, Rhode Island.

Bryant Chucking Grinder Co.,
257 Clinton Street,
Springfield, Vermont.

Buffalo Forge Company,
P. O. Box 965,
Buffalo, New York

Buhr Machine Tool Co.,
859 Greene Street,
Ann Arbor, Michigan.

The Bullard Company,
286 Genfield Avenue,
Bridgeport, Connecticut

Andrew C. Campbell Co.,
Bridgeport, Connecticut

Conedy Otto Mfg. Co.,
Chicago Heights, Illinois

The Carlton Machine Tool Co.,
Spring Grove Avenue & Meeker Street,
Cincinnati, Ohio.

Chambersburg Engineering Co.,
Chambersburg, Pa.

Cimatool Company,
Dayton, Ohio.

The Cincinnati Hickford Tool Co.,
Oakley, Cincinnati, Ohio.

292
Cincinnati Gilbert Machine Tool Co.,
3366 Beekman St.,
Cincinnati, Ohio.

The Cincinnati Lathe & Tool Co.,
3207-3211 Disney Street,
Oakley, Cincinnati, Ohio.

The Cincinnati Milling Machine Co.,
Oakley, Cincinnati, Ohio.

The Cincinnati Planer Co.,
3120 Forrer Street,
Oakley, Cincinnati, Ohio.

The Cincinnati Shaper Co.,
Hipple, Carrard and Elm Sts.,
Cincinnati, Ohio.

Cleesman Machine Tool Co.,
Green Bay, Wisconsin.

The Cleveland Automatic Machine Co.,
2269 Ashland Road,
Cleveland, Ohio.

Cleveland Hobbing Machine Co.,
1170 E. 152nd Street,
Cleveland, Ohio.

The Cleveland Planer Co.,
3148-3156 Superior Avenue, N.E.,
Cleveland, Ohio.

Cochrane-Bly Co.,
St. James Street,
Rochester, New York

Colonial Broach Company,
147 Jos. Campau,
Detroit, Michigan.

The Columbia Machine Tool Co.,
1798 Fairgrove Avenue,
Hamilton, Ohio.

Cone Automatic Machine Company, Inc.,
Burratt Lane,
Windsor, Vermont.

Consolidated Machine Tool Corporation,
Rochester, New York.

Continental Machine Specialties Co.,
Minneapolis, Minnesota.

Covel Manufacturing Co.,
Benton Harbor, Michigan.

Davenport Machine Tool Co.,
167 Ames Street,
Rochester, New York.

Davis Keyseater Co.,
Rochester, New York.

Davis & Thompson Co.,
Milwaukee, Wisconsin.

Defiance Machine Works,
Dayton, Ohio.

DeVlieg Machine Tool Co.,
535-535 Eupp Avenue,
Jackson, Michigan.

DeWalt Products Co.,
Lancaster Pennsylvania.

Diamond Machine Co.,
9 Coddling Street,
Providence, Rhode Island.

The Demore Company,
Racine, Wisconsin.

The Eastern Machine Screw Corp.,
Truman and Barclay Streets,
New Haven, Connecticut.

Eilund Machinery Co.,
Cortland, New York.

Elgin Tool Works,
Elgin, Illinois.

Erie Foundry Company,
Erie, Pa.

Espan-Lucas Machine Works,
Philadelphia, Pa.

Etna Machine Co.,
Toledo, Ohio.

Ex-Cell-O Aircraft & Tool Corp.,
1200 Oakman Boulevard,
Detroit, Michigan.

Excelsior Tool & Mach.,
E. St. Louis, Illinois.

Farrel-Birmingham Company, Inc.,
Ansonia, Connecticut.

The Fellows Gear Shaper Company,
Springfield, Vermont.

Fischer Machine Co.,
Philadelphia, Pennsylvania.

Fitchberg Engineering Co.,
Fitchberg, Massachusetts.

The Foote-Bart Co.,
13000 St. Clair Avenue,
Cleveland, Ohio.

The Foodick Machine Tool Co.,
Blue Rock and Apple Streets,
Cincinnati, Ohio.

Foster Machine Co.,
1109 Beardale Avenue,
Elkhart, Indiana.

The Fox Machine Co.,
Jackson, Michigan.

Frow Machine Co.,
124 W. Venango Street,
Philadelphia, Pennsylvania.

Gallmeyer & Livingston Co.,
Grand Rapids, Michigan.

Gardner Machine Company,
Beloit, Wisconsin.

Gear Grinding Machine Co.,
Detroit, Michigan.

Greeves-Klusman Tool Co.,
Cincinnati, Ohio.

General Machinery Corporation,
Hamilton, Ohio.

The Geometric Tool Co.,
Blake & Valley Streets,
New Haven, Connecticut.

Giddings & Lewis Machine Tool Co.,
Fond du Lac, Wisconsin.

Gisholt Machine Company,
1245 E. Washington Avenue,
Madison, Wisconsin.

Gleason Works,
1000 University Avenue,
Rochester, New York.

George Gorton Machine Company,
Racine, Wisconsin.

The Coes & DeLesuw Machine Co.,
New Britain, Connecticut.

Gould & Eberhardt,
Chancellor Avenue & L.V.R.R.,
Newark (Irvington), New Jersey.

G. A. Gray Company,
3611 Woodburn Avenue,
Cincinnati, Ohio.

Greenard Arbor Press Co.,
Hahna, N. H.

Greenlee Bros. & Co.,
2100-2400 Twelfth Street,
Rockford, Illinois.

Grob Bros.,
Grafton, Wisconsin.

The Hall Planetary Company,
Fox Street & Abbotsford Avenue,
Philadelphia, Pennsylvania.

Hammond Machinery Builders, Inc.,
Kalamazoo, Michigan.

The Hammond Manufacturing Co.,
3069 E. Eightieth Street,
Cleveland, Ohio.

Banckett Manufacturing Company,
Big Rapids, Michigan.

Hannifin Manufacturing Company,
621 S. Kolmar Avenue,
Chicago, Illinois.

The Hanson-Whitney Machine Co.,
169 Bartholomew Avenue,
Hartford, Connecticut.

Hardings Bros., Inc.,
4147-49 Ravenswood Avenue,
Chicago, Illinois.

R. G. Haskins Company,
4636 W. Fulton Street,
Chicago, Illinois.

The Heald Machine Company,
10 New Bond Street,
Worcester, Massachusetts.

The Hendey Machine Company,
Torrington, Connecticut.

The Henry & Wright Manufacturing Co.,
760 Windsor Street,
Hartford, Connecticut.

The Hisey-Wolf Machine Co.,
Colerain and Marshall Avenues,
Cincinnati, Ohio.

Hjorth Lathe & Tool Co.,
Woburn, Massachusetts.

Hoefler Manufacturing Co., Inc.,
Jackson and Chicago Streets,
Freeport, Illinois.

Hunter Saw & Machine Co.,
Pittsburgh, Pennsylvania.

Huther Bros. Saw & Mach. Co.,
Rochester, New York.

Illinois Tool Works,
2501 N. Keeler Avenue,
Chicago, Illinois.

The Ingersoll Milling Machine Co.,
Douglas and Willoughby Avenues,
Rockford, Illinois.

The International Machine Tool Co.,
1118-1134 W. Twenty-first Street,
Indianapolis, Indiana.

Jones Machine Tool Co.,
Philadelphia, Pennsylvania.

Jones & Lamson Machine Co.,
Clinton and Whitmore Streets,
Springfield, Vermont.

Kearney & Trecker Corp.,
6784 W. National Avenue,
Milwaukee, Wisconsin.

Kent-Owens Machine Company,
958 Wall Street,
Toledo, Ohio.

The King Machine Tool Company,
Clifton Avenue and B. & O. R. R.,
Cincinnati, Ohio.

Kingsbury Machine Tool Corp.,
Keene, New Hampshire.

W. B. Knight Machinery Co.,
3920 W. Pine Boulevard,
St. Louis, Missouri.

William Laidlaw, Inc.,
Belmont, New York.

Lewis Machine Company,
Church and Fifth Streets,
Waynesboro, Pennsylvania.

Lewis Tool Company,
Sixth and Ringgold Streets,
Waynesboro, Pennsylvania.

Langellier Manufacturing Co.,
51 Washington Avenue,
Cranston, Rhode Island.

The Lapointe Machine Tool Co.,
34 Tower Street,
Boston, Massachusetts.

The E. K. LeBlond Machine Tool Co.,
Madison and Edwards Roads,
Eyle Park, Cincinnati, Ohio.

Lees-Bradner Co.,
Cleveland, Ohio.

Lehman Machine Co.,
3560 Chouteau Street,
St. Louis, Missouri.

Leland-Gifford Co.,
1025 Southbridge Street,
Worcester, Massachusetts.

W. C. Lipe, Inc.,
Syracuse, N. Y.

The Lodge & Shipley Machine Tool Co.,
3055-3065 Colerain Avenue,
Cincinnati, Ohio.

The Logansport Machine Co.,
Logansport, Indiana.

The Lucas Machine Tool Co.,
523 E. Ninety-ninth Street,
Cleveland, Ohio.

Mattison Machine Works,
Blackhawk Park Avenue,
Rockford, Illinois.

Merrill Mfg. Co.,
Toledo, Ohio.

Michigan Tool Co.,
Detroit, Mich.

Micro Machine Co.,
Bettendorf, Iowa.

Microscopic Hone Co.,
Detroit, Michigan.

Mitts & Merrill,
Saginaw, Michigan.

Moline Tool Company,
102 Twentieth Street,
Moline, Illinois.

Mosch Machine Tool Co.,
Sidney, Ohio.

Morris Machine Tool Co.,
Cincinnati, Ohio.

Morton Manufacturing Company,
Broadway and Hoyt,
Muskegon Heights, Michigan.

Murphy Machine & Tool Company,
951 Porter Street,
Detroit, Michigan.

National Acme Company,
Coit Road and E. 131st Street,
Cleveland, Ohio.

The National Automatic Tool Co.,
South Seventh and N Streets,
Richmond, Indiana.

National Broach & Machine Co.,
Detroit, Michigan.

National Machinery Co.,
Greenfield and Stanton Streets,
Tiffin, Ohio.

National Machine Tool Co.,
Cincinnati, Ohio.

National Tool Co.,
Cleveland, Ohio.

Newark Gear Cutting Mach. Co.,
Newark, N. J.

New Britain-Gridley Machine Co.,
New Britain, Connecticut.

The Noble & Westbrook Mfg. Co.,
East Hartford, Connecticut.

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The Radio Machine Tool Co.,
 21 Lexington Street & Boyle Ry.,
 Boston, Mass.

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1. The first step is to identify the problem. In this case, the problem is that the company is not meeting its sales targets.

Robert H. Thompson,
 251 West 41st Street,
 New York, N.Y.

THE

THE UNIVERSITY OF CHICAGO

The Trench Cable Machine Co.,
 1714 I. St., Baltimore, Maryland,
 represents New York.

For more information, contact the
 National Association of Manufacturers,
 1200 16th St., N.W., Washington, D.C. 20036.

Express & Transport Maritime Co.,
Shanghai, Chinese Republic.

THE HILLMAN-ROBERTS TRUST COMPANY,
INCORPORATED IN CALIFORNIA,
DEPOSITORS.

**Anderson Machine Co.,
Cleveland, Ohio.**

1. Intermittent Nocturnal Pruritus,
2. Intermittent Pruritus,
3. Pruritus, Generalized,
4. Pruritus, Localized.

Arthur D. Little and Associates, Inc.,
Boston and Cambridge, Massachusetts,
U. S. A.

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Richard S. Smith, Esq.,
Att'y, New York, N.Y.

Edwards Lathin & Corbiner Corp.,
Berkeley, Boston, Miami.

Rockford Drilling Machine Co.,
210 Catherine Street,
Rockford, Illinois.

Rockwell Machine Tool Co.,
2400 Kensington Street,
Rockford, Illinois.

Robertson Machine Co.,
Peterson, Cincinnati.

The Safety Controlling Wheel & Machine
(Cont.)
Gardner-Whitell, Chgo.

W. J. Savage Company,
Knoxville, Tennessee.

Schaefer Mfg. Co.,
Cincinnati, Ohio.

Sebestian Leather Co.,
Cincinnati, Ohio.

Mr. Sellers & Company, Inc.,
1600 Hamilton Street,
Philadelphia, Pennsylvania.

Syneca Falls Machine Co.,
Syneca Falls, New York.

Sibley Machine Co.,
206 E. Third Street,
South Bend, Indiana.

The Sifney Machine Tool Co.,
Highland Avenue,
Sifney, Ohio.

Sigourney Tool Co.,
Bartford, Connecticut.

Sleeper & Bartley, Inc.,
355 Chandler Street,
Baltimore, Maryland

Smith & Mills Co.,
2889-2891 Spring Grove Avenue,
Cleveland, Ohio.

Boyle's Tool & Engineering Co.,
3400 Lafayette St.,
Detroit, Michigan.

South Bend Lathe Works,
425 East Madison Avenue,
South Bend, Indiana.

Springfield Machine Tool Co.,
Southern Avenue & P.C.C. & St. L. Ry.,
Springfield, Ohio.

Stanley Electric Tool Company,
New Britain, Connecticut.

Stoker Unit Corp.,
Milwaukee, Wisconsin.

Sundstrand Machine Tool Co.,
2531 Eleventh Street,
Rockford, Illinois.

The Taylor & Fenn Company,
54 Arch Street,
Hartford, Connecticut.

The Thompson Grinder Co.,
Springfield, Ohio.

Torrington Co.,
Torrington, Connecticut.

The U. S. Electrical Tool Co.,
Sixth Street and Mt. Hope Road,
Cincinnati, Ohio.

Universal Boring Machine Co.,
312 Main Street,
Hudson, Massachusetts.

Van Norman Machine Tool Company,
160 Wilbraham Avenue,
Springfield, Massachusetts.

O. S. Walker Co., Inc.,
Worcester, Massachusetts.

Waltham Machine Works,
Waltham, Massachusetts.

The Warner & Swasey Co.,
5701 Carnegie Avenue,
Cleveland, Ohio.

Wells Mfg. Co.,
Twin Rivers, Michigan.

Wesson Company,
1050 Mt. Elliott Avenue,
Detroit, Michigan.

Wico Machine Co.,
Philadelphia, Pennsylvania.

Wickes Bros.,
Saginaw, Michigan.

Whitney Metal Tool Co.,
110 Forbes Street,
Rockford, Illinois.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 25, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in Belgium and France at 9:00 A.M.
(Based on radio and newspaper accounts)

1. The Germans claim to have "strengthened and finally closed" the iron ring around the Allied armies in Flanders. They took Ghent and Courtrai, in the central part of Belgium, and their motorized columns have occupied Vimy Ridge to the westward and in rear of the Allied armies in Belgium.
2. The counter-attacks by the French between Amiens and St. Quentin made little if any progress to the northward. Nor could the French and British forces attacking from the northward in the neighborhood of Cambrai and Valenciennes make any advance. The battle is still going on in an effort to close the gap between the two armies. It is essential that this be done and done quickly if the Allied armies are to break out of the German iron ring..
3. The first German raids on British towns were made last night in the Yorkshire and Norfolk region. This is the industrial part of central England.
4. It is reported that the Italians have cancelled all sailings of their big liners. Crown Prince Umberto, who hitherto has been considered pro-Ally and nominally second in command of the Italian Army, issued a fiery order of the day to the Italian troops yesterday.

5. The French have flooded the area around the Rhine-Rhone Canal across from Basel, Switzerland, in preparation for any attempt on the part of the Germans to come through Switzerland or the Italians to come up to attack the Italo-French frontier.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 27, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium
(4:00 P.M.)

1. The situation looks a little better. The Allies have captured Lens and Douai. In addition, they have had some successes on the southern side in the Peronne area.

2. Colonel Magruder voices the hope that the delay on the part of Weygand in making a major counter-offensive is due to his determination to get everything good and ready before he starts. This would require time.

3. Mr. Someray says advices from Switzerland indicate that the Swiss are feeling a little easier, both from apprehension of a German attack or an Italian attack. The feeling is that this war is not ending but just beginning.

Reports via Switzerland indicate that the Germans have taken heavy losses in their planes, motor equipment, and in their first-class personnel; they also indicate there is no Italian pressure on the French-Italian frontier.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 27, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation at Noon

1. The Germans are attacking east of Ypre, north of Vluy, and from the west of Courtrai towards Ypre with a view to separating the Belgian and British forces.

2. They are also attacking east of Amlens and claim to have one bridge across the Somme River to the east of Amlens. The French deny this.

3. The French attack from the southward has not yet commenced.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

Confidential

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 27, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France and Belgium
(9:00 A.M.)

1. The situation of the Allied forces in Belgium and northern France is desperate. While the French have been unable to advance from the southward to close the gap, the Germans operating from Arras, St. Pol, and St. Omer have actually widened the gap to the northward.

The French admit the loss of Boulogne over the weekend. They still claim Calais, although the Germans claim that they are in possession there.

2. Apparently the French have been able to get some bridgeheads over the Somme River. If they can push from the Peronne-Corbie area to Bapaume, they can save much of the army now fighting in Belgium.

The French claim, and it probably is correct, that the Germans have had heavy losses in the last few days of frontal attacks on the Allied forces in Belgium.

3. General Weygand reports that he has reestablished the main French line running along the Aisne, Oise-Aisne Canal, and Somme River.

4. Lieutenant General Sir John Greer Dill, who has been placed in command of the British Army is regarded by Admiral Anderson as the best general in the British Army. He told me six weeks ago that General Dill should have been given command in the first instance.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 28, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Current Chinese Transportation Situation

Summary: In the last few months there has been a gradual, continued improvement in the Chinese transportation situation. This is shown in the uninterrupted use of the Indo-China Railroad, a serious beginning in the transshipment of commodities from Indo-China to Burma, reduction of congestion at Haiphong, completed shipment of almost one thousand trucks from Indo-China into China, increasing participation by foreign companies in helping China solve its transportation problem.

1. Since April 1st the Indo-China Railroad has been operating uninterrupted by Japanese bombers. With a capacity of 24,000 tons per month, this route of supply alone can carry more than double the total imports received by China in each of the winter months.

2. Transshipment of supplies from Indo-China to Rangoon is reducing the congestion at Haiphong.

Since April the Chinese have seriously been undertaking the transshipment of cargo from Haiphong to Rangoon. Several shiploads have already been transferred. The Chinese Government transportation company is also trying to enforce a limitation on the amount of new cargo arriving in Indo-China.

3. Since January 1st over nine hundred trucks have been driven into China from Indo-China, leaving only six hundred and fifty at Haiphong. These trucks have been going into China over the new Caobang road running the gauntlet of Japanese air attacks to do so. On May 15 the French Governor-General stopped the Chinese from moving the remaining six hundred and fifty trucks (bought on U.S. credits) into China. The United States on May 21 protested this action to the French Foreign Office which stated that it would endeavor to obtain the release of these trucks. No further information is available.

4. The General Motors Company has sent a travelling "Service School" into China to provide instruction for Chinese drivers and mechanics. This "Service School" consisting of two vans and three trucks contains a complete travelling work-shop. It is to operate between Yunnan and Chungking.

5. Representatives of oil companies are favorably impressed with the Burma Road. The American consul in Indo-China reports that transportation men representing two large oil corporations who have recently inspected the Burma Road are unexpectedly optimistic as to its potentialities.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE May 28, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France and Belgium
9:00 A.M.

1. The capitulation of the Belgian Army renders the position of the British and French forces in Belgium and northern France almost hopeless. Apparently Dunkirk is still in the hands of the Allies, and it is the only harbor by which British forces could be evacuated by sea.

2. On the southern flank of the Allied army in Belgium the Germans claim to have broken through between Tournai and Valenciennes and further constricted the area held by the Allied army in Belgium and northern France.

3. General Weygand has not been able to mount the counter-attack from the area of Peronne.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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Confidential

INTER OFFICE COMMUNICATION

DATE May 26, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium

1. The surrender of the Belgian Army has precipitated a situation which was becoming inevitable unless Weygand could have closed the breach between the two Allied armies. At present there seems to be a lull in the fighting in the Belgium - northern France area. This may denote that negotiations are taking place between the British and French armies remaining in that area and the German High Command.

Winston Churchill, in a five-minute speech in the House of Commons, warned the people to prepare for sad tidings. Even if part of this British and French army should break through, and there is still a chance that some of it can break through, the general situation would not be greatly changed.

2. The Germans have probably lost in the neighborhood of 400,000 men since they began the attack on Holland. It is estimated by our Army that some sixty percent of their motorized equipment must by now be destroyed or requiring extensive overhauling. Among the 400,000 men were some of the finest of the shock troops, parachute jumpers, and aviators in the German Army.

3. The Germans are now in a position to:

- (a) Offer peace terms to France or England or both.
- (b) Consolidate their position in Belgium and attempt to invade England.

(c) Attack the French Army that now extends from Longwy to the English Channel at the mouth of the Somme.

I believe that England and France will still refuse any peace terms with Hitler, and I think that it will be a simpler matter for the Germans to continue their attack on the French Army than to attempt the invasion of England. So, in spite of the well-advertised invasion of England by the Germans, I think the Germans will, perhaps after offering peace terms, continue their attack on the French.

4. In such an attack the Germans will have the advantage of air superiority, the selection of the time and place to attack, and a greatly heightened morale, due to their recent victories. Against this the French have a fairly strong line behind which they have had time to place their reserves. I believe that the Germans can continue their advance into France, but I believe that the French can make them pay heavily for any territorial gains; at any rate, the Germans can not move with the same rapidity that they did through Holland and Belgium.

5. If the Germans do attempt to invade England and Scotland, I think they will depend mainly on their air and try to get soldiers over by air transport, to be followed up by soldiers in

Secretary Morgenthau - 3

merchant ships if they can keep the British Navy from interfering.

6. Stalin must be doing some serious thinking. He would be in a precarious position if Germany is triumphant over France and England. We have word that already there is a drawing together of Russia, Bulgaria, and Yugoslavia to meet any Italian threat in the Balkans.

While the German Army is incomparably more efficient than the Russian, the Russians have been preparing defensive lines since the end of the Finnish war, and they could put up a respectable defense to any German advance to the eastward, provided they do it while there is fighting on the Western Front.



W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 28, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium
(4:00 P.M.)

Mr. Duff Cooper announced over the radio that the British were beginning to withdraw their troops from Belgium. They will have considerable difficulty in effecting a withdrawal, because they have only one port, Dunkirk, left.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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Confidential

INTER OFFICE COMMUNICATION

DATE May 29, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in Belgium and France

1. The British and French armies in northern France and Belgium are fighting rear guard actions with the Germans in an effort to evacuate some of their troops from Dunkirk. The French army to the southward, around Amiens and Peronne, have not been able to take the offensive and probably will not.

2. The German radio broadcast yesterday, in French, appeals to the French people and French Army to cease fighting a hopeless war for Great Britain.

3. The Germans admit heavy losses and that the British and French armies are intact and resisting. Apparently the bulk of the French army is in the neighborhood of Lille, and the Germans are closing in from the west, south, and east on their position.

4. In the Balkans the conversations between Russia and Yugoslavia are now dealing with political as well as economic questions. If Italy should move into Yugoslavia, I believe Russia will come to the assistance of Yugoslavia.

5. The British report the capture of Narvik.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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Confidential

INTER OFFICE COMMUNICATION

DATE May 29, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France and Belgium
(4:00 P.M.)

1. The Germans have driven a wedge into the remaining sector held in Belgium and northern France. It ran north of Armentieres to Ypres. In the meanwhile the Allies are evacuating some of their troops via water. The Germans admit that some of them are getting away. It was announced from Paris that French and British naval units are massed along the Flanders Coast to cover the retreat and evacuation of the Allied Army, and Viscount Gort assured King George VI that the entrapped British army would live up to its proud tradition.

2. In the meantime, Weygand has apparently secured the bridgeheads across the Somme River but is consolidating his defenses rather than attempting to take the offensive. It would appear now that when he assumed command he decided it was impossible to attempt an offensive without risking the whole of the French Army.

3. I believe the German Army will attack the French Army before it attempts any invasion of England.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 30, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium

1. The evacuation of the Allied army in Flanders is being carried out via Dunkirk and possibly adjacent small channel ports. Rear guard actions by Allied troops have already held the Germans back sufficiently long to permit some of the beleaguered troops to embark.

2. The Allied navies and air forces are covering the embarkation by gunfire and bombing attacks. The German land forces are attacking continuously and apparently have separated the Allied army into two parts, the southern, mostly French, in the vicinity of Lille, and the northern, mostly British, in the neighborhood of Dunkirk.

3. The German air force is bombing the Allied navies and transports in a determined effort to prevent the embarkation of the Allied troops; the Allied air force and navy is attacking the German air force. The result is one of the fiercest air battles of the war. The Germans claim to have sunk numerous men of war and transports; the Allies say these claims are fantastic. The Germans have probably sunk less than they claim.

4. To date there has been no large-scale surrender of Allied troops, no crumbling of formation, and no recrimination between French and British commanders. The withdrawal is taking place under the utmost difficulties, but the disciplined coherence of the Allied armies has stood up. Eventually some large formations will have to surrender.

5. It makes comparatively little difference exactly how many Allied soldiers are evacuated; it means much for the future conduct of the war if the two Armies can take this beating and still retain their military self-respect and mutual confidence.

It is also important that the Allies fight to the last round of ammunition, for thereby they inflict losses which the Germans can ill afford and gain further time for Weygand to prepare for the next German offensive, which I believe will be launched against the French Army rather than embarked on an invasion of England.

6. As a tactical operation this campaign is an almost unrelieved failure for the Allies, but if the morale of the British and French people and the mutual confidence of the Allied Armies can survive this ordeal of defeat, the two democracies can still look forward to victory with confidence.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

Personal and confidential

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TREASURY DEPARTMENT
WASHINGTON

May 31

Memo for Secretary Morgenthau

Colonel Magruder told me that the British had already evacuated 80,000 troops, and expected to evacuate 90% of the remainder. The German High Command are explaining to their people that "bad weather" prevented air operations.

The "Defiant" ^{new British} plane equipped with a turret has been remarkably successful. I was told this fact one highly confidential source.

W.D.P.

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TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 31, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France and Belgium at Noon
(Based on conversation with Colonel Magruder)

1. Colonel Magruder thinks the situation is brighter for the Allies. The British Army has fought magnificently and has gotten off a goodly portion of its soldiers already and expects to get about ninety percent of those now remaining. While the French army had been encircled, they have been sifting through the German lines.

2. Although the Germans have superiority in the air, there are reliable reports that individually the Allied fighting planes are better and are taking heavy toll of the German Air Force. This Colonel Magruder thinks is due to the introduction of a new plane.

3. He says, also, that there is no question that the German Army has suffered severely in this operation and that they are now explaining to their people at home that it was bad weather that enabled the Allies to escape from the net.

4. The main French Army under General Weygand is mopping up all the bridgeheads south of the Somme. Today they mopped up the one around Abbeville, capturing several hundred German troops. The British have sent new formations from England to join the French along the Somme.

W. D. Puleston
W. D. Puleston
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE May 31, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium

1. The situation in Flanders is not very different geographically, but it is much better for the Allies than was expected. Every day they can hold the Dunkirk line means evacuation of more troops. Furthermore, the fact that their formations can stand such an attack speaks volumes for their discipline and morale.

The immediate defenses of Dunkirk are held by French marines. These are the same detachments that fought under Admiral Ronarch with such distinguished gallantry in the battle of Flanders in 1914 and held up the German advance to the Channel. They are excellent troops.

2. On the larger side the fact that the naval forces are able to give artillery support to troops ashore in spite of the heaviest dive bombing attacks shows that the invasion of England will not be any easy task, even for a triumphant German Army and Air Force.

3. It is reported that already new British formations have been landed in France and are now operating with the French in the Somme area. This is important because it indicates

first, the feeling that these troops can be spared from England and, second, a determination of the British to fight alongside the French.

It is reported from Berlin that the Germans made intensive air attacks on Amiens, completely shattering the town. The French had regained over half of this city. This German attack may indicate the future direction of the German offensive in France. The weakest point, geographically, is in the neighborhood of Amiens and in the region to the eastward until the line of the Oise-Aisne Canal is reached.

4. On the political side it is announced from Berlin that an important statement will be made by Propaganda Minister Goebbels. The last time such an announcement was made it was a dud. However, the conjecture has been made that the announcement will concern the participation of Italy in the war.

5. An American correspondent in London reports that the soldiers returning from Flanders are not overly depressed by their experience and do not carry themselves like a defeated army. This same correspondent reports that there is no sign of defeatism in England.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

DIARY

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June, 1940

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TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 1, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Future Course of the United States

1. American opinion is overwhelmingly in favor of giving all possible aid to the Allies short of sending troops abroad. Simultaneously, there is a wave of pessimism in this country concerning the ability of France and Britain to resist the Germans. I think these extreme apprehensions may do considerable harm, and for that reason I venture to make the following observations:

2. It will be much easier for the United States to meet the menace of Germany by keeping the British and French in the field and fighting than to assume that, as is already being done in some official circles, England and France are already defeated and the United States must concentrate its efforts on hemisphere defense and its own continental security.

I heard the same sort of pessimistic observations in 1917, and if we now take counsel of these fears and do not assist England and France, we can create the very situation we dread.

3. Assuming the most dangerous situation that can arise, namely, the immediate participation of Italy and a German march through Switzerland, the German Army will encounter considerable resistance and will have to support the Italian Army. It will take time, even for Germany and Italy, to destroy the French Army reinforced by the British.

The most important military advantage that Germany and Italy possess is in the air, and if we let the Allies have all the planes we can possibly spare, they can increase the resisting power of the Allied troops in France to an almost unbelievable extent. More even than the direct assistance would be the assurance that the French and British people would have of an eventual victory.

In this connection, there has not been a continental European country that has not been repeatedly invaded by successful enemies, but over a long period of time the frontiers of Europe have not changed extensively. Time and space will absorb the military power of Germany just as they have absorbed the military power of other conquering nations.

4. If in 1917, when we learned the full extent of the precarious position of England and France, we had taken the defensive attitude now proposed, we would have let England lose the war and have had to fight Germany alone. It is simply common sense to give every immediate aid to England and France that is in our power. And at the earliest moment that American opinion will permit we should send destroyers and cruisers equipped with anti-aircraft guns to help keep the sea lanes of the English Channel open. With these should go all the military and naval aviation that we can spare.

Secretary Morgenthau - 3

5. I am sure the foregoing views are not in accord with some naval and army opinion, but I hold them after considerable reflection, both on the war of 1914-1918 and the circumstances existing today. And in support of them I offer this thought: That the correct military judgment of General Pershing in insisting upon creating an independent American Army was one of the contributing factors in the German break through in March and April, 1918. Admiral Sims took the position that he could put American naval units in with British naval units. If Admiral Sims had taken the attitude of General Pershing and held out to create an American fleet before going to war, we would have lost the last European war.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

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TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 1, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in Europe

1. Apparently the Allies have been able to evacuate between one-half and three-fourths of the British Expeditionary Force and a substantial number, about twenty thousand, of the French. They may succeed in evacuating more French who are attempting to cut their way to the sea.

2. Almost as important as the saving of these troops is the fact that the Allied naval and air power was sufficient to hold the bridgehead of Dunkirk and permit an orderly evacuation. This indicates that naval vessels can stand with bearable losses in the presence of a greatly superior air force, which would further indicate that any invasion of England would be fraught with great hazards to the Germans.

Next in importance is the fact that both the British and French armies have behaved with extraordinary intrepidity in the face of an appalling situation. None can now question the discipline, morale, and cohesion of British or French units. The question now remaining is whether the French and British people can stand the burdens of a long war. Information we have from France indicates that, at present at least, French morale is high. The same is true of the United Kingdom.

3. Indications are that the Germans will have to re-form and re-group their Army before undertaking the next blow. It is also indicated that they will attempt to destroy the French Army before attempting an invasion of Great Britain. This is the wiser procedure for the German High Command.

4. The attitude of Italy is more and more threatening, and all reports we get indicate that she is on the verge of joining Germany. There are several courses of action open to Italy acting as an ally of Germany. I think the most dangerous to France and England would be a direct attack on France in conjunction with a German invasion of Switzerland, with a view to turning the southern flank of the Maginot Line. This would present the most direct threat to the whole French Army. It would also involve the Italian Army and the industrial north of Italy in the gravest burdens of the war. I do not think Mussolini will attempt this unless he is given direct assistance from Germany in aviation and German divisions to act as shock troops in front of his army.

Italy could launch an attack on Malta, Egypt, or Tunis. Neither Malta nor Tunis is vital. Egypt is strongly held, and it would be a difficult campaign for the Italians.

Italy might be able to get Franco to participate in a campaign against Gibraltar. Gibraltar is not as strong as it was before the advent of aviation and long range artillery, but

Secretary Morgenthau - 3

I still believe it would be a hard nut to crack. If Franco should join Italy and Germany against the Allies, it would be possible for France to unleash the Nationalist troops that were interned in southern France after the civil war to wage guerrilla war against Franco's army.

If Italy moves towards the Balkans or into Yugoslavia, she will excite the jealousy of both Turkey and Russia, and it would be possible to create a Slavic bloc that would thoroughly complicate the entire Balkan situation with utterly unpredictable results.

5. Stalin must be doing some serious thinking now. He knows a triumphant Germany, relieved of all fear of France or England, would seize the Ukraine and assess its own terms of trade with Russia. At the same time, Russia is in no military condition to resist Germany unless France and England continue to keep Germany busy on the Western Front.

6. Hitler has been able to utilize both Stalin and Mussolini as potential allies, although Mussolini and Stalin each are jealous of the other and have conflicting interests. Hitler has been able to accomplish this difficult feat as much by the success of his armies as by the skill of his diplomats. So it is not unlikely that both Stalin and Mussolini will be guided by military events on the Western Front in the near future.

Secretary Morgenthau - 4

7. The dispositions for war of the Italian troops, ships and planes are nearing completion. We can expect no further signs of war. The fact that the Allies succeeded in evacuating such a large part of their troops from Flanders will have more to do with Mussolini's decision than any amount of talking. He may even now join Germany; he certainly would have joined Germany had they succeeded in preventing the evacuation of the British Expeditionary Force.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 3, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium
(3:00 P.M.)

1. Berlin announces that the Germans have bombed air fields and airdromes in the vicinity of Paris. Yesterday German airplanes dropped leaflets over Paris saying that it would be the last quiet Sunday Paris would enjoy. The bombings in Marseille and Lyon are believed to have been efforts to reach aircraft factories known to be in that area.

2. Taken together these bombings can be regarded as preliminary to an offensive in France. The French High Command have reported identifying two German concentrations, one to the east of Rethel and another considerably to the west of Rethel.

3. Our Army estimates that about eighty percent of the German motor transport still available is in need of urgent repairs. Some believe it will be ten days before the motorized transport can be ready for an offensive. It is known that mechanics have been sent from Germany to facilitate these repairs, and there is no one who can estimate precisely when the German attack will come nor where it will fall.

4. In the meanwhile, the prolonged resistance at Dunkirk has compelled the Germans to divert increased forces there and

Secretary Morgenthau - 2

keep them there longer than anticipated. Our Army accepts the figures given by Anthony Eden as correct and believes that since his statement was made additional troops, mainly French, have been brought out. As Eden estimated that they had recovered eighty percent of their forces and only mentioned nine British divisions, it would indicate that one British division had not participated in the advance and would be somewhere in France. In addition to evacuating the British troops, at least forty thousand French troops have been evacuated.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

-10

Confidential

INTER OFFICE COMMUNICATION

DATE June 3, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France and Belgium

1. The Allies still hold Dunkirk and are evacuating soldiers who are now reported to be predominantly French. The holding of Dunkirk is not only valuable for getting out additional Allied soldiers, but it inflicts further losses on the Germans and gives Weygand valuable time to increase his defenses of France.

2. In the political field, the longer Dunkirk holds, the longer Mussolini will hesitate to enter on the side of Hitler.

3. The Germans are reported to be preparing for a mass attack along the Oise-Aisne-Argonne front. Weygand is making the necessary dispositions to meet this attack.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 3, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Visit to New York

Unless you have some special work for me here, I propose to go to New York on Tuesday, June 4, after office hours, and return either late Thursday night or sometime Friday morning.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 4, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France

1. The British and French still hold Dunkirk and are evacuating more troops. Apparently they are near the end, as they report that their rear guard lines are thinly held. Also the Germans claim unofficially to have entered the outskirts of Dunkirk.

The British announced that in the evacuation they lost six destroyers and twenty-four smaller vessels, mainly mine-sweepers and trawlers.

2. Interest now centers around the probable German offensive in France. The two weakest points in the French line are between the Somme and the Oise rivers in the west of France and between the Oise and the Aisne in north central France. My own conjecture is that the next German offensive will be in this area. However, the Germans have concentrated eastward of Reims and may elect to attack in this more difficult country.

3. Last night the Germans bombed Havre, the port of Paris, obviously with a view to making it difficult for British reinforcements to reach that area. However, the Allies are prepared to

Secretary Morgenthau - 2

forward troops from England to France via Brest, St. Nazaire, or even Bordeaux.

4. On May 19 Weygand said that if France would hold out for thirty days Germany would be beaten. Sixteen of these thirty days have already elapsed.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 4, 1940

TO Mrs. Klotz
 FROM Catherine Rippey

All of Captain Paleston's memoranda were returned to us (up to those of May 23) except these five:

Shipments of heavy machinery from the U.S. to Japan and Russia (February 18) *no record*

Peculiar Method of waging war (February 20) *1.*

Surplus articles available (Navy Ordnance) (February 19 and 26)

✓ Cable regarding Chinese Ambassador (May 16) *attached*

✓ European Situation - conversation with Colonel Magruder (May 16) *attached*

In order to keep the file completely straight, I made copies of these memoranda, marked them "duplicate" and put them in the proper place in the notebooks.

I thought you might be confused if you found there were two copies of the same memorandum in your office, hence this explanation.

Catherine Rippey

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 4, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The European Situation at Noon

1. The evacuation of Dunkirk is practically over.

Churchill announced that 335,000 French and British personnel were evacuated in 1,000 ships. Preceding and during the evacuation Churchill said the British lost 30,000 killed, wounded and missing and lost a thousand guns. The most important loss is that Hitler now holds all the Channel ports and is in a position to attack either England or France.

2. The loss of 30,000 killed, wounded and missing out of 180,000 British soldiers is 16-2/3 per cent of the total.

3. Colonel Behn of the International Telephone and Telegraph Company, who is still in France and who saw Field Marshal Petain recently, told his vice-president, Mr. Frank Page, that better news might come out of France very soon. There is a suggestion from one newspaper writer in France that Weygand might be able to take the offensive. I am skeptical of this possibility. The British Expeditionary Force can be re-fitted and refreshed very quickly, but until it is again in France I doubt the ability of the French Army to take the offensive. In fact, if the French can keep the Germans from engaging in a

major operation for another two weeks, I think it would be to the advantage of the Allies.

4. A report from Rome indicates that the tension eased in Italy after the meeting of the Grand Council of the Fascists, and opinion now in Rome is that there will be no immediate entry of Italy into the war.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 5, 1940

TO Secretary Morgenthau

FROM A. M. Kazanek

Subject: The Situation on the Western Front
(Based on a conversation with Captain Puleston)

1. The new German offensive on the front from the Aisne to the sea has begun. The Allied armies in Flanders, whose evacuation was completed yesterday, gave the French armies on the Somme and Aisne two weeks to prepare for this new thrust.

2. It will probably be several days before it will be possible to judge whether the offensive is intended to capture Paris or to take the Maginot Line in the rear. At present, Paris appears to be the most probable goal. Both are highly important objectives. The location of this offensive (taking place where Captain Puleston expected it would) gives the Germans the choice of either objective.

3. Local penetrations by tanks through the Allied lines can be expected. The crucial question will be whether the French reserves will be able to plug up the gaps again.

4. The Germans are making use of every means in their power to strike terror in the Allied forces; for example, they are using sirens on their dive bombers, dropping siren bombs, building up some of their tanks to make them appear as large as possible.

Secretary Morgenthau - 2

In spite of all this, the Germans are not irresistible and can be stopped if the morale and the willingness to die of the French is maintained.

A. M. Kamarck

A. M. Kamarck,
Assistant to Captain Puleston.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 6, 1940

TO Secretary Morgenthau

FROM A. M. Kamarek

Subject: Situation at 9:00 A.M.
(Based on conversations with Captain Puleston
and Military Intelligence)

1. The German Army has made some local penetrations across the Somme and along the Aisne, as was expected.
2. The lack of more definite information on the progress of the German drive is a little encouraging since it is a case of "No news is good news".
3. The battle is still in its initial stages and it would be premature to draw any definite conclusions now. This is true even as to deciding what the objectives of the present German drive are. The intensive bombing of Havre and other ports tends to indicate that the German goal is now the isolation and destruction of France.

A. M. Kamarek

A. M. Kamarek,
Assistant to Captain Puleston.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Conversation with Mr. Hugh Baillie,
President of United Press.

1. I discussed the war situation with Mr. Hugh Baillie. Mr. Baillie has increased his corps of correspondents in all European states and promised to try to bring some of them home from time to time so we could get their real views unscreened by the censorship. He said he could not do that now, because he was reinforcing his staff abroad rather than reducing it.

2. His reporters in Germany have had some little difficulty with the German authorities, as they have not been what the Germans call "cooperative". I believe the United Press reporters as a whole have been more detached in their viewpoint than some of the Associated Press reporters, for example, Louis Lochner, who has succumbed to some of the favors accorded him by the German Government and is certainly giving a German account of the operations in Belgium. For doing this Mr. Lochner would get a little break on the news. When the United Press learned that the Associated Press in Berlin was getting this break, they protested, and the German Ministry of Propaganda reverted to the old practice of giving the news out simultaneously.

Secretary Morgenthau - 2

3. There is, of course, considerable rivalry between the United Press and the Associated Press, and we can not depend entirely upon what the United Press says of Associated Press. But I read them both, and my own judgment was formed before my conversation with Mr. Baillie. This belief of mine is borne out by a letter we have access to from a correspondent of the Christian Science Monitor in Germany.

4. Mr. Baillie promised to give us any flashes of immediate interest that we would not get on the ticker.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 7, 1940

TO Secretary Morgenthau

FROM Captain Paleston

Subject: Conversation with Mr. J. W. White,
International Westinghouse Company.

1. I had a long conversation with Mr. White, who in the early days of the war, you may remember, was the only one of the industrialists I talked with who viewed the possibility of a German victory with equanimity. He was basing his views entirely on economic considerations at that time, and his opinion was formed, as he frankly said, by the thought that it would be easier to meet German competition for foreign trade than British and French, or British or French, competition.

2. The whole conversation may be summarized thus: Mr. White had entirely changed his views. He thinks a German victory would force this country to adopt similar methods to the German barter system to maintain any foreign trade. He is further convinced that this would be such a disadvantage to the United States that we should use all our means to prevent a German victory. He favored breaking off relations with Germany at once, making no further pretense of neutrality, and going to war with them if necessary.

3. Mr. White has given much thought to the question of world politics and foreign trade and their effects on peace and war. After the war, he is convinced, we will have to find some way of meeting foreign trade competitors, among whom he places Japan, regardless of who wins the war. In other words, his conception of modern life is: competition for trade in time of peace, in which nationals are supported by their governments; competition in arms during war, at which time governments fight to protect their territory and trade.

4. I frequently disagree with Mr. White, but I always find him stimulating, and I do believe he is realistic in his approach to the problems of competition for power, territory, and trade in the modern world. He is also very patriotic and devoted to the interests of our country. If he erred at all, he takes a little too exclusive view of our interests.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau
FROM Captain Paleston
Subject: The Character of American News Sources in Berlin

The German Government endeavors, by means of favors and penalties, to influence the American news representatives in Berlin to transmit Nazi propaganda to America. In some instances, the Propaganda Ministry has been very successful as several flagrant instances have shown.

This memorandum is accompanied by excerpts from an uncensored letter from the Christian Science Monitor correspondent to his managing editor. It is highly informative. I would recommend reading it, if possible.

The following lists classify the Berlin news sources according to this letter.

American Organizations in Berlin Who Cooperate with the Nazis

1. Associated Press: Louis Lochner
2. International News Service: Peter Huss
3. New York Times: Guido Enderis
4. National Broadcasting Company: Max Jordan, Kirker
(a Nazi, possibly a member of the S.S.)

.....
Americans in Berlin Who Try to Present an Honest Story

1. United Press: Fred Oerschner
2. Herald Tribune: Ralph Barnes
3. Chicago Tribune: Sigrid Schultze
4. Christian Science Monitor: Joseph C. Harsch
5. Chicago Daily News: Wally Dewell
6. Columbia Broadcasting System: William Shirer

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: Conversation with Mr. Gray and Mr. Turnbull

1. I talked briefly to Mr. Gray, President, and Mr. Turnbull, Vice-President, Central Hanover Bank and Trust Company. We discussed the situation in Europe, and they were both outspokenly in favor of breaking off relations with Germany and giving all possible help to the Allies. They could not see this country living in peace with a Europe dominated by Hitler. They were 100 percent in favor of the President's program of immediate help for the Allies and hoped the President would make our assistance more effective.



W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau
FROM Captain Paleston
Subject: Visit to New York

1. Before giving specific reports of individuals, I want to summarize the general impression I received from all the people I saw in New York:

- a. We must not let the Allies lose.
- b. Give them all aid possible now and if necessary send men-of-war and aviation.

2. This was a big advance over the position taken by these same gentlemen prior to the invasion of Norway, Holland and Belgium. About half of the gentlemen I saw advocate an immediate break-off of diplomatic relations with Germany. One or two were willing to declare war on Germany. All were willing to give every aid to the Allies.

3. The most interesting change of view was that of Mr. J. W. White who formerly thought the United States could meet German post-war competition as easily as it could that of France and England. He said if Germany won we would have to resort to barter trade in order to compete with Germany's technique in foreign trade. Mr. White (President of International Westinghouse) has been in charge of Westinghouse foreign trade for years.

4. Some of these gentlemen were very pessimistic about the possibility of France resisting Germany, but they all believed

that England would hold out, and they were all convinced we should aid the Allies as much as possible.

5. If public opinion west of the Hudson has crystallized as rapidly as it has in New York, the American people are already willing to go to the assistance of the Allies.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Conversation with Mr. Wilbur Forrest, Editor of the
New York Herald Tribune

1. His reports from Europe indicated that the situation in France was touch-and-go. He himself still believed there was a chance that Weygand would work another miracle of the Marne and save France.

2. He offered the following information:

The Herald Tribune carried a strong editorial advocating our intervention in the war. It was a carefully written editorial in which the whole editorial staff took part. They expected at least five hundred letters of protest from isolationists and non-interventionists. They have received only one letter protesting the attitude taken, and have received numerous letters supporting their position.

3. Mr. Forrest has always passed on any advance information he gets to me, and he will continue to do so.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 7, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France at Noon

1. The following is based on conversation with Military Intelligence.

2. The advices from Paris indicate that the French High Command do not think that this is the main German effort. The attack is being carried out mainly with infantry. The most formidable advance made by the Germans is in the region of Chemin Des Dames, where the French are now counter-attacking. This is a very commanding position. The advance on the west flank across the Somme River was through a British division which was holding that position.

3. Our Army do not regard the situation as too bad. They believe the Germans were not ready to make a well-prepared attack and decided that they had better make a preliminary attack before the French could further strengthen their position.

4. Comment: The fact that the French High Command has not identified the main bulk of the German Army will make them careful about committing themselves to a full-out counter-attack,

Secretary Morgenthau - 2

For if the French get fully committed along the present lines,
the Germans might divert their forces farther east in an effort
to cut in behind the Maginot Line.

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France at 4:00 P.M.

1. Reports from the military spokesman in Paris say that the German forces have been trebled in strength since the start of the assault, but their attacks are being controlled for the third successive day. All available German reserves have been thrown into the battle.

If this is correct, it is very important. Our Army has no information either to confirm or disprove it.

2. The French military spokesman continued that the destruction of German tanks is terrific and estimated that since the invasion of Belgium Germany has lost 2,500 tanks.

3. The German "Stuka" attacks (dive bombing) practically ceased today.

Comment: A dive bomber is very vulnerable to attack by fighters when he pulls out of his dive, as he is going at a slow speed with no altitude and gets speed slowly. It is possible that French fighters have taken considerable toll of these Stukas.

Secretary Morgenthau - 2

4. The French say the greatest German advance has reached a point seven miles north of Soissons.

5. Our Army has a report from Berlin claiming that the Germans have crossed the Aisne on both sides of Soissons. They consider this the most disquieting information they have received since the attack began, because it would mean that the strong position of the Chemin Des Dames was probably in the hands of the Germans.

6. London reports that, as far as can be seen, the Germans have not made any appreciable gap in the Somme-Aisne line. The British air force are continuing their attacks on German troop concentrations and railway junctions. There is a hint that there are British army reinforcements leaving England to join the French.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The European Situation

1. The battle of France enters its third day with the main German effort being made on the extreme west flank near Abbeville and in the Chemin Des Dames area. Strong German attacks have also been made on both sides of Amiens.

2. The French line has given but not broken. Weygand has issued another call to his army to resist where they stand. Weygand also expressed himself as satisfied with the way the battle had begun and the manner in which his orders to resist had been executed.

3. It is too early to form any judgments on the situation. Apparently Germany is putting all she has into this attack, and Weygand is putting all the French effort into the defense. Under these circumstances, a decision should be reached rapidly. If the French line holds, it will be equivalent to a French victory. If the French can sell territory to the Germans for a sufficiently high price in German lives and materials, the French could even contemplate the abandonment of Havre and Paris.

4. There was a report over a British broadcasting station that Hitler was about to offer a separate peace to France. President Le Brun has called a meeting of the Superior Council this

morning. I believe Reynaud is the most courageous Frenchman in public life, and I believe he will reject any offer by Germany.

5. On the tactical side, the most encouraging factor is the ability of the French to slow the motorized divisions of the German army. Apparently five of these divisions were used in the Abbeville sector alone. The most disturbing tactical sign is the inability of French counter-attacks to regain territory.

6. On the political side, Italy has completed all preparations for war but has made no move. In this connection, I had the following interesting information from Mr. Sadler, in New York. About two weeks before the Germans went into Holland, some Italian officials informed the Vatican confidentially that Italy would go to war with England within two weeks. England withdrew her merchant ships and reinforced her Mediterranean combat fleet. Germany went through Holland; Italy's part was to draw off some of the English and French fleet in the North Sea and English Channel.

7. Mr. Sadler had definite information from Germany in the past week that the Government had jailed so many dissatisfied Germans who had violated various orders, such as not listening in on foreign broadcasts, that literally there is no more space in German jails. He had learned further that the German killed and wounded have actually been higher than the Allies' and that they do not dare to bring their wounded back to Germany

proper but put them in hospitals in German occupied territory. He stated that Hitler realizes he must win this war.

5. Mr. Sadler further added that when they went into Holland and Belgium they had the definite intention of invading England. The delay in Flanders and successful evacuation forced them to abandon any attempt to invade England immediately. Their present intention is to penetrate as deep into France as they can and then offer favorable terms of peace to France.

Germany's peace offer to France will not require any cession of territory. In fact, Hitler may even offer France a part of Belgium. The real demand will be that the French Army must be so reduced that it can be no military menace to Germany. Mr. Sadler was positive that the foregoing information about the German intentions was dependable, as it came from a source that had just left Germany and come over to the United States by clipper. I am ready to accept practically all of Mr. Sadler's statements, because they check with other information that we have had and are in accord with the events since the Norwegian campaign began.

W. D. Fuleston
W. D. Fuleston,
Captain, U.S.A., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau
FROM Captain Paleston
Subject: Conversation with Mr. Sadler

1. The following information, in addition to that contained in my memorandum of this morning, was obtained from Mr. Sadler during my recent visit to New York.

2. Mr. Sadler's company has had samples of gasoline taken from practically every German airplane brought down in England. This gasoline has been tested in their English laboratories. Eighty-seven octane is the highest performance gasoline used in any of these German planes. This would indicate that the Germans do not have higher octane gasoline, because an increase from eighty-seven octane to one hundred octane would increase the efficiency of performance about twenty percent.

3. The change in the Rumanian Government indicates that Rumania is less francophile, rather than more pro-German. Rumania's main concern is the fear that Hungary will attempt to retake Transylvania. For that reason she will endeavor to buy German support by giving her fuel.

Rumania is doing her best to play off Russia against Germany, because she realizes that the Allies can not give her much immediate assistance. The plan would be for Russia to go

Secretary Morgenthau - 2

via Czechoslovakia, with whom she has a common frontier, to the aid of Yugoslavia in case Italy attacked Yugoslavia. Stalin and Hitler have no confidence in one another, so Russia will render to Germany as little assistance as it is necessary for her to give. The Soviet Army is much impressed with the German Army, and if by some military coup Stalin should be overthrown, they might draw nearer to Germany.

4. Turkey is solidly on the side of the Allies and would move the instant Italy invaded the Balkans.

5. Mr. Sedler is not at all sure Italy will enter the war and is convinced she will not enter unless and until the French Army is crushed.

6. This emphasized to me what is the most immediate and important factor in the war today. All the diplomatic negotiations will straighten out if France can resist Germany. Italy will delay action, Russia will draw away from Germany, England and France will gain time to increase their own forces. For this overwhelming reason, I am more of the opinion than ever that we should give all the immediate assistance we can to the French and English. The best news of the war was the declaration of our Government to let the Allies have our naval planes and surplus munitions of war.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

~~Confidential~~

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO: Secretary Morgenthau

FROM: Captain Puleston

SUBJECT: No Further Information about Vladivostok

1. Some time ago Mr. Stettinius assigned Mr. George Wolfe, President of United States Steel Exports (a United States Steel subsidiary that transports steel products abroad), the task of getting information about Vladivostok. I saw Mr. Wolfe in New York, and to date he has nothing to add to what we already have. He has hopes of getting information, but he told me his source, and I think he is too optimistic. We have already had access to that source, and they had nothing to offer. He is going to try in another direction, and we may get information, but it will be sometime in the future.

2. In the course of the conversation, Mr. Wolfe volunteered the statement that the President had picked a very strong group of industrialists to coordinate our war industries program. He said Mr. Knudsen knows more about the machine tool industry and quantity production than any man in the United States. Of course, he had a very high opinion of Mr. Stettinius, who is his boss, but he also said he thought Mr. Budd was the best man to handle transportation problems.

3. He expects to provide the ships to transport supplies to the Allies and has them already earmarked. He thinks they can put the supplies in England and France very promptly after the supplies reach the seaboard. He was inclined to be pessimistic about the situation in France but thought England would hold out to the end. He was a strong advocate of doing everything possible now. He is a former naval officer who resigned from the Navy and went into the shipping business after the war. He knows Europe well.

4. Incidentally, he reported that every department of United States Steel was ready to work ~~an~~ overtime program, and he thought Mr. Stettinius' successor, Mr. Olds, would do a good job.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 5, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France, 11:00 A.M.

1. The following is based on newspaper accounts and conversations with Military Intelligence and Naval Intelligence.

2. The most serious situation along the Western Front occurred with a break through by German motorized divisions across the Bresle River and reaching Pargues-les-Baux. The French report that only the heavy tanks got through, that motorized infantry and light tanks were stopped. If the Allies can isolate this force before it builds up, the situation can be restored. Otherwise, this fine line may widen. I will keep in contact with Military Intelligence over the week-end.

3. At other parts of the line the French Army held very well, and our Army officers think the French Army has done as well as could be expected. Our Army has no way of verifying the French reports that the Germans are employing the bulk of their forces in this western attack.

The report from England that they are sending reinforcements to France is perfectly possible, for they had divisions under training in England that were about ready to be sent abroad.

Secretary Morgenthau - 2

4. Naval Intelligence had a report from Rome that Mussolini said Italy will enter the war next week. Admiral Anderson said he accepted this report with a grain of salt. He added that it was reported that Italy would not strike at France directly but aim at Corsica and Africa.

((Comment: I think it would be a good thing for the Allies to have Italy undertake operations against minor objectives like Corsica and Tunisia. All the force that is wasted in these areas reduces the force available in the main theater of France.))

5. Reports indicate that Russia is taking more interest in the Balkans. Our Army is inclined to accept this view; although militarily very weak, if Germany is fully engaged on the Western Front, Russia is relieved from her greatest apprehension. I believe Russia would give assistance to Yugoslavia if Yugoslavia were attacked by Italy.

W. D. Paleston
 W. D. Paleston,
 Captain, U.S.N., Retired.

Confidential

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 10, 1940

TO Secretary Morgenthau
FROM Captain Puleston

I have just received a report from Mr. Page, Vice President of International Telephone and Telegraph, that they are transferring their cable landing from Havre, and that Havre has been ordered evacuated.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

JUNE June 10, 1940

TO Secretary Morgenthau

FROM Captain Paleston

Subject: The Battle of France at 4:00 P.M. today.

1. The Germans have made further progress and have reached Rouen, Beauvais and Soissons. From these last two cities columns are advancing southward. They claim to have crossed the River Ouse at Fere en Tardenois. They claim to have crossed the Aisne from Compiègne to Attigny. They report that the French resistance in the Bethel area is weakening. This is the part of the French line that has held solidly since the attack began.

All of the foregoing is from German accounts. Our Army has had no official word from Paris today.

2. There are indications that some of the French Government departments are evacuating their papers and some of their officials from Paris.

3. London reports that they have already sent considerable reinforcements and are rushing more reinforcements of new troops. The British air force in France has been increased and the British fleet is shelling German troops on the French coast.

W. H. Paleston
W. H. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE: June 30, 1940

TO: Secretary Morgenthau
FROM: Captain Paleston
SUBJECT: The Situation in France

1. The official communiques from the French and Germans are in substantial accord. Apparently there is diminishing pressure on the west flank near the Breisle River and increased pressure in the center and east of the line. Units of the German motorized divisions reached the outskirts of Rouen and Elbeuf. Apparently there are some motorized infantry with these organizations, otherwise they could not continue their action. Between Montdidier and Royon the German pressure lessened, and the French claim that they inflicted considerable losses on the Germans in this area and set them back.

On the extreme eastern part of the line, the French line held entirely, but in the region of Rheims there were two German penetrations, both east and west. In regard to the penetration east of Rheims, the French claim, and our Army accepts as a fact, that they inflicted very heavy losses on the Germans in this area.

The expected extension of the German offensive to the Maginot line did not develop.

Secretary Morgenthau - 2

2. This morning the battle was renewed with the same intensity as yesterday. General Weygand referred to this present phase as "the last quarter-hour", and it is perfectly true that an offensive such as the Germans are now undertaking must succeed entirely or result in a deadlock.

3. To date there is no indication from the battlefield that the Germans can not maintain this attack for some time further. On the other hand, it is plain that the Germans are consuming their military supplies and their man power at a huge rate. The Allied air forces are attacking their line of supplies, and particularly their fuel supply, which is essential to the motorized unit.

4. The most important factor, from the French point of view, is that so far their army is in hand, unshattered, and carrying out the most difficult of all operations: maneuvering to prevent a break through by a numerically superior and better equipped army.

5. The refugees from Belgium and northern France who were temporarily sheltered in the Paris area are being evacuated, also many civilians and some government records. The Germans have bombed the suburbs north and west of Paris, claiming that they were attacking airbases and railway centers.

Secretary Mergenthaler - 3

6. Prime Minister Churchill announced that British reinforcements had been forwarded to France in the last two or three days. The units of the French army that were evacuated from Dunkirk will be forwarded to France soon, as will further formations from the British Isles.

7. In 1914 Joffre did not hesitate to abandon Paris to the Germans. If Weygand is forced to abandon Paris, I believe his Army will still endure, and, I hope, so shall the morale of the French people. If so, even the evacuation of Paris would not mean the end of this battle.

8. Concentrations of German troops are reported from Switzerland to be in the Black Forest and adjacent to the German-Swiss frontier. The French bombarded this area with their heavy artillery in the southern extremity of the Maginot Line.

9. On the diplomatic side, the development that is outstanding is the exchange of ambassadors between Rome and Moscow. This would indicate that Hitler is succeeding in drawing Rome and Russia together.

Tokyo reports, at the same time, that the Japanese and Russians have settled their frontier dispute in Manchukuo and will proceed to negotiate other differences. Italy is reported to have refused the last offer of France.

As ominous as all of these diplomatic incidents are, they will never get out of the preliminary stages if the French Army can resist the German advance, for all Europe knows that Hitler must win the war this summer, and they will not commit themselves to an attack on the Allies until they are convinced that Hitler will win.

The surrender of the Norwegian Army was a necessary consequence of the decision of the Allies to evacuate Norway. This will be a temporary blow to the prestige of the Allies, but I believe it is a sound military decision. If the Allies can win in France, they win the war; if they lose in France, they may lose the war. Successes in minor theaters will not influence the big decision.

10. The best news today is the report that twenty to thirty naval planes left Buffalo for Holton, Maine, to be turned over to the Canadians. If anything can keep the French army going, it will be the knowledge that the United States is going to give all assistance short of entering the war and give it immediately.

W.D. Palestine
W. D. Palestine,
Captain, U.S.N., Retired.

DEPARTMENT

Confidential

SECRET

June 10, 1940

TO: Secretary of War

FROM: Captain [Name]

SUBJECT: Effect of Italian Entrance into the War

1. There are two reasons, I think, that attracted Mussolini. They are (a) he had time on such things to Great Britain and France that he must have realized that, if they emerged successful from the war, a day of reckoning would come for Italy. (b), and this is the more important reason, I believe he is convinced that the German Army and Air Force had achieved such success in France that it was safe for him to enter.

2. Mussolini is a very acute observer and he made few mistakes in estimating diplomatic and military situations in the past decade. For that reason, the fact that he concluded it safe to enter the war on the side of Germany is almost as important as the weight he will add to the German machine.

3. In spite of his previous record of successful diagnoses, I think Mussolini has made an error. The situation in France is critical. It is difficult to see how the French Army can withstand the German Army. Still, Marshal Weygand is one of the half-dozen best generals in the world. He fought under Foch and Joffre in the darkest part of the World War. It is not likely that he will quit before the French Army is actually defeated.

very thoroughly. If he can keep his army together, even for another week, some of the driving power of the German Army must be absorbed. And even if Paris were evacuated, it would not necessarily entail the capitulation of the French Army. The Italian-French frontier favors France, and I doubt very much whether the Italian Army, unless it is furnished with a covering force of German divisions, will attempt to invade France. Even if Germany comes through Switzerland, there will be required before the French-Italian frontier would be uncovered for the Italian Army.

4. Italy can do considerable damage to the Allies with her air force and her submarines. Her aircraft, if they reach the Atlantic and Indian Oceans, can cause the Allies some more losses of merchant ships. It is quite possible that Italy can invade Greece or Tunis, and they may even make an attempt on Egypt. To do so they will have to encounter a superior naval force in the Mediterranean.

5. In Mussolini's speech he stated that he would make no effort against neutral neighbors, mentioning Yugoslavia by name. I think this means that, for the present at any rate, Mussolini does not wish to stir up the suspicions of Russia.

6. Now that Italy has finally made her decision, the Allies should concentrate their efforts on detaching Russia from

Secretary Morgenthau - 3

the Rome-Berlin Axis. This will be difficult, but it is not impossible.

Turkey is committed to the Allies, and if she joins, she could be an intermediary between Russia and the Allies. The Turkish-Russian relations have been very cordial in the decade preceding this war, and it was only the extreme demands made on Turkey by Russia in September and October of 1939 that caused Turkey to desert Russia and join France and England when they guaranteed her territories from aggression.

7. Incidentally, the United States could probably assist in detaching Russia from Germany; and we could do this without any risk, provided we got some assurance that the Soviet Government would abandon its previous efforts to spread communism in the United States. Actually, by taking the necessary precautions in this country, the United States could suppress all efforts to spread communism here, with or without the cooperation of Russia.

Regarded simply as a national entity, the United States has no quarrel with Russia, nor do our interests conflict in any part of the world. On the contrary, in the Far East the United States and Russia could cooperate to advantage in restraining aggressions by Japan. With the present temper of the American people, all the propaganda in the world would not add many converts to communism. Therefore, I think we can adopt, without

Secretary Hargestham - 4

any risk, a policy of drawing closer to Russia in order to detach her from Germany. Such a policy would enable us to checkmate Japan's ambitions in the Dutch East Indies and China.

5. While on this subject of our policy in the Far East, which is intimately connected with our policy in Europe, I would like to add the following. We should keep our fleet in the Pacific until we are determined to use it in European waters. The Allies do not need battleships or cruisers in the Atlantic, and the removal of our fleet from the Pacific to the Atlantic, unless the Allies were in dire need of a naval force, would be an invitation to Japan to occupy the Dutch East Indies. It is a much simpler problem to prevent the Japanese from getting into those islands than to get them out if they ever are established there.

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France at 4:00 P.M.

1. A late report from the Naval Attache in Paris gives the line in France as follows: Commencing on the Channel at Dieppe, south to the Seine at Rouen, thence along the Seine to the mouth of the Oise, into the suburbs of Paris, then following the line of the Oise through Beaumont, Creil, and through Senlis to La Ferte-Maclos and to Noyon-la-Tour, thence to Fismes, thence to the Aisne, making a big bend around Reims to Bethell. In the neighborhood of Bethell the French are mounting a counter-attack, apparently of some proportions.

2. The British planes attacked Libya and Italian East Africa, bombing troop concentrations and fuel depots. Italian planes bombed Malta, Aden, and French Somaliland.

3. The Italians also report that their troops advanced into British and French Somaliland.

4. The British Air Force report that their bombers have damaged railways, roads, and bridges and important crossings of the Rhine, and that they also bombed military objectives in western Germany.

M. D. Puleston
M. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 11, 1940

TO Secretary Morgenthau

FROM Captain Paleston

Subject: Information obtained from Mr. Frank Page,
Vice-President, International Telephone and Telegraph

1. About 11:30 A.M. the Italian cable from Gibraltar to the Mediterranean went out. It is believed to have been cut near Gibraltar. International Telephone and Telegraph has cable communications with Spain via England and communications with the eastern Mediterranean, including Italy, by radio. International Telephone and Telegraph was unable to get its own line from Madrid to Paris. The French authorities would not give it a private line.

2. The International Telephone and Telegraph has moved its largest factory and its laboratory from Paris to the south of France and expects to move its only remaining factory, which is smaller. This would indicate that the evacuation of essential factories from Paris is taking place in a fairly orderly manner.

3. Mr. Page had no further information to contribute except what was already on the ticker.

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 11, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in France

1. The Germans concentrated their efforts in the lower reaches of the Seine between Rouen and Vernon, and the French admit they have crossed the Seine at some points, adding that the Germans were being vigorously counter-attacked.

2. The next most important German thrust was from Soissons in the direction of the Ouse River, which gained more ground to the northeastward of Paris. In the sector north of Paris the German infantry pressure was light, but the air attacks were severe. In the neighborhood of Rheims the Germans made some progress both to the eastward and westward as far as Attigny. To the eastward of Attigny the French line was unshaken.

3. The battle of France continues more and more violently. The Germans claim that the French reserves are being exhausted. So far the Germans have been able to bring in fresh divisions. The French claim that they are contesting the ground foot by foot and selling it to the Germans dearly.

4. Paris is preparing for a siege. Most of the government Departments have departed for Tours and vicinity in the central part of France.

5. So far the entrance of Italy has not changed any of the dispositions of the French Army. The French simply announced that their troops were in position on the Italian-French frontier.

Rome reports that Italian armed forces went into action today, but the points at which attacks were made were kept a military secret. There have been no other official reports of Italian military, naval, or air activities. Gibraltar reports all quiet.

6. The British admit the loss of the aircraft carrier "Glorious", one transport, and two destroyers. Their loss was caused by a spirited attack by the two German battleships "Scharnhorst" and "Gneisenau". This loss, although unpleasant, will not affect the naval situation seriously, and it was obviously a wise move to concentrate all of the Allied effort in France and England for the present period.

7. Apparently Mussolini has decided to keep out of the Balkans and the eastern Mediterranean. (Comment: This is probably to avoid chances of friction with Russia.) This limits his objectives to Tunis, Malta, Corsica, Gibraltar, Algeria, and Morocco, unless he decides to attack the French frontier, which I doubt.

8. The Italian submarines will undoubtedly make themselves felt in the Mediterranean, and some of them may get into the

Atlantic. Incidentally, the German submarines are now operating farther off shore than they did in the early part of the war, indicating that their larger submarines are being put in commission. The British anti-submarine measures are increasingly effective, and I do not think the German submarines, even reinforced by the Italian, will be more than a thorn in the side of the Allied merchant marine.

The one bright spot for the Allies is the considerable accession of merchant ships from the merchant marines of Norway, Denmark, Holland, and Belgium.

9. On the political side, Turkey has not yet made her decision. I think the chances are about even that she will remain neutral.

10. In the London broadcasts and in the reports from France, it was apparent that President Roosevelt's speech at Charlottesville had been of the greatest assistance to the morale of the Allies.

W. D. Paley
W. D. Paley,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau
FROM Captain Paleston
SUBJECT: Our Relations with Japan

1. The Japanese at present are fully engaged in China; their internal economy is strained almost to the breaking point. Any action by our Government which eases this situation for the Japanese increases Japan's ability to threaten the United States.

Concessions to Japan could be justified only if time helped the United States. This is not the case, for concessions to Japan now would extricate her from her difficult situation in China, and strengthen her position to dispute the western Pacific with the United States a few years from now.

A wise policy demands that we support China, with whom we have no conflict of interests, rather than Japan, who is already a dangerous commercial competitor and is always a potential military menace.

2. American concessions to Japan would probably be misunderstood. They would be attributed to our fear of her military power. In 1914 when we evacuated Vera Cruz, the Japanese attributed it to our almost negligible losses in sailing that Mexican port. They have considerable respect for American soldiers and sailors, but they believe that the people of the United States are unwilling to support their interests in the Far East.

Evidence of their reaction to any overture by us can be found in the contempt with which they have treated overtures from Great Britain and France during the past eighteen months. The Japanese ruling class is imbued with the ideas of Berlin and Rome. They would inevitably interpret any olive branches extended by the United States as a sign that we were afraid of them.

3. Finally, the price we would have to pay for Japanese friendship is too high. She demands the hegemony of China, a free hand in Malaysia, and if Germany wins this war she would seek to dominate Australia and New Zealand.

Japan is already extending her markets in South America. I am told by reliable authority that she can build turbo-generators and similar heavy machinery needed in South America and is already supplying Brazil and Peru. If her interests in South America are built up and her position in the western Pacific assured, her ambitions would extend even to the Hawaiian Islands, which are already predominantly Japanese in population.

The situation in Europe is the more urgent, but there is perhaps more potential danger to the United States from Japan than from Germany, for we will confront Japan alone. The simplest and easiest way for us to safeguard our interests in the Far East is to keep Japan busy in China. Chiang Kai-shek states that the Chinese war against Japan is seven-tenths economic, and

Secretary Morgenthau - 3

the most urgent need for China is a loan to stabilize her currency. Twenty or thirty million dollars lent to China would be a small outlay to make for our national defense, and it has the additional advantage that it would not divert any of our factories from producing arms.

In addition, when the general situation permits, our Government could place some sort of handicaps on Japanese trade to the United States, either in the form of increased duties or an embargo.

W. D. Pakenham
W. D. Pakenham,
Captain, U.S.N., Retired.

June 13, 1940

Since the foregoing was written, press accounts state (a) that Japan has come to an understanding with England about the Tientsin dispute over Chinese money and the Japanese blockade of the British concession in Tientsin; (b) Japan states that she will investigate the report that two thousand British soldiers have been landed in the Dutch East Indies; (c) Japan insists that France

prohibit the shipment of munitions through Hanoi; (c) Japan has recently signed a non-aggression pact with Siam.

These apparently disconnected actions indicate that Japan is alert and prepared to take advantage to the full of events in Europe. The only restraint on Japan today is the presence of the United States Fleet in the Hawaiian Islands.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

Confidential

DATE June 12, 1940

TO Secretary Morgenthau
FROM Captain Paleston

Subject: The Situation in France at 8:00 A.M.

1. On the lower Seine the Germans are attempting to cross between Rouen and Vernon. The French report is not definite but simply states that the French are counter-attacking in this area. I believe the Germans probably have crossed that river in several points. From Vernon the line follows the Seine to La Pontoise, where the Oise empties into the Seine. From there the line runs through Chantilly, Senlis, and in a rough semi-circular form until it strikes the Marne, almost east of Paris. The French have retreated to the south bank of the Marne in this area.

Farther eastward the Germans claim to have captured Reims. The French do not deny it, only claiming that "the French line held intact in most points; at others were retiring to prepared positions in face of superior German numbers and materials."

Still farther eastward in the neighborhood of Bethel and Attigny, French counter-attacks have prevented progress by the Germans.

2. The Germans claim that the French resistance is visibly weakening. Weygand reminded his soldiers that the Germans must be consuming their reserves and that their violent effort could

Secretary Morgenthau - 2

not long endure. Obviously, both sides must be consuming men and materials at a rapid rate.

The French General commanding the city of Paris announced that the defense of the city would not be an isolated operation but would be part of the whole battle of France. Around Paris are many strong points, and it will be of considerable help to the French Army in making a stand against the Germans. Further, if the French people elect to expose Paris to destruction in order to help the Army, it shows a high morale on the part of the French Government and French people which should be reflected in their Army.

3. The Italian Air Force bombed Malta, Aden, and French Somaliland, and their troops advanced into British and French Somaliland. British planes attacked Libya, Italian East Africa, and some of the military objectives in northern Italy, notably Milan.

W. D. Pulston
W. D. Pulston,
Captain, U.S.A., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 12, 1940

TO Secretary Morgenthau

FROM Captain Eustace

Subject: The Situation in France at 4:00 P.M.

1. The Allied supreme leaders, including both Prime Ministers, Field Marshal Weygand, and General Sir John Dill, met in France to plan measures to stem the German attack. The French counter-attacked the Germans wherever they had been able to establish lines. In the meanwhile the Germans advanced along the Seine, Oise, and Marne rivers. To the eastward of Paris, the Germans have now reached the Marne as far southeast as Châlons. The position beyond Châlons is not reported by the French, but they are resisting stiffly from Attigny eastward to Montmédy, probably with a view to protecting the west flank of the Maginot Line. On the extreme west flank the Germans captured some twenty thousand soldiers, mostly French, at St. Valéry-en-Caux. It is reported that two British divisions are trying to evacuate from Dunkirk.

2. Colonel Magruder believes that if it is necessary to abandon Paris the French will confine their resistance to the suburbs in order to avoid actual fighting in Paris itself, which might involve the destruction of the city. Colonel Magruder

Secretary Morgenthau - 2

said that, although this situation was very critical, the French Army was still holding together and so far the Italian Army had made no move to attack the French Army along the Italian-French frontier.

3. The French military spokesman states that "the enemy had not yet achieved decisive results, but it is apparent that the moment was critical". I think this was a very accurate description of the situation.

W. D. Puleston

W. D. Puleston,
Captain, U.S.A., Retired.

TREASURY DEPARTMENT

Confidential

BUREAU OFFICE COMMUNICATIONS

DATE: June 12, 1940

TO: Secretary Morgenthau
FROM: Captain Palestine

A flash from New York states
that the outskirts of Berlin are being bombed
and that there were several planes at Berlin.

Comment: Berlin airplane factories
are located in these cities.

W. H. Palestine
W. H. Palestine,
Captain, U.S.A., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE: June 11, 1940

Secretary Department

Captain Pollock

Subject: The Situation in France at 5:00 P.M.
(Based on conversation with Colonel Magruder)

1. There has been little actual change along the French front. The Germans have not reached Paris. They have withdrawn the bridgehead a little south of the Seine, west of Paris, in the region of Evreux and Nogent-sur-Seine. They have not made any progress north of Paris. In the east the French line has actually withdrawn from Chalons through Verdun, thence to Metz, where it connects with the Maginot Line.

2. There is some evidence in Germany that the Germans are contemplating an attack on England. Admiral von Raeder is still there and is supposed to be collecting transports for this purpose. I still think that it would be the best thing that could happen for the Allies to have Germany attempt an overseas invasion of England. Certainly, if they can defeat the Germans at all, it will be on the water.

It would be quite a different proposition if this invasion is aimed at northern Ireland. I think they could probably make an lodgement in northern Ireland with the aid of the Irish Constabulary.

Secretary Maguire - - 2

3. So far the intervention of Italy has had no apparent effect whatever on the Eastern Front.

W. D. Patterson
 W. D. Patterson,
 Captain, U.S.A., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE: June 13, 1940

TO: Secretary Morgenthau
 FROM: Captain Paleston
 Subject: Reynaud's Reported Appeal to President Roosevelt

1. One feature of Reynaud's appeal impressed us very favorably. He was paraphrasing the words that Foch used at the front of Aisens in 1918: "I will fight them in front of Aisens, I will fight them in Aisens, I will fight them behind Aisens". If Reynaud can communicate some of this spirit to the French Army and the French people, they can take such toll of the Germans that before the Germans finish with France they will be unable to attack any other country. It will be a tremendous sacrifice for France to make, but France has no alternative to this except an abject surrender to Hitler, and nothing that Hitler's army can do to France would hurt her as much as the terms of a peace that Hitler would impose on that country.

2. We know too well the difficult position that France is in. We do not know the difficulties that the Germans are laboring under. If we could look down behind the German lines and along the Rhinish cities that have been bombarded and into the well-starved people of Germany, we would take greater hope than if we keep our eyes only on their apparently irresistible armies as they go through France. It was Napoleon, a very practical soldier, who said that the moral was to the physical as three to one. I think President Roosevelt's speech not only increased

the morale of the French and British, but by the same measure decreased the assurance of Hitler and his colleagues.

In addition, every plane, every pound of powder, every gun we send to the Allies now will be a visible token that we are going to give them our material aid, as well as our moral support.

W. D. Sturges

W. D. Sturges,
Captain, U.S.N., Retired.

~~CONFIDENTIAL~~

~~DEFENSE OFFICE COMMUNICATIONS~~

Confidential

2000 Jan 15, 1940

TO: Secretary Department
FROM: Captain Belknap
Subject: Aircraft Production Program

1. Superiority in the air is an enormous advantage to either an army or a fleet. Yet it is a very precarious form of power. For example, for several years after the World War there was the dominant air power in the world. She attained this position by standardizing her planes and going into mass production. In a few years all of her machines were obsolete.

2. In order to accomplish quantity production, it is necessary to reduce the types of planes and go into quantity production. It is also necessary to insist that no change be made in the design of engines of planes. Otherwise, the program will be delayed indefinitely.

3. But while we are going into quantity production, we should keep our research divisions busy and improve both engines and designs of planes as much as possible. Then when we have attained a certain number of "present performance planes", if our research division has produced a better type, we should make preparations to re-tool quickly and shift over to the new type of engine. I am told that our machine tool industry can make quick shifts of machine tools. In this way we will have the advantage of quantity production and standardization without freezing the performance value of our planes.

4. You have probably thought of this already, but I thought I would just make sure that this feature had been considered.



W. D. Houghton,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 13, 1940

TO: Secretary Morgenthau

FROM: Captain Palestine

Subject: The Situation in France at 9:00 A.M. and Its Effect on the World Situation.

1. The French report that the battle continues with the same violence on the whole front. There was a report by the British broadcasting station of a counter-attack by the French in the Beaumont-Senlis area that netted an advance of five miles. The only importance of this is the fact that it would indicate that the French Army was still in good shape, otherwise they could not organize and launch such an operation. On the western flank the Germans apparently are increasing their pressure south of the Seine in the direction of Evreux and Pary-sur-Seine. The French claim to be holding in that area.

2. The French High Command have announced that Paris is an "open city". This means that they have decided not to defend the city of Paris street by street. At the same time the High Command announced its determination to defend the suburbs of Paris. These suburbs were formerly forts which enclosed Paris in all directions.

3. Eastward of Paris the French have had to give ground slowly south of the Marne. Eastward of Reims they had to withdraw beyond the Suippe River, probably to conform to the German advance farther to the westward.

4. Even more important than the fate of Paris is the fighting on the eastern flank of the line from Chalons northeastward towards Montmedy. The French must hold in this area long enough to pull their army out of the Maginot Line or to establish a new line running from Chalons in a generally easterly direction to Trianville, where it could again connect with the Maginot Line. A possible new line would be in the direction of Verdun, Elain, and thence to Trianville.

5. The British admit the surrender of about six thousand of their troops and that another division is being surrounded in Germany. They succeeded in evacuating about a half of one division, disarmed it in a French port, and returned it to the battle. The British Government announces that it will give all possible aid to France. British air forces attacked Bonn, Berlin, and Berlin, as well as Italian air fields in Libya, and laid mine fields in Italian waters.

The Italians again bombed Malta and laid mine fields in the channel between Sicily and Pantelleria. They also bombed the French naval base at Bizerte, in Tunis.

6. On the diplomatic front the most significant development was the delay of Turkey to join the Allies. Turkey is querying Soviet Russia. It would be folly for Turkey to enter the war

Secretary Morgenthau - 3

if the Soviet Government is prepared to attack Turkey simultaneously with Italy. The attitude of Soviet Russia will be determined by the extent of her apprehensions of Germany. She distrusts Italy and would like to assert herself in the Balkans but hesitates on account of the fear that Germany will turn upon her. If the Allies can hold in France, it is not impossible that a guarantee will be given Turkey by the Soviet Government against attack if Turkey attacks Italy. The Turks want very much to regain the Dodecanese Islands, which the Italians seized after the World War. I believe they would make the effort to retake these islands if they could be assured that the Soviet Government would not attack them in the near.

In the Far East Japan has taken advantage of the critical situation in France to make predatory demands that the French stop shipments of munitions to China through French Indo-China. The Japanese assert that most of these munitions are of American origin. Simultaneously, the Japanese and the British have come to an agreement in regard to the blockade of British concessions in Tientsin.

I think the whole confused diplomatic picture will be governed by the battle in France. If the French succeed in holding the Germans and keep them fully occupied, the predatory instincts of Italy, Russia, and Japan will be showed down. On the other

Secretary Noyenitham - 4

hand, if there is any collapse of the French Army, we can expect to see each of these powers seeking to grab all that it can.

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE CORRESPONDENCE

Confidential

2000 June 13, 1940

TO: Secretary Hangerman

FROM: Captain Falcetta

Subject: Destruction of an Important Chinese Ammunition Ship

1. An important Chinese ammunition ship was totally destroyed in an explosion on April 12. Definite information has just reached this country. The circumstances were limited at Chungking just within the Chinese border from Burma. They contained seven thousand tons of ammunition, dynamite and gunpowder worth four million U. S. dollars. Most of these supplies originated in the Soviet Union.

2. While the cause of the explosion has not been definitely ascertained, there is evidence leading to two alternative explanations.

a. It has been suggested that the ship was bombed by Japanese bombers operating from bases in Hsin. Japan's influence in Hsin has been strong and Dr. Baek reported some time ago that new air bases were being constructed close to the Chinese and Burmese border.

b. The second possibility is sabotage by Japanese agents.

3. An American military observer in China is of the opinion that it is impossible to judge what the true origin of the explosion was.

W. D. Falcetta
W. D. Falcetta,
Captain, U.S.A., Retired

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE: June 24, 1940

TO: Secretary Montagu
FROM: Captain Fullerton
Subject: The Situation in France

1. The Germans have occupied Reims and pushed southward from Eperux and Facy. They have occupied Paris, evacuated by the French Army. All of this was anticipated yesterday. A more serious matter is that the Germans have been able to advance to the eastward of Paris from Châlons in the direction of St. Etienne and southward from Montmedy. This threatens to compromise the Maginot Line immediately.

The Germans are reported to be attacking the Maginot Line in the Saarbrücken area. This would be a natural development of their movement from Châlons. It is essential for the French Army to evacuate the northern part of the Maginot Line quickly if it is to escape envelopment. There are numerous strong points in the rear of this Maginot Line, Verdun, Metz, Nancy, Sarrebourg, so that if the French Army is still cohesive, Weygand may effect this movement. If he should succeed in doing this, it probably still would be necessary for him eventually to withdraw from the southern half of the Maginot Line, because his army is already over-extended in attempting to hold the Maginot Line and a continuous line across France to the Atlantic Ocean.

Incidentally, in the recent operations the French have lost many prisoners and much equipment. As the Germans have now crossed the Seine east of Paris in strong force, it is very likely that they will cut off some more French prisoners.

2. Premier Reynaud made an appeal to the United States for immediate aid. I fear that his dramatic words and the quick response by some American commentators that we did not have planes to send will be immediately called to Berlin and will encourage the Germans to even greater efforts.

3. The British Government, through King George, has assured France that it will send all possible assistance, even semi-trained and ill-equipped troops.

The French Government has left Paris for Bordeaux. It still is possible for the French to reestablish themselves in the western part of France. A wide semi-circle extending from the coast of Brittany along the Loire River and from there swinging southwestward into the sea at Bayonne could be established. However, this will require not only superb discipline and control by the French Army but a stout-hearted government and people.

4. If the British come quickly and the French could be preserved, part of France may yet be preserved and the French

Secretary Maguire - 3

Army kept in being. This is about the best that can be looked for from the present situation.

5. There is a report that some of the Cabinet wish to make separate peace with Germany. It would be remarkable if, among all of these members, there were not some faint hearts. It will be a question now of whether or not Weygand can lead the Government and the Army and keep the French people together.

6. The Italian Army reports that it is making contact with the French Army along the Alpine border. However, the military picture has not been affected by the Italians as bel-ligerents. They still stand as many troops as a non-belligerent.

7. The Spanish Government announced that they have taken over the policing of Tangier, an international port opposite Gibraltar.

W. D. Palestine
 W. D. Palestine,
 Captain, U.S.A., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 14, 1940

TO Secretary Hargenthan
 FROM Captain Paleston
 Subject: The Situation in France

1. I discussed the situation in France at some length with Colonel Magruder. The Army feel that the military situation of General Weygand's Army is practically hopeless. Colonel Magruder said there had been a rumor that Reynaud had informed President Roosevelt that, unless the United States declared war against Germany, France would have to abandon the contest. You probably have better information on this subject than Colonel Magruder; I pass it along for what it is worth.

2. The French communique is more hopeful. It states: "The retirements ordered, particularly by the army of Paris, have been carried out conforming to plans. Our troops counter-attacked several times. A Nazi frontal attack on the Maginot line was repulsed with heavy losses".

3. Air attacks on Italy included fuel reservoirs in the region of Ventim. In addition, the railway line along the Italian coast was bombed.

Comment: I understand that the Italian railway lines are very vulnerable to air attacks, as they lie close to the coast.

W. D. Paleston
 W. D. Paleston,
 Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

Confidential

DATE: June 14, 1940

TO: Secretary Hargrett

FROM: Captain Philston

SUBJECT: The Situation in France at War.

1. A French radio station broadcast that the French Government had agreed with the military authorities to continue the struggle with Germany to the end.

2. The British Admiralty stated that the German battleship "Scharnhorst" had been hit some six or possibly twice by British fleet bombing planes on the Norwegian coast Thursday.

3. In an interview with an American newspaper man, Karl Von Wiegand (incidentally, Wiegand was a very pro-German American reporter in the last war), Hitler stated that he had no intention to destroy the British world empire -- but he was convinced that the capitalist oligarchy (in the British empire) will be destroyed, not by Germans but by the British people.

Comment: I think this is a significant statement. Nothing would suit Hitler better than to stir an civil strife in the United Kingdom and Great Britain. I doubt whether he can do this.

4. Ambassador Grew protested to the Japanese Foreign Office against the intensive Japanese bombardment of Chungking.

W. S. Ladd

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 14, 1940

TO Secretary Hays

FROM Captain Patterson

Subject: The Position of Soviet Russia in this War

1. There is a rumor from Finland that in a short time Germany will attack Soviet Russia, and Finland will regain what she lost to the Soviet. This rumor may simply be wishful thinking on the part of Finland, but the best opinion that I can get in Washington is that Germany will attack Russia as soon as she is relieved of any apprehensions of England and France.

2. I think the Soviet Government is aware of this, and I believe that, if the United States took some positive action in the European war and thoroughly committed our country, the Soviet Government would feel strong enough to detach herself from Germany.

3. During the Napoleonic wars, Russia was first on the side of England, then on the side of France, and finally on the side of England. In the Seven Years War, she also changed sides. During the World War, she made a separate peace with Germany. I believe she can be detached from Germany, and if she could be detached, she could take Bulgaria and Turkey and perhaps Yugoslavia in on the side of the Allies.

4. The fact that Germany has shown herself to be more powerful than was anticipated will make Russia more uneasy about

Secretary Morgenthau - 2

her position in the future in Europe with a triumphant Germany. If she knew that the United States was definitely committed to stopping Hitler, I think she would join on the first favorable opportunity.

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 15, 1940

to Secretary Magantine
from Captain Belknap
Subject: The Situation in France

1. The French report that there were lulls in certain parts of the line and that their retreat was in good order and to designated positions. An American reporter, broadcasting from somewhere in France after leaving Left Bank, stated that the reports from America were more "glibbery" than the atmosphere in France.

The German High Command claims to have reached Vitry Le Francois, to have shattered the Maginot line at Montmedy, and to have occupied Dead Man's Hill in the Verdun area.

The French claim to have repulsed a frontal attack on the Maginot line along the Sarre.

2. It is essential for the French to evacuate the north-eastern part of the Maginot line from Montmedy as far east as Sarrelbreth and abandon the western most salient northward of Strasbourg.

3. The success of the maneuvers of the French Army will be its success in this operation of evacuation.

4. The German backed Belknap, Hantz, and Metz, and probably kept pressure on the whole Maginot line. It is still possible

that they will violate the Swiss neutrality in an effort to get around the southeastern end of the Maginot Line.

5. The terrain favors the French in the Vosges region, and they should be able to evacuate the Maginot Line without any military disaster. In fact, it would be quite possible for them to inflict heavy casualties on the Germans in this operation if the Germans are too eager in the pursuit.

6. It is reported from both London and Paris that the Government of France will decide today whether to continue the war or to make a separate peace with Germany. This may be correct, and we should know very soon whether or not it is.

If the French do not make a separate peace within the next twenty-four hours, we can expect them to evacuate north and eastern France, and the success of this operation will depend on preventing a further break through to the west of Paris while they are withdrawing their forces in the Rhine-Meuse sector. Accordingly, it would not be bad news to learn that the French were successively evacuating strong positions in the Maginot Line, provided there was no sudden, deep penetration by the Germans.

7. The Italians claim that they have some of their soldiers on French territory along the frontier. It is quite possible that at certain points they are on French soil, but their advance is not important at present. In at least one position the French were on the offensive, and the Italians only claim to have repulsed the attack.

Secretary Huntington - 3

8. The French Navy felt strong enough to bombard Genoa, and it is reported that in other places along the coast French ships bombarded the Italian coastal railway line.

9. On the diplomatic front, the Turks are showing a reluctance to fulfill their obligation to the Allies, and the Spaniards have shown a willingness to change from a neutral to a non-belligerent attitude favoring Italy and Germany. It is only to be expected that these weaker countries will be guided by the results in France. That is one of the main reasons for protracting the resistance of France to the bitter end.

10. The attitude of the British Government and the British people, outwardly, at any rate, is to continue the war even if France is forced to capitulate. I believe that is at least the present attitude of the British people, and for that reason I am still convinced that the best thing we could do in our own self defense is to give all immediate aid possible to England and France. In order to be perfectly sure that none of our equipment should fall into German hands, it might be advisable to route our supplies for France via England, or at least to be prepared to divert ships carrying equipment bound for France to England in an emergency.

W. D. Pulston
W. D. Pulston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 17, 1940

TO Secretary Magenthau

FROM Captain Pullerton

Subject: French Overtures for Peace with Germany

1. Marshal Petain has taken over the French Government and made overtures for peace with Hitler. The important question now is what terms will be exacted. From a military point of view, the disposition of the French fleet is of first importance, and, second, whether the French will hold long enough to permit the evacuation of British soldiers and supplies still in France.

It is useless to conjecture, as the event will develop very quickly.

2. If the Germans obtain the French Fleet, with the Italian Fleet and the remnants of the German Fleet, it will be a formidable naval force and make the defense of the United Kingdom against invasion more difficult. Again, it is almost useless to speculate, for even if orders were given to surrender, it is quite possible that some units of the French Navy would scuttle themselves or even join the British Fleet.

3. So far as our course of action is concerned, we should

- (a) divert any supplies intended for France to Great Britain,
- (b) be ready to occupy the French colonies in the West Indies and

Secretary Mergenthaler - 2

South America, (c) redouble our efforts to speed up preparations for war, and (d) adopt the principle of universal service.

We can expect Japan to take advantage of the present situation in the Far East. Until public opinion is ready to allow our fleet to take an active part in the war, I think we should keep it where it is, as it has some quieting effect on the Japanese.



W. D. Johnston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

NAVY OFFICE COMMUNICATION

Date: June 17, 1940

TO: Secretary Department

FROM: Captain DeLoach

Subject: Effect of German Acquisition of the French Fleet

1. Effects of the Replenishment Stations (Based on Naval Intelligence Data and believed to be substantially correct.)

	<u>German</u>	<u>Italian</u>	<u>French</u>	<u>Total</u>	<u>British</u>
<u>Capital Ships</u>					
In Service	5 ^a	6	8	19	14 ^{***}
Launched	11	1	-	12	22
Building	2	1	3	6	10
<u>Destroyer Replenishers</u>					
In Service	2	-	-	2	-
<u>Aircraft Carriers</u>					
In Service	-	1	2 ^{***}	3	30 ^{****}
Launched	11	-	-	11	10
Building	11	-	2	13	22
<u>Battle Cruisers</u>					
In Service	2	7	7	16	15
Launched	2	-	-	2	-
Building	-	-	-	-	-
<u>Light Cruisers</u>					
In Service	5	14	11	30	140
Launched	-	-	-	-	100
Building	4	14	3	21	111

^a Two estimated.^{**} Includes two of the King George class recently commissioned.^{***} One estimated transport.^{****} Includes two auxiliary cruisers.

	<u>German</u>	<u>Italian</u>	<u>French</u>	<u>Total</u>	<u>British</u>
<u>Destroyers</u>					
In Service	36	125	67	229	170
Launched	-	-	-	-	7
Building	4	22	13	41	32
<u>Submarines</u>					
In Service	100	111	77	288	56
Launched	7	-	-	-	7
Building	7	5	12	24	10

2. The foregoing table indicates the seriousness of the situation in the event that the French fleet is added to the Italian and German. The more it is considered, the more precarious the position of the United Kingdom is seen to be in case Hitler succeeds in obtaining the French fleet. While a coalition fleet could not possibly operate with the same coherence as one national fleet, and while some time would be necessary for the Germans to use French ships, the danger would be acute and imminent.

3. With naval forces as nearly equal as these would be and with air superiority, an invasion of England could be undertaken with less risk than the Germans have taken in their other operations.

4. The Germans certainly would be able to raise the blockade by attacking the shipping vessels on the line between Iceland and the Faeroe Islands from their Norwegian bases. Even more dangerous to Great Britain than the invasion would be the

submarine warfare that could be waged with the combined submarine fleets, which would total 295 submarine vessels.

5. If the submission of the French fleet should enable Germany to starve or invade England, or both, Germany could then command the British fleet. If England should be obliged to submit to this condition in order to avoid destruction, Hitler would then be in a position to occupy the Azores and Canary Islands and move against either North or South America.

The foregoing is based on two big "ifs"; possibly neither of them will happen. But the potentialities of the ultimate situation are so serious to the United States that, if the French fleet is turned over to Germany, our own position should be carefully reconsidered.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

RECEIVED: JUNE 21, 1940

JUN 21 1940

TO: Secretary Ruggles
FROM: Assistant Secretary
Subject: The Situation in Europe

1. Mussolini and Hitler are seeking to finish the world upon the terms to be given France. In the meantime, the Berlin press indicates that the terms will be very severe. The French might have known they could expect no very favorable terms. It is idle to speculate as to what the terms will be, as we will know them very soon.

2. The important question is the disposition of the French Fleet. Next in importance is the disposition of the French colonies overseas and their activities that is left. There are suggestions that Japan will go into French Indo-China. The territorial interests involved in the French overseas include French possessions in the Mediterranean, Africa, and Asia, as well as Europe. Most of these lie at present beyond the reach of Germany or Italy, and while it is hard to visualize the Germans making peace with the French while the French Navy joins England, it is easy to visualize the French Navy continuing to fight for French possessions in Africa or Egypt.

3. Another way we are concerned, our course of action is even plainer now than it was before the downfall of France.

Security Regulation - 13

We must (a) prepare ourselves as rapidly as possible, and
(b) help Great Britain as much as possible.


W. D. Johnston,
Captain, U.S.M., Detroit.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

Date June 19, 1940

To Secretary Department

From Bureau of Finance

Subject: New Developments in the Chinese Transportation Problem

The present situation in Europe renders the future use of the Indo-China route into Free China precarious. The route has become temporarily more important. Japan already is making pressure on Great Britain to prohibit the use of the Suez route to Free China, and unless the British position in Europe improves, Britain may have to yield to the Japanese demand. Nevertheless, the following information about the Chinese road is interesting and will become very important if Britain is able to resist the Japanese demands.

1. The Chinese are constructing a new road from the coast of Indochina on the Irrawaddy River to the Chinese border.
2. More interest is being shown by Burma in the construction of the Mandalay-Burma railroad. A survey is being made looking northward extension of the Highway from Lashio to the Chinese border which would greatly facilitate construction of the new railroad and would be the link between the new railroad and the Chinese railroads. Supposedly because of an unsettled boundary dispute, Burma has shown no interest in making this link a railroad instead of a highway. Lack of interest has been due to the feeling of the British Government that "wider considerations" did not justify such an extension of the Burma railway.

3. The Yunnan-Guangtung (Hanoi) Railroad

The French were to provide credits for the construction of this highly important railroad. With the present situation, construction of this railroad will probably have to cease.

Burma Routes

1. A new road between the head of navigation on the Irrawaddy River in Burma, Hsing, and the Chinese Yunnan-Kunming Road is under construction. An estimate has been made as to when it will be finished. Work was begun before World War by several thousand men. This road will facilitate the utilization of the large potential carrying capacity of the Irrawaddy River as a route into China, should it become necessary.

2. The proposed Yunnan-China railroad. There has been some progress along this line.

A. The Burmese are making a survey looking to the improvement of the road from the Burmese rail head, Lashio, to Hailong, near the Chinese border, along the line extended off the Yunnan-Burma railroad on being built by the Chinese. An improved highway would enable the Chinese to obtain materials for the new railroad through Burma and thus construct it from both ends.

This road would serve as the link between the Burmese and Chinese rail heads if the Burmese Government did not build the rail link from Lashio to the frontier.

The Chinese Government has offered to finance the labor necessary for this work.

11. No encouragement has been shown the Chinese by the Chinese Government in their attempts to interest Korea in the construction of an extension of the Humea Railroad from Lashio to the Chinese Frontier. This is supposed to be due to the existence of an unsettled boundary dispute, which is of importance because of the reported existence of mineral deposits in the doubtful zone.

12. The Chinese have in England 130 miles of rails purchased two years ago which they are now willing to make available to Korea for the construction of the Humea link of the Humea-Korea Railroad.

13. The construction of the Humea rail link depends on the will of the British Government. Up to the present time, "war considerations" have not justified it.

14. There are contradictory reports as to the importance attached by China to this railroad in construction. One report is that Chungking considers that the railroad would not be completed in time to be of use in the present war. The officials in charge of the construction, however, have orders to complete the line in two-and-one-half years. To meet this schedule, material must be transported through Humea.

The Humea-Chungking (Kailash) Railroad

Construction of the Humea-Chungking (Kailash) railroad, which is already under way, was to be assisted by a credit of ten million dollars by the French Government. The British were

to be asked also to participate in granting credits. The construction of this railroad, together with the Hanyu-Kowloon railroad and the extension of the Hanyu railroad to the border, which connect the Indian Ocean with the Pacific Ocean by rail. The existence of such a road would be of great strategic value in the war against Japan.

The downfall of France, if necessary will seriously complicate these plans. If Indo-China is threatened as an entrance for material into China, the construction of this railroad will have to stop until the Hanyu-Kowloon railroad is completed.

W. D. Johnston
 W. D. Johnston,
 Legation, U.S.A., Hanoi.

TREASURY DEPARTMENT

INTER OFFICE CORRESPONDENCE

Confidential

Date: June 19, 1940

To: Secretary Magathan

From: Captain Pelletier

Subject: Conversation of Count de Chantreaux

1. Mr. James Dunn gave a small dinner for about six of us at which Count de Chantreaux was present. The Count told us that he had already talked with you, so you may know much of what follows, which is based upon his statements.

2. King Leopold was known to be pro-German before the war started. The French High Command were supposed to be informed of certain German movements by the Belgian Intelligence. This information not only was withheld, but instead of giving correct information, the Belgian Intelligence gave false information. Consequently, in the initial dispositions of the French Army the Seventh Army, the best French army, was placed well on the flank. Nine of the eleven German Panzer Divisions were massed in the center and came through the Ardennes province of Belgium.

The Belgians had realized that this area would be attacked and mined, instead of which it was entirely open, and the German motorized divisions were able to use the main roads without any serious opposition.

The Count also stated that as the Belgian-German frontier the Belgians considered not only failed to destroy the bridges but

ordered his units to withdraw. The Court stated that this particular officer probably was in the pay of the German Army.

Again and again the Court asserted that it was the action of German Fifth columnists in Belgium that caused the debacle of the Allied Forces. In practically every small town in Belgium there was at least one group of fifth columnists whose role was to incite panic among the villagers; they spread the word that the Germans were coming and that they must evacuate. In many of the villages there were already small groups of Germans, with their weapons concealed, who travelled along in horse-drawn carts with the refugees, increasing their panic. When these groups came to filling stations, they would be ready to seize the supplies and sell them to the advancing German motorized equipment. The Court asserted that much of the gasoline for the German tanks was obtained from Belgian gasoline filling stations.

It said that three French generals had been assassinated by these Fifth columnists who surreptitiously entered their headquarters.

Comment: Making due allowance for a French officer's desire to explain such a mortifying defeat, I was impressed with the Court's statements, as they confirm and amplify others that we have heard earlier from the Court.

3. Another important statement is made and confirmed was that since the battle of Mons there has been no real fighting in France. The so-called Maginot Line existed merely in theory, because the French Army had already been destroyed. This was a serious statement, but this much appears to be true: the French Army, under General Blum, was the French army of reserve, the other had given the West Europeans and all of the nation's military equipment. When that was destroyed, it was impossible for the French Army to mount a real counter-attack.

4. The Court gave a clear, and I think an accurate, picture of the paralyzing effect on the army movements of the occupation of Belgian roads by Belgian refugees. It was not merely army that prevented the French from clearing these roads, it was a physical impossibility. The refugees had blocked the roads with their vehicles, and they could not be cleared out in time to facilitate the movement of the French Army. The only criticism made of the British Army was that when this situation became apparent the French High Command suggested that those British divisions in the northwestern flank, whose rear communications were clear, should return to France and attempt to fill the breach. In the German view, the British High Command did not see this as likely.

Secretary Negotiations - 4

5. The Count was likewise extremely impressed by the British and French efforts in Belgium and as well as in and out of the headquarters of French and British generals, getting a very comprehensive picture of the situation at the front. I doubt either he realized the crippling effect of the German bombing attacks on the railway network in northern France, which prevented the movement of reserve divisions into the line after the battle began.

The Count said that one of his tasks was to interview the French airmen about planes. He made the flat statement that the Germans were already making short or medium airplanes more; he stated positively, and repeated the assertion when questioned as to his accuracy, that there was a decided difference in the nature of the German bombing in the latter phase of the campaign in Flanders. He mentioned that the Germans commenced the campaign with only five thousand planes for their planes.

He stated that there would be no question that the British had the better quality planes and better quality airmen. He made no claim for the French planes or the French airmen. He said that he did not believe the Germans would have much success in bombing England, because the British air defenses were good and their fighting planes were really formidable, particularly the last type developed, the Spitfire. He stated that he saw twenty German

fighters brought down by six of these fighters in a very short time. In support of the statement that under certain conditions the British could command the air temporarily, he pointed to the evacuation of Dunkirk. He does not believe that the Germans will attempt an overseas invasion of England and said it would be some time before they could establish airfields in Holland and Belgium suitable for the use of their bombing planes. He was confident that England would not only be able to resist the Germans but could defeat them. He was questioned closely about this point. He replied that the British still had enough fighters left to bomb the industrial cities of Germany, which are the industrial centers (this is true -- the German heavy industry is concentrated between Saar and Switzerland, mainly along the Rhine). The German people have been fed with nothing but victory, and when they find that the British still can bomb their cities and no immediate peace is in prospect, they will again feel the hunger that caused them to succumb in the last war and which depressed them very much during the past winter. He thought there would be a continuous deterioration of the morale of the German people and said that the question of administering and controlling the populations of the occupied states would absorb much of the German effort.

While the German people, particularly the German Army, would get the first installment of food, it would not be easy to

Secretary Department - 6

control and-ordered under the accepted Government.

6. He stated that, in addition to supplying materials, he thought one of the best things we could do for the Allies was to insure a steel supply for England and France.



W. D. Webster,
Captain, U.S.A., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

May June 15, 1940

TO: Secretary Morgenthau

FROM: Captain Folsom

SUBJECT: Miscellaneous Events in the World Situation

1. The Canadian Government announces that Canadian troops are sent to Iceland.

2. There is a report that Mexico will accept compulsory military service.

3. In Manchuria the Japanese and British and reportedly the Chinese Governments have agreed on a settlement of the dispute over the possession of Chinese Government silver in Manchuria held in the British possession.

4. In Japan an organization of retired army officers has decided that Japan occupy Indo-China.

5. British air bombers attacked the German synthetic gas plant in Hanover. It was reported to have been badly damaged. This is a very vulnerable plant and I have often wondered why it was not attacked sooner. In addition, military objectives at Bonn, Wiesbaden, Hamburg, Kiel, Danzig, Berlin, Halle, Leipzig, Rostock, Schwerin, Magdeburg, Cologne and Frankfurt were attacked.

W. H. Folsom,
Captain, U.S.A., Retired.

TREASURY DEPARTMENT

~~Confidential~~

INTER OFFICE COMMUNICATION

DATE June 15, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: German Attacks on England

1. Yesterday the Germans inaugurated their first air attacks on inland English cities. Apparently they are looking for the airplane factories, as well as for the port facilities of London. It is easy to understand why the Germans selected these objectives and we can expect continuous German attacks as German planes become available.

2. The Germans will probably intensify their submarine attacks on merchantmen in the Atlantic, while Italy will resort to submarine warfare in the Mediterranean (the British have already ordered their merchant ships out of the Mediterranean). In conjunction with these submarine attacks on British merchant ships, German bombers will again try to attack merchant ships in convoy. Captain Eick, our attache in England, reported that German bomb attacks on vessels under way had been very unsuccessful, the percentage of hits made ranging from one to two per cent. With bases on the French, Belgian and Dutch coasts, German air bombers might be able to attack more successfully. But with the accession of tonnage from Norway, Denmark, Holland, Belgium and France, the British merchant marine should be able to accept many heavy losses without being vitally hurt.

3. The additional Italian submarine menace will put a considerable strain on British destroyers and anti-submarine vessels. Now that there is only one belligerent fighting against the totalitarian powers in Europe, it might be in order for the nations of the western hemisphere to request the United States to escort all belligerent vessels trading in the western hemisphere to a line east of the fiftieth meridian of longitude in order to prevent the spread of hostilities to the western hemisphere. This would not only keep war out of the western hemisphere, but would reduce by, roughly, half the ocean escort necessary for British convoys. Our naval vessels now doing neutrality patrol along the coast could be used for this purpose, for there would no longer be any reason for their patrol in coastal waters.

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE: June 19, 1940

TO: Secretary Morgenthau
FROM: Captain Puleston
SUBJECT: Winston Churchill's Speech

1. I listened to the broadcast and really felt I was listening to a man who meant what he said. They were not only brave words, but they were words that seemed sincerely brave and not mere bravado. Regardless of what he felt, Churchill would have made just such a speech because he realizes the necessity of putting up a bold front and he is an accomplished speaker who could, if necessary, impose upon a listener. So it is entirely possible that deep in his heart Churchill does not believe what he said, but I believe that he does.

2. A London correspondent who heard the speech in Parliament stated that the cheers evoked by Churchill seemed to him to be the cheers for Churchill's courage, rather than cheers of people who believed in the prospect of the predicted successful defense of the United Kingdom. I think this is a correct observation. Many members of Parliament are probably uncertain of the future.

3. Churchill gave his reasons for his courage: (1) 1,250,000 men under arms with local defense volunteers numbering 500,000; (2) the British fleet; (3) the British air forces. Certainly, if the British fleet can maintain itself in or near the English

Channel it should be able to break up any overseas expeditionary force. Even if considerable forces of Germans eluded the navy, the British army should be able to defeat them before they become formidable. The British are apparently on guard against German fifth columnists. It will be more difficult for them to operate in England than it was in Holland, Belgium and northern France.

4. General Miles reported on his return from England just before the invasion of Holland that the British air defense was efficient and getting more so. We have positive evidence that the British fighters are capable of dealing with German bombers, provided they are in the air when the bombers arrive. So I think there is considerable reason to believe that Churchill's assertions are not mere bravado.

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 19, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The European Situation

1. France received last night the German terms for peace. There is no indication yet of their nature, or whether France will accept them. It is reported that French bombers are flying to Morocco and that French ships are joining the British in the eastern Mediterranean.

2. The diplomatic effects of the German victory in France are becoming more and more apparent. It is reported that Turkey has abandoned her alliance with the Allies and is looking towards Soviet Russia for protection. The Balkan States, likewise, are either looking towards Russia or Germany. But the most immediately interesting development is the movement of Soviet troops into the Baltic States of Lithuania, Latvia and Estonia. It is known that the Soviet army has been busily strengthening its position in western Russia, and there is a rumor that the Soviet will demand the Åland Islands from Finland. Stalin must realize that Germany will deal with him very realistically as soon as the danger from France is removed.

3. The map of Europe with France under German control and Italy and the Soviet as allies, with the Scandinavian countries, except Sweden, overrun, is strikingly like the map of Europe in

1812, only it centers in Berlin and not Paris. Events in this war have moved with much greater rapidity than in the war of 1914-1918. I think the situation will continue to develop with more speed than in 1914-1918 and that moved with much greater speed than the war of 1793-1815. If England can hold out until winter, we could expect to see the same economic difficulties arise between Soviet Russia and Nazi Germany that arose between Napoleon and the Czar Alexander in 1811-12.

4. As far as the immediate future is concerned, the pressing question is the disposition of the French fleet. It is idle to conjecture about this when we shall probably know very soon.

Fortunately, the course of action for the United States becomes clearer the more desperate the situation in Europe becomes. That is, we should make every effort possible to increase our aviation, navy and army, and in the order named.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 20, 1940

TO Secretary Morgenthau

FROM Captain Palestine

Subject: An Analysis of the Unintended Report, Written Yesterday, of Count de Chamberlain to Him.

On May 10 The Germans were estimated to have,
(excluding fighters and reconnaissance) . . . 5,000 bombers

They attacked objectives in Holland,
Belgium and France with . . . 5,000 bombers

Their losses were . . . 342 planes
or . . . 6.8%

Kept in reserve were . . . 4,000 planes
(Germany did not, however, have
reserve crews for 4,000 planes)

By May 20 Germans were using reserve planes of
1936-1937 model and not completely equipped
with flight instruments. Some of these
crews had flight training of only . . . 50 - 80 hours

Relative losses during fighting begin-
ning on May 10 were . . . 2 German
planes to 1 British

During the evacuation of Dunkirk, when
Defiants were used, British fighters
brought down . . . 4 - 5 German
planes to 1 British

Comment: I think this estimate of 4 or 5 German
planes to one British is excessive. Churchill
claimed 3 to 1 in this operation.

During the Dunkirk operation the Germans
had sufficient bombers to attack Boulogne, Calais,
and Dunkirk, but could not simultaneously attack
Dover and Folkestone. (I believe this is substan-
tially correct. One ship evacuating soldiers from

Dunkirk reported that German bombers followed it to an English port. This would indicate that, generally speaking, German bombers would not follow the withdrawing ships.)

On June 2 - 3 Germany attacked Paris with 1455 bombers
 Lost 27
 or 17%

By the last of May the British reported that they had brought down, behind Allied lines 1457 bombers

The estimated total loss when D.C. left was 3000 planes

Goering is reported to have requested his bombing crews to continue a few days longer, in spite of their severe losses.

British Aviation

The morale of the Royal Air Force Fighters is extraordinary. They enjoy their duty and are confident that they have the best equipment.

Their fighters, on account of their armament, can only stay in the air a short while and will be more effective in protecting objectives in Great Britain than in France.

The output of fighters is increasing in Great Britain.

The experience at Dunkirk, where practically the entire German bombing strength was employed, demonstrates that it will be difficult for the German air force to bottle up British seaports. For five days and five nights, despite continuous

bombing raids, ships came with food and munitions and left with 335,000 men. The British fighters, which made this possible, were based on the British side of the Channel and brought down an average of seventy-five to one hundred bombers a day over Dunkirk (a total of 375 to 500 planes).

2. To destroy British commerce and industry, German bombers will have to destroy the British ports and industrial centers that are scattered from Glasgow to London, whereas German heavy industry and twenty million inhabitants making war materials are concentrated in the Ruhr, in a seventy square mile area. These Rhinelanders do not have the morale of the Prussians, and the small raids already made over this district have lowered the morale of the inhabitants. Local German radio stations were appealing to the civil populations of the Ruhr to remain calm and sufficient. Continuous raids on the Ruhr might prove decisive.

3. Summary. Hitler possesses one-half of Europe; Napoleon controlled the whole of it and was incapable of defeating Great Britain.

Great Britain is not tired like Germany by a campaign of several years of production on a severe war-time basis. The British war industries are just coming into production.

While France fought and fatigued the German war machine, Great Britain was getting ready. To date Great Britain has sustained only minor losses:

Secretary Morgenthau - 4

35,000 men wounded, killed or missing, including
1,200 men in Norway.

The Navy has lost:

1 battleship
2 airplane carriers
several cruisers
about 30 destroyers
10 submarines

To attack the British Empire successfully, the Germans would need a great air force, which they no longer have, and a considerable fleet.

De C. does not believe Italy will bring her Navy into the Atlantic but will only use it in the Mediterranean.

(Comment: I incline to this belief, although Mussolini might employ some of his submarines in the Atlantic.)

Great Britain and the French colonies can offer great resistance to Italy in the Mediterranean. They will be assisted by the Arabs, who hate the Italians. The Axis powers will have to take into consideration the strength and ambitions of Turkey and Russia.

Finally, if the conquered European people, particularly the French, get the feeling that, assisted by the United States, Great Britain will not yield to Germany, by their active or passive resistance to the seventy-five million Nazis, they will have a large part in the struggle to prevent Germany from dominating the world.

In my judgment there is a great deal to support Count de Chamberlain's thesis that there is not sufficient air strength left in Germany to force the United Kingdom to surrender. The unknown factor is the number of reserve airplanes, particularly bombers, and crews.

There is unquestionably considerable strength left in the United Kingdom to put up a stiff resistance, and in my opinion there can be no question about the wisdom of our continuing to give all assistance possible, not only on account of our natural sympathy for the cause of democracy, but for the plain selfish reason that the greater resistance Great Britain can put up the less the burden on us will be to meet the Nazi threat.

W. D. Paleston
W. D. Paleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 20, 1940

to Secretary Hingston
from Captain Pullerton
Subject: The European Situation

1. It is reported that the German and French plenipotentiaries are negotiating terms of an armistice. It is also announced that France has asked Italy for her conditions of peace. Still another report states that French ships have been ordered to report to either French continental or French colonial ports. None of these reports could be confirmed.

2. The French Government is reported to have moved from Bordeaux to a town near Biarritz.

3. There is no further indication of the disposition of the French fleet except that the "Jean of Arc" either was taken into Halifax or voluntarily accompanied a British ship into Halifax. Probably some of the French fleet will be surrendered to the Germans, but I believe many individual units will refuse and will either join the British or be scuttled.

4. The Germans have occupied Brest. This is the best port in France and commands the southern entrance to the English Channel. Probably the port facilities fell into the hands of the Germans in perfect condition.

5. For the second night air raids over England took place and the Germans went deep into western England and Wales. They

also bombarded oil tanks on the Thames.

The British bombarded oil supply centers, railway junctions and power stations near Hamburg, Bremen, Frankfurt, Essen and Hanover and report doing much damage to oil depots and petroleum refineries. The British Air Ministry claims that the German air bombing attacks did little damage. Germans report eighteen civilians killed by British bombs; the British report twelve killed and thirty injured. The Germans also bombed Bordeaux with heavy loss of life.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

BUREAU OF CUSTOMS AND EXCISE

DATE: June 25, 1940

TO: Secretary Negotiations

FROM: Captain Robinson

Subject: Situation in Europe

1. The French and German plenipotentiaries met at Compiègne in the same car that was used by the German and French plenipotentiaries in November, 1918. In the preamble to the treaty the Germans announced that the conditions are designed to (1) prevent the resumption of fighting, (2) provide Germany with all security for maintenance of the war against Soviet Russia, (3) establish provisions for a new peace.

The French plenipotentiaries were General Charles Frotzinger, of the Army, Vice-Admiral Le Luc, of the Navy, General Bergeret, of the Air Force, and Louis Noel. The names of the German plenipotentiaries were not mentioned, except that it was reported that Adolf Hitler met the French plenipotentiaries.

2. France is also negotiating with Italy for peace terms. Britain was said to have been secured of parliamentary support for any conditions the plenipotentiaries were able to negotiate.

3. In capturing Dunkirk, the Germans captured two 15,000-ton British battleships, the Gloucester and Edinburgh, under construction in that port.

4. As far as there is no definite word about the fate of the French fleet. There are many conflicting reports.

Secretary Maguire - 2

5. The German news agency denies reports of German troop movements in East Prussia and that any food shortage is imminent in Germany. It claims that Russia is delivering grain according to schedule and that larger supplies of butter, eggs, and meat will be had at the beginning of next winter than when the war started.

6. The British Air Force carried out attacks on German objectives in France, Holland, and Germany. Fighter planes and heavy planes took part in attacks on German military stores in Holland and the German airbase in Berlin; they carried out an attack on German planes on a French airfield.

The Italians claim to have inflicted heavy damage in air raids on Berlin and Rhineland. They also carried out raids on the British air base in Egypt. During the first twenty-four hours of Italy's participation in the war, two heavy bombers successfully attacked the Ansaldo works at Genoa and the Fiat factory at Turin.

7. It is reported from Rome that the Italians are going to descend Nice, Turin, Geneva, and Lyons. Some expectancies that complete harmony will prevail in the German and Italian coalition with France.

8. Reports from both Egypt and Beirut say that the French Fleet has decided to continue fighting with the British Navy.

9. The Japanese Foreign Office spokesman reportedly announced that, since Britain had been expelled from the Orient, he would be too busy to participate in the work of a committee urging a boycott of commerce to Japan. It is also reported that Japan has demanded that Britain stop the transfer of munitions to China via the Burma-China railway. The French Indo-China Government has already responded to a demand that shipments of munitions be prohibited on the Hainan railway to Indo-China.

10. Military Intelligence has reports indicating that some units of the French Army have already arrived in England. Also, they have reports that both the French Army and Navy contingents in the Near East state that they are not intimidated by the withdrawal terms with either Germany or Italy; they will continue to fight.

Military Intelligence also believes that there may be some in the construction of Soviet troops along the Russian border that appears on the horizon.

[Signature]
R. T. Palmer,
Captain, U.S.A., Retired.

Compared by hand with original - nothing to be added

TREASURY DEPARTMENT

122

INTER-OFFICE COMMUNICATION

Confidential

DATE June 22, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The French Fleet

Confirming my telephone message about the French Fleet, Naval Intelligence received information that:

Two of the older battleships, of the Courbet class, are in England.

Two of the most recently completed battleships, the *Ducloux* and *Jean Bart* were sent to Dakar and Casablanca.

There remain five battleships in commission, whose whereabouts are unknown, and two building, one at Brest, one at the mouth of the Loire; they are to be completed in 1942-1943.

In addition to the two battleships in England, there are numerous French patrol boats that are useful but have little military value.

There is no information about French cruisers, destroyers, or submarines.

E. D. Puleston
E. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

Date: June 22, 1940

TO: Secretary Maguire
 FROM: Captain Pollock
 SUBJECT: The European Situation

1. The German and Italian terms to the French have not yet been officially announced, and it is the title to speculate upon them.

The attitude of Hitler and his staff at Goringen was strictly correct; and although designed to depress the French, as resolute Frenchmen could say to himself, "They beat us in 1870; we beat them in 1918; they beat us in 1940. Therefore, we will beat them in 19—."

2. A German report that they had captured two French battleships in Brest is incorrect. One of these has been evacuated to Africa; the second is not due to be completed until 1942-1943. (A separate report on the French Navy is submitted herewith.)

In spite of the obvious hopelessness of the military situation, French soldiers are reported fighting well along the Italian-French frontier and further north to the westward of the Maginot Line.

3. The British continued their air raids into Germany, reaching the suburbs of Berlin. In addition, it is reported that the British air force demolished the depots for the German long-range rifles near Cologne and Rastatt. These were being built

Secretary Bagdasarian - 2

in these long-range guns to cover an invasion of England. Also, it is reported that the British have landed the gun batteries and anti-tank ships in French harbors, such as Brest, that might be used as points of invasion.

The Germans carried out air raids on the southwest, east, and northwest coast of England. Further than with our the British raids were in great force. It will be several days before the Germans make a new air attack on England comparable to that launched on London a few nights ago. When the Germans make these new attacks, we will get the first measure of the real strength of British anti-aircraft batteries and fighters and the first indication of the British ability to resist these air attacks.

4. The diplomatic representation of events in Russia are literally mounting around the walls. Japanese troops have landed north of Hong Kong. After forcing the French to withdraw attempts to China via Indo-China, the Japanese have said similar demands that England withdraw attempts to China via India.

King Carol, of Rumania, has accepted an offer by the Germans, with himself as the leader. Consequently, he has released the last of the Iron Guard (the Rumanian equivalent of Nazis).

Executive Department - 3

Bush has taken over completely Lithuania, Latvia, and Estonia, and has withdrawn her recently acquired possessions in Poland.

The Western Parliament has been called to session by the King to deal in an unexpected diplomatic situation, probably caused by Bush or Germany.

It is reported from Berlin that Bush has demanded a loan to the Reichsmarine to ensure free passage of her ships from the East Sea to the Aegean.

Germany has definitely joined Germany. If Hitler and the Kaiser can find a formula that will satisfy both Bush and Daily in the East Sea, the Baltic states can be carved up to suit the Reichsmarine. If they cannot, there is still a chance of a loan between Bush and Daily that may involve Germany.

Most of the shipping to China via Russia have come from Bush and the United States. If the Russia road is shut off, the only route to China will be over land from Bush via Mongolia. Bush is not at all with any satisfaction the further progress of Japan to China. Still, she is so thoroughly involved in the European situation that she may be obliged to sympathize for the time being to the developments in the East Sea.

5. These apparently the state of affairs since Bush came to the Western Parliament in Europe and she will be there because

Secretary Morgenthau - 2

an obvious threat to North Africa. All of their position is built around the German Army and Air Forces. This, in turn, is dependent upon German industry and supply. If Germany's war machine falters a kaleidoscopic change in the world situation would result, and it is known that there are weak points in that war machine and in the German home front. In every battle and every war between powerful antagonists, there comes a time when it is not only a question of the material factors but a question of the will power to resist. I thought the French people had more endurance than they displayed, and I may be over-estimating the British powers of endurance, but I still believe that the British can hold out long enough to put a greatly increased pressure on the German home front. If they can, they may yet win the war. Even if they do not succeed in winning the war for themselves, every attack they make on the German industrial establishment gives the United States more time to get ready for the new situation that we will face in case Germany and Italy finally defeat the British Empire. So it will seem to me that the only course of action open to us is to help Britain resist Germany to the utmost, even if to do this we have to supply some weapons that would be useful to our own Army and Navy.


H. H. Huleston,
Captain, U.S.A., Retired.

TREASURY DEPARTMENT

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Confidential

INTER-OFFICE CORRESPONDENCE

Date: June 24, 1940

to Secretary Morgenthau
from Captain Pilcher
Subject: The Situation in Europe

1. The terms imposed upon France by Germany are just what the French might have expected. It is possible that the Germans have actually overreached themselves by making the terms so drastic that French people out of the mouth of Hitler's very way be inspired to refuse to comply. This, however, is problematic. (According to G.H. Archibald, the French newspapers have not been allowed to give the terms of the armistice to the French people.)

2. Reconciliations have broken out between the British and French Governments, the British claiming that the French violated their promises not to make a separate peace, French replying that to save the interests of France better than Churchill. The big question is whether the French Fleet and the French colonies in the French colonies will continue their resistance. As it is now is not in the promises of Hitler not to employ the French Fleet against Britain, but it would be some time before these French ships could be taken over and manned by German crews, and some of these French units, as known, are at present beyond the reach of the German Army.

Secretary, Department of State

11. The terms suggested on the French allegations by Italy are not perfect, but it is easy to see that they will be much to the advantage and possibly more revealing to the French than the German terms, for the French have a real interest in Italian military progress.

12. The most critical situation is that mentioned by the United Kingdom Staff. If it can be effected the German air attacks on the German effects at Gibraltar will increase, it can get more information. England has been driven out of the Mediterranean at various times during her long war without permanent effect. She will still have both entrances to the Mediterranean Sea, and it will not be a matter of effect on the part of Italy to blockade her from Egypt. Even her most resistance Gibraltar can get up against a combined land and air attack by Italy and Germany is questionable, but any effort made here by the Axis powers will divert some of the resources from the United Kingdom.

13. In the Far East it looks as if Japan is getting ready to take advantage of the French weakness by going into Indo-China. This is important, since it is not vital to the main fight between Germany and England. Intelligence is being provided for the United States, however, and it will bring Japan much closer to Manila and Singapore.

Secretary Maguire - 3

6. Anything can happen in the War Dept, but if the report is true that the French commander of the Allied Army has refused to accept the German capitulation terms, that may well protect the War Dept from almost any effort made by Italy.

Belmont, one of the best American foreign correspondents, studies considerable importance to the movement of the Soviet Army into Latvia, Estonia, Lithuania, and the concentration of Soviet troops in Soviet Poland.

Under these circumstances, when literally anything can happen in the War Dept, it is almost futile to speculate.

7. With all the confusion, it seems to me that the course with our Government should prove to still very clear. We should continue to give every bit of assistance we can to Great Britain. Even if we can not give her enough assistance to hold out, we can at least delay her fall, and the delay will be very useful to our preparation for war.

It would be perfectly silly for us to attempt to convince Hitler now, we have done and will do with us expect to find my hands for an understanding between Hitler, Germany in Europe, and our country. Even if such a formula could be found, I am confident the American people are so disgusted with Hitler's attitude that they would have none of it.

W. D. Belmont
W. D. Belmont,
Captain, U.S.A., Retired.

THE WHITE HOUSE
WASHINGTON

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Return to Mr. Clinton for Secretary's signature

Berlin, May 8

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The whole subject of the American press here is the greatest story which could be written but obviously can't for two reasons. One, it would bring instant expulsion, and, two, the code of American Journalism would make it impossible for you to print it since it reflects to the discredit of our colleagues.

The best approach to the subject is the new technique evolved here for the treatment of correspondents who meet with disapproval. They show the steps of formal and public expulsion because it causes a sensation and reflects badly on them. We can assume that there will be no formal expulsions except in such drastic cases as that of Frank Meyer where they have no choice. The new technique is to wait until the offending correspondent is out of the country and then refuse re-entry. This has now happened to Bill White and Warren Levin.

The Tolstoyan affair is slightly different and very much to the discredit of the New York Times. The Times vies with the government here in its efforts to avoid an open break. They compromised to save their face and withdrew Tolstoyan. He is to be permitted to return for a few days to collect his belongings but is forbidden to write anything. In a last desperate effort to patch things up Emilio Barberis proposed that he would personally censor Tolstoyan copy and guarantee to sterilize it if he would be permitted to come back. But they feel Tolstoyan has done them too much damage already and refused despite their complete trust in Barberis and their fervent desire to do everything possible for the Times.

Dealings with the above-mentioned type of persons are
not unusual policies towards the American press which we
regard as a demoralization of the American news men. They,
however, diverse nations of news leaders are all used as bait
or sword. The real thing is that certain members of the press
are entitled to play the game this way, destroying any possi-
bility of a common front of the press which alone could preserve
the professional integrity and service of the press.

The most glaring example instance of how the system
works is a recent private press conference held on New York
in general press conference. The special conference is a invita-
tion to others. At it, all the news given out on New York is given
to the general press giving them on New York. This particular in-
stance was arranged primarily to benefit the AP. The AP and UPI
are invited, also the New York Times and Chicago Daily News. These
do not even put themselves under obligation to the system New York
is one of the advantages it gives them over their competitors.

There have been specific attempts at bribery. Daily
Mail, of the Daily News, was told once this year that he would
have an interview with Hitler any time he would be changed into anti-
this. On another occasion it was indicated to him that he would
need to have no further financial worries if he would change. It
is not necessarily conclude that that the fact that our American
are offered money, that others have accepted it. But it is inter-
esting how pitifully some of them play the game.

The technique is analogous to the general foreign policy technique of the government. By offering rewards at one end of the line and penalties at the other they succeed in breaking up the unity of the group and are able to pick off one at a time — the famous Danish "Leaves of the artichoke" simile. At any one moment the majority are lulled into a sense of security and assured that there is only one "bad boy" and that as soon as he is taken care of all will be peaceful and harmonious. Thus there is never any rallying around one in danger at the moment.

The amusing aspect of "the private press conference" — press association situation is that despite all efforts Fred Cerechner and his UP staff manage to make an extremely good showing for themselves. They know they can count on no favors. The entire staff of the Propaganda Ministry is under formal instructions to see to it that the AP and INS get all the news well in advance of the UP. Knowing they have only themselves, Fred's staff goes to work diligently and so successfully that they have of late run up quite a score on news beats. The climax came yesterday when the AP and INS submitted a five-page letter of complaint to the Propaganda Ministry citing ten instances where the UP got "beats" and demanding more favorable treatment. The fact that the AP and INS would complain to the Propaganda Ministry is both a tribute of exceptional character to their competitor and also an illuminating instance of how these two bureaus here will not only accept but even request what are, unquestionably, improper favors for which they, of course, expect to pay. If one

were to probe behind the pretense you would probably discover in the background the demoralizing effect of Kent Cooper's attitude toward his subordinates which I have encountered in several places in Europe. They are humbled, bullied and bedegged in a way which seems almost sadistic, sapping the morale of the organization and driving some of them to such devices as the pitiful plea here to the Propaganda Ministry for even more favors than the very substantial ones already arranged for them.

The specific result in news is to be found in such things as the Sylt story and the Copenhagen stories when the two featured organizations did yeoman service for the German cause here. When they went to Denmark they didn't attempt to write the real story but took a motor trip along the shore of the Island of Seeland and accepted a pre-arranged telephone call to a local official farther north and on the basis of such evidence wrote that no battle was going on in the Stagewerk.

Another device practiced almost flagrantly is to intrigue within an organization. For example, Sigrid Schultze has been a spirited thorn in their side for some time. Recently an excessively stupid protege of Colonel McGowan's arrived. They tested him out and found him to be amenable to suggestion. So they promptly offered him personally all kinds of special favors in the way of trips which were and still are denied to the rest of the Tribune staff. The hope obviously was to build him up to the point where the Tribune might recall Schultze and give the new man her job. The same thing was attempted when a woman named Breakbridge arrived for Columbia. They worked hard on her in the hope she might be given Bill Shirer's job.

These two efforts failed but they have been more successful with NBC. Warren Irvin was particularly distasteful to them. They threw across Max Jordan's path a young half-American living here. Once when Irvin was away for a time they proceeded to build him up with every assistance they could contrive, at the same time letting Jordan know that more favors would be going to NBC if Elster (the new man) would take Irvin's place. Jordan took the bait and would have fired Irvin had the New York office not stepped in. But they now refuse to let Irvin back which annoys Jordan, because their pet Elster takes over. Elster, although an American citizen, has lived here most of his life, is secretly a Nazi and there is some reason for suspecting that he is actually an I.R. member. When he doesn't know Americans are watching he gives the Nazi salute with great proficiency.

After watching this process in action it is possible to divide the Americans into two groups, those who play the game and write as favorably as they can, and those who respect their integrity and write as honestly as they can. In the first group are Edwin Snideris and his Times staff (now that Tolichus is gone), Louis Lantier and the AP, Pete Russ and the IRE and Max Jordan of NBC. On the other side are Sigmund Schultze of the Chicago Tribune, Ralph Barnes of the Harold Tribune and Bill Shiver of Columbia. Melly Danell of the Daily News is the only one who manages somehow to retain his integrity while accepting some of the favors. Some of his writing has been excellent and thoroughly honest. Let he be invited to the special press conferences. This is the only

questionable favor he accepts regularly. What he does is write honestly when he has occasion to and then taking pains to say things in their favor whenever he feels he honestly can. He manages to remain on friendly terms personally with them while refusing to accept the more improper type of favors.

This leads me to the question of my own position here. I recognize that a correspondent in a country at war should, and rightly does, respect the military necessities of a belligerent. Under no circumstance would I either attempt to secure or transmit information of military importance. I accept that limitation without question. But I do not feel that I can, or that you would want me to, lend myself to the propaganda cause of this country, or any country, for that matter. It becomes important for me to know, therefore, just how vital you deem it to have a correspondent in Germany. The issue is not immediate. I am not the next on the list of objectionable correspondents. Both Sigrid Schultze and Bill Stinner are likely to be forced out before they come to me. But the time is almost certain to come when we will have to decide between compromise as Louis Lochner and Pete Buss and Max Jordan and Edith Richards understand it, and honest journalism. I can defer that time for quite a while and will defer it as long as I can without damaging my own self-respect. But the question arises as to how much importance you attach to having a correspondent here when he is no longer able to write things like that Copenhagen story. As a matter of fact, I shall be very surprised indeed if

if I get another chance to do anything like that. And after all it is only stories like that that compensate you for the long weeks when I produce nothing of real merit for you. It is costing you a lot of money to keep me here and the return you get in terms of copy are certain to be a diminishing quantity.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 24, 1940

TO Secretary Morgenthau

FROM Captain Paleston

Subject: Preliminary Memorandum on the Food Situation
in Europe. (Data from Department of Agriculture)1. Germany

According to estimates which can be made at this time, Germany will have a short crop of wheat and rye this coming harvest (about twenty-five percent smaller than in 1939). In feed grains, the harvest will be average or better, but the German deficit in these grains is so large that it can not be made up from the rest of Europe unless Russia makes deliveries many times larger than she has been doing. It is too early to estimate what the yield of root crops will be. The Germans admit that, in spite of the large crop of 1939 and their rationing measures, they were unable to add to their reserves of grain. With smaller crops in Germany and all over the Balkans, in order to maintain her present rations Germany would have to exhaust her bread grain reserves this coming winter. If the war continues, therefore, Germany will both have to dip into her grain reserves and tighten her ration regulations.

2. German-occupied Western Europe

Norway, Holland, Belgium, France, and probably to a lesser degree, Denmark, will face a famine this coming winter.

These countries, with the exception of France, are normally dependent for a very large portion of their requirements of bread grains on imports -- which will now be cut off. In addition, the domestic crop of all of these countries will be much smaller this year. The wheat crops of Holland and Belgium will be around fifty and forty percent, respectively, below 1935. France, which has been almost self-sufficient in bread grains, faces a reduction of at least one-third in her yield compared to the average.

3. The Danubian Basin

The Danubian basin, the one wheat surplus producing area of Europe outside of Russia, will this year scarcely cover its own requirements, leaving only a small margin for exports.

4. Russia

Russia is, somewhat surprisingly, expected to have a better crop than last year, though an exact estimate can not be made. While certain eastern districts and the Volga region will be worse off, the greater yield anticipated in the Ukraine and the other Black Sea areas is expected to more than compensate for this. Whether this surplus will be available for the rest of Europe is somewhat doubtful in the light of the disappointment experienced by Germany with Russian deliveries in the past year. A surplus in Ukraine would tempt Germany to invade that country if Russia fails to deliver the promised amount to Germany.

W. D. Paley
W. D. Paley,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE: June 24, 1940

TO: Secretary Morgenthau
FROM: Captain Felleston
Subject: The Effects of the Closing of Indo-China as a
Chinese Supply Route

1. French Indo-China agreed on Monday, June 17, to ban export of trucks and gasoline to China. On Thursday, June 20, this prohibition was extended to practically all commodities and the French agreed to admit Japanese inspectors to supervise the execution of this order.

This is a severe blow to Free China. It eliminates routes which have been transporting recently about 20,000 tons monthly. The action also immobilizes in Indo-China about 200,000 tons of Chinese cargo, including around five hundred trucks.

2. The only way China can still secure supplies from the outside world is by the Burma routes and by blockade evasion via Hong Kong. The greatest amount which can be secured through Burma at the present time is about 15,000 tons a month, the maximum capacity of the Burma-Yunnan highway. At the present time probably not more than 6,000 tons a month is being transported into China by way of this highway. Therefore, it would be possible to increase transport by this route an additional 12,000 tons a month.

While no accurate estimate can be made as to the amount of cargo the Chinese Government can secure through their blockade evasion, it probably is not more than 5,000 tons a month. This blockade running has been using Hong Kong as a base.

Both routes still open to China (outside of the Russian road), therefore, are dependent upon British cooperation. Japan has now demanded that England follow the Indo-Chinese precedent, and prohibit the forwarding of supplies to China over the Burma road.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 24, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Situation in Europe, Afternoon, June 24

1. The Burginoux Government directed the French plenipotentiaries to sign the agreement for an armistice between France and Italy. The terms were not announced. Fighting will cease within six hours after the signing both between France and Italy and between France and Germany.

2. Conflicting reports come from England in regard to the relations between the British and Bordeaux Governments. After announcing a suspension of these relations, apparently the British Government has resumed them.

3. There is no indication as yet what the attitude of the French Armies in the colonies and the French commanders of the naval units will be.

4. The British report the sinking of another Italian submarine east of the Suez. The Admiralty claims to have sunk a total of seven Italian submarines.

5. The British Air Ministry announces the bombing of airbases and railway stations in German-occupied Holland and Germany.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 25, 1940

TO Secretary Morgenthau

FROM Nathan H. Johnston

SUBJECT: Supply Situation in Norway
(Summary of a Report from American
Embassy, Stockholm)1. Food

Norway has sufficient stocks of most essential foods to last for a year or more at rations sufficient for normal consumption. This favorable situation depends, however, upon the Germans living up to their recent promise not to transfer any of these reserves to Germany and upon reasonable requisitions of food by the German garrison of approximately 150,000 men.

Because of small stocks of food stuffs, a large reduction in other products and meat supplies is anticipated.

Deep planting was not directly affected by hostilities because of the late spring.

2. Refuelable Products

British bombings destroyed 30,000 tons of oil at Bergen. Norway had relatively large stocks of oil and gasoline on hand at the time of the invasion. While Germany has been consuming these for her army of occupation, because of strict rationing, there is sufficient gasoline and oil left to last for four to five months more.

Secretary Morgenthau - 2

3. Merchant marine

As near as it can be ascertained, the Germans captured 500,000 gross tons of the Norwegian merchant marine, or slightly less than ten percent. (This estimate agrees with ours made on April 22.) One-third of this amount, or 150,000 tons, cannot be utilized by the Germans as it is oil-burning.

W. D. Fuleston
W. D. Fuleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE CORRESPONDENCE

DATE June 25, 1940

TO: Secretary Morgenthau
FROM: Captain Puleston
SUBJECT: The World Situation

1. Land operations in western Europe have come to a halt. Air operations continue between England and Germany.

2. On the sea the Germans claim that their speed boats have ventured into the neighborhood of Dungeness on the Strait of Dover and sunk two British steamers.

Another British steamer was sunk off Cape Finisterre by a German submarine.

In the Indian Ocean a small escort vessel of the Royal Indian Navy was sunk, possibly by an Italian submarine operating from Italian Somaliland.

W. B. Puleston
W. B. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 25, 1940

TO Secretary Morgenthau
FROM Captain Puleston
Subject: The Situation in French Indo-China

1. We learn from the Consul at Hanoi that Japanese troops are reported advancing from Hanning towards Indo-China. It is reported in the press that units of the Japanese battle fleet are on the way to Saigon. This is probably true, because the Indo-China authorities have agreed to allow Japanese officials to inspect shipments from Indo-China to Free China.

2. Oil companies in Saigon have been directed to ship their oil reserves into the interior, and supplies of oil there bought by the Chinese Government under the United States loan have been requisitioned.

3. Saigon authorities have advised persons who have homes in the interior to go to them.

W. D. Puleston
W. D. Puleston,
Captain, U.S.N., Retired.

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TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE: July 25, 1940

TO: Secretary Morgenthau
FROM: Captain Palestine
Subject: The Situation in Europe

1. Prime Minister Churchill made a speech in the House of Commons today, in which he charged that the French had not lived up to their agreement in proposing to surrender the French Fleet to the Germans. Afterwards a member of the Government in the House of Lords stated that the British Government would see that the French Fleet continued the task which it had undertaken. This sounded like a veiled threat to seize the French Navy.

2. A broadcast announcement stated that the fleet and other units of the Mediterranean Fleet had arrived at Alexandria from Alexandria. It is possible that this move was designed to prevent the transfer of French units in the Mediterranean to German or German-occupied French ports.

3. Information received by Naval Intelligence as to the present time does not change the situation from that reported to you last Saturday.


E. I. Palestine,
Captain, U. S. N., Retired

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE: June 26, 1940

TO: Secretary Morgenthau
 FROM: Captain Belmont
 SUBJECT: Hitler's Diplomacy

1. Undoubtedly much of the success of the German arm has been due to essentially superior aviation, mechanized transport, and close coordination between aviation, mechanized units, and infantry.

2. Equally as important, I believe, has been Hitler's success in keeping two such natural enemies as Stalin and Mussolini neutral for him all the time.

When the Soviet invaded Finland, the Italian people and Mussolini both were indignant, also some sections of the East Prussians who had fought with the Finns against the Soviet after the last World War.

Hitler succeeded in stopping the advance of the Soviets into Helsinki and, by invading Denmark and Norway, while leaving Stalin intact, avoided an immediate conflict with Stalin's Army.

During the Russo-Finnish campaign the relations between Stalin and Rome were strained. As soon as that campaign was over, Hitler turned his attentions to Mussolini and brought him back into the Rome-Berlin Axis.

Secretary Morgenthau - 2

3. Naturally, it is easier to negotiate when armies are successful. But in 1914-1918 the German Army was successful on the continent, and the German diplomacy was not equal to garnering all of the advantages gained by the German arms. Finally they made the irreparable mistake of involving the United States in the War.

4. A study of the Armistice terms of Italy and Germany to France shows that the Wilhelmsstrasse is still clever. The Germans knew the French had promised not to surrender their Fleet while Great Britain was at war, so they have agreed not to use this weapon against Great Britain. They thus persuaded Petain that he could honorably violate his previously given pledges.

5. The German diplomacy is not only aimed at reconciling France to her defeat but is also cleverly designed to convince the United States that Germany and Italy have no trans-Atlantic ambitions, for such ambitions would require a fleet. Further indications of the German desire to placate United States opinion is revealed in (a) von Weizsaecker's recent interview with Hitler, (b) the absence of any protests in the German press against the strong denunciations of German actions by the administration, (c) the presence of German business representatives in the United States who say they are ready to begin business with the United States and South America in the autumn.

Secretary Morgenthau - 3

These moves on the part of the German Foreign Office fit neatly into the argument already being advanced by some Americans that it makes no difference to the United States whether Germany dominates Europe. This thesis has already been elaborated in some isolationist quarters and needs no further elaboration. The important fact is that Ribbentrop and Hitler are ~~clearly~~ ~~about~~ to play up to this segment of American public opinion.

W. D. Puleston

W. D. Puleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

CONFIDENTIAL

INTERNATIONAL INFORMATION

DATE: June 25, 1940

TO: Secretary, War Department
 FROM: Captain Phillips
 SUBJECT: The European Situation

1. The matters of most immediate interest are still (a) the disposition of the French Fleet, and (b) the future course of the Anglo-French War in the West. The French army commander will find it difficult to deliberately disobey the order of a government headed by Marshal Pétain to demobilize. Units of the fleet are stationed in widely separated ports; some are in company with British warships. Some of them will probably carry out the terms of the armistice; others may be sabotaged rather than delivered to the Germans. As a last resort, Winston Churchill stated that these might be used to prevent their transfer to Germany.

2. The Germans are reported to have used over a hundred planes in last night's raid on England, ranging from Scotland through the Midlands to the southeastern part of England. The British state that these attacks are apparently aimed at military objectives, mainly airfields and airbases in the United Kingdom. This indicates that the Germans are trying to make it difficult for the British to operate their air fields in England to oppose the German invasion.

The British Air Force are pursuing the same tactics, attacking German airfields in occupied Holland and German aircraft

factories in the Ruhr district. The British report successes and that all of their planes returned.

London also reports officially that British troops and naval units landed at various points on the enemy coast line, made contact with German troops and inflicted some casualties. Some of the Germans were taken prisoner. The British forces suffered no casualties. This raid indicates that the British are not going to remain on the passive defensive, awaiting a possible invasion. That is a very encouraging sign. Information of the enemy's movements is more necessary when awaiting an attack than when acting on the offensive, and if the British can continue their raids across the Channel, it will not only give them information but disrupt some of the enemy effort that might be employed in attacking England.

The Germans report shooting down one British plane that attempted to attack Stavanger airfield in Norway. This was probably a reconnaissance plane seeking to obtain information of the number of planes Germany has in Stavanger.

3. According to the terms of the Italian-French armistice, the Italians occupy a zone along the Italian-French continental frontier, Morocco, Tunisia, and Djibouti. The Italians now boast they will fight to the end with Germany to defeat Great Britain.

The British Air Force in the Mediterranean continued its attacks on Italy and Italian possessions.

4. The situation in the Balkans and Near East has not changed. The williness of the French Empire and the correctness of the British Empire provides actual and prospective stability in Europe that for the time being Russia, Japan, Italy, and Germany could find them sufficient. One of the radio broadcasts stated that Hitler, Ribbentrop, and Mussolini had agreed upon their spheres of interest in the Near East, and the first country to be covered is said to be Romania. Meanwhile would go to Russia, Transylvania to Hungary, the southern part of Dobruja to Bulgaria. If these three powers can work together, it will be a simple matter to divide up the Balkans under the present conditions. Also, Japan has won her will in Indo-China and perhaps in Shanghai and Hong Kong.

W. D. Pileston
W. D. Pileston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

BUREAU OFFICE COMMUNICATION

DATE June 27, 1940

TO Secretary Department

FROM Captain Patterson

Subject: Transportation to China via Hong Kong

1. The Government of Hong Kong has from June 22, 1940 banned the transportation to China of many commodities (specifically, motor trucks, gasoline and kerosene).

This action of the British may also foreshadow the closing of the Burma route.

2. The action of the authorities at Hong Kong will make more difficult the smuggling that has been going on into Free China from that port. However, the Chinese are the most efficient smugglers in the world, and I believe they will be able to keep a large supply of goods going into Free China. We have had evidence that the Japanese authorities are open to bribes and that the Japanese actually need Chinese products and wish to trade with Free China.

3. Nevertheless, the closure of Hong Kong, Burma, and Indo-China will make it increasingly difficult to supply Free China. There is every reason to believe that the Soviet Government will continue to supply China, as they want to support the Chiang Kai-shek government in its opposition to Japan.

A newspaper report indicates that merchant ships previously operating to Burma and Hong Kong will be diverted to Vladivostok, where freight for China can be transferred via the Trans-Siberian railway.


W. D. Fuleston,
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

REF ID: A66666

Date: June 27, 1940

TO: Secretary of War
 FROM: Special Liaison
 SUBJECT: The World Situation

1. Germany made another series of attacks on the northwest, the southeast, and the southwest parts of the United Kingdom. The German announced and the British admit that the German objectives are air fields, air bases, air factories, and port facilities. All of these are proper military targets.

The British Air Force has made attacks on similar objectives in the Ruhr district and reports that they made attacks on cities east of the Rhine and did considerable damage. The British Air Ministry claims that one of their Spitfires brought down three and probably destroyed three more of a group of seventeen Messerschmitts. (I am inclined to believe this, because the Spitfires have shown themselves superior in performance to the Messerschmitts.)

The Italian Air Force attacked Malta and other British possessions in the Mediterranean. The British retaliated by raiding Sicily and other Italian objectives.

2. There is no further definite news of the disposition of the French Fleet.

Recent news intelligence reports that two French merchant ships arrived at New York on 25 June from Halifax, and a third on

Secretary Hargreaves - 2

5 June from the high seas. This indicates that the French, having learned what happened to the Norwegian and Dutch ships are at present unwilling to turn themselves over to the British authorities at Halifax.

3. Simultaneously there are coming from London and Berlin news of a peace offensive. London denies these reports.

4. In the Balkans, the Rumanian attitude with Russia appears to be reaching a decision. Official circles in Germany announce that they have no interest in the matter, that it is a question solely between Russia and Rumania. Russia is reported to have demanded not only Bessarabia but also the northern part of Bukovina, formerly a part of Austria, on the ground that the inhabitants of these areas are preponderantly Ukrainian. The Soviet Government also demanded Constantza, the Rumanian Black Sea port, and Tulcea, the Rumanian Danubian port. The cession of these two ports would give Russia control of the mouth of the Danube River and bring her much closer to the Bosphorus.

Rumanian sources deny that the Soviet Government has made the foregoing demands. Foreign diplomatic and military observers at Bucharest believe that King Carol will yield to Russian demands, since they are believed to be supported by Germany and Italy. The price for their cooperation with Russia is Soviet economic aid to the Axis powers and pressure to keep Turkey out of the Allied camp.

Secretary Nargentham - B

5. In the Far East, Japan has occupied Hainan, thus encircling Hong Kong. The British are reported to have blown up the bridges between Hong Kong and the mainland and to have moved their archives to Singapore.

The Governor General in Indo-China is negotiating directly with Japan. It is reported that the French Army Commander has stated that he will resist a Japanese invasion. He has only two thousand French soldiers, the remainder being natives (Annamese). It is doubtful whether they would resist the Japanese Army. The Japan has been using British Chinese tactics and the slogan "Back to Asia" or "Asiaticism".

W. D. Johnston
W. D. Johnston,
Captain, U.S.A., Retired.

TREASURY DEPARTMENT

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CONFIDENTIAL

INTER-OFFICE CORRESPONDENCE

Date: June 25, 1940

TO: Secretary, Department

FROM: Eugene E. Sullivan

For some time I have wanted to go to Newport to confer with Admiral Maxwell, who is an old and intimate friend, and with Admiral Halsey, President of the War College. If you have no objections, I would like to go the afternoon of Monday, July 1, and spend Tuesday and Wednesday in Newport. If conditions warranted, I would like to spend the remainder of the week in and around New Haven, returning here Monday night.

If the situation should change, I would get back here within twelve hours, and I will be in telephone communication during my absence.

E. E. Sullivan
E. E. Sullivan,
Captain, U.S.N., Retired.

Confidential

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE June 25, 1940

TO: Secretary Morgenthau
FROM: Captain Paleston
SUBJECT: British-French-German Relations

1. Messages received in the State and War Departments subsequent to my oral report to you yesterday indicate a growing inclination on the part of French colonial authorities, civil and military, to comply with the conditions already accepted by the Petain Government. This attitude would not only involve the French colonies, but it would cause the crews of French ships, already apprehensive about their families in metropolitan France, to hesitate to join the British Fleet. In fact, Admiral Darlan's order not to surrender was conditioned on the presumed resistance by French colonial authorities.

Probably General Kittelberger, commander of the Allied army in the Middle East, will have to make the final decision, and his attitude will influence other colonial commanders.

The junior officers of the French Navy are reported willing to resist the demobilization of their fleet; the senior officers are hesitant and the crews are uneasy. If the British Navy should attempt forcible seizure of French naval units, it might cause a flare-up in the French Army as well as in the naval units.

The whole French and British naval situation is confused, but the Army, Navy, and State Departments are watching, and I will keep in communication with them.

2. There is increasing evidence that Germany is really preparing to invade England. Concentration of units of her Army, Navy, and Air Force, particularly in the Low Countries and northern France, indicate that Germany is preparing to risk this undertaking in the near future.

Information from the United Kingdom indicates that the determination of the British people to resist is increasing rather than decreasing.


W. D. Ballou,
Captain, U.S.A., Retired.

TREASURY DEPARTMENT

MEMORANDUM FOR THE SECRETARY

Subject: The World Situation

Date: June 25, 1940

To: Secretary Department

From: Captain [Name]

Subject: The World Situation

1. Germany and Italy announce their determination to invade England. And the British Government announces measures taken to defend the British Isles; they have extended the defense areas to such an extent that no person will be protected in a belt twenty miles wide all along the east coast of England and Scotland and extending westward along the northern coast. In addition, they have evacuated the Channel Islands, which were occupied by the German possession of Brittany and Normandy. Now and here the United Kingdom takes the shape of a beleaguered fortress.

The German air operations against England are aimed primarily at air fields, air bases, and air factories, in an effort to hamper and disrupt the British Air Force, which will be essential to the defense of the United Kingdom.

The British Air Force are operating against the German-occupied ports in Belgium, Holland, and northern France, and for the same military purpose; that is, to disrupt the German preparations for the invasion. In addition, British bombers continue their attacks on the German industrial areas along the Rhine and in the Saar area, and also attack the oil supply and oil refineries.

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2. In addition to guarding the United Kingdom, the British Fleet is preoccupied with measures designed to impede the return of the French Fleet to French ports, where it would be placed under the control of the German Government. The task of the British Fleet has been made more difficult by the action of General Mittelthamer, who is reported to have ordered the demobilization of the French contingent of the Allied Army in Syria. It is also reported that General Henri Gouraud,¹ former Military Governor of Paris, has flown to England en route to Moscow with a view to facilitating the execution of the armistice terms in that French colony.

The relations between the British and French Governments is very confused; the British Government has recognized the French committee to carry on the war, headed by De Gaulle, in London, but it has not severed relations with the Petain government in occupied France. It will require an exceedingly wise mixture of diplomacy and force to prevent the transfer of French ships to French ports, where they would be under the control of Germany and Italy.

3. In the Balkans, the Russian occupation of Rumania and northern Bulgaria was unopposed by Rumania. The timing of this move by Stalin was perfect. Had he done it before the invasion of Poland and Belgium, the Germans could have easily blocked his

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effort. Now that Germany is preparing for the big attack on England, she does not dare take exception to Russia's move.

That Russia's move into the Balkans surprised Germany is indicated by reports that the German settlers in Bessarabia who were cultivating soy beans for shipment to Germany were engulfed in the Russian wave and were among the other refugees taking shelter in Rumania. Berlin asserted that she was indifferent to the occupation and that it was a matter solely between Russia and Rumania. Obviously, she would have to make this statement whether it were true or not, in order to preserve an outward front.

Hungary and Bulgaria are making demands upon Rumania, one for Transylvania, the other for Dobruja. Italy and Germany are trying to keep these countries quiet for fear that any outbreak in the Balkans will spread.

The most important military factor of the Russian occupation of Bessarabia and northern Bukovina is the further approach of Russia to Yugoslavia, with whom the Soviet has recently become more friendly. It is reported and denied that Stalin also occupied Constanta and Tulcea. If he did, he controls the mouth of the Danube.

Hitler has so far succeeded in keeping Russia and Italy, whose ideologies and national interests clash, working for him. The advance of Russia into Rumania and her increased power in the Black Sea will make Hitler's problem more difficult. Some commentators assert that the British Ambassador to Moscow, Cripps,

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prevailed upon Stalin to take this move. It is quite possible that Cripps might have suggested it, but it is more probable that Stalin was shrewd enough to see that the time for him to strike had arrived.

4. The success of Hitler has encouraged Japan to declare a Monroe Doctrine of the Far East, and she seems determined to implement this so-called Monroe Doctrine by the occupation of Indo-China and perhaps the Dutch East Indies. Already she has made increased demands upon both Indo-China and the Dutch East Indies. This is not the first time the Japanese have announced a Monroe Doctrine for the Far East, but the Japanese conception of a Monroe Doctrine differs widely from the American Monroe Doctrine. In the one hundred and twenty years that the American Monroe Doctrine has existed, the United States has at no time used it as a pretext to secure either territory or commercial advantages in Central or South America. The Japanese idea of a Monroe Doctrine is to secure both increases in territory and exclusive trade rights in the Far East.

W. D. Johnston
W. D. Johnston,
Captain, U.S.N., Retired.