

● PSF

STATE DEPARTMENT: Welles

May - Dec. 1938

PSF
Sumner Welles

May 5, 1938.

Memo from Sumner Welles
To the President

Report attached from military observer, Roberts.

Subject--shipment of war materials into south-
west China.

SEE--China folder-Drawer 2--1938

BF
Sumner Welles
Drawer 1-38

Letter from Sumner Welles
To the President

Encloses Bill Bullitts' Conf. letter of
May 12, 1938.
In re-delivering U.S. made planes to the
French Government, and his conversation
with Guy La Chambre.
Welles also encloses suggested reply for
the President's signature.

SEE--Bill Bullitt folder-Drawer 2--1938

PSF State
Sumner

THE WHITE HOUSE
WASHINGTON

May 13, 1938.

MEMORANDUM FOR
THE UNDER SECRETARY OF STATE

Will you read the enclosed
and if you approve send it along?

F. D. R.

Letter to the Minister to Sweden,
Fred Morris Dearing.

W. Miller

May 13, 1938.

My dear Fred:-

I am sending you this letter with the very deepest regret and only after a consideration of a dozen different angles and elements which enter into the situation.

First of all, I want to take this opportunity to express to you not only my personal friendship but also my appreciation and that of the Government for your long and valuable service at many and important posts in our Foreign Service.

There are, however, a number of factors which really make it necessary for me to accept your resignation as Minister to Sweden on May 31, 1938.

The Department tells me that you will receive the same, or practically the same, Service pension as if you were to remain longer on active duty and that, therefore, the future is provided for as well as if you were to stay longer.

I am deeply sorry that many considerations make this action necessary at this time and, again, I want to assure you of my warm regards.

Always sincerely,

Honorable Fred Morris Dearing,
American Legation,
Stockholm,
Sweden.

THE UNDER SECRETARY OF STATE
WASHINGTON

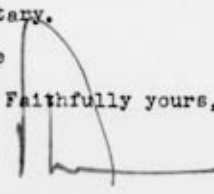
April 26, 1938

My dear Mr. President:

In accordance with our conversation this morning, I submit herewith a suggested letter for you to send to Fred Dearing. If you approve of this letter and sign it, please have it returned to me so that it may be sent to Mr. Dearing in the same pouch as that in which will go the longer and more explicit letter from the Secretary.

Believe me

Faithfully yours,



Enc.

The President,
The White House.

DEPARTMENT OF STATE
WASHINGTON

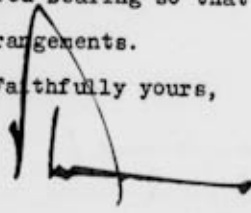
May 12, 1938.

My dear Mr. President:

You may remember that just before you left on your recent trip you told me that you would dictate a personal letter to Fred Dearing informing him that you had determined to appoint his successor as Minister to Sweden. The Secretary has signed a letter to him, of which I enclose a copy for your information, which has not yet been sent pending the receipt by us of the letter you were to sign, so that your letter and the Secretary's letter could be sent to Fred Dearing in the same pouch.

Fred Sterling's service as Commissioner to the Paris Exposition terminates this month and in order that plans may be completed for the new set-up in the Legation at Stockholm, I wonder if you will let me know whether we may have your letter to Fred Dearing so that we may expedite the necessary arrangements.

Faithfully yours,



Enclosure:
To Fred Morris Dearing,
Stockholm.



The President,
The White House.

COPY

CONFIDENTIAL

Dear Mr. Dearing:

The President has informed me that he is accepting your resignation as Minister to Sweden effective on May 31, 1938. As you are a former Foreign Service Officer and have continued your contributions to the Foreign Service Retirement and Disability Fund during the periods of your service as Ambassador and Minister, I am informed that under the statutes you have for some time been entitled to retirement and to a retirement annuity. That annuity will, of course, become effective immediately after the date of your resignation on May 31, 1938, that is, on June 1, 1938. A separate instruction will be sent you setting forth the annuity which under the law is payable to you.

I should say at this time that the Department has given careful consideration to your letter of February 22, 1938 in reply to mine of December 27 1937 in which the Department was under the necessity of bringing to your attention questions which arose during your term of duty

as

The Honorable

Fred Morris Dearing,
American Minister,
Stockholm.

-2-

as Ambassador to Peru. A very careful and detailed study of all the documents in the possession of the Department, including a full and sympathetic consideration of your letter to me of February 22, 1938, leads the Department to the opinion that the action which has been taken is necessary.

While the Department is of the opinion that you may not have been conscious of any intent to contravene the laws or the pertinent regulations, that your actions were not such as to indicate that careful attention to the established practices in the Service which this Government may reasonably and must expect from all of its officers and employees. In view of your long and valued service to the Department performed at varied and important posts in our Foreign Service, for which this Government is most appreciative and grateful, the Department hopes and believes that it will not be necessary, either now or after your resignation becomes effective, to pursue the matter further in the light of legal considerations which have been placed before it.

Very sincerely yours,

CORDELL HULL

PSF
Sumner Welles
(1)

May 17, 1938.

Memo to President from Sumner Welles
enclosing copy of memo received by Kennedy from
Cardinal Pacelli on the relations of the Vatican
with the various countries.

SEE--Joe Kennedy folder-Drawer 2--1938

June 3, 1938.

Memo fro President to Sumner Welles

In re-Hugh Wilson going to Nuremberg celebration

SEE--Hugh Wilson folder-Drawer 2--1938

PSF
miller
(2) 1 -

THE WHITE HOUSE
WASHINGTON

*BF
Summer miles
1*

~~CONFIDENTIAL~~

June 8, 1938.

MEMORANDUM FOR
THE UNDER SECRETARY OF STATE

Will you speak to me about
this?

F. D. R.

Letter from the Secretary of the Treasury enclosing draft of a bill "To authorize the Secretary of the Treasury to make certain foreign loans, and for other purposes" which he suggests might go through the Congress this session.

rd
d-1

DEPARTMENT OF STATE
THE UNDER SECRETARY

PST
Welles

June 24, 1938.

MEMORANDUM FOR MR. MCINTYRE

In accordance with the suggestion contained in your memorandum of June 22 with regard to Herbert Pell, an instruction has now been sent to Mr. Pell calling him back to Washington for consultation with the Department of State towards the end of next September.


Sumner Welles

COSME DE LA TORRIENTE

PSF
Welles

La Habana, 12 de agosto de 1938.

Señor Presidente:

Por conducto de mi querido amigo el señor Sumner Welles, he tenido el honor de recibir la fotografía de usted que tan amablemente me ha enviado, con una dedicatoria de su mano que será siempre para mí un valiosísimo recuerdo del eminente estadista que rige los destinos de la gran nación buena vecina de Cuba.

La otra fotografía que me envió ha sido reproducida en un hermoso cuadro al óleo -obra del gran pintor cubano Esteban Valderrama-, que esta noche, en una fiesta conmemorativa del 12 de agosto, será develado en el Edificio de los Veteranos de la Independencia, en esta Capital.

Al expresarle mi más sentido y profundo reconocimiento por el gentil obsequio de usted, formulo mis más sinceros votos por su bienestar, señor Presidente, aprovechando la oportunidad para reiterarle todo el testimonio de mi más alta y amistosa consideración.

Cosme de la Torre

A Su Excelencia
el señor Franklin D. Roosevelt,
Presidente de los Estados Unidos,
Washington, D. C.

BSF
Wells
1938

Su Excelencia
El señor Franklin D. Roosevelt,
Presidente de los Estados Unidos,

WASHINGTON, D. C.

*file
personal*

*BSP
Welles*

THE UNDER SECRETARY OF STATE
WASHINGTON

September 29, 1938

My dear Mr. President:

Early in August you sent an autographed photograph to Dr. Cosme de la Torriente, former Cuban Secretary of State and Ambassador in Washington. Upon my return I found a letter from Dr. Torriente asking me to transmit to you a letter he had addressed to you in which he expresses his deep gratitude for your gift. I am enclosing herewith Dr. Torriente's letter together with a translation thereof.

Believe me

Faithfully yours,

W. L. Wells

The President,

The White House.

[Translation]

COSME DE LA TORRIENTE

Habana, August 12, 1938.

Mr. President:

Through my dear friend Mr. Sumner Welles, I have had the honor of receiving the photograph of yourself which you were so good as to send me, with a dedication from your own hand which will always be for me a precious remembrance of the eminent statesman who rules over the destinies of the great nation which is a good neighbor of Cuba.

The other photograph which you sent me has been reproduced in a fine oil painting,--the work of the great Cuban painter Esteban Valderramaque--which will be unveiled tonight at the Building of the Veterans of Independence, in this Capital, in connection with a fiesta commemorating the twelfth of August.

In expressing my most cordial and profound gratitude for your kind gift, Mr. President, I wish also to give voice to my most sincere good wishes for your welfare and to avail myself of the opportunity to repeat to you the full assurance of my highest and most friendly consideration.

COSME DE LA TORRIENTE

His Excellency

Franklin D. Roosevelt,

President of the United States,

Washington, D. C.

TR: :IML

PSF: Welles PSF: Welles 1938

DEPARTMENT OF STATE
WASHINGTON

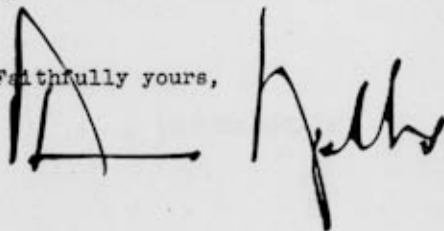
October 11, 1938.

My dear Mr. President:

In accordance with our talk this morning, I am sending you a suggested letter which you may wish to send to Bill Phillips. I think it should go in the pouch, leaving on October 14. You will probably also wish to send Bill further word as to the arrangements determined upon by the Navy Department after they have time to work them out.

Believe me

Faithfully yours,

A handwritten signature in dark ink, appearing to read 'R. H. Phillips'. The signature is written in a cursive, somewhat stylized hand. The first part 'R. H.' is more formal, while 'Phillips' is more fluid and cursive.

The President,
The White House.

My dear Bill:

Cardinal Mundelein is sailing on October 23 on the REX and will land at Naples. He is taking the trip in order to make a somewhat deferred visit to the Vatican.

As you undoubtedly know, no member of the Catholic hierarchy in the United States has stood more consistently or worked more effectively for the policies of the Administration than Cardinal Mundelein. He is a great American citizen.

I hope to be able to complete arrangements so that upon Cardinal Mundelein's arrival in Naples, Admiral Lackey will be in the port on his flagship and may show the Cardinal special courtesies as an indication of the regard which this Government has for him.

Before his arrival in Rome, I wish you would take some appropriate opportunity of talking to Count Ciano about the Cardinal's visit to Rome, making clear the regard and the respect which the people and the Government of the United States have for him and stressing particularly the prestige which the Cardinal enjoys in this country, especially in the Middle West and West. I also wish you would drive down to Naples in your own car to meet him on his arrival and drive him up with you to Rome. I leave to you the determination

The Honorable
William Phillips,
American Ambassador,
Rome.

of the nature of such other attentions as you can show him during his stay in Rome. But in a general sense everything that the Embassy can do to stress the regard felt for the Cardinal by the United States will be desirable. At this particular moment, when religious persecution is on the increase even in Italy, the significance of what I wish done will not be overlooked by the Italians, and I think the effect cannot but be salutary.

My affectionate regards to Caroline and to you.

Yours very sincerely,

*file
confidential*

PSF: Welles

DEPARTMENT OF STATE
WASHINGTON

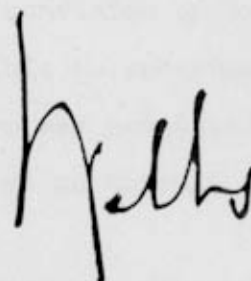
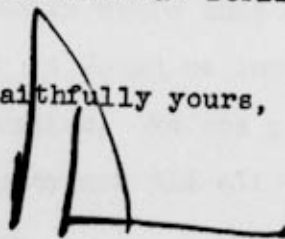
October 22, 1938.

My dear Mr. President:

In accordance with our conversation of the other day I sent at once a telegram to Hugh Wilson asking him to give us the detailed facts you desired immediately. The two telegrams which I enclose herewith are in answer to my message. He will report further later about the time and date when the appeals for peace from the other governments with which we had communicated were received at Berlin.

Believe me

Faithfully yours,



Enclosures:
Telegrams Nos. 558,
565 from Berlin.

The President,
The White House.

EDA
This telegram must be
closely paraphrased
before being communi-
cated to anyone (C)

BERLIN

Dated October 20, 1938

Received 11:25 a.m.

Secretary of State

Washington

558, October 20, 2 p.m.

Your 181, October 18, noon.

PERSONAL FOR THE UNDERSECRETARY:

In an informal talk with Weizsaecker:

One. He is not aware himself when the President's second appeal was read by Hitler but he thinks he may be able to find out and let me know.

Two. Weizsaecker feels that the confusion of those days was such that it would be impossible to ascertain the answer to this question. No one person was constantly in the Fuehrer's company nor did all papers go through any one person's hands.

Can you give me a list of those countries which took action in accordance with the President's request? I may be able to learn something about this from other sources.

Three. I reminded Weizsaecker that he had told me that Mussolini had telephoned Hitler direct. Weizsaecker replied that either he had made a mistake or I had

misunderstood

EDA - 2 - #558, October 20, 2 p.m. from Berlin

misunderstood him. Mussolini had not telephoned direct to Hitler so far as Weizsaecker knows but he had telephoned direct to the Italian Ambassador here two or three times in the course of the 27th and 28th of September.

Italian Ambassador is ill today but I am seeing him tomorrow and will supplement this information.

Ask Moffat to show you a confidential letter from me dated October 3.

WILSON

WWC:CSB

RAW

This telegram must be closely paraphrased before being communicated to anyone. (D)

Berlin

Dated October 21, 1938

Rec'd 4:20 p.m.

Secretary of State,

Washington.

565, October 21, 4 p.m.

~~STRICTLY CONFIDENTIAL~~ FOR THE UNDERSECRETARY.

Supplementing my 558, October 20, 2 p.m., and in further reply to your 181, October 18, noon.

Report on your point No. one. Weizsaecker telephones he cannot verify the hour at which Hitler received the President's second message. Papers are not given a time stamp in the Chancery and he is unable to find anyone who saw the paper delivered.

Wiedemann states that he saw the telegram between ten and eleven o'clock the morning of Wednesday the 28th, that it was already translated at that time and that he "supposed that it had already been brought to the Chancellor".

Reference to your Point Three. I had a long talk this morning with Attolico who begged me to keep strictly confidential anything he told me about September 28. His story follows:

He did not participate in events on the 27th instant other than to follow as well as he could what was going on.

On the morning of the 28th at eleven o'clock he told the Belgian Minister, who was calling on him, that he

fully

RAW -2- 565, October 21, 4 p.m. from Berlin

fully expected war to break out that day.

A few minutes later Mussolini called on the telephone in person to inform Attolico that a message from Chamberlain had just been received through Lord Perth. Mussolini instructed Attolico at once to apprise Hitler that whatever happened Mussolini was with him to the finish. He knew that Hitler was planning to issue orders for final mobilization and the march of troops at 2 p.m., that he had just received a message from Chamberlain that looked interesting but he wanted time to consider it. Hence he begged Hitler to delay everything 24 hours. He closed with a further assurance of his solidarity whatever happened.

Attolico went at once to the Chancery and was informed by the adjutant that Francois-Poncet was with Hitler. He persuaded the adjutant to carry in a note saying that Attolico was there with a message from Mussolini. Hitler read the note and told Francois-Poncet that he was called to the telephone, went out of the room leaving Francois-Poncet with Ribbentrop. He then heard the message from Mussolini hesitated some twenty seconds and said that since Mussolini requested it he would delay affairs 24 hours. Attolico then said that Mussolini was calling him at noon sharp to have Hitler's answer and that he must hurry back to the Embassy to take

the

RAW -3- 565, October 21, 4 p.m., from Berlin.

the call. Attolico says that Hitler returned to Francois-Poncet and told the latter that he had just had a message from Mussolini thus giving Francois-Poncet the impression that Mussolini himself had called on the telephone.

Mussolini called Attolico promptly at twelve, instructed him to return to Hitler to thank him for his consideration, to state that Chamberlain proposed that the whole situation be liquidated in one week, and that he undertook his guaranty in respect to carrying out the solution not only vis-a-vis Germany but vis-a-vis Italy as well. Attolico was further to state that acceptance of the plan in Mussolini's opinion meant for Hitler such a "grandiose victory", that there was no point in precipitating hostilities. Attolico was to return to Hitler at once and in the meantime Chamberlain's proposal was to be read over the telephone to the Italian Embassy.

Attolico proceeded again to the Chancery where he encountered Goering and Neurath in the anteroom. He immediately acquainted these two with the state of affairs and received Goering's assurances that he would push for the acceptance of Chamberlain's proposal. Hitler then entered the room and Attolico delivered his message briefly. Hitler appeared puzzled and said that nobody had yet spoken to him about

the

RAW -4- 565, October 21, 4 p.m., from Berlin.

the problem being solved in one week and he thought there was some confusion. Attolico immediately volunteered to return to his Embassy, get the copy of Chamberlain's communication (not yet delivered by the British Embassy) and return at once with it. He desired thus to give Goering a chance to urge Hitler to accept the proposal. Attolico returned to the Embassy, picked up Chamberlain's communication, found a further message from Mussolini instructing him to say that if Hitler so desired Italy would be present at any conference if Chamberlain chose to come over again and Hitler received him.

END SECTION ONE.

WILSON

EMB

ROW

REB

This telegram must be closely paraphrased before being communicated to anyone. (D)

BERLIN

Dated October 21, 1938

Rec'd 3:50 p. m.

Secretary of State,
Washington.

566, October 21, 4 p. m.

Continuing my 565, October 21, 4 p. m. (SECTION TWO)

Attolico returned to the Chancellory. This time Hitler was summoned from a conference with Henderson carrying in his hand Chamberlain's communication which Attolico also presented. Hitler said that he could not see much purpose in an announcement in Rome that dealings at Godesberg had given him the impression that he was in agreement with Hitler's suggested line. Chamberlain had then returned to England, encountered a wave of hostile opinion and had slipped back. He would only talk to Chamberlain again provided not only that Italy was represented but that Italy was represented by Mussolini in person.

Attolico rushed again to his Embassy, telephoned Mussolini, rushed back to the Chancellory arriving there about 2:40 for the fourth time since 11 o'clock. Hitler
came

REB

2-#566, From Berlin, Oct. 21, 4p.m.

came from the lunch table still eating. Attolico who speaks no German spoke this time four words in that language "morgensfuhr Mussolini ladies a panic". Hitler laughed for the first time during the day and Attolico went back to lunch.

Attolico added one further detail emphasizing again its strictly confidential nature. In the course of the third visit Hitler dictated a brief outline of his minimum and irreducible demands and told Attolico to communicate them to Mussolini. Attolico did so but warned that other influences here might cause Hitler to stiffen those demands before the meeting. Mussolini replied that he thought he could take care of that. At the first meeting of the four heads of government Mussolini at once spoke and proposed as his own suggestion the irreducible demands which Attolico had telephoned. Attolico states that he has since learned that in fact the demands had been stiffened subsequently but that Hitler was unable to disclaim Mussolini's suggestion in view of the fact that it had originated with himself.

(END OF MESSAGE)

WILSON

EMB-KLP

PSF State:
Wells

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THE UNDER SECRETARY OF STATE
WASHINGTON

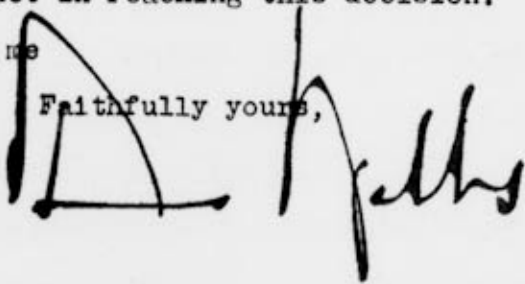
October 27, 1938

My dear Mr. President:

Sir Ronald left with me today two documents of which I am enclosing copies in the belief that they will be of interest to you. They relate to the decision of the British Government to bring into force the Anglo-Italian agreement of April 16, and to the considerations which have guided the British Cabinet in reaching this decision.

Believe me

Faithfully yours,



The President,

The White House.

the hope of establishing another relation in Europe is
to be developed.

COPY

SECRET CONFIDENTIAL

AIDE MÉMOIRE

His Majesty's Ambassador is instructed to inform the Secretary of State in strictest confidence that His Majesty's Government in the United Kingdom have to-day, October 26th, decided to bring into force the Anglo-Italian Agreement of April 16th last. As soon as there has been discussion in the House of Commons next week on the subject new credentials will be issued to His Majesty's Ambassador at Rome accrediting him to the King of Italy Emperor of Ethiopia. The actual date both of the presentation of credentials and of the coming into force of the Agreement has not yet been concerted with the Italian Government but is likely to occur some time about the middle of November.

BRITISH EMBASSY,

WASHINGTON, D.C.,

October 26th, 1938.

COPY

Oral communication about the Anglo-Italian Agreement supplementary to the Aide-Memoire communicated today.

~~CONFIDENTIAL~~

When we made it a condition that the coming into force of the agreement should depend on a settlement of the Spanish question there was a danger that this question might precipitate a European war. This danger has now receded with the conclusion of the Munich Agreement, with the symbolic withdrawal of 10,000 Italian troops, and with the impending withdrawal of the international brigade from the other side.

The entry into force of the agreement may be expected to restore to Signor Mussolini some of the liberty of action which he now lacks. Recent events have shown that the longer the agreement remains inoperative the closer Rome becomes bound to Berlin.

It is particularly important that Signor Mussolini should be encouraged to regain his liberty of manoeuvre and of decision if the contact established at Munich between the four Western Powers is to be maintained and if the hope of establishing smoother relations in Europe is to be developed.

The entry into operation of the Italian undertakings to refrain from intrigues in the near and middle East will be highly advantageous.

It will have a steadying effect on Balkan and Mediterranean Powers who at present are apprehensive of having to take sides in an Anglo-Italian conflict in the Mediterranean.

This is probably our last chance of bringing the agreement into force and of resuming our former relations with Italy, and if we fail to take it Italy will probably come to a final conclusion that we are not in fact at all anxious to resume normal Anglo-Italian friendship, and the Berlin-Rome axis will be correspondingly strengthened.

The entry into force of the agreement is nevertheless not likely to be regarded as an attempt to undermine the axis as Signor Mussolini himself by his unilateral withdrawal of Italian troops has taken the initiative and is claiming that his action should enable the agreement to come into force. Whatever the inner feelings of Germany on the subject may be she has never outwardly condemned the agreement.

British Embassy,

Washington, D.C.

October 27th, 1938.

*file
Personnel*

*PSF
Willis*

DEPARTMENT OF STATE
WASHINGTON

November 4, 1938.

My dear Mr. President:

With reference to our conversation of November 1st regarding the appointment of the new Italian Ambassador to Washington, I am submitting herewith for your formal agrément the name of Prince Colonna, together with the biographic data handed me by Ambassador Suvich.

"Don Ascanio dei Principi Colonna, born at Naples, August 8, 1883. Graduated in Social Sciences in 1906; entered the diplomatic service in 1906; attaché at Constantinople, 1908; transferred to London, 1910; Secretary of Legation, 1910; served at the Ministry for Foreign Affairs. In 1917 Secretary of the Italian Legation to the Peace Conference and of the Italian Legation to the Conference of Ambassadors at Paris, 1919 - April 1921. Counselor of Legation, 1924. Appointed Minister Plenipotentiary in 1926; served at Budapest in 1932. Appointed Ambassador in 1936. At the Ministry of Foreign Affairs since 1936; on special assignment as Italian Delegate at the 'Commission pour la dette publique égyptienne'."

I am planning to see Ambassador Suvich on Saturday and, in accordance with your authorization, and that of the Secretary, I will inform him that the appointment of Prince Colonna is personally agreeable to you.

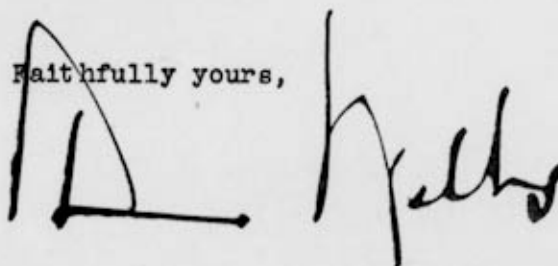
The President,

The White House.

I shall request the Ambassador to make it clear to his Government that the same procedure will be followed by this Government in the case of the reception of the new Ambassador as that which was followed two years ago when you received Mr. Suvich. I shall request that he make it entirely clear to his Government that the acceptance by you of letters of credence issued by the "King of Italy and Emperor of Ethiopia" does not involve any change in our relationship with Italy nor recognition of Italian sovereignty over Ethiopia.

Believe me

Faithfully yours,

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

PSF: Welles

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personal

THE UNDER SECRETARY OF STATE
WASHINGTON

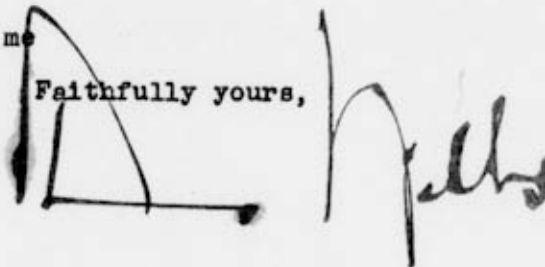
November 7, 1938

My dear Mr. President:

In accordance with your request I
enclose a brief memorandum of suggestions
for your conversation with Colonel Batista
when you receive him on the afternoon of
November 11.

Believe me

Faithfully yours,

A large, stylized handwritten signature, likely "H. H. Wells", written in dark ink. The signature is composed of several loops and a long horizontal stroke at the end.

The President,

The White House.

DEPARTMENT OF STATE
THE UNDER SECRETARY

November 7, 1938

MEMORANDUM TO THE PRESIDENT

As a preface to my suggestions as to the principal points you may wish to emphasize in your talk with Batista, I think it would be helpful to you to have this sketch of his background.

He was born about 38 years ago in Banes, the largest United Fruit Company sugar plantation in Cuba, and spent all of his formative years in that locality. His father was a laborer on the plantation, and remembering the policy that the United Fruit Company pursued until recently in its dealings with its employees in the smaller American republics, it is by no means unnatural that Batista should have reached adult age with a very strong prejudice against the United States in general and large American corporations in particular. He has never before visited the United States and all of his feelings with regard to this country are colored by his recollections of his own childhood.

He is inherently suspicious, not as yet sure of himself, never surfeited with flattery, and because of his lack of more than a rudimentary education, uncertain

of himself when major questions of policy involving any technical knowledge are to be determined. He is at the same time very quick to learn and thoroughly willing to take advice from those whom he respects and in whom he has confidence. While it is certain that he has profited from his position in a financial sense, he has shown no sign of caring particularly about money. He is on the other hand very ambitious for power and at the present time is determined to become, whether in the immediate future or a few years from now, President of the Republic. Finally, he is, I believe, sincerely patriotic. Any appeal to his emotions on the basis of what is in the best interest of the Cuban people, if made by a person in whom he has confidence, meets with a satisfactory response.

The principal points to which I suggest emphasis be given in your talk are the following:

1. The need for close and friendly cooperation between the United States and Cuba in all that relates to the defense of the continent. The consideration of this subject will give you the opportunity of which you spoke for a reference to the military and naval strength of the United States and the position which it occupies with regard to national self-defense.

2. The need for the preservation of democratic

institutions and the republican and constitutional form of government in this hemisphere. Cuba has now drifted for five years without a constitution and without a constitutional government. Neither political, commercial, nor financial confidence in Cuba can be reestablished until the political parties are assured of their just rights and until the average businessman and banker, within as well as outside of Cuba, know what guarantees they may possess for the business enterprises in which they desire to participate. Batista has publicly stated, as has the Cuban Government, that elections for a constitutional assembly to determine upon the new constitution will be held not later than next July. Many of the more corrupt of his friends are urging him to postpone the date of such elections on the ground that Cuba is not yet prepared for such elections, but in reality, of course, so long as the provisional government continues they can profit from the situation. I believe that the expression of your desire, in the interest of the security of the continent and in order that the relations between Cuba and the United States may be maintained on a sound basis, that Cuba get back to constitutional government at the earliest possible moment will prevent Batista from agreeing to any further postponement of the elections for a constitutional assembly. Any

statement that you make to him with regard to the need to maintain democracy unimpaired throughout the continent will have a very powerful effect upon him and will tend to prevent him from resorting to dictatorial methods.

3. On account of his own lack of knowledge and on account of the corrupt character of many of his closest advisers, Batista is continually favoring projects of a financial and economic character in Cuba which have as their alleged objective the betterment of social conditions in Cuba but which are in reality schemes to enrich the individuals who concoct these projects.

During the past year our own Treasury Department has been very helpful in advising with the Cuban Treasury Department concerning the desire of the Cuban Government to create a bank of issue, an agricultural credit bank, and other measures of the same character.

If you were to express your sympathy with the objectives which Batista has in mind, namely, a better distribution of buying power among the Cuban people, an equitable measure of relief to the debtor classes, and improved conditions for the laboring classes in the Republic, but at the same time reminded him that the experience we ourselves in this government have had in the formulation of measures for achieving those objectives must necessarily be useful to the Cuban Govern-

ment and that you would be disposed to see that the advice of the best experts that we possess in the Administration is gladly made available to him, I think it would save the creation of situations embarrassing both to the Cuban people and to ourselves.

I believe these are the major points which you may wish to emphasize in your talk with him. I am prepared myself to take up in the fullest detail many of the matters pending between the two countries including the revision of the present trade agreement. I doubt if you will want to take the time to go into details of this character. If you desire to do so, however, please let me know and I will give you all of the information we have available here.

*file
personal*

THE UNDER SECRETARY OF STATE
WASHINGTON

*PSF
Wells*

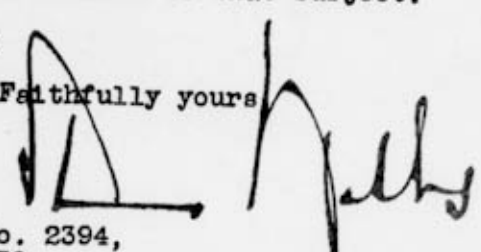
November 8, 1938

My dear Mr. President:

I am enclosing a copy of a despatch from our Legation in Colombia which I believe will be of interest to you. The despatch refers to a pending proposal in the Colombian Congress suggesting that honorary citizenship of Colombia be extended to you and transmits an editorial which I think will be gratifying to you and which relates to that subject.

Believe me

Faithfully yours



Enclosure:
From Bogota, No. 2394,
October 24, 1938.

The President,

The White House.

COPY

LEGATION OF THE
UNITED STATES OF AMERICA

Bogota, Colombia, October 24, 1938

No. 2394

Subject: Bill Presented to Congress Proposing
Colombian Citizenship for the President
of the United States.

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to forward herewith a translation of an excerpt from the column called "Hoy" in El Liberal of today in which reference is made to a bill which has been presented to Congress, but not yet published, proposing Colombian citizenship for the President of the United States.

The Department will note that the newspaper assumes that this is a bill which cannot become law, but that nevertheless its discussion would present the occasion for expressions of the deepest and most respectful feeling of the people of Colombia regarding the good neighbor policy, what it is, what it signifies, and what its value may be.

Respectfully yours,

WINTHROP S. GREENE
Chargé d'Affaires ad Interim

801.2/800.1

WSG:rsm

Enclosure:
Translation of bill referred to.

COPY

Copy

Enclosure No. 1 to Despatch No. 2394, dated October 24, 1938, from the American Legation, Bogota, Colombia.

TRANSLATION

It has been requested that Congress pass a law granting Colombian citizenship to Franklin D. Roosevelt. It is possible that the bill will not be presented because it is a strange occurrence without precedent and the responsibility for which many members of Congress would not like to assume. But of what deep significance it is that from the provinces a Colombian interprets the warm sympathy of his compatriots for the great democrat, for the intellectual, for the commander, for the author and the executive of the good neighbor policy. The reflection of the personality of the great statesman has reached the whole country. But the author of the memorial sent to congress does not desire homage (homenage) to a name, and he explains in his proposal that the homage is to Roosevelt's policy towards Latin America. This exact appreciation of what Roosevelt's inter-American policy means to these peoples is as just as was the indignation among our compatriots for the other side of the medal, the foreign policy of the first Roosevelt.

In reality the peoples of America have better understood Roosevelt than have their governments. The ovations accorded him when he visited Buenos Aires, all freshly spontaneous and evidencing the warmth of feeling of the people, proved this. Not that the governments were less modest in their praise of the great American. It was rather that people crowded into the streets to acclaim him, not as a sensational personage, world known, but as they would have done with one of their

own heroes or persons of exalted station. Roosevelt was for these nations the man of democracy, the predicator of democracy, and it was natural that the feelings of the governments which found their peoples alleging, requesting and demanding democracy should be a little cool.

Congress should, if it is constitutional and within our norms, back this initiative of a Colombian. It is probable that the procedure established for offering the privilege of nationality to a foreigner requires formalities which cannot be surmounted in this case. But the discussion in Congress regarding Roosevelt would present the occasion to realize the deepest and most respectful feelings of our people, as represented in Congress, regarding what the good neighbor policy is, what it signifies and what its value is.

PSF: Welles

Take up
with Sec. Welles
file
confidential

DEPARTMENT OF STATE
WASHINGTON

November 17, 1938.

My dear Mr. President:

Breck Long will have told you this morning of his conversations with Aranha during his recent visit to Brazil.

I received yesterday a personal letter from Aranha, of which I am enclosing a copy herewith because I believe you will wish to study it.

The specific requests made by Aranha are two:

- (a) support by the United States delegation at Lima for the project of collective continental security proposed by the Brazilian delegation at the Conference at Buenos Aires and dropped because of Argentine opposition; and
- (b) assistance to Brazil by this Government in facilitating Brazilian acquisition in the United States of military and naval equipment.

I think the suggested joint resolution "To authorize the Secretaries of War and of the Navy to assist the governments of American republics to increase their military and naval establishments and for other purposes",

The President,

The White House.

which you approved when I submitted it to you last week and which has now been enlarged in scope, in accordance with your desires, so as to permit this Government not only to construct vessels of war for other American governments in its navy yards but also to manufacture for them aircraft, coast defense artillery, and ammunition in factories and arsenals under the jurisdiction of our Government, will cover everything that Aranha has in mind in point (b).

With regard to point (a), the Brazilian project for collective continental security amounted in essence to a continental offensive and defensive alliance, and I am quite certain that at this present stage of events the Argentine Government, and possibly some other governments, would oppose it. I sincerely believe that the existing obligations for consultation, and the implementation of those obligations which may result from the Lima Conference, are probably as far as we should go at this time. We already have the official declaration on the part of all of the American republics that any threat to the peace of one is a threat to the peace of all and requires immediate consultation.

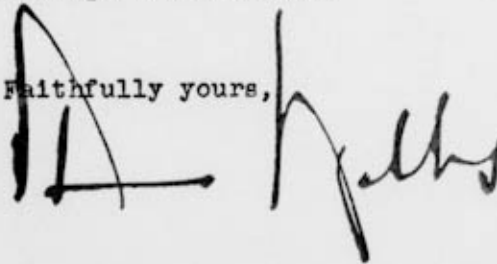
My suggestion would be that I write a long letter in reply to Aranha, telling him what we propose to do with regard to point (b) and saying with regard to

point (a) that, while we share his views with regard to the need for complete solidarity in matters of continental self-defense, we feel we already have secured the recognition of that need on the part of all of the republics and if we attempt at this moment to go further through some treaty such as that which he has in mind, there may exist the danger that some other countries will oppose such a move, and the impression would consequently be given to the rest of the world that there was a lack of unity among us. I might conclude with the general statement that we favor the objectives which he has in mind and that we only differ as to the wisdom of trying to go further now.

Will you let me know if a reply such as that which I have outlined would be agreeable to you.

Believe me

Faithfully yours,

A handwritten signature in dark ink, appearing to be "D. H. H. H." with a large, stylized initial "D" and a long horizontal stroke.

PS F: Welles

(TRANSLATION)

CABINET OF THE
MINISTER FOR FOREIGN AFFAIRS

Rio de Janeiro, November 8, 1938.

PERSONAL

My Good Friend,

This letter is a complement to the one I wrote to you on September 14th last.

1. The return of Ambassador Breckinridge Long coincided with our discovery of some alarming details regarding foreign activities, principally German, in our country. Unfortunately, Caffery had already departed. The President decided that I should inform Long of the situation, asking him to transmit these details to President Roosevelt and to Cordell Hull. I communicated this to Hull in a letter, of which Breckinridge Long himself is the bearer. Scotten was present at that conversation and was also authorized to communicate it to the State Department.

2. The truth, my friend, is that we are confronted with a serious situation, almost threatening, the gravity of which we had already felt, but only today, after the knowledge of these activities, can gauge accurately.

The movement is not only in our country nor is it only German. The documents in our possession show that the plan involves the Italian, Japanese and Polish Colonies and extends to Uruguay and the Argentine. The diplomatic missions

and consulates are the key agencies through which an unlimited number of agents spy, prepare and organize the combined or separate action of the totalitarian governments in our country.

Our hospitality and good faith permitted the establishment and expansion of social, commercial, and industrial organizations of those origins in all fields of our national life, forming today an extensive and deep rooted network in the service of the interests and purposes of those countries.

Everything, however, makes us believe that Italy has not given her cooperation, at least as far as Brazil is concerned, and that Japan likewise refused, for the time being, to assume obligations for a combined and immediate action. Germany, however, is working with firmness, with efficiency and with hopes for the near future.

3. From what we already have been able to discover, the plan comes from Hitler himself, and the directing organ is Ribbentrop, or better still, the German Government!!

It appears to us that it envisages:

- a) fomenting disorders, revolutions and civil wars, in order to justify an intervention similar to that in Spain;
- b) dominate, by means of an Anschluss extending across the Atlantic, regions populated by Germans;

c) if this is impossible, to obtain at least political concessions such as will permit them to maintain here their political parties, as in their own countries, developed around their colonies and interests, thus retarding but not abandoning their future domination.

The documentary evidence leaves no doubt as to the organization, activities and purposes of Germany in Brazil, and as to the participation of German diplomatic agents in Uruguay and the Argentine in this work against the innermost economy and sovereignty of our countries.

4. Our attitude, adopted by the President after an accurate examination of the situation, is to obtain fuller knowledge of this plot and to follow secretly, step by step, this conspiracy with whose elements and methods we are already acquainted.

We are organized for this and we feel sure that we can at any time cut short this action, reduce its proportions and avoid its consequences.

5. To this work of internal vigilance we should, however, add that of continental foresight. The totalitarian governments, especially the German, show that they are disposed not to recede.

The outlook is the following:

1) - these elements may be disbanded and imprisoned

without their being able to accomplish anything, or
2) - they may promote with success internal political
disturbances for the purpose of attaining their ob-
jectives.

In either of these hypotheses, international complica-
tions would be inevitable.

6. Brazil has decided to confront the situation which has
been created for it and to cooperate unreservedly in
destroying this evil in the neighboring countries.

We have no hesitation in going even as far as a conti-
nental pact by which, once and for all, the American nations
will join for the defense of their sovereignty, civiliza-
tion and peace. We are informing the Argentine of our
particular case, with which Government we are cooperating
and we are certain we can count upon its cooperation because
of the advance guarantee which ex-President Justo already
gave us when passing through here a few days ago, and because
of the exchange of ideas existing between our Governments.
Uruguay will be aided by us in any eventuality, as well as
Paraguay, where German influence is great.

My Government, however, must know the opinion and de-
cision of the American Government in the present circum-
stances and in those which will inevitably come into existence.

7. The hour has arrived for us to readjust our friendship on
the basis of precautionary cooperation, capable of giving to

the Americans the assurance of our support in any international circumstances, and to the Brazilians, the tranquillity necessary to enable them to work without such grave, as well as criminal, threats to their destiny, which is likewise continental.

I hope that all of this will be told by Ambassador Long to President Roosevelt and to my eminent friend Cordell Hull, and that they will well understand the reasons for our worries and the decision of President Vargas, with the backing of all of Brazil, to confront and punish any German or foreign intervention in the life of our country.

8. Germany, Italy, Poland, and Japan are "unsatisfied" countries. They need colonies, areas of culture, mines, zones of expansion. It is not possible further to divide old Europe. It is not possible to utilize, nor further to divide Africa.

South America is the natural prey because:

- 1) - it is where there exists good and undeveloped land;
- 2) - its fabulous mineral wealth is still to be utilized;
- 3) - it is a source of basic raw materials;
- 4) - an invasion is already facilitated by reason of zones of racial influence, and even of economic, industrial and commercial predominance;
- 5) - it is a continent of completely unarmed nations;
- 6) - it is the formula most acceptable to European opinion for the solution of the colonial problem, once

England wishes to defend before all her own colonies.

9. These considerations, the evidence of which cannot be gainsaid, show that the danger is real but, at the same time, that it can be eliminated by our foresight and precautionary measures.

In my opinion, it is necessary that:

1) - America make it known to the world that it will resist as a whole any solution which the totalitarian powers seek to obtain at the sacrifice of the territory or sovereignty of the American nations.

2) - the American nations more directly envisaged should arm themselves in such manner as to be able to check these imperial ambitions.

10. The first condition, relative to the continental attitude, would be realized if there were adopted at Lima the project of Collective Continental Security, which was refused by Saavedra Lamas at Buenos Aires, even after it had been accepted by the other nations. The adoption of this or another similar pact is a necessity for legitimate continental defense, which would erect a political barrier to the growth and development of these European and Japanese ideologies. The words of President Roosevelt have already been a warning having great effect. We must, however, stand behind these words, giving them continental body and adhesion.

The second condition, with respect to the military unpreparedness of the South American countries, involves a problem requiring a solution in which, to my mind, your Government must cooperate.

11. I feel, for example, that if we are aided and assisted with military and naval equipment, we can easily and successfully face any aggression, either separate or combined, from overseas from these "unsatisfied" countries, and still further, we can cooperate efficiently in any action of a general character.

We need coast artillery, aircraft and defensive vessels. We have the human reserves which can multiply by millions our soldiers and sailors, with the necessary officers, with fighting spirit and with civic and military education.

We are decided to make the sacrifice necessary for the equipment which is required for the needs of our defense, for the defense of our neighbors and for continental civilization.

Our military acquisitions, for reasons of price, terms and conditions of payments, were being made in Germany (artillery equipment), in Czechoslovakia (infantry equipment), and in England and Italy (naval equipment).

In the United States we are acquiring only the material for naval construction here and some airplanes.

12. The present situation is not normal. To arm Brazil is to prepare the defense of half of South America and favor the security of the other half. This preparation of Brazil would be the best way of avoiding an ostensible participation by the United States, making it less direct and onerous.

We can and should aid each other materially in these circumstances to avoid the contingency, due to our good faith and lack of foresight, of being called upon to make larger sacrifices in the face of an aggression which will come sooner or later, as we are already feeling the fingers of this hand that wishes to snatch the liberty of our peoples and the independence of the South American nations.

13. I ask you to think this over in the light of the situation which I am bringing to your knowledge and of the suggestions which I am making. I feel that an understanding between Argentina, the United States and Brazil is easy.

Brazil desires arms only for its defense and for the defense of peace, and it can count only on a part of its orders for armaments since these orders are dependent on those countries. The progressive armament of America is a measure which has to be faced as necessary and already unpostponable. Perhaps the "destroyer plan" can now be more fully examined in the light of these new necessities. Continental defense cannot be a word or a doctrine, but must be a reality.

Argentina and Brazil can come to an understanding, if we can count on your country's cooperation, making the Atlantic coast a barrier which would facilitate the defense of the Pacific, since it must not be forgotten that we are faced with combined action on the part of the totalitarian countries in which Japan will have a pre-eminent role.

14. These considerations, my friend, are dictated by a reality which is increasing in evidence and danger, by a friendship which binds us, and by the solidarity which, at all times, has united the United States and Brazil.

My objective has been to clarify what I said to Ambassador Long, better to detail the situation which we will have to face, and to learn the attitude of your Government and of your people in this emergency of my country and of the world.

My kind regards to your wife, and believe me always

Your colleague and friend,

OSWALDO ARANHA

TELEGRAM

PSF Welles folder
Mary to file
The White House
Washington

1 SD JM 171 Government

4 pm

Washington, D.C., Nov. 23, 1938.

The President,
Warm Springs, Ga.

I am informed by Rabbi Wise, chairman of the United Palestine Appeal, that he has to-day received information from London leading him to hope that the Prime Minister or the Minister for Colonies will tomorrow announce in the House of Commons that irrespective of the Arab-Jewish conference in January, Great Britain will grant admission into Palestine immediately to five thousand children up to ten or twelve years of age; to eight thousand young persons and ten thousand relatives of Jews already in Palestine, and perhaps additional refugees from Germany up to a total of one hundred thousand. Rabbi Wise stated that if such permission were granted, the United Palestine Appeal and Jews already in Palestine would be in a position to finance the settlement of the persons to whom admission was granted,

In view of this information it would seem to me that it would be premature for you to make any statement to the press until after the British Government has officially confirmed the information received by Rabbi Wise.

Sumner Welles.

STANDARD FORM No. 14 A
APPROVED BY THE PRESIDENT
MARCH 10, 1935

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

Memo. for the President:

Sumner told me over the phone that he had talked with
Cordell and that the Secretary felt as he does/

MMH

FROM

The White House
Washington

11-23-38

U. S. GOVERNMENT PRINTING OFFICE 75782

TELEGRAM

The White House

Washington WX 11-23-38

The President,
Warm Springs.

I understand the statement you want to make to the press is along these lines:

"I have learned that the United Palestine Committee is informed that the number of refugees to be permitted entry into Palestine will be materially increased and in particular that children and young people ought to be given refuge there. I have learned of this with great satisfaction and I trust the report may be correct."

I feel that I should let you know that I doubt if the reports received by Rabbi Wise are accurate in view of existing situation in Palestine. I hope very much that you will be willing to postpone making any comment to the press until the British Government makes some official statement which would show whether the reports are accurate or not. We have no indication from our Embassy in London that the British are contemplating any step of this kind until after the Arab-Jewish conference.

Sumner Welles.

725pm

THE WHITE HOUSE
WASHINGTON

PSF
Wells

~~CONFIDENTIAL~~

Warm Springs, Ga.,
November 23, 1938.

MEMORANDUM FOR
THE UNDERSECRETARY OF STATE

Did you see this? It is
amusing.

F. D. R.

Message to Fred Storm of the United
Press in re Joe Kennedy.

PSF *Waller folder*
file
personal
THE WHITE HOUSE
WASHINGTON

Warm Springs, Ga.,
November 26, 1938.

MEMORANDUM FOR

THE UNDERSECRETARY OF STATE

Will you send me by return
pouch any information the State
Department has in regard to possible
places for Jewish colonization in
any part of the world? I do not
want any extensive memorandum --
just what you happen to have on hand.
I will return it to you at once
after looking at it.

F. D. R.

PATRONS ARE REQUESTED TO FAVOR THE COMPANY BY CRITICISM AND SUGGESTION CONCERNING ITS SERVICE

1938
12019

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable sign above or preceding the address.

WESTERN UNION

NEWCOMB CARLTON, PRESIDENT

J. C. WILLEVER, FIRST VICE-PRESIDENT

SIGNS

DL = Day Letter
NM = Night Message
NL = Night Letter
LCO = Deferred Cable
NLT = Cable Night Letter
WLT = Week-End Letter

The filing time as shown in the date line on full-rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

Received at **WARM SPRINGS, GA.**

QM53 45 GOVT=SD WASHINGTON DC NOV 28 659P

THE PRESIDENT=

:WARMSPRINGS GA=

PSF

MINUTES IN TRANSIT	
FULL-RATE	DAY LETTER

Welles

THE FOLLOWING MESSAGE HAS BEEN RECEIVED FROM SECRETARY HULL:
QUOTE THE MEMBERS OF THE DELEGATION, MRS HULL AND I, DEEPLY
APPRECIATE THE CORDIAL MESSAGE RECEIVED FROM YOU AND MRS
ROOSEVELT. EVERY ONE IS DELIGHTED THUS TO BE REMEMBERED BY
YOU. ALL GOES WELL. HULL. UNQUOTE=

SUMNER WELLES.

631PM.

THE WHITE HOUSE
WASHINGTON

PSF
Stats:
Wells

Warm Springs, Georgia,
November 28, 1938.

Memorandum for Hon. Robert Jackson ✓
and
Governor Ehringhaus: ✓

For their information and return.

F.D.R.

Please show this to Governor Ehringhaus.

Department of Justice
United States Attorney's Office
New York

*file
personal*

Dec. 5, 1938

The Hon. Robert Jackson,
Solicitor General of The United States,
Washington, D. C.

Dear Mr. Jackson:

Returned herewith is the original letter dated November 25th, 1938 from the Hon. Sumner Wells to the President, with the President's confidential memorandum attached both of which I have noted with interest. These were forwarded to me by your office under date of November 29th.

Yours very truly,

J. C. B. Ehringhaus
J. C. B. Ehringhaus

JCBE: jh

ENC.



DEPARTMENT OF STATE
WASHINGTON

November 25, 1938.

My dear Mr. President:

You may remember that over a year ago I spoke to you of the attempts being made by the Curtiss-Wright Companies to obtain some compromise with the Government which would relieve some of the officers of the company of the danger of a prison sentence as a result of what I believe was a deliberate and knowing violation of the terms of your Chaco Arms Embargo Proclamation. In view of your decision at that time that no compromise should be agreed to, I believe that the following information will be of interest to you:

The trial of the Curtiss-Wright Companies and officers and employees of those companies indicted as the result of violations of the Chaco Arms Embargo has been set for January 9 in the Federal District Court of the Southern District of New York.

Mr. Alexander Whiteside, counsel for the defendants, has, on numerous occasions in recent months, directly or

The President,

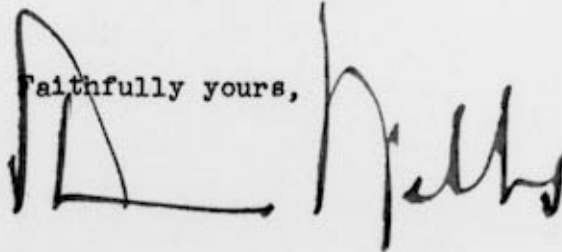
The White House.

indirectly through intermediaries, approached officers of the Department of State, officers of the Department of Justice and other Government officials, with a view to arriving at some compromise which would result in the quashing of some of the indictments.

I am informed that Governor Ehringhaus, Special Assistant to the Attorney General, charged with the prosecution of these cases, who has himself been approached by Mr. Whiteside, considers these maneuvers on the part of the latter as evidence that the counsel for the defense despairs of success if the cases go to trial, and that he resents these maneuvers which he feels constitute an improper attempt to interfere with judicial proceedings growing out of a criminal case.

Believe me

Faithfully yours,

A handwritten signature in dark ink, appearing to read "D. H. Halls". The signature is written in a cursive style with a large, prominent "D" and "H".

*file
personal*

*PSF
Wells*

DEPARTMENT OF STATE
WASHINGTON

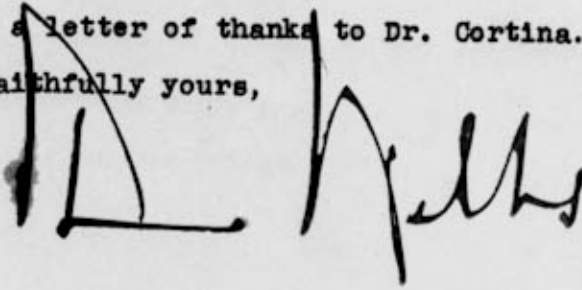
November 30, 1938

My dear Mr. President:

At the request of Dr. José Manuel Cortina, former Secretary of State of Cuba, I transmit the enclosed pamphlet containing the address entitled "Franklin Delano Roosevelt and the New Democracy" which he delivered last July 4 in Habana. The pamphlet bears the inscription "In testimony of admiration of the great and superbly gifted President of the United States of North America, Honorable Franklin Delano Roosevelt", signed "José Manuel Cortina, Habana, November 7, 1938".

I have sent a letter of thanks to Dr. Cortina.

Faithfully yours,



Enclosure:

Pamphlet.

The President,

The White House.

DEPARTMENT OF STATE

DIVISION (RA
BUREAU (

ENCLOSURE

TO

LETTER DRAFTED

ADDRESSED TO

The President.



Jose Manuel Cortina

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

Warm Springs, Ga.,
December 1, 1938.

MEMORANDUM FOR
THE UNDERSECRETARY OF STATE

Will you read the
enclosed and speak to me about
it on my return?

F. D. R.

Letter from Felix Frankfurter in re
Palestine.

DECLASSIFIED
By Deputy Archivist of the U.S.

By W. J. Stewart Date MAR 7 1972

PSF. Welles folder

THE WHITE HOUSE
WASHINGTON

December 10, 1938.

MEMORANDUM FOR

THE UNDERSECRETARY OF STATE

Will you please have the marked part of this carefully checked? I should like to have some verification. If there is any truth in it, the time will come when we can bring it out for the benefit of humanity.

F. D. R.

State Department dispatch No. 1414, from London, in re conversation between Ribbentrop and Bonnet about the refugees.

/

THE WHITE HOUSE
WASHINGTON

*PST
Wells*

December 12, 1938.

MEMORANDUM FOR
THE UNDERSECRETARY OF STATE

TO READ AND RETURN

F. D. R.

Letter from Minister Gonzalez
in re Regulations governing
the operations of the technical
Institute of Immigration and
Colonization.

file

DEPARTMENT OF STATE
WASHINGTON

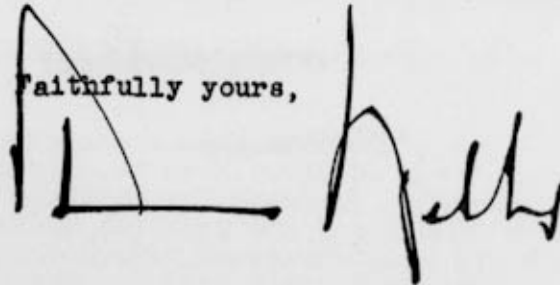
December 12, 1938

My dear Mr. President:

In accordance with the request contained in your memorandum of December 12, I have read the letter sent to you by Minister Gonzalez under date of November 28 and I am returning it to you herewith. I have had a copy made for my own files so that I may give further thought to some of the points mentioned by Mr. Gonzalez.

Believe me

Faithfully yours,



Enclosure:

From Minister Gonzalez,
November 28, 1938.

The President,
The White House.

Caracas, November 28, 1938.

My dear Mr. President:

I wish to confirm my letter of you of August 13 in reply to your kind letter of July 3, in which I outlined the possibilities of the territory in Venezuela referred to in your said letter. I also confirm my letter of September 15, in relation to which I now take pleasure in enclosing a summary of the regulations governing the operation of the Technical Institute of Immigration and Colonization, adopted pursuant to Decree of August 26, 1938, but which has just been published in the OFFICIAL GAZETTE.

The rules and regulations promulgated pursuant to said Decree are long and lengthy, but I have extracted therefrom what I consider to be the high points in matters of immigration and with particular reference to the subject matter of your letter of July 3.

In connection with the coming meeting to be held in London the middle of next month by the Inter-Governmental Committee on Political Refugees, I was informed the other day that the Government of Venezuela will have its London representative attend that meeting and be ready at that time to make a public announcement as to the number of political refugees it will be able to accommodate. Taking advantage, however, of the opportunity to make any further confidential statement as to what the Government of Venezuela is prepared to do or with reference to the type of political immigrant which Venezuela will decide to accept, the Minister for Foreign Affairs informs me that, in addition to the public announcement to be made, his Government will also furnish to that Committee its confidential memorandum.

You

The Honorable
Franklin Delano Roosevelt,
The White House.

You will note, if you have the opportunity to read the resume which I have prepared of the rules and regulations pertaining to immigration and colonization, that the matter of allocation of colonists is not specifically taken care of in the regulations but the basic Law of Immigration and Colonization gives to the President the right to make the distribution of land as may be found convenient. As to the distribution of colonists, under Article 35 of the Law of Immigration and Colonization, the following paragraph appears:

"In the colonies established in the Republic, there should be installed a number of immigrants of different nationalities, and if possible a group of Venezuelans in a number and in circumstances which will permit the assimilation of the foreigners."

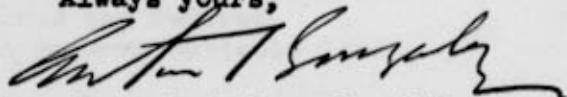
This specifically answers your question of July 3 as to the distribution of colonists.

Another point which I would like to bring forth is that the Technical Institute of Immigration and Colonization of Venezuela will permit colonists to acquire lands under a "Promise of Sale", which promise must be complied with within an agreed upon time, and which certificate will be exchanged for a "Provisional Title", which cannot thereafter be transferred without the consent of the Institute. This provision will create an interest of such a character that colonists will not be likely to abandon the land and thereby create other problems.

I hope, Mr. President, that the foregoing and the enclosure is responsive to your letter of July 3 and that it may be of some use.

With very kind and fondest regards to you and Mrs. Roosevelt from Mrs. Gonzalez and myself, I am

Always yours,



P.S. Enclosed please find a stamp just issued, with change of color only, by the Government of Venezuela.

RESUME OF THE REGULATIONS
GOVERNING THE OPERATION OF
THE TECHNICAL INSTITUTE OF
IMMIGRATION AND COLONIZATION

On August 26, 1938, a Decree was signed establishing a Technical Institute of Immigration and Colonization, pursuant to the "Law of Immigration and Colonization" of July 22, 1936. On October 10, 1938, the Law was implemented by regulations setting forth in great detail the administrative procedure and functions of the Institute. These regulations and the Law to which they refer were written by an expert of the League of Nations and represent a new approach to the question. They provide that the Institute shall be under the administration of a Board of Directors which shall meet three times a week and shall have the authority to call on other suitable branches of the Government for assistance. This Board is responsible directly to the President, who appoints and removes its members.

The Institute is given extensive faculties for pushing projects. It may establish colonies of individual landowners or of share holders, school colonies, and other types as experience may dictate. It may also incorporate existing colonies. The Law provides for both the donation of state lands to the Institute and the acquisition of private lands. The latter case will be accomplished through bids or by public auction, or, if not possible by these means, through a petition for expropriation.

The matter of the allocation of colonists is not specifically taken up in the regulations but is provided for in the basic "Law of Immigration and Colonization", which gives the Federal Executive complete power to reserve suitable lands

for ownership of the property, and these are not transferable without the consent of the Institute. Where the experiment is abandoned, the colonists and

and to make such distribution as is desired of the colonists according to different nationalities, et cetera.

Among specific functions of the Institute, the regulations set forth the following:

- (a) Lend technical and administrative aid
- (b) Furnish credit and essential tools
- (c) Establish colonization schools
- (d) Study and foment the organization of rural extension projects such as education and emancipation centers for agricultural workers
- (e) Make contracts for concessions and control their application
- (f) Finance private colonization, including the entry of immigrants for agricultural purposes

The regulations also make provisions for the Institute to set up industrial plants, warehousing and transportation facilities, and for the sale of products by the Institute without charge to the colonists except for an amount sufficiently large to cover general administrative expenses.

The Law gives broad powers to the Institute for assisting colonists financially in the acquisition of their land and in the marketing of their products. The method of permitting the colonist to acquire land seeks to encourage continuous occupancy and the obtaining of ownership while protecting the rights of the Institute. As soon as the colonist is installed in his lot the Institute will give him a "promise of sale". This fixes a certain time during which the colonist must comply with his obligations. When he has done so the "promise of sale" is exchanged for a "provisional title" and this, once the price of the lot is paid, is exchanged for a registered deed. Neither the "promise of sale" nor the "provisional title" confers ownership of the property, and these are not transferable without the consent of the Institute. Where the experiment is abandoned, the colonist may be indemnified.

Throughout

Throughout the regulations and in the previous basic laws establishing them stress is laid on the type of suitable immigrant desired. He must be of the white race, less than 60 years old, and must have some training and aptitude for agriculture or allied pursuits. It should be noted that Article 2 of the Decree is careful to state that "The Technical Institute of Immigration and Colonization is the only official organism competent in matters of immigration and colonization excepting that established in the current laws with respect to the admission of foreigners...".

In short, while encouraging agricultural immigration, the establishment of this Institute does not in itself liberalize existing immigration laws nor open the gates to an indiscriminate flood of immigrants.

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

December 13, 1938.

MEMORANDUM FOR
THE UNDERSECRETARY OF STATE

TO READ AND RETURN. THIS
IS ONLY FOR YOUR EYES.

F. D. R.

Unsigned memorandum in re Hugh
Wilson.

DECLASSIFIED
By Deputy Archivist of the U.S.
By W. J. Stewart Date MAR 7 1972

Department of State

BUREAU
DIVISION

IN

ENCLOSURE

TO

Letter drafted **12/13**

ADDRESSED TO

The President

PS F: Waller

THE WHITE HOUSE
WASHINGTON

December 13, 1938.

MEMORANDUM FOR
THE UNDERSECRETARY OF STATE

Will you speak to me
about this?

F. D. R.

Correspondence in re Minister
Gonzalez' resignation.

PS F: Welles

THE WHITE HOUSE
WASHINGTON

December 13, 1938.

MEMORANDUM FOR
THE UNDERSECRETARY OF STATE

Will you speak to me
about this at your convenience?

F. D. R.

Memorandum submitted by Dr.
Studebaker - AN EDUCATIONAL
APPROACH TO GOVERNMENT AT WORK -
and memorandum in re foreign
agencies flooding the U. S. with
anti-democratic propaganda.

File personal *PSF*
Wills

DEPARTMENT OF STATE
WASHINGTON

December 14, 1938

My dear Mr. President:

On November 30 Ambassador Kennedy telegraphed from London that he was forwarding a specially prepared report on "Shipbuilding Costs in European Yards" and indicated the belief that you would be intensely interested in reading it. The report has just been received and accordingly a copy is enclosed.

Faithfully yours,

D. H. H.

Enclosure:

From London, no. 1580,
November 25, 1938.

The President,
The White House.

DUPLICATE:

No. 1580

LONDON, November 25, 1938.

SUBJECT: Shipbuilding Costs in European Yards

~~CONFIDENTIAL~~
The Honorable

The Secretary of State,
Washington, D.C.

Sir:

1/

I have the honor to transmit herewith, with the request that a copy be forwarded to the Chairman of the Maritime Commission, a report on Shipbuilding Costs in European Yards, which has been prepared by Mr. Harvey Klemmer.

I regard it as an admirable piece of work. It embodies a great deal of original and confidential information which was provided on the sole condition that the sources would not be disclosed.

A TRUE COPY
OF THE SIGNIS
ORIGINAL

WMC.

Respectfully yours,

Joseph P. Kennedy

Enclosure:

1. Report by Mr. Harvey Klemmer, in quintuplicate.

RES:WMC

Enclosure No. 1 to despatch No. 1580 of 11/25/38
from the Embassy at London, England.

London, November 23, 1938

CONFIDENTIAL
MEMORANDUM TO THE AMBASSADOR:

Some time ago--at your suggestion and with the approval of the Maritime Commission--I undertook a study of shipbuilding costs in European yards.

As you know, we have had great difficulty in securing data that can be used by the Commission for determining construction subsidies. Foreign builders, naturally enough, have not been inclined to supply information for the strengthening of a competitor. The Commission, therefore, has been greatly handicapped in its efforts to establish accurate differentials between shipbuilding costs in American yards and those prevailing abroad.

In July I made a quick tour of some of the principal European yards. I visited in all 10 yards--located in Great Britain, Germany, Italy, France and the Netherlands. The officials of one yard, while friendly, refused point blank to supply any information. The other yards agreed to cooperate.

I decided, at the beginning of my study, to ask the various yards to make bona fide estimates on the C-2 vessel. Inasmuch as a number of ships of this type are already under construction in the United States, and bids were made on others, the securing of foreign estimates would give us an accurate check on comparative costs.

Pursuant to cabled instructions from Admiral Land, I also asked for a break-down of the foreign estimates. This information, if secured, would give us not only the amount of the differential, but an idea of its composition.

Replies have now been received from six sources, representing nine yards. These replies indicate that the C-2 vessel can be built abroad for about half the average price quoted by American yards. The replies also indicate that facilities are available in most European countries and, where not available at the moment, would be made so were any American business to be offered. Ships could be secured, on the average, in about 16 months' time.

It should be noted that all foreign builders expressed themselves as amazed at the detailed specifications drawn up for the C-2 ship. These men began with the assumption that they could build the C-2 for a million dollars or so, but as soon as they saw the specifications they were forced to make radical increases in their original estimates. All of the estimates contained in this report are based on a careful study of the plans. They are not formal bids, but they do represent the studied opinion of the estimating departments of the various yards.

These estimates, if they err at all, tend to err on the high side. The builders assure me that, if it ever came to making an actual bid, they could shave their

estimates. This would be especially true if they were allowed to make minor alterations in the specifications which, they say, would make the ships cheaper to build over here without any decrease in efficiency. These savings in some cases would amount to \$200,000 or \$300,000.

Each yard was asked to answer a standard set of questions concerned with the cost of building the G-2 type. These questions were designed to supply the maximum of information in the minimum of space. They were also framed in such a way as to supply something of a cross-check. The over-all cost was a relatively simple matter and was readily supplied; some of the yards demurred, however, at supplying a break-down and were only induced to cooperate by a promise that the name of the yard would not be revealed. All pointed out that the break-downs of different yards are not strictly comparable due to differences in shipbuilding practice. Some of these break-down figures, therefore, may be off five or 10 per cent, as the proportion of cost attributable to the different items obviously varies according to the type of bookkeeping employed. An average for the nine yards involved in this report should be of considerable value, however, and is accordingly supplied.

The information sought, and the average of replies received (so far as they can be averaged), follows:

1. Cost of one C-2 vessel	\$1,374,541
2. Cost for each of four vessels	1,346,467
3. Amount attributable to overhead	254,707
4. Amount attributable to materials	850,194
5. Amount attributable to labor	235,639
6. Percentage attributable to overhead	19.4
7. Percentage attributable to materials	62.6
8. Percentage attributable to labor	18.0
9. Estimated man-hours	761,000
10. Average wage per hour, cents	29.9

A tabular presentation of the various cost estimates follows:

ESTIMATED COSTS OF BUILDING THE C-2 CARGO VESSEL IN CERTAIN EUROPEAN YARDS

YARDS	1 VESSEL	1 OF 4	OVERHEAD AMOUNT	MATERIALS AMOUNT	LABOR AMOUNT	OVERHEAD %	MATERIALS %	LABOR %	MAN-HOURS	WAGE PER HOUR (CENTS)
BRITISH	\$1,520,000	\$1,482,000	\$187,200	\$1,064,000	\$288,000	11	70	19	775,000	35.6
BRITISH	\$1,543,750	\$1,512,875								35.6
GERMAN	\$1,046,000	\$1,013,650	\$245,575	\$532,950	\$266,475	23.5	51	25.5	675,000	32.
ITALIAN	\$1,426,000	\$1,406,000	\$192,510	\$1,098,020	\$135,470	13.5	77	9.5	730,000	18.6
DUTCH	\$1,430,000	\$1,401,400	\$386,100	\$786,500	\$257,400	27	55	18	925,000	27.5
DUTCH	\$1,282,500	\$1,263,000	\$262,150	\$769,500	\$250,850	22	60	18	700,000	30.
AVERAGES	\$1,374,541	\$1,346,487	\$254,707	\$850,194	\$235,639	19.4	62.6	18.	761,000	29.9

Replies received from individual yards, and a discussion of conditions in various countries, follow:

Great Britain

I have discussed the C-2 with most of the major yards in Great Britain. There is a great disparity in costs, estimates ranging all the way from \$1,187,500 to \$1,805,000. Careful estimates, however, all exceed \$1,425,000.

This is on the assumption that the specifications would have to be followed to the letter. The chances are that the C-2 could be secured for approximately \$1,330,000 if the builders were allowed to substitute British products in cases where it would not diminish the quality of the ship.

The British builders, like all builders, were reluctant to supply cost analyses that might be useful to competitors. I accordingly asked Sir Amos Ayre, Chairman of the Shipbuilding Conference, to secure figures from a couple of yards, average them, and submit anonymously. These estimates follow:

1. Cost of one C-2 vessel	\$1,520,000
2. Cost for each of four vessels	1,482,000
3. Amount attributable to overhead	167,200
4. Amount attributable to materials	1,064,000
5. Amount attributable to labor	288,000
6. Percentage attributable to overhead	11
7. Percentage attributable to materials	70
8. Percentage attributable to labor	19
9. Estimated man-hours	775,000
10. Average wage per hour, cents	35.6

These figures are for a turbine vessel. The cost for Diesel propulsion, general, is reported by Sir Amos as \$1,662,500; Diesel propulsion direct is estimated at \$1,496,250. (Several foreign builders, incidentally, advise direct drive.)

Sir Amos also gave me a break-down for hull only. He believes that, of the estimated cost of \$1,520,000, \$950,000 would go for the hull, \$570,000 for machinery. His hull calculations are:

1. Cost of one C-2 vessel	\$1,520,000
2. Cost for each of four vessels	1,482,000
3. Amount attributable to overhead (Hull only)	142,500
4. Amount attributable to materials (Hull)	617,500
5. Amount attributable to labor (Hull)	190,000
6. Percentage attributable to overhead (Hull)	15
7. Percentage attributable to materials (Hull)	65
8. Percentage attributable to labor (Hull)	20
9. Estimated man-hours (Hull)	525,000
10. Average wage per hour, cents	35.6

Barelay, Curle and Co., Ltd., of Glasgow, agreed to submit a break-down of hull costs, but said that they did not feel competent to go into machinery costs. They estimate that it would cost \$1,543,750 to build the C-2 in their yard, of which \$831,250 would be hull cost and \$712,500 machinery cost.

1. Cost of one C-2 vessel	\$1,543,750
2. Cost for each of four vessels	1,512,875
3. Amount attributable to overhead (Hull only)	184,300
4. Amount attributable to materials (Hull)	506,350
5. Amount attributable to labor (Hull)	140,600
6. Percentage attributable to overhead (Hull)	22
7. Percentage attributable to materials (Hull)	61
8. Percentage attributable to labor (Hull)	17
9. Estimated man-hours (Hull)	395,000
10. Average wage per hour, cents	35.6

These figures are for a vessel with direct drive Diesel engines of Barclay-Curle Duxford type. A price of \$1,638,750 is quoted for Werkspoor Diesel engines with gear drive; a figure of \$1,567,500 is given for double-reduction-g geared turbines with Babcock & Wilcox boilers.

There are some 500 ways in the United Kingdom. About 200 of these ways can accommodate vessels of the type required by the United States. Of the latter figure about 40%--or 80 ways--are currently available. Much work now in hand is in the completion stage. It is reasonable to assume, therefore, that there will shortly be available not less than 100 ways suitable for American construction.

Most of the yards here are ready to undertake new construction immediately. Plants and personnel, due to the recent boom, are in fine shape. About 20% of ship-building workers in the United Kingdom are employed on naval work; the rest are available for merchant ship construction and repairs. Most of the yards can offer quick delivery.

It is not unlikely that, were the American Government to place work here, delivery of C-2 vessels could begin in a year.

The British shipbuilding industry is, at the moment, in bad shape. The United Kingdom is on an import basis for ships; that is, more ships are being built abroad for British account than are being built in Britain for the account of other nations. British shipowners have more than \$25,000,000 worth of work now under way in Scandinavian, Dutch and German yards.

One of the British owners who is building abroad is a member of the board of an English shipyard. Owners justify placing orders abroad on the ground that ships built at prices now prevailing in Britain cannot make their way in international trade without heavy subsidization.

The principal cause of present British prices is, of course, the rearmament program. Steel prices have increased 30 per cent since the beginning of 1937. Labor is up about 18 per cent over the low point of the Depression. Steel prices are stabilized to the end of the year, when there probably will be some reduction.

British builders are paying \$53.13 a ton for plates and \$52.37 for sections. The basis price, computed on a ratio of two plates to each section, figures out at \$52.87. The average price, with extras, is estimated at \$52.73. British builders, however, secure a rebate of 15 shillings (about \$3.60) a ton if they use British steel exclusively. This would bring the average price down to about \$49.13.

Notwithstanding present labor and materials costs, there are signs that prices have begun to crack. A vessel of 9,500 d. w. tons, Doxford engine, 12½ knots, has just been ordered by Greek owners for \$636,000. A few months ago this vessel was quoted at \$718,500. I am informed that prices of three and four months ago can now be reduced by approximately 10 per cent. This would indicate that the price of \$1,520,000 given by Sir Amos Ayre for the C-2 in September would, on the basis of today's trend, stand in the neighborhood of \$1,400,000.

Germany

German builders, like those in England, were reluctant to supply break-downs of their estimates on the C-2. I was finally able to secure figures through the cooperation of Mr. Ernst Glassel, former Director of North German-Lloyd, now working as a shipbuilders' representative. Glassel handles most of the business placed in Germany for foreign account. (He has arranged barter deals involving nearly 200 vessels.) Glassel agreed to secure figures from Bremer Vulkan and Deutsche Schiff und Maschinenbau Aktiengesellschaft Zentralverwaltung (Dechimeg), with both of which he has close connections, and to pass them on to me as an average of the two. The averages of the figures supplied by the two German yards follow:

1. Cost of one C-2 vessel	\$1,045,000
2. Cost for each of four vessels	1,013,680
3. Amount attributable to overhead	245,575
4. Amount attributable to materials	532,950
5. Amount attributable to labor	266,475
6. Percentage attributable to overhead	23½
7. Percentage attributable to materials	51
8. Percentage attributable to labor	25½
9. Estimated man-hours	675,000
10. Average wage per hour, cents	.32

There are no ways available in Germany at the present time. The German Government is so anxious to secure foreign exchange, however, that ways would be made available were any American building to be offered. German yards ordinarily figure on about two months for preparing plans and eight or nine months from laying of the keel to delivery. Due to the great volume of work now in hand, it would not be possible to maintain this schedule at the present time. However, there is no doubt that German yards could begin to make delivery in a year or so.

The Germans are very anxious to build for foreign account. They will build for either money or commodities. There are many American products that Germany would be glad to take in payment for ships. The principal ones are cotton, petroleum, copper and perhaps fruit. Outright barter deals could be arranged or, if that was contrary to the policy of our Government, we could secure from the Germans an undertaking to purchase a definite amount of American goods.

One of the German yards recently submitted bids to Joseph T. Lykes, of Lykes Brothers-Ripley, for some 13-knot freighters of the so-called SCHWANHEIM type. These vessels, about the same size as the C-2, but slower and simpler, were quoted at \$712,500 each. Payment could be made in cash and commodities. One of the schemes suggested was:

- \$142,500 in cash
- 237,500 in oil
- 213,750 in cotton
- 71,250 in resin
- 47,500 in old ships for scrapping.

Obviously, to a man in Lyke's position a deal like this could appear very attractive.

The aggressiveness of the Germans in going after business has brought them a large volume of orders from foreign countries. Work on the German building program has been retarded to make room for foreign orders which would bring in cash or desperately-needed raw materials. German yards at the moment have in hand some 300 vessels totaling more than 1,000,000 gross tons. Of this great tonnage, Germany is building about 250,000 tons for British owners, 45,000 tons for Turkey, 31,000 tons for the Netherlands, 26,000 tons for Norway and 5,300 tons for Bulgaria. Thirty per cent of all work now under way in Germany is being done for foreign account.

These figures indicate what is going on not only in Germany, but all over Europe--namely, the building of ships for foreign account. Everybody seems to be building ships

for everybody else. Only America, among the Great Powers, seems irrevocably committed to a policy of self-sufficiency in shipbuilding.

The Germans do not believe that they have any advantage in materials. They declare, as a matter of fact, that their steel makers have a hard time meeting American competition. German producers have in the past complained to their government about their inability to meet American prices, and have asked for assistance. An official of a German rolling mill told me that on some kinds of steel, principally types used in the manufacture of automobiles, American prices were less than half those asked by German producers.

I discussed with German builders the question of subsidies. They admit receiving grants from the Government but contend that these grants are merely exchange equalization payments. The builders have figures which seem to show that the Government payments, instead of being a subsidy, offer only partial compensation for the losses which they incur in converting foreign currency into marks.

Italy

There are two important yards in Italy--Cantieri Riuniti Dell'Adriatico, near Trieste, and Ansaldo, in Genoa. These two yards have been ordered by the Italian Government to work together on export business. The figures which follow (submitted by the Trieste yard) can, therefore, be regarded as applying also to Ansaldo.

The Trieste people supplied the following information:

1. Cost of one C-2 vessel	\$1,426,000
2. Cost for each of four vessels	1,406,000
3. Amount attributable to overhead	192,510
4. Amount attributable to materials	1,095,020
5. Amount attributable to labor	135,470
6. Percentage attributable to overhead	13.5
7. Percentage attributable to materials	77
8. Percentage attributable to labor	9.5
9. Estimated man-hours	730,000
10. Average wage per hour, cents	18.6

These figures supercede any previous figures that may have been given to Mr. Overstreet or the American consuls at Trieste and Genoa. Ansaldo originally supplied a rough estimate of \$1,150,000 for a motor driven C-2. This estimate was based on a brief description of the vessel. Later, after they had gone over the plans and specifications, they quoted a price of \$1,320,500 for one ship (either motor or steam), with a discount of 2% on each vessel after the first one. There is no doubt that this price could be reduced somewhat if any business were to be offered.

Ansaldo originally gave Overstreet a price of approximately \$1,000,000 apiece for the four vessels required by the American Export Line. A few weeks later they gave the Export people a rough estimate of \$1,300,000. This estimate, like that for the C-2, was also raised after they had seen the specifications. The formal bid on the Export ships was \$1,550,000 each, delivery to begin in eighteen

months. It appears that this bid was increased after Ansaldo had conferred with the Trieste yard. An identical bid was submitted by the Trieste people to the Export Line. It is my understanding that Ansaldo would not hesitate to take \$1,300,000 if an offer should materialize.

Although the Italian shipyards are more or less run by the Government, they deny that they are receiving any subsidy. It appears, however, that where bidding is close the shipbuilders' group may make a contribution. Certain materials required in shipbuilding are also admitted to the country free of duty. It is believed by British builders that the Italian Government will make a grant to an Italian yard rather than have the yard lose a bid. I have been unable to discover any actual instances, nor do I know of any way in which this statement can be checked.

The Italians would also be interested in exchanging ships for commodities. A shipbuilder close to the Government told me that any reasonable deal along this line would be acceptable to Italy. He proposed specifically deals involving wheat and cotton. The Italians would like to get at least 50% of the cost of the ships in cash, but would, I believe, take considerably less. Italian builders would also be interested in copper, lumber, and various materials going into shipbuilding.

The Trieste people said that they would be willing to use American steel in any ships built for our account; in fact, for a limited number of ships they would be willing to take, as part payment, twice the amount of steel required to fill the order. This would particularly apply to plates

and shapes, forgings, boilers, shaft lines, and shafts.

Italy is doing a great deal of barter business. A delegation recently went to Denmark to negotiate for the building of two vessels of 15,000 tons each. The Italians suggested that payment be made half in cash and half in codfish. The Swedish American Line has been approached with a deal for a sister ship to the 28,000-ton motor liner, STOCKHOLM, built at Trieste. Payment for the second vessel would be made in celluloid and steel.

The two Gdynia-American Line ships, PILSUDSKI and BATORY, were built in Italy in exchange for coal. The Italians are negotiating with Rumania for the construction of 25,000 tons of shipping, 40% of the cost to be paid in cash and the rest in oil. There is also a rumor that Italy is trying to make a deal with Mexico involving the exchange of ships for oil. Negotiations are reported to be under way for the building of vessels for Brazil, Chile and Venezuela.

The Italian yards had under way, at the last report, a total of 20 vessels for owners in foreign countries. Among the countries represented are the United States, Great Britain and Norway. During the past five years Italy has only built five ships for herself. Mussolini has now embarked on an ambitious building program, however, which is understood to include the letting of contracts for 11 motorships and the building of the liners ROMA and AGUSTUS. Italy now stands third among all nations in the building of tankers, being exceeded in work under way only by Great Britain and Germany.

The Italians are buying most of their steel from British mills. They are paying an average of \$52.25 a ton. It is understood that the Standard Oil ships under construction in Trieste are being built with Czechoslovakian steel.

Although practically all facilities are at present occupied in Italy, arrangements would be made to take care of any orders that might be placed by the United States. The Trieste yard is able to guarantee delivery of one vessel within nineteen months, 4 vessels in twenty-five months.

France

I contacted one yard in France--the Ateliers et Chantiers de Penhoet, with a yard in St. Nazaire and headquarters in Paris. I do not believe there is much chance of doing anything with the French. Their costs appear to be as high as those prevailing in the United States, and they have had considerable difficulty with labor. They have promised to work up some material on the C-2, however, not in the expectation of ever being able to bid on any foreign work but purely as a courtesy to us. The French figures will be sent along whenever they are received.

Netherlands

There are three major yards in the Netherlands. They are: N. V. Nederlandsche Scheepsbouw-Maatschappij, of Amsterdam; and Wilton-Fijenoord and Rotterdam Drydock, of Rotterdam. I have secured estimates from the first two.

The Managing Director of the latter yard, D. C. Endert, declined to supply any information whatever. I am on good terms with him, however, and hope to get something eventually.

Nederlandsche Scheepsbouw-Maatschappij has supplied the following estimates:

1. Cost of one C-2 vessel	\$1,430,000
2. Cost for each of four vessels	1,401,400
3. Amount attributable to overhead	396,100
4. Amount attributable to materials	786,500
5. Amount attributable to labor	257,400
6. Percentage attributable to overhead	27
7. Percentage attributable to materials	55
8. Percentage attributable to labor	18
9. Estimated man-hours	925,000
10. Average wage per hour, cents	27.5

This yard has no berths free at the moment, but expects to have facilities available in April or May, 1939. A vessel could be delivered in 11 or 12 months from the time of laying the keel.

Wilton-Fijenoord submits the following figures:

1. Cost of one C-2 vessel	\$1,262,500
2. Cost for each of four vessels	1,263,000
3. Amount attributable to overhead	268,150
4. Amount attributable to materials	769,500
5. Amount attributable to labor	230,850
6. Percentage attributable to overhead	22
7. Percentage attributable to materials	60
8. Percentage attributable to labor	18
9. Estimated man-hours	700,000
10. Average wage per hour, cents	30

The American Export Line secured bids on its new ships from the Rotterdam Drydock Company. They were given a price of \$1,428,000 for a turbine job and \$1,356,000 for a Diesel ship. I understand that there has been considerable speculation as to whether or not the latter figures represent a studied estimate based upon the specifications. I believe that the Dutch prices quoted for the Export vessels are reliable. This view is substantiated by a comparison of Dutch and Italian bids on both the C-2 and Export ships. The Dutch, it will be noted, are below the Italians on the C-2, but somewhat higher on the Export vessels if we use the lowest figure acceptable to Ansaldo. In any event, the Rotterdam Drydock estimates on the Export ship are not out of line with the ratio prevailing between Dutch and Italian prices on the C-2--which were based on plans and specifications.

I have not had an opportunity to discuss this matter with the Rotterdam Drydock Company, but if the Commission would care to have the matter settled I can easily arrange to do so on short notice.

The Dutch builders state that they receive no subsidy whatever.

Willie Wilton, of Wilton-Fijenoord, says that his yard would be "very glad" to use American steel if they could get some orders from the United States. They are getting most of their steel from Germany at present, paying around \$50.00 except for special plates. They believe that they

can do "just as well " in the United States. Wilton's used 5,000 tons of American steel last year. They paid \$64.00; the Germans at the same time were asking \$66.80. It appears that most of these yards can get American steel at Continental prices and that, if it would be any inducement to us, they would be willing to fill their steel requirements in the United States. They point out, however, that they would have to buy through dummies as the price would undoubtedly be increased to them if it were known that they were building for American account.

Currency conversions in this report are made at the following rates: Pound, \$4.75; mark, \$.40; florin \$.55; Lira, \$.05.

It will be observed that some of these figures do not check; for example, multiplying the man-hour figure by the average wage will not always yield a figure identical to that secured by applying the percentage paid to labor to the total cost of the ship. There are several explanations for this apparent discrepancy. One is that some of these estimates had to be secured piecemeal. Another is that some estimates were merely ranges (percentage attributable to labor is 22 - 28 per cent, and so on). In the latter cases I have arbitrarily taken a figure midway between the extremes to facilitate averaging. In one or two cases I have had to synthesize a missing figure. Thus the percentage attributable to labor was secured for one of the Dutch yards by applying the wage rate to the man-hours figure. A final reason for any discrepancies that may appear is that all figures are, as was explained in the beginning,

merely rough estimates.

The amounts attributable to overhead, materials and labor were worked out by me on the basis of the percentage figures supplied by the various yards.

Copies of letters supporting the more important figures in this report are appended. Any data not contained in these letters was secured from other sources-- principally personal interviews.

It is emphasized once more that the data on building costs was secured on condition that it would not be used in such a way that it could be traced back to the source.

HKC
Harvey Klemmer

CORRESPONDENCE

British Correspondence

THE SHIPBUILDING CONFERENCE

PRIVATE & CONFIDENTIAL

30th August, 1938

Harvey Klemmer Esq.,
Embassy of the United States of America,
1, Grosvenor Square, London, W. 1.

Dear Mr. Klemmer:

With further reference to your letter of 8th August, I have now had an opportunity to consult some of our firms on the subject.

In regard to items 1. and 2. I find, on asking them for a rough estimate, that some who have had a sight of the detailed specifications, are in doubt as to its general interpretation. Some refer to these as being very elaborate, and in their endeavours to make a literal interpretation into cost, feel that some allowance may be necessary as a contingency in these interpretations.

Apparently, there is some difference in the general structure of the specifications, and those to which ships are normally built in this side.

One firm mentions, that if for some of the specification requirements which seem to be American in type, British equivalents could be provided, their price would be reduced.

However, in the circumstances of an approximate price, these features may not be of great importance at this stage; at the same time, they may be the cause of a fairly wide variation in the figures which have been supplied to me.

Apart from the answer to your first question, I have felt it desirable to answer the others in general terms, on my own responsibility. Because of the wide variation of circumstances prevailing in the different establishments, I am sure it would be difficult to co-ordinate the various individual replies that would result.

I am attaching, separately, the replies to the various questions and, in the course of these, have taken the opportunity to refer to the difficulties involved in each case.

Yours very truly,

(sgd) A. L. Ayre

Enclosures.

- (1) APPROXIMATE COST OF CONSTRUCTING ONE VESSEL OF THE C-2 DESIGN. (ROUGH ESTIMATE).

TURBINE PROPULSION.

about £320,000

DIESEL PROPULSION. general.

about £350,000

DIESEL PROPULSION. direct.

about £315,000

- (2) APPROXIMATE COST FOUR VESSELS.

An order for four vessels would probably result in the price for each being about $2\frac{1}{2}\%$ less than that for an order for one vessel.

- (3) PERCENTAGE OF CONSTRUCTION COST ATTRIBUTABLE TO OVERHEAD

It is extremely difficult to provide a figure for this. It varies from yard to yard, depending on the extent of the plant equipment, and the effect of rents, rates and taxes, which are local in their incidence. A yard with a large and elaborate plant equipment has a high overhead, accompanied by a reduction--sometimes small, however,--in labour costs. The principle advantage obtained from the elaborate plant equipment, is usually an accelerated output and turnover, but this advantage can only apply when working at, or about, full load.

Provision for depreciation of buildings, plant, and machinery, is one of the items of the overhead, but there is wide variation in the appropriate

amount in individual cases.

Overhead varies as a charge per unit, according to the load of work passing through the yard at any time. The definite overhead in an individual shipyard does not vary substantially in total amount, whether work is proceeding at half or full capacity, but, in the spread-over, this means it is nearly double, per unit, in the former condition, as in the latter.

There is no standard demarcation of the term "overhead". In some cases, a particular item may be regarded as an overhead charge, whilst, in others, the same item may be treated as an indirect charge, or even a direct charge.

Due to the foregoing reasons, it is not possible to provide a definite answer to the question, but it is believed that the shipyard overhead would be somewhere between 5% and 10% of the total cost of the ship.

Note: Sir Amos later estimated overhead as 11% of the cost of the whole ship, and 15% of the cost of the hull. H.K.

(4) PERCENTAGE OF CONSTRUCTION COST ATTRIBUTABLE TO MATERIALS.

Here again, there is difficulty in demarcation. Some materials enter the shipyard in a very raw state, others are partly processed. Certain items of equipment are finished goods and come from the supplying industry, ready for installation in the

ship, with only very little additional expenditure for installation. Some items of equipment may be manufactured within a shipyard in one case, whilst, in another, a similar item is purchased from a sub-contractor. In regard to the hull and its equipment, there are the following broad division of items which, to the shipbuilder, can be classed as materials:

- (a) Plates, sections, rivets, stern castings or forgings, smithy iron, deck castings, electrodes, galvanising, etc.
- (b) Carpenters' and joiners' timber and wood top-masts, etc.
- (c) Tubular derricks, ventilators and tubes, W.T. doors, skylight flaps, hatch cleats, cargo batten cleats, manhole covers.
- (d) The various carpenter, joiner, and ironworkers sundries, such as, bolts, nuts, screws, nails, hardware, upholstery, glass and mirrors, polishing materials, all cabin fittings, sundry brass work, india rubber tiling, paints, oils, tallow, soft soap, cement, sand, oxygen, acetylene, carbide, marine glue, oakum, etc., etc.
- (e) Plumber work, rigging and sailcloth, cooking equipment, nautical instruments, boats and lifesaving equipment.
- (f) Deck auxiliary machinery, anchor and cable equipment, wires and warps, etc.
- (g) The various fees and dues for classification, Board of Trade, Pilotage, towage, insurance, etc., etc., although recognising that these, whilst being direct charges to the vessel, are not strictly "materials".
- (h) Power, light, coal, coke, etc.

Even in the foregoing eight divisions, there is no standard demarcation, and some of those included in (d) and (h) may, in some cases, be included in overhead.

The total of these items, concerned with the hull, will amount to about 65% of the cost of the hull.

Note: Sir Amos estimates that this figure, for the ship as a whole, is 70%. H.K.

(5) PERCENTAGE OF CONSTRUCTION COST ATTRIBUTABLE TO LABOUR.

Demarcation again enters into the problem. It has been said that of the total cost of a ship, and going back to the coal and ore stages, between 80% and 90% is spent in wages.

Dealing with the hull only, the wages cost in the shipyard is about 20% of the hull cost.

Note: This figure, for whole ship, is estimated by Sir Amos, as 19%. H.K.

(6) ESTIMATED MAN-HOURS REQUIRED TO BUILD THE C-2

Again, the question can only be answered approximately and in regard to the hull only. On the particular demarcation used in the present considerations, and assuming an average ratio of skilled men, semi-skilled men, unskilled men, apprentices and boys, the number of man-hours applying to all these classes, would be about 500/550,000. Depending on the plant equipment of the various firms, this figure can be expected to have wide variations.

Note: Figure for entire ship estimated at 775,000 man-hours. H.K.

(7) AVERAGE WAGE PER HOUR PAID.

As an average over all classes, i.e., skilled, semi-skilled, unskilled, apprentices and boys, and within each of which there is also variation of rate according to the nature of the work, the figure is

about 1/6d. per hour. This includes Piece-workers and Time-workers. The average rate of the skilled Piece-worker, usually a very large proportion of the whole, is about 2/6d. per hour.

BARCLAY, CURLE & CO. LTD.

27th August, 1938
(Saturday)

Harvey Klemmer, Esq.,
American Embassy,
1, Grosvenor Square,
LONDON.

Dear Mr. Klemmer,

Further to your letter of the 9th inst., we have completed our estimates for the GE. type of ship based on the specifications you kindly sent me and these are approximately as undernoted:-

- (1) With Double Reduction Geared Turbines
and Babcock & Wilcox Boilers, about £330,000.
- (2) With Direct Drive Diesel Engines of
Barclay Curle-Doxford type, about £325,000.
- (3) With Warkspoor Diesel Engines and
Gear Drive, about £345,000.

I shall be in London on Tuesday of next week and will either telephone you or call along and see you regarding the other points in your letter.

Meantime, with kindest regards,

Yours sincerely,

(sgd) George Barrie

Note:- Other data secured from Barclay, Curle obtained in personal interview. E.K.

German Correspondence

ERNST GLASSEL
Schlichte 29
BREMEN

15th September, 1936

Dear Mr. Klammer:

I am really very sorry that up to now I did not find time to reply to your letter of August 6th and 25th.

I fully appreciate your view point, that nothing can be done at the present time, and I absolutely leave this matter in your hands. Mr. Overstreet has no doubt contacted the Deutsche Werft when he was over here in Germany as they seem to be of the opinion that contracts for 12 ships will already be signed very shortly. At any case I hear that they approached our Berlin authorities in this connection. As a result of our conversation however I take it that nothing will be done for the time being.

Regarding the Scandinavian countries I think I mentioned already that I have especially good connections with practically all of them, and I am sure that I could also be very useful to you.

Since our last conversation in London and after receiving your letter of August 6th I have had further opportunity to gather additional information in connection with the questions brought up in your letter, and I am here under trying to reply to them as follows:

1. Facilities available, if any:

In this connection I refer to the list enclosed in my letter of July 12th. There is of course no change in the capacity of the yards, but of course for a prompt delivery the situation is rather difficult. However as the building program will not start for some time to come the whole situation will be much easier.

2. Probable period of construction for the C-2 vessel:

Generally our yards figure on about two months for preparing the plans and about 8 - 9 months from laying keel to delivery. If a series of vessels is ordered two months for the preparation of plans will not be necessary.

3. Approximate cost of constructing one vessel of the C-2 design:

The construction cost of a C-2 vessel will be about \$210,000/230,000. You will readily understand that at the present state it is impossible to ask a yard to make a very thorough estimate in strict accordance with the specifications.

4. Approximate cost for four vessels:

The second repeat building will be about 1½% less. If four vessels are constructed at the same time there would be a reduction as high as 4 - 5% subject the series is not interrupted with other new-buildings. This will however be rather difficult to arrange on account of the fact that each yard will have to construct a certain number of ships for German account.

5. Percentage of construction cost attributable to overhead:

Between about 22 - 25%.

6. Percentage of construction cost attributable to materials:

Between about 50 - 55%.

7. Percentage of construction cost attributable to labor:

Between about 22 - 25%.

8. Estimated man hours required to build the C-2:

Between about 650,000 - 700,000 man hours.

9. Average wage per hour paid:

About 80 Pfennig.

The figures of question 5, 6, 7 and 8 vary considerably among the different yards depending on the mechanical outfit of the yards and which extant auxiliaries and engines are bought from special machinery firms. The average wage per hour also differs according to the location of the various yards.

Regarding the ships I discussed with Mr. Joe Lykes please note that the so-called improved SONNAVIND type is a vessel of 8750 tons dw. and a service speed of 13½ knots with double acting Diesel engines. The SCHWANHEIM type ship carries 9150 tons and has a service speed of 13 knots with single acting Diesel engines. Both types are specially adapted for the Gulf trade and therefore suitable for Mr. Lykes. Newbuilding contracts for these

vessels could be done on a barter business, the smaller type for £145,000 and the larger for £155,000. As a matter of fact I am presently negotiating on this basis for 3 - 5 vessels for Norwegian account, and I am very confident that this business will materialize. In my opinion the speed of these ships would be quite sufficient for the Gulf trade as the value of the commodities carried does not warrant the high costs of superior speed.

I am with very much interest looking forward to hear from you again soon and hope to have the pleasure of seeing you soon in Bremen.

In the meantime I remain

Sincerely yours,

(sgd) Ernst Glasseel

Mr. Harvey Klemmer,
United States Embassy,
L o n d o n .

Italian Correspondence

CANTIERI RIUNITI DELL'ADRIATICO

2nd November 1938

Strictly Confidential

Mr. Harvey Klemmer
Embassy of the United States of America
LONDON

Dear Sir,

Re: Vessels of the C-2 type

Following to the letter of Mr. Ing. Sacerdoti dated 13th ult., we beg to inform you that the price for the order of one vessel of the C-2 type would be of U.S.A. Doll. 1.426.000.- and for the contemporary order of four vessels of the same type of U.S.A. Doll. 1.406.000.- for each vessel, for delivery in the port of Trieste:

of the first vessel within 19 months,
of the second vessel within 20½ months,
of the third vessel within 23 months,
of the fourth vessel within 25½ months.

Above deliveries to be subject to revision in connection with the occupation of our berths at the moment of signing the contract.

We beg to state here below the further details of prices as asked for with your appreciate letter of July 29:

- 1) Percentage of construction cost attributable to overhead (general expenses) : 13.5% of the cost.
- 2) Percentage of construction cost attributable to materials: 77.% of the cost.
- 3) Percentage of construction cost attributable to labor: 9.5%
- 4) Man hours required to build a vessel of the C-2 type: 730.000, man hours required by our subcontractors excluded.
- 5) Average wage per hour paid in our Yard: USA Doll. 0.166.

The above stated price has been calculated considering that payment will follow during construction in instalments as usually.

- 11 -

We are awaiting with the greatest interest your further news on the subject in connection also with our proposals, stated in the letter of Mr. Ing. Sacerdoti of the 13th ult., regarding the payment of the 50% of the price in way of supplies of wheat and cotton from United States of America.

With the best regards,

Yours sincerely

(sgd)

Centieri Riuniti Dell'Adriatico

Netherlands Correspondence

N. V. Nederlandsche Scheepbouw-Maatschappij

Directie

Amsterdam, 5th October 1938.

PERSONAL AND CONFIDENTIAL

Harvey Klemmer Esq.,
Embassy of United States of America,

L O N D O N.

Dear Mr. Klemmer,

Referring to the nice conversation we had the pleasure to have with you in August last, we now can give you some data. Figures are approximate and without any obligation from our side, but we assume they will do for the purpose.

1. We do not understand quite well your question about facilities. However, we enclose a book "40 Years N.S.M." which gives some data about the equipment of our yard.
2. Probable period of construction for the C 2 vessel. This is entirely dependent on the moment the ship should be ordered and the amount of work in hand. Therefore we can only tell you the approximate time of real building, which would be about 11-12 months from laying keel to trial trip. We will have building berths free, if no other orders turn up, in April or May 1939.
3. The approximate cost of a C 2 vessel would be Fl. 2,600,000.--. We have not gone into details with our estimate and so this price is only an indication. However, we could economize on the specification which could give perhaps a reduction of Fl. 300,000.- without altering the principal characteristics of the vessel.
4. The reduction on a second ship would be about 8%. For a third and fourth ship the further reduction would be very small.
5. Percentage of construction to overhead can be stated, but this should lead to serious misunderstandings, because the demarcation between overheads and labor is entirely different for every shipyard. Therefore we can better state an approximate percentage for the sum of these two figures which would be for such a ship as the C 2 vessel approximately 45%, including depreciation of plant and eventual profit.

6. The rest of the price is for materials ordered in our own country and abroad.
7. We estimate the man hours required to build the C 2 vessel in its full specification for the workmen we employ in our yard and the engine builders employ in their works at about 900.000 - 950.000, but these figures will be very difficult to compare with other yards, because the demarcation between what is done by a yard itself and what is done by sub-contractors varies a good deal.
8. The average income paid in our yard is about f. 0,50.

We sincerely hope these figures and data are giving you some information you require and in case you want to know more, please write and any additional knowledge will be given with pleasure by

Yours truly,

(sgd) Goedkoop, Jr.

N. V. WILTON'S MACHINEFABRIEK EN SCHEEPSWERF
(Wilton's Engineering & Slipway Company.)

Schiedam, 22nd August 1936

Harvey Klemmer Esq.,

Embassy of the United States

L O N D O N

Dear Mr. Klemmer,

We are in receipt of your favour of 5th inst. addressed to our Mr. W. Wilton and have taken due note of the special purpose your enquiry is intended for.

We can appreciate the arguments you are putting forward and have every confidence in the way the matter is being dealt with by you. Under these circumstances we are fully prepared to let you have the required information and we are giving our reply in the same sequence as the queries occur in your above-named letter.

1. Every facility for turning out modern ships is available in our yard.
2. Twelve to fourteen months.
3. 2. 28.-- & 30.-- per ton d.w.
4. Is dependent on various circumstances ruling at the time the ships are being ordered.
5. 22%.
6. 60%.
7. 18%.
8. About 700,000 man hours.
9. About 55 cents (Dutch currency) per hour.

We are, dear Sir,

Yours very truly,

(sgd) Wilton-Fijenoord.

WILTON-FIJENOORD

Rotterdam - Schiedam

Harvey Klemmer Esq.,

c/o Embassy of the United States of
America,

L O N D O N.
(England).

Schiedam,
Holland.

3rd September, 1938.

Gentlemen:

Thanking you for your kind letter of 30th ult., we can inform you in reply to its second paragraph, that the saving that might result in building vessels in groups of four would be 1 - 1 1/2%.

Yours faithfully,

(sgd) Wilton-Fijenoord.

THE WHITE HOUSE
WASHINGTON

*File
personal +
confidential*

December 19, 1938

CONFIDENTIAL MEMORANDUM FOR

SUMNER WELLES

For recommendation.

F. D. R.

Enclosures

Let to the President from Ambassador Claude G. Bowers, Hotel Miramar, Saint-Jean-de-Luz, France, 12/8/38 enclosing copy of despatch being sent to the Department of State with some observations on the realities of the conditions, re the decision regarding the possible amendment of the Neutrality Act.

*file
private*

PSF: Welles

DEPARTMENT OF STATE
WASHINGTON

December 22, 1938

My dear Mr. President:

In response to the request contained in your memorandum of December 19 with regard to the letter sent to you under date of December 8 by Ambassador Bowers, in my opinion it is hardly necessary for you to write further to Mr. Bowers in reference to neutrality legislation. The truth is that at this moment there would seem to be little that could profitably be said to Mr. Bowers on that subject. Since I understand that Senator Pittman in his last conversation with you said that he was going to discuss with individual members of his committee the question as to how the existing law could be amended, you may wish to wait until you hear from Senator Pittman in this matter before giving any indication to Ambassador Bowers as to what can be desirably accomplished.

Believe me

Faithfully yours,

[Signature]
Acting Secretary

Enclosure:
From Claude G. Bowers,
December 8, 1938.

The President,
The White House.

THE WHITE HOUSE
WASHINGTON

December 19, 1938

CONFIDENTIAL MEMORANDUM FOR

SUMNER WELLES

For recommendation.

F. D. R.

Enclosures

Hotel Miramar
Saint-Jean-de-Luz, France, December 8, 1938.

Dear Mr. President:

The decision regarding the possible amendment of the Neutrality Act is not my concern, but since I have been in intimate touch with the situation here I am enclosing a copy of a despatch being sent the Department in this pouch with some observations on the realities of the conditions that may be helpful.

The rebel press in Spain, under the dictatorial domination of the Franco Government, whose foreign policy is determined by the Italians and the Germans, has been making bitter attacks on our policy in South America, and I am enclosing also a despatch, going forth today, containing some of these comments that may interest you. I have predicted this line for many months as certain to
be

The President,
The White House.

2.

be the policy in the event of a Franco victory.

Two or three weeks ago I wrote you regarding the conversation I had with Sr. Azcarate, the Spanish Ambassador in London, seen by me on the request of the Spanish Minister of State. I realize the embarrassing nature of the question propounded to me for transmission to you, but since it was made to me officially, I would appreciate your reactions confidentially to the end that, if pressed for a reply, I shall be prepared with an answer that will not be too blunt.

Sincerely,

Claude G. Bowles

American Ambassador

Enclosures:

Copy of despatches Nos.
1632 and 1631, December 7,
1938.

Saint Jean-de-Luz, France, December 7, 1938

No. 1631

Subject: Rebel Press Attack on the United States at Lima.

Confidential for Secretary and Under-Secretary.

The Honorable,

The Secretary of State,

Washington, D. C.

Sir:

I have the honor to call your attention to the very offensive press campaign being carried on in the newspapers of rebel territory which are as completely under the control and direction of General Franco as are those in Germany under Hitler. This bears out what I have long foreseen and previously mentioned, that the Burgos Government is under the domination of Germany and Italy in the matter of foreign policy; and that the purpose, in the event of a Franco victory, is to use Spain as the spear head of the movement to undermine North American influence in South and Central

America

America, because it is the mother country.

In "Voz de Espana", San Sebastian, December 7, Victor de la Serna, one of the most active rebel writers, has the following amazing article which is conspicuously played up:

"Europe distracted by her conflicts, Spain employed in extirpating the enemy of western culture, and Asia liquidating once again the old question made more grave by the presence of communism in China have given an opportunity for the United States to elaborate by surprise a new edition of the Monroe Doctrine.

"In my opinion as a Spaniard the question is very grave. I believe that never, even with the loss of the Colonies, has the legitimate influence of Spain been threatened with so hard a blow. Senor Roosevelt, this gentleman whom I saw a picture of recently with an insignia of American Masonry, after having groaned in choirs with all the Quaker ladies and all the Mormon gentlemen and all the athiests over the burning of Synagogues in Berlin, has launched the American world with some offers of protection into the Lima Conference. When I write these lines it is not yet known what aspect that Conference will take. The only thing that is known is what the United States proposes and how the different political sectors of the American world have reacted.

"Roosevelt offers to protect with his cannons and his squadrons the American nations which may be attacked (nobody seems to be thinking at the moment of attacking any American nation) and proposes to them a sort of League of Nations in which obviously the collosus of concrete will have the leading voice. The United States will open its generous pockets to those poor South American countries so backward with all those old-fashioned

old-fashioned things which link them to the Spaniards, like modesty in women, honor and courage in men, arrogance in soldiers, the authority of the father of the family and patriarchalism in the country and the cities. The United States with a cynicism which beats all records (congratulations to the country of records) and by the mouth of him whom they call the first citizen of the world, has named itself the defender of the moral value of the West. Can you keep yourselves from laughing, my friends? The country of divorce, of the lynch law, of the 400 religions, of the University where the title of doctor costs less than a piece of meat, of the national monuments which must be torn down in twenty years because they crumble, of the gangsters, of the thieving mayors, of the odious difference of race of the malthusianism, of protection of dogs, and persecution of negroes, that country the defender of culture, of the values of the West? Of what West? To this proposal America (S. A.) has reacted in two manners. The reaction in favor of the United States is illustrated in the left press, the right press reacts in a patriotic and nationalistic sense. For this step which Roosevelt is taking may have far consequences, against a proposal of de-Catholicization of America, of de-Spanialization, which is concretely what is being pursued, the nations truly devoted to the mother country rebel strongly. The weak nations still controlled by masonry (130 years ago the five pointed star was the symbol of the anti-Spanish and anti-Catholic in America), they make themselves honey before the sarcastic smile of the serpent. All the left press has received instructions to praise Roosevelt and the Lima Conference.

Even

"Even while I am writing these lines I have hopes that the robust personality of the Argentine may give a note of virility and maturity preventing the enterprize. And there is another strong country capable of doing as much - Chile, but at the moment she has just begun her popular front. I limit myself to pointing out the presence of a danger for our culture and our spirit in America. Our duty to percieve with sensibility the waves which preceed the danger is done. Watch America, if Roosevelt should unfortunately triumph in 20 years all America would be the Canal Zone."

The same Spanish paper reproduces an offensive article from "La Prensa" of Buenos Aires in its issue of December 3 as follows:

"The daily 'La Prensa' interprets the announced participation by Radio of Mr. Roosevelt in the Pan-American Congress of Lima as a chimerical attempt of the United States against Europe. The speech of the North American President is a bluff.

"The newspaper makes it clear that in spite of the propaganda of Washington all the Spanish-American States are against the idea of a military alliance with the United States and adds that the participation of Roosevelt in the Congress is impolitic and inopportune as trying to bring pressure to bear on the Congress in order to force it to admit the military alliance, something which is naturally contrary to the liberty of those countries.

"The Argentine Minister of Foreign Affairs, Senor Centillo is decided to defend a collaboration but never in tow of the United States, but with their necessary and indispensable independence.

-5-

"The article ends by saying that Argentine youth is making very intense propaganda protesting against the North American imperialism and against the guardianship which the United States attempts to exercise at Lima." (Translated by BHC:).

Respectfully yours,

Claude G. Bowers

800
CGB:HL

A true copy of
the signed orig-
inal *ph*

No. 1632 Saint-Jean-de-Luz, France, December 7, 1938.

Subject: Observations on the Possible Amendment
of the Neutrality Act.

Confidential for the Secre-
tary and Under-Secretary.

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

I have the honor to submit some facts and observations on the developments and character of the Spanish conflict as of possible service in the pending changes in the Neutrality Act.

At the time we decided to prohibit the Spanish Government the right to buy arms and ammunition in the United States we acknowledged this as the legal constitutional Government but acted on the assumption that the war in Spain was a purely civil war.

The Anglo-French plan of Non-Intervention, while avowedly predicated on the same erroneous assumption, was,
in

in reality, inspired by the realization that the Fascist Powers were engaged in active intervention in Spain and by the hope that through the non-intervention agreement this could be stopped.

We now know that the military, or fascist, rebellion was prepared in conjunction with Mussolini, the agreement having been entered into as early as May 1934; and we now know that the visits to Germany of General Sanjurjo and José Primo de Rivera in 1934 and 1935 resulted in an understanding that Germany would cooperate in the effort to crush the democratic institutions of Spain.

The time has long passed since the British Government ceased to deny the presence in Spain of a large Italian army of invasion and of thousands of Germans sent by the German Government. The many public speeches of Mussolini have boasted of this participation; Mr. Hitler, long ago, in an official speech, explained that Germany is participating in the Spanish war for the purpose of getting the iron ore she needs; German and Italian arms, ammunition and men continue to pour into Spain; and on November 30 in the House of Commons, R. S. Hudson, Secretary of the Overseas Trade Department, explained the presence of so many German ships, compared with English ships, going into the waters of Franco territory with the frank admission that the "main reason why the number of German ships is greater is the large quantity of munitions that the German Government is sending to Franco".

This has been going on for more than two years as I have monotonously reported despite the official denials in
the

3.

the Commons by the spokesmen of the Chamberlain Government, and it is common knowledge that the Non-Intervention Committee many months ago, in truth from the beginning, ceased to interest itself in the prevention of the violation of the agreement formally entered into by the German and Italian Governments. This Committee has been the laughing stock of the world for fully two years, and has now reached such a state of disintegration that several nations, truly neutral, have withdrawn from membership.

This brings us to the conditions today. The facts, now notorious, are these:

1. The war in Spain is a clear-cut fight between democracy and fascism and is an intimate part of the Fascist World Revolution engineered from Berlin and Rome.

2. The Fascist Powers are working in cooperation in waging war against Democracy in Spain, and openly, and on a large scale, are pouring arms and ammunition into Franco.

3. The Democracies, on the other hand, are concentrating on a determined effort to prevent any arms or ammunition reaching the legal Government of Spain for its protection against the fascist war of aggression against it. This, in reality, means that with the Fascist Powers actively engaged, the Democracies are giving negative support to this invasion.

4. The idea that the slaughter will be shortened by shutting out arms and ammunition from outside is applicable only in the event no arms or ammunition reach the fascist army. That is not the case.

The only other theory of shortening the slaughter is that with the Fascist Powers pouring in arms and ammunition,

and

4.

and the Democracies sternly prohibiting it, we may hasten a victory of fascism over democracy, and that is scarcely our ambition.

5. My own impression is that the policy of prohibiting the sale of planes to the legal Government of Spain is resulting in a wholesale slaughter of women and children in the towns and villages constantly bombed and machine-gunned despite the fact, disclosed by the British Commission which investigates after each bombing, that there are no military objectives in these martyred towns and villages. General Franco has announced that he plans now ruthlessly to bomb two hundred named small towns and villages. The only way to prevent this tragedy, or to minimize the number of victims, is to make it possible, through the purchase of planes for the Government, to defend the towns and their people from this wholesale slaughter, which amounts to deliberate murder.

6. With some degree of parity in air forces, the fascist forces in Spain would be defeated. It is now conceded by military men that the infantry of the Government army is much superior to that of the fascists; and that the war is prolonged solely because of the grave weakness of the loyalist army in the air, due to the one-sided enforcement of non-intervention.

7. With the withdrawal of all foreigners from Government Spain, on the initiative of the Spanish Government and under the supervision of the League of Nations, all the foreigners are now the Italians and the Germans. It has become a clear-cut war of aggression by the Fascist Powers against the Spanish Government.

8. If, therefore, in the possible amendment of the

Neutrality

PSF; Welles

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

December 21, 1938.

MEMORANDUM FOR
THE UNDERSECRETARY OF STATE

Please read and speak to
me about this. This opinion is
not official so please do not let
anyone see it.

F. D. R.

Memorandum from the Attorney
General in re the Spanish Embargo
situation, etc.

THE WHITE HOUSE
WASHINGTON

PSF
State
Wells

December 27, 1938.

MEMORANDUM FOR
THE UNDERSECRETARY OF STATE

Will you speak to me
about this?

F. D. R.

President's longhand memorandum

Trevino - Gov. of Coahila, Mexico.
Starting a revol.
Backed by Dutch Shell
Standard Oil may be in it too.

file
personal

PS F: Welles

THE UNDER SECRETARY OF STATE
WASHINGTON

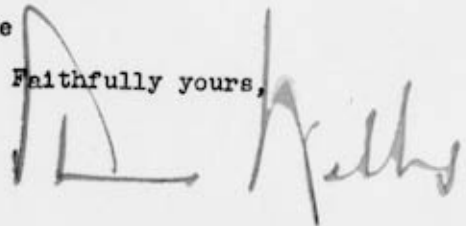
December 29, 1938

My dear Mr. President:

I believe you will be interested in reading the attached memorandum of a conversation held today by the Chief of the Division of European Affairs and the British Chargé d'Affaires.

Believe me

Faithfully yours,



The President,
The White House.

DEPARTMENT OF STATE
Memorandum of Conversation

DATE: December 29, 1938

SUBJECT:

PARTICIPANTS: Mr. V. A. L. Mallet, Chargé d'Affaires ad interim of
Great Britain
Mr. Pierrepont Moffat, Chief, Division of European Affairs

COPIES TO: London

~~CONFIDENTIAL~~

*** 2-1403

The British Chargé d'Affaires called to notify this Government orally and confidentially of the following:

On December 10th the German Government notified the British Government that in view of the development of the situation in recent months and the necessity of protecting its maritime communications, it would avail itself of its rights under Article II (f) of the Anglo-German Treaty of June 15, 1935, to increase its existing submarine tonnage to the figure allowed the British Commonwealth. For the same reasons, plus the fact that it had been informed that the Soviet Government was building heavier cruisers, the German Government was

going to avail itself of its rights under Article VI (2) of the Treaty of July 17, 1937, to alter the armament on cruisers K and L, which have been laid down but not yet completed, so as to give them 8-inch guns.

On December 14th the British Government replied, taking note of the foregoing and expressing regret. It further proposed that friendly discussions, as provided under Article II (f) of the 1935 Treaty, be entered into with regard to submarines. With regard to the cruisers the British Government called attention to paragraph 2 of the letter annexed to the Treaty of 1937, wherein the figures accepted by Germany were based on the declared intention of the Soviet Government to lay down only seven cruisers. According to British information this figure has not even been reached, much less exceeded. The British Government felt that the question of cruisers should likewise be discussed.

On December 20th the German Government agreed to hold friendly discussions, and proposed that they be held in Berlin. The British Government agreed to this and the talks will start tomorrow, December 30th.

The British Government wished to inform us of the foregoing orally and in strict confidence. For their part the discussions commencing tomorrow will be purely

exploratory. On the other hand, while deploring Germany's move, they have to recognize that Germany is within her legal rights and that British consent to the increase is not essential.

As it will be impossible to keep these talks secret the British Government has suggested that the German Government, in order to disarm suspicion, inform all Governments who have bound their navies, of the foregoing. The Germans have not yet replied to this suggestion. Unless and until they do the British hope that we will not mention the fact that they have taken the initiative in informing Paris and Washington.

Pierrepont Moffat

1938

BF
Welles

Memo from Sumner Welles to President
Re-Professor Loewi

Letter attached from Felix Frankfurter
Also letter from Loewi' son to Prof.
W. B. Cannon, Harvard University.

SEE--Felix Frankfurter-Drawer 2--1938