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## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 1, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

Following the discussion at our 9:30 Staff Meeting yesterday, I telephoned Mr. Pinsent, Financial Counselor of the British Embassy. I referred to the plan which Mr. Pinsent had mentioned to me of Sir Frederick Phillips coming to the United States toward the twentieth of November. I told Mr. Pinsent that Secretary Morgenthau was likely to be absent from Washington from November 7 until about December 1, and that consequently it would be desirable that Sir Frederick Phillips be advised not to arrive in Washington before December 1. Pinsent stated that he would telegraph this information immediately to London.

*[Handwritten signature]*



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November 1, 1940  
9:30 a.m.

GROUP MEETING

Present: Mr. Young  
Mr. Schwarz  
Mr. Gaston  
Mr. Cochran  
Mr. Pehle  
Mr. Graves  
Mr. Bell  
Mr. Foley  
Mr. Thompson  
Mrs. Klotz

H.M.Jr: Thompson?

Thompson: Colonel Maxwell has asked through Mr. Gaston that we release Mr. Huie, who is Supervisor of the Gold Unit in the Mint Bureau, to work in their Technical Division. We can spare him. We have a very good man as his assistant. There is no objection on any other score.

H.M.Jr: It is all right with me. Is it a promotion for him?

Thompson: No, he won't get any right away. Eventually.

H.M.Jr: How does Maxwell know that such a man exists?

Thompson: I don't know. He doesn't know the people over there.

H.M.Jr: Is he a reserve officer?

Thompson: No. He is perfectly willing to go over.

H.M.Jr: Sure.

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Thompson: If I could stay, I would take up some other things with you.

H.M.Jr: All right.

Bell: Here is a letter to Secretary Hull on this Hungarian thing. You can read the last paragraph. We thought we might tell Mr. Livesey that he ought to convey that to the Hungarian Minister, but he might tell them they are now free to go to the Export-Import Bank or the Federal Reserve Bank in New York and that they might also go to a private bank and if they want to get the loan through a private bank, we could give favorable consideration to earmarking the gold as collateral and that the bank would have an interest in that earmarked gold until the obligation was met.

H.M.Jr: That is all right. What else?

Bell: That is all.

H.M.Jr: Philip?

Young: I haven't anything.

Pehle: Nothing.

H.M.Jr: It is a wonderful meeting.

Schwarz: Do you want to pay any attention to the Landon assertions?

H.M.Jr: I will let Mr. Bell take a look at it.

Bell: On gold?

H.M.Jr: Yes.

Schwarz: I don't think this late in the campaign many people will get stirred up about it.

H.M.Jr: I don't think many people are interested in gold.

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Schwarz: It is the least of their worries.

H.M.Jr: I think so. What else?

Schwarz: That is all.

Cochran: I told Pinsent yesterday about deferring Phillips' arrival until the first, anyway, and he asked me when the Argentine delegation was coming and I told them I didn't know. This morning we received a cablegram from our Embassy in Buenos Aires saying, "I have been informed by the Minister of Finance that it is planned that Previsch and Grumbach are to leave for the United States by plane on November 8, due to arrive in Miami on Monday, November 11. \*\*\*\*\* It is suggested that the Department may wish to have instructions sent to the Customs authorities at Miami to facilitate their entry."

H.M.Jr: Welles knows I am not going to be here. Who is that sent to?

Cochran: This is to the State Department.

H.M.Jr: Just tell the State Department to remind Welles that I told him I wouldn't be here. Welles knows without reminding him, but I would like to make a record of it.

Cochran: All right, sir.

H.M.Jr: Anything else?

Cochran: Is the eleven o'clock appointment all right? The British were to phone in at ten.

H.M.Jr: Yes, I told him. Who besides Cooper is coming?

Cochran: I am not sure whether Pinsent or Chalkley will come. I think probably Pinsent.

H.M.Jr: Well, you had better sit in.

Cochran: All right, sir.



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H.M.Jr: Are you going over to the State Department again this morning?

Cochran: Yes, sir. Do you want me to go immediately after - John Wiley is coming over to see me.

H.M.Jr: Wait until after the eleven o'clock meeting, if you want to. I would wait and see Wiley.

Cochran: All right, sir.

H.M.Jr: He was at the house last night.

Cochran: Yes, sir.

(Mr. Foley handed letter to the Secretary)

H.M.Jr: "William S. Knudsen: Plan of Finance of Buick plant expansion which we discussed this morning is satisfactory with me. I talked the matter over with Purvis and he is also agreeable provided the additional charge for engines is mutually satisfactory to you, Navy, and Purvis."

Doesn't he know whether it is satisfactory to him?

Foley: We don't know what it is, Mr. Secretary. It all depends on the number of planes you amortized that over.

H.M.Jr: But you can't - Purvis and - he is agreeable provided it is satisfactory to himself.

Foley: He doesn't know what the price is going to be, either.

H.M.Jr: I wouldn't sign a telegram like that. He either is satisfied or he isn't. I don't say I am satisfied if I am satisfied.

Foley: You are satisfied as to the plan.

H.M.Jr: If you don't mind, I don't understand. "I have talked the matter over with Purvis and



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he is agreeable to the additional charge for engines provided the price for engines--"

Foley: To Knudsen and Purvis.

Bell: You mean the plan is satisfactory?

Foley: Yes, and the Secretary is agreeable to it and he has talked it over with Purvis and Purvis is satisfied provided the price per engine is satisfactory to the three parties concerned and that was - you see, the memorandum, Mr. Secretary, that we got up says the British share of the plant facilities will be paid as rental on a pro rata basis as the engines are delivered through a charge on each British engine on a negotiated amount and that is the thing that has to be decided.

Gaston: You are saying that Purvis is agreeable providing a price per engine can be agreed upon which is satisfactory to him, to Knudsen and the Navy.

Foley: That is right.

H.M.Jr: We have to change it. I have talked the matter over with Purvis and he is agreeable to the formula. That is it, isn't it?

Foley: Right.

H.M.Jr: Provided that the additional charge per engine is mutually satisfactory to parties involved.

Foley: Well, I think it is all right.

Klotz: Mr. Gaston had it reversed.

H.M.Jr: How did you say it?

Young: I think you ought to name the parties.

H.M.Jr: Do you think it is clear?

Foley: I think it will be entirely clear to him,

because it follows exactly the memorandum. Those are his own words.

H.M.Jr: I think this is all right if you put it in the words, "Agreeable to formula." What?

Foley: Right. That is all.

Gaston: Charlie West dropped in yesterday especially to tell us that aid to Great Britain is especially popular in the Middle West. He made a speech at Mt. Vernon, Illinois, Tuesday night and then the President's speech was broadcast later. He said the loudest and most prolonged applause and most emphatic applause was on the announcement of additional aid to Great Britain.

There is a vacancy in the Federal Communications Commission and a former Coast Guard man, Commander Webster, who is Assistant Chief Engineer, is being mentioned in a good many tactical trade circles as a good man for the vacancy. Waesche wanted you to know that he considers him also a very high grade man if a non-political appointment is made.

H.M.Jr: It is like - I came down this morning with a man and he said to me, "Is it all right if I go home and vote?" My answer was, "How are you going to vote?" If this is a non-political appointment, I wondered what the man's politics are.

Gaston: Poor Treasury.

We sent a letter to the Secretary of Commerce yesterday. It was sent by messenger personally to Wayne Taylor with a summary of the plan and --

H.M.Jr: I don't care about it. Anything you want on that Communications, it is all right.

Gaston: Well, Waesche's idea was that you might get an opportunity to spread the word that Webster is a fine man and a non-political appointment to

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the FCC would be a good idea.

H.M.Jr: I don't believe in non-political appointments.

Thompson: He is a good man. He is very experienced.

H.M.Jr: Why make non-political appointments? Why start now?

Gaston: Not now.

H.M.Jr: What does it pay, Herbert?

Gaston: I really don't know. Do you know, Dan?

Foley: Ten.

Gaston: Ten thousand?

Bell: Eight or ten, something like that.

Gaston: I think it is ten thousand.

H.M.Jr: There will be plenty of those vacancies after election.

Gaston: I haven't anything of importance.

H.M.Jr: Serious?

Gaston: Nothing serious.

H.M.Jr: Okay.



November 1, 1940  
9:49 a.m.

H.M.Jr: Hello.

Henry L.  
Stimson: Hello, Henry.

H.M.Jr: How are you?

S: All right. How are you?

H.M.Jr: You wait until you ask me to do a job in  
International Law for you again.

S: (Laughs).

H.M.Jr: Well, yesterday morning I called up Cordell  
and I said, what's happening on those 10  
planes in the Philippines for China. And  
he said, oh, I gave instructions yesterday  
that they should go ahead. And then yesterday  
afternoon .....

S: First I had heard of it.

H.M.Jr: ..... and then yesterday afternoon Joe Green  
told Philip Young that you and Mr. Hull had  
been talking things over and that the Air  
Corps needed them so badly that China wasn't  
going to get them.

S: Not a word of truth in it.

H.M.Jr: Well, I'm just - I've got this written  
memorandum from Young. I'd like to send it  
over to you.

S: Well, I can't understand that.

H.M.Jr: Well, it's just what Joe Green told them  
and I, frankly, was surprised especially  
because .....

S: Why we talked over the whole situation - we  
had a talk the other day, both Knox and I went  
into the whole situation - not of those planes  
but of other things. That's the only talk  
I've had with him - the talk of - I think,  
my recollection is all of the planes, both



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those and - no, those alone were mentioned too, but he said he was still working on it.

H.M.Jr: Well, as of yesterday morning he told me that he'd given the orders .....

S: I'm not talking about Green. I'm talking about .....

H.M.Jr: Hull. Hull told me, which was Thursday - I talked to him about this time yesterday and he said, why, I gave the instructions yesterday that they should go ahead and do it .....

S: I can call up Green, I guess, directly. I don't like to do that ordinarily but if he's brought me into it and said that, I just want to say to him that that's just the reverse of the truth and that I'm waiting to hear that those planes are released.

H.M.Jr: Well, let me just read this. It says, "Secretaries Stimson and Hull have been carrying on a series of conversations presumably yesterday and today the result of which is that all thought of this transfer has been given up."

S: Well, that's absolutely wrong.

H.M.Jr: Well, that's why I'm calling you. I thought - I'm being serious now - that you were very anxious .....

S: I'll call up Hull, that's the best way.

H.M.Jr: Well, I really wish - because we did spend a lot of time, which is unimportant, but I'd like the Chinese to get these planes, which is important.

S: So do I. (Laughs). I was the one who, I think, originally initiated it.

H.M.Jr: Well, you did as far as pushing me on it.

S: Yes, yes, and I did it - well, no, I did it as a practical method of carrying out a

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suggestion that Hull had expressed the desire - he wanted some put out there.

H.M.Jr: Well, could I for your eyes only send this memo over before you call up Hull?

S: Yes. Will you do it right off?

H.M.Jr: It'll be there within fifteen minutes. Hello?

S: All right.

H.M.Jr: I'll have it there within fifteen minutes.

S: All right.

H.M.Jr: Thank you.

S: What are your plans?

H.M.Jr: Mine?

S: Your personal plans.

H.M.Jr: Oh, I'm leaving here at 3 today.

S: You're going home?

H.M.Jr: Yes.

S: I suppose you'll stay over Tuesday, of course.

H.M.Jr: Unless there's an emergency I'll stay over. Are you doing the same?

S: Well, I'm just uncertain as to when I can get away. I'm trying to clear these things with Layton - I'm staying here until I can do that. Whether it's today or tomorrow, I'm not sure. Then I shall go and I hope to stay over Tuesday.

H.M.Jr: Right. Well, I'm sending you this thing which was written for me only and I'm - it'll be over there within five or ten minutes.

S: Well, I can mention it to Hull?

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H.M.Jr: I wish you would.  
S: All right.  
H.M.Jr: Thank you.  
S: All right. Good-bye.



November 1, 1940  
10:32 a.m.

H.M.Jr: Hello.

Robert  
Patterson: Hello.

H.M.Jr: How's the boy orator?

P: (Laughs).

H.M.Jr: I just want to tell you I thought it was most effective.

P: Do you think so?

H.M.Jr: Oh, yes. I think it will be very helpful.

P: Do you think it'll do some good?

H.M.Jr: Yeah, and I think it was very sporting of you to do it.

P: Oh, no. I was glad to do it, Henry. I wanted it to sound non-partisan.

H.M.Jr: Well, it was.

P: ..... and yet rebut all of the charges that have been made and praise warmly the President's leadership on national defense. That's what I wanted.

H.M.Jr: Well, I think it was a very fine thing and I'm sure it's helpful. I was delighted.

P: Good. Thanks very much.

H.M.Jr: I just wanted to tell you that.

P: I've gotten a good many telegrams about it.

H.M.Jr: Which way?

P: Oh, they're all good so far.

H.M.Jr: All the telegrams are good.

P: So far.



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H.M.Jr: Good.

P: But I know the bricks will be coming too, but that's neither here nor there.

H.M.Jr: Well, I think that the work and your prominence and all that you did up at Flattsburg and that whole group and everything else, I mean, I know that they think a lot of you.

P: Well, we'll see anyway. I wanted to do what I could and I thought - I first had a wind-up with a plea for the President's re-election and then I thought, well, as long as I'm talking here about non-partisanship in national defense, I'd lay myself right open to the charge right there of an out-right appeal and I thought it was better to - the implications are all there anyway.

H.M.Jr: You did a grand job.

P: Well, thanks very much.

H.M.Jr: And I wanted to tell you.

P: Thank you, Henry.

H.M.Jr: See you soon.

P: All right.

30 Rockefeller Plaza  
New York

J. E. Crane

November 1, 1940

PERSONAL

Mr. Merle Cochran,  
Treasury Department,  
Washington, D. C.

Dear Merle:

For the information of the Secretary and yourself, I should like to report on the three following subjects:-

1. HUNGARY

There have been no further developments since I talked with you last week on the telephone. When we mentioned a figure of \$30,000,000 to the people in Switzerland, they indicated that any such amount was way out of their reach and far in excess of the amount of dollars available to them. We have had no further word since October 25th.

2. NETHERLANDS EAST INDIES

No final arrangements have been made with respect to the negotiations between the Japanese and the Dutch authorities and oil companies in the East Indies. The Japanese Mission originally requested something more than 3,500,000 tons of crude oil and products per annum. With the approval of the Netherlands Government the companies limited their offer to 1,800,000 tons and we understand that this latter figure will not be increased. The Japanese also desired aviation crudes and high-octane aviation gasoline which the oil companies have informed the Japanese they are unable to supply.

The latest advices we have received from the N.E.I. state that with the approval of the Netherlands Economic Delegation in Batavia, the oil companies have sent a joint letter to the Japanese pointing out that it is not possible for them to hold their proposal open for an indefinite period of time and setting a date of November 9th or 10th when they would expect any agreement to be concluded.

3. ARGENTINA

You will recall that we have not received any dollars from Argentina since last June in payment of crude oil and products shipped to our subsidiary companies and customers in that country. The amount in arrears is now about \$4,000,000. The Finance Minister had insisted that we take 50% in dollars and 50% in sterling, which we were unwilling to do, but recently the Minister has proposed that our exchange requirements for this year be met through the payment of 50% in dollars

Mr. Merle Cochran

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November 1, 1940.

in cash and 50% in dollar Treasury Notes due in three years with 2-1/2% interest, these Treasury Notes to remain on deposit with the Central Bank in Buenos Aires for three years and to be non-negotiable. We are disposed to accept this arrangement as it probably represents the best deal which we can make in present circumstances.

However, we have been confronted in the meantime with a new situation in the Argentine which is even more disturbing than the exchange position. The Minister of Finance has demanded a contribution from the petroleum industry aggregating 40 million Argentine pesos paper per year to assist the Government revenues in the present abnormal economic situation. He proposes an agreement under which the oil companies would make such annual contributions for five years. The contribution in our own case would be between 5 million and 10 million Argentine pesos paper and the I.P.F., which is the Argentine Government company, would be expected to pay about 20 million Argentine pesos paper. We have taken no action as yet regarding this arbitrary and discriminatory action which is in effect a capital levy imposed without legislative sanction upon one industry. The private oil companies in B. A. are discussing the matter among themselves and we will let you know what develops later.

Faithfully yours,

(s) J. E. Crane

bfn



NOV 1 1940

Dear Mr. Secretary:

I have pleasure in referring to a note from your Department dated October 15, 1940 (File RA 664.5151/83) to which there was attached, among other documents, a memorandum setting forth the desire of the Government of Hungary to obtain in the United States a loan in favor of the Cash Office of Foreign Credits (managed by the National Bank of Hungary) the proceeds whereof would be utilized for payment of service upon Hungarian obligations held in the United States.

This matter has been the subject of conversations with the Hungarian Legation, and has been given careful study by the Treasury. It has been found, however, that the Hungarian proposal is one which cannot be appropriately taken care of by the Treasury, through utilization of the Stabilization Fund, within the limits of the policy which has so far guided us in the management of this Fund. May I ask that your Department inform the Hungarian Legation of this decision.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

Cordell Hall,

Secretary of State.

MSB:LAB  
 MSB:MSB  
 October 30, 1940

Cochran  
 Hall

sub B 2/2/40

By Messenger

NOV 1 1940

Dear Mr. Secretary:

I have pleasure in referring to a note from your Department dated October 15, 1940 (File MA 864.5151/83) to which there was attached, among other documents, a memorandum setting forth the desire of the Government of Hungary to obtain in the United States a loan in favor of the Cash Office of Foreign Credits (managed by the National Bank of Hungary) the proceeds whereof would be utilized for payment of service upon Hungarian obligations held in the United States.

This matter has been the subject of conversations with the Hungarian Legation, and has been given careful study by the Treasury. It has been found, however, that the Hungarian proposal is one which cannot be appropriately taken care of by the Treasury, through utilization of the Stabilization Fund, within the limits of the policy which has so far guided us in the management of this Fund. May I ask that your Department inform the Hungarian Legation of this decision.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

Cordell Hall,

Secretary of State.

MRC:LAF

DNB:HLK

October 30, 1940

The Morgenthau / 0 30

ROYAL HUNGARIAN LEGATION  
WASHINGTON, D. C.

October 18, 1940

My dear Mr. Under Secretary:

I submit herewith the memorandum as requested by you in our conversation yesterday.

Yours very sincerely,

*Eugene Havas*

Eugene Havas  
Financial Adviser of the  
Legation

Enclosure

The Honorable

Daniel W. Bell,

Under Secretary of the Treasury,

Washington, D.C.

*Copy also in Mr. Cochran's Office*



CONFIDENTIAL MEMORANDUM FOR THE TREASURY.

The total dollar amount needed for the annual service of Hungary's American-held debts (private and public, bonded or other debts) is less than \$1,000,000.

According to the information received from the National Bank of Hungary, it is estimated that to continue the service of the Kingdom of Hungary Loan at  $4\frac{1}{2}\%$  would necessitate about \$300,000. Other non-governmental (municipal and corporate mortgage bonds) issues serviced at  $1\frac{3}{4}\%$  would require about \$400,000 at the most. Experience in the past two years shows that not more than \$300,000 were needed to service in dollars, as some of the bondholders received satisfaction in Hungarian currency.

The outstanding amount of the dollar portion of the Kingdom of Hungary Loan is about \$6,000,000, the other non-governmental issues coming under this plan aggregate about \$20,000,000.

Among the non-bonded debts the outstanding Treasury bills of the Hungarian Government total about \$4,000,000 and the bank credits covered by the Standstill Agreement amount to \$10,800,000. Under the plan envisaged now by the Hungarian authorities the Treasury bills would be serviced at  $1\frac{1}{2}\%$ , the Standstill credits at  $1\frac{1}{2}\%$ , necessitating about \$200,000. ~~xx~~

- 2 -

In addition to the information disclosed in the telegram of Mr. Quandt, head of the Hungarian Standstill Delegation, to Mr. Gibson, President of the American Standstill Committee, and to Mr. White, the President of the Foreign Bondholders Protective Council, the following information is submitted:

The Foreign Bondholders Protective Council expressed its appreciation repeatedly for our efforts and they were advised that the present parleys in Washington are held to make the continuation of the present service possible without any interruption for the bondholders, most of whom are scattered throughout the United States, owning small amounts.

On the other hand, the banks participating in the American Standstill Committee requested the Swiss Standstill Committee to represent them in Zurich and negotiations there reached a deadlock because the American banks insisted that besides the interest of  $1\frac{1}{2}\%$  an amortization of 4% of the principal outstanding should be maintained. They were informed that under no circumstances would the Hungarian authorities request a loan from the American authorities to tide over the war which would provide any principal repayment for them. Some of the New York banks, in spite of the fact that they were informed that parleys are in progress with the proper American authorities, without awaiting their outcome, proceeded to attach the funds of Hungarian banks because we have been unable to continue to make amortization payments after October 15th.



- 3 -

It is essential to bear in mind that the proposed action of the Hungarian authorities to continue the service on all American loans is not a refinancing operation, because the collateral offered is an asset which can be converted into dollars at a fixed ratio at any time.

The purpose of the Hungarian offer is rather to demonstrate that every effort is being made by Hungary during the period while the country cannot trade with freely convertible currency countries, to meet the interest service.

Although Hungary is within the orbit of the German dominated European continent which discards gold as a monetary medium and substitutes clearing exchange of goods, the Hungarian authorities are anxious not to lose contact with currencies supported by gold, in the expectation that after the end of the hostilities gold will resume its place in European as well as in world trade.

That Hungary possesses only a very small amount of gold is well known to Mr. Cochran who is familiar with the B.I.S. scheme to help the Hungarian National Bank.





THE SECRETARY OF THE TREASURY  
WASHINGTON

23

Dear Mr. Secretary:

I have pleasure in referring to a note from your Department dated October 15, 1940 (File EA 864.5151/83) to which there was attached, among other documents, a memorandum setting forth the desire of the Government of Hungary to obtain in the United States a loan in favor of the Cash Office of Foreign Credits (managed by the National Bank of Hungary) the proceeds whereof would be utilized for payment of service upon Hungarian obligations held in the United States.

This matter has been the subject of conversations with the Hungarian Legation, and has been given careful study by the Treasury. It has been found, however, that the Hungarian proposal is one which cannot be taken care of by the Treasury, through utilization of the Stabilization Fund, within the limits of the policy which has so far guided us in the management of this Fund. May I ask that your Department inform the Hungarian Legation of this decision.

*appropriately*

Very truly yours,

Secretary of the Treasury

The Honorable

Cordell Hull,

Secretary of State.

4442 - 245

ADVISER ON  
INTERNATIONAL ECONOMIC AFFAIRS

October 15, 1940

Mr. Cochran:

This memorandum was revised today by Mr. Eugene Havas. This is its corrected form.

MSG

RECEIVED  
OCT 15 12 58 PM '40

TO THE DIRECTOR  
TECHNICAL ASSISTANT  
GENERAL INVESTIGATIVE  
DIVISION



DEPARTMENT OF STATE  
WASHINGTON

W. W. Cochran

In reply refer to  
EA 864.5151/83

October 15, 1940

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a memorandum prepared in the Department of State, a copy of a telegram from Mr. Richard Quandt to Mr. Eugene Havas, New York, and a copy of a paraphrase of telegram no. 252 dated October 12, 1940 from the American Legation at Budapest, regarding recent decisions bearing upon the payment of standstill credits by Hungary.

Enclosures:

1. Memorandum.
2. From Mr. Quandt to Mr. Havas.
3. No. 252 from Budapest, October 12.

28



October 11, 1940.

The Hungarian Minister gave an account of recent decisions bearing upon the payment of ~~interest on the~~ <sup>debt</sup> foreign / of Hungary. He informed me in the strictest of confidence that his country would be prepared to continue interest payments on outstanding Hungarian bonds, Treasury bills, and standstill credits outstanding in the United States if a loan to the Cash Office of Foreign Credits (managed by the National Bank of Hungary) could be secured in this country at a low interest rate covering one year's requirements (approximately \$500,000 to \$1,000,000). He told me further in the strictest of confidence that the Hungarian National Bank would be willing to put up gold now in New York as 100% collateral for this loan.

In response to his query as to how this might be arranged I said that there were several possible alternatives:

- (a) Arrangement by the Federal Reserve System.
- (b) By the Treasury through the Stabilization Fund.
- (c) Through the Export-Import Bank.

I suggested that alternatives (a) and (b) would seem to me most appropriate to the nature of the operation. I promised to indicate to the Treasury the Department's interest in this matter and to ascertain whether it was prepared to work it out with the Hungarian Minister at the earliest

- 2 -

earliest possible time.

We discussed the question as to whether it would be necessary to make known the fact that gold collateral was provided. Although prospective payments on a similar basis would be open to other creditor nations (Switzerland, the Netherlands, Great Britain, etc.), the National Bank of Hungary hopes that any steps it might take to provide gold collateral would not become a matter of public knowledge. The reasons for discretion about the gold collateral are manifold and further elucidation of why the Hungarian National Bank wants it to remain confidential will be explained later on.

I stated that I would not want to give a definite answer offhand on the question of gold collateral but if the operation were done through the Stabilization Fund, so far as I knew there would be no such necessity unless the Stabilization Fund had to explain its operations at some future time to Congress. I also said that so far as my knowledge went the Export-Import Bank would not customarily reveal the nature of the security of particular operations.

The Minister commented that in the light of the fact that to carry out this transaction through the Federal Reserve would apparently involve public knowledge of

-3-

of the collateral, this would seem to be a less satisfactory alternative from their point of view.

I promised to let the Minister know as soon as I was in a position to do so how best discussions would be carried forward.

The communication which the Minister left with me is attached.

EA:HF:LMW



GOFI

ENVRICH 899 9 1721 1/20

DEL New York, October 10, 1949.

MR EUGENE HAVAS 25 BROADWAY NEW YORK

Have sent following cable direct to White and through Swiss Standstill Committee to Gibson:

"In today's meeting Swiss Standstill Committee have exposed situation as follows: Three years agreements of 1937 were made at peak of Hungary's foreign trade and foreign exchange situation and based on assumption that additional exports will continue at least on same level and yield sufficient exchange for debt payments."

"Despite failure of realization of these hopes Hungary fully met her obligations during three years and the National Bank had to sacrifice substantial amounts out of own foreign exchange holdings destined to meet current requirements of country and acquired out of normal exports."

"Since Spring 1938 exports against convertible exchange have shown steady decline and since beginning this year total exports fell far beyond expectations exports against convertible exchange and particularly additional exports having become impossible."

"During next twelve months no hope of improvement the less as this year's harvest and meat production almost disastrous."

"Additional exports appear impossible for three reasons  
 First: virtual impossibility of trading with overseas countries in consequence of mutual blockade  
 Second: lack of productive capacity in industry and  
 heavy

- 2 -

heavy increase of home consumption in consequence of big capital outlay programs and of reattachment since 1938 of four million inhabitants.

"Third: impossibility of raw material purchases."

"Foreign exchange position developed parallel to foreign trade and holdings now considerably smaller than in 1937 with inherent tendency of further deterioration."

"Holdings much smaller than value of annual raw material supply."

"In these circumstances cannot undertake responsibility for continuing debt service and must suggest one year's complete suspension of transfers with following exceptions:

"First: relief loan owed by Hungary to United States."

"Reasons: origin of loan and small amount of annual payment."

"Second: National Bank's debt to Bank for International Settlements and Central Banks."

"Reasons: loan was granted in 1931 to repay private banking and commercial debts. Loan was reduced this Summer by voluntary repayment made out of exchanged acquired by special sacrifices of National Bank and Government. Rest consolidated for eight and a half years. By this transaction National Bank regained freedom of action hampered before by own unsettled debt."

"Third: payments to countries with foreign exchange restrictions having already payment agreements with Hungary for settlement by clearing of financial debts."

"Being desirous to open possibility of payments even during moratorium propose to open following two possibilities

"Fourth: as and where Hungary will be able actually

- 3 -

to trade with creditor countries and obtain without prejudice to mutual trading interest actual surplus of exports we would be prepared to apply appropriate part of our surplus by agreement to payment of interest to that country".

"Fifth: we would also be prepared to continue interest service as under existing agreements to countries which would be prepared to lend at low interest for five years annual amount of interest service."

"Latter proposal equivalent to funding operation with benefit of not affecting direct relation between creditor and debtor."

"During moratorium postage equivalent of interest would be payable by debtors to Cash Office of Foreign Credits which will employ amounts so received if not transferred through either of abovementioned possibilities in buying one year Treasury Bills maturing at end of moratorium."

"Hope you will appreciate our extremely difficult situation created by events outside our reach."

"Richard Quandt Head of Hungarian Standstill Delegation."

You received or will receive special instructions.

My address Hotel Baur Am See Zurich.

Kindest regards

Richard Quandt

RECEIVED  
BREVETARY DEPARTMENT

840 OCT 12 PM 2 58

SECRETARY  
DEPARTMENT OF STATE  
OFFICE OF THE  
SECRETARY



PARAPHRASE OF TELEGRAM RECEIVED

32

FROM: American Legation, Budapest.

DATE: October 12, 1940, 6 p.m.

NO.: 252.

STRICTLY CONFIDENTIAL.

Refer to our 235 of October 2, 1940, 5 p.m.

I have been informed by the National Bank of Hungary that the shortage of free devisen caused by a serious decrease of exports has rendered the Government of Hungary unable to keep up its usual interest payments; and, as a consequence, Quandt, who is at Zurich at the present time, has proposed to Swiss creditors (who also represent United States creditors) a one-year moratorium on all transfers with the exception of

Payments on the debt of the Hungarian National Bank to central banks and to the Bank for International Settlements;

Payments on the United States relief loan;

Payments to nations having foreign exchange restrictions which already have payment agreements with Hungary to be settled by clearing of financial debts;

Payments to a creditor nation with which it may be possible to effect an actual export surplus;

Interest service to countries which are prepared to lend the amount of interest service at a low interest for five years.

Details of this proposal have been cabled by Quandt to Gibson and to the Hungarian Minister to the United States.

Statements

-2-

Statements were further made that Hungary would be able to continue making payments during the year if the United States or other countries which are interested would loan Hungary two million dollars.

MONTGOMERY

EA:MSG

13



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 1, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

At 11 o'clock this morning the Secretary received by appointment Mr. Pincet, Financial Counselor to the British Embassy and Sir Owen Chalkley, the Commercial Counselor to the British Embassy, who presented Mr. D'Arcy Cooper, Chairman of the Executive Members of the British Export Council, and Mr. J. A. Stirling of the Commercial Relations and Treaties Department of the Board of Trade. Mr. Nelson Rockefeller attended the conference at the Secretary's invitation, and Messrs. Coe and Cochran also were present.

After Secretary Morgenthau had welcomed the two visitors from overseas, Mr. Cooper summarized the character of their visit. Secretary Morgenthau confirmed that he had made the suggestion to Sir Frederick Phillips last July that there might be some arrangement possible whereby Great Britain and the United States might supplement rather than compete with the products of the other on Latin American markets, and that Sir Frederick had at that time indicated his interest in taking up upon his return to London the idea of the British sending someone over here to discuss such possibilities.

Mr. Cooper stated that British export trade was dependent importantly upon available supplies in certain lines, such as wool, cotton, rubber, etc. He differentiated from these industries that of pottery, pointing out that the raw materials therefor were available in England. He stated that material for the other industries was now had in ample quantities. He admitted the difficulties of keeping up trade in war conditions, and stressed the shipping problem.

Mr. Cooper told the Secretary that the decision had now been taken to send to Latin America a British commission, the political side to be headed by Lord Willington and the commercial side by Mr. Brand of Lasards. While it had been originally hoped that a British vessel could be put at the entire disposal of this party for a commercial cruise of Latin America, the one specifically requested had recently gone down and it appeared now that one vessel would be used for the tour along the Atlantic side of South America and that the party would transfer to a second vessel for the cruise on the Pacific side.

With respect to selling British goods in the United States, Mr. Cooper stressed the problem which his people face as a result of the American attitude toward the British purchase tax. (It should be explained that this tax became effective October 21 and Customs Commissioner Johnson has decided that under Section 402 of the Tariff Act of 1930 a purchase tax is part of the foreign market value of goods if such or similar goods would be subject to the tax if sold in the home market in a chargeable transaction. This matter had been brought up with the Treasury some weeks ago by the British Embassy when the imposition of the purchase tax was under contemplation, and Mr. Johnson had explained the Treasury position.) Mr. Cooper explained the necessity of raising revenue in Great Britain, considering the tremendous war expenditures now being incurred, which he mentioned as averaging £70,000,000 a week at present.



- 2 -

The Secretary explained to his visitors that his idea had been that there were certain commodities of which Great Britain might continue to have a surplus for export, the sale of which abroad, particularly in Latin America, might now bring in much needed exchange. He mentioned coal as an example, and Mr. Cooper quickly remarked that the British had plenty of this for export. It was the Secretary's idea that the United States might withdraw from exporting coal to Latin America in favor of Great Britain. The latter, in turn, may now be in such a position that its steel exports to Latin America would be replaced by United States products. Mr. Cooper thought that little steel would be available for export to Latin America, except through tin plate. These were the only two commodities mentioned to illustrate the possible formula.

The Secretary referred to his earlier discussions with the British, and particularly during recent weeks with the Embassy here, of the possibility of a triangular arrangement. With Great Britain needing large quantities of beef, and being accustomed to purchasing this from Argentina, and with British investors holding securities issued on Argentine assets, he thought it might be possible for payment for such beef to be made through transfer of the securities from British to Argentine ownership. In turn, the Central Bank of Argentina might approach this country for a loan, based on their own credit, but with the above-mentioned securities in the background. That is, any credit from the United States to Argentina would be based upon the credit of the Central Bank of Argentina itself, and would not be directly against securities issued in Great Britain, but these would be kept in mind in determining Argentine assets. The Secretary found Mr. D'Arcy Cooper extremely interested in such a possible arrangement, Mr. Cooper stressing again the tremendous expenditures which Great Britain is now facing, and the need for conserving and even increasing foreign exchange. The Secretary told Mr. Cooper quite frankly that it was his duty to keep informed as to British assets available for purchases on this market. He felt that it was much to Great Britain's advantage to make every effort to realize upon securities, such as those issued on the Argentine, and direct investments, such as those in the United States, before letting it appear that the bottom of the barrel of immediate assets has been reached.

In answer to Mr. Cooper's inquiry as to whether dollar funds made available to Argentina by the United States could be utilized for purchasing British goods, the Secretary replied in the affirmative. He stressed, however, the idea of Great Britain being able to purchase Argentine beef through the triangular arrangement. The Secretary stated that he realized that Great Britain might hold a considerable amount of Argentine investments. He said the situation would be much different with Chile, for example. The British thought they might help the Chilean situation somewhat by purchasing copper from Chile and by specifying in the covering contracts that certain munitions fabricated in the United States have Chilean copper therein. When the Secretary explained about the piling up of American goods in Chile which cannot be delivered because of a shortage of United States dollar exchange, Mr. Cooper stated that Chile was likewise short of sterling.

The Secretary explained that he had asked Mr. Rockefeller to be present since he was interested in coordinating our efforts toward improving trade and cultural relations with Latin America and was familiar with all of our steps toward that end. Mr. Rockefeller agreed to receive the visitors. The Secretary made the point that their problems of trade fell within the scope of the State and Commerce Departments and he recommended that they take up their problems with those departments. The Embassy officials let Secretary Morgenthau know that appointments had already been arranged with Assistant Secretary Grady in the Department of State and with Secretary Jones in

- 3 -

the Department of Commerce. Secretary Mergenthan let them know, however, that since the triangular arrangement above-described had some aspects of a stabilization operation between the United States and the Central Bank of Argentina, the financial phase thereof was one which fell within the province of the Treasury Department.

A handwritten signature in cursive script, appearing to read "J. M. P.", is centered on the page below the typed text.

COUNCIL OF NATIONAL DEFENSE  
COORDINATOR OF COMMERCIAL AND CULTURAL RELATIONS  
BETWEEN THE AMERICAN REPUBLICS

STATE DEPARTMENT BUILDING  
WASHINGTON, D. C.

November 1, 1940

My dear Mr. Secretary:

I am delighted with the opportunity of assisting you in carrying on the negotiations with the British Export Mission, headed by Mr. Darcy Cooper. This evidence of your confidence in our office is greatly appreciated.

I feel the negotiations were greatly facilitated and given effective direction by your meeting with the British representatives this morning.

Through Mr. Pinsent I have made arrangements to meet with the Mission next week for initial discussions.

We will keep you currently informed of the progress of the negotiations, which will be carried on by us in cooperation with the representatives of other interested departments.

With best wishes for a restful trip,

Sincerely,

  
Nelson A. Rockefeller  
Coordinator

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



G-2/2657-220

RESTRICTED

No. 235

SITUATION REPORTM. I. D., W. D.  
November 1, 1940.  
12:00 M.

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

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I. Western Theater of War.

1. Air Force Operations.

Bad weather continued.

In daylight on the 31st scattered raids were executed by single bombers. Night activity was light and centered over the London area, Birmingham and Bristol. London had a brief alarm early in the evening and another just before dawn.

No British offensive operations over the continent.

II. Greek Theater of War.

1. No considerable Italian advance was realized in the EPIRUS sector on October 31st. Press reports indicate that the advanced Italian detachments are still 20 miles from the fortress of JANINA.

Italian operations do not appear to have begun in the Macedonian sector, from which an Italian drive on SALONIKA is expected.

2. Air activity, hampered by rainy weather, was insignificant.

III. Mediterranean and African Theaters of War.

1. No ground operations reported.

2. Air activity increased measurably. There was a sharp aerial combat over the no-man's-land east of Sidi Barrani, incident to an Italian attack on British ground troops. The R.A.F. raided air-dromes in Libya and East Africa. A raid by a small force of bombers was made on the Naples area, presumably on oil facilities. This attack may have started from a carrier or from a base in Crete.

RESTRICTED

## PARAPHRASE OF TELEGRAM SENT

TO: American Consul, Dakar.  
DATE: November 1, 1940, 6 p.m.  
NO.: 25.

CONFIDENTIAL.

The disposition that may be made of gold of the Polish Central Bank or of Belgian and French gold which is now in or near Dakar is of much interest to the Treasury. Therefore, <sup>please</sup> make current reports in telegrams marked "For Treasury" and charged to the Treasury of any information you can secure with due discretion with regard to:

1. Where the gold is actually located.
2. Gold shipments from Dakar by sea, by air, or by land.
3. Political or other factors which may affect the disposition of the gold.

It is suggested by Treasury that present circumstances may warrant two reports every week.

HULL  
(HG)

EA:MSG

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 1, 1940

TO Secretary Morgenthau  
 FROM Mr. Klaus

STRICTLY CONFIDENTIAL

## FBI reports:

October 26. A 45-page memorandum on the German Dye Trust and its activities in the United States; it will be recalled that Herbert Boehne and Emil Wolff, who were indicated for carrying German diplomatic documents without having registered as foreign agents, traveled as representatives of the Dye Trust, Boehne claiming that he was setting up plants for the manufacture of aspirin in the Western Hemisphere.

October 29. "A confidential source close to the German government" says that in the Transocean News Service Dr. Manfred Zapp, the Director, is actually subordinate to a Mr. Zeller of the same organization; that Germany will retaliate if we request German diplomatic men or officers to leave the country; that members of the Russian Embassy have expressed hatred for Churchill in view of his responsibility for the support of White Russians in the Russian civil war but are fond of Ambassador Cripps; that he is anticipating the British taking over the Azores.

October 29. Largely resulting from a Treasury request, investigation is proceeding concerning the sale of Rueckwanderer Marks showing the source to be a New York foreign exchange firm, Robert E. Nautz & Company, whose Chicago representative is F. W. G. Heiniken; furthermore, these persons are also selling 3% Funded Bonds of the German Reich; dollar balances are thus built up in exchange for Marks which can be used only in Germany after the anticipated German victory. (We have suggested that there are possible criminal violations of the Johnson Act, the Neutrality Act, and the Securities & Exchange Commission Act as well as the Registration of Foreign Agents provisions.)

October 30. Documents belonging to Governor General Carde of the French Colonies and Colonial Administrator Revoil, who were seized by British authorities at Antigua September 30, 1940, were secretly photographed and found to contain military and economic information, disclosing, among other things: that France was the source of 72% of Martinique's imports of commodities; that French Guiana is proposing to ship gold to New York, 244 kilograms having been exported during the first four months of 1940; that the Antilles Islands group has 40,000 soldiers of whom 10,000 to 15,000 could be used in the Antilles and the remainder outside, Guiana has about 250 soldiers, and Martinique has about 1,500.

11.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 1, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

## CONFIDENTIAL

The reporting banks' transactions in registered sterling were as follows:

Sold to commercial concerns	£89,000
Purchased from commercial concerns	£18,000

The rate for open market sterling moved from 4.03-1/2 at the opening to 4.03-3/4 at the close. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£15,000
Purchased from commercial concerns	£ 4,000

The closing quotations for the other currencies were as follows:

Canadian dollar	13-1/8% discount
Swiss franc	.2322
Swedish krona	.2386
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2330
Brazilian milreis (free)	.0505
Cuban peso	9-3/16% discount

We purchased \$2,100,000 in gold from the earmarked account of the Bank of Venezuela.

The Federal Reserve Bank of New York reported that the Bank of Mexico shipped gold valued at \$199,000, from Mexico, to be earmarked for its account.

The Federal Reserve Bank also received an advice from the Bank of England relative to a shipment of gold valued at \$5,310,000 by the Commonwealth Bank of Australia, Sydney, to the Federal Reserve Bank of San Francisco, to be sold for the account of the Bank of England. We assume that this is part of the shipment of \$14,529,000 from Australia mentioned in our report of October 23.

The State Department forwarded to us a cable stating that the National City Bank of New York, shipped \$193,000 in gold from Hong Kong to the American Trust Company, San Francisco. This gold will be sold to the U. S. Mint in that city.

There were no metal prices in Bombay today as it was a holiday in Calcutta.

- 2 -

In London spot silver was unchanged at 23-1/2d and forward was off 1/16d at 23-7/16d. The United States equivalents were 42.67¢ and 42.56¢, respectively.

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

We made thirteen purchases of silver totaling 1,775,000 ounces under the Silver Purchase Act. Of this amount 1,575,000 ounces consisted of new production from foreign countries, for forward delivery, and the remaining 200,000 ounces represented sales from inventory. Purchases of silver today were greatly in excess of the daily average. This situation usually occurs on the first day of the month as the result of a new month, in this case March, being added to the time for deliveries.



**CONFIDENTIAL**

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 1, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

Mr. Cameron of the Federal Reserve Bank of New York gave us the following information regarding the transactions listed below in German accounts maintained at the Chase National Bank, New York.

<u>Date</u>	<u>Amount Debited</u>	<u>Account Debited</u>	<u>Paid To</u>
November 1	\$300,000	Reichsbank, Berlin	Chase National Bank for account of Yokohama Specie Bank, N.Y., for account of and under cable advice to Yokohama Specie Bank, Tokio
	42,897	German Gold Discount Bank, Berlin	Irving Trust Co. for account of Carl Marks
	32,395	" "	Irving Trust Co. for account of Vongibara
	78,933	" "	Mercantile Trust Co., Baltimore, Md., for account of Hago Stinnes Corp., N.Y.

*B.M.F.*



November 1, 1940

My dear Mr. Secretary:

By direction of the Secretary of the Treasury, I am forwarding herewith a copy of a memorandum concerning a shell case making plant which is destined for Russia and which the British would like to purchase.

This matter was brought to the attention of Colonel Maxwell, Administrator of Export Control, as well as to the attention of Mr. William S. Knudsen and the Army and Navy members of the President's Liaison Committee, namely, Admiral Spear and General Burns.

Sincerely yours,

(Signed) Philip Young

Philip Young  
Assistant to the Secretary

The Honorable,

The Secretary of War.

PT:bj

CONFIDENTIALFOR YOUR INFORMATION

November 1, 1940

To: The Secretary

From: Mr. Young

Attached herewith is a copy of a memorandum which I have received from the British Purchasing Commission with respect to a shell case making plant destined for Russia, which the British would like to purchase.

This shell making plant, which produces shell cases from steel strip at the rate of twelve hundred 75 mm. or 4.5" shell cases per hour, has been built to the order of the Federal Welding Company by the Yoder Manufacturing Company of Cleveland, Ohio. This process permits a production of shell cases in a country which is short of non-ferrous material.

The Federal Welding Company already has an export license for the export of this shell making plant to Russia. The price of the plant is approximately \$400,000.00.

I have called this matter to the attention of Colonel Maxwell and submitted to him a copy of the attached memorandum. Copies of my letter to Colonel Maxwell were sent to Mr. William S. Knudsen and to the Army and Navy members of the President's Liaison Committee, namely, Admiral Spear and General Burns.

Colonel Maxwell replied as follows: "Unless the Army and Navy Munitions Board or the Advisory Commission to the Council of National Defense establishes a requirement for the subject equipment there would appear to be no grounds for revocation of the license for export to the U.S.S.R."

Colonel Maxwell adds that he will await advice from the other agencies to which I forwarded copies of the memorandum.

R.Y.

MEMORANDUM

The Yoder Manufacturing Company of Cleveland, Ohio, have built to the order of the Federal Welding Co. of Warren, Ohio, a shell case making plant which produces shell cases from steel strip and is capable of turning out twelve hundred 75 mm. or 4.5" shell cases per hour.

The plant consists of a roll former for forming the 75 mm. tubes from steel strip, an electric welding unit built by Yoder under their own patents for continuously welding the formed tubes, a straightening roll and a flying cut-off unit to cut the tubes to length. By a flying cut-off unit, we mean a unit which travels forward with the tube as it cuts it off so that the production of tube is continuous and not stopped during the cutting off process. The machine operates at a continuous speed of 60 feet per minute and Yoders have developed a method of braising the bottoms into the tube ends so as to form a shell case.

You will perceive that this enables a manufacturer to produce shell cases in a country that is short of non-ferrous material.

The Federal Welding Co. holds an approved license for export to Russia. The price of the company plant is approximately \$400,000 and it appears to be one which would be ideal for use in an enemy country which was suffering from acute shortage of non-ferrous material.

B.F.C.  
Washington, D. C.  
October 21, 1940



National Defense

11-1-40

MR. WILLIAM S. KNUDSEN  
1501 BALMORAL DRIVE  
DETROIT MICHIGAN

PLAN FOR FINANCING BUICK PLANT EXPANSION WHICH YOU DISCUSSED  
WITH POLK AND BOCKLEY THIS MORNING IS SATISFACTORY TO ME  
stop I HAVE TALKED THE MATTER OVER WITH PURVIS AND HE  
ALSO IS AGREEABLE <sup>to formula</sup> PROVIDED THAT THE ADDITIONAL CHARGE  
PER ENGINE IS MATERIALLY SATISFACTORY TO YOU NAVI AND PURVIS

HENRY HORSTHEM, JR  
SECRETARY OF THE TREASURY

EHF:mp

Typed 5:05 p.m. 10/31/40

*S.M.Fh*  
*approved by Purvis in Phil Young's*  
*office 4:50 PM Oct. 31-1940.*

**ALLISON ENGINEERING COMPANY**  
**Deliveries of Airplane Engines**

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: Actual : Estimated deliveries on  
: deliveries : existing orders

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1940

January.....	10	
May 1 - June 1.....	15	
June 2 - 29.....	31	
June 30 - July 27.....	50	
July 28 - August 31.....	91	
September 1 - 28.....	221	
September 29 - October 5.....	49	
October 6 - 12.....	73	
October 13 - 19.....	61	
October 20 - 26.....	48	
October 27 - November 2.....	80	
November 3 - 30.....		313
December.....		364

1941

January.....		400
February.....		416
March.....		433
April.....		454
May.....		448
June.....		437
July.....		400
August.....		369
September.....		431
October.....		45
November.....		45
December.....		45

1942

January.....	25
February.....	21

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Office of the Secretary of the Treasury,  
Division of Research and Statistics.

November 4, 1940.

## STRICTLY CONFIDENTIAL

## ALLISON SHIPMENTS

	: Sept. : : 1-28 :	Sept. 29 : - Oct. 5 :	Oct. : 6-12 :	Oct. : 13-19 :	Oct. : 20-26 :	Oct. 27 : -Nov. 2 :	Total
British	164	43	67	52	37	69	432
Army	56	6	6	9	11	11	99
Navy	1	-	-	-	-	-	1
Total	221	49	73	61	48	80	532

Office of the Secretary of the Treasury,  
Division of Research and Statistics.

November 4, 1940.



# BELL AIRCRAFT CORPORATION

2050 ELMWOOD AVENUE  
BUFFALO, NEW YORK

## MEMORANDUM TO THE SECRETARY

The following table shows P-39 type airplanes for which orders have been placed and the monthly schedule of deliveries with present facilities ("A" represents Army contracts; "B" British contracts; "T" total contracts).

<u>1940</u>	<u>A</u>	<u>B</u>	<u>T</u>	<u>1941</u>	<u>A</u>	<u>B</u>	<u>T</u>
Sept.	1		1	July	46	48	94
Oct.	2		2	Aug.	60	60	120
Nov.	10		10	Sept.	48	48	96
Dec.	26	9	35	Oct.	48	48	96
				Nov.	55	65	120
				Dec.	44	52	96
<u>1941</u>				<u>1942</u>			
Jan.	33	24	57	Jan.	60	60	120
Feb.	33	34	67	Feb.	48	50	98
Mar.	40	73	113	Mar.	49	52	101
Apr.	32	65	97		<u>716</u>	<u>810</u>	<u>1526</u>
May	43	74	117				
June	38	48	86				

This schedule is based on information being received in accordance with schedules furnished Allison. To date four E-5 engines for use in Army planes have been delivered. Six engines including one to be used on the first British planes which have been promised for delivery this week.

*H. Allison*

*If they started now and spent \$6 million they could increase production from March 1941 of five a day to fifteen a day by August 1941.*

PARAPHRASE OF SECTIONS ONE, TWO, THREE, AND FOUR OF  
TELEGRAM NO. 867, DATED NOVEMBER 1, 1940, 10 P.M.,  
FROM THE AMERICAN EMBASSY, VICHY.

FROM MATTHEWS FOR TREASURY.

After making another short trip to Paris, Cariguel has just come back to Clermont Ferrand. Cariguel told me that Commissioner Schaeffer is not causing the Bank of France much difficulty as he does not seem to take any particular interest in the Bank's operations. Cariguel says he is more interested in studying ancient French architecture in Paris and studying the French language. The Bank's officials were told by Jost, who is assistant to the Commissioner (and formerly a director of the Reichsbank) that since he is kept busy reading memoranda and instructions from Berlin he doesn't want them to bother him with the various reports which they are required to submit to him; he told them to write up their reports in German and to shorten them if they want him to read the reports.

It is Cariguel's opinion that too many questions were being asked by the Bank and the Commissioner and Jost either could not or would not answer them. With regard to operations of the Bank's supervision office, Cariguel was able to give me very little information.

Circulation of French bank notes has increased during the last two weeks, approximating 210 billions at the present time. This increase, Cariguel believes, is due to increased spending by the Government on public works programs which have been instituted to combat the unemployment situation. Cariguel said that the reopening



-2-

of the Paris Bourse has not been successful in tending to reduce the circulation of notes as trading is limited to a few government securities which the public has not exhibited much interest in, preferring to defer its investments until a time when industrial and other securities which have a variable return may be bought on the Bourse. According to Cariguel, the Germans hope that continuation of this policy of restriction will force up to par the quotation of the 3% rente (which is quoted at 78 at the present time). If it should be forced up to par, the Germans intend to bring pressure on the Government of France to ~~first~~ float a long-term loan under which "reparation payments" would be met.

It is Cariguel's belief that this plan of the Germans will not be successful and he said with complete frankness that he wouldn't counsel any of his friends to invest in such a loan.

The 50 billion credit which the Germans have at the Bank of France now is causing Cariguel a great deal of worry; he said it was one of the main causes of the bank's failure to renew the publication of weekly statements. As yet there has been no indication of what these balances may be used for.

Cariguel said that a small but active gold market was now operating in Paris, which both agents of the German Government and private German citizens are patronizing.

MATTHEWS

EA:MSG



PARAPHRASE OF SECTIONS FIVE AND SIX, TELEGRAM No. 867 of November 1, 1940, from the American Embassy, Vichy

Shops dealing in old jewelry and coin are carrying on trade, and even advertise openly in the newspapers in Paris.

There is a slight possibility, Cariguel said, that the official exchange rate between the franc and the dollar, now 43.70, might be changed because trade between the United States and France has practically ceased. The present rate is largely a fictitious one, he admitted. He remarked that on the Paris black market dollar bills are now being hawked at the rate of 110 francs, while 82 francs are received in Switzerland for dollar checks.

The Bank of France, Cariguel said, is entirely satisfied with the blocking of its balances in the United States. He said that no request to have such balances released had as yet been made officially by the Bank of France. There was of course an increasing amount of irritation (irritation) and anxiety about the licensing system as applying to the dollar balances of private French citizens.

END SECTIONS FIVE AND SIX

MATTHEWS

EA:LWW

GRAY  
(PARIS)  
VICIY

Dated November 1, 1940

Rec'd 2:30 p.m., 2nd

Secretary of State,  
Washington.

867, November 1, 10 a.m. (SECTION SEVEN)

A decree published in today's JOURNAL OFFICIEL approves the text of a convention signed between the Finance Minister and the Governor of the Bank of France on October 29 whereby the total amount of provisional advances to be made to the Government to be used in defraying "the maintenance costs of the German army of occupation" is increased from 50,000,000,000 francs to 65,000,000,000 (please see my telegram No. 557, September 13, noon).

A second decree dissolves the compensation office which was charged with the administration of French clearing agreements and transfers these activities to the Foreign Exchange Office. The latter will henceforth operate under the direct supervision of the Ministry of Finance instead of that of the Bank of France.

END OF MESSAGE.

MATTHEWS.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 2, 1940

TO: Secretary Morgenthau  
FROM: Mr. Cochran

On October 31 the Secretary talked with me in regard to the prospective assignment to the Treasury Department of my colleague, Mr. John Wiley, now in Washington for consultation with the Department of State, after the close of our Legation at Riga where Mr. Wiley served as Minister. In the 9:30 Staff Meeting yesterday, I told the Secretary that Mr. Wiley had asked to see me at 10:15. With the Secretary's approval, I received Mr. Wiley yesterday forenoon and gave him as complete a picture as possible of the work which I understood that the Secretary would like to have him perform, and was also happy to describe to him the conditions under which I have been permitted to serve in the Treasury since September 1, 1939. Mr. Wiley seemed quite interested in the proposal, his principal concern being that as to whether the State Department was in a position to arrange the formalities. Mr. Wiley's status is perhaps different from mine, since he has been promoted out of the Career Foreign Service to the rank of Minister, and has not been reintegrated into Class 1, in which I also serve, since his return to the United States. He is simply here for consultation. I thought, however, that the "consultation" period could be extended until June 30, 1941, at which date the official allotment for a Minister to Latvia will expire. It is conceivable that Mr. Wiley might be reintegrated into the Career Service by that date if it is desired that he continue on in the Treasury and if he has not been offered some other ministerial post before that date.

When the Secretary received me at 2:45 yesterday afternoon, I briefly summarized to him my conversation with Mr. Wiley. This morning I received from Mr. McHugh the following message: "When the Secretary called this morning at 10:25 I read the attached memo to him. He said I should repeat it to you and ask you to please repeat it to Mr. Wiley." The memorandum to which Mr. McHugh referred read as follows: "Mr. Dunn, of the State Department, called at 10:18 this morning and said you had called Mr. Hull the other day and asked if it would be possible to have the services of Mr. John Wiley. Mr. Hull wanted to get word to you that there will be no objection to your proposal."

I telephoned the State Department at 10:45 this morning but Mr. Wiley was not there. I then reached his apartment at Stoneleigh Court but found that he had gone to his doctor's. I left word for him to call me on his return.

At 12:15 Mr. Wiley called me back and I gave him the message which Mr. Dunn had given us for Secretary Morgenthau. Mr. Wiley was delighted over the prospects of the arrangement now being consummated. He had in a request to see Secretary Hull yesterday afternoon, and still hopes that he may be received today. I asked him to telephone me before the 9:30 meeting on Wednesday to let me know if everything was in order.



- 2 -

I told him that if the election goes favorably for the Administration, I was sure the Secretary would desire to have everything cleared for Mr. Wiley to take up his duties here while the Secretary is absent and would consequently want to give the necessary instructions in this Department before his departure on November 7. Mr. Wiley mentioned his desire to have the title of "Special Assistant to the Secretary" but with no revelation of his exact duties. I told him I would mention this to the Secretary.

November 4.

I had another talk with Mr. Wiley by telephone at 9:30 this morning. He stated that he had seen various people in the State Department and that he thought everything was being worked out very satisfactorily. He said that he is now in the State Department on "temporary consultation". The plan is to amend the instructions to extend the consultation period with a provision that such consultation is to be with both the Secretary of State and the Secretary of the Treasury. It would not matter in which Department he had his office.

In answer to my question as to salary, Wiley stated that they were trying to make his status quite similar to mine, that is, have his salary paid by the State Department, without any reimbursement to State by Treasury. This would preserve Wiley's status as a career man in our Foreign Service and safeguard his retirement and pension privileges.

Wiley would retain his title and rank as Minister to Latvia, and consequently said he was not concerned as to whether he received any title in the Treasury or not. His only reservation is that if the State Department found occasion to send him to the field, his detail to the Treasury Department would not interfere therewith. I told him that I could assure him that the Treasury would not stand in his way if the Administration found need to send him abroad again. His present detail will continue until June 30, when the annual appropriation for Ministers and Ambassadors must be renewed. Some method could probably be worked out to take care of his further assignment here if it should develop that the allotment of the salary of a Minister to Riga is discontinued.

Wiley stated that there had been evidence throughout the Department of State of a spirit of entire cordiality toward the Treasury Department on the matter of his possible assignment to us.

When I spoke confidentially with Norman Thompson this morning in regard to the possibility of giving Wiley the title of "Special Assistant to the Secretary", Thompson said that this title had been used in the past and could be utilized again if the Secretary desires.

At 9:45 this morning I spoke with Mr. Charles Hosmer, the Foreign Service Officer who acts as executive officer to Assistant Secretary Long. Mr. Hosmer has drawn up a memorandum arranging for Mr. Wiley's detail. This has so far been initialed by

- 3 -

Mr. Hackworth (in the Legal Division), Mr. Shaw (in Foreign Service Personnel), and Mr. Davis (in Foreign Service Administration). It will now go to Assistant Secretary Long. Mr. Hosmer feels confident that there will be no difficulty in making the assignment. It is understood that the whole arrangement depends upon the continuation of the present Administration in office.

3:30 p.m., November 4.

Mr. Hosmer just telephoned me from the Department of State. He said that Secretary Hull had now initialed the memorandum approving a plan whereby Mr. Wiley will continue "on consultation" at the State Department, by which his salary will continue to be paid, but that he will be available to the Treasury for full time services. This arrangement can continue up until the end of the present fiscal year, provided Wiley's services are not required abroad, but some new arrangement would have to be made by July 1, 1941, if he is to continue with the Treasury beyond that date.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 2, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

At the 9:30 Staff Meeting yesterday morning I reported the receipt of cablegram No. 511 sent from our Embassy at Buenos Aires on October 30 to the Department of State, to the effect that Messrs. Prebisch and Grumbach are scheduled to arrive in Washington on November 12. I asked the Secretary if this schedule was agreeable to our Government, considering the fact that he would be absent from Washington at the time of the contemplated arrival. The Secretary told me that he had fully informed Under Secretary Welles of the Department of State as to his plans, and that he was sure that Mr. Welles was aware thereof in considering the Argentine plans. He asked me, however, to check with the Department of State to see that the interested officers were entirely cognizant of the situation. At 11:45 yesterday morning I telephoned Mr. Collado in the Department of State, referring to the cablegram above mentioned, and reminded Collado that Secretary Morgenthau was leaving Washington on November 7 and might not be back until around the first of December. Mr. Collado stated that Under Secretary Welles had informed him to this effect, and had let him know further that Secretary Morgenthau had told the Under Secretary of State that everything was arranged so that the negotiations could be carried on and this matter taken care of in his absence, insofar as the Treasury is concerned. In this connection, Collado expressed the hope that the Treasury was very definitely prepared since Warren Pierson of the Export-Import Bank is entirely ready to make \$50,000,000 available to Argentina and is being restrained with some difficulty until the conference is held in Washington.





## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 2, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

At the conference which the Secretary had yesterday morning with the group from the British Embassy, the question arose as to when the Argentine financial delegation was expected to arrive in Washington. I told Mr. Pinsent that the Argentines were expected around November 12, but that I would check with the State Department and call him back later in the day to confirm this.

After talking with Mr. Collado of the State Department at 11:45 a.m., I telephoned the British Embassy. In Mr. Pinsent's absence, I gave Mr. Stopford the message that the State Department was of the opinion there would be no postponement of the contemplated arrival of the Argentine delegation on November 12. As a matter of precaution I gave the same message to Mr. Pinsent this morning when I spoke with him. He stated that he had received it from Mr. Stopford yesterday evening and had already cabled London. I promised to keep Pinsent informed if there should be any subsequent change in the schedule.



No. 138

## AMERICAN CONSULATE

Kunming (Yunnanfu), China, November 2, 1940.

SUBJECT: Conditions in Kunming and Yunnan Province  
As a Result of Recent Japanese Air Offensive.

The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to report on conditions in Kunming and Yunnan Province following a month of frequent air raid alarms and numerous severe bombardments of Kunming and other towns and communications points in the province.

It would appear at this time that the principal motives of the Japanese in these attacks are:

- (1) Cutting of Burma highway and other communications facilities in Yunnan;
- (2) Destruction of industrial and economic establishments;
- (3) Demoralization of the populace through terrorization and obstruction of the conduct of everyday affairs.

Some success has already been achieved in obstruction of transportation on the Burma route since air attacks began on October 18.\* As this is written, there are reliable reports that the present bridge over the Mekong River has been badly damaged, although it is stated that a new bridge which is very nearly completed was untouched. However, it is probable that traffic will be held up indefinitely, despite sanguine claims that it will be restored in about two weeks' time. It is the opinion of this office, derived from conversations with transportation people familiar with the Burma road and with local aviation advisers, that unless the Chinese have better air defense arrangements (preferably in the form of fighter planes), the replacement of bridges will be of no avail against continued bombing. The only alternative in that case would be a system of ferries. For the Salween crossing this would be extremely difficult, according to all reports, as the gorge below the bridge at that point drops sheerly to the river, and in addition the current is swift and treacherous. A cable system to guide ferries would probably be necessary.

As of interest in connection with movement of cargo, recent travellers report that thousands of drums of

gasoline

\*See Kunming's despatch no. 136 of Oct. 30, 1940,

"Traffic on Yunnan-Burma Highway".



gasoline are stored in covered plots on the hillsides near Wanting, the border port, and that an estimated one thousand trucks are parked near Chefang. Stoppages, even temporary, of traffic on the route will give the Japanese bombers opportunity to visit these places, as their range now extends to western Yunnan; this condition will continue if further importations are made while trucks are immobilized. It should be noted that Japanese attacks on the river bridges have been relentless thus far and they may be expected to be directed toward goods dumps during the periods when traffic is successfully cut.

The economic effects of the obstruction of traffic will be great, for it must be remembered that ordinary commercial goods continued to move over this route even during the cessation of military importations. Exports to the United States of key commodities, especially wood oil and wolfram, will probably suffer. Shipments of outside commercial goods, many of them sorely needed in the interior, will be seriously affected, as the Yunnan Railway is now finished as a route for freight. Similarly, present plans of the Chinese Post Office for routing ordinary first-class mail through Burma, to replace the Indochina route, may not be feasible on any elaborate scale. Doubtless subsidiary communications points will later suffer attack, including bridges wherever found; destruction of two passenger planes of the Eurasia Aviation Corporation and the China National Aviation Corporation respectively, has already occurred.

A considerable amount of destruction of economic points, such as factories and mines has already been accomplished. Tin production in the Kochiu area is expected to be seriously curtailed as a result of the reported vital damage done to the smelter, refinery and ore dressing plant of the new amalgamation of tin companies, and the probable reduction in mining operations through fear of constant bombing attacks. As for Kunming and its environs, despite two bombing attacks on the Yunnan Cotton Mill Company's plant, it is understood that production there can be continued; an attack on the new Yu Tien Cotton Mill Company's plant, however, was more successful and it has been reported on good authority that heavy damage was done to machinery stationed in the mill compound but not yet installed. Varying reports have been received concerning damage to the copper refinery at Makai about seven miles from Kunming on the Burma highway, west of the city; it is known that a large fire raged there following the bombing attack and it is probable that considerable injury resulted. An optical works (largely for military supply) south of the city has been hit on at least two occasions with what is believed to have been sizeable damage. Few military objectives in or around Kunming have apparently been bombed. However, the Provincial Bureau of Reconstruction has been partially destroyed, the Banque de l'Indochine demolished, and a considerable number of smaller shops either completely destroyed or seriously damaged. Heavy destruction in the northern residential section has occurred.

It is



- 3 -

It is now apparent that the Japanese military is leaning heavily on the weapons of demoralization of the populace and disorganization of its common economic activity. This activity has been directed at Kunning in particular, but it is understood that when Japanese planes enter the province the air raid alarm is sounded in nearly all the larger towns in Yunnan. A report recently received from as far west as Tali indicates that alarms there are almost a daily occurrence and that, although the city had not experienced a raid, evacuation in general at such times. With perhaps half a dozen exceptions, Kunning has no bomb shelter protection which is regarded as preferable to a ditch, consequently an almost total evacuation of the city to the surrounding hills villages occurs upon the first alarm. Owing to the indiscriminate nature of the bombings, no one questions the advisability of leaving the city during raids. Following the surprise raid in the early morning of October 26, when pursuit planes machine-gunned motor vehicles and people caught on the city's circular road, a considerable portion of the diminished population residing in the city now start leaving the city for the countryside shortly after dawn. Villages in the surrounding valley are likewise evacuated upon the alarm. No official establishments, consulates, or business offices now attempt to have morning hours. Nearly all foreigners follow the early evacuation rule at this time, as the frequency of alarms makes it safer from the standpoint of traffic to depart before the alarm is sounded.

Hundreds of trucks, busses, the passenger cars stationed in the city leave at the first siren, racing madly, frequently two or three abreast, to get out of the city and take positions in the countryside; thousands of civilians run outside at the same time. Thus, complete panic prevails upon every alarm. While traffic on all roads is dangerous to pedestrians, the circular road after the siren is sounded is particularly dangerous, not only for those on foot but for those in automobiles as well. It is known that numerous persons are killed and injured by motor vehicles during every raid. Mr. A. L. Pollard-Urquhart, British national, who was attached to the Orthological Institute subsidized by the Rockefeller Foundation, recently died as a result of injuries suffered when he was hit by a truck during an air alarm. There is virtually no traffic control and indeed it would be difficult to enforce orderly traffic in such panic conditions without the use of firearms.

An additional hazard is the congestion on the highways outward, most of which are narrow, where truck breakdowns are frequent and during which time the whole line is held up. The Japanese are generally expected to take advantage of this condition on future visits with pursuit planes. The many large congregations of motor vehicles on roads outside the city will also likely be targets. During the October 26 raid, mentioned above, traffic was so tangled as to be completely immobilised, and it is generally agreed that the diversion of the Japanese attack towards the Burma transport plane is all that prevented a heavy toll

-4-

of life. Although the Consulate staff left promptly on the alarm that day (the raiding planes were over Kunning approximately ten minutes after the first alarm was sounded), the members were caught with the rest of the city's population at various points on the outskirts of the town.

The Consulate has informally discussed traffic control for air raid alarms with several officials and leading Chinese here, but although they deeply deplore the situation as dangerous to public safety they state that these conditions are well known to the appropriate authorities and that it can only be hoped that remedial measures will be taken.

In addition to the many official organs and business offices which have moved to the environs of Kunning, the three leading hospitals have suspended work in the city and are endeavoring to establish themselves outside. Certain Central Government organizations are considering removal from the province entirely. The Southwest Associated University, however, has plans for migration to other places in Yunnan Province, but it will take several months to complete the removal. Under this plan the various colleges will move one by one (the College of Engineering being the last to go), and will probably not be located in the same place hereafter (Chengkiang and Chinning are now mentioned as probable removal points).

With complete Japanese mastery of the air, the weapon of terrorization has thus far been used with considerable effect in Kunning. A great reduction of economic activity has resulted, for while market towns can carry on at night much of the work of the day, an industrial and economic center of the size of Kunning is heavily hit by such part-time activity. Moreover, so many offices have moved out of the city that communication between them is spasmodic where it exists at all. The larger stores and many small shops have moved the bulk of their stocks outside the city and there now is a scarcity of many common types of goods. Morale may be expected to suffer along with health as colder weather approaches, especially should nuisance night raids be attempted in order to terrorize the public further.

With reference to the Consulate's telegram of October 4, 10 a.m., to the Embassy, Chungking, concerning the possible emergency location of a Consulate work office outside the city should the necessity arise, I wish to state that work is still being carried on at the consular premises although plans are being made for construction of a small house for auxiliary use at some point outside the city. The original plan for the location of such an office at the Western Hills, across Kunning Lake, has just about been abandoned in view of the number of governmental organs which have now removed there. Provincial offices are installed in several of the temples of these hills, in addition to which the National Epidemic Prevention Bureau, which will probably remain in Yunnan, lies at the foot of the hills; it is learned that a large

house



- 5 -

house now under construction there is designed for the use of General Ho Ying-chin. However, almost any fairly convenient and suitable place has some governmental organizations or military stocks located in it and most villages have Provincial troops garrisoned in them.

CONFIDENTIAL

It is learned on good authority that the Chinese pursuit force stationed at Kunming will not be used in future against Japanese air attacks, as the enemy bombers are usually accompanied by pursuit planes of a new and speedy type, carrying a Bendon type of machine-gun which affords considerable firepower. In the first engagement with Japanese combat planes, two of the local pursuit planes were shot down and two forced down with some damage. It is believed that several training craft have likewise been destroyed recently. Even the flight of the pursuit and training force to auxiliary fields now has a discouraging outlook, following the Japanese discovery of some of these fields, such as the one at Chanyi, attacked on October 26. It is learned that three Japanese pursuit craft recently landed at the Laokay airfield, possibly for trial purposes. If this field (which is small) can be used by fighter planes, the latter can accompany bombers to parts of western Yunnan and along most of the Burma highway, according to informed sources.

The knowledge that there is no defense here (except feeble ground fire) and that the Japanese can bomb and strafe at will has led to a feeling of helplessness on the part of the population. Local American aviation advisers state that military officials here are greatly depressed at the lack of fighter defense and report that Chinese morale is the lowest they have personally observed since the war began. Colonel C. L. Chennault, chief foreign adviser here, has already departed for the United States, and several other American instructors at Kunming and Yunnan are preparing to leave within a short time. The basic aviation training school at Kunming is to be moved to Chactung, in northern Yunnan, although the advanced pursuit class is to remain here for the time being.

Respectfully yours,

Troy L. Perkins,  
American Consul



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin, Germany

DATE: November 2, 1940, 10 a.m.

NO.: 4564

Reference is made to telegram of October 28, 7 p.m., No. 2864 from the Department.

The following is for the Treasury from Heath, and is also for the information of the Department:

According to such information as it has been possible for me to obtain, recent purchases of German dollar securities have been for the account of the Central Government of the Reich only to a small extent. The activities of the Reichsbank have been on behalf of industries and private banks who have been given permission to use their foreign balances or who have been given permission to make purchases of foreign exchange, and on behalf of provincial and municipal governments.

It has not been possible for Germany to utilize to any great extent her gold and foreign exchange holdings because of the blockade. Therefore the Reichsbank has been much more lenient recently on sales of foreign exchange than it had been.

The largest purchases made were of Siemens dollar bonds, according to local information. For that firm to buy back its high interest debentures at the bargain prices brought about through the default is of course a highly profitable

- 2 -

profitable business.

There is a tremendous profit in marks for banks which are permitted to buy German dollar bonds with their own foreign exchange or that which is provided by the Reichsbank, since in Germany such bonds would sell above par.

The Swiss and Swedish banks, it is believed, have not been acting on behalf of the Reichsbank but have been making their purchases either for their own account or for banking or industrial concerns in Germany. The local explanation for the delivery of these bonds to Mexico and South America is explained by the persistent rumor that German balances in the United States may be frozen, and that German-owned securities held in the United States may be sequestered.

MORRIS.

EA:LWW

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE November 2, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 4,000
Purchased from commercial concerns	£22,000

The rate for open market sterling was 4.03-3/4 all morning. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£3,000
Purchased from commercial concerns	£1,000

The other currencies closed as follows:

Canadian dollar	13-1/8% discount
Swiss franc	.2322
Swedish krona	.2386
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2335
Brazilian milreis (free)	.0505
Mexican peso	.2053
Cuban peso	9-3/16% discount

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada, Ottawa, made the following gold shipments to it:

\$ 9,933,000 for account of His Britannic Majesty's Government.  
397,000 for account of the Bank of Poland  
 \$10,330,000 Total

Both of these shipments of gold will be sold to the United States Assay Office at New York.

The Federal Reserve Bank received a cable from the Bank of England advising that within a short time the Federal will receive from the Bank of Canada \$50,000,000 in gold to be earmarked for account of His Britannic Majesty's Government.



EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL  
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN  
AS SHOWN BY DEPARTURE PERMITS GRANTED

Week ended November 2, 1940

	JAPAN	RUSSIA	SPAIN	GREAT BRITAIN
<b>PETROLEUM PRODUCTS</b>				
Fuel and Gas Oil (including Diesel Oil)	130,000 Bbls.	---	21,400 Bbls.	81,000 Bbls.
Crude -				
Blended or California High Octane Crude *	40 Cases	---	---	---
All Other Crude	---	---	---	---
Gasoline -				
Gasoline A **	---	---	---	88,000 Bbls.
Gasoline B *	27,762 Bbls.	---	20 Gals.	5,200 Bbls.
All Other Gasoline	---	---	---	36,500 Bbls.
Lubricating Oil -				
Aviation Lubricating Oil ***	20,787 Bbls.	---	---	511 Bbls.
All Other Lubricating Oil	57,121 Bbls.	---	---	30,006 Bbls.
Tetraethyl Lead ***	---	---	---	---
Boosters <sup>n</sup> , such as Iso-Octane, Iso-Hexane, or Iso-Pentane	40 Cases	---	---	---
<b>SCRAP IRON AND SCRAP STEEL</b>				
Number 1 Heavy Melting Scrap	---	---	---	6,050 Tons
All Other Scrap	---	---	---	6,750 Tons

Office of the Secretary of the Treasury, Division of Research and Statistics.

November 4, 1940.

Source: Office of Merchant Ship Control, Treasury Department.

Any material from which by commercial distillation there can be separated more than 3 percent of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.  
Aviation Gasoline.

As defined in the President's regulations of July 26, 1940.

No. 236

SITUATION REPORTM.I.D., W.D.  
November 2, 1940.  
12:00 M

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

I. Western Theater of War.1. Air Force Operations.

Yesterday and last night German air operations over England conformed to the standard pattern and were at about normal intensity. In addition three convoys were attacked in the North Sea. Dive bombers made their appearance, their first in some time.

Last night the R.A.F. raided Berlin, operated extensively against oil facilities and communications in western Germany, and attacked 15 airdromes in German-occupied territory.

II. Greek Theater of War.

1. Official advices from Athens indicate that the Italian advance has reached a mountain pass 10 miles west of the Greek town of Florina and 16 miles from the Albanian frontier. The Greek communique reports a successful counterattack against a hill near this pass.

The Italian advance in Epirus appears to have reached a number of villages located approximately 16 miles to the northwest and north of Janina.

2. The Italian air force attacked Saloniki six times, raided Corfu twice and operated widely over Greece. Crete was also attacked, the Italians giving as their targets troops, troop ships, and harbor installations.

The small Greek air force claims to have delivered attacks against an airdrome in Albania and against troops on the Epirus front.

III. Mediterranean and African Theaters of War.

No ground operations reported.

Air activity seems to have been relatively low. Last night R.A.F. bombers from England raided over Italy.

RESTRICTED

BRITISH EMBASSY,  
WASHINGTON, D.C.

November 2nd, 1940.

Personal and secret.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Wesley Butler*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.



Telegram from London dated October 31st.

Naval

H.M.S. "Cyclops" ran ashore at Tires island a.m. October 30th and is a total loss. Three ratings missing.

M.L. 109 mined and sunk at entrance to harbour to Humber. 5 ships East coast convoy ran aground near Rattray Head 0530 hours October 30th. 2 will probably be lost.

Bad weather on October 30th seriously interfered with air reconnaissance and patrols but at least six destroyers sighted in Brest.

Ostend was attacked by aircraft p.m. October 30th and violent explosions were seen.

Near misses on enemy convoy of 3 M.Vs. of 600 tons off Barfleur caused 1 M.V. to drop astern and alter course.

During one hour p.m. October 30th 16 shells fell in Dover area no naval casualties.

On October 30th at Taranto were 5 battleships, 8 cruisers, 8 destroyers and at Brindisi 6 cruisers, 9 destroyers.

2. Royal Air Force.

During October 30th 6 Blenheims despatched to attack enemy aerodromes. One aircraft reports bombing 4 enemy submarines near Cherbourg and obtaining near misses. Another bombed three ships in the same area one of which appeared to be damaged.

Night of October 30th-31st. Aircraft attacked Channel ports and Antwerp where docks were straddled and burst observed between the river and warship dock, Flushing

and/

-2-

and Emden Naval Base where bursts were clearly observed on the quay of main waterway and Konigspolder harbour causing several small fires. One of our aircraft missing.

### 3. German Air Force.

During the night of October 29th-30th casualties in the London area were 12 killed and 25 wounded.

During the morning of October 30th about 120 enemy aircraft were active over southeast England but turned away before reaching London.

During the afternoon of the 30th aircraft approaching London did not penetrate the inner zone. Minor damage was caused in towns of Kent and Lancashire. 2 factories in Coventry were machine gunned without damage or casualties.

During the night of October 30th/31st enemy attacks were on a relatively small scale about 100 aircraft being engaged as compared with 250 on the previous night. About 50 visited London but the main attack was over the south eastern counties. Other raids reported from the Midlands, East Anglia and South Yorkshire. By 0400 hours the whole country was clear of enemy aircraft. One block of flats in London was almost entirely destroyed but the inhabitants were in public shelters and only five were slightly injured, damage was caused to gas, water and electric supplies and to one aircraft factory outside London resulting in stoppage of production for two days.

### 4. Summary of Air Casualties.

<u>Enemy</u>	<u>Destroyed</u>	<u>Probable</u>	<u>Damaged</u>
<u>by fighters</u>			
fighters	8	5	7
bombers	1	-	-
	—	—	—
Total	9	8	7

British/

Regraded Uclassified



-3-

British: 5 fighters (1 pilot safe). 1 bomber missing.

5. Greece.

Up to noon October 29th the main Italian attack had developed along the West coast from Konispoli and had reached five miles inside the Greek frontier; reliably reported that Italian aircraft are to be transferred to Rhodes and that these aircraft will probably be taken from the Italian air forces now in Libya, which seems to indicate that they may be expecting an attack on Dodecanese and are anxious to strengthen the air defence of the islands which consist at present of about 30 fighter aircraft.

6. Libya.

The presence of German military mission now admitted by the Italian press, but it is not thought that this comprises more than a few officers and technicians.

On October 29th air reconnaissance revealed increase of 250 mechanical transport vehicles in forward area. The increase may indicate Italian preparations for grand advance in future nearing completion and that an advance is imminent.

Extensive attack by Blenheims on enemy landing grounds and bases along the coast from Derna to Sollum on October 29th caused considerable damage to naval barracks at Tobruk, 30 buildings at El Adem and to aircraft on the ground at El Tmimi.

7. On October 30th Sunderland aircraft on reconnaissance shot down Italian bomber in Ionian islands.

8. Successful air reconnaissance of German and Dutch ports on October 29th gave the general impression of lively ship activity. General situation in North Sea and Channel ports appeared unchanged and no movements at sea were reported.



Paraphrase of Code Cabbage Received at the  
War Department 17:05, November 2, 1940.

London, filed 15:30, November 2, 1940.

1. During the night of October 30-31st five planes from the Bomber Command made a successful attack on Italian industrial targets, hitting an oil refinery, a railroad station and anti-aircraft batteries. The same night propaganda leaflets were dropped over Germany and Holland using free balloons. For the night of November 1-2nd it was planned to dispatch a total of 121 bombers, 51 against industrial plants, 38 against Berlin, 12 against Italian targets, nine against railroads, eight against air fields and 33 against oil plants. No planes were lost during these operations. The Coastal Command operated their normal missions with the usual number of planes and without losses. The Fighter Command carried out 946 sorties with 140 patrols.

2. The German Air Force operated about 375 fighters during daylight hours of Friday, November 1. For the most part they carried out inconclusive raids. An unsuccessful attempt was made to bomb the Firth of Forth bridge.

3. A railroad station in the Midlands was badly damaged, two sugar factories were badly enough hit temporarily to affect production in them, and facilities of a water company were damaged. There was very slight damage in London, mostly in the dock areas. There was no damage in Portsmouth.

4. German plane losses were 14 confirmed, 4 probable and seven damaged. The British lost six machines and four pilots. One German fighter was destroyed by anti-aircraft fire at an altitude of about

25,000 feet. In the Middle East the Royal Air Force lost four planes and one pilot while the Italians lost eight planes confirmed and four damaged.

5. Civilian casualties in London during October 30-31st were eight killed and 31 wounded.

6. There has been no change in the situation at Sidi Barrani. Two motor torpedo boats (presumably Italian - G-2) were mined and sunk. There has been no information indicating a change in the dispositions of the Italian navy.

7. The operations in Greece are slow. The British estimate that the Italian Army operating there consists of seven divisions plentifully supplied with artillery and tanks. The principal effort of the Italian forces appears to be directed at the crossing at the Kalmas River. Up to this time these efforts have been repulsed. It is said that air activity is quite limited. Mobilization of the Greek army is proceeding without delay and the morale of the Greek people seems to be high at present.

8. The British consider that an invasion is not imminent.

9. An alternative building for the British Broadcasting Corporation across the street from this Embassy is being fortified.

END

**Distributions:**

Military Aide to the President  
Secretary of War  
State Department  
Secretary of Treasury  
Asst. Secretary of War  
Chief of Staff  
WFO  
ONI

CONFIDENTIAL

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Paraphrase of Code Cablegram  
Received at the War Department  
at 4:25 P.M., November 3, 1940.

London, filed 15:15, November 3, 1940.

1. During the night of November 1-2 the operation of 89 planes of the Bomber Command were particularly effective, especially against targets in Germany. Two planes were lost and one crashed on landing. All operations during Saturday, November 2, and that night were cancelled due to weather conditions. The Coastal Command executed 21 patrol missions, engaged in 33 sorties and 17 convoy escorts. One plane was lost. The Fighter Command operated 21 patrols during the night of November 1-2 and 99 patrols that engaged in 503 sorties during the following day.

2. During daylight hours of Saturday, November 2, the German Air Force made three attacks, consisting of about 70, 80, and 30 planes, respectively, against Southeast England with little effect. In addition it carried out reconnaissance missions and attacked a convoy in the Thames Estuary. A total of about 206 planes were in operation. That night about 100 German planes carried out minor operations lasting from dusk to about 8:30 P.M. The entire country was all clear after midnight.

3. Ramsgate was hit hard, with the gas works and many dwellings destroyed. None of the three airfields attacked was damaged. Production in a war factory was affected by a broken steam line. A dock was damaged and two tugs sunk. Many fires were set in a provincial town but were soon under control. In London two high explosive bombs landed in the garden of Buckingham Palace. Slight

CONFIDENTIAL



damages to an arsenal stopped production. A fire was set in a large department store. A bomb in a suburb, which left a crater 80 feet in diameter and 25 feet deep, wrecked 40 houses, killing two persons and trapping thirty others.

4. German plane losses were 10 confirmed, 1 probable and 7 damaged. The British lost one plane but the pilot was saved. In the Middle East Italian plane losses were 2 confirmed, 1 probable and 2 damaged. The British lost one plane in that theater.

5. The many reliable reports of German bombers unloading their bombs at random have been confirmed by Lt. Col. Greenwell of this office. In a walk over a large estate south of London yesterday he observed bomb craters of all sizes in open fields far from any objective.

6. An increasing number of German planes have been destroyed by antiaircraft and interceptor fighter fire at night. The German JU-87 dive bomber made its first appearance since August 1 in the attack on a British convoy.

7. The Daily Express today asserts positively that a German emissary called Father Odo, formerly Duke Charles Alexander of Wurttemberg, arrived in the United States on a cargo steamer that sailed from Lisbon on October 5.

8. The arrival in Britain of Spanish journalists and a Spanish mission that includes the Air Attache indicates that France suspects

that the Germans are lying about their air successes over England.

9. The Italian attack on Greece is not regarded as an unprovoked evil in London, as it gives the British the naval and air bases necessary to attack Italy.

LEE

**Distribution:**

Military Aide to the President  
Secretary of War  
State Department  
Secretary of Treasury  
Asst. Secretary of War  
Chief of Staff  
War Plans Division  
Office of Naval Intelligence

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE November 4, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At the 9:30 Staff Meeting on November 1, Under Secretary Bell brought up the matter of a decision on the Hungarian request for a loan, and the Secretary signed a letter, of which there is attached a copy, to the effect that the Stabilization Fund cannot be appropriately used for this operation.

After talking with Mr. Bell as we left the meeting, I telephoned Mr. Knoke at the Federal Reserve Bank in New York and told him of the decision. I read to him the text of the letter. I also told Mr. Knoke that I had drawn up and submitted to Mr. Bell another paragraph which we had decided not to incorporate in the letter, but which I proposed to give orally to the Department of State, unless the Federal Reserve Bank might have some objection thereto. I then read to Mr. Knoke the following draft:

"It is my understanding that the Hungarian Legation may now pursue its efforts with the Export-Import Bank or the Federal Reserve System toward obtaining the desired loan. There is a further possibility which you might care to mention in your conversations with the Hungarian Legation. If Hungary should decide to seek the loan from a commercial bank in New York, this Department would be willing to consider favorably an application from such bank that gold earmarked with the Federal Reserve Bank of New York by the National Bank of Hungary be considered as collateral for the private loan. That is, a license would be granted to permit the New York bank to have an interest in the Hungarian gold pledged with the Federal Reserve Bank at New York until such date as the obligation is liquidated."

Mr. Knoke said that he had no objection to this paragraph being given to the Department of State for oral communication to the Hungarian Minister. On the contrary, he added, he was quite happy to see the Treasury take a position which might lead to the utilization of gold as a basis for private banking credit, in the above sense. Knoke stated that Havas, the Financial Adviser to the Hungarian Legation, had been in touch with his bank again seeking some word as to the present status of the Hungarian proposal. I told Knoke that I would ask the State Department to let the Hungarian Legation know at once our decision so that Havas may be instructed to proceed further with the Federal Reserve Bank, if this is what the Hungarians desire. Mr. Knoke told me in confidence that at the meeting held last Thursday of the directors of the Federal Reserve Bank of New York he had brought up the matter of possibly extending a credit to the Hungarian National Bank, and that this had been tentatively approved. It is not at all certain, however, that the management will desire to proceed with this operation.



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At 10:15 on November 1 I telephoned Mr. Livesey in the Department of State, referring to his call of 5 p.m. the preceding evening when he had let me know that the Hungarian Minister was in touch with the Department of State, anxious for an answer on their proposition. I read to Mr. Livesey the Treasury's letter which had just been signed and which was going over to Secretary Hull. I also read to Mr. Livesey the draft paragraph above quoted, for possible oral communication by the Department of State to the Hungarian Minister.



C O P Y

Dear Mr. Secretary:

I have pleasure in referring to a note from your Department dated October 15, 1940 (File EA 864,5151/83) to which there was attached, among other documents, a memorandum setting forth the desire of the Government of Hungary to obtain in the United States a loan in favor of the Cash Office of Foreign Credits (managed by the National Bank of Hungary) the proceeds whereof would be utilized for payment of service upon Hungarian obligations held in the United States.

This matter has been the subject of conversations with the Hungarian Legation, and has been given careful study by the Treasury. It has been found, however, that the Hungarian proposal is one which cannot be appropriately taken care of by the Treasury, through utilization of the Stabilization Fund, within the limits of the policy which has so far guided us in the management of this Fund. May I ask that your Department inform the Hungarian Legation of this decision.

Very truly yours,

Secretary of the Treasury

The Honorable

Cordell Hull,

Secretary of State.

HMC:LAP

DWB:NLE

October 30, 1940

COUNCIL OF NATIONAL DEFENSE  
COORDINATOR OF COMMERCIAL AND CULTURAL RELATIONS  
BETWEEN THE AMERICAN REPUBLICS

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STATE DEPARTMENT BUILDING  
WASHINGTON, D. C.

November 4, 1940

MEMORANDUM FOR: Honorable Henry Morgenthau, Jr.  
FROM: Nelson A. Rockefeller

You will find, herewith, for your confidential information a copy of our weekly digest of the current activities of the various departments and agencies handling matters on inter-American concern.

Attachment



COUNCIL OF NATIONAL DEFENSE  
 COORDINATOR OF COMMERCIAL AND CULTURAL RELATIONS  
 BETWEEN THE AMERICAN REPUBLICS

CONFIDENTIAL

STATE DEPARTMENT BUILDING  
 WASHINGTON, D. C.

November 4, 1940

WEEKLY PROGRESS REPORT  
 ON ACTIVITIES IN RELATION TO THE OTHER AMERICAN REPUBLICS

COMMERCIAL

Raw Materials

Coffee: Inter-American Financial and Economic Advisory Committee has approved text of coffee agreement....Premiums of \$1 per lb. over domestic prices reported in export market for caffeine with little success.

Copper: A plan for purchasing some copper from Chile to meet a possible domestic shortage has been presented to Leith (Defense).

Hemp: United Fruit proposal to double acreage of Manila hemp in Costa Rica, contingent on some guarantee which Navy might give that entire output be taken at a median price over the next 10 years, has cleared with Textile (Defense) and Agriculture; under discussion at State, approved by Cordage Instit. This means a million pound increase, but U.S. needs are probably greater.

Manganese: Studies of improving transportation facilities to 2 major Brazilian deposits under way....Materials (Defense) talks with Geological Survey about survey of manganese and other strategic resources in Cuba. Greovy Costa Rican interests engaged in active discussions.

Nitrates: If aid to Chile is decided upon, view expressed that nitrate purchases are preferable to loans....Egypt reported interested in buying up to 400,000 tons of sodium nitrate annually from Chile.

Rubber: Materials (Defense) has asked Foreign Missions (State) to determine availability of wild and cultivated natural rubber in L.A. in case rubber emergency should arise. Agriculture emphasizes that expense of extraction might make prices exorbitant, points out that only 1.7% of world supply came from L.A. in 1939.

Wool: Price Stabilization (Henderson--Defense) considering S.A. purchases to prevent domestic price rise and legal interpretation which prevents army from buying foreign wool....Navy concerned about increased domestic prices for blankets....The market continues strong in Argentina and Uruguay.

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November 4, 1940

Other Materials -

Bauxite: Penn. Salt Mfg. Co. has asked Chemical (Commerce) for full information on Brazilian bauxite.

Crude Drugs: Chemical (Commerce) has discussed developing L.A. sources of crude drugs, such as ergot and digitalis.

Industrial Diamonds: Nelson (Defense) has requested Procurement (Treasury) to hold plan for open bids in abeyance, and a negotiated basis with emphasis on Brazil and Venezuela is under discussion.

Linters: Industrial Materials (Defense) will be advised to take S.A. linters in lieu of non-cotton substitutes....Customs reports imports from Sept. 20 to Oct. 19 of over 100,000 lbs. of cotton staple from Peru and over 32,000 lbs. from Mexico.

Magnesium Sulfate: Chemical (Commerce) finds that about 50 to 80 tons of natural magnesium sulfate are available monthly in Peru for export.

Mercury: Negotiations proceeding to interest Britain in giving Argentina Spanish mercury for wheat, so we could purchase mercury from Argentina.

Pharmaceutical Products: Swiss Borvisk Co., Del Corp., may transfer operations to Western Hemisphere from Paris and is interested in possible alkaloidal derivatives from L.A. indigenous botanicals.

Teak: State will transmit reply concerning substitutes to Smith (Defense).

Economic Development By Countries

Argentina: Financial mission will arrive November 12....State, Commerce, and Treasury continue study of British investments...Acting President Pinado believes proposed alcohol plant long-term proposition....Pierson feels Argentina more friendly than two years ago.

United Press reports England interested in purchasing 1/2 million tons of beef and 1 million tons of maize....Wool exports decline by 1/3....U.S. leads oil well and mining equipment sales....Peso declines....Police seize Nazi membership lists in Misiones territory.

Brazil: Ex-Im. makes 25 million loan to Bank of Brazil to cover U.S. purchases, of which not more than 5 million, repayable in 6 months, will be available each month. This is in addition to 20 million loan for steel mill....Arrival of refugee capital has tended to improve exchange situation.



Page 3  
November 4, 1940

Ex-Im. studying iron ore proposal of Farquhar group...Buenos Aires Transportation anxious to complete purchase of bus lines.

Colombia: Mack International Motor Truck Corp. talks of sale of buses to City of Medellin.

Cuba: A study of the Cuban Treasury has been suggested...Attention turns to produce which Cuba herself might consume, as for example, rice.

Dominican Republic: Dominican Minister and Ex-Im. discuss details of 2 million loan for slaughter house, refrigeration plant, and completing port development, which has been agreed upon in principle.

Mexico: Unconfirmed reports indicate that leaders of the Mexican Rayon Mfg. Industry are planning the erection of a 5 million dollar cellulose plant.

Paraguay: Difficulty reported in disposing of cotton, tobacco, and quebracho.

Peru: Government interested in Hydroelectric works and fish meal industry as well as steel plant.

Uruguay: Rearmament program under discussion...Blockade may offer new market for U.S. office equipment.

Venezuela: Reports of tightening control over imports and exchange cause bolivar to drop.

#### General

Corporations in L.A.: Representative of American Arbitration Assn. will submit memo to Coord. on U.S. business practices in L.A. and effect on good will.

New L.A. Division: Agriculture has established a new Division of Latin American agriculture as part of the office of Foreign Agricultural Relations which will study and encourage crops which complement those of U.S., particularly rubber.

Port: A proposal for a new port with slight free trade zone possibilities, Jersey City, will be suggested to Transportation (Defense).

Reports and Studies: Memorandum on extending tax convention to S.A. will be submitted to Development Commission.

TARIFF expects to complete early in 1941 extensive report on commercial policy and trade relations of Argentina, and hopes to have available in December its Spanish translation of "Reference Manual of Latin American Commercial Treaties."



Page 4  
November 4, 1940

In COMMERCE, the Regional Information Division has completed an article for "Foreign Commerce Weekly" on foreign trade of Mexico during last 3 years and is making an analysis of L.A. imports of 40 strategic materials (1937-39); Leather and Rubber has completed a survey on hide and calfskin production (1938-40); Chemical is making a survey of raw materials with view to developing new L.A. sources, and is analyzing U.S. paint exports to L.A. and imports of paint materials from L.A.

#### CULTURAL

Education: Coord. office is considering grant of \$3000 to \$5000 to Nat. Education Assn. for Pan Am. Education Conference to be attended by L.A. Ministers of Education and centering around 1941 Convention of School Administrators....The Declaration of Trust and contract for exchange professors and graduate students have been cleared by Fiscal Office (Defense)....Nat. Education Assn., State, and Coord. developing detailed plans for survey of Am. schools in L.A.....Brazil reported to have closed 78 Japanese schools in Sao Paulo this year, making a total of about 140 Japanese and 200 German schools that have been closed in last 3 years.

Health: Possibility of hospital survey by Am. Hospital Assn. suggested.

Music: Coord. office prepared to finance first year of operation of Inter-Am. Music Center project proposed by Inter-Am. Music Committee of Am. Council of Learned Societies and to be executed by Pan Am. Union.

Publications: Means of reducing postage rates for books to L.A. under discussion; 1 lb. to Mexico costs 12 $\frac{1}{2}$ ¢....Coord. office will finance only one issue each of Chilean Art Quarterly and L.A. Music Review. This project was announced last week.

Women: Mary Winslow will prepare report for Coord. with a view to formulating a program of inter-Am. activities for women's organizations here and in L.A.

#### COMMUNICATIONS

Aviation: American Export Lines has filed with CAB applications for two new air routes to Panama City....A Pan American Aviation Day will be held December 17 in connection with the opening of the new airport here....Twenty German aviators and mechanics of the Scadta Airline reported to have left Colombia last week.

Movies: Mr. Whitney of Coord. office and Walter Wanger considering trip to S.A.....Need for central review of films for L.A. distribution discussed in connection with desirability of changing "World in Flames."

Page 5  
November 4, 1940

Press: Coord. office may arrange for weekly cable from U.S. press services in S.A.

Tourists: U.S. Travel Bureau is planning to spend \$300,000 for literature encouraging travel in U.S., particularly in National Parks.... State has asked Coord. office to study tourist problem.... Cultural (State), Coord., Inst. of Internat. Education studying means of providing hospitality to distinguished L.A. visitors.... Representatives of American Express Co. paid Coord. office visit to discuss its L.A. hotels.... The possibility of a new hotel in Bogota, Colombia has been noted.

Transportation: Commerce hears Panama is rushing to completion 25 unfinished miles of highway from Panama City to Colon.

#### ADMINISTRATION

State: PHILIP W. BONSAI has become acting chief of the L.A. Division.... LAURENCE DUGGAN has been named Political Adviser.

Coordinator's Office: JOHN McCLINTOCK of Commerce will be in charge of Raw Materials and Commodities in place of WILLIAM CLAYTON, who has become Deputy Administrator of the Federal Loan Agency, but will continue to devote part of his time to the office.... DON FRANCISCO, President of Lord and Thomas, has taken leave of absence to serve on Committee of Communications as the member in charge of the radio program.... JOHN DICKEY will direct intelligence work and serve as liason with departments interested in S.A.... The Communications Division will have a branch office in New York.

NOTE: This report has been prepared from data submitted by members of the staff, the Executive and Interdepartmental minutes, Mr. Collado of State, Mr. Grosvenor Jones of Commerce, Mr. Wheeler of Agriculture, Mr. Waring of the Tariff Commission, and Mr. Clayton of the Federal Loan Agency.

Weekly Progress Report No. 7



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin, Germany

DATE: November 4, 1940, 2 p.m.

NO.: 4580

For the Treasury from Heath, and also for the information of the Department:

I had a talk with Puhl, the Vice President of the Reichsbank, about the recent spurt on the New York market in purchases of German dollar bonds. There is no mystery about this, Puhl insisted. He said that unused foreign balances were held by certain German industries, particularly the Siemens Werk and banking groups, and that due to the impossibility of importing from overseas, the foreign exchange position of the Reichsbank itself was easy. The Reichsbank, in this situation, was allowing industrial concerns to use their foreign balances to repurchase their dollar debentures. Permission was also being given to banking groups to utilize balances for such purchases. The Reichsbank was even making available exchange for municipal and provincial governments to reduce their funded foreign indebtedness.

The purchases made by the Swedish and Swiss banking concerns Puhl said were not made for the account of the Reichsbank. However, he said that operations for German private banks might be included in the transactions of those concerns. This operation he said was in line with



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the approved aim of the Reichsbank to make a free currency  
of the Reichsmark.

END SECTION ONE.

MORRIS.

EA:LWW

PARAPHRASE OF SECTION TWO OF TELEGRAM NO. 4580, DATED  
NOVEMBER 4, 1940, 2 P.M., FROM THE AMERICAN  
EMBASSY, BERLIN.

It was essential, in accordance with this aim, to decrease the foreign indebtedness wherever it was possible since the foreign indebtedness was a first claim against a free currency and it potentially threatened the international stability of the free currency. Puhl admitted that German economy as a whole made a profit on these bond purchases at the bargain quotations which now prevail; on the other hand, however, it created a market in which bondholders who so desired could dispose of their bonds. Industrial concerns, banks and local governments were not permitted to keep the "Windfall profits" which resulted from the purchase below par of their bonds and from the appreciation of the reichsmark's official rate for dollars; they were required to give such profits to the export subsidy fund, in accordance with standing regulations. With reference to the instructions ~~that~~ <sup>on the</sup> delivery of such bonds ~~such bonds should be distributed~~ to Central and South America, Puhl said he thought that in view of the difficulties in international communications such a procedure was quite understandable.

(END OF MESSAGE)

MORRIS

EA:MSG

JI

GRAY

Berlin

Dated November 4, 1940

Rec'd 4:45 a.m., 5th

Secretary of State

Washington

4586, November 4, 6 p.m. (SECTION ONE)

FOR TREASURY FROM HEATH AND FOR DEPARTMENT'S  
INFORMATION.

Under date of October 30 the Minister of Economic Affairs issued a new foreign exchange order providing a very considerable relaxation in the restrictions on payments between Germany and the Netherlands of which the summary follows:

One. Persons travelling from Germany to Holland may take with them 1,000 marks or 750 florins without a permit. (this contrasts sharply with the free limit of 10 marks previously permitted) Travellers from Germany may buy florins up to this limit against notation in their passport but without a permit.

Two. On the other hand restrictions against the movement of currency from Holland to Germany are completely abolished. Persons may bring with them or import from Holland any kind of currency in any amount.



-2-#4586, November 4, 6 p.m. (SECTION ONE) from Berlin amount. (Prior to this exchange order there were no restrictions in Germany on transfers from Holland to Germany except the prohibition on the importation of German marks which is now removed.)

THREE. The new exchange order abolishes the requirement of permits for: (a). Transfer of interest, rental, and similar recurrent income from investments in Germany held by residents of Holland (thus eliminating the function of the conversion office in such transfers); (b). Repayment of credits granted by residents of / Holland to residents of Germany since 1931; (c). Payments up to 5000 marks per person per month for all purposes except for purchase of those commodities still requiring permits (see below) or for insurance payments; (d). Disposal and acquisition of investments and proceeds thereof in Germany by residents of Holland (but not capital transfers to Holland); (e). The sending of securities from Germany to Holland through German banks authorized to deal in foreign exchange.

MORRIS

HPD

KD

GRAY

Berlin

Dated November 4, 1940

Rec'd. 9:44 p.m.

Secretary of State,  
Washington

4586, November 4, 6 p.m. (SECTION TWO)

Four. Permits are still required but will be "generously" issued for: (a) transfers of larger sums "if economically justified": (b) transfers of proceeds from the sale or repayment of investments in Germany including blocked accounts provided they were held by residents of Holland on November 1, 1940.

Five. The provisions of the German Dutch standstill agreement of 1940 and the trade grabbed credits are not affected however. Provisions are included to prevent transfers to Jewish emigrants from Germany. The relaxations do not apply to the Danes and Young loans or to Austrian, Czechoslovak and Danzig government banks.

Six. Persons transferring their residence from the Netherlands to Germany are not required to offer their foreign holdings to the Reichsbank.

Seven.

-2- #4586, November 4, from Berlin.

Seven. Permits for payments for imports from Holland are required only for articles contained in a list annexed to the order and are not required for all other imports which include virtually all agricultural products and most finished goods.

Eight. While transfers will in the first instance be through the intermediary of German banks authorized to deal in foreign exchange these banks must clear all such transfers through the German clearing office with the exception of social insurance payments which as heretofore will be made through the post office system.

Nine. Provision is made for the continued application of 1936 law to prevent undue profits from the devaluation of foreign currencies.

MORRIS.

KLP



PARAPHRASE OF SECTION THREE OF TELEGRAM NO. 4586  
DATED NOVEMBER 4, 1940, 6 P.M., FROM THE  
AMERICAN EMBASSY, BERLIN

A far-reaching relaxation of the restrictions on payments between Holland and Germany is provided by this order, which is without precedent since adopting exchange control to make payments to a country which is nominally independent. The fact that Holland is the state that has been chosen for the experiment is significant. Holland apparently has been selected to be the first non-annexed nation that will be closely integrated with Germany economically, since the economy of Holland complements that of Germany and the port of Rotterdam is of considerable importance to Germany.

(END OF MESSAGE)

MORRIS

EA:MSG

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin.

DATE: November 4, 1940, 7 p.m.

NO.: 4587.

This is in continuation of Embassy's telegram no. 4586 of Nov. 4, 6 p.m.

It is probable that the new exchange order has the purpose of making Germany's economic rule more acceptable to the people of Holland, especially the Dutch creditors of the Reich; it is also a significant step toward incorporating Holland into Germany's so-called new European economic order.

On the other hand, the new exchange order's immediate effect very likely will be to expedite the present program of draining goods and materials out of Holland.

One thousand overvalued marks can now be taken by a German traveler on every trip he makes into Holland; this affords him a personal shopping fund which is substantial. It is possible for a German importer (see paragraph 7 above) to obtain, without a permit, unrestricted amounts of exchange with which to buy a great number of Dutch goods including practically all of the agricultural commodities which Germany is deficient in.

It is presumed that the result will be that Holland will accumulate credits and balances of marks which are technically free but are almost as unutilizable as if they

-2-

they were blocked marks since Germany in wartime has very few reserves or surpluses of useful economic products which they could be exchanged for. I discussed this subject with a high official source, who admitted that the new arrangement contained difficulties which would have to be overcome, but he argued that Germany found it possible to increase the value of her exports to certain countries even under the present circumstances. He stated that Germany now had a favorable balance of payments with Sweden and that Germany's exports to Rumania were increasing in value more rapidly than Germany's imports from Rumania.

No doubt the latter phenomenon can partly be explained by the fact that Germany is using her monopoly position to increase the prices of its exports; furthermore, a higher exchange rate for marks in Rumania and in other countries is being insisted upon by Germany.

(END OF MESSAGE)

MORRIS

EA:MSG



For Miss Chauncey

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 4, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

Mr. Cameron of the Federal Reserve Bank of New York reported the following transaction in the account of the Banca Commerciale Italiana, New York, maintained with the Chase National Bank of New York.

<u>Date</u>	<u>Amount Credited</u>	<u>Account Credited</u>	<u>Received From</u>
November 4	\$300,000	Banca Commerciale Italiana, New York, for account of Direzione Centrale Banca Commerciale Italiana, Milan	Chase National Bank, New York, by order Banco de la Provincia de Buenos Aires, Buenos Aires



MH

GRAY

Rio de Janeiro.

Dated November 4, 1940

Rec'd 2:32 p.m.

Secretary of State,

Washington.

563, November 4, 3 p.m.

My 338, July 8, 1940.

The Bank of Brazil will pay the third and final installment on November 5 on the arrears of profits and dividends of American companies. This disbursement will approximate 900,000 dollars.

Inform Commerce.

BURDETTE

TFV

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JR

GRAY

Montevideo

Dated November 4, 1940

Rec'd 5:36 p.m.

Secretary of State,  
Washington.

250, November 4, 5 p.m.

My despatch No. 632, October 23.

Guani informs me that the opening date for the regional economic conference of the River Plate countries has been definitely fixed by agreement of all the participating governments for January 15.

WILSON

EMB

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## CONFIDENTIAL

Receipt of Code Collingran Received at the  
War Department 647 a.m., Nov. 2, 1940

Athens, Filed 17:40, November 2, 1940

I have been informed by the Greek Military Attache that at the Greek Government's request Turkey has given a promise of assistance in case Bulgaria attacks Greece. In the event that Italy occupies the Saloniki area alone, and does not threaten to invade Thrace, the Greek Military Attache does not believe that Turkey will actively assist his country.

KLMC

Copies to: Military Aide to the President  
Secretary of War  
State Department  
Secretary of Treasury  
Asst. Secretary of War  
Chief of Staff  
GHI  
WFO

CONFIDENTIAL

JH

PLAIN

Athens

Dated November 4, 1940

Rec'd 5:10 a.m., 6th

Secretary of State,  
Washington.

278, fourth.

By law effective retroactively from October 28 following moratorium regulations enforced throughout Greece.

One. Statute of limitations suspended on all civil and commercial claims.

Two. All legal time limits on civil, commercial and administrative matters suspended.

Three. All contractual time limits arising from contracts concluded prior October 28 suspended if involving payment damage or indemnities.

Four. Enforcement of all civil and commercial court judgments and orders suspended judgments against or in favor of banks and banking loans on collateral exempted.

Five. No hearings in default in criminal cases involving mobilized defendants.

Six. No judgments by default in civil and commercial claims including bankruptcy proceedings except if banks are involved or claim arises from labor legislation.

Seven.

-2-

Seven. No evictions for nonpayment of rents or termination of lease involving mobilized persons.

Eight. Holders of bills of exchange promissory notes and checks issued before and falling due after October 28 are relieved without prejudice of obligation to protest same for nonacceptance or payment.

Nine. Provisions cover all contracts entered into through November 14, 1940, but not subsequently.

MACVEAGH

RR

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C O P Y

## DEPARTMENT OF STATE

WASHINGTON

November 4, 1940

In reply refer to  
Eu 859B.5151/2

CONFIDENTIAL

My dear Mr. Secretary:

I enclose for your consideration a copy of a memorandum dated October 12, 1940, left at the Department by the Minister of Denmark, regarding a proposal to maintain the exchange rate between the Greenland Kroner and the United States dollar at five Greenland Kroner to the dollar. It is my understanding that this proposal has the approval of the Greenland authorities.

I would welcome any comments regarding this proposal which you may care to make.

Sincerely yours,

For the Secretary of State:

(Signed) A. A. Berle, Jr.

Adolf A. Berle, Jr.,  
Assistant Secretary.

Enclosure:

From Royal Danish  
Legation.  
October 12, 1940.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

dm

ROYAL DANISH LEGATION  
WASHINGTON, D.C.

October 12, 1940.

MEMORANDUM re GREENLAND EXCHANGE.

Prior to the occupation of Denmark, the Greenland Kroner was maintained at par with the Danish Kroner.

In view of the fact that the bulk of the export and import business of Greenland in future will be with the United States, it is felt desirable that the Greenland Kroner stand in a fixed relation to the U. S. Dollar.

In fixing the rate, there are two main points, namely:

- A. - the technical consideration.
- B. - the practical and social consideration.

Ad "A", the technical consideration may be divided into the following three parts:

- 1. - the intrinsic value of the present kroner outstanding;
- 2. - the general trade balance;
- 3. - the local budget.

Ad "1", we find that (a) the circulation at present scarcely exceeds Kr.100.000, and it is estimated that at the height of the season there will be outstanding maximum Kr.300.000.

(b) the Greenland authorities as such - eliminating any accounts current on which there may be a debit or credit with Denmark - owe nothing in the shape of either bank overdrafts or loans, but that thru their savings bank there is an accumulation of savings which per the 1st of March 1940 amounted to Kr.800.000.

(c) the Greenland authorities are responsible for their currency; and, inasmuch as there is no gold on deposit with foreign banks against same, the cover therefor must be deemed to be goods-in-warehouse - the very goods which the holders of the currency would wish to obtain in exchange for such currency -. Such goods-in-warehouse suitable for consumption were estimated to represent a value per the 1st of March 1940, which generally is the low point, of minimum Kr. 4.000.000..

In light of the foregoing the Greenland Currency would appear to be strong, in that the free assets - the very assets which the owner of the currency or savings bank deposits would wish to acquire - would seem to amount to approximately four times the liability.

Ad "2", the general trade balance, based partly on past experience but more particularly on present and future conditions, it is estimated that the export of cryolite and other products should net between \$1.750.000 and \$2.000.000 and that the import of necessaries could be held down to



approximately \$1,000,000.. The amount of imports may well be increased and some U. S. Dollars may be placed at the disposal of foreign laborers and the Greenland population, but only if conditions warrant it. From this angle there is no reason to expect that the trade balance will not be in favor of Greenland.

Ad "3", the local budget in Greenland Kroner. In effect both the exports and imports are handled by the authorities. There are no direct taxes, which would be impracticable. The logical way to collect the equivalent of taxes would be to make a profit on the exports and imports. This has not been done in the past, for the authorities have been and will continue to be anxious to give the population good merchandise at reasonable prices. All salaries in respect of the local administration, health, school and church departments were in the past paid by the Danish Government, which, in turn, to a large extent, covered these outlays, thru the income of the Kryolith Mine. It is estimated that, if this policy is continued and even should the trade show a small deficit in the future, the outlays necessary on the part of the local authorities should not exceed at the outside Kr.2,000,000, which should be more than covered by the net income of the Kryolith Mine. Accordingly, there is no reason to fear that the local Greenland Kroner budget can not be balanced.

Therefore, from the standpoint of the "technical consideration", the exchange rate between the Greenland Kroner and the U. S. Dollar could be fixed and maintained at practically any value within reason. As a result reasonable discretion can be used when it comes to considering.

"B", the practical and social aspects, under which heading it is felt desirable that the Kroner-Dollar rate be fixed at a level which would create the least disturbance to the Greenland economy in general. Particularly because of the mentality of the native Greenlander, it is deemed important that he should be able to continue to fill his customary requirements at the same price level as heretofore and that changes in salaries and wages, with the consequent complications, should be avoided, while at the same time maintaining the present standard of life of the native. On the basis of a list of approximately 30 items representing necessities which the average Greenlander with an income of Kr.1,000 per annum would buy - apart from such items as tobacco, etc. -, it is found that, if the rate were fixed at Greenland Kr.5.- to the U. S. Dollar, the present price level for the necessities could be maintained. This rate would have the further advantage that it would come very close to the value of Kr.5.18 to the U. S. Dollar, to which the Greenlander has been accustomed.

Simultaneously with the fixing of this exchange rate, an arrangement would be made for a certain exchange control. Facilities would also be given the Danish population in Greenland, who of necessity must be able to import for personal use certain goods from abroad - mainly the United States -, to which they are accustomed, whereby they would be enabled to use a certain percentage of their yearly income for conversion into U.S. Dollars, for either the purchase of goods or savings.



- 3 -

Such facilities under the exchange control could be amended from time to time, with due regard to general economic conditions.

It is not contemplated, for the present at any rate, to allow past savings to be converted into U. S. Dollars; and all possible safeguards are being worked out to avoid any transfer of Greenland Kroner into Danish Kroner and vice versa, via the U. S. Dollar, at any rate without a permit from both the Greenland and the United States authorities.

On the basis, therefore, of the "technical consideration" described under "A" and the "practical and social consideration" described under "B", it is suggested to fix the exchange rate at Greenland Kr.5.- to the U. S. Dollar - that is, a value of 20 cents per Greenland Kroner -.

RDS

PLAIN

STOCKHOLM

Dated November 4, 1940

Rec'd 10:32 p.m.

Secretary of State,  
Washington.

1016, Fourth

In million crowns Riksbank October 31 metallic cover 63 foreign exchange reserves 774 loans discounts 700 circulation 1437 government income July September quarter 251 a decrease of 9 from last comparable period. Defense loan closed at estimated 760 adjusted budget returns year ended June 30 shows deficit 924 customs receipt July September quarter 35 a decrease of 26 from year ago. Coffee sugar gasoline soap rations again reduced and effective November 3 stock of rice cheese with fat content 30 percent and over and syrup expropriated and rationed and heavy cream no longer sold. Retail price index October 15 was 128 point 2. Refer Legation's despatch 465, March 14, 1940 American owned deposits in Swedish commercial banks September 30 were free 2 point 3 million crowns blocked 36 point 8.

INFORM TREASURY, COMMERCE.

STERLING

NPL

## TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

CONFIDENTIAL

DATE November 4, 1940

TO Secretary Morgenthau  
FROM Mr. Haas  
Subject: The Business Situation,  
Week ending November 2, 1940.

Summary

(1) Business activity continues to expand. The FRB index in October reached a new record high of 127, according to tentative estimates of the Federal Reserve Board. This compares with 125 in September and 121 in the preceding 3 months. The New York Times index in the week ended October 26 reached a new high since September 1937, and Barron's index gained 2.2 points in the same week.

(2) Basic commodity prices showed but little further gain last week, following a steady rise which began in August, as buying slowed down in a pre-election lull. An advance in wool prices was the most important exception to the general trend. Prices of foodstuffs actually declined.

(3) The press took notice last week of additional evidence that raw material shortages are developing, which may hamper the defense program unless corrected, and which create doubts about the ability of industry to supply civilian demand. Iron ore, coke, pig iron, and zinc were among the products of which shortages were mentioned.

(4) A study of the past relationship of freight car surplus to related business factors indicates the possibility of a freight car shortage in 1941, even with the addition of new equipment recently reported to be under consideration.

(5) Steel orders have increased further since the formation of the new Priorities Board, and steel operations show another slight advance to 96.0 per cent. Capacity limitations in this industry continue as a potential threat to full development of the national economy and the defense program.

- - - - -



Secretary Morgenthau - 2

Reports of material shortages

With orders for steel and a number of other basic defense materials being received in excess of current production, reports of possible shortages of various products are appearing more frequently in the news. The situation received greater prominence last week, when the appointment of the Priorities Board brought a new rush of steel orders from buyers eager to provide against possible restrictions on deliveries. The Iron Age reports that a shortage is apparently developing in pig iron, although it may not become serious for some months in view of the substantial stocks in producers' yards. However, there is now a scarcity of low phosphorous pig iron, according to the Iron Age, and coke is approaching a condition of extreme shortage. Stocks of zinc continue very short, despite an increase in production in September, and the inability of smelters to fill current orders for zinc has steadily increased the tonnage of unfilled orders.

Although every one of the 296 boats of the Great Lakes ore fleet is now in operation, one trade estimate indicates that by May 1 next year stocks of iron ore at furnaces and lower lake docks may be reduced to the lowest level since records were first kept in 1918, if steel production during the winter averages no higher than the August-September level of 90.5 per cent of capacity. It is calculated that a 90.5 per cent rate would reduce stocks to about 12,000,000 tons by May 1, or somewhat lower than the record low stocks of 14,632,000 tons on that date in 1937. In that year the steel mills were able to get along with the small stocks, though some ran short of certain grades of ore.

In the meantime, the pace of industrial production, and the consumption of industrial raw materials, is steadily increasing. Tentative Federal Reserve Board estimates indicate that the FRB index rose to about 127 in October, a new record high, which compares with 125 in September and 121 in the three previous months. Increases in October, according to data so far available, were particularly marked in certain consumer-goods industries -- automobiles, cotton textiles, and rayon. The New York Times index in the week ended October 26 continued to rise, reaching a new high since September 1937.

Secretary Morgenthau - 3

Commodity prices steady

Basic commodity prices rose but little last week, following the steady advance that has been under way since mid-August. Reports from various markets indicated that the nearness of the national election had brought some profit taking and caused a postponement of new buying. An increase in prices of industrial raw materials during the week was all but offset by a decline in foodstuffs. (See Chart 1, upper section.)

An advance in wool prices, which showed the greatest percentage increase for the week, and increased prices for rosin and tallow were the only important exceptions to the general trend. (See Chart 1, lower section.) Besides wool, hides and wheat continued among those showing the greatest percentage increases since their August lows, with rosin and tallow now added to this group. But wheat declined for the week, as did corn, hogs, cotton, tin, and silk.

Demand for non-ferrous metal continues strong

Of the three major non-ferrous metals, copper, lead, and zinc, the price of lead has advanced the most since its August low. Unlike copper and zinc, however, refinery lead production in September was not approaching estimated capacity. According to the American Bureau of Metal Statistics, refinery production from domestic and foreign ore in September was 51,000 tons, whereas usable refinery capacity in 1939 was estimated by the same authority as approximately 79,000 tons a month. Although stocks of refined lead at the end of September were down to 41,000, the lowest since at least 1930, large stocks of Mexican lead are held in bond in this country.

In the week ended October 26 sales of zinc were again high, 11,000 tons as compared with a weekly average in the year so far of 6,000. Since shipments are not keeping pace with new orders, the backlog of unfilled orders rose to 105,000, a new high for the year. This compares with the year's low of 31,000 tons reached in the week ended February 17.

Sales of copper in October for future delivery were still very high, although substantially below the record high reported for September. The October total was 125,000 tons,



Secretary Morgenthau - 4

compared with 254,000 in September, the two together representing the largest sales in any 60-day period since records were started in 1934.

#### Wool shortage largely in fine grades

The sharp percentage increase in the price of wool last week (see Chart 1) follows a steep rise that began in August, which has carried wool prices above the level reached at the height of buying last autumn. Chart 2 shows weekly and monthly spot prices for wool tops, together with daily futures prices. From a comparison of the two upper parts of this chart, it will be noted that the recent sharp increase in spot prices was anticipated by a rise in futures prices in September. The fact that futures prices in October have shown a more gradual increase may indicate that the demand is beginning to slacken. From the lower grid of this chart it is apparent that the general level of spot prices in 1939 was below the high levels of 1937.

Judging by the stocks of wool at the end of September a general shortage may well be avoided. The Bureau of the Census reports that total stocks on that date were 127 million pounds, or 9 million pounds larger than on the same date in 1939. They were only 1 million pounds lower than in June, when the last previous report appeared. Whatever danger of shortage exists arises largely from the fact that Army contracts specify the use of domestic wool and include a large proportion of fine grades. The available supply of fine wools from abroad is limited.

#### The steel situation

A rush of steel buyers into the market followed announcement last week of the formation of a Priorities Board, which was taken to indicate that a shortage of steel for non-defense uses was nearer at hand than had generally been anticipated. A strong increase in steel buying during the latter part of October is estimated in trade circles to have raised the volume of new orders in that month about 20 per cent above the September level. Orders reported by the U. S. Steel Corporation for the week ended October 24 continued above capacity, though declining to 106 per cent of capacity from the high figure of 122 per cent in the previous week.

Steel ingot production has continued to increase gradually, with tonnage output well in excess of 1929 levels.



Secretary Morgenthau - 5

The operating rate last week rose 0.8 point to 95.7 per cent of capacity. Operations for the current week are scheduled at 96.0 per cent.

The structural steel division of the steel industry is particularly busy. According to figures released during the past week, new orders for fabricated structural steel in September were the highest since April 1931. Engineering construction awards have been running at very high levels in recent weeks, by far the greater proportion of the work being for public construction. However, contracts awarded during the week ended October 31 reveal that private heavy construction is beginning to bulk larger in the total figures. Thus largely as a result of a \$37,000,000 contract award for the Wright Aeronautical Corporation plant at Cincinnati, private engineering construction during the week mentioned reached the highest level since March 1930.

Reflecting the heavy export demand for steel, foreign buyers took 965,444 tons of steel in September and 251,116 tons of steel scrap. Since October 15, when restrictions were imposed on some exports of scrap, it is reported in the press that Japan has been placing tonnage orders for warship and merchant ship plates and for special steels for industrial uses.

#### Steel capacity limitations

Capacity limitations in the steel industry apparently continue to offer a potential threat to the fullest development of the defense program, as well as to the full expansion of the national economy. While the industry is reluctant to start an expansion program without full information on the amount of steel and basic steel materials likely to be needed, the national emergency would seem to demand a surplus of steel capacity in order to make allowance for:

- (1) temporary emergencies, such as the coal and coke shortage which disrupted steel production during the World War;
- (2) an expansion in British demand, due to destruction of British plants and to increased ship requirements;
- (3) a further expansion in civilian uses of steel, which may well establish new records in 1941 and 1942; and
- (4) possible miscalculations in our own defense requirements.

Secretary Morgenthau - 6

Possible freight car shortage

The adequacy of existing freight car equipment seems likely to be seriously called into question in the fall of 1941, when an expected strong increase in the volume of freight movement required under the defense program, coinciding with the seasonal peak movement of agricultural products, may find the railroads with fewer available freight cars than in 1937. The number of freight cars owned by Class I railroads in August this year was reported at 1,641,000, which compares with an average of 1,733,000 in 1937. A steady decline during the past decade has been due to the rapid retirement of old cars, which has not been entirely offset by the increased equipment buying in recent years.

Under these conditions, special significance attaches to a report which appeared some weeks ago that the Association of American Railroads had recommended the purchase of approximately 100,000 freight cars over the next 12 months, a report which was later denied by the Association. Even this number, however, would not do much more than offset the current number of cars retired each year, which in 1939 amounted to 82,000. New freight cars ordered by the railroads from the beginning of the war to the end of September 1940 totalled 77,000.

Despite new equipment purchases and car repairing programs in recent years, the average net surplus of freight cars in 1940 will probably be as low as in 1937, with the volume of freight slightly higher than in that year. (See Chart 3, upper section.) Reflecting an approaching tightness, the net surplus of freight cars reported in October (lower section of chart) dropped practically to the low reached last fall, and somewhat lower than in 1937. Not much further increase in freight loadings would be needed to run into actual shortages in some areas, judging from these data, yet industrial production seems headed toward substantially higher levels.

To determine the probable freight car situation next year under expanding industrial requirements, we have studied the past relationship between (1) the average net surplus of freight cars each year, (2) the level of industrial production (which largely determines the volume of freight carried) and (3) the number of freight cars owned



Secretary Morgenthau - 7

by the railroads. The study makes allowance for the decreasing proportion of freight carried by rail, and for the increased efficiency of the railroads, reflected in a smaller number of cars needed per ton of freight handled.

On the basis of this study, if the FRB index next year should average 135, and if the number of new cars added by the railroad companies should equal the number of old cars retired, the net freight car surplus next year would drop close to zero. Under these conditions actual shortages would develop in some areas, probably becoming severe at the peak of the crop moving season.

#### Export freight lower in October

A declining tendency in the movement of freight for export in the North Atlantic area is shown by export freight data for October. The volume of freight exported from New York during October (see Chart 4) was lower than in September. While receipts of freight for export at that port were well maintained during October, a decline at 9 other North Atlantic ports (see Chart 5) reduced the total for the four weeks ended October 26 to 27,062 cars, from 28,263 cars in the previous four weeks.

In view of the decline in exports from New York during October, while receipts of export freight at that port continued high, there has been some piling up of export freight in New York. The number of carloads in storage and on hand for unloading has increased to 9,062 on October 26, as compared with 8,057 on September 28.

#### New orders still high

Our new orders index for the week ended October 26 remained high, although it registered a decline compared with the unusually high level of the preceding week. (See Chart 6.) Although steel and textile orders were somewhat lower, the total excluding steel and textiles advanced as compared with the preceding week.

#### Weekly business indexes

With all but two components showing gains, the New York Times index of business activity during the week ended October 26 rose 1.2 points to 109.3. (See Chart 7.) As a result the index stood at the highest level since the beginning of September 1937.



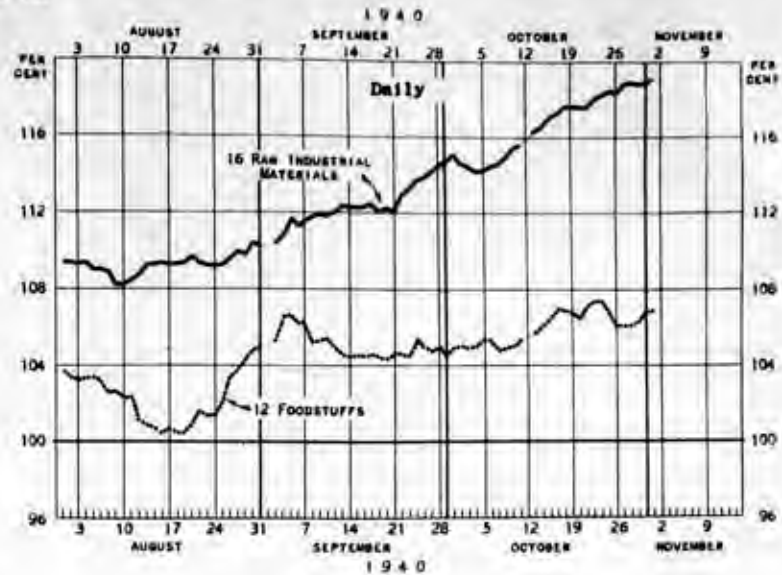
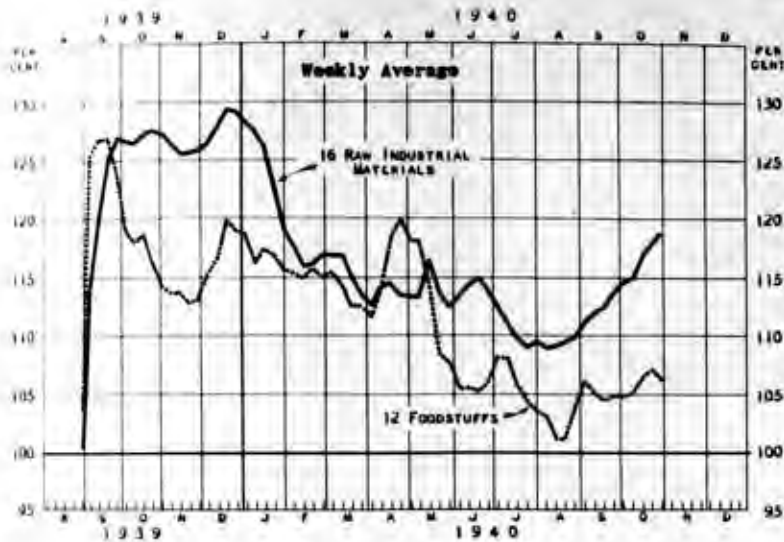
The principal factor in the rise was a sharp contra-seasonal rise in freight carloadings to a new high for the year. The rise mentioned was due largely to a further recovery in bituminous coal shipments, which had slumped after the establishment of minimum price regulations at the beginning of October. The index of electric power production also contributed importantly to the rise, with an increase in electric power production to the highest figure on record. The adjusted index of steel ingot production rose as a result of another contra-seasonal gain in steel ingot production to the highest actual operating rate since 1929. The adjusted index of lumber production also showed a good gain.

On the other hand, the adjusted index of cotton mill activity declined rather sharply as a result of a contra-seasonal decline in actual production. In addition the index of automobile production showed another sharp decline, despite a rise in actual output of more than 2,000 units.

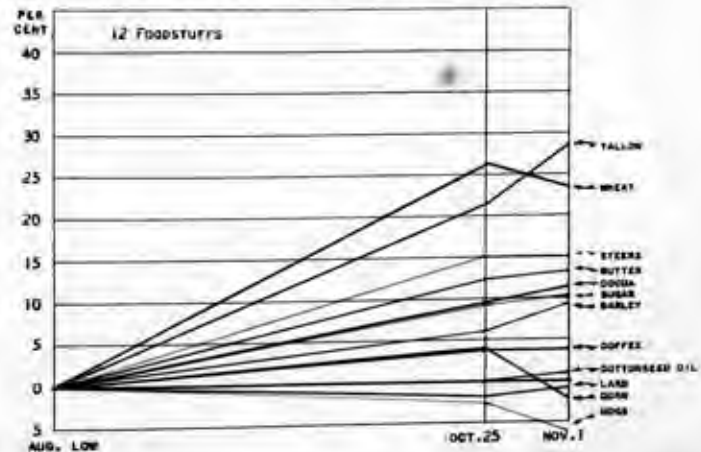
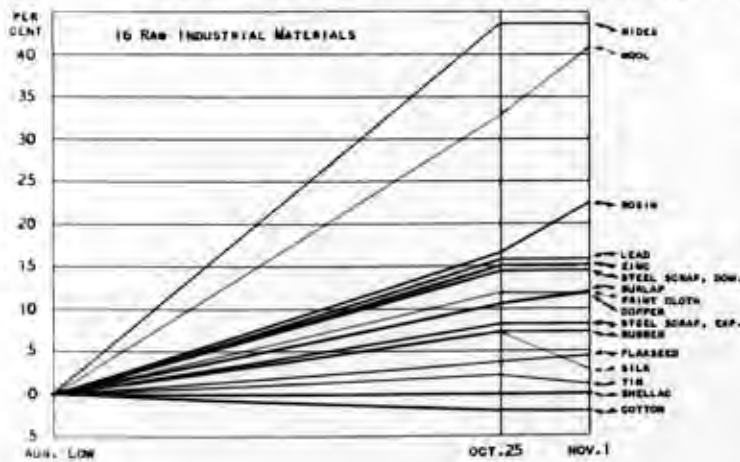
Barron's index of business activity for the week ended October 26 advanced at even a faster pace than the Times index and reached a new high on the current rise. As a result the index stood at 118.9 as compared with 116.7 in the previous week. (Refer to Chart 7.)

Preliminary data for the week ended November 2 reveal a further moderate contra-seasonal increase in steel ingot production and a further gain of 1,000 units in automobile production to a new high for the year. However, the adjusted index of automobile production will again show a substantial decline due to the distortion which has occurred this year in the normal seasonal pattern of production.

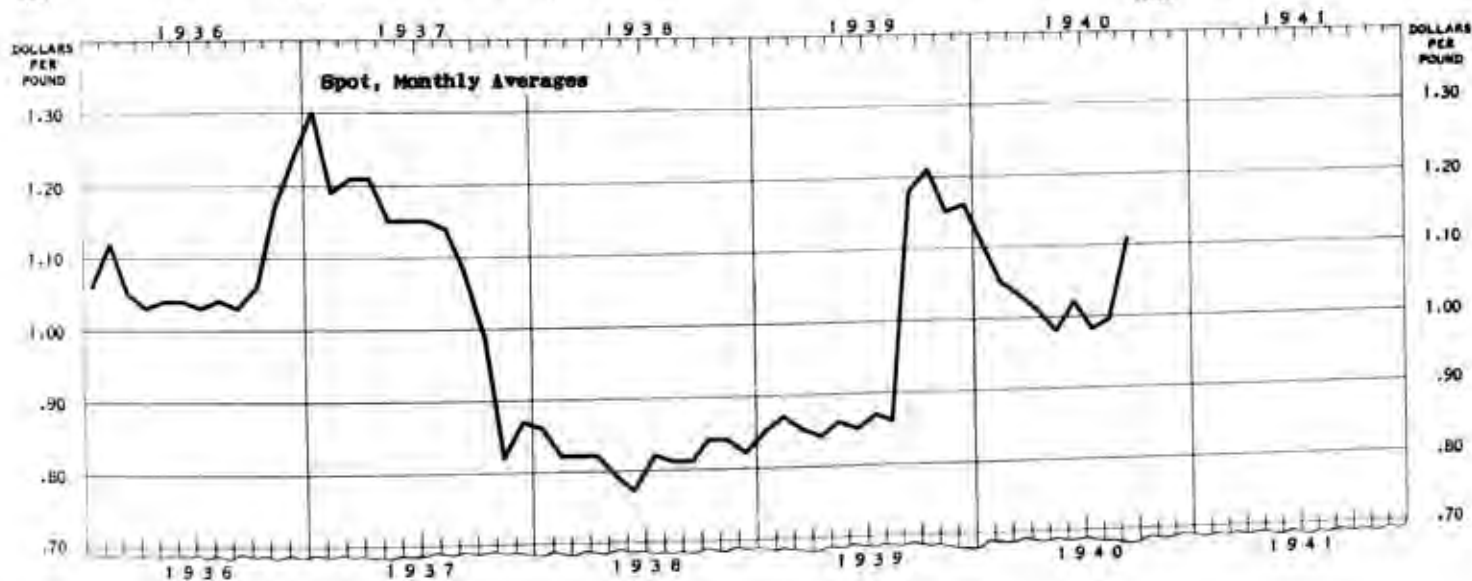
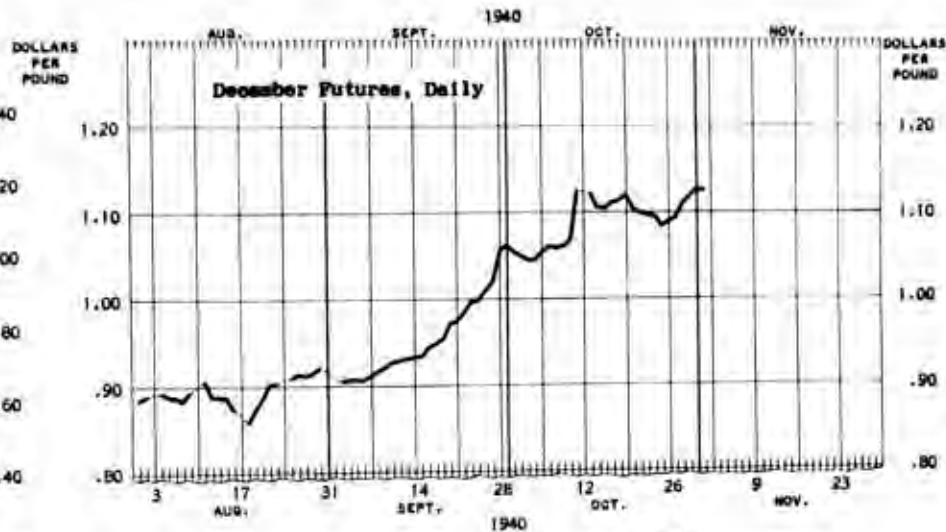
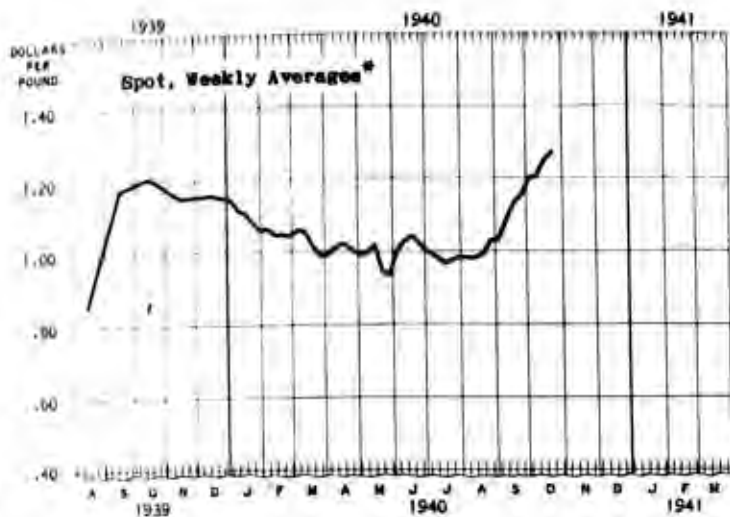
MOVEMENT OF BASIC COMMODITY PRICES  
AUGUST 1939 = 100



Percentage Change for Individual Commodities, August Low to October 25, and to November 1, 1940



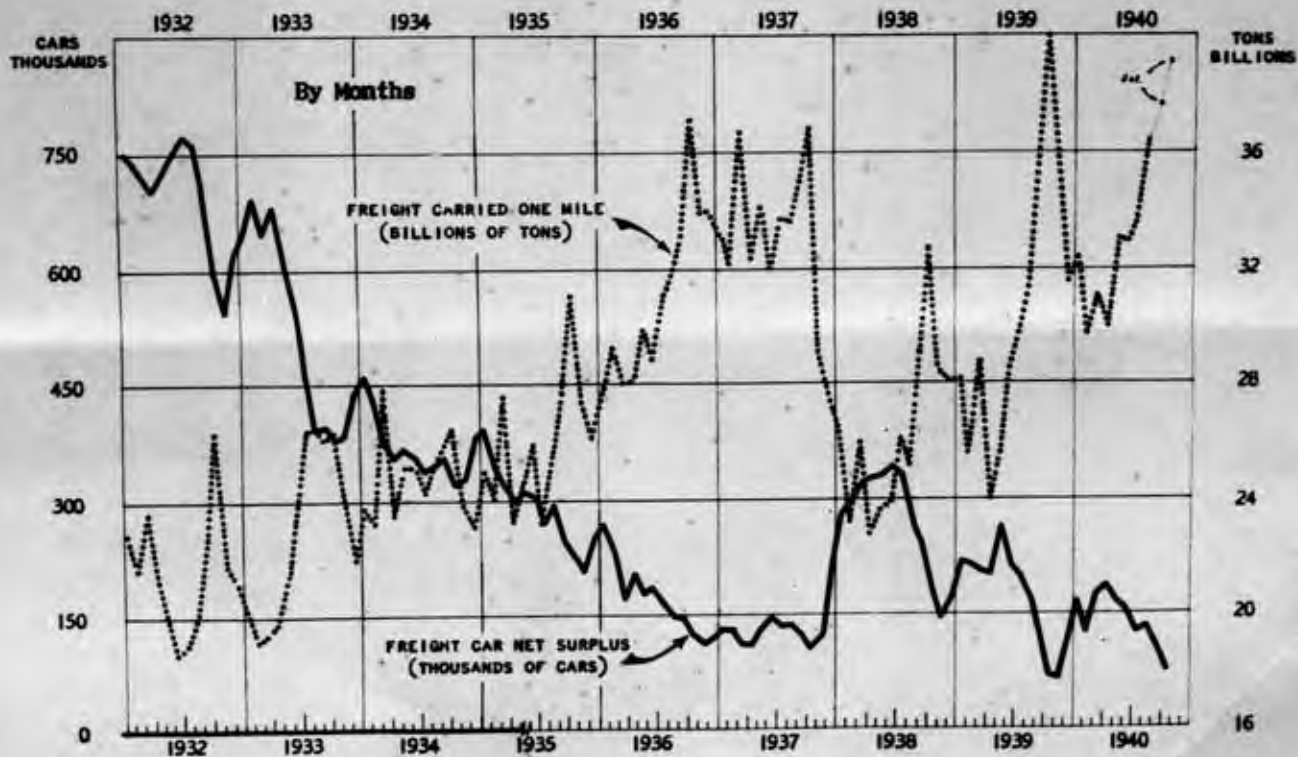
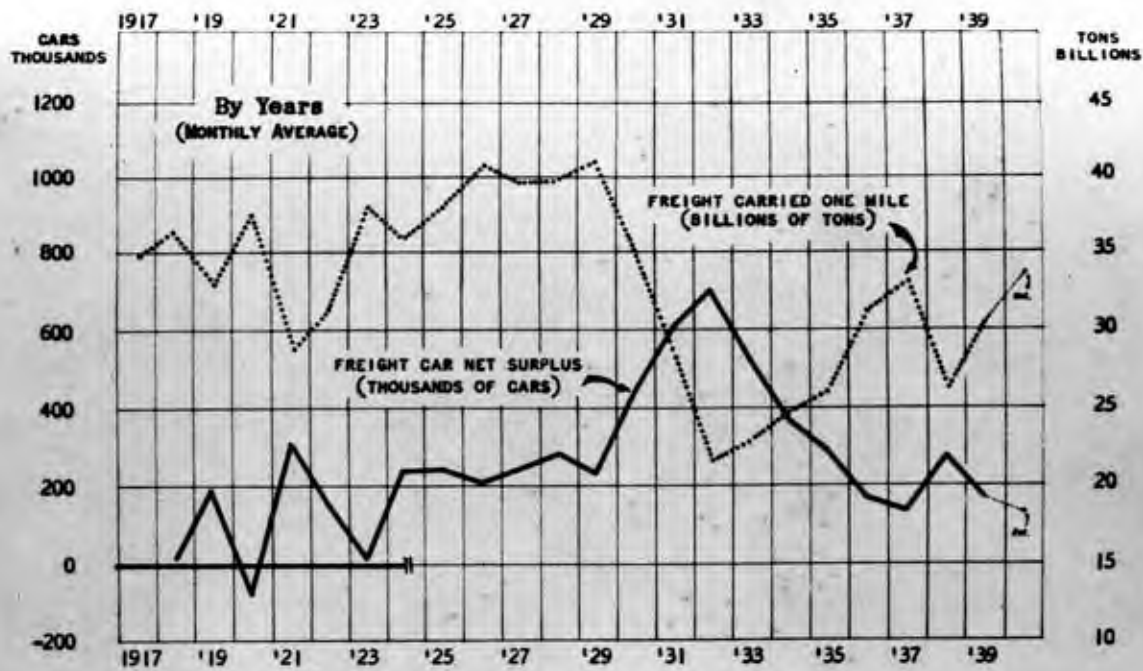
PRICES OF WOOL TOPS IN NEW YORK



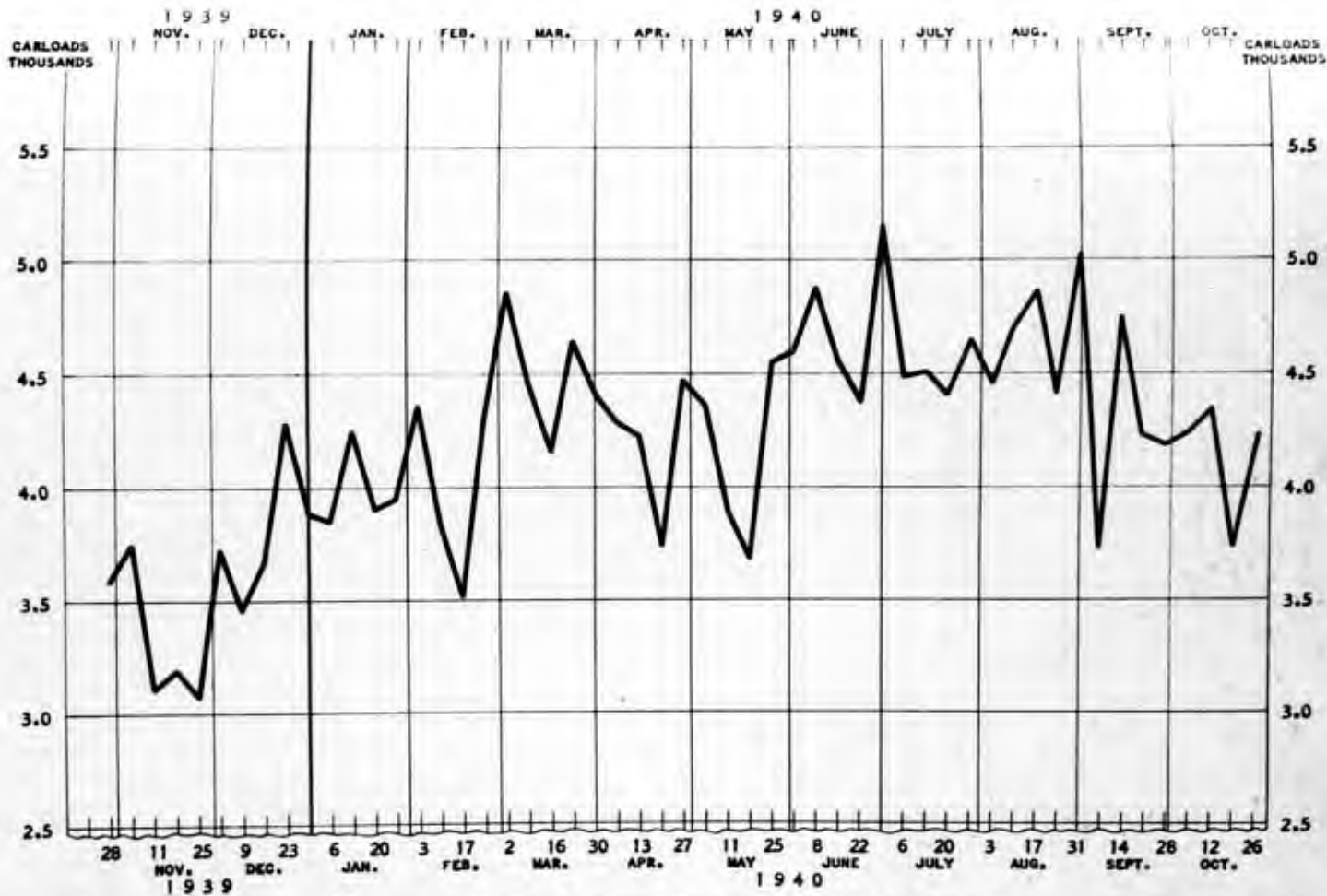
\* AUGUST TO DECEMBER 1939, MONTHLY AVERAGES



FREIGHT CAR NET SURPLUS COMPARED WITH FREIGHT TRAFFIC



CARLOADS OF FREIGHT EXPORTED FROM NEW YORK\*



\* AS ESTIMATED FROM DATA OF GENERAL MANAGERS' ASSOCIATION OF NEW YORK.

Office of the Secretary of the Treasury  
Division of Research and Statistics

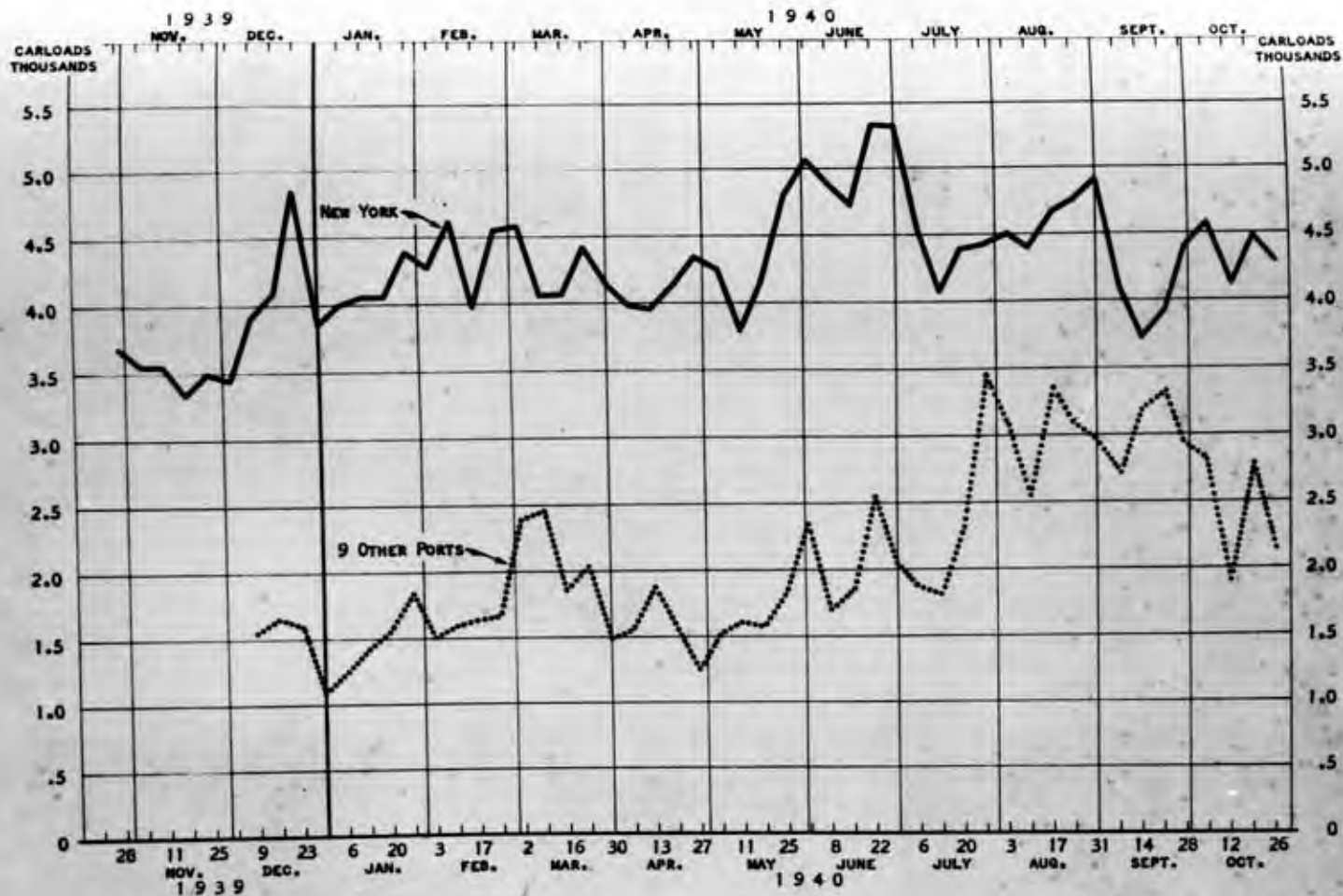
C - 308 - 1

Regraded Unclassified

120

Chart 4

RECEIPTS OF FREIGHT FOR EXPORT AT NEW YORK  
AND AT 9 OTHER NORTH ATLANTIC PORTS

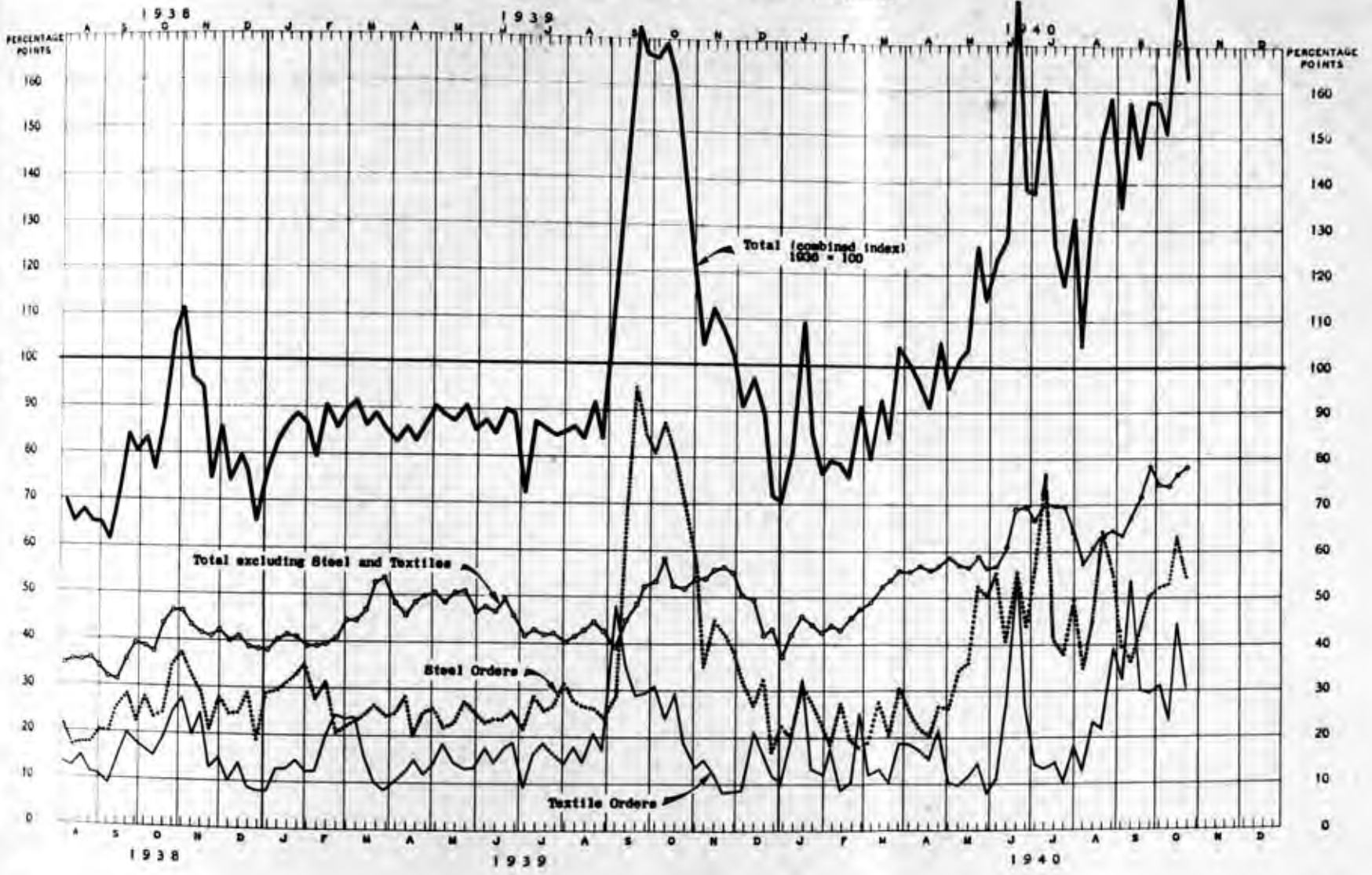


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Chart 5

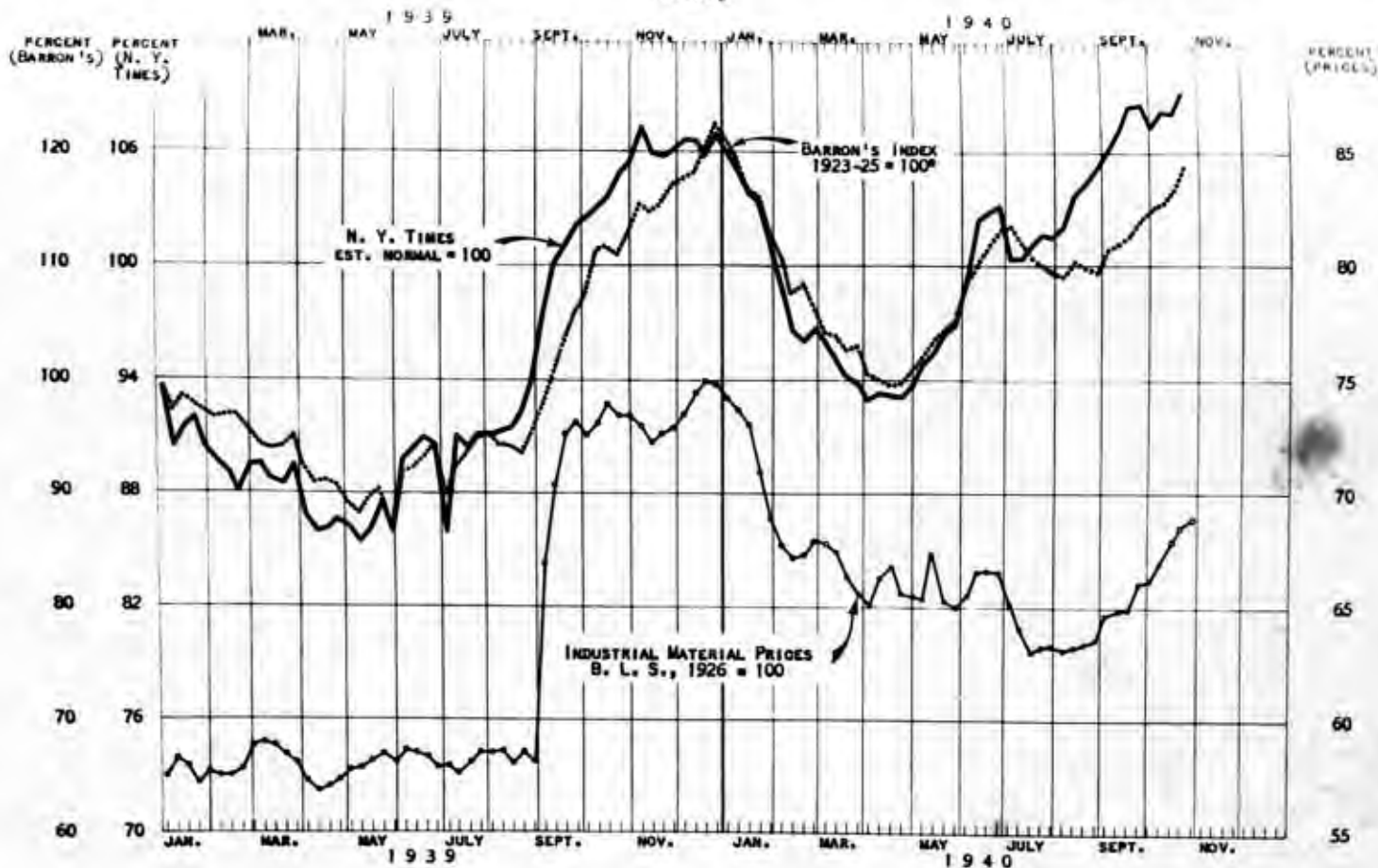


### INDICES OF NEW ORDERS Combined Index of New Orders and Selected Components



Office of Economic Warfare, U.S. Department of the Treasury  
Division of Economic Warfare Statistics

INDEXES OF BUSINESS ACTIVITY AND PRICES OF INDUSTRIAL MATERIALS  
Weekly



\*ADJUSTED FOR SEASONAL, NOT FOR TREND

Office of the Secretary of the Treasury  
Division of Research and Statistics

C - 305

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Chart 7

PARAPHRASE

The following is the substance of a telegram (no. 15) dated November 4, 1940, from the American Consul assigned to Saigon but now temporarily at Hanoi:

I was told this morning that the Japanese are virtually assured of obtaining the next three months' rubber production of Indochina, and are seeking a monopoly of mineral productions. My informant is a prominent banker who is assisting in the economic discussions mentioned in my telegram no. 14 dated October 14, and he said that another subject of discussion is the question of payment for Indochina's exports to Japan. He told me the Japanese are inclined to insist that such payments in yen may be converted into foreign currencies only after a period of months, while the French desire is payment in a strong foreign currency (American dollars) or in yen convertible immediately into such a currency. He remarked that he felt Japanese influence might be so strong as to force acceptance of the Japanese arrangements for payment, although the Bank of Indochina is opposed to the proposal which amounts to a credit to Japan, on the ground that it would tend to bring about inflation, stating that since the armistice and the blocking of 75 percent of the bank's credits in the United States the bank's note issue has increased only about 10 percent.

eh

COPY



Rangoon, Burma, November 4, 1940.

SUBJECT: Burma's transit trade with China, in supplies other than war materials, in September 1940.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON, D. C.

SIR:

I have the honor to report that Burma's transit trade with China in September 1940, in supplies other than war materials, had a value of Rupees 13,930,316, or approximately \$4,179,095 at the average rate of exchange for the month.

The first six months of the present fiscal year ended with September, and the total value of the transit trade during that period was Rupees 65,490,613, or about \$19,647,185. To this total trade direct imports from the United States contributed a value of Rupees 24,131,145 (\$7,239,342), and the value of materials which reached Rangoon from Hong Kong and which were mainly of American origin was Rupees 25,214,478 (\$7,564,345).

Present statistics of transit trade with China cover shipments from Rangoon of imported goods destined for China, rather than actual re-exports to China, as some of the supplies may still be awaiting shipment across the border.

Customs statistics of the transit trade in September are being enclosed herewith.

Respectfully yours,

Austin C. Brady  
American ConsulEnclosures:  
Statistics.

## Distribution:

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

800-600  
ACB/ah/cp

eh:copy

UNITED STATES TRADE WITH OTHER COUNTRIES, 1945

(Amounts in Supplies, Quantities, and Values of Merchandise)

Commodity	United States Quantity Value	Hong Kong Quantity Value	Straits Settle- ments Quantity Value	China Quantity Value	Italy Quantity Value	Sweden Quantity Value	United Kingdom Quantity Value	Other Countries Quantity Value	Total Quantity Value
Milk food for infants (Owts.)	-	-	-	-	-	-	4	10	14
(Rs.)	-	-	-	-	-	-	(723)	(2,024)	(2,747)
Tinned or canned fish (Owts.)	2	-	-	-	-	-	-	-	2
(Rs.)	(204)	-	-	-	-	-	-	-	(204)
Canned or bottled fruits (Owts.)	8	-	-	-	-	-	-	-	8
(Rs.)	(277)	-	-	-	-	-	-	-	(277)
Canned vegetables (Owts.)	4	-	-	-	-	-	-	-	4
(Rs.)	(305)	-	-	-	-	-	-	-	(305)
Starch (Owts.)	-	-	-	-	-	-	-	-	-
(Rs.)	-	(5)	-	-	-	-	-	-	(5)
Sugar (Tons)	-	-	-	-	-	-	-	-	-
(Rs.)	-	(72)	-	-	-	-	-	-	(72)
Liquors, wines, & drinkable spirits, etc. (Gals.)	1	140	-	-	-	-	-	18,799	16,040
(Rs.)	(4)	(637)	-	-	-	-	-	(18,898)	(19,539)
Cigarettes (Lbs.)	137	-	-	-	-	-	-	-	137
(Rs.)	(561)	-	-	-	-	-	-	-	(561)
Oils, vegetable (Gals.)	-	371	-	10	-	-	-	-	381
(Rs.)	-	(1,586)	-	(71)	-	-	-	-	(1,657)
Oils, fish (Gals.)	-	249	-	-	-	-	-	-	249
(Rs.)	-	(423)	-	-	-	-	-	-	(423)
Wax (Owts.)	-	31	-	-	-	-	-	-	31
(Rs.)	-	(320)	-	-	-	-	-	-	(320)
Chemicals, all sorts (Rs.)	(118,711)	(197,548)	-	(5,898)	-	-	(9)	-	(320,164)
Drugs & medicines, all sorts (Rs.)	(9,311)	(188,762)	(501,060)	(507)	-	-	(3,138)	-	(697,768)

Commodity	United Kingdom Quantity Value	Hong Kong Quantity Value	Straits Settlements Quantity Value	China Quantity Value	Italy Quantity Value	Sweden Quantity Value	United Kingdom Quantity Value	Other Countries Quantity Value	Total Quantity Value
Spirits in drugs and medicines	(Gals.) -	1,207	-	8	-	-	-	-	1,215
	(Rs.) -	(11,041)	-	(254)	-	-	-	-	(11,295)
Spirits, other sorts	(Gals.) 2	-	-	-	-	-	-	-	2
	(Rs.) (80)	-	-	-	-	-	-	-	(80)
Paints, enamels & varnishes	(Rs.) (39,283)	(49,605)	-	-	-	-	-	-	(88,888)
Painters' materials	(Rs.) (605)	(22,424)	-	-	-	-	-	-	(23,029)
Dyeing and tanning substances	(Lbs.) -	21,616	-	1,060	-	-	-	-	22,676
	(Rs.) -	(58,601)	-	(2,348)	-	-	-	-	(60,949)
Printers' and lithographers' ink	(Rs.) -	(45)	-	-	-	-	-	-	(45)
Polishes, all kinds	(Rs.) -	(526)	-	-	-	-	-	-	(526)
Oils, essential, all sorts	(Gals.) -	2	-	18	-	-	-	-	20
	(Rs.) -	(205)	-	(198)	-	-	-	-	(403)
Soap, all kinds	(Cwts.) -	(20)	-	(10)	-	-	-	-	(30)
Pneumatic motor covers	(Nos.) 3,000	204	-	-	-	-	-	-	3,204
	(Rs.) (211,472)	(10,148)	-	-	-	-	-	-	(221,620)
Pneumatic motor tubes	(Nos.) 3,000	245	-	-	-	-	-	-	3,245
	(Rs.) (23,005)	(1,300)	-	-	-	-	-	-	(24,305)
Rubber manufactures	(Rs.) (15,690)	(3,987)	(15,963)	(32)	-	-	-	-	(35,672)
Cork manufactures	(Cwts.) -	3	-	-	-	-	-	-	3
	(Rs.) -	(590)	-	-	-	-	-	-	(590)
Manufactures of wood, other than furniture	(Rs.) -	(1,445)	-	-	-	-	-	-	(1,445)
Plywood	(Tons) 1	-	-	-	-	-	-	-	1
	(Rs.) (1,547)	-	-	-	-	-	-	-	(1,547)
Wood & timber not elsewhere specified	(Rs.) -	(65,695)	-	-	-	-	-	-	(65,695)
Paper & stationery, including paper manufs.	(Rs.) -	(23,915)	-	(7,315)	-	-	-	-	(31,230)



		United States	Hong Kong	Straits Settlements	China	Italy	Sweden	United Kingdom	Other Countries	Total
		Quantity	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity
		Value	Value	Value	Value	Value	Value	Value	Value	Value
Leather & leather manufactures, excluding boots & shoes	(Rs.)	(51)	(1,280)	-	-	-	-	-	-	-
Cotton, raw	(Tons)	-	(20)	-	-	-	-	-	-	(20)
Cotton twist & yarn, grey	(Lbs.)	-	38,340	-	424,314	-	-	-	-	462,654
Cotton manufactures, all sorts	(Rs.)	(2,555)	(114,164)	-	(180)	-	-	-	-	(116,999)
Cotton shirtings, white, dyed, & colored	(Yds.)	-	450,000	-	750,750	-	-	-	-	1,200,750
Cotton piece-goods, dyed, white & colored	(Rs.)	-	(95,128)	-	(178,057)	-	-	-	-	(273,185)
Jute manufactures, other sorts	(Yds.)	-	363,000	-	145,100	-	-	-	-	511,100
Other textile manufactures	(Rs.)	-	(240,761)	-	(53,272)	-	-	-	-	(294,033)
Woolen manufactures, other sorts	(Rs.)	-	(203)	-	-	-	-	-	-	(203)
Melting for machinery	(Rs.)	(28,995)	(37,523)	-	-	-	-	-	-	(66,518)
Woolen manufactures, other sorts	(Rs.)	(15,283)	-	-	(36)	-	-	-	-	(15,319)
Melting for machinery	(Rs.)	-	(6,665)	-	-	-	-	-	-	(6,665)
Garbage & rope	(Cwts.)	-	18	-	1	-	-	-	-	19
Apparel	(Rs.)	(660)	(2,463)	-	(86)	-	-	-	-	(3,209)
Hatteries & millinery	(Rs.)	(162)	(33,346)	-	-	-	-	-	-	(33,508)
Boots & shoes, all sorts	(Pairs)	-	(158)	-	(18)	-	-	-	-	(176)
Dangerous petroleum	(Gals.)	-	2,000	-	-	-	-	-	-	2,000
Fuel oils	(Gals.)	-	(1,219)	-	-	-	-	-	-	(1,219)
Lubricating oils, other sorts	(Gals.)	-	723,574	-	-	-	-	-	-	723,574
Mineral oils, other sorts	(Gals.)	-	(680,084)	-	-	-	-	-	177	(680,210)
Mineral oils, other sorts	(Gals.)	-	15,837	-	-	-	-	-	-	15,837
Mineral oils, other sorts	(Gals.)	-	(37,064)	-	-	-	-	-	-	(37,064)
Mineral oils, other sorts	(Gals.)	61,670	362,904	-	-	-	-	-	-	424,574
Mineral oils, other sorts	(Gals.)	(115,298)	(468,637)	-	-	-	-	-	-	(583,935)
Mineral oils, other sorts	(Gals.)	249	9,672	-	-	-	-	-	-	9,921
Mineral oils, other sorts	(Gals.)	(1,364)	(12,238)	-	-	-	-	-	-	(13,602)

Commodity		United States	Hong Kong	Straits Settlements	Siam	Italy	Sweden	United Kingdom	Other Countries	Total
		Quantity	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity
		Value	Value	Value	Value	Value	Value	Value	Value	Value
Mineral grease	(Lbs.)	76,473	72,582	4,030	4,000	-	-	82	-	137,065
	(Rs.)	(9,011)	(36,589)	(1,301)	(306)	-	-	(205)	-	(40,308)
Paraffin wax	-	-	(25)	-	-	-	-	-	-	(25)
Building & engineering materials	(Rs.)	(25,467)	(8,418)	-	-	-	-	-	-	(33,885)
Glassware, all sorts	(Rs.)	(9,682)	(800)	-	(38)	-	-	-	-	(10,520)
Articles of stone & marble	(Rs.)	(1,296)	(244)	-	(1)	-	-	(1,007)	-	(2,548)
Iron & steel products	(Tons)	2,465	2,367	-	55	1	515	174	-	5,575
	(Rs.)	(1,040,113)	(589,985)	-	(14,565)	(14,914)	(226,722)	(71,897)	-	(1,959,194)
Aluminum products	(Cwts.)	1,355	1,545	-	11	-	-	-	-	2,891
	(Rs.)	(264,688)	(37,052)	-	(594)	-	-	-	-	(302,334)
Brass & brass products	(Cwts.)	3,079	317	-	28	-	-	-	-	3,424
	(Rs.)	(285,736)	(22,999)	-	(2,391)	-	-	-	-	(311,126)
Copper & copper products	(Cwts.)	10,288	327	-	2	-	-	-	-	10,785
	(Rs.)	(482,216)	(40,895)	-	(161)	-	-	-	-	(523,072)
Lead & lead products	(Cwts.)	811	140	-	-	-	-	-	-	951
	(Rs.)	(8,513)	(2,920)	-	-	-	-	-	-	(11,233)
Zinc or spelter	(Cwts.)	7,572	12	-	-	-	-	-	-	7,584
	(Rs.)	(209,070)	(425)	-	-	-	-	-	-	(209,495)
Metals, unenumerated	(Cwt.)	15	20	-	-	-	-	4,854	-	4,889
	(Rs.)	(11,360)	(4,069)	-	(6)	-	-	(119,794)	-	(136,209)
Outlery	-	-	-	-	-	-	-	-	-	(962)
	(Rs.)	-	(962)	-	-	-	-	-	-	(962)
Hardware, all sorts	(Rs.)	(222,628)	(485,859)	(624)	(5,559)	-	(7,769)	(27,329)	(2,420)	(695,403)
Machinery & parts, all sorts other than motor vehicles	(Rs.)	(180,756)	(2,337,548)	(7,746)	(136,084)	(455,866)	-	(929)	(1,345)	(5,119,264)
Electromechanical apparatus, including electrical, scientific, musical etc.	(Rs.)	(393,736)	(676,697)	(4,776)	(29,076)	-	-	-	(87,253)	(1,111,420)
Parts & accessories of cycles	(Rs.)	-	(598)	-	-	-	-	-	-	(598)
Cycles imported entire or in sections	(No.)	-	29	-	-	-	-	28	-	57
	(Rs.)	-	(1,385)	-	-	-	-	(1,365)	-	(2,750)



Commodity		United States Quantity Value	Hong Kong Quantity Value	Straits Settle- ments Quantity Value	China Quantity Value	Italy Quantity Value	Sweden Quantity Value	United Kingdom Quantity Value	Other Countries Quantity Value	Total Quantity Value
Motor cars	(No.)	10	22	-	1	-	-	-	10	43
	(Rs.)	(55,622)	(30,985)	-	(5,821)	-	-	-	(28,821)	(79,894)
Motor cycles	(No.)	-	-	20	-	-	-	-	-	20
	(Rs.)	-	-	(64,500)	-	-	-	-	-	(64,500)
Motor vehicles imported with bodies	(No.)	-	55	-	-	-	-	-	-	55
	(Rs.)	-	(187,778)	-	-	-	-	-	-	(187,778)
Motor chassis	(No.)	53	10	-	-	-	-	-	-	63
	(Rs.)	(86,401)	(83,051)	-	-	-	-	-	-	(169,452)
Vehicles, parts of not mechanically propelled vehicles	(—)	-	-	-	-	-	-	-	-	-
	(Rs.)	-	(6,134)	-	-	-	-	-	-	(6,134)
Vehicles, parts of mechanically propelled vehicles	(—)	-	-	-	-	-	-	-	-	-
	(Rs.)	(26,657)	(156,614)	-	-	(1,408)	(1,967)	-	-	(163,646)
Books & printed matter	(Cwts.)	9	1	-	-	-	-	-	-	10
	(Rs.)	(1,162)	(65)	-	-	-	-	-	-	(1,227)
Clocks & watches	(—)	-	-	-	-	-	-	-	-	-
	(Rs.)	(4,968)	-	-	-	-	-	-	-	(4,968)
Treasure—private currency notes	(—)	-	-	-	-	-	-	-	-	-
	(Rs.)	(639,787)	-	-	-	-	-	-	-	(639,787)
All other articles	(—)	-	-	-	-	-	-	-	-	-
	(Rs.)	(25,101)	(29,277)	(323)	(4,436)	-	-	-	-	(57,137)
<b>Totals (Rupees)</b>		<b>4,554,943</b>	<b>7,179,198</b>	<b>586,365</b>	<b>625,690</b>	<b>472,178</b>	<b>236,478</b>	<b>226,394</b>	<b>91,175</b>	<b>13,930,316</b>
		<b>(\$1,366,483)</b>	<b>(\$2,153,759)</b>	<b>(\$176,909)</b>	<b>(\$175,077)</b>	<b>(\$141,653)</b>	<b>(\$70,945)</b>	<b>(\$67,918)</b>	<b>(\$27,352)</b>	<b>(\$4,179,095)</b>

\* Other countries include the following: Dutch East Indies—liquors (16,799 gallons) valued at Rs. 18,899, gasoline (177 gallons) valued at Rs. 146, hardware valued at Rs. 2,420; Philippines—machinery parts, Rs. 1,343, motor cars (3), Rs. 22,829; French Indochina—Instruments and apparatus, Rs. 37,933; Australia—milk food (10 cwts.), Rs. 2,024; India—motor cars (2), Rs. 6,782.

	Rupees	U.S. Dollars
Total value of transit trade in first five months of fiscal year 1940-41 (April to August 1940).....	51,560,297	15,468,090
Total value of transit trade in September 1940.....	13,930,316	4,179,095
Grand total (6 months).....	65,490,613	19,647,185



## KWANG PU CHEN

Foo Shing Trading Corporation,  
Horse Shoe Street,  
Lashio, Burma.  
November 4, 1940

The Honorable Henry Morgenthau, Jr.,  
Secretary of The Treasury,  
Washington, D. C., U. S. A.

Dear Mr. Morgenthau,

I have just completed a ten-day motor journey over the entire length of the Yunnan-Burma Highway from Kunming to Lashio. The distance of 726 miles can usually be covered in four days by passenger cars or seven days by heavily loaded trucks. It took me longer because I made many long stops on the way for the purpose of checking the amount and quality of woodoil stored at various places along the highway and arranging for their quick transport out of China. Throughout the journey I had the pleasure of seeing many new Dodge and G.M.C. Trucks and International Trailer Trucks bought with the Export-Import Bank loan. I was particularly happy to see with my own eyes convoys of trucks loaded with steel bars marked "U.T.C."

As an engineering accomplishment, the Yunnan-Burma Highway deserves all the praise that has been showered upon it. The road crosses two mighty rivers, the Mekong and the Salween, and climbs to a height of 8,500ft above sea level. It has 289 bridges with a load capacity of 5 to 10 tons and 1,995 culverts. Despite the common impression that travelling on this road is difficult, we found the road bed far better than what most of us expected and, despite the lack of modern equipment, the road is reasonably well maintained and improvements are steadily pursued by peasant gangs. Wicker baskets swinging on bamboo poles are the machinery and human sweat and muscle are the power.

There are, however, many difficulties of transport. First, the total number of trucks operated by government organizations is found to be inadequate to meet both the inward and outward traffic requirements. The limited number of repair shops they maintain along the route is experiencing a shortage of qualified mechanics and the management on the whole has not reached the desired degree of efficiency. Quite a few of them are still short of proper service equipments. The commercial trucks which constitute an important factor in the present transport capacity of this route are handicapped by having to carry their own gasoline, mechanics and tools for the entire journey and return. Second, since the reopening of the Burma Road on October 18th, it has been repeatedly subjected to enemy bombing. Two hours after we

Secretary Morgenthau

- 7 -

Nov. 4, 1940

passed the Mekong River bridge, it was bombed although no damage was done. Six days afterwards, it was bombed by another raid but the damage it caused has already been repaired. The Salween River bridge has also been bombed recently. While these raids cannot cut the road as the enemy intends, it renders the road less dependable and makes it difficult to transport goods on schedule. I earnestly hope the time will soon be ripe when China may be aided with sufficient effective anti-aircraft equipments and faster fighting planes to defend and protect this vital life-line.

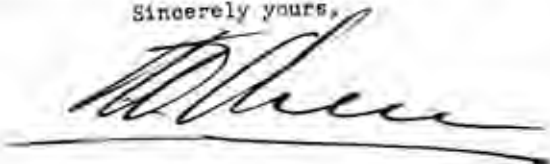
I have temporarily set up my headquarters at Lashio, the junction of the Yunnan-Burma Highway with the Burma Railway, which is perhaps the best place for making accurate checks of exports and imports via this route and for supervising the purification of woodoil which has become spoiled during transit in China. I hope my efforts in hastening the shipments will produce the desired results, but I foresee circumstances beyond my control which tend to counteract my endeavors.

I brought a movie cameraman with me on the trip and he has taken colored films illustrating conditions of the road and transport and places of interest. We also visited and photographed the two anti-malaria institutions along the highway, one of which, as you know, was established by Dr. Williams, under your auspices, and the other by the Chinese government. After a short stay in Lashio, I intend to visit Bhamo and sail on the Irrawaddy to Rangoon. The Irrawaddy River transport will also be photographed. As soon as these pictures are ready, it will be my pleasure to send them to the United States and have them shown to you and Mrs. Morgenthau.

When passing through the autonomous region of the Shan people in Mangshih, China, the Sawbwa of Mangshih presented me with a piece of silk cloth woven by the mountaineers. It is a good example of the handiwork product of this region and I am having it sent to you and Mrs. Morgenthau as a memento of your interest in the Burma Road.

With my best personal regards to you and  
Mrs. Morgenthau,

Sincerely yours,



## DEPARTMENT OF STATE

Washington

In reply refer to  
EA 840.51 Frozen  
Credits/800

November 4, 1940

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses two copies of a paraphrase of telegram no. 598 dated October 28, 1940 from the American Embassy at Madrid regarding bank notices which are sent to Belgians owning funds or securities in American banks.

## Enclosure:

From Madrid.  
October 28, 1940. (2)

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COPY



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid.

DATE: October 28, 1940, 10 p.m.

NO. : 598.

Today I was formally asked by the Belgian Ambassador if there wasn't some way by which I could arrange for American banks holding money or securities of Belgians who are now in Belgium to refrain from mailing any notices concerning such deposits, as the Germans find out about these notices and use their knowledge of them to wring advantages from the people to whom they are sent.

WEDDELL

EA:MSG

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COPY

November 4, 1940.

MEMORANDUM

TO: Secretary Morgenthau  
 FROM: Mr. Gaston

Carson, one of Hoover's assistants at F.B.I., called me at 9:40 Saturday morning to say the F. B. I. wanted our help in a search at New Orleans if we thought we could give it. Two weeks ago, he said, they had information that Italian Government funds were to be sent to Rio by courier in the form of United States currency to the amount of more than three million dollars. He said two Italian Consular officers, Giralomo Bosdari and Roberto Ducci, left Washington on Friday, the train reservations having been made by the Italian Embassy and they arrived at Mobile at 8:30 Saturday morning carrying two bags which were believed to contain the funds in question. F. B. I. information was that the two men were to take passage on the American Steamer DE L'ORLEANS of the Mississippi Steamship Company which was to sail from New Orleans at 3:00 Saturday afternoon. He said that both men had diplomatic passports, but he was informed that they did not have diplomatic status. He wanted to know if it would be possible for Customs officers to search these men along with other passengers on the ship and to report what currency they were carrying and what documents they had of interest.

He added they had learned further that a man named Roberti had left the Italian Embassy at Mexico City and was coming by train to meet the other two at New Orleans. (We identified this man as probably Gireno Roberti, former secretary of the Italian Embassy of Washington and now occupying a similar post in Mexico City.)

I consulted Huntington Cairns as to the laws under which we could act. Cairns suggested that the law forbidding the export of narcotics would permit us to search passengers of the vessel for narcotics, and that it would also be possible to examine any packages of money found to see whether there were any gold certificates.

I then called Assistant Secretary Berle at the State Department. He appeared to know about the matter and to favor our acting along the lines suggested by the F.B.I. He said that if a protest was made to the State Department, as probably would be the case, they would have to say that they knew nothing about it, but nevertheless, he said "Go to it".

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I then got Johnson and he agreed to instruct Customs agents to make the search.

Clegg of F.B.I. who had talked to me about the matter during the morning, following my conversation with Carson, called me at home during the afternoon to tell me that the search revealed that the two men were carrying \$2,450,000 in United States currency, consisting mostly of \$50 Federal Reserve notes but with a sprinkling of \$1,000 notes.

Shortly before noon today Clegg called me again from F.B.I. to say that the total amount which they had learned was to go to Rio was \$3,850,000. He said it was in three satchels, only two of which turned up aboard the ship at New Orleans. It was their belief that the third satchel was in the hands of Roberti and Count Mario Conti, First Secretary of the Italian Embassy in Washington, who had boarded the train at New Orleans for Mexico City. Their train was to arrive at San Antonio at 2:40 this afternoon and to leave there at 4:45. He wanted to know if they could not conduct a similar search at San Antonio. He said he would talk to the State Department and get their reaction and let me know.

I discussed the matter with Johnson, Foley and Bernstein, having learned that Bernstein had been told by the State Department that the Italians had made a vigorous protest over the Saturday episode. Having called Berle and found that he was with Secretary Hull, I put in a call for Sumner Welles, who came on the phone at once. I pointed out that the case was somewhat different from that of Saturday since both of the two men involved had unquestioned diplomatic status. Welles said he appreciated my calling him, that the affair of Saturday was bad, but we could wiggle out of it on the ground that we had not been advised that the men concerned were diplomatic couriers; but that if we made a similar search of these two Embassy officials we would have no ground to stand on and would undoubtedly provoke reprisals. He was unqualifiedly opposed to any such search being made.

I then called Clegg at F.B.I. and told him that the State Department was definitely opposed to our doing as they requested and that therefore we could not do it.

I did not tell Welles that Berle authorized the Saturday search.

7/24



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Regardless of whether any action is taken looking toward the freezing of Italian and German funds, it seems to me highly advisable to obtain a Presidential proclamation forbidding the export of United States currency above some designated amount without a license. Foley tells me that a law exists under which this could be done. We could then make searches of this character without subjecting ourselves to embarrassment.

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TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE November 4, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£132,000
Purchased from commercial concerns	£ 5,000

The Federal Reserve Bank sold £15,000 in registered sterling to a non-reporting bank.

Open market sterling moved from an initial quotation of 4.03-3/4 to 4.04 at the close. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 5,000
Purchased from commercial concerns	£ 2,000

Very little movement occurred in the other currencies, and the closing rates were as follows:

Canadian dollar	13-1/8% discount
Swiss franc	.2321
Swedish krona	.2386
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2330
Brazilian milreis (free)	.0505
Mexican peso	.2070
Cuban peso	9-1/8% discount

We purchased \$38,736,000 in gold from the earmarked account of His Britannic Majesty's Government.

The Treasury authorized the Federal Reserve Bank of New York to transfer on its books gold valued at \$1,500,000 from His Britannic Majesty's Government account No. 3 to the account of the Central Bank of Argentine Republic.

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

\$40,230,000	From Canada, shipped by the Bank of Canada, to be earmarked for account of His Britannic Majesty's Government.
\$13,631,000	From Canada, shipped by the Bank of Canada for account of the Government of Canada, for sale to the U.S. Assay Office at New York.
\$1,635,000	From South Africa, shipped by the South African Reserve Bank for account of the Bank of Sweden, disposition unknown.
\$55,496,000	Total

The shipment of \$40,230,000 from Canada, plus a consignment of \$9,933,000 which was received from Canada today and sold to the U. S. Assay Office for account of His Britannic Majesty's Government, comprise the gold engagement of approximately \$50,000,000 mentioned in the cable which the Bank of England sent to the Federal on November 2. Reference to this cable was made in our report of that date.

The State Department forwarded to us a cable stating that Sharpe and Wilkins, London, shipped \$70,000 in gold from England to the National City Bank, New York, for sale to the U. S. Assay Office.

The Bombay gold price was equivalent to \$33.80, up 6¢ from the October 31 quotation. Silver was 3/8¢ lower at the equivalent of 42.95¢.

In London, the prices fixed for spot and forward silver were both 1/16d lower, at 23-7/16d and 23-3/8d respectively. The dollar equivalents were 42.56¢ and 42.44¢.

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

We made ten purchases of silver totaling 1,358,000 ounces under the Silver Purchase Act. Of this amount, 450,000 ounces represented sales from inventory, and 24,000 ounces were secondary materials. The remaining 884,000 ounces consisted of new production from foreign countries, for forward delivery.



**CONFIDENTIAL**



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 4, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

**STRICTLY CONFIDENTIAL**

Mr. Cameron of the Federal Reserve Bank of New York reported the following transaction in His Britannic Majesty's Government Current Account G maintained with the Federal Reserve Bank of New York.

<u>Date</u>	<u>Amount Credited</u>	<u>Account Credited</u>	<u>Received From</u>
November 4	\$196,961	His Britannic Majesty's Government Current Account G	Chase National Bank, New York, by order of State Bank of the U.S.S.R., Moscow

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 4, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

Mr. Pinsent, Financial Counselor of the British Embassy, called on me at 12:30 noon today. He had been informed that his Government had started discussions with the Governments in exile of Belgium, the Netherlands, Norway and Czechoslovakia with the view to purchasing gold from them against sterling. The first gold to be purchased would be that elsewhere than in the United States. The plan would then be to acquire part or all of this as may be required. Pinsent said he had been asked to explore this matter with us. Following his experience of a few days ago in placing hypothetical questions to us, he was somewhat hesitant about broaching this subject.

I told him that the situation with respect to each country was a little different from our standpoint. I did not give him any details with respect to the gold holdings of any one of the countries here, except to let him know of the problem that would have to be met in, for example, the British Government obtaining gold with the Federal Reserve Bank which is now in the name of the Netherlands Bank. It was my suggestion that the British Government should first contact its ally exile Governments in London with the view to seeing what arrangements were possible, insofar as willingness to negotiate the desired agreements, and ability or authority to carry out the agreements, with respect to funds held in the United States were concerned. The second question would be that as to whether we would license transactions involving transfers from blocked accounts in this country to British accounts. Pinsent thought that his people could show, at least to some degree, that the proceeds of the transfers would be utilized to pay for war materials which had been supplied to the allies by Great Britain. He realized that we might not desire to pass upon a hypothetical application, but might prefer to await a concrete example. On the other hand, he would welcome any remarks that we may have to make upon the above points.

RESTRICTED

TENTATIVE LESSONS BULLETIN  
 No. 64  
 G-2/2657-235

MILITARY INTELLIGENCE DIVISION  
 WAR DEPARTMENT  
 Washington, November 4, 1940.

NOTICE

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

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction, see Letter TAG 350.05 (9-19-40) M-B-M.

MORALE METHODS IN THE GERMAN ARMYSOURCE

This bulletin presents a study made in The Morale Division of The Adjutant General's Office. It is based upon reports of American official observers.

CONTENTS

1. THE FOUNDATION OF MORALE
2. USE OF THE SALUTE
3. EXTOLLING SOLDIERLY VIRTUES AND COMBAT
4. CONFIDENCE IN LEADERSHIP
5. ELIMINATION OF DEGRADING DUTIES AND PENALTIES
6. POLITICAL PROPAGANDA
7. RELIGION
8. ENTERTAINMENT
9. INFORMATION
10. FURLOUGHS, SINGING, DECORATIONS, FOOD
11. CONCLUSIONS

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RESTRICTED1. THE FOUNDATION OF MORALE

Morale in the German Army is built upon a solid foundation of universal obligation for military service. Only physical or mental incapacity can exempt a man from fulfilling that obligation, for considerations of politics, finance, profession, or trade are of no account. Thus, soldiers know that there is no favoritism or discrimination, and every exempted man is stamped as an inferior being who cannot qualify for the honor of serving his country under arms. Upon this solid foundation of complete equality, the Army raises a structure dedicated to the brotherhood of arms, a brotherhood which knows no class distinction.

2. USE OF THE SALUTE

The solidarity of all ranks is exemplified in the German use of the military salute. The basic principle that the salute is a military greeting exchanged by brothers in arms is made real by the requirement that it be exchanged between all individuals in the military service. Thus the salute has ceased to be a caste symbol associated in the soldier's mind with the officer corps.

3. EXTOLLING SOLDIERLY VIRTUES AND COMBAT

This brotherhood of arms devotes its every effort to making fighters and soldierly virtues are held up as the highest of manly virtues. The German's noblest aspiration is to be ready to fight and, if necessary, to die for Germany, as well as to be the best fighting man in the best fighting army in the world. The German Army is convinced that it is a well-trained, well-equipped, well-led body of fighting men capable of great achievement, and it is supremely confident in its ability to accomplish any mission assigned to it.

As a measure to emphasize the fact that fighting is an army's first function, the German Army places its combat branches first in the soldier's preference by making them prestige services. The best men are encouraged to enter the Infantry, Field Artillery, and the Pioneers. Morale perhaps reaches its peak in the mechanized or armored units because of their combat importance.

The mechanization of modern combat has not been allowed to interfere with the emphasis placed on the fighting qualities of the soldier. According to reports, much of the German success against Allied armies in May and June, 1940, grew out of the fact that, during the difficult winter months, the Germans built up combat morale by actual training, while the French emphasized the recreational

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aspects of morale activities. The German Army gave particular attention to strengthening for combat the morale of new men who had never known field service.

4. CONFIDENCE IN LEADERSHIP

The high morale with which German troops enter combat is founded upon confidence in their leadership. Soldiers are made to feel that officers know their business. When the Army was first enlarged, difficulty was encountered in building up the officer corps, which included officers of the Reichswehr, commissioned veterans of the World War, and younger men of no war experience and little, if any, professional background. For a time, the various points of view and qualifications of officers in these three categories proved embarrassing, but more recent reports indicate that, before hostilities opened, the officer corps had been rather thoroughly unified.

The unity of the German Army is greatly enhanced by the fact that captains, lieutenants, and non-commissioned officers have a common bond with the men in ranks. All are veterans of the Labor Service, and junior officers and non-commissioned officers are alumni of the two-year military training course which the men in ranks are taking. Officers and non-commissioned officers have sympathetic understanding of the problems confronting the men of their commands, and the men are strengthened in their loyalty by the knowledge that their leaders are qualified graduates of the school of the conscript.

The spectacular successes of German arms quite naturally have stimulated the morale of the troops, but observers agree that the most important reason for the high morale of the German Army is found in the superb leadership shown by line officers. Every soldier believes that his officer regards him as a hero or a potential hero in their country's cause. The classical Prussian type of leadership has been replaced by a relationship based upon mutual self-respect and confidence.

5. ELIMINATION OF DEGRADING DUTIES AND PENALTIES

Professional pride in military performance is strengthened by elimination of many of those duties and penalties which tend to degrade the man in uniform. Fatigue is reduced to a minimum, and, so far as possible, non-military duties are performed by civilian labor. These morale and disciplinary policies make available for strictly military duties and training an extraordinarily high percentage of the strength of every command.

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Military personnel is not prosecuted in civil courts, and 99% of all offenses committed by soldiers are adjusted through company punishment. There are no disciplinary reductions in grade; offenses which might normally be punishable by reduction are punishable in the German Army by removal from the command. No guards are placed over soldier prisoners, for a soldier who is not a man of honor is not considered fit to be a soldier. Absence without leave is virtually unknown. There is little drunkenness, and almost none in public. It is a matter of pride that any man who gets drunk is taken in charge by his comrades and not allowed to make a spectacle of himself and disgrace the uniform. There is no punishment for contraction of venereal disease.

6. POLITICAL PROPAGANDA

Political propaganda forms no direct part of the training of the German soldier. Little attention is paid to politics, but emphasis is laid on the necessity for proper behavior toward the civil population both in Germany and in occupied territory. Prior to entering the Army, of course, the youth of Germany is educated by political agencies.

7. RELIGION

Religion plays an important role in the German Army. In the revision of the German soldier's declaration of faith during the middle 1930's, the word pious was added to the description of the ideal warrior. Senior officers have made a point of attending religious services, and, in some instances, they make particular note of the attendance of their juniors. In occupied France, local churches have been used for German religious services, both Roman Catholic and Protestant.

8. ENTERTAINMENT

In the field of entertainment, the German Army uses methods similar to our own—motion pictures, theatricals, music, reading, sports, and radio. Radio is effectively used during campaigns; sound trucks are brought up to entertain and invigorate troops on the march, in bivouac, and in the line. All entertainment is of a high order.

9. INFORMATION

Wherever he may be, the German soldier is kept fully abreast of important news developments. A Feldzeitung is published for the Army and is complemented by radio news broadcasts. Emphasis is placed on the importance of keeping the soldier so well informed that he will

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understand his own activities as part of a larger operation for his country's welfare.

10. FURLOUGHS, SINGING, DECORATIONS, FOOD

Frequent furloughs are granted to men in all grades, and special trips to various points of interest are continually being organized.

Soldier singing is stimulated by every possible means, both for entertainment and for encouraging the troops to greater effort in the field. Army songs rather than those with political significance are sung by the soldiers.

Many Iron Crosses are noted among the units which have seen combat. Reports indicate that the authority to award decorations has been most effectively used to strengthen morale.

Despite Germany's problem of supply, the food of the German Army is excellent. The combat arms are especially well-fed, and troops in combat areas are better fed than those in training areas.

11. CONCLUSIONS

With all the attention given to the material welfare and recreation of the soldier, the combat effectiveness of German morale work lies principally in its emphasis on moral factors. Fundamentally, the German soldier is taught to appreciate the fact that he must stand ready and willing to sacrifice himself for Germany. All morale work is directed toward that end.

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G-2/2657-230

RESTRICTEDM. I. D., W. D.  
November 4, 1940.  
12:00 M

No. 237

SITUATION REPORT

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

I. Western Theater of War.1. Air Force Operations.

Weather was bad over the theater on the 2d and worse on the 3d.

The German air force conformed to its established pattern of operations but activity was slowed down materially and was exceedingly limited last night. In daylight of the 2d, about 200 planes operated. On the night of the 2d-3d about 100 German planes were over the country. Thereafter German air activity was very low.

British activity was also extensively limited. However, Kiel was bombed last night.

II. Greek Theater of War.

1. There is still no evidence that serious ground fighting has yet occurred. The Italian advance has not yet reached critical terrain at any point and apparently is hampered by weather and difficult communications.

2. Italian air activity has been widespread. Some 10 or 15 Greek cities were attacked on the 2d and 3d. Apparently Saloniki is the principal target. Greek claims of aerial activity are confined to reports of attacks on Italian troop columns.

III. Mediterranean and African Theaters of War.

No ground operations reported.

Sporadic air activity throughout the theaters. Malta was bombed on the 2d and the R.A.F. attacked the Naples area last night.

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BRITISH EMBASSY,  
WASHINGTON, D. C.

Personal and Secret

November 4th, 1940.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Harold Butler*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.



Telegram from London dated

November 1st. 1940

1. Naval "Australia" has picked up nine of the crew of the Sunderland aircraft force landed 300 miles northwest of Lewis. Admiralty trawler Arctic Trapper damaged by near misses off Ramsgate a.m. October 29th now beached no casualties. At Gibraltar a.m. October 30th commercial anchorage and northern entrance were attacked by what appears to be two Italian midget submarines, one Italian officer and one rating rescued. No damage.

A.M. October 29th. Three enemy cruisers reported east of Otranto course north-5 or 6 Italian motor vessels sighted north of Corfu and two enemy destroyers with two motor vessels were 30 degrees east of Brindisi steering northwest. On October 27th a naval aircraft attacked Maltezana Stampalia successful raid no air opposition all aircraft returned safely.

On October 29th coastal aircraft successfully attacked Brest power station unfortunately just missed 8000 ton motor vessel.....Ems with torpedo and near missed with five bombs 3000 ton motor vessel off Lister Fiord. Also by bombing U-boat northwest Bloody Foreland a.m. October 29th coastal aircraft probably prevented attack on ..... motor vessel in the vicinity; near misses if not a hit claimed.

Night of October 28th/29th during air raid on Kiel a hit on Gneisenau on her dock is possible and p.m. October 27th one hit was estimated by British

submarine/

- 2 -

submarine on convoy of eight camouflaged motor vessels off Cherbourg.

2. Royal Air Force.

Daylight October 28th. One Blenheim bombed Rotterdam docks from 400 feet but results were unobserved. At least six other Blenheims attacked four aerodromes at one of which a hangar demolished. One aircraft did not return.

Night of October 28th/30th. Very bad weather prevailed over most of the continent with thick mist and cloud and severe icing conditions. In consequence location of targets was difficult and damage generally unobserved. Following targets were attacked. In Berlin area the Brunner Strasse Electrical Equipment Works, the Lanziger Strasse Gas works and a military target in the centre of the city; Gelsenkirchen and Hamburg Synthetic oil plants, fires started at latter; oil plants at Leuna Sterkrade-Moltan where fires started, and Magdeburg causing large explosion and several fires; marshalling yards and communications in Germany; Wesling ship yards at Bremen and Marinewerft shipyards at Wilhelmshaven, bursts observed in both cases; Channel ports Flushing, Ymuiden, Ostend and Zeebrugge areas, bursts and fires being observed in all cases; aerodromes in Germany and Holland including Schipol where fires started and hangar believed hit, Texel where large fire started and De Kooy where direct hit claimed on buildings. Two of our aircraft missing.

3. German Air Force.

Night of October 28th/29th. (Further reports). Casualties in London area approximately 60 killed and 250 injured.

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injured.

Daylight October 29th. Weather was fine and there was increased enemy air activity. Three raids of between thirty and fifty aircraft each approached London during morning about midday and early afternoon; elements of these penetrated to the inner area and some bombs were dropped in central London. A fourth raid on London developed at four p.m. consisting of 150 aircraft which included 50 Italian machines; the latter did not come beyond Dover where they dropped oil bombs in the harbour. The raid was intercepted and rest of formation only penetrated as far as southern outskirts of London. Two formations of about 50 aircraft each flew over Portsmouth and Southampton areas during the afternoon and some bombs were dropped region of Portsmouth.

As a result of these raids no damage of significance occurred in central London and although two gas works were hit in the southeast district it is not expected that production will be affected. At Portsmouth one factory and several houses were badly damaged.

At dusk bombs were dropped in the vicinity of seven aerodromes but only damage reported is to one hangar and three aircraft; some cases of machine gunning were reported from East Anglia.

Night of October 29th/30th. Enemy activity was still further reduced only about 25 aircraft operating over London and a further 50 in the Midlands. Many raiders turned back over southeast England before reaching London area and an unusual number of bombs were dropped

in/



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in the country districts around London and in the East Anglia causing negligible damage and very few casualties. No serious damage was reported from London. At Birmingham it was confined to residential property and there were no fatal casualties. At Coventry some fires were caused and damage to a portion of the Humber Works.

4. Aircraft Casualties.

Enemy	<u>destroyed</u>	<u>probable</u>	<u>damaged</u>
by fighters	25	7	9
bombers	2	1	1

Our Losses:

7 Aircraft five of pilots are safe. 3 Bombers missing. Of above two fighters were destroyed and one pilot killed by enemy bombs when taking off from the aerodrome.

CONFIDENTIAL

152-A

Paraphrase of Code Cablegram  
Received at the War Department  
November 4, 1940.

London, filed 16:45, November 4, 1940.

1. The program of the Bomber Command for the night of November 3-4 was badly interfered with by severe weather conditions and produced negligible results. It was planned to dispatch a total of 112 planes the following night, 44 against oil plants, 37 against Italian military objectives, 15 (?) against enemy ports, 9 against airfields and 9 against railroads. No planes were lost. The Coastal Command carried out its normal missions, operating 48 machines on 12 convoy escorts and 25 patrol missions. In these operations 1 German plane was damaged and 2 British planes were lost. The Fighter Command dispatched 91 planes on 33 patrols.

2. The German Air Force operated about 85 planes on daylight missions on Sunday, November 3, its effort being small and languid. No German planes came over England that night; but 11 flew over Scotland. London had its first undisturbed night since September 7.

3. Damages from air raids were almost nil. The operation of one munitions factory was interrupted by the temporary stoppage of the water supply. One railroad line was blocked. Eight airdromes were attacked, mostly by machine gunning from low altitudes. Heavy rainfall rendered four airfields temporarily unserviceable. In several sneak daylight raids on London pedestrians were fired on with machine guns. This ineffective form of attack was also delivered against two railroad trains, two military camps, and some houses.

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152-B

4. German plane losses were one confirmed and one damaged. The Fighter Command lost one plane with its pilot.

5. Civilian casualties in London during the period October 31-November 1 were 12 killed and 52 wounded. There were 20 casualties in Birmingham.

6. A total of 150 ships in three convoys arrived safely. One British destroyer was damaged by a mine. Two small patrol vessels were damaged but are safe. A destroyer previously sunk has been refloated and is now in port. German dive bombing attacks sunk or damaged five small patrol vessels in the Channel and the Thames River. German coastal guns fired about 200 rounds at six British trawlers and they were bombed by three planes without damage.

7. There is a general feeling of jubilation in London over the present prospect of attacking Italy from bases in Crete and over the strong tone (?) of the expected Turkish speech.

LEE

Distribution:

Military Aide to the President  
Secretary of War  
State Department  
Secretary of Treasury  
Asst. Secretary of War  
Chief of Staff  
War Plans Division  
Office of Naval Intelligence

CONFIDENTIAL



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 4, 1940

TO Secretary Morgenthau

FROM Mr. Neus

STRICTLY CONFIDENTIAL

Re reports:

October 29. John Leonard Musa, Swiss-born but an American citizen, associated with Ego d'Annunzio, Vice President of the International Aircraft Trading Company, 225 Madison Avenue, New York City, and with Henri-Haye, is engaged in undercover work here for the French Ambassador, receiving his financing in part through Mr. Dumont, a partner of Coudert Brothers (international law firm in New York); it is suggested that suspicious activities are being carried on at a recreational club and pension, 125 West 64th Street, New York City, and that documents of other valuables were smuggled out in several brief cases on the French vessel *Le Comte de Saligny*, which was permitted to sail on October 29 for Liverpool to be picked up by French seamen enroute to Marseilles.

October 30. "An individual who recently returned from Russia" reports that economic conditions have grown steadily worse, that not much leadership would be required to start a counter-Stalinist revolution, that anti-Jewish feeling is rising, that if Germany turns towards Russia she could find enough people fed up with the present rulers to welcome outside aid, even from Germany, since the Russians have nothing to lose and no worse tyranny to expect.

October 30. On October 10 the Yokohama Specie Bank, fearful of war, paid off \$14,000,000 of loans at the Guaranty Trust, releasing \$20,000,000 in pledged securities, but received a cable from the Japanese government that matters between the United States and Japan would be settled in a peaceful manner.

October 31. Oumansky in a conversation with Kenneth Durant, head of Tass, criticized the latter's excessive enthusiasm regarding United States-Russian negotiations; Oumansky is supposed to have said "that observers would be shocked 'to learn a few things.'"

November 1. Mme. Lombard, wife of the French Military Attache, told Henri-Haye that during the dissolution of the French government she and her husband had an argument with Woodring, who, she believes, is pro-Nazi, and she was embarrassed in the presence of the President, Mr. Morgenthau, Mr. Jesse Jones, and Mr. L. Garrison; Oumansky has told Haye that the Soviets would remain outside of all conflicts; Haye is contemplating an extensive press campaign to counteract unfavorable publicity; Lowell Thomas has been rebuked by the president of his support, Sun Oil, for favorable publicity given to de Chambrun on the ground of numerous complaints from important customers; regarding the possible taking by the United States of French colonies, Haye said "to take those colonies won't be an easy as they think."

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 4, 1940

TO Secretary Morgenthau  
FROM Mr. Klaus

STRICTLY CONFIDENTIAL

## FBI reports:

November 1. As a result of Treasury requests, instructions have been issued to each field office of the FBI to make immediate arrangements with the various banks and clearing houses for detailed information as to the source and distribution of foreign funds, including not only official accounts but also those of "front" organizations and foreign agencies. It was learned from a survey of New York banks that there are approximately 3700 accounts of foreign banks and foreign governments in this area with most of the accounts in the Guaranty, National City, Irving, Chase, Manufacturers, Bankers, and Marine Midland. Most of the 3700 accounts are foreign banks and the balance consulates general and American agencies of foreign banks. Forty-two accountants will be employed in this work and twenty agents will handle the tracing of suspicious items outside the banks.

SV

Extract from despatch no. 163 from American Consulate, Lagos, Nigeria, dated November 5, 1940, on the subject of Defense Measures in West Africa - French Colonies - Dakar - Nigeria and Gold Coast.

Mr. Gusden confirmed the existence of the store of gold bullion cached at Dakar, which he described as over 100 tons (previously reported as more than fourteen million pounds sterling) belonging in the proportion of about 35% to Belgium, 20% to Poland and the balance to the Bank of France. He claims that this bullion is stored and guarded at the Army Barracks outside of the city - which he named as "Tirohe" or a word similar in sound.



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, (Paris) Vichy, France

DATE: November 5, 1940, 5 p.m.

NO.: 898

The following is for the Treasury Department from Matthews:

Reference: my telegram of July 12, 10 p.m., No. 59. You will recall that in the telegram under reference I reported that the German authorities circularized all banks when they arrived in France and inquired as to the amount of foreign exchange and foreign securities held by the banks. The German authorities did not, however, press this request, and the banks did not submit the information, using one excuse or another. Orders have recently been received from the bank supervision office that the banks in the occupied territory, including the four American banks, will now have to submit statements in which they must set forth the total value in francs of all foreign currencies and all foreign securities which they hold either in France or in other countries.

END SECTION ONE.

MATTHEWS.

EA:LWW

PARAPHRASE OF SECTION TWO, TELEGRAM NO. 898 OF NOVEMBER 5, 1940, FROM VICHY.

The banks have also received instructions to report the total franc equivalents of all accounts in foreign currencies which they hold for clients who are domiciled in the occupied territory, as well as the franc value of all foreign securities which they are holding for clients in the occupied territory. Up to the present, however, no request has been received by the banks to give the totals held individually. It has been pointed out by the French Finance Minister, when he raised some objection to this order, that many clients of the banks are now residing in the free zone and that it is extremely difficult to determine the domicile of such clients for this reason. Pending further developments, the requested information has as yet not been turned over by the American banks.

END MESSAGE.

MATTHEWS.

EA:LWW

PLAIN

RDS

STOCKHOLM

Dated November 5, 1940

Rec'd 9:50 p.m.

Secretary of State,  
Washington.

1019, Fifth.

Swedish Government proposes 15% tax at source on dividends interest from Swedish bonds shares held abroad but for American holders tax would remain 10% according convention concerning double taxation. If passed tax will be effective January 1, 1940. Riksbank clearing October Stockholm 2884 Gothenburg 306 both million crowns.

STERLING

EMB

eh

COPY



201

Mr. Mc Kay

159

I think this  
note on the  
Mexican situation  
may interest  
the Secretary.

(Jeg)

From: MR. GASTON

OFFICE OF THE DEPUTY COMMISSIONER OF CUSTOMS  
INVESTIGATIVE UNIT

160

November 5, 1940

TO COMMISSIONER JOHNSON *WJH*  
FROM DEPUTY COMMISSIONER GORMAN:

You may recall that at the luncheon the other day attended by Mr. Gaston and others, Mr. Gaston inquired as to the general conditions in Mexico, political and otherwise. I was about to write Supervising Customs Agent Creighton on the subject when my attention was called to a personal letter received by Mr. Shashart from Al Scharff, the Assistant Supervising Customs Agent at Houston, under date of October 17, 1940, which may be informative to Mr. Gaston, along the lines indicated. Pertinent excerpts therefrom are appended below; viz.,

"I just came back from Mexico as you know, and had an interesting trip. I learned a great deal on this trip and found Mexico in better shape than I have ever seen it in ten or fifteen years. I personally do not expect a revolution of any significance or importance. The boys who want to 'revolute' just can't do it. The boys in the saddle know all the tricks and all the answers to all the questions, being old 'revoluters' themselves, and as soon as the General and a few of his subordinate officers indicate that they want to 'revolute' they are exterminated or rather, to use Mr. Hitler's phraseology, 'purged'; therefore, there is nobody left to 'revolute.' A very interesting and efficient way of doing business, no?

"Col. McCoy, Army Attache, and the Naval Attache both look for a revolution in December. I can't see it, and I'll be willing to lay a few odds that my guess is correct. There have been numerous changes effected both politically and economically in Mexico in recent months. These changes were made to satisfy certain elements that are not as radical as Mr. Cardenas' closest followers. For instance, Toledano, the labor leader, has fled the country and several other very Red gentlemen are stepping down and out. Avila Comacho has a brother who is the Governor of the State of Puebla, who is an extremely able and strong personality. It is believed that he will influence Avila Comacho greatly. The Governor of the State of Puebla will not permit radicalism in his State to any extent. He has been very successful.

-2-

"Of course, Mexico being Mexico, it could change its entire political complexion over night and, being an oracle, I must not burn my bridges in front of me because the oil people have not given up their fight for the return of their properties in Mexico and the Nazis and the Fascists are still very strong; therefore, it would be a question probably of who puts up the most money between now and December. The United States Government has made its offer of a \$50,000,000 credit, which is a pretty good sum of money in any man's language. 150,000 tons of scrap iron that the Japs were trying to buy while I was down there was finally whittled down by Tom Lockett in conversation with Minister of the Treasury Suarez to about 50,000 tons of No. 2 stuff, and I believe that this 50,000 tons will also be taken care of by a Canadian outfit although a fellow by the name of Mike Moss from Los Angeles, who represents the Japs, was making a desperate try for the stuff. The Japs have gone far afield in trying to take over all of the mercury that is being produced, and are paying \$20 to \$25 a flask more for the stuff f.o.b. Manzanillo than mercury is selling for in New York.

"The 'gambasinos' have gone to work and are 'high grading' not only producing properties but properties that so far have not been exploited. Considerable mercury is being produced at this time outside of the regular channels."

Of course the above is but a mere expression of Scharff's personal views on the subject matter, but should Mr. Gaston desire a more comprehensive report I shall be glad to explore the matter further through Creighton.

*G. Scharff*



CONFIDENTIAL

SPECIAL BULLETIN  
No. 26  
G-2/2657-231

MILITARY INTELLIGENCE DIVISION  
WAR DEPARTMENT  
Washington, November 5, 1940

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed.

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction see Letter TAG 350.05 (9-19-40) M-B-M.

ATTEMPT TO CAPTURE THE HAGUE BY THE 22dGERMAN DIVISION, AIR INFANTRY

(A Continuation of Special Bulletin No. 9)

SOURCE

The documents here reproduced became available to the Military Intelligence Division after unsuccessful air infantry attacks upon The Hague.

In order that exact ideas may be preserved, the documents presented in this bulletin are verbatim translations, unedited and unrevised.

CONTENTS

1. INTRODUCTION
2. ANALYSIS OF DOCUMENTS
3. DOCUMENTS 13-27 RELATING TO ATTEMPT TO CAPTURE THE HAGUE

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CONFIDENTIAL1. INTRODUCTION

SPECIAL BULLETIN No. 9 of this series contained twelve captured German intelligence documents revealing information upon which were based the plans of the 22d Division for the capture of The Hague by parachute troops and air infantry. The current bulletin contains fifteen additional documents, numbered 13-27, on the same subject and bears the same title as its predecessor. They are of high significance because of the light they throw upon the German Intelligence Service. They bring out clearly the minute details considered essential by that service in preparation for an operation and establish the intimate connection of the Intelligence Service with Fifth Column activities. The documents should be studied in connection with SPECIAL BULLETIN No. 10, Major Military Operations in the German Invasion of Holland, as well as with the bulletin of which they are a continuation.

An effort has been made to arrange the documents in chronological order, but without success. This lack of orderliness should not be interpreted as positive proof that German intelligence sections do not keep records similar to our own G-2 Journal. It is possible that other intelligence documents of the series were destroyed.

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CONFIDENTIAL2. ANALYSIS OF DOCUMENTS

No. of Document	Date of Document	Origin of Document	Known Distribution of Information Contained in Document	Nature of Contents of Document	Remarks
13	Unknown but observations reported cover the period April 7 to May 9, 1940.	Secret agents probably working under the German Army.	22d Division	Reports of secret agents. (One reported "not yet tested." Under dates of April 7, 24, and 26, and May 1 and 9 (?) 1940, much detailed information of the Dutch Army is given.	It cannot be determined whether this information was furnished the 22d Division when first secured or just before the jump-off, but it is believed that it was furnished as received.
14	April 15	German Military Attache, The Hague.	Aviation Command Staff, Aviation Division F and 22d Division.	Detailed report on certain dispositions of the Dutch Army in and near The Hague made on April 13 and 14, 1940, probably by the military attache or his representative.	This is a transcript of the military attache report furnished headquarters, field forces, and redistributed.
15	April 18, 1940, covering observations from April 11 to 14, 1940.	German Air Attache, The Hague.	Aviation Command Staff and 22d Division.	This report covers minute details of certain dispositions of the Dutch Army in The Hague area and the routine of night maneuvers. It was probably based	This is a transcript of information furnished the Aviation Command Staff.

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No. of Document	Date of Document	Origin of Document	Known Distribution of Information Contained in Document	Nature of Contents of Document	Remarks
15 (cont'd)				upon the Air Attache's observations or those of his agents.	
16	Not dated.	Not shown, but probably based on information furnished by secret agents.	22d Division Feldman Operations Group I.	A list of persons in Holland to be seized and a list of garages where automobile transportation can be requisitioned.	The Roman numerals opposite the list of garages correspond to the designations of the 3 landing areas, and may indicate assignment of garages to the task forces.
17	Not dated.	22d Division.	Detachment Ia, 22d Reconnaissance Detachment, 22d Artillery Regiment, and 22d Armored Infantry.	Dissemination to subordinate units of certain information of Dutch Army dispositions in and near The Hague.	A summary of enemy information for troop units.
18	April 16, 1940.	From military attache reports and secret agents.	7th Aviation Division and 22d Division.	Gives names and addresses of many high Dutch military officials.	
19	Not dated.	Not shown.	22d Division.	Gives a more detailed explanation of certain points shown on a city map of The Hague, in-	A city map of The Hague (Uitgave Cito Plans et Guides 23, scale, 1:17,500) was among the docu-

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No. of Document	Date of Document	Origin of Document	Known Distribution of Information Contained in Document	Nature of Contents of Document	Remarks
19 (cont'd)				cluding certain troop dispositions.	ments, but has not been reproduced.
20	Not dated.	Not shown.	22d Division.	Gives certain minute details of possible landing areas, based on observations made subsequent to April 7, 1940.	City map of The Hague (Uitgave Cito Plans et Guides 7, scale 1:12,500) was among original documents, but has not been reproduced.
21	April 17, 1940.	GHQ of the Army.	General Staff Army of the West and 22d Division.	Report on location of small troop units in the Netherlands.	
22	April 18, 1940.	Commander-in-Chief of the Air Arm.	Aviation Division, 7th Air Fleet, Hq. 2, and 22d Division.	Detailed information on the location of certain troop units in the Netherlands.	Probably furnished the 22d Division for its information.
23	April 18, 1940.	7th Aviation Division.	7th Aviation Division and 22d Division.	Detailed information on the location of certain troop units.	
24	April 22, 1940.	Hq. Army of the West.	22d Division.	This is an excellent G-2 report covering the Dutch defensive position before the out-	The source of this information is not known, but it is undoubtedly based on information from many sources.

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No. of Document	Date of Document	Origin of Document	Known Distribution of Information Contained in Document	Nature of Contents of Document	Remarks
24 (cont'd)				break of hostilities.	The document was probably furnished the 22d Division for its information
25	May 8, 1940.	7th Aviation Group	22d Division	Gives certain detailed information of activities in Holland for the period May 3 to 8, 1940.	
26	May 9, 1940.	Air Attache, The Hague.	7th Aviation Group and 22d Division.	Gives certain defensive and precautionary measures in Holland as of April 10, 1940, and transmits unverified reports of secret agents on military activities in England.	
27	Not dated.	Not shown.	22d Division.	A brief summary of information concerning defensive measures taken by Holland	The information contained in this document is quite similar to that which would appear in Paragraph 1 of our own field orders.

This analysis shows clearly that the source of nearly all known information upon which plans for the operations of the 22d Division were based was secured by secret agents operating in Holland or by military personnel accredited to that country. It is interesting to know that there were about 250 accredited diplomatic, consular, military and clerical representatives at the German Legation at The

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Hague when operations were initiated, on the morning of May 10, 1940, without a declaration of war.

The analysis also shows the important part played by the military or the air attache at The Hague, either as the director of espionage operations or as the point of contact for secret agents operating under another directing head.

The lessons to be drawn from a study of these intelligence documents are as follows:

- a. The minute and detailed information of the terrain and enemy dispositions must be available if parachute troops and air infantry are to operate with any chance of success.
- b. An accredited attache of the German government residing in a foreign country should be regarded as a potential clearing center, if not the direct operator, of an espionage service.
- c. Security precautions are desirable even though they cannot be depended upon to deny all information of our own activities. In this connection, it is to be noted that no manuals, handbooks, or other material regarding the German Intelligence Service were compromised by the 22d Division in its unsuccessful attack on The Hague.
- d. Effective counterintelligence measures against the German Intelligence Service must include avoidance of routine measures in the scheme of defense. Positive action must be taken to prevent either passive or active defensive measures from becoming fixed.

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CONFIDENTIAL3. DOCUMENTS 13-27 RELATING TO ATTEMPT TO CAPTURE THE HAGUEa. Document No. 13

Io. For 22d Div. Ia No. 386/40 Secret material

A new intermediary under trial reports:

Time of observation: April 7, 1940.

Known\* In Kijkduin,<sup>1</sup> in the school, is quartered  $\frac{1}{2}$  - 1 company of ~~depot~~<sup>2</sup> battalion infantrymen.

Known\* In the school in Monster and in private quarters are quartered other parts of the infantry ~~depot~~ battalion.

Known\* In Ter Heide there is only a small guard in 2 barracks behind the strand dune, likewise infantrymen and amounting to -- according to estimates -- 1 platoon.

Known\* In s'Gravensande there are 1 - 2 companies of ~~depot~~ battalion infantrymen. In addition there is the 5th Depot Company of Coast Artillery.

Known\* In Hook of Holland there are several companies of coast artillery. The entrance to the place is guarded. Automobiles are controlled by military police. On the

---

\* Throughout text of all documents, asterisks will be used to identify notes written in by hand. Notes are in red pencil unless otherwise specifically stated. G-2.

1. All underlines were made with typewriter unless otherwise specifically stated. G-2.

2. Five words in this document are lined through with red pencil, as noted. G-2.

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northeast edge of the place is a large barrack camp of marine troops (Marine infantry?) with estimated room for 300 — 400 men. On the meadow nearby are 2 small calibered antiaircraft cannon. In the middle of the barracks there are 4 long, low, tent-like structures covered with black sail cloth; they look as if they might be intended as a place for storage of ammunition boxes or such like.

Known\*

In Hook of Holland there must also be a part of the Depot battalion of the 39th Inf. Rgt., because about 10 men were observed with this number on them.

Known\*

On the railroad track between Kijkduin and Ter Heide, 2 km southwest of Kijkduin, there are 3 concrete ammunition store rooms built under the railway embankment. Exit on the landslide.

Occupation  
of old Alex-  
ander bar-  
racks not  
known.<sup>3</sup>

In regard to the report of the above intermediary we wish to say that according to information which we have up until the present time the Depot battalions of the Grenadiers and the Jaegers are quartered in the new<sup>4</sup> Alexander barracks in The Hague. The commander is Lt. Moorman. Hence, we assume that the Jaegers in Monster and s'Gravenzands are trained troops. The same is true of 39th Inf. Rgt. in Hook of Holland.

3. These notes written in black pencil. G-2.

4. Underlines in red pencil. G-2.

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Observation time 24: April 26, 1940

Under command-  
er of East Front.  
Fortress of  
Holland. Parts  
up to now in  
Utrecht.<sup>3</sup>

On the Schiphol airport, between Badhoevedorp and Schipol there were seen on April 26 some men of the 25th Inf. Rgt.,<sup>4</sup> belonging to the garrison of the airport.

From the Haarlem - Leiden highway in Groenendall (south of Leiden) we saw a large number of cannon (about 40 - 50) on a road leading off from the main road toward the east; the road had rows of trees on each side. The caliber must have been about 6 cm. There were seen in an inclosure west of the main highway, even with the side road, a group of about 30 horses. We suspected that there were others on the farms in the neighborhood.

5 Inf.Div.\*  
up to now  
south of  
Uden.<sup>3</sup>

From the Haarlem - Leiden highway in Lisse (north of Sassenheim) we saw men of the 2d Inf. Rgt.,<sup>4</sup> and horse drawn artillery. (April 26) A cantonment 500 meters south of the place.

3d Div.  
Known\*

One kilometer south and one kilometer north of the town of Sassenheim (north of Leiden) we saw from the Haarlem - Leiden highway men of the 1st Inf. Rgt.,<sup>4</sup> in emergency quarters. Sheltered in camp spaces (April 26).

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5  
1 km. south-  
west of Pl.  
III<sup>3</sup>

On the terrain between The Hague - Delft highway and the Vliet canal, about 1.5 km. north of the north edge of Delft two searchlights were seen on April 24. They were motorized and very large, diameter 2 m. - 2.50 m. On a level with the searchlights, but nearer The Hague - Delft highway, we saw two heavy machine guns<sup>4</sup> in position for antiaircraft defense.

At the south exit from Delft, on the terrain between the highway and the Delft - Rotterdam railway line, 4 heavy machine guns in position for antiaircraft defense.

In the harbor of Rotterdam, on the loading quay between the inner harbor and the "railroad harbor" (see Rotterdam sheet 1:50,000) we saw on April 24 five antitank cannon, with vehicles for transporting over the terrain, brought in for shipment. A larger number was suspected. Whether they were loaded on railway cars or on ships we could not ascertain. It is presumed that they were to be shipped to Zeeland. The cannon looked new.

5th I.D. up to now at Germert under Com. of Fort Holland\* 13th Inf. Rgt.<sup>4</sup> and of the 23rd Inf. Rgt.<sup>4</sup> and in addition the corps of torpedineers grouped under the leadership of a colonel.

Coast Artillery?\*

5. Illegible note written here in black pencil. G-2.

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Landing  
expected  
there  
apparently\*

A large meadow surface, suitable for use as a landing field and on the south side of the Utrecht-Amersfoort railway line, between Soestduinen and Amersfoort, beginning about 2 km. east of Soestduinen, has been made unfit for landing by scattering worn out pieces of automobiles over it.

Time of Observation: May 1, 1940.

7\* Kasteel Oud Wassenaar (see surveyors plan 421) was planned as general headquarters.<sup>4</sup> Now a high house on the Schouweg has been taken into consideration, so it is claimed. Telephone lines have already been laid. The technical service was announced before in Villa Boekhorst.

The Assistant Chief, General Vorst tot Vorst, has become representative of the Commander of the Capital, The Hague. From this we assume that the general staff is in the neighborhood.

So then not toward Woerden! \*

22 Div. Ic. No. 401/40 Secret for Command<sup>6</sup> Page 97  
 Army Headquarters 18 A.H.Q., 4.5.40<sup>8</sup>  
 Ic. No. 260/40 Secret Material for the Command  
Subject: Reconnaissance of the Netherlands.

6. These notes written and underlined in blue ink. G-2.  
 7. Note in blue pencil. G-2.  
 8. Illegible note in red pencil.

CONFIDENTIAL



CONFIDENTIAL8The 22d Div.

An intermediary under trial reports:

15th Inf. Rgt. Depot moved from Breda to Delft since  
 May 9. 3d Inf. Rgt. Depot moved from Bergen op Zoom to  
 Den Haag (The Hague)

9

For Army Headquarters  
 Chief of the General Staff

I. A.

10

Major in General Staff

- 
9. Illegible notes in red and green pencil.  
 10. Illegible signature. G-2.

CONFIDENTIAL

CONFIDENTIALb. Document No. 14

Transcript from M.A. Report 41/40 secret supplement  
1 of April 15, 1940.

M.A. The Hague

In the course of April 13 and 14 the following  
places were strongly occupied by the 4th Inf. Rgt.,  
cyclist troops, the 2d Art. Rgt. and the Coast Artillery:

Katwijk aan Rijn, Katwijk aan Zee, Noordwijk,  
Noordwijk aan Zee. (Previously mentioned by  
telegram).

On a reconnaissance trip made on April 14 the  
following were seen on the march from Wassenaar toward  
Noordwijk:

- 1) A 6 cm. Inf. Cannon Battery of the 4th Inf. Rgt.  
Cannon and men were loaded on light tanks. We also saw  
this cannon battery go into quarters in Noordwijk aan  
Zee.
- 2) Between 11 and 12 a.m. we saw a horsedrawn battery  
detail of the 2d Art. Rgt. (4 field howitzers, Krupp 12  
cm. and 4 ammunition wagons) on the march from Wassenaar  
toward Katwijk. It could not be ascertained whether this  
battery went into quarters at Katwijk or Noordwijk.
- 3) On April 14, at 1 p.m., we ascertained by observation:  
1 cyclist company on the march from Noordwijk toward

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Katwijk aan Zee. According to other reports not yet verified there are large units of cyclist troops in the four places mentioned above.

The infantry cannon battery of the 4th Inf. Rgt. and the battery detail of the 2d Art. Rgt. marched in one column. Men and horses were tired and seemed to have been on a long march. March discipline was poor. By the repeated formation of double columns the two troop units became confused several times and blocked the road. A motorized traffic policeman finally put the columns in order.

1  
Repeated observations made during the last few weeks have shown that Noordwijk, Noordwijk aan Zee, Katwijk aan Rijn and Katwijk aan Zee are weakly occupied by the 4th Inf. Rgt. (strength about 2 companies and 1 antitank).

It now appears that the entire 4th Inf. Rgt. and at least 1 battery of the 2d Inf. Rgt. have been placed in the four above-named places.

The occupation of Valkenburg near Katwijk aan Rijn has not yet been ascertained.

Aviation Div. F.  
Supplement to No. 3455/40 <sup>2</sup>  
Supplement to No. 8147/40 Secret  
Aviation Command Staff lc.

- 
1. Black penciled line. G-2.
  2. Written in blue ink. G-2.
  3. Combination of red ink-pad stamp and purple pencil. G-2.

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CONFIDENTIALc. Document No. 15Transcript

Aviation Command Staff

Headquarters April 18, 1940

IC No. 3420/40 Secret material

5 copies  
4th copySecret material!<sup>1</sup>Aviation attache, The Hague, reports April 15, 1940.

In the early morning hours of the 11, 12, 13 and 14th of April there were night exercises in the city area of The Hague, between 1:00 a.m. and 4:00 a.m.

\*  
These exercises had in mind a sudden occupation of The Hague.<sup>2</sup> According to reports not yet fully confirmed the troops involved seem to have been from the nearby towns of Delft and Leiden.

The second exercise in the early morning hours of April 13 were carried out between 12:30 a.m. and 4:00 a.m. We could observe that all the crossing points and all of the bridges (even the less important ones) around the Government quarter were occupied for several hours by small shock squads consisting of 4 - 6 men. They were equipped with steel helmet, gas mask, haversack, machine gun, and side arms. The liaison between the

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1. Stamped in red ink. G-2.

2. All underlines in document from this point on are in red pencil. G-2.

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separate squads was maintained by means of motorcycles. During this time all the embassies were watched by such squads. One could enter the embassies only by permission of the police. The troops are distributed over the city partly by trucks and partly by marching. Several transformer stations are guarded.

In addition the following permanent measures of safety have been taken:

1. The private residences of the ministers are guarded by 2 policemen for each one,
2. Each of the residences of the generals is guarded by a sentry armed with a bayonet, pistol and saber,
3. The railway station of The Hague is guarded by 3 sentries.
4. The main post is guarded by a double sentry assignment,
5. The building where the "Staatscourant" is published likewise guarded by one sentry; there is random inspection of the visitors that come in and go out.

On the Malieveld, on the west side of the Haagschen Bosch, 4 additional 2 cm. antiaircraft guns have lately been set up; they are guarded by a double sentry and their crews are quartered close by in the red building situated to the north of the Boerlann.

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The Queen is in the Huis ten Bosch. Since April 11 the chauffeur of the Queen has not been permitted to leave the Huis ten Bosch nor go away from the immediate environment of the Queen. The sentry post in the northwest building of Huis ten Bosch is occupied by soldiers. The entrance and the exit to the Huis ten Bosch are each guarded by a policeman and at night 2 policemen are placed on guard. In addition, the gate to the Huis ten Bosch is closed at night.

On April 1 we observed, on the road leading from Wassenaar toward Noordwijk, four 6 cm. cannon loaded on trucks going toward Noordwijk. The horses belonging to these guns were being carried along in trucks.

The coast guard between Kijkduin and IJmuiden has been materially strengthened. The 1st and 3d Inf. Divs. used here as a coast guard must now be up to full strength.

In Loosduinen and Kijkduin we observed units of Gren<sup>s</sup> Jaeg.\* the 1st, 2d and 33d Infantry Regiment. In the middle of Loosduinen sport grounds there is a football field with 2 gates. Saturday and Sunday games are played here and these are attended by large numbers of people.

4th Depot  
En.\*  
1st Depot  
Artillery\*

3 On April 14, in the afternoon, we also observed that Leiden was strongly occupied. On the road leading

3. Line in green pencil. G-2.

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from Leiden toward The Hague, between Leidschendam and Voorburg, there has been an extensive concentration of military trucks. In this area alone we counted over 220 trucks. It is possible that these trucks are to be used to transport the government and the general staff - in case of a conflict - to some place which has not yet been determined.

The intention of the Government to abandon The Hague in such a case is already known.

By the same mail the Military attache, under Supplement 1) to Report 41/40 of April 15, will give a detailed report concerning troop reinforcements and particularly as regards artillery preparations.

On April 14, in the afternoon, we noticed that all the bunkers on the east bank of Moerdijk had been occupied by troops with steel helmets. Nothing could be ascertained concerning their armament. It could not be ascertained whether this was merely a temporary exercise or a permanent occupation.

4 On April 12 we observed that a reserve marine airport had been arranged on Braassemer Lake. At this place there are three T 8 W airplanes. The bathing establishment and the restaurant were occupied by

---

4. Illegible note in red pencil. G-2.

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marine soldiers. The bathing establishment is right on the water, between the towns of Oude and Wetering. The Braassemer Lake is about 30 km. southwest of Amsterdam.

I. A.  
signature

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CONFIDENTIALd. Document No. 16L Lopez 32<sup>1</sup>Ic<sup>2</sup>

22 Div. Ic No. 409/40 Secret material

Feldmann Operations  
Group  
Command I.

Capture first<sup>3</sup> ← List of persons to be seized—Holland<sup>4</sup>  
Secret material for the Command

- 
1. Written in blue pencil. G-2.
  2. Written in green pencil and followed by three illegible words, also in green. G-2.
  3. Written in purple pencil. G-2.
  4. It is assumed that there was a good reason, from the German point of view, for wanting each person whose name appears on this list. As examples, the activities of five of those listed at The Hague were as follows:

Oliviers, Captain - Infantry officer on duty with the 3d Section, M.I., Dutch General Staff, for four or five years. He is believed to have directed the military intelligence activity of the Dutch Secret Service, and to have been anti-German.

van der Plassche, Major - Infantry officer assigned to the 3d Section, M.I., Dutch General Staff, as liaison officer. He had been on duty with this section almost continuously since the last war and had actually functioned as its head, since he did all the work. Anti-German.

Rhodes, P.C.O. - A member of the British Intelligence Service. He worked in the British Passport Control office at The Hague.

Lowe, P.C.O. - Same as Rhodes.

van Blankenstein, Ir. - Journalist and reporter for the Haagsche Post. He was close to Dutch Foreign Office and was believed to have been in the Dutch Secret Service. He had been expelled from Germany, was part Jewish, and anti-German.

Gibb - Believed to have been an officer in the British Naval Reserve and doing intelligence work. Ostensibly he was a clerk in the English Consulate at Rotterdam. G-2.

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## THE HAGUE.

Mayer, A. H. N.	109 Slingeland Street
Hendriks, Henry	34 van Stolk Avenue
Hastings, PCO	
Walsh, Harry	7 Pansier Street with (Kans)
Rhodes, PCO	11 Wagenaar Avenue Pension Zonnehoek
Denis, H.O.E.N.D.	Koninginne Canal 45 Pension Cecil
Oliviers, Capt.	52 Lange Vorhout (Office)
Kerckhoff, J.G.K.	9 Lohengrin Street
De Boom	16 Buiten Avenue
van Slooten,	170 Ostade Street
Delmars, (Miss)	4 a Gedempte Burgwall
van Buuren, (Mrs.)	27 Station Avenue
Lewis	
Ridderbosch	
Fischer, Dr. Franz	446 Obrecht Street
Schreiver, P. B.	446 Obrecht Street
Van der Loo	18 Paulinen Street
Eliazar, A.	349 Zwolsche Street
Drooglever	} Filmstadt
Fortuin, V.	
Ludwig, A. H.	63 Gedempte Burgwall
Beekelmann	(Loosduinen)
Boland, H.	326 Newton Street
van Zilhout, Jean	19 Franklin Street
Morris, William	Rochus Street 125
Beyens, E. K.	8 van Speyk Street
Hollander, E. K.	22 Suriname Street
Klenke, (Mrs.) W.	80 a Koninginne Canal
Scheulenburg, Rita	114 Stuijvesant Street
Ten Cate Hebdrik Horst	12 Heeren Street
van Tilburg M. A.	67/73/77 Java Street
de Haas C.A.C.H.	68 Toren Street with (Madam Willemsteyn)
Rietveld J.A.	25 Schevningesche Avenue
Scherpenhuizen, Jan	44 Bahn Street
Hoogesand	
Nathans W. M.	1 Anna v. Sachsenplein Office: Koninginne Canal 11 Tel. 112749

---

5. Line drawn with purple pencil. G-2.

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## SCHEVENINGEN.

Lowe, Conrad PCO	3 Berkenboschblock Street
Hooper, William (Bill)	107 Zeekant
Tuit, Johannes	9 West Street

## RIJSWIJK.

van t'Hart, Johann	1 Ruysdaelkate
Boom, Johann	Broeksloot
Cohn, J.	14 Vondel Avenue
De Beer	Dalia Street

## LEIDEN.

Spaanderman	
De Heer, Hillebrandt	17 Sitter Avenue
Van den Bosch	56 Sitter Avenue
Valderen, H. O.	14 Vronvensteeg
Koolsbergen	25 Boerhoven Avenue

## LEIDENSCHENDAMM.

Eiffe, Cesar	85 Veursches Street
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## SASSENHEIM.

Barendrecht, J. J.	5 Kooilan
--------------------	-----------

## WASSENAAR.

5 van der Plassche, Major	55 Groote Hoefijzer Avenue
van Blankenstein, Dr.	1-3 Konyne Avenue

## GOUDA.

Kint, Flora	Bodegrafsche Avenue
Klein	101 Bodegraafsche Straatweg

## ROTTERDAM

Fontes, Jean	30 Provenierssingel
Kamstra, R.	96 Prinzess Juliana Avenue
Vrinten, Adrain	6 Avenue Concordia
Helme(r)s, Anton E.W.D.	22 a Hang
Baas, Jacobus, Johannes, Cornelis	6 Witte Dorp Dremellaan Street
van Santen, Jacobus	15 b Obreen Street

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Peters, J. H.	Nieuwe Binne Avenue 85
Brussen, A. J.	85 b Middeland Street
Bicycle business	71 Paradijs Avenue
Rhine Shipping Company	164 Maaskade
Lescanne, Dir. of the Rhine Shipping Co.	2 Nieuwen Street
Duinker, H.	
Seyerling, Klaas	122 b Vierambach Street
Lareida, Jean	9 Revier Street
van den Vate	24 c Beukels Avenue
Leusing, J. N.	32 Vredenoorplein
Spek u. (Mrs.) Henk	33 Flora Street
Beekhorst	
Kregeloh	54 Westersingel
Oliver, E. T.	
Keuzenkamp, P.	69 Oude Binnen Avenue, La Floor
Dissel, Pieter	Schiekabe
John, Karl August	104 Westseedijk (Dike)
Van der Hoek	
Jansen	Westerbeek Street 26 B
Storm, Meyndert	39 Gashouder Street
Schmidt, Freidrich	Place: Oud Beyerland (South Holland) 73 Ostdijk
Kratz, Gerhard	Le Havre
De Koning, Wilhelmus	16a Frederik Street
Scholter, E.	16 Frederik Street
Grootenhuis	22 Wynhaven
Koning, Walter	16 Frederik Street
Sprenger, M.	9a Schiedamsche Avenue
von der Waal	2 Westplain, Tel. 15244
van der Hall, G. A.	5 C. Zeeman Street
" G. A.	
" B.	
Steenhorst, Willem	114 b Willem Buytewegh Street Tel. 32013
Steenhorst, jr.	114 b Willem Buytewegh Street Tel. 32013

## still R O T T E R D A M.

(Mrs.) de Kate Mason	Office of the English Consul General
Gibb	Office of the English Consul General
Proost	Boomjes 81
Hoekstra, J.	26 Dillenburg Street
Ruighaven, P.	19a Zinker Avenue

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## Operations Group Feldmann

## Command 1.

## Large Garages in The Hague.

- III<sup>1</sup> 1. Atam General Taxi Co. (at Station HSM)\*  
158 Waldorp St. Tel: G 16378, T 180000
- III 2. Branch of Atam - 85/100 Laegwater St.
- III 3. Branch of Atam - of 43/47 Kunst St.
- III 4. Brussels Automobile Works  
215/225 Joh. Camphuijs St. Tel: T 215225
- I IN 5. Fremery & Greve Automobile Co.  
91 a Part St. Tel: 131129
- III 6. Myrona - 16 b Bezuidenhout Avenue, Tel: 192990
- I 7. Auto Service - 14 Hoogewal<sup>2</sup> Tel: 145020
- III 8. Branch of Auto-Service - 26 Waldorp St.
- I 9. Branch of Auto-Service - Bilderdiyk St.
- III 10. Branch of Auto-Service - Rijkswijk<sup>3</sup> (south of HSM Station)
- I 11. Branch of Auto-Service - 26 a Zijde Ave. (to Wassenaar)\*

1. The Roman numerals appearing throughout the remainder of this document were written in red pencil. According to notes on the document, they were to be interpreted as follows:

- I. North of Haagsche Bosch (a forest) - Hof Vijver (a body of water) - West Einde (an avenue).  
East of Kranenburg Ave. - Conrad Quay
- II. West of Conrad Quay.  
North of Loos Duinsche Ave.
- III. South of Haagsche Bosch - Hof Vijver - Westeinde Loos Duinsche Ave. G-2.
2. An oblong body of water. G-2.
3. Line drawn through this word with red pencil. G-2.

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- I 12. Branch of Auto-Service - Wassenaar<sup>4</sup>
- II 13. Abeel Garage - 7 and 13 Abeel St.
- III 14. General Automobile, Engine and Tire Trade, "Aumoba" -  
8 a Gedempte Burgwal
- III 15. General Garage and Automobile Co. (a joint stock  
company), of 87-89 Carpentier St.
- III 16. "Amova", Joint Stock Co., 82 Passage
- I/ 17. Andre de la Porte's Industrial Agency, 30 Lange Voorhout
18. Automobile and Engine Co. of Bolland and Co., joint  
I III  
stock company, 51 Will. de Zwijger "Laan". 76a  
II HSM\*  
Station Ave. and 472 Fahrenheit St.
- I 19. Auto Palace s'Gravenhage, joint stock company,  
7 Hout Ave.
20. Auto Service, joint stock company, I  
13-14-16a Hoogewal  
III  
St., branch 25 Waldorp St.
- I/III 21. Vitesse Auto Works, 17-10 Ged. dike
- III 22. "Archipel" Auto Garage, 26-28 Fluweelen St.
- III 23. A. G. v. Tol Auto Business, 62 Station Ave.
- I 24. Auto Business of the "Le Velo" firm, joint stock  
company, 52 Zee St.
- I 25. Auto Co., "of Nijverheid" joint stock company, 6  
Kapel Ave.
- I/III 26. Automobile Works of the firm of C. L. de Groot, joint  
stock company, 142 Toren St. and 144 Torengarage

4. There are both a Wassenaar Street and a Wassenaar Avenue in The Hague. G-2.

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- II 27. "Westend" Automobile Works, 169-171 Sinaasappel St.
- I 28. "La Ville" Automobile Garage 32 A. Paulowna St.
- I 29. "Witte Brug" Automobile Garage, 110,111-112 and 129a-130  
Koninginne Canal.
- I 30. Automobile Importations and Repairs "Aero-Import",  
joint stock company, 12a Koninginne Canal
- ~~III~~ ~~31. Automobile Co. "Myrona" joint stock, 16a Bezuidenh. Ave.~~
- III 32. "Loudon" Auto Service, Baron and Vechgelaar, 2-3 v.  
Rees St.
- I 33. "Alnac" Automobile Hiring, joint stock company, 32  
Anna Paulowna St.
- I 34. I. Baeck, 250 v. Beverning St.
- III 35. Bezuidenhout Garage, 2d on Bosch St., 12 a.
- I 36. Boxen Garage (V. Beverningk St., G. Verkerk and F. de  
Groot, 235 v. Beverningk St.
- III 37. J. L. V. Bussel's Automobile Works, joint stock  
company, lg. S.E. Eimmensingel 1 g
- III 38. Gebrs. Casteleijn, 65-67 Bloemfontein St.
- I 39. Central Auto Works, joint stock company, 7 Gevers  
Deynoot St., branch 593 Haagweg, Loosd. II
- III 40. Int. Automobile Co., 2-10 Schelde St.
- I 41. "Duinoord" Central Garage, 132 Schuijt St.
- I 42. V. Diemens Auto Works, 78 Canal Ave.
- I 43. Deutsche Automobile Imp. Co., "Daisy", 46 L. Voorhout

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- I 44. J. v. Dijk, 14 Schelp Quay
- III 45. Aartman Garage, 63 Hofwijck Place
- II 46. Ahorn Garage, 14 Ahorn St.
- I 47. Arendsburg Garage, 49b Leen v. Roos en Doorn I
- I 48. "Banka" Garage, 30-31 Schelp Quay
- III 49. "Nova" Garage, 2 Schenk Quay.
- I 50. Olanda Garage, 24a Park Ave.
- I 51. "Pasmooey" Garage, 10-10a Billiton St.
- I 52. L. Ch. Pet Garage, 12 Franken Road
- III 53. Sanchez Garage, 154 Therssia St.
- I 54. Urban Garage, 12 Franken Road
- I 55. Van Werkhoven Garage 120 van Brieten St.
- I 56. Haagsche Automobile Co., joint stock company, 10 I  
Koninginne Canal, 41-43a-45b Leen v. Roos en I  
Doorn and 235 v. Beverningk St. I
57. Holl. Garage Co., joint stock company, 96 Benhoutsche  
Ave. ?\*
- I 58. N. V. Moymans' Taxi Co. "H.O.T.A.N.", 26 Schuyt St.
- I 59. A. J. Konings Garage "de Stormkoning", 60-70 Toussaint  
Quay.
- I 60. J. W. Lagerwijn's Auto Werks, joint stock company, 65  
and 63b Franken St.
61. J. van der Lip Auto Werks, joint stock company, 2 Alex- I  
ander Place, Branch 91 Lijster, bes St.<sup>5</sup>

5. Since there is a Lijsterbes St. in The Hague, this appears to be an error in typing. G-2.

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- I 62. Luxe Auto Hiring Enterprise, L.A.V.O., joint stock  
I  
company, la Koninginne Canal and 13 Hout Ave.
- I 63. H.G.J. Meijer's Automobile Works, joint stock  
company, 09 Conrad Quay.
- III 64. Monopole Garage, 3d on Bosch St. at 10 Bosch St.
- III 65. "Maasland" Engine House, 181 Bezuidenh. Ave.
- I 66. Oldenbarnevelt Garage, 51-55-57 Joh. v. Oldenb. "Laan"
- II 67. Olijf Garage, 43 and 49 Olijf St.
- II 68. Christian van Osch, 635 Loosduinsche Ave.
- Boundary\*  
I 69. Priem's Automobile Works, 84 a-b, 86-88 v. Loos St.
- III 70. Residentie Garage P. Plinterman, 4-7 Stations Place.
- I 71. R'damsche Auto Headquarters, joint stock company of  
14a Ruiter St.
- I 72. Schev. Auto-Box Garage, joint stock company, 35  
Seinpost St.
- III 73. "de Haan" Service Station, 152c Joh. Camphuys St.
- I 74. "Tromp Garage", J.M. v. Ruyven, 148 and 276 Tromp St.
- III 75. N.V. v. d. Valk's Automobile Co., joint stock company,  
I  
17-39 Volkerak St. (Showroom 1 Zee St.)
- III 76. Wagners Auto repair and Service Station, 67-69 Duinn  
Duijn St.
- I 77. Firm of A. and M. de Wind, "Nassau" Garage, 58 Kerk St.,  
Garage 42 Schelp Quay. I

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CONFIDENTIALe. Document No. 17

Secret Material for the Command.

To 22d Div. Det. Ia No. 150/40 Secret material for the  
Command. Supplement Ia

Enemy Intelligence sheet.

(only for Div. Army Abteilung 22 and East Group)

In addition to the enemy troops given in supplement 1  
the following are known:

- a) in Delft, in the north edge barracks. In that place  
probably a reserve depot of 15th Inf. Rgt., further  
details not known.
- b) in Rotterdam, parts of the 9th Inf. Rgt. (3d Div.) and  
10 Artillery Rgt.
- c) in Schoonhoven (southeast of Gouda), reserve depot of  
the 1st Inf. Rgt. (recruits). Training and strength un-  
known.
- d) in Gouda, observation post of the staff commander of the  
East Front of the Dutch line of fortification (apparently a  
kind of fortress, pioneers, staff). We do not know whether  
the observation post is occupied or not.
- e) in Woerden 1) Observation post (bunker), of the  
commander-in-chief of the army, apparently occupied only

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by telephone personnel and weak guards. 2) Reserve depot of the 9th Motorized artillery regiment (recruits).

Training and strength unknown.

f) On the new Holland water line the following have been put in or made ready:

1) Around Vianen-Vreeswijk (10 km south of Utrecht), part of the 32 Inf. Rgt. (3d Wave). (Wave = part of tank formation).

2) Around Utrecht 25 Inf. Rgt. and 28th (3d Wave).

3) In the area about Maarsen (5 km northwest of Utrecht) up to Muiden (9 km east-southeast of Amsterdam) Brigade C. Staff apparently at Weesp. The following subordinated to: 42 Inf. Rgt. (Maarsen-Ondover-Loenen), 31st Inf. Rgt. (Eaambrugge-Hinderdam), 34th Inf. Rgt. (Weesp-Muiderberg), 23d Art. Rgt. (Masse in Muiden).

Distribtuion:

Div. - 4  
 22d Recon. Det. - 4  
 22d Art. Rgt. - 1  
 22d Armored Inf. - 1  
 Total - 10

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CONFIDENTIALf. Document No. 18Page 5<sup>1</sup>7th Aviation Division  
Abteilung I c

SECRET

Secret 4/18\*

Brigade E. No. 2854/40 Secret

April 16, 1940

Secret material  
for the command\*  
4/19\* 22d Div. I c No. 325/40 g.4/18/40<sup>2</sup>

(copy)

Reports concerning Holland.

Secret material<sup>3</sup> (V-man (intermediary) and Attache reports).Ia\* 4/18<sup>3</sup> 1) German embassy, April 9, 1940, No. 305/40 secret.

1. The technical command of military aviation ("Luchtwartbedrijf"), Villa Osiris in Wassenaar, is now in some houses farther north of #69 Schouwweg on the west side a short distance in front of the railway crossing on Papageineweg.<sup>4</sup>

Ib/20\*  
4

2. Offices of military inspectorships:

x<sup>5</sup> a) Inspector of Artillery: 2 Jan v. Nassau St.<sup>6</sup>

(Tel. 721053)

x b) Inspector of Civil Guards: 23 Heeren Canal<sup>6</sup>

(Tel. 183815)

- 
1. Written with blue pencil. G-2.
  2. Written with black pencil. G-2.
  3. Written with green pencil. G-2.
  4. An avenue. G-2.
  5. All x marks throughout this document are in blue pencil. G-2.
  6. Underlines in blue pencil. G-2.

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- x c) Inspector of Cavalry: 4 Raam Ave.<sup>6</sup> (Tel. 111880)
- x d) Inspector of Medical Corps of Land Forces:  
22 Raam Ave.<sup>6</sup> (Tel. 182350)
- x e) Inspector of Infantry: 24A Park St.<sup>6</sup>  
(Tel. 180972)
- not recorded\* f) Inspector of Royal (mounted police) 11 Nieuwe  
Zuilenstein St.<sup>7</sup> (Tel. 776990)  
Dept. of Frontier Guards: 11 N. Zuilenstein  
St. (721153)
- x g) Inspector of military administration: 7 Lange  
Voorhout<sup>6</sup> (Tel. 1118880)
- x h) Inspector of Engineers, 4 Plein (Tel. 1118880)
- x i) Inspectorship of Engineers: Office 6 Atjeh  
St.<sup>6</sup> (Tel. 557069)
- 2) Enclosure for Bremen "Nest" No. 159/40 Secret I. Aviation  
of Apr. 6, 1940.
- x 1. Commander-in-chief of the Army Lt. Gen. Baron Voorst  
tot Voorst has his staff headquarters at the present time  
at the exit of the City of Zeist, in the direction of  
Amersfoort.
- x 2. Staff of the 1st Army Corps, Major General Karsten,  
commander, The Hague, on Smidsplein<sup>6</sup>.
- x 3. Staff Headquarters of the 1st Division of the 1st Army  
Corps, The Hague, 1b Raam Ave.<sup>6</sup>

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7. Underline in red pencil.

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4. Chief Commissariat Officer of the Army, The Hague,  
7 Sweelinck Place.<sup>6</sup>

3) Foreign intelligence Defense report No. 11413/40 secret  
Aviation Intelligence /E.V. (?) April 3, 1940.

A relative of an intelligence officer returning from  
 Holland on March 31 reports:

1. Heavy antiaircraft artillery which heretofore was in  
 the region of Wassenaar near The Hague has been moved from  
 there to the north coast of Holland.

Probably  
 over half\*

2. The coastal fortifications in Scheveningen seem to  
 be neglected; a part of them are no longer occupied by  
 sentries. Shelters are padlocked.

4) Enclosure for Bremen "Nest" No. 141/40 secret of March 28.

x 1. Commander-in-chief of land and sea forces, Lt. Gen.  
 Winkelmann, The Hague, 7 Lange Voorhout.<sup>6</sup>

x 2. Commander of Holland Fortress, The Hague, 81  
 Bezuidenhout. (Now: Gouda St.)<sup>8</sup>

x 3. Staff of the 1st Army Corps (Field Army Commander),  
 The Hague, 7 Lange Voorhout (Ministry of Navy).<sup>8</sup>

x 4. Chief of the naval staff Admiral J. Th. Fuerstner,  
 The Hague, 169-71 Badhuis Ave.

x 5. Col. Boreel, of naval staff, The Hague, 3 Amalia  
St.

cannot be  
 found\* x 6. "Villa Boeckhorst" Aviation Enterprise, The Hague,

8. Written in black pencil. G-2.

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69 Schou Ave.

x 7. Antiaircraft Headquarters Staff, General Best, The Hague, 2 Jacob Mossel St. Searchlight, antiaircraft cannon, Rifles and air cruisers are under Col. Vilmar, whose staff is quartered in the same house.

x 8. Military inspector of aviation Col. J. F. van Heyst, - Staff of Aviation Brigade, The Hague, 277 Laan v. Nieuw Oost Indie.<sup>6</sup>

x 9. Staff of the L. of C. Service, "Hotel Paulez", The Hague, 2 Korte Voorhout.

10. Inspectorship of Aerial Protection, The Hague, 23 Heeren Canal.

5) Foreign Intelligence/Defense No. 11696/40 secret Defense. Home Aviation (?) 4/11/40.

x 1. General Headquarters, Section for Air Defense, Lt. Gen. van Best, commander: 2 Jakob Mossel St. (West corner of Juliana V. Stolberg St.) Guard Headquarters Staff (quartered at 7 van de Para St., ("Public Trade School"), 1 sentry posted (10 live cartridges). —In staff headquarters, in addition: 1 corporal 1 NCO, 4 orderlies, 1 major of the staff headquarters: Capt. Kouwenhoven.

2. In the "Public Trade School" mentioned under 1 (7 van de Para St.) there is also, at the present time, a school for the teaching of the theory of aviation; it is attended by about 60 volunteers.

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3. In a northwest corner (intersection of) Leen van Nieuw Oost Indie and Louise Coligny St.: Intelligence headquarters for all air sentries in s'Gravenhage and surroundings.

4. On the east side of Louise Henriette St., almost on Albertine St.: Chief Intelligence Headquarters (for all Holland) for air sentry service.

5). Southwest - corner building Bezuidenhoutsche Ave. and van den Bosch St. some high staff (much activity on the part of orderlies and military police); further details could not be obtained.

6). Koningin Sophie St. in 2 schools, recruits (half) of the Inf. Rgt. 18 (the other half in Kleedinghuis Haarlem). Diagonally across: the corresponding officers and NCO's.

7. On "Malievelc" and "Herten kamp"; heavy machine guns and anti-aircraft artillery (against landings from the air). - The corresponding crews are in Korte Voorhout to the west near "Amicitia".

6) Enclosure for Bremen "Nest" E. Nr. secret 144/40 Home Aviation of March 29, 1940.

x 1.) Central Department for Supplying the Defense Forces, Chief Engineer Begeman, The Hague, 19 Lange Hout St.

2.) Chief administration state operation of artillery establishments, heads: de Neef and Feth, The Hague 23 Bezuidenhout.

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3.) T.A.V.O. - Technical procurement and information training, construction, state artillery operation of establishments,

The Hague, 6a Prinsesse Canal.

4.) Management and General Secretariat, state operation of artillery establishments, Director: Den Hollander,

The Hague, 102 Lange Voorhout.

5.) Material for navy, Chief of 4th Section, (Rear Admiral)<sup>9</sup>

A.L.N. Doorman, The Hague, 6 de Eerens Place

6.) Crisis Export Bureau, The Hague, 6 Piet Hein Place.  
City Plans, with exact designation of positions follow.

F.I.R.I.A.<sup>10</sup>

Col. Lampertsdoerfer

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9. These two words are written in black pencil, first in Dutch and then in German. G-2.

10. This abbreviation not identified, G-2.

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CONFIDENTIALg. Document No. 19

Secret Command Material

After the Start "Secret!"

To 22d Div. Section Ia

Enclosure ~~III~~ IV<sup>1</sup>

No. 150/40 Secret Command material V.

Explanation of City Map.

1. Royal Castle, main entrance from Noordeinde Street.
2. Navy Department, headquarters of the Headquarters Staff of the Defense Forces, chief entrance from Lange Voorhout;<sup>2</sup> apparently there are side entrances from Hooge Nieuw St. and from the street running diagonally.
3. Office for posts and telegraph, here is an amplifier station for the main telephone lines; entrances from Prinse St. and Kerk Square, other exits now known.
4. Telegraph offices, contents unknown.
5. Castle of Princess Juliana.
6. War Department, chief entrance from Lange Poten;<sup>3</sup> there is probably a side entrance from Kalver Market.
7. Ministry of Foreign Affairs, chief entrance from the Square.

- 
1. The figure "III" is crossed out in blue pencil and "IV" substituted in the same color. G-2.
  2. A small park in front of a larger forest park.
  3. A street.

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8. Headquarters Staff of the Luftwaffe, 2 Jacob Mossel St., Lt. Gen. van Best.
9. Huis ten Bosch, summer castle of the Queen.
10. Frederik barracks, apparently occupied as a coast artillery depot (depot unit).
11. Alexander barracks, probably occupied by the depot battalion of the Grenadiers and Jaegers; before it is a drill space.
12. Barracks on Waalsdorper Ave., probably occupied by parts of the Grenadier regiment and Jaeger regiment.
13. Waalsdorp Training Grounds, probably occupied by parts of the Grenadier regiment.
14. Water works.
15. Known antiaircraft position for harbor protection (1 antiaircraft cannon).
16. Radio transmission station.
17. Power plant (electric).
18. Gas works.
19. Blocking of railroads by 1/3 of 3d Bn. of 22d Pioneer Regiment.
20. Hotel Paules, Korte Voorhout, at this place the directing staff of the supply service of the Dutch army.
21. Staff of the Infantry Army Corps, chief entrance Smids Square (in the immediate neighborhood of the French

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Consulate). General commanding: Major General Karstens.

22. Positions for antiaircraft cannon.

23. Staff of the 1st Div. on Raam Ave. 1 b.

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CONFIDENTIALh. Document No. 20Enclosure 1 for 22d Div. IC No. 50/40 secret command material<sup>1</sup>  
4/15/40Secret command material<sup>2</sup>

for p. 1\*

Supplement 1 for IC/42/40 secret MATTER FOR THE CHIEF.<sup>3</sup>

The following explanations are given concerning the enclosed "CITO" plan:

1.) Two foot ball goals have been standing in the place marked on the sports field since Sunday, April 7 (Square C 2).

2.) The land surrounded with 2) comprises two skating rinks containing 4 rows of high electric light poles. The rest of the land, which is not shown by means of blue hatching, is allotted in the form of small gardens and is traversed from end to end by deep ditches (Square E 10).

3.) The western part of the land under point 3), surrounded with a line, is mainly occupied by hothouses. The eastern part is occupied partly by small gardens with scattered hothouses, and partly by enclosed orchards and groves of tall trees (Square D 10).

- 
1. Written and underlined in blue ink. G-2.  
 2. Stamped and underlined in red. G-2.  
 3. Half typed, half written in blue ink. Word "Chief" doubly under-scored with red pencil. G-2.

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4.) The heavy AA gun position specified under 4) is no longer in existence (Square C 12).

5.) The red point at 5) marks a large bunker disguised as a red house of medium size (Square D 9/10).

The red dots given under 6) and 7) represent roofed-over air raid shelters (Square D 9/10).

The land marked by the broken line, under point 8), is unoccupied meadow land containing ditches, most of which lead to Bezuidenhoutschen Weg. The same is true of Point 9). The ditches are now filled to their tops, particularly those running north and south (at least  $1\frac{1}{2}$  to 2 meters wide. Square E 10).

10 & 11. The southern entrance to the Huis ten Bosch is marked with an arrow under 10), and the northern entrance to the Huis ten Bosch under 11). (Square D 9/10).

12) A private house now occupied by troops is marked under 12). (Square C 3).

13) A red house is situated on the Malieveld for the use of the crews of the light and medium weight AA artillery installed on the Malieveld (Square D 8).

13 a) No gun crews are manning the medium weight and light AA artillery on the Malieveld, but it is guarded by permanent sentinels.

14) An AA machine-gun position on top of a house. (Square D 8).

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15) Light AA machine-gun position (Square H 8).

(signed)

F. d. R. d. A.

Lampertsdörfer.<sup>4</sup>  
Lieutenant

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4. Signed in blue ink. G-2.

CONFIDENTIAL

CONFIDENTIALi. Document No. 21L. Lopez-18<sup>1</sup>  
"S" 6<sup>2</sup>

GHQ OF THE ARMY

Gen. Staff of Army of the West, to operate on foreign soil  
No. 390/40 secret for command

April 17, 1940.

Re: The Netherlands

3 copies  
2d copy.

Com.Mat.\*

Ia\* 5

To the 22d Infantry Division.

Valkenburg unoccupied. There is only 1 sentry in front of the artificial stone factory 200 meters south of the point where the Rijnburg-Katwijk road crosses the Rhine. The factory produces concrete slabs.

Katwijk is occupied by a strong force<sup>6</sup> amounting to about 1 company. Number of the Regiment not yet learned.

Poeldijk, April 10. Parts of the Chasseur Regiment observed, not more than two companies strong.

I. A.  
7

3088/1

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  3. Illegible entry in red pencil. G-2.
  4. Illegible entry in purple pencil. G-2.
  5. Illegible entry in black pencil. G-2.
  6. Underlined in red pencil. G-2.
  7. Illegible signature.

CONFIDENTIAL

-4-

CONFIDENTIALj. Document No. 22Copy

Commander in Chief of the Air Arm

Directing Staff I c,

Hq., April 18, 1940.

No. 7056/40, secret (III A 5)

Secret Matter for Hq.<sup>1</sup>To Aviation Division 7,  
Air Fleet Hq. 2. (by way of information)

Re: Hook of Holland.

A reliable but unconfirmed report states that:

280 m\* Several coast artillery companies<sup>2</sup> are stationed at the Hook of Holland. The entrance to the place is guarded. Automobiles are inspected by the military police. A large hut camp of marines (?) (about 300-400 men) is situated at the northeastern edge of the place. In the center of the camp are located 4 long, low, tentlike structures covered with black canvas, which look like magazines containing ammunition chests, or the like.

In addition to the troops mentioned, a part of the 39th Inf. Reg. must be stationed at the Hook of Holland, as about 10 details wearing this number have been observed. Three concrete ammunition magazines have been constructed under the

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  2. All underlines throughout this document are in red pencil. G-2.

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embankment of the railway line between Kijkduin and Terheijden,  
2 km southwest of Kijkduin. Exit on the side toward the land.

The following insignia have been observed on uniforms at  
the Hook of Holland:

on leave?\*

3d, 6th, and 13th Artillery Regiments;

38th Inf. Reg.

I.A.  
signature

CONFIDENTIAL

CONFIDENTIALk. Document No. 23

22 Div. I c No. 52/40 Secret command material

1

P.3\*

Secret Material !\*Telephone from 7th Aviation Division, Apr. 18, 1940, 12:15 p.m.Report dated April 12, 1940I a  
2

- 1) There are 2 batteries of the 2d Art. Reg. in Katwijk-aan-Zee.
- 2) There is 1 infantry company (probably of the 4th Inf. Reg.) in Katwijk aan den Rijn.
- 3) Valkenburg unoccupied; 1 sentinel stands in front of the artificial stone factory 200 meters south of the place.
- 4) Nothing learned in region around Rijswijk. Report follows.
- 5) Infantry in the Loosduinen schools. More complete details follow.
- 6) Parts of Chasseur Reg. in the town, school, and private quarters, in Monster.
- 7) Parts of Chasseur Reg. in Poeldijk. Strength follows.
- 8) Not more than 2 companies of Chasseur Reg. in Naaldwijk.

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  2. Illegible entry in green pencil. G-2.

CONFIDENTIAL

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- 9) 1-2 companies of chasseurs, 5th Coast Art. Reg. in ~~the~~  
~~the~~ S-Gravezande.
- 10)  $\frac{1}{2}$ -1 company of chasseurs in the Kijkduin School.
- 11) Terheiden, 1 platoon in town guard in 2 huts (chasseurs).  
5) - 11) Strength not over 3 battalions.
- 12) Not more than 2 companies of infantry and antitank  
troops, probably of the 4th Inf. Reg., in Noordwijk.

Delivered: Lt. Lampertsdörfer.

Received: Capt. Sommer.

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CONFIDENTIAL1. Document No. 2422 Inf. Div. No. 357/40<sup>1</sup>Secret from 4/27/40<sup>1</sup>

22 Inf. Div.\*

Army Hqr. 18 I a 248/40 secret<sup>1</sup>

ARMY HEADQUARTERS

Gen. Staff of Army, Foreign Army of West.

I a\* \_\_\_\_\_<sup>2</sup> 17/4\*P. 7<sup>3</sup>

No. 412/40 Secret matter for command.

April 22, 194

300 copiesSecret Matter for the Command!

202d copy.

Changes in the Dutch Positions and Fortifications up toApril 15, 1940

Ia\*

1. The Ijssel-Maas Position.

The frontier position on the west bank of the Waal between Bommel and Nimwegen has been strengthened by the installation of 8 new cupolas on the winter dike.

The beginnings of a field position at Bommel running in a northerly direction, which will probably intersect the Pannerden river triangle, have been recognized.

II. The Grebbe Line.

1.) The position north of Amersfoort has been strength-

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  5. Illegible entry in green pencil. G-2.

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ened but little since January, 1940. Antitank trenches or traps running along the front line have been completed at the Amersfoort bridgehead.

Flooding:

The flooded territory north of the Nijkerk-Soestdijk Line, shown in the map of fortifications, was no longer flooded on April 10, but most of it was apparently still swampy. The Amersfoort bridgehead was free from flooding, even to the north of the Amersfoort-Apeldoorn railway line, with exception of a narrow strip of swamp east of the Eem.

2.) The position at Renswoude bridgehead in the middle sector of the Grebbe Line is developed along three lines.

a) The course of the newly constructed front line is as follows: Northwest to Scherpenzeel - south to Renswoude - north to Ederveen - 1 km east to De Klomp - 2 km east to Veenendaal. This line is 500 meters deep and consists of fire trenches and simple infantry obstacles. To the south of Renswoude it comprises an antitank trench or trap 5 km long. Scherpenzeel has been developed as a point of support.

b) The central position constructed previously on the railway on both sides of Emmikhuizen has been slightly strengthened by the construction of earthworks. The villages of Emmikhuizen and Veenendaal have been developed as points of support.

c) New earthworks have been thrown up behind this line

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on the west bank of the Bishop David Canal between Holevoet and Veenendaal.

d) No information is available with regard to the new position begun along the edge of the wood west of the Grebbe Lowlands.

Flooding:

The land at Lenswoude bridgehead to the north of the Arnheim-Utrecht railway line is almost entirely free from flooding. Only to the southwest of Lenswoude is there a swampy strip of land running in an easterly direction. The land between Amersfoort and Scherpenzeel seems to be flooded less than is indicated on the maps.

A large part of the land south of the railway line is flooded on both sides of the antitank trenches or traps.

3.) The fortifications at Rhenen bridgehead in the southern sector of the Grebbe Line between Veenendaal and the Lower Rhine have a total depth of about 5 km. While the fortifications east of Grebbe Hill have not been greatly strengthened, Grebbe Hill itself has recently been provided with field fortifications, and possibly also with permanent fortifications, which, however, are apparently not as yet very strong.

The deep railway cut running westward east of Rhenen is being used as an obstacle against tanks and armored cars. The construction of positions (trenches and obstacles) 500

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meters deep has been begun west of this cut.

Flooding:

The flooded region between Veenendaal and the Lower Rhine is somewhat less extensive than was hitherto believed.

III. Southern extension of the Grebbe Line.

1.) The depth of the position has been increased between the Lower Rhine and the Waal by the construction of new earthworks. The development of the villages of Lienden and Echteld into points of support in the field has been begun.

Flooding has occurred to date only to the south of the Nimwegen-Tiel railway line. The position has, on the other hand, been strengthened to the north of the railway by the construction of an antitank trench or trap. On April 10, the region between the highwater dikes had been flooded by water from the Lower Rhine and the Waal.

2.) No change has occurred in the development of the positions between the Waal and the Maas and in the extent of the flooding. Construction of an antitank trench or trap has been begun in the region north of Puiflijk, which has not been flooded.

3.) A weak, shallow position with obstacles and field fortifications running its entire length has been constructed between Megen and Grave on the south bank of the Maas.

IV. Fortifications along the Zuid-Willems Canal.CONFIDENTIAL

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The fortifications on the Zuid-Willems Canal between Lock 13 (6 km north of the canal crossing) and the City of Weert have been greatly strengthened. In addition to the sniper's posts known to exist there previously, which were located at intervals of about 100 meters west of the Deichstrasse and are quite high, new posts of this kind, half as high as the dike, have been constructed in the last few weeks. All of these are located in the intervals between the old posts. The wire entanglements on the west bank have been strengthened. Only weak infantry obstacles have hitherto been recognized on the east bank of the Canal. Construction of a stronger work has apparently been begun west of the canal crossing at Nederweert. The fortifications on the north bank of the Noorder Canal have apparently also been strengthened.

V. New Waterline.

1.) Since the beginning of March, many earthworks have begun to be replaced with concrete sniper's posts, most of which are light, while others are of medium-weight construction. Most of them can be completed by the end of April, 1940. As a rule, the works are located on the east bank of the Vecht near the river. Their course turns abruptly eastward on both sides of the Naarden-Dussum-Amsterdam road, where they have a total depth of 10-12 km. They are laid out

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at this point in three lines, the foremost of which contains the old Fort Naarden, while the second and strongest runs along both sides of Huiderberg and joins the Vecht in the south.

To the south of the Naarden bridgehead, a few advanced sniper's posts have been constructed on the dikes running from the east through the lake region.

With the exception of the very large natural lakes, no flooding whatever could be observed on April 10.

2.) Many sniper's posts have been constructed at 100-meter intervals between Fort Ruigenhout and Zuiten near the northwestern front of the Utrecht bridgehead. A second strong post is under construction at Swarte-Water, 2 km southwest of this point.

We have no new reports concerning the eastern and southern fronts at Utrecht.

VI. SUMMARY.

Work on the Dutch fortifications has been going on ever since the termination of the period of frost at the end of February, 1940, many workers and large quantities of building materials being employed. In many places, especially at the New Waterline, field fortifications have been strengthened by the construction of reinforced concrete works or have been replaced by sniper's posts. An especially strong position

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has been constructed on the Zuid-Willems Canal on both sides of Nederweert.

The defensive power of the fortifications has been increased.

1 enclosure.

I. A.

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6. Mimeographed signature illegible. G-2.

CONFIDENTIAL

CONFIDENTIALm. Document No. 25P 11<sup>1</sup>

Date 5/8\*

Com.mat. 22d Div. Ia No. 408/40 g K.<sup>2</sup>8\*  
VSecret material for the command\*Ia<sup>3</sup>  
U<sup>1</sup>

1. Dutch train conductors report that no trains have run between Enschede and Gronau since May 8, because all trains are being taken for military purposes.

8/5<sup>1</sup>  
Date 5/8<sup>1</sup>

2. A trustworthy intermediary reports on May 7:

All leaves, even those of persons on leave for study, were cancelled by telegraph beginning with noon May 7, because a German invasion is again expected. All members of the National Socialist Party in the army, soldiers and officers, were arrested.

3. The airports of: Vlissingen, Gibze-Rijn, Ypenburg have been given strong<sup>4</sup> antiaircraft protection. These airports have not yet been made unfit for use, and we have observed no preparations to make them so.

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  3. "Ia" written in red pencil; "a" lined through with blue pencil. G-2.
  4. Underlined in red. G-2.

CONFIDENTIAL

Observations since May 3:

On the edges of the Endhofen airport concrete cylinders with projecting iron rods have been prepared for the purpose of making the airport unfit for use.

May 4: Schiphol blocked for civilians since May 1.

4) Ypenburg airport has been surrounded by a fence 4 meters high and a strong military guard placed over it. The hangars have been camouflaged by nets. On May 3 it was occupied by the following: 10 Fokkers D 21, 7 Fokkers G 1.

On Airport Y 2 we have observed a tower like structure, supposedly for mounting an antiaircraft gun. On the south edge we have observed the building of earthwork positions.

Sent through by: Major v. Duehring.

signed: Lampertsdoerfer

May 8, 1940

(Communication of the 7th Aviation Group)<sup>5</sup>

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5. Entered in black pencil. G-2.



n. Document No. 26

Transcript

To the 22d Infantry Division

\_\_\_\_\_ 1

- 1) Telegram of the Air Attache.  
Defense measures on April 10.

Bridges and roads occupied by military forces (in the Government quarter). Roads to the Ypenburg airport blocked. Entrance to Huis ten Bosch blocked and guarded by military forces.

All railroad buildings and military structures are guarded by soldiers. In Scheveningen the houses on the sea-shore are blinded. The Dutch are said to have positive information of German invasion, only Holland - not Belgium. Reason: The preparation of air bases. The latter incomprehensible, because Holland is not suited for quick preparation of new airports.

- 2) Reports from the intermediary and the press.

From the area west of the Grebbe line troops have been sent to the coast, chiefly to the mouth of the Scheldt at coast points that are in danger. Sentry service carried out by the air arm and the navy is very active on the coast.

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1. Illegible entry in black pencil. G-2.

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The same measures have also been taken in Belgium. The automobile highways Amsterdam-Utrecht - The Hague-Rotterdam have been made ready for blocking by the drawing up of light tanks. Distance of 50 - 100 meters in the middle of the highway. The light tanks are manned day and night by 1 - 2 soldiers. All the bridges on the automobile highway are guarded by machine guns. The Hague - Rotterdam highway is protected by machine guns in the direction of Rotterdam.

Military airplanes have been flown from Naples to Batavia.

Active preparations are being made in South England for defense against landings from the air.

On the night of May 3-4 21 persons were arrested in Holland, for political activity.

Intermediary reports: in Aberdeen, Montrose and Arbroath troops are being assembled for embarkation. It is possible that a landing in Holland is planned.

The Firth of Forth and the entrances of the Humber, as well as the City of Hull, are blocked for ship traffic (The report is forwarded with reservations).

Dispatching point: 7th Aviation Group Lt. Lampertsdoerfer  
May 9, 1940.

CONFIDENTIAL

CONFIDENTIALo. Document No. 2750<sup>1</sup>Secret Material for the Command<sup>2</sup>Enclosure 1b.

To 22d Div. Det. Ia  
 No. 150/40 Command  
 material, secret.

Supplement to Enemy Intelligence Sheet

The Netherlands have declared a state of alarm. Defenses have been reenforced on all frontiers, particularly on the coast.

## Details:

- 1) In The Hague all public buildings, banks and the dwellings of high officials are guarded. The government quarter has been blocked off. The most important points of crossing in the city and the railroads are occupied by military forces. The Ypenburg airport is blocked off and surrounded by a fence 4 meters high. The Huis ten Bosch castle is protected by military forces.
- 2) On The Hague-Rotterdam automobile highway light tanks armed with machine guns are stationed at short distances apart to block the road and the same is true of the automobile

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highway toward Utrecht and Amsterdam. They are to be attacked by our infantrymen with MGS and are to be gathered on the side of the road by the troops as soon as possible. The roads must be ready for emergency landings.

3) A part of the troops put on the new Holland water line have been moved toward the west. Known up until now:

a) Ypenburg airport and Schiphol (southwest of Amsterdam) airport, parts of 25th Inf. Pgt. (apparently 1 battalion each);

b) Reenforcement troops at the mouth of the Scheldt (and possibly Hook of Holland also)

4) On all airports (not landing places) there are said to be armored scout cars that are to go into action in case of landings. If possible they are to be captured in good condition (later use). If this is not possible, they are to be put out of action in any case. Hence, after landing all anti-tank weapons are to be made ready for use, because we must count on the advance of armored scout cars.

5) We must count on the possibility of English landings. At any rate we must count on the possibility of English air attacks, after noon at the latest, but particularly during the night.

CONFIDENTIAL

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

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I. Western Theater of War.

1. Air Force Operations.

Bad weather continued.

German daylight activity during the 4th was very limited. Last night German bombing was on a larger scale but still below normal. Areas attacked included London, Liverpool, and Coventry.

R.A.F. operations were limited to some night attacks along the Channel coast.

II. Greek Theater of War.

1. Ground Operations.

The Italian communique of November 5th reports a minor advance of their troops to the headwaters of the Vojsa (Viosa) River, a point some fifteen miles north of Janina.

The fronts in the Florina sector appear to be stabilized. The Athens communique of the 4th report that Greek troops repulsed an Italian attack in this sector on November 3d. In this area there is apparently effective guerrilla action against Italian communications.

2. Air Force Operations.

The Italian air force continued active in direct support of ground forces and over Greek rear areas. Saloniki continues to be attacked regularly.

III. Mediterranean and African Theaters of War.

No ground operations reported and apparently very slight air activity. Malta was bombed again.

IV. Miscellaneous.

Spain has assumed effective jurisdiction over the internationalized territory of Tangier. There is evidence that the port is being made available to the Axis navies.

BRITISH EMBASSY,  
WASHINGTON, D.C.

Personal and Secret

November 5th, 1940.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Herle Butler*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.



Telegram from London dated

November 1st, 1940

1. Naval

One M.T.B. mined and damaged and one mined and sunk on 31st, Thames Estuary.

Five French destroyers passed Gibraltar Coast a.m. 31st. Their movements are being watched.

Regarding concentration of enemy shipping in the Channel ports movement although small, have latterly been in an easterly direction but so far sea transport available has not been materially affected. Main Italian forces were still at Taranto and Brindisi on the 31st.

Three aircraft p.m. 31st attacked 3000 ton enemy M/V near Lister Light, scored one hit amidships and one nearly missed.

2. Royal Air Force.

During October 31st attacks by single aircraft were made on targets in Holland. Three Hudsons reconnoitering off the Norwegian Coast attacked 3000 ton enemy merchant vessel scoring a direct hit. One Hudson damaged by enemy aircraft and another missing.

All operations were cancelled during night October 31st/November 1st through adverse weather conditions.

3. German Air Force.

Casualties in London area during night 30th, 31st were 8 killed and 31 wounded. During October 31st, enemy air activity was restricted to a few aircraft operating singly and without any apparent plan.

Although enemy air activity extended over many areas

relatively/

-2-

relatively little damage has been done. Weather conditions were unfavourable for interceptions and none were made. Enemy aircraft machine gunned many places during the day but no casualties are reported except for firing hay stacks and displaced roof tiles.

A total of 115 enemy aircraft are estimated to have operated over this country during the night of October 31st, November 1st. Twelve London boroughs were bombed and some damage was caused in Aberdeen and at Birmingham. Generally speaking damage and casualties were not serious and although enemy activity commenced about 1830 hours, and continued until 0700 hours the country was clear of enemy aircraft between 21 hours and 0300 hours.

#### 4. Middle East.

Libya. Attack by ten Blenheims caused large fire at dump near Bardia.

Sudan. British aircraft attacked objectives in Asmara areas and at Massawa. Patrols of the Sudan defense force have also been active in the area of East Kassala and have harassed the enemy and inflicted casualties. No British losses.

Aden. Enemy aircraft dropped nine bombs on Perim causing no damage.

#### 5. Greece.

Operations have begun slowly and principal Italian advance is directed from the southwest corner of Albania along the Western coast of Greece. Information has been received that an Italian attempt to cross the river Kalamassos has been repulsed. Italian forces have also been in contact with the Greek forces at two other points on this river. Two Italian divisions/

-3-

divisions appear to be engaged in this area. Two further Italian divisions are operating to the Northwards. Two Italian divisions are also engaged in the Koritsa section. The Italian strength along the whole Albanian front is estimated at seven divisions with considerable artillery and armoured fighting vehicles.

Greek mobilisation is reported to be proceeding normally without interference as yet from Italy. The Greeks are, up to the present, holding their positions. The scale of air activity is reported as low and Greek morale is high.

Two Italian bombing attacks were made on Patras on October 31st, but it is believed no serious damage resulted.



Telegram from London dated  
November 2nd, 1940.

1. Naval

Off the East Coast on November 1st and November 2nd H.M.S. Intrepid damaged by mine, H.M.S. Pintail bombed, H.M.S. Black Swan damaged by mine. All returned to harbour. Drifters from Dover proceeding on patrol p.m. November 1st were dive bombed by 8 aircraft. Torbay II was sunk by near miss. Ashanti has been refloated and is in harbour.

German sea towing barge ran ashore near Seaford Head on November 1st; has four bunks, wireless telegraphy and is well equipped.

Main Italian forces still at Brindisi and Taranto on November 1st.

P.M. November 1st twenty dive-bombers attacked shipping in the Thames Estuary. One small motor vessel sunk, one damaged, one light vessel sunk and one damaged, also one M.S. trawler sunk. At least one enemy aircraft was shot down.

M.S. trawlers off Dover on November 1st were shelled with 800 rounds from France and bombed by three aircraft, no damage. Forty more rounds were fired into Dover area. No naval casualties.

Convoys.

Three convoys, totalling 136 ships have arrived in home waters. Cargoes included 80 oil, 34 iron iron ore and steel, and 9 grain.

2. Royal Air Force.

Night of November 1st/November 2nd. Berlin area, Schlesiacher Station and Tempelhof marshalling

- 8 -

yards attacked. Explosions and large fires were observed. Charlottenburg power station - two small fires and explosions. Zoologarten Station - two very large explosions and a line of fires. Also fires started at Fuhlitzerstrasse and Lehrter, Heensdorf, and Brunnerstrasse. Attacks were made on 20 aerodromes, Magdeburg oil plant - numerous large fires and explosions reported. Gelsenkirchen oil plant attacked with very good results, large fire started in Krupps works at Essen. Fires also started in Osnabruck storage siding. Early this morning the enemy coastal batteries near Calais were heavily bombed during the passage of a convoy through the Straits of Dover.

3. German Air Force.

Night of 31st/1st (further reports) Total casualties so far reported from London area are 12 killed and 58 wounded. At Birmingham damage was small and so far about 20 casualties have been reported.

Daylight of November 1st.

Weather fine, enemy activity considerable; from 11 a.m. raids follow each other quick succession. Single aircraft bombed an aerodrome in Suffolk, damage caused to buildings, 8 persons were killed, 30 were injured; it was reported to have been shot down in ..... soon afterwards. Enemy formations varied from 20 - 75 aircraft and operated chiefly over Kent, the Thames Estuary and Portsmouth area. About midday a portion of one raid reached South London, but in most cases formations broke up when intercepted by our fighters. Early afternoon shipping attacked in Thames Estuary. Bombing reported at Hull, minor damage to industrial premises and few casualties

and/

and in London area, no serious damage or casualties took place.

Night of 1st/2nd November.

About 150 enemy aircraft were operating over the country, of which 45 were in London area. Attacks were widespread and included the Midlands, Merseyside and East Coast of England and Scotland. Five enemy aircraft reported to have been destroyed during night. Bombing occurred in most parts, but no serious damage was reported. Outside London, although bombing was widely distributed, there were few incidents of importance. A few fires were caused at Coventry, where one factory was damaged.

4. Summary of Air Casualties.

	<u>Destroyed</u>	<u>Probable</u>	<u>Damaged</u>
Enemy:	16	4	7

British: 6 fighters 1 bomber missing.

(2 pilots safe)

5. Middle East

Air reconnaissance on October 30th showed considerable mechanical transport between Tobruk and Bardia, and large new mechanical transport concentrations were reported to be dispersed in frontier area.


On October 31st, 22 enemy bombers escorted by 12 fighters intercepted in Matruk area by 22 of our fighters. The enemy jettisoned their bombs, but 4 Italian bombers and 4 fighters were shot down, while a further 4 bombers were damaged. Our losses amounted to 4 fighters, 2 of these by collision in the air; one pilot was killed and one is missing. On the same day,

attacks/



- 4 -

attacks by Blenheims on enemy landing grounds in  
Libia resulted in at least 3 enemy aircraft being  
destroyed and others damaged.



BRITISH EMBASSY,  
WASHINGTON, D. C.

Personal and Secret

November 5th, 1940.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Harold Butler*

The Honourable

Henry Morgenthau, Jr.,  
United States Treasury,  
Washington, D. C.

Telegram received from London  
dated November 3rd, 1940.

0800 November 2. Three enemy destroyers sighted Northeast of Ushant but interception not attempted presumed they belonged to Brest flotilla returning to harbour.

1. Naval. H.M. Trawler Lamovia mined and sunk off Falmouth a.m. November 2.

On the night of November 1st a naval trawler drove away an E boat which was probably laying mines off the east coast.

A channel convoy was shelled when passing Dover on the morning of November 2. There were 40 hits. One aircraft bombed the Batteries on the French Coast and bombs were observed to fall in the target area.

For the second day in succession the enemy have carried out heavy air attacks on ships and convoys in the Thames estuary but little damage has been reported. A north bound convoy was attacked four times off Harwich but no ships were hit.

Commander-in-Chief Mediterranean reports that between October 30th and p.m. on November 1st the fleet operated West of Crete and off the West Coast of Greece as far north as Cephalonia. The fleet showed itself off the coast and two destroyers visited Saverino. No enemy ships were seen but occasional enemy aircraft were sighted. Fleet  
fighters/



-2-

fighters shot down one of these and damaged another. British destroyer in southern Red Sea a.m. on November 2nd bombed but not hit. Perim bombed same time. No damage reported. Coastal aircraft near missed 2000 ton H.V. off Lister Light a.m. November 2nd.

2. Military. Greece. Situation up to the evening of the 1st reported as follows. In the northern sector the Greek forces have advanced some 5 miles into Albanian territory and have a section of the main road Florina to Koritza under fire. An advanced detachment reinforced by units of 1st division from Larissa have advanced and established themselves in Grammos ridge (due east of Erseka).

In southern sector there is little to report.

3. Royal Air Force.

Daylight operations on November 2nd were hampered by unfavourable weather and all operations on the night of November 2nd/November 3rd were cancelled owing to adverse weather conditions.

4. German Air Force.

On the night of November 1st/November 2nd two high explosive bombs fell in the grounds of Buckingham Palace, breaking many windows in the Palace and Royal Mews.

Daylight November 2nd. The enemy made 3 air attacks on the southeast of England during the morning, the raids consisted of 50, 100 and 50 aircraft respectively, but the only penetration of

central/

-3-

central London was by 5 aircraft at 10:15. There were 3 further raids in the afternoon each consisting of about 18 aircraft but none of these penetrated to London area. Isolated aircraft also went to East Anglia and South Wales. Bombs were dropped in Kent and southern outer suburbs of London, but no appreciable damage or casualties were caused except at Tilbury where 2 tugs were sunk and 5 persons were killed and 5 missing. A single aircraft dropped 3 bombs at Coventry where the total casualties including those for previous night are now given as 12 killed and 28 seriously injured.

During the night of November 2nd/November 3rd considerable enemy activity started at dusk and continued for about 3 hours almost entirely in southern London area and southeast England. During the later part of the night activity decreased considerably and no enemy aircraft were reported after midnight. One enemy machine was brought down by anti-aircraft fire near Gravesend. Only (some words undecypherable) damage was reported and damage and casualties appear to have been very slight in all districts. One fire in a London store (John Barker) was under control by the morning.

5. Summary of Air Casualties.

	<u>Destroyed</u>	<u>Probable</u>	<u>Damaged</u>
Enemy	10	1	7
British	One fighter, pilot safe.		

6./

-4-

6. Malta. On November 2nd enemy bombers with fighter escort attacked the Island. At the airdrome an empty (some words undecypherable) hangar hit and runway damaged. One Italian fighter was destroyed and probably another and 2 more fighters were damaged. In addition an enemy aircraft of unknown type was shot down by anti-aircraft fire.



Paraphrase of Code Cablegram  
Received at the War Department  
at 4:00 P.M., November 5, 1940.

London, filed 12:15, November 5, 1940.

1. During the night of November 4-5 ten planes of the Bomber Command attacked Channel ports, starting large fires at Le Havre. Additional information of bomber operations during the previous night indicates that the attacks on Kiel and Naples apparently were successful, but four planes were lost. The Coastal Command made a daylight attack on Le Touquet Airbase at Paris on November 4. The Fighter Command operated 199 planes on 75 daylight patrols that day.

2. The activities of the German Air Force during daylight hours of Monday, November 4, were on a small scale, consisting mostly of single aircraft and coastal reconnaissances covering all portions of Great Britain. About 80 planes were employed. During the early hours of that night there was considerable activity over the Scotland and London areas. The attacks on London persisted until about 6:00 A.M., but the operations in the North ended early. Attacks on Birmingham and Coventry lasted until about 2:00 A.M. A total of about 100 aircraft were plotted.

3. Daylight attacks were made on three British airfields. The Wattisham Airbase is temporarily out of action pending the location of unexploded bombs. Kenley was machine gunned. Water mains and a hangar were damaged at the Ford Airfield. Heavy bombing in the vicinity of Edinburgh closed the main line to Glasgow.

Extensive damage was done in the Aberdeen district. Orpington, near London, was bombed and the main railroad line from London to Dover and Folkestone was interrupted. Three bombs hit the Hillman Motor Works at Coventry but the damage is not considered extensive. Extensive damage resulted from a direct hit on the Green Park underground station in London. Several incendiary bombs dropped on Buckingham Palace, caused slight damage. Bombs falling in Piccadilly Circus blew out windows. The damages listed above were caused by aircraft operating singly using hit-and-run tactics. Many small villages and towns were machine gunned during the day.

4. War Office information indicates that there has been no artillery activity on the Greece-Albanian front that would indicate a general Italian advance. There are no indications whatsoever that German aircraft or troops are cooperating with the Italian forces in this action.

5. Reinforcements have arrived in Tangiers, including one battalion of the foreign legion. The Spanish forces in that city are now estimated to consist of about 6,000 native troops and 50 guns.

LEE

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Chief of Staff  
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Paraphrase of Code Radiogram  
Received at the War Department  
at 8:41 P.M., November 5,  
1940

Budapest, filed 19:20, Nov. 5, 1940.

During the last 21 days at least six trains daily have crossed Hungary transporting German personnel in uniform and army motor vehicles. Additional equipment is going by way of the Danube. It is estimated by me that 40,000 troops and 500 airplanes have already gone through to Rumania. As the rate of the movement seems to be increasing, it is probable that in a short time a large force will have been shipped through, especially if the Greek war continues. The British Military Attache is convinced that a force of six German army corps is being organized in Rumania.

PARTRIDGE

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Paraphrase of Code Cablegram Received at the  
War Department at 09:18, November 5, 1940.

London, Filed 12:50, November 5, 1940.

The following is the present status of conscription in Great Britain:

a. All men between the ages of 20 and 34 years, both inclusive, have been registered. All of these men have been called to active duty except those exempted by the Schedule of Reserved Occupations, conscientious objectors, and those disqualified by physical disability.

b. The present Schedule of Reserved Occupations (of which copies have been distributed to all interested War Department agencies - G-2) was drawn up to withhold from the military service: all men of every occupation or position deemed at this time or in the foreseeable future necessary to maintain and augment the maximum war effort. A man exempted by this Schedule is still liable for military service whenever he is needed or when he can be spared from his occupation or position.

c. The percentage of conscientious objectors is now negligible, having declined steadily from initial figures.

d. The following are the statistics of registration:

Total number registered to July 27, 1940 . . . . 4,410,488

Disposition of registrants:

Called to active service with:

Army . . . . . 863,750

Air Force . . . . 98,120

Navy.. . . . . 51,070

Total. . . . . 1,014,940

Physically unfit, judged by a

very high standard, about. . 1,150,000

Conscientious objectors

exempted . . . . . 39,000

Exempted under Reserved

Occupations Schedule . . . . 2,000,000

Volunteered for military

service. . . . . 125,000

Total (note that many numbers

are approximate)

4,328,940

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Paraphrase of Code Cablegram  
Received at the War Department  
November 6, 1940.

London, filed 15:10, November 6, 1940.

1. Activity of the Bomber Command during the night of November 4-5 was negligible. The following night the employment of 134 bombers was projected to include 24 against Italian targets, 24 against Berlin, and 38 against German oil targets. The Coastal Command carried out 44 sorties, 24 patrol missions and 11 convoy escorts. One German plane was destroyed in these operations. The Fighter Command carried out 871 sorties with 107 patrols.

2. Daylight operations of the German Air Force on Tuesday, November 6, consisted of reconnaissance missions, three attacks against Southeast England, consisting of about 50, 50, and 40 planes, respectively, and one against the Southwest of about 40 machines. That night there were small scale nuisance raids from Norway, France and Holland. About 250 German planes operated during this period.

3. Attacks on four British airbases resulted in slight or no damage. Several landing fields are unserviceable due to being waterlogged. There was little bombing of London during the day even though the formations employed were larger and the weather was fine. Damage was machine gunned twice. Production was stopped in one paper factory and one railroad line was interrupted.

4. German plane losses were two confirmed and five probable.



In the Middle East Italian plane losses were one confirmed, one probable and one damaged; while the British lost one.

8. For the week ending October 27 official figures indicate that the British lost six merchant vessels totaling 9,000 tons and the Allies two ships totaling 6,870 tons, a total of 16,800 tons. These figures are exclusive of the loss of the Empress of Britain on October 28. The Admiralty announces that two submarines were sunk.

LHM

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War Plans Division  
Office of Naval Intelligence

CONFIDENTIAL

BRITISH EMBASSY,  
WASHINGTON, D. C.

Personal and Secret

November 6th, 1940.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Herbert Baker*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

Telegram received from London  
dated November 4th, 1940.

Reference to telegram of November 3rd in the first paragraph for "interception not attempted" please read "interception not possible".

2. H.M.C.S. "Laurentic" and "Patroclus" torpedoed west of Blacksod Bay night of November 3rd/4th, both ships have sunk.
3. British "Windsor Castle" bombed machine gunned a.m. November 3rd one hundred and eighty miles west-south-west of Bloody Foreland. Damage believed slight but five hundred pounds u.x.b. is lodged on board. She is proceeding to harbour at speed.
4. Enemy mine-laying continues all coasts the United Kingdom: twelve were exploded on November 3rd.
5. An Italian U-boat entered Tangier p.m. November 3rd. She is charging her batteries. French light cruiser "Milan" passed Gibraltar west-bound a.m. on November 3rd and French "La Batailleuse" escorting the Citadel S.-M.S. and two M-Vs. passed eastbound p.m. November 3rd.
6. German communique of November 4th reference bombing destroyer and ten [group omitted] ton M-Vs. off east coast is false. Only one five thousand ton M-V hit and has been towed into harbour.
7. Royal Air Force.

Daylight November 3rd. Eleven Blenheims were despatched to make individual attacks on variety of targets; one bombed warehouses at Flushing and another

an/



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an enemy aerodrome. Hudsons when attempting to bomb an enemy aerodrome, were attacked by six Me. 110s and one Hudson has failed to return. Two Blenheims of the Coastal Command attacked a German bomber off the East of Scotland which was last seen diving steeply and emitting black smoke. One Blenheim has not returned.

8. Night of November 3rd/4th. Eleven heavy bombers were sent to attack Krupps Shipbuilding Yards at Kiel. No reports are yet available. All other night operations were cancelled owing to bad weather.

9. German Air Force.

Night of November 2nd/3rd. Casualties reported in London area were ten killed and 38 injured.

10. Daylight November 3rd. Weather was heavily overcast with low clouds and rain. Enemy activity was on a very small scale during the morning and only incidents reported were attack by three enemy aircraft on an aerodrome in north of Scotland during which one of our fighters sent up to intercept was shot down. A German bomber was shot down by one of our fighters over Essex, although anti-aircraft claim to have "shared" it.

11. Later in the afternoon enemy activity increased and eight Royal Air Force stations were attacked. At one a hangar was set on fire and some training aircraft destroyed; and at two others hangars and buildings were damaged; one of these two aerodromes is temporarily unserviceable. No other Royal Air Force stations sustained any damage worth reporting. Some machine gun attacks were reported from various districts

notably/

-3-

notably at two military camps near Aldershot, but no damage and very few casualties were caused. Some bombs dropped in London suburbs, caused only minor damage and very few casualties.

12. Night of November 3rd/4th. No enemy aircraft were plotted over England during night but slight enemy activity occurred in Scotland especially at Aberdeen where some houses were demolished and five persons killed and about sixty injured.

13. Summary of air casualties.

Enemy: One bomber destroyed and one bomber damaged.

British: One fighter and two bombers missing.

14. Convoys. Thirty-five ocean-going vessels in convoy have arrived in home waters from Halifax; they included ten tankers and three cargoes of cereals.



C-2/2657-220

RESTRICTEDM. I. D., W. D.  
November 6, 1940.  
12:00 M

No. 239

SITUATION REPORT

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

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I. Western Theater of War.

1. Air Force Operations.

The weather improved but was still unfavorable.

In daylight of the 5th the Germans operated as usual over southern England and also along the Scottish coast. Night attacks centered over the London area. Intensity of all attacks was rather low, but London had its longest alert of the war.

Night operations of the R.A.F. were confined to the North Sea and Channel coasts, where numerous ports were bombed.

II. Greek Theater of War.

1. Ground Operations.

No large-scale activity is yet discernible. The most important Italian effort apparently is an advance up the Vicoso River valley, in what seems to be an attempt to flank out Janina and to cut the Janina-Metsovo road. The frontal moves on Janina and Florina appear to be held. British consolidation of Crete continues.

2. Air Force Operations.

The Italian air force operated in direct support of their ground forces and also bombed Greek communication centers. There are indications, as yet unconfirmed, that a small force of British pursuit is operating in continental Greece.

III. Mediterranean and African Theaters of War.

No ground operations reported. Air activity was sporadic and limited.

IV. Naval Operations.

News reports state that a German surface raider, believed to be a pocket battleship, is operating in the North Atlantic. It

RESTRICTED



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is believed that at least 5 German surface ships are now raiding on the high seas. The long nights and poor visibility now obtaining over the North Atlantic are particularly favorable to the evasive tactics of these vessels.

RESTRICTED

November 6, 1940  
11:30 a.m.

## GROUP MEETING

Present: Mr. Gaston  
Mr. Thompson  
Mr. Haas  
Mr. Cochran  
Mr. Young  
Mr. Bell  
Mr. Pehle  
Mr. Schwarz  
Mrs. Klotz  
Mr. Chamberlain

H.M.Jr: Who won the hat pool?

Schwarz: It is not all in yet.

Klotz: Foley was closest yet.

H.M.Jr: They say he hasn't landed yet. I guess they mean he hasn't got up yet.

Bell: John Sullivan, I think, talked to you.

H.M.Jr: Yes, he talked to me last night. They claimed about 8,000 last night. How close did they come? He did better than that.

Bell: In favor of Roosevelt?

H.M.Jr: Yes.

Gaston: It looks as if Wisconsin is back on our side now.

H.M.Jr: So I see.

Schwarz: Indiana seems to have slipped back, but it is not all in yet.

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12377: Wisconsin shifted again.

12378: Yes.

12379: Well, I will tell you something seriously for a minute. This election wasn't just electing Mr. Roosevelt. I think this election was to decide whether Democracy is to live. It has been decided they can now, and I think the most important thing that I can do is to really see now that England gets some real aid. No more arguing about it. Before I leave I have got General Brett at 4:00, Phil - they are coming at 4:00 aren't they?

12380: Yes.

12381: And the English Mission for summer, which you (Young) are invited for at a quarter of eight, and the Army and Navy and Defense tomorrow. There are a lot of things they could give them right now that they haven't done, but I am really - I really think that we can do things to help them and which can make it possible for them to win.

12382: They can do something on these airplane priorities, can't they, something better than they have done?

12383: There is stuff here that I have got here - I had a chance, riding around with the President Tuesday, I said, "Now, how about it?" I said, "This stuff is there that they are just not in on, on the new Boeing's."

12384: Al Kahn was telling me about Lockheed. They have got the dies and jigs all set up. They are making these bombers and the Army won't let them go ahead with it.

12385: I am really going to take every other one that the Army has got. That is what I am going to do. And we are going to fix them up -- whatever guns are on there and enough ammunition to last them three months, just let them have them. The longer we do that - it is our only



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chance to keep out of war is to let these fellows win. But I would hate to have been here if we had lost.

- Gaston: They need some more destroyers, too.
- H.M.Jr: Well, they will get the stuff now.
- Bell: Have only seven destroyers been delivered? The 50 haven't gone yet?
- H.M.Jr: Oh yes, more than that. But it is a great thing. It is a great day for Democracy.
- Gaston: We are relaxed.
- Bell: So that is what has been the matter with you.
- Gaston: I want to tell you I was right. I pegged this thing. I allowed him eight states. That is what he has got.
- H.M.Jr: Well, the President's private poll was 315. That is what he told us.
- Schwarz: He was conservative, too.
- Gaston: He was very conservative.
- H.M.Jr: He told us about a week ago. I only made two contracts, Norman, before election and you have got to carry both of them out. They are both for Mrs. Roosevelt so it is all right. This fellow (Mr. Domiano) gets 90 days - in the Treasury, not in jail. That man (Mr. Victor Thompson) goes back on the roll and this fellow gets 90 days. Those are the only contracts I made.
- Thompson: They ought to be easy.
- H.M.Jr: Yes. Nine women asked me to give this Italian messenger boy a job and I said, "What has he got?"
- Klotz: I love their answer.

H.M.Jr: Yes. They said he is the only one who could work for nine women. (Laughter)

What else, Norman?

Thompson: There will be quite a celebration tomorrow morning when the President arrives and I think the rest of the departments are planning to disregard office hours.

H.M.Jr: I am all for it.

Thompson: It will be at about 8:30.

H.M.Jr: Yes. I am supposed to see him at 9:30. He said he would but whether he does or not I don't know. I wouldn't worry about tardiness.

Thompson: If I could stay a minute, I would like to mention some of these things.

H.M.Jr: Right. How about McReynolds? Should I see him before I go, this thing that he was going to do?

Thompson: Has he reported back to you?

Bell: No.

Young: I talked to him Sunday morning about it. I called him on the telephone to find out what is happening and he said that he had talked some with Nelson and was going to talk with Nelson the first of the week again, as far as the priorities end of it went; as to what ideas he has assembled on the broader concept of it, I don't know.

H.M.Jr: Can you call him, Dan, and tell him I am leaving after lunch tomorrow?

Bell: Yes.

H.M.Jr: What else?

Bell: There is Mr. Delano's memorandum on the Bank of America, (November 1) the requirements

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and their complaints. You remember he promised it for your files.

H.M.Jr: Oh. Now, on the Bank of America and Trans-America, nothing, unless it is over my signature. I made no promises of any kind. Nothing, see. And incidentally, make a note, I want a statement prepared and legislation prepared for - to liquidate all bank holding companies. I want to make a speech on it. I am serious. I am indeed earnest. Not freeze them, liquidate them. (Laughter) I am serious, now. I want a bill to give them a reasonable time and I want them to be absolutely liquidated. That is what you call a death sentence bill. Yes. No freezing. I absolutely want to liquidate them.

Bell: Can I get your signature on this Library of Congress thing?

H.M.Jr: I am serious, Dan, about that.

Bell: You have been serious a long time about that.

H.M.Jr: Yes.

Bell: I have a lot of matters here that I would like to discuss with you, including Treasury bills that ought to go out this afternoon.

H.M.Jr: Well, if you stay behind we will do it right now. All right? I don't want to look at any figures, Haas.

Haas: I have got a good return from Indiana.

H.M.Jr: What is it?

Haas: Allison engines.

H.M.Jr: Oh, good. Wonderful. 80 engines.

Haas: And the British may --

Schwerz: In a week?



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H.M.Jr: Yes, 80 engines last week, of which the British got 69. That is okay. That is one job we did.

Young: I have a memo here on this aircraft delivery schedules where the British have no orders, which you asked about.

H.M.Jr: Well, you sit in at four o'clock. I will have to do my home work then, when General Brett comes.

Young: Right. Did you see the articles in the paper on Walter Layton shooting off his mouth?

H.M.Jr: What did he say?

Young: Chick knows about it.

Schwarz: I sent them to you. I don't know if you have had time to see them.

H.M.Jr: What did he say?

Young: Two things. One, there ought to be ministry of supply in the United States because our procurement is so lousy, and secondly, we ought to do away with the 40-hour week in order to help Britain more.

Schwarz: At least they were kind enough to wait for the election, but it was in very bad taste, criticizing the people who are helping them.

Klotz: He ought to go home.

H.M.Jr: Where is the article?

Schwarz: McKay had it the first thing this morning.

Young: There is one in the Times and one in the Evening Star of last night. I have them and I will send them down to you.

H.M.Jr: Ask Mac for them. Ask him what happened to them.

- 7 -

Young: They are right on my desk.

H.M.Jr: If I had known that I wouldn't have had him to supper tonight. He criticized our Procurement?

Young: Yes. The whole Procurement setup of the United States, Army and Navy bidding and so on, ought to be a ministry of supply which would go out and requisition what they want and set their own price from which there is no appeal, which is the system the British have had to come to. That New York Times article doesn't name Layton.

Schwarz: But you can tell.

Young: But I think it is reasonably obvious where it came from.

Schwarz: He is the only one who has just been here three weeks. He is just a new arrival.

Young: The Evening Star article does mention Layton, specifically.

H.M.Jr: "Wendell Willkie will deliver broadcast at 11:45." Shall we listen or not? How are your stomachs?

Klotz: All right, today. I could listen to him today.

Schwarz: He has wired congratulations.

Bell: He has conceded it then, has he?

Schwarz: At 10:30.

Bell: McNary conceded it last night, didn't he?

Schwarz: Yes.

H.M.Jr: All right, where were we?

Young: I was just through.

H.M.Jr: Well, I am not going to argue.

Pehle: We are having a little more difficulty today about the

- 8 -

Havas News Agency, which is now apparently entirely to be subsidized out of French Government funds. The amounts that we gave them --

- H.M.Jr: Listen, you fellows handle it. What I want you to do, I want you to write a letter for me to the President of the United States telling him why we want to freeze all balances in the world. And incidentally, in that note that you (Cochran) gave me, as to when we discussed it, you overlooked the fact that we had gone over to Mr. Hull's office. I don't know what the date is.
- Cochran: That is the date I put down.
- H.M.Jr: No, you mentioned the date that they came here.
- Cochran: I gave the other in the same memo.
- H.M.Jr: No.
- Cochran: I think so.
- H.M.Jr: I have got it. Well, look it up. You mention the time that the two men came here but not the date --
- Cochran: They came on the first and the letter was written on the second and we went there on the 5th and I think it is all there.
- H.M.Jr: The 5th was mentioned. Look at that, will you.
- Klotz: Thursday is mentioned.
- H.M.Jr: Will you, Professor Chamberlain, while you are here, write a letter for me today?
- Poble: We will get a letter for you.
- H.M.Jr: The arguments --  
(Mr. Willkie on radio)  
#..... shows the vitality of our democratic



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principles and the adherence of our people to the two party system. I extend my thanks to the thousands who so zealously and whole heartedly worked for my election in both organizations and have supported me individually. I know that they will continue, as I shall, to work for the unity of our people in the completion of our defense effort in sending aid to Britain and insistence upon removal of antagonisms in America, all to the end that Government of free men may continue and may again spread throughout the earth. I have received too many kind and encouraging messages to remit an individual answer to all. To the senders of them I express my gratitude and my thanks."

"NEC has interrupted all its programs and combined its network to bring you a statement by Wendell Wilkie, the Republican candidate."

- H.M.Jr: Not a word about the President, wishing him well.
- Cochran: There was a telegram.
- H.M.Jr: But that was a weak thing. Well anyway, would you mind working on that question?
- Chamberlain: No, I will work on that, Mr. Secretary. Have you got any special information that you want to give us?
- H.M.Jr: Well, the main thing is, we just can't control these funds which are being used in this country for propaganda purposes and there is no way of finding out what is happening. The F.B.I. can't find out, and the only way that we can find out what these various dictator governments are doing is to make them account for it and I think it is just the height of stupidity to let them have free access to their money to do what they want with it and I think that after Mr. Roosevelt's reelection it is going to get much worse, they are going to spend much more. The only way we can control it is to make them account for it. I blame myself

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that we didn't do it a month ago. I think the time has come now when we should do it.

Chamberlain: We have made several representations to the State Department on particular cases, you know, and have gotten a distinctly negative response.

H.M.Jr: I want to do it formally to the President and I will send a copy to Mr. Hull, but I have arrived at the point where I want to recommend it. I have arrived at that point. We can not control this money unless we know what is going to happen. I mean, there isn't a country in Europe today where an American businessman can take his money out or spend it in that country as he wishes to.

Chamberlain: No, that is true.

H.M.Jr: Now, the Americans have investments in Italy and Germany and they are not free to take their money out and use it as they wish. The General Electric Works and all the rest of them, they are not even permitted to have access to their plants but Germans here can have their investments in Bausch & Lomb or any of these other companies. They get the latest information and take it out and all the money that goes with it and I think the time has come that we should have enough sense to stop it and also that we shouldn't permit this money to go from this country into Germany and Italy.

Chamberlain: It would make it easier for us to explain a good many things that we do.

H.M.Jr: And I have just arrived at the point, if anybody on this committee wants to write a minority letter, they can, giving me the arguments against it, but as far as I am concerned, I want to recommend it to the President and I want to do it.

Bell: In that connection, Mr. Secretary, we had a conference Thursday or Friday with the SEC



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representatives. They have been advising the reason why Swiss funds are being siphoned out of that market. They have come to the conclusion that the Swiss investments in this country are not Swiss citizens at all but largely French and some German funds. They think that the French people are drawing out their investments.

H.M.Jr: Well, this case of this currency and all of that, this is a war to the finish for one type of government against another and the only way we can fight it is with the instruments that we have at our hand and one of them is to control the money.

Bell: We have also this buying up of German bonds.

H.M.Jr: Well, that would stop --

Bell: Not unless you gave a license. There hasn't been any good reason given for that. One was that they had excess foreign exchange in this country and couldn't use it to buy supplies so they have allowed their industrial concerns to buy up their bonds.

H.M.Jr: You would like to see this, wouldn't you?

Bell: I think it should have been done a long time ago so far as the whole world is concerned, but I question whether we should freeze Switzerland alone.

H.M.Jr: No, the whole world. If these gentlemen would write this letter and bring it up to the committee this afternoon so they can see it, and then I get it in the morning

Bell: I don't know what can be done in a retaliatory nature.

Gaston: I think with regard to this freezing that we should go ahead under that statute which permits the President by proclamation to forbid the export of American currency. The mere freezing



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of the funds will not stop that. I think we want that proclamation also.

H.M.Jr:

The whole thing, Herbert --

(Insert telephone conversation with Mr. Stimson.)

November 6, 1940  
11:50 a.m.

H.M.Jr: Hello.

Operator: Secretary Stimson.

H.M.Jr: Hello.

Henry L. Stimson: Good morning, Henry.

H.M.Jr: How are you, Harry.

S: I trust you found this a bright and shining morning?

H.M.Jr: Oh, it's a wonderful morning.

S: Well, I'm glad.

H.M.Jr: And I think your coming down here and giving us a united front was one of the things that has been most helpful.

S: Well, it cheers me up to have you say that.

H.M.Jr: Well, it's been most helpful.

S: And I appreciate it more than I can tell you. Well, now my immediate purpose was to say that I had got word that you wanted General Brett to come around this afternoon and I just wanted to know what it was about and whether it wouldn't be a good plan for you to have Bob Patterson too.

H.M.Jr: Well, I tell you what it is exactly. I asked for an opportunity to meet with you and Knox and Knudsen tomorrow at 11. I'm leaving tomorrow afternoon for several weeks' holiday and before I go I'd like to put up to you people several suggestions that I have about more planes for England of our own - I mean, that are coming off the line where they don't have any orders.

S: Yes.

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H.M.Jr: And the thing that I wanted this afternoon was to have an opportunity to go to school with General Brett before I met with you tomorrow.

S: Oh, yes. All right. Well, that's all right.

H.M.Jr: Now, if Bob Patterson could come it would be swell.

S: Well, he'd - I think he'd be glad to come. He's an untiring worker but I don't want him to come unless he'd be some help.

H.M.Jr: Well, he could. I'd love it if he could come.

S: Well, all right. That would be - you know, he's got a very good legal head on his shoulders and if there is anything that comes up in that way, it would be a great help to me.

H.M.Jr: Well, if he could come, I'd appreciate it very much.

S: Well, I'll tell him. Yes, I know he will - I know he's that kind. Have you any time when you want to see Knox and me?

H.M.Jr: Well, I asked your office if 11 o'clock was convenient.

S: Well, they hadn't said so to me just yet - maybe it's only .....

H.M.Jr: Well, they've been in touch with you - I think it was either Monday or Tuesday Mr. McKay .....

S: What's that?

H.M.Jr: They called up your office Monday or Tuesday and asked whether 11 o'clock would be agreeable.

S: Well, it failed to get on my record here.

H.M.Jr: Oh.

S: It's all right. 11 o'clock is agreeable though so far as I know.



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- H.M.Jr: Well, that's wonderful.
- S: And I think we have tomorrow - I have an earlier conference but it's at 9:30 and I'll be through long before that time I think.
- H.M.Jr: Fine.
- S: All right.
- H.M.Jr: Well, I'm looking forward to seeing you and the main thing that I'm really happy about is that I now feel that democratic government is going to win in this world.
- S: Well, I think that's true. I've never been worried about that.
- H.M.Jr: Well, I would have if Willkie and his gang had gotten in.
- S: Well, - (laughs) - don't put it that way.
- H.M.Jr: Well, I would! I was just scared to death because they would have got down and talked peace.
- S: I don't think - I think you're - I don't think they would but then we won't discuss that.
- H.M.Jr: O. K.
- S: But I, myself, have felt that it would - this eventuality - what has happened was the best thing that would possibly make the - successfully solve the crisis which is confronting the world and us in the world this coming spring and this coming summer.
- H.M.Jr: That's right.
- S: That's what I'm here to work for and that's what I'm trying to do and that's why I'm very glad that this has happened.
- H.M.Jr: Well, I'll look forward to seeing you tomorrow and I appreciate your calling.

S: Yes. All right, old man. Sometime when we're further away from the battle I can discuss the other thing with you.

H.M.Jr: I'd like to very much.

S: I didn't let my convictions on it govern me in this last occasion but I think you're unduly pessimistic when you .....

H.M.Jr: Well, I was in the low of the lows, as I say, at the thought of that group coming in, but when I come back I'd like to .....

S: Yes, and I'd be very glad to talk with you and glad to do it, of course. I have such respect for you and I hope you have a similar one for me.

H.M.Jr: You know I have.

S: Good-bye.

H.M.Jr: Thank you.

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- H.M.Jr: Does that give the answer why? Throw in this currency thing.
- Gaston: Yes. May I speak to the legal shop to have them get up that proclamation?
- H.M.Jr: Will you please?
- Gaston: Yes.
- H.M.Jr: And then the other thing, I went to say very much in this room, the American minister to Latvia, Lithuania, and Esthonia, John Wiley, is joining our forces today, and he is going to work with Mr. Gaston and me on --
- Gaston: Foreign intelligence.
- H.M.Jr: Foreign intelligence, and all of these cables that have to do with foreign influence in and out of America are going to be handled by him. I wish you would think it over whether it would be useful for him to sit on that Foreign Funds Committee or not, so that he knows what is going on. I don't know what he is going to - how is he going to announce that he is here, as advisor to me?
- Cochran: He thought of that special assistant, and now that he is retaining his title of Minister, I don't know.
- H.M.Jr: Well, I have had this talk with Cochran, who is a very good friend of Wiley, and Cochran is delighted to have him here and he is going to help Gaston on that thing and "Storm Trooper Klaus".
- Schwarz: Will the State Department announce it or does he wish us to.
- H.M.Jr: You had better ask him. I don't know. But he doesn't want it known what he is here for.
- Schwarz: It is better then to announce something else.



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Gaston: Nothing, I guess.

H.W.Jr: Interpret foreign news for me or something.

Cochran: I hoped it would be something indefinite or something like that.

H.W.Jr: Yes. I had Captain Puleston and he isn't here and I need somebody - we are all so busy - to interpret foreign news.

Gaston: We asked for his loan by the State Department for some special contacts.

H.W.Jr: I think you had better give some simple excuse like that. Do you know him, Professor Chamberlain?

Chamberlain: No, I don't know him.

H.W.Jr: Well, you will like him. How long was he in Berlin?

Cochran: He was there on two different occasions and he has had most of these hot spots, Warsaw and Madrid and Berlin.

H.W.Jr: Because he was acting minister in Vienna at the time that the Germans came in.

Chamberlain: Yes, I know of him.

H.W.Jr: He handled the situation beautifully.

Chamberlain: I know of him and I have heard him very well spoken of in that connection. I wanted to ask you, in view of your leaving the country, what you wanted me to do.

H.W.Jr: Well, I would like you to come down here once a week when it is convenient and look us over and see that we are on the track.

Chamberlain: Well, I will be very glad to do that.

H.W.Jr: I mean, after all, it has been most useful having you and I would just like to have you,

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if you could spare the time, come down once a week and look us boys over.

Chamberlain: I don't know that I would have much chance to do that, coming down once a week.

H.M.Jr: Well, I mean there are things that will come up like this thing today and other things, but if you can, I think it would be most helpful just to keep your finger on the pulse.

Chamberlain: I will be very glad to do that then. You will be away about three weeks?

H.M.Jr: I hope so.

Chamberlain: I hope so, too.

H.M.Jr: Right.

Schwarz: The only thing I had in mind was the stories apparently from Layton, and I was just going to point out that it might be well to tell Mr. Purvis that that makes it difficult for the people who are trying to help him.

H.M.Jr: Well, not today. It is one of these days.

Schwarz: At least they waited until election. They could have done a lot of damage.

H.M.Jr: They could have. He is what he is.

Schwarz: A so and so.

Cochran: Wiley is coming in at 2:30. I have a memo of my conversation with the State Department, but it is pretty long to read. The only thing that I hadn't told you was that they wanted it understood that if a ministerial post should develop abroad, they would want him free to send out.

H.M.Jr: I will take care of that through the President.

Cochran: That we wouldn't stand in his way and I assured

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them we wouldn't.

H.M.Jr: Oh no. That is a safe bet, isn't it?

Cochran: I think so.

H.M.Jr: I told the President John Wiley was coming, and he was delighted.

Cochran: And some new arrangement would have to be made by June 30 if he continues on beyond then.

H.M.Jr: Well, we can work that all out with Gaston and Norman Thompson.

Cochran: He will be in at 2:30.

H.M.Jr: You (Gaston) are coming in at 2:30?

Gaston: Yes.

H.M.Jr: And I think, Bell, you had better be here so you know what it is all about.

Cochran: Pinsent phoned me again this morning about those personal arrangements. Do you want me to stay later?

H.M.Jr: I didn't know that Bell was going to stay. The minute that he leaves, tell McKey that I would like to see you, the minute Mr. Bell leaves.

Cochran: All right, fine, and I have a letter from Jay Crane about his oil problems if you want to see it before you go. There is nothing that requires any action.

H.M.Jr: Tell me when you come in on the personal arrangements. We will talk about his troubles.

Gaston: Colonel Maxwell called a meeting at 10 o'clock this morning of his inter-departmental committee on export control. Neither Phil nor I thought that we could go, so Mr. Feidler went down. Colonel Maxwell may be calling you up to tell you what he did and asking your approval. They never tell us what we are going to talk about. Maybe



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.....  
it is his new scheme for an import control bill, or it may be most anything.

H.M.Jr: Well, you fellows on this thing with McReynolds - Bell, you are going to push that, aren't you?

Bell: Yes, I will call him just as soon as I go out.

Gaston: Yes.

H.M.Jr: All right, gents, I will see you all later.

RE BRITISH PURCHASING PROGRAM

November 6, 1940  
4:00 p.m.

Present: General Brett  
Major Lyon  
Major Smith  
Mr. Young  
Mr. Patterson  
Mrs Klotz  
Mr. Cox

H.M.Jr: The reason I asked to have a chance to see you this afternoon was, I am meeting tomorrow with Mr. Stimson and Mr. Knox and Mr. Knudsen. I am going away tomorrow afternoon and I just wanted to start something before I left. What I wanted to do, if Mr. Stimson and Mr. Knox and the rest of you approve, is this - where there are plants that are making American bombers and pursuit ships and there are no English orders, such as - well, the most glaring example I can think of up to date is the Boeing bomber - whenever that four-engine thing comes off the line, which is fairly soon, that we do with that the way Mr. Knox did with the destroyers, and between now and the first of July we will simply say, "Now, every one of these, fully equipped with enough ammunition for two or three months, will be sold to the English." Then we will really give them everything possible that we can between now and the first of July and really go to town on it.

On the trainers, all they are asking for in the trainers is if they could have every seventh North American, or Harvard, as they call it, which I think would total about a hundred, wouldn't it?

Brett: Seventy-three, I think.

H.M.Jr: But on the other stuff, that we do this thing just as handsomely as the Navy has done it, even putting in the silver and napkins and the can of pineapple which they said their sailors got indigestion from. You know, they

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objected that their food on board was too rich.

Patterson: There won't be any rich food on these bombers, I guess.

H.M.Jr: That is the thing now. I know there is a North American bomber and there is a bomber over at Martin, and it is just a question of how many could we scrape together to give these men for this spring.

Patterson: There may be legal difficulties there.

H.M.Jr: I had Cox working on this. What about it, Phil?

Young: No, we didn't see any legal difficulties.

Patterson: Well, the Navy people in the destroyer deal had, of course, an opinion from the Chief of Naval Operations.

H.M.Jr: I think their story is different. Do you want Cox in here? You like Cox, don't you?

Patterson: Yes, I esteem him very highly. The destroyers, of course, were obsolescent material.

H.M.Jr: Well, there is a whole statute on armed vessels, anyway, armed vessels, naval vessels, which doesn't apply to armed planes.

Patterson: No, but that had to do with the Act of 1917, and the action was taken under the 1917 stuff, but the certificate was under the 1940 Act. Of course, they had that certificate in the destroyer case because they would have old-fashioned designs. Isn't that right?

Lyons: Yes. Our precedent, sir, is the comparison between the bomb sight, which was done on



obsolescence, that is a recent release, and the B-24, which is not obsolescent and was - the certificate was on the basis of changes in priority only.

Patterson: The only way I should think --

(Mr. Cox entered the conference.)

Patterson: I should think the only way it could be considered would be to permit the placement of orders, perhaps, with the Boeing Company and an acceleration of delivery on their part and a deferment on ours. That wouldn't raise the legal question.

Brett: I don't know. There is a certificate involved there that General Marshall has to sign.

Patterson: Is there anything in that case?

Brett: That is where it is to the advantage of the military for the national defense. You could sign that on the B-24 due to the fact that the English gave us the 1820 engine and we could prove positively that by the swap we would very nearly have twice as many airplanes for national defense as we would have had if we hadn't made the swap. In other words, we received engines for the B-17, which permitted us to put B-17's into the air at a much more rapid rate than we would have received these B-17's and B-24's without this exchange of engines for airplanes, and we came out at the better end of the deal because we were putting on an average of 15 airplanes in the air per month, whereas under the old arrangement, we would have probably not put over 7 airplanes, if that many, a month into the air. Now, of course, there will be the involvement on the Navy bomb sight because every one of those airplanes is equipped with the S.B.A.E. and the Navy bomb sight.

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- H.M. Jr: This is Navy?
- Brett: And the Navy would have to release their bomb sight or it would take approximately six weeks to readjust those airplanes to take the other controls.
- H.M. Jr: Well, personally -
- Lyon: The point, General Brett, that applies to all of our bombers, Army and Navy alike, on an every other one basis.
- H.M. Jr: You notice what I said. It would have to come up to the President. What I am bringing to your attention is that we give them a complete ship, no fooling.
- Brett: There is considerable involvement on that, Mr. Secretary.
- H.M. Jr: Well, that is why I wanted a little bit tonight - if I could - and then as I say, enough ammunition to take care of that ship for three months.
- Brett: Well, I recommended over two months ago, I believe, that if we gave any B-17's at all, that we give them complete as is. In other words, there is no need of giving a man an ice wagon to do a racer's job.
- H.M. Jr: Without any ice.
- Brett: Without any ice or without any gasoline. But there is considerable involvement on the bomb sight, the S.B.A.E. and the certificate the Chief of Staff has to sign.
- Smith: That is the principal involvement. You recall on the B-17, you (Patterson) felt at that time that it would be a decision for the Attorney General, that he would be forced to rule that



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it wasn't within the law.

Cox: No, that the law wouldn't cover the transaction.

Smith: In other words, that the certificate would be necessary.

Cox: No, the certificate wouldn't be necessary.

Patterson: Why not?

Cox: Because 14-A says where there is a transfer or exchange of obsolescent or surplus, the Chief of Staff or the Chief of Naval Operations has to make a certificate that the material isn't essential to the defense. Then 14-B, which is another subsection, says that in the case of sale or exchange or other disposition of property of Army and Navy equipment or any cases where the delivery is deferred and then the Chief of Staff of the War Department or the Navy Department shall report to the appropriate committees within 24 hours. The thought I had was that although the statute doesn't apply, the safest thing for the War Department to do would be to call the matter to the confidential attention of the two committees telling what the facts were so that you may practically get compliance of the statute without conceding it. You see, that grew up at the time right after the June transaction of these Lee Enfield rifles and the whole of the legislative history is a discussion of letting the appropriate committees in Congress know what is being traded in in the Army and Navy and what other foreign governments would get indirectly.

There wasn't any discussion at all of the arrangements on preliminaries. They did put in the language in the "B" section relating to them, but there was no discussion at all.



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- Young: Well, it means --
- H.M.Jr: Does that make sense to you?
- Patterson: Well, I think so.
- H.M.Jr: It is strictly beyond my department.
- Smith: We were trying to avoid in that case making a certificate, which was the sticking point in the whole transaction.
- Young: Well, you are not making a certificate. All you are doing is voluntarily giving the same for which, if necessary, could be construed as a certificate, but which is not classed as a certificate.
- Patterson: There are two sections in that?
- Cox: Yes. It is Section 14 and it has two subdivisions.
- Patterson: What is "A"?
- Cox: "A" says that in any case where there is an exchange of obsolete and unserviceable and deteriorated equipment, that the Chief of Staff or the Chief of Naval Operations is supposed to certify that the release of that equipment is not essential to the national defense. 14-B says that when there is a transfer, sale, or other disposition of property, naval or Army equipment, aircraft and so forth, where all the deliveries are deferred, then I think you would probably have to report.
- Patterson: That means permission of a foreign order to crowd in ahead of your own order.
- Cox: That is right. I don't think you would have

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to make a certificate, but I think you probably would have to report. Now, the point we were trying to work out was, even if supplying the certificate was necessary without deciding it, that this kind of a letter to --

Patterson: I don't see how the certificate could be given, do you, in a case like this, the certificate that it is not necessary to the defense of the United States?

Cox: I do, because I think the - again, the purpose of that first subdivision was to interpret national defense a little more broadly than that. In other words, if in return for what you release you are given something better --

Patterson: But we aren't, here.

H.M.Jr: Well now, what I meant, may I interrupt?

Patterson: Yes.

H.M.Jr: The English, I think, have been very stupid because they haven't done any horse trading. The only way I can describe it, this radio echo thing, where they detect the bombers, the whole national defense is based on that. What do you call that?

Brett: Goniometric system.

H.M.Jr: They have turned that whole thing over, haven't they?

Smith: They are in the process of doing it.

H.M.Jr: I have got a list of things they have turned over, and this Nash turret. All of those planes for that advanced motor, all of that stuff has all been turned over and they never said, "Well, we will only give you this."

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When you get down to it, they have given us ten for one as far as advanced secret stuff is concerned, and you can charge it all up. We have a list here of stuff which they have given us which is perfectly amazing. Are you familiar with it?

Smith: They have given us a lot.

H.M.Jr: And we have never charged it up against any planes or anything else.

Smith: When the last mission came over here, as you know, it was empowered to give us --

H.M.Jr: I am just wondering if - some of the stuff they have given us is certainly as secret as the bomb sight, and if you want to charge up this against that, I think something could be worked out very nicely. Have you ever seen a list of the stuff they have given us?

Patterson: No.

H.M.Jr: I think if you (Young) would give the Assistant Secretary a copy of that thing --

Patterson: The Secretary has known all about it.

H.M.Jr: Well, it is perfectly amazing. Are you (Smith) familiar with it?

Smith: I am familiar with the great majority of it.

H.M.Jr: Isn't it amazing?

Smith: They have given us a great deal, and we expect to get more.

H.M.Jr: Right. So I think something could be dressed up there.



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- Cox: Of course, your destroyer transaction was just that, and the certificate by the Chief of Naval Operations certificated to the release of the destroyers --
- Smith: But the thing about that is, it was supported by an opinion of the Attorney General.
- H.M. Jr: May I just ask General Brett this question. What is the difference between the 17-D, of which you have got 42 on order, and the 17-E, of which you have got 512.
- Brett: In the 17-E, sir, we have probably made installations of gun turrets and we have probably improved the installations. They may have had certain cockpit and bombing installations improved for better operation. It is probably a faster ship. It is probably a better weight-carrying ship. In other words, we take one standard type, such as the B-17, and every time we make an improvement which increases the performance and the utility of that airplane for the purpose intended, we just change the letter model. We start off with a --
- H.M. Jr: Can you give me offhand five reasons why "E" is better than "D"?
- Brett:: "E" comes after "D"; therefore, I can say that there is probably an increase in speed, we will say, of around 35 miles an hour. We have probably eliminated the warts and put in panels for the side guns. We have probably put on a top turret for fire control. We have probably installed a pair of 50-calibre guns in the tail. We have probably improved and installed the super-chargers in such a way that we may get another 5,000 feet altitude out of it. We have probably rearranged the bombing compartment so that the bomber and navigator can operate together for better performance. We have probably placed the radio

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compartment and the Captain's control cabin in such a way that he is in close proximity to the pilot and co-pilot and has his entire command directly under him. Now, those are improvements which are continually taking place in every airplane.

H.M.Jr: I always knew Brett was a good man. Now all of those are the reasons why you can let the English have them and we get something better.

Brett: But I don't want to let it stand that we are in a charitable position, because our engineers have improved and have basic principles which have proven that many of the things which we have gotten from the English were out of date. I don't want to leave the impression that the English - we have got everything and the English haven't got anything.

H.M.Jr: That isn't what I meant. What I am trying to say is, I think you have given us more than sufficient reasons why we could let the 17-D go, because you have got something so much better coming along.

Brett: Well, there is --

Young: It is obsolete.

Brett: All those things, Mr. Secretary, can practically always be worked out legally if it has to be. Now, there is only the question that there are many involvements and it will have to be handled with a thorough understanding of the problems we are up against from the standpoint of the Comptroller and the Attorney General, because we are considerably involved - in other words, we only buy the airplane from the Boeing. The engines, the instruments, all the bomb sights and everything have already become our property and it would have to go into - now, that is only the legal phase of it and the production



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phases, of course, the relinquishment of any of those airplanes will terribly upset the training program and combat group program.

H.M.Jr: I know, but I needn't tell you, because I know you will feel the way I do, it wouldn't be half so upsetting as if the English went under, and we had to take the brunt of it.

Brett: I am merely pointing out that --

H.M.Jr: I know. You and I are together. I am trying to have a little rehearsal tonight to see what I am asking - would like to suggest. I have no authority to ask anything. I will simply suggest to him, if I have got any legal basis at all - I know the will is there. Take North American, for instance; their bomber. They have got this B-24, of which you have got 1,047 beginning to come along. Bob, you get the idea. It is just something - if the will is there and you and Stimson and Knox agree that this is something we are ready to do and there are a lot of bombers which are just beginning to come into production and you wanted to give them half of them --

Patterson: What production are we getting now, General?

Brett: Well, we are proud of that. We are scheduled for seven; we are getting fifteen.

Patterson: Which one?

Brett: B-17.

Patterson: In November.

Brett: We had fifteen come out in October. We are proud of that.



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Patterson: Boeing?

Brett: Yes.

Patterson: They were long overdue, weren't they?

Brett: They are certainly hitting the ball now. I hope to be getting 20 by some time in February or March.

H.M. Jr: 20 a month.

Brett: Yes.

Patterson: Boeing, alone.

Brett: Boeing, alone. We are very, very proud of that outfit.

Smith: There is only one thing, sir, in this discussion. Don't forget that when we are making these plans that Congress has placed the final responsibility of this thing directly on the shoulders of the Chief of Staff.

H.M. Jr: That is why you are here.

Smith: And you know what his circumstances are. They are the same as yours. Nevertheless, for reasons of their own, they have so placed that responsibility.

Patterson: What do you mean on supplies of ammunition and so on. Were you just jocular in that?

H.M. Jr: No, I am in dead earnest.

Brett: No, absolutely earnest on that.

H.M. Jr: There is no use --

Patterson: You mean it is 30-calibre and --

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- H.M.Jr: And the bombs.
- Patterson: Haven't they got a lot of ammunition already?
- Smith: They are getting it.
- Brett: If you are going to play that game, they should get the 30 and the 50 and the bombs, and everything that goes with that airplane.
- H.M.Jr: I am in dead earnest.
- Brett: If it is of sufficient importance to turn over the airplane, it is of sufficient importance to --
- Smith: They are getting a lot, but their contracts were placed in anticipation of their own requirements, and they are not getting anywhere as much as they need. If they get more planes, it means that they need more ammunition, and to play square, we ought to provide the ammunition with the plane as we would the ammunition with the gun.
- Patterson: Where is that stuff? Have we got it?
- Smith: It is coming in.
- Patterson: Is it on order?
- Smith: We are getting it.
- H.M.Jr: Plus the bombs.
- Patterson: That is another thing you would have to clear with the Chief of Staff, this complementary stuff like ammunition and bombs.
- Brett: I assume from the Secretary's statement that when he said ammunition and bombs and what not, he meant "whole hog or none."

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- H.M.Jr: Oh, yes. I mean enough to put the ship in the air and fight for three months. Is the life of a plane like that three months?
- Brett: Well, it depends on how good the Germans are.
- H.M.Jr: Yes, but I mean that is a fair statement, isn't it?
- Brett: It has a good possibility of lasting much longer than that if they know how to use it. It is a ten months' airplane.
- Patterson: Without complete over-hauling?
- Brett: Oh, yes. You don't have to worry about over-hauling. It is a ten months' airplane.
- Smith: How about spare engines, and so forth?
- Brett: They are furnishing to us the engines for that airplane today, so they have their own spares.
- Smith: They have got the spares?
- Patterson: Those are Wrights, aren't they?
- Brett: They are Wright 1820's.
- H.M.Jr: And I just used Boeing as an example, but I would go right on down the line.
- Patterson: We haven't got much except Boeing, have we?
- H.M.Jr: Yes.
- Patterson: That they haven't got orders with.
- H.M.Jr: Yes. North American bomber --
- Brett: That is not out yet.



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H.M.Jr: I know.

Brett: The Martin is just coming.

H.M.Jr: I know, but I am thinking about, and Mr. Stimson is thinking about, this spring campaign, as you are.

Brett: At the time, Boeing is really the one company that is producing something the English aren't getting.

H.M.Jr: But Martin and North American have both got bombers coming along.

Brett: In January, February, and March, they will be coming pretty strong.

Patterson: Those three concerns.

Brett: Well, there is Bell.

Patterson: They aren't bombers, are they?

Brett: No, they are pursuits. By the way, we gave the English another hundred airplanes, the other day, free gratis.

H.M.Jr: A hundred?

Brett: Yes, P-40's.

H.M.Jr: You mean you transferred them?

Brett: We are trying to give them something for all these brilliant ideas.

H.M.Jr: Did you know about this?

Young: I just heard about it this noon. I had also heard that it was stopped before they got all the hundred.

H.M.Jr: Stopped?

Young: Yes.

Brett: No. Who stopped it?

Young: I got the story that the afterthought was that perhaps part of the hundred ought to be held out for some other distribution, perhaps.

Brett: Well then, that is beyond the committee. It may have been in connection with this thing you and I were talking about for these other countries.

Young: I think that is where it came up, yes. Evidently, the idea was raised afterwards, "Well, perhaps we only ought to give the British 50% of these because it is a windfall, and distribute the other 50% in accordance with the 'good neighbor' policy."

Brett: Then there would be some question there of the State Department.

H.M.Jr: While we are on Bell just for the minute, Harry Collins was in here and I asked him a question and he said if he was - if it was decided to spend six million dollars with his company by August '41, he could triple their production and go from five a day to fifteen a day.

Patterson: How many has he been allotted?

H.M.Jr: I don't know, but I just mentioned it.

Brett: We have given him everything he asked for.

Patterson: His contract for expansion was the first one signed.

- 17 -

- Brett: I do believe, Mr. Secretary, that we have to look into engine production. That is the bottleneck on that phase of giving them any more production capacity.
- H.M.Jr: Well, he didn't - I asked him what more we could do. I put it up to him. To be fair, I asked him.
- But is there anything at Douglas that is coming along in January or February or March?
- Patterson: The British have got far more stuff from Douglas than we have.
- H.M.Jr: Lockheed?
- Brett: The British have the mass of Lockheed production.
- H.M.Jr: So it is North American, Martin, Boeing --
- Brett: They are the three principals. Of course, they are getting a great deal out of Consolidated, as it is. We gave them the 26 24's and then there will be production start in about the end of that proceeding.
- H.M.Jr: At Consolidated, they are getting everything that anybody could ask for, but not Boeing.
- Brett: Your major immediate question is the Boeing.
- Patterson: Of course, they are placing orders with Boeing now, aren't they, Young?
- Young: The British? For the Boston, yes.
- Patterson: What?
- Young: For the Boston type, not the big ones.



- 18 -

- H.M.Jr: But if you crossed the bridge on the Boeing, then that same formula could be used with North American and wherever else you wanted to use it.
- Patterson: Certainly the most expedient thing to do would be to have it take the form of a deferment of delivery on it because I think everybody appreciates that everything they have been getting here involves a potential deferment on our part; every single order that they are permitted to place here, so I understand, involves postponement of our own supply.
- H.M.Jr: Well, what I talked when I had a minute when I was riding around the country with the President on Monday, to really go to this one-and-one basis, and he said he was ready to really go to one and one, which we never have. Well, you see what I have got in my mind.
- Patterson: You are going to discuss that with Knudsen and Knox and Stimson?
- H.M.Jr: Yes, and I hope you will be here tomorrow.
- Patterson: No, I will be away tomorrow.
- H.M.Jr: Cox, have you anything tonight, so you (Patterson) could have a memorandum?
- Patterson: Yes, that would be helpful. Have you taken into account the complementary stuff that goes with this, bombers and so on?
- Cox: No, I haven't.
- Patterson: Armament and all that? That, as I understand it, is stuff that does not - of course, we buy it separately.

- 19 -

- Smith: That is the complicating factor. Otherwise, we could avoid certification. That is the complicating factor.
- Brett: Your engines and instruments and your bomb sight and all that sort of complicated the airplane, and then we step from that complication to the complication of bombs, ammunition, and --
- Patterson: You understand our system of buying?
- Cox: Yes.
- Patterson: We buy the engine and accessories separately. We don't get those from Boeing and North American, and so on.
- H.M.Jr: Could he work with these gentlemen tonight? He has been working with them before. You (Smith) understand all about it, don't you?
- Smith: I don't know. The certification is the only thing I question.
- Brett: It is purely a legal problem, Mr. Secretary, and the moment we find out exactly what the desire is, then we can go at it from the legal standpoint and work it out with Mr. Cox.
- Cox: Colonel Brett is our kind of a lawyer. He assumes that no legal problem is insuperable. Do you want somebody like Palmer to work on it?
- Patterson: Yes, if he can. Is he here? I haven't seen him.
- Brett: I think Mr. Cox has been so involved on those things prior to this time that he knows probably what he is up against except as to

- 20 -

that one thing as to the status of the piece of equipment that it is now planned to turn loose.

Patterson: I suppose that could be stuff on order now, as well as stuff already in hand.

Brett: The involvement on engines and instruments, all that stuff is already the property of the United States Government.

Cox: The point the General is making is, you could extend the thing one level so that as to orders which are placed for equipment to go into the plant, they won't get it.

Patterson: This is meant to operate during January and February and those months. It might be that you could schedule the other stuff the same as you do the planes, that is, give them a deferment on that, on stuff not now in existence, on order.

H.M.Jr: You would have to have a memorandum for Mr. Stimson.

Cox: Yes.

H.M.Jr: One little thing. General Brett, I got this memorandum which I don't understand, from you, saying that arrangements were made for my trip to Puerto Rico.

Brett: Yes.

H.M.Jr: I don't understand it. What arrangements? I thought the Navy was going to look after me.

Brett: I don't know, sir. Major Lyon got this memorandum while I happened to be out, from Lieutenant McKay, and he said, "Will you please



- 21 -

have the necessary arrangements made with the War Department in connection with my traveling to Puerto Rico and some other locality, so I immediately took it up with the Chief of Staff. Colonel Adams, the Chief of Staff's agent, said, "Will you please start the ball rolling for Mr. Morgenthau. The people at the localities will be notified of Mr. Morgenthau's visit, and notify Mr. Morgenthau's office that these arrangements have been made."

H.M.Jr: That is all. Just if I go there they don't throw me out on my ear.

Brett: Yes.

H.M.Jr: Just the usual courtesies.

Brett: Oh no, it is just so they will know when you arrive. In other words, they want to be sure to have the gun out and the flag up.

H.M.Jr: When I think of General Brett, I think of an airplane. There will be no flying. The Navy is taking care of me. I am going down commercially, but they are bringing me back.

Brett: The way I assumed that was that you wanted General Daily of Puerto Rico notified that you were coming down. He is the military Commander.

H.M.Jr: What I am doing is, I am going down and Admiral Leahy is taking me around, but when I came to an Army post, I just wanted them to know I was coming, that was all.

Brett: That is exactly the way I interpreted it.

H.M.Jr: But I am in the hands of Governor Leahy.

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Patterson: We will promise you you won't be arrested.

H.M.Jr: Thank you very much. I thought you thought I wanted a plane.

Brett: Oh, no, sir. I assumed you wanted them notified.

November 6, 1940

TO: The Secretary  
 FROM: Messrs. Buckley and Cox

Re: Utilization By the Canadians or the British of Aircraft Manufacturing Facilities Now Having Army and Navy Contracts but With Which Neither the Canadians nor British Now Have Contracts

(1)

Annexed are charts showing the unfilled orders of those aircraft companies which now have Army and Navy orders, but none from Canada or Britain. These Charts also show the type of planes and the number contracted for by the Army and Navy. In summary, these companies have the following orders from the Army and Navy for delivery prior to September 30, 1941:

<u>Type</u>	Oct. 27, 1940 through <u>June 30, 1941</u>	Oct. 27, 1940 through <u>Sept. 30, 1941</u>
Pursuit ships	231	467
Advanced trainers	439	1,008
Primary trainers	1,937	2,912
Observation ships	117	144
Transports	22	24
	<hr/>	<hr/>
Total	2,746	4,555

(2)

Procedure

For the Canadians or British to utilize the manufacturing facilities of these companies the following procedure is suggested:

- (a) The British Purchasing Commission should, if possible, place orders, preferably on behalf of Canada, with these companies for the same type of planes ordered by the Army and Navy;



-2-

- (b) In those cases where the companies have enough productive capacity available or where they are willing to expand on the Canadian or British orders alone without capital financing so that deliveries can be made simultaneously with deliveries to the Army and Navy, the contract should so provide and no immediate problem is presented;
- (c) In the other cases where, for example, a one to one ratio between U. S. and Canadian or British deliveries is desired and this can only be done with the consent of the Army or Navy, such consent should be obtained;
- (d) Where the Army or Navy give such consent the Secretary of War or the Secretary of the Navy in order completely to protect themselves under Section 14 of Public No. 671 - 76th Congress, should probably follow the pattern proposed in the Consolidated heavy bomber case by notifying the Chairman of the Senate and House Military Affairs or Naval Affairs Committees. Annexed is a copy of the letters and memorandum proposed to be sent by the Secretary of War in the Consolidated case.

In the memorandum to be used in such cases mention should be made of the ultimate expansion in productive facilities likely to result from the Canadian or British orders, or any military or naval secrets such as the power-driven turret, etc., which the Canadian or British are willing to give to the Army or Navy in consideration for the consent to the deliveries on a specified ratio basis, or the consent by the British or Canadians to give the U. S. earlier delivery on other orders, or the fact that the interests of our national defense are benefitted by consenting to earlier deliveries to Canada or Britain, or any other facts which show that the consent is in the interests of our national defense.

Got R.Y.

October 4, 1940

Memorandum to Chief of Staff:

Subject: Change in schedule of B-24 heavy bombers and 1820 engines for installation in B-17 Boeing heavy bombers.

(1) A proposal has been made to change the Army delivery schedule on the B-24 heavy bombers to permit earlier delivery to the British of the LB-30 bombers now on contract. In turn, the British contract with the Wright Aeronautical Corporation for 1820 engines will be changed to permit earlier delivery to the Army of this type of engine. (See Table 1).

(2) The net effect of this transaction will be to enable the Army to supply engines for the B-17 Boeing heavy bombers now being accepted without engines on present Army contract. The present deficiency in 1820 engines is so acute that the Army will be unable to make the Twenty-Five Group Program by May, 1941, as now planned. Therefore, this readjustment in delivery schedules is definitely in the interest of National Defense, and I recommend that it be executed.

Approved:

---

Chief of Staff

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Secretary of War

Table 1  
HEAVY BOMBERS

During October & November,

We defer:

Delivery of 6 B-24's to the British.

We get:

120 Wright Cyclone engines with which we can power approximately 20 B-17's, which would otherwise be in storage due to engine shortage.

From November to April,

We defer:

Delivery of 20 additional B-24's as follows:

<u>Month</u>	<u>No. deferred</u>	Approximate delivery ratio US to British	
		<u>B-24's</u>	<u>All types Heavy Bombers</u>
Nov	2	1 to 1	2 to 1
Dec	3	1 to 1	4 to 1
Jan	3	4 to 3	4 to 1
Feb	4	1 to 1	3 $\frac{1}{2}$ to 1
Mar	4	1 to 1	2 $\frac{1}{2}$ to 1
Apr	4	1 to 1	1 $\frac{1}{2}$ to 1



DRAFT

War Department  
Washington, D. C.

October 4, 1940

My dear Mr. Chairman:

I am sending you herewith a memorandum from the Chief of the Air Corps to the Chief of Staff, dated October 4, 1940, and approved by the Chief of Staff and myself.

It is the view of the War Department that the re-adjustment referred to in the enclosed memorandum is not within the provisions of Section 14 of Public 671, 76th Congress. Nonetheless, I feel that this matter should be called to your confidential attention.

Sincerely yours,

Secretary of War.

Honorable Morris Sheppard,  
Chairman, Military Affairs Committee,  
United States Senate,  
Washington, D. C.

DRAFT

WAR DEPARTMENT

Washington, D. C.

October 4, 1940

My dear Mr. Chairman:

I am sending you herewith a memorandum from the Chief of the Air Corps to the Chief of Staff, dated October 4, 1940, and approved by the Chief of Staff and myself.

It is the view of the War Department that the re-adjustment referred to in the enclosed memorandum is not within the provisions of Section 14 of Public 671, 76th Congress. Nonetheless, I feel that this matter should be called to your confidential attention.

Sincerely yours,

Secretary of War.

Honorable Andrew J. May,  
Chairman, Military Affairs Committee,  
House of Representatives,  
Washington, D. C.

Model and purchaser	Unfilled orders: Oct. 26, 1940	Estimated deliveries											Total estimated deliveries: Oct. 27, 1940-Sept. 30, 1941	Deliveries on present orders estimated to be made after Oct. 1, 1941		
		1940														
		Oct. 27-31	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.			Sept.	
185 Two-engine transports																
U. S. Army	20*															20
U. S. Navy	4	4	2	2	2	3	3	3	3	2					4	
Philippine Army	1	1													1	
Brazil	2	2													2	
U. S. Commercial	2	2													2	
Total two-engine transports	29	9	2	2	2	3	3	3	3	2					29	
Two-engine advanced trainers																
U. S. Army (Original order)	67	3	7	9	10	10	10	10	8						67	
U. S. Army (Subsequent order)	491*	1			2	17	51	71	74	84	89	67			456	35
Total advanced trainers	558	4	7	9	12	27	61	81	82	84	89	67			523	35
Other models																
China (Trainers)	6	6													6	
U. S. Commercial	2	1	1												2	
Total other models	8	7	1												8	
Total - all models	695	20	10	11	14	30	64	84	85	86	89	67			560	35

Office of the Secretary of the Treasury, Division of Research and Statistics.

November 5, 1940

\* The company does not have signed copies of the Army's order for these items. It does not include these items in its monthly report to the Treasury. The data shown have been taken from the Army Air Corps.

Regraded Unclassified



## BELLANCA AIRCRAFT CORP.

Model and purchaser	Unfilled orders Oct. 26, 1940	Estimated deliveries											Total estimated deliveries Oct. 27, 1940- Sept. 30, 1941	Deliveries on present orders estimated to be made after Oct. 1, 1941	
		1940				1941									
		Oct. 27-31	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.			Sept.
YO-50 Single-engine observation															
U. S. Army	3	1	1	1											3
Commercial models															
U. S. Commercial	4	2	2												4
Trainer															
U. S. Commercial	1			1											1
Total all models	8	3	3	2											8

Office of the Secretary of the Treasury, Division of Research and Statistics.

November 5, 1940.

## CURTISS-WRIGHT - ST. LOUIS

Model and purchaser	Unfilled: orders Oct. 26, 1940	Estimated deliveries											Total estimated deliveries: Oct. 27, 1940- Sept. 30, 1941	Deliveries on present orders esti- mated to be made after Oct. 1, 1941	
		1940					1941								
		Oct. 27-31	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.			Sept.
<b>SNG-1 Single-engine advanced trainer</b>															
U. S. Navy	150						1	9	20	30	30	30	120	30	
Dutch East Indies	36		2	8	15	11							36	-	
<b>Total SNG-1</b>	<b>186</b>		<b>2</b>	<b>8</b>	<b>15</b>	<b>12</b>	<b>9</b>	<b>20</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>156</b>	<b>30</b>	
<b>AT-9 Two-engine advanced trainer</b>															
U. S. Army	491	1	3	6	12	20	34	50	61	88	90	365	126		
<b>G-46 Two-engine transport</b>															
U. S. Army	200												-	200	
<b>21-B Single-engine pursuit</b>															
Dutch East Indies	21	7	14										21		
<b>P-249</b>															
U. S. Army	1													1	
<b>Total - all models</b>	<b>899</b>	<b>8</b>	<b>14</b>	<b>-</b>	<b>5</b>	<b>14</b>	<b>27</b>	<b>32</b>	<b>43</b>	<b>70</b>	<b>91</b>	<b>118</b>	<b>120</b>	<b>542</b>	<b>357</b>

## FAIRCHILD AIRCRAFT AND ENGINE CORP.

Model and purchaser	Unfilled orders Oct. 26, 1940	Estimated deliveries								Total estimated deliveries Oct. 27, 1940- Sept. 30, 1941	Deliveries on present orders estimated to be made after Oct. 1, 1941				
		1940				1941									
		Oct. 27-31	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May			June	July	Aug.	Sept.
<b>PT-19 One-engine primary trainers</b>															
U. S. Army	218	3	40	40	40	44	46	5						218	
Civil Aeronautics	1	1												1	
U. S. Commercial	15	1	10	4										15	
<b>Total PT-19</b>	<b>234</b>	<b>5</b>	<b>50</b>	<b>44</b>	<b>40</b>	<b>44</b>	<b>46</b>	<b>5</b>						<b>234</b>	
<b>Other models</b>															
U. S. Navy	3		3											3	
U. S. Commercial	1	1												1	
<b>Total other models</b>	<b>4</b>	<b>1</b>	<b>3</b>											<b>4</b>	
<b>Total all models</b>	<b>238</b>	<b>6</b>	<b>53</b>	<b>44</b>	<b>40</b>	<b>44</b>	<b>46</b>	<b>5</b>						<b>238</b>	

Office of the Secretary of the Treasury, Division of Research and Statistics.

November 5, 1940.

Regraded Unclassified



## REPUBLIC AVIATION CORP.

Model and purchaser	Unfilled orders Oct. 26, 1940	Estimated deliveries												Total estimated deliveries Oct. 27, 1940-	Deliveries on present orders estimated to be made after Oct. 1, 1941
		1940			1941										
		Oct. 27-31	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.		
<b>Single-engine pursuits</b>															
<b>U. S. Army</b>															
YP-43 (Supercharger)	12	2	5	5	10	12	16	16						12	
P-43 (Supercharger)	54				4	8	12	16	19	20				54	
P-44	80			1	4									80	
XP-47B (Big engine)	1				1									1	
P-47B (Big engine)	773							6	16	21	46	95	95	279	494
P-35 (Swedish order)	23	4	9	10										23	
2PA (Swedish order)	18	5	8	5										18	
<b>Total pursuits</b>	<b>961</b>	<b>11</b>	<b>22</b>	<b>21</b>	<b>15</b>	<b>20</b>	<b>28</b>	<b>38</b>	<b>35</b>	<b>41</b>	<b>46</b>	<b>95</b>	<b>95</b>	<b>467</b>	<b>494</b>

Office of the Secretary of the Treasury, Division of Research and Statistics.

November 5, 1940.

## RYAN AERONAUTICAL CORP.

Model and purchaser	Unfilled orders	Estimated deliveries											Total estimated deliveries	Deliveries on present orders estimated to be made after		
		1940					1941								Oct. 27, 1940-	Oct. 1, 1941
		Oct. 26, 1940	Oct. 27-31	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July				
Single-engine primary trainers																
U. S. Army	673	15	5	25	25	30	50	70	90	110	126	127	673			
U. S. Navy	100		15	15	15	15	15	15	10				100			
Dutch East Indies	68	20	30	18									68			
Total primary trainers	841	20	45	38	40	40	45	65	85	100	110	126	127	841		

Office of the Secretary of the Treasury, Division of Research and Statistics.

November 5, 1940.

## SPARTAN AIRCRAFT COMPANY

Model and purchaser	Unfilled orders Oct. 26, 1940	Estimated deliveries											Total deliveries estimated Oct. 27, 1940- Sept. 30, 1941	Deliveries on present orders estimated to be made after Oct. 1, 1941
		1940					1941							
		Oct. 27-31	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.		
NP-1 Single-engine primary trainers U. S. Navy	201		1	3	5	10	16	19	20	20	20	20	134	67

Office of the Secretary of the Treasury, Division of Research and Statistics.

November 5, 1940.



## STEARMAN AIRCRAFT

Model and purchaser	Unfilled orders Oct. 26, 1940	Estimated deliveries											Total estimated deliveries	Deliveries on present orders estimated to be made after	
		1940					1941						Oct. 27, 1940-	Oct. 1, 1941	
		Oct. 27-31	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 30, 1941	Oct. 1, 1941
Single-engine primary trainers															
U. S. Army	1,500		25	40	80	90	120	145	155	132	90	108	220	1,205	295
U. S. Navy	582	15	65	80	50	45	40	40	40	73	120	14	582		
Philippine Army	12					12							12		
U. S. Commercial	4					4							4		
Total primary trainers	2,098	15	90	120	130	151	160	185	195	205	210	122	220	1,803	295

Office of the Secretary of the Treasury, Division of Research and Statistics.

November 5, 1940.

## STINSON AIRCRAFT

Model and purchaser	Unfilled: orders Oct. 26, 1940	Estimated deliveries											Total estimated deliveries: Oct. 27, 1940-	Deliveries on present orders esti- mated to be made after Oct. 1, 1941
		1940					1941						Sept. 30, 1941	Oct. 1, 1941
		Oct. 27-31	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.		
O-49 One-engine liaison observation	141	4	5	10	14	15	16	15	18	17	27		141	
U. S. Army														
Commercial models														
South America	4	1	1	2									4	
U. S. Commercial	33	12	17	4									33	
Total commercial models	37	13	18	6									37	
Total all models	178	17	23	16	14	15	16	15	18	17	27		178	

Office of the Secretary of the Treasury, Division of Research and Statistics.

November 5, 1940.

CONFIDENTIAL

ConfidentialPARAPHRASE

The following is the substance of a telegram (no. 1201) dated November 6, 1940, from the American Consul General at Shanghai:

The manager of the Shanghai branch of the National City Bank of New York has confidentially informed the Assistant Commercial Attaché that as a precautionary measure and upon instructions from <sup>the bank's</sup> its head office transactions with Japanese banks and companies locally have been limited to a cash basis since early October, and thus the usual facilities to Japanese for forward exchange commitments have been eliminated. The manager said that the Chase Bank had received similar instructions from New York, and that both American banks are still enforcing the policy. In their transactions with Japanese banks, local British banks' policies, according to the National City Bank manager, are as follows: the Hong Kong and Shanghai Banking Corporation restricts dealing to near deliveries only (which means November delivery at present), the Bank of India will sell for December delivery, and the Chartered Bank of India, Australia and China does business only on a cash basis.



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Santiago, Chile.

DATE: November 6, 6 p.m.

NO: 263

Chief of Exchange Control Commission estimates that exchange owed to United States exporters amounts to \$8,500,000. This estimate includes goods held up in customhouse, goods on order but not yet paid for, and goods which have passed through the customhouse but which have not been paid for. A detailed report showing the types of products payment for which is held up is being prepared. This information is difficult to obtain and may be incomplete. The complete report should be available in another day or two.

BOWERS

RA:JSH

TO THE SECRETARY  
TECHNICAL ASSISTANT  
OFFICE OF THE

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AM '54

RECEIVED  
NOV 8 1954



*RCW*

DEPARTMENT OF STATE  
WASHINGTON

November 6, 1940

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a strictly confidential memorandum received by air mail pouch from Mr. Donald R. Heath, Secretary, American Embassy at Berlin, reporting an interview with Mr. Puhl, Senior Vice President and active head of the Reichsbank.

Enclosure:

Memorandum.



EMBASSY  
LEGATION OF THE  
UNITED STATES OF AMERICA

311

Berlin, October 18, 1940.

Strictly Confidential

Memorandum:

For Treasury from Heath.



I called yesterday by appointment on Puhl, senior vice president and active head of the Reichsbank. I inquired concerning the visit of Riccardi, Italian Minister of Commerce (see Embassy's telegram No. 4296 of October 11, 5 p.m.) and head of the bank of Italy. Puhl said with an air of amusement that Riccardi's conversations were entirely with Funk and he gave the impression that no particularly unusual problems were being discussed. (A contact in the Economic Ministry declared a few days ago that there was no real purpose in Riccardi's visit, that it had been promoted by Funk because he felt that with the Foreign Ministers and military chiefs of the Axis powers paying visits to each other, it was necessary for the importance of his position that he exchange visits with his Italian colleague.)

Puhl went on to say that Riccardi was a "real fascist from the first hour" who had some rather startling economic theories. He was entirely opposed to gold but, Puhl said, everyone of the officials who accompanied him saw gold as an international necessity.

He remarked that while it was theoretically conceivable that a proper currency parity could be found for trade and payment relations between a pair of countries, it was impossible to establish parities which would be perfect for a whole series of currencies and economies. Gold was indispensable.

I remarked that the German press had said that Riccardi had come to Berlin to discuss with Funk "the new economic order of Europe" but that I had the impression that with the war going on consideration of the new economic order in Europe was being shelved

because/



because of the pressing, practical problems of the present. Puhl said that was quite right and in time of war it was impossible to make any definite economic plans for the future. No one knew what the future would be and he, personally and confidentially, thought the war was going on for a long time.

I inquired what would be the monetary effect of the German military occupation of Rumania. Puhl said quite frankly that the inevitable result would be an expansion of Rumanian currency; that under war conditions Germany would import more goods and surpluses from Rumania than she would export with the result that Rumania would have increasing balances of blocked marks. Since the Rumanian exporters and suppliers could not accept payment in blocked marks, the Rumanian central bank would have to issue lei for their payment.

Donald R. Heath

RECEIVED  
JAN 25 1945

05  
CAG

TO THE SECRETARY  
TECHNICAL ASSISTANT  
OFFICE OF THE

DEPT OF WAR  
VON CAG

RECEIVED  
TECHNICAL ASSISTANT

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin, Germany

DATE: November 6, 1940, 10 a.m.

NO.: 4618

The following is for the Treasury from Heath, and for the information of the Department:

Last summer when the announcement was made by Funk that the dominant currency of Europe was to be the mark, certain zealous trade organizations in the Reich, the leather group in particular, promptly issued orders to their member firms that they should insist on being allowed to pay for their imports as well as to bill their exports in marks. The groups themselves took this initiative; the Central Government authorities did not order it. The insistence of groups of German importers that they be permitted to use marks in payment made little difference in the case of imports from most countries, because most of the German clearing agreements are of the "one account" type. Under this system importers of both countries deposit their own currency with the clearing office in payment for their imports. There are two accounts, however, in the case of the clearing agreement with Switzerland, one in marks and one in francs; Switzerland is the one country in Europe which is still a free exchange country. Customarily Swiss exports to Germany have been billed about

one-third

- 2 -

one-third in marks and the other two-thirds in Swiss francs. It was feared by Switzerland that Germany would insist that marks be used in payment for all imports of Switzerland. Switzerland would have accumulated increasingly large blocked mark balances in Germany in view of the fact that the balance of trade is heavily "favorable" to Switzerland. Because of the wartime scarcity of goods, these balances could not be utilized for purchases in Germany, and should the mark be devaluated or depreciate because of continuance of the war, Switzerland might lose part of the balances. No final settlement of the matter has been reached, but hopes are now held by Swiss officials here that German marks will not have to be accepted by Swiss exporters in payment for goods. Authorization has again been granted by the leather group of the Reich that Swiss shoes can be paid for in Swiss francs. Because of the excess of German imports, the net result will still be that Switzerland will accumulate large blocked balances in Germany even if Swiss exports to Germany may continue to be billed in Swiss francs. However, the claim of the Swiss against Germany in that case will for the most part be expressed in Swiss francs of presumed stability rather than in marks whose future value is uncertain.

END OF MESSAGE.

MORRIS.

EA:LWW



JT

GRAY

BERLIN

Dated November 6, 1940

Rec'd 12:20 p.m.

Secretary of State,  
Washington.

4619, November 6, 11 a.m.

FOR TREASURY FROM HEATH AND FOR DEPARTMENT'S  
INFORMATION.

The Reichsbank statement for October 31 shows a relatively small amount decrease in credits and a moderate increase in note circulation. Reichsbank (securities and bill holdings and collateral loans) decreased from 13,694 million marks on September 30 to 13,581 million marks on October 30. This decrease was partly offset however by an increase in the miscellaneous assets of the institution which include direct cash advances to the Reich Government which rose from 1,796 million marks on September 30 to 1,858 million marks at the end of October.

The main cause of the decrease in Reichsbank investments was the decline in the holdings of commercial and Treasury bills from 13,206 million marks on September 30 to 13,069 million marks on October 31.

Reichsbank

-2- No. 4619, November 6, 11 a.m., from Berlin

Reichsbank note circulation on October 31 stood at 12,937 million marks as compared with (?),846 million marks at the end of September.

MORRIS

HPD

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 6, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

Mr. Cameron of the Federal Reserve Bank of New York gave us the following information regarding the transfers listed below from German accounts maintained with the Chase National Bank.

<u>Date</u>	<u>Amount Debited</u>	<u>Account Debited</u>	<u>Paid To</u>
November 4	\$ 315,000	Reichsbank, Berlin	Chase National Bank, Rockefeller Branch, N.Y., for account of Standard Oil Co. of N.J., N.Y., by order of Konversionskasse fur Deutsche Auslandsschulden, Berlin
November 6	6,068,750	Deutsche Gold Discount Bank, Berlin	Marine Midland Trust Co., N.Y., in favor of Topken & Ferley, 17 Battery Place, N.Y.
November 6	5,300,000	Reichsbank, Berlin	Chase National Bank, N.Y. for account of Deutsche Gold Discount Bank, Berlin
November 6	200,000	Reichsbank, Berlin	Chase National Bank, N.Y., for account Stockholms Enskilda Bank, Stockholm
November 6	100,000	Reichsbank, Berlin	Guaranty Trust Co., N.Y., for account of Reichsbank, Berlin
November 6	51,496.67	Reichsbank, Berlin	Corn Products Refining Co., 17 Battery Place, N.Y., by order of Konversionskasse fur Deutsche Auslandsschulden, Berlin
November 6	27,000	Deutsche Gold Discount Bank, Berlin	Irving Trust Co., N.Y., for account of Vongibara



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 6, 1940

TO Secretary Morgenthau  
 FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Cameron of the Federal Reserve Bank of New York gave us the following information regarding the credit listed below in the account of the Credito Italiano, New York, maintained with the Chase National Bank.

<u>Date</u>	<u>Amount Credited</u>	<u>Account Credited</u>	<u>Received From</u>
November 6	\$151,840	Credito Italiano, New York, for account of and under cable advice to Credito Italiano, Rome	Chase National Bank, New York, by order of Sveriges Riksbank, Stockholm

*B. M. P.*

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE November 6, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

Mr. Cameron of the Federal Reserve Bank of New York gave us the following information regarding transactions in Russian accounts maintained with the Chase National Bank.

Principal changes in the State Bank of Russia's dollar account during the period October 31 to November 6, inclusive, were as follows:

<u>Date</u>	<u>Amount Credited</u>	<u>Received From</u>	<u>Amount Debited</u>	<u>Paid To</u>
Oct. 31	\$257,956	Commercial Letters of Credit Import	\$708,991	Commercial Letter of Credit
Nov. 1	280,000	Chase National Bank, N.Y., by order Sveriges Riksbank, Stockholm	550,190	"
			500,000	Amtorg Trading Corp.
Nov. 2	184,679	U. S. Mint, San Francisco, Cal. Final payment gold shipment	109,328	Commercial Letter of Credit
Nov. 4	110,000	Irving Trust Co., N.Y., by order of Union Bank of Switzerland, Zurich	62,238	"
Nov. 6			367,231	"
			500,000	Amtorg Trading Corp.
			550,000	Chase National Bank, N.Y., for account of Reichsbank, Berlin

- 2 -

On November 6 the balances of the State Bank and the Amtorg Trading Corporation were as follows:

	<u>State Bank of the U.S.S.R.</u>	<u>Amtorg Trading Corporation</u>
Cash Balance	\$ 9,423,800	\$ 1,688,400
Cash commercial Letters of Credit	13,763,800	2,029,900
Time deposits	<u>10,300</u>	<u>-0-</u>
Total	\$23,197,900	\$ 3,718,300
Change in total since October 30	- \$ 3,047,000	+ \$ 460,100



For Miss Chaucer

TREASURY DEPARTMENT

321

INTER OFFICE COMMUNICATION

DATE November 6, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£95,000
Purchased from commercial concerns	£10,000

The Federal Reserve Bank sold £3,409 to two non-reporting banks.

Open market sterling was first quoted at 4.03-3/4. It closed at 4.04. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£1,000
Purchased from commercial concerns	£1,000

With the exception of an improvement in the Argentine free peso rate, the other currencies showed little change from Monday's quotations. The closing rates were as follows:

Canadian dollar	13-1/8% discount
Swiss franc	.2321
Swedish krona	.2386
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2345
Brasilian milreis (free)	.0505
Mexican peso	.2070
Cuban peso	9-1/16% discount

There were no gold transactions consummated by us today.

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

\$3,427,000 from Canada, shipped by the Bank of Canada for account of the Government of Canada, for sale to the U. S. Assay Office at New York.

3,170,000 from Portugal, shipped by the Bank of Portugal, to be earmarked for its account.

\$6,597,000 Total

The State Department forwarded to us a cable stating that the following gold shipments were made from Bombay, India, all of which will be sold to the U. S. Assay Office at New York:

\$2,214,000 shipped by the National City Bank, Bombay, to the head office at New York.  
 752,000 shipped by the National Bank of India, Bombay, to the Chase National Bank, New York.  
 419,000 shipped by a French bank to the Chase National Bank, New York.  
 210,000 shipped by a French bank to the French American Banking Corporation, New York.

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\$3,595,000 Total

The report of October 30, received from the Federal Reserve Bank of New York giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$12,612,000, an increase of \$970,000 in the short position. The net changes in the positions are as follows:

Country	Short Position October 23	Short Position October 30	Increase in Short Position
England*	\$ 1,459,000	\$ 2,552,000	\$1,093,000
Europe	4,052,000	4,252,000	200,000
Canada	160,000 (Long)	52,000	212,000
Latin America	396,000	324,000	72,000 (Decrease)
Japan	4,592,000	4,338,000	254,000 (Decrease)
Other Asia	1,290,000	1,083,000	207,000 (Decrease)
All others	13,000	11,000	2,000 (Decrease)
Total	\$11,642,000	\$12,612,000	\$ 970,000

\*Combined position in registered and open market sterling.

The report from the Federal Reserve Bank of New York listing deposits for the account of Asia as reported by the New York agencies of Japanese banks on October 30, showed that such deposits totaled \$97,747,000, an increase of \$4,067,000 since the last report as of October 23. Included in this total were \$36,136,000 in deposits with the Yokohama Specie Bank, New York, made by its branches in China, up \$775,000 from October 23, and \$49,881,000 in deposits made by Japanese banks in Japan and Manchuria, up \$3,334,000. Loans made to Japanese banks by Yokohama's New York agency totaled \$28,762,000, an increase of \$7,031,000 over the October 23 figure.

It was reported that the Bombay bullion markets were closed today, and no metal prices were received from that center.

The prices fixed in London for spot and forward silver were 23-3/8d and 23-5/16d respectively, both off 1/16d from Monday's quotations. The dollar equivalents were 42.44¢ and 42.33¢.

**CONFIDENTIAL**

- 3 -

Handy and Harman's settlement price for foreign silver was unchanged at  $34\frac{3}{4}$ ¢. The Treasury's purchase price for foreign silver was also unchanged at 35¢.

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



CONFIDENTIAL



November 4, 1942.

Dear Mr. Harwood:

Thank you very much for sending the list of the businessmen associated with the defense activities. The Secretary was very glad to have these names, together with the information as to the address of each.

Would it be possible for us to secure twenty copies of this list? I would appreciate it if you could let us have them for use in the Secretary's office.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,  
Private Secretary.

Mr. Sidney Harwood,  
Assistant Secretary, The Advisory Commission  
to the Council of National Defense,  
Federal Reserve Building,  
Washington, D. C.

GHF/als

By Messenger 2<sup>12</sup>

November 6, 1943.

Dear Mr. Sherwood:

Thank you very much for sending the list of the businessmen associated with the defense activities. The Secretary was very glad to have these names, together with the information as to the duties of each.

Would it be possible for us to secure twenty copies of this list? I would appreciate it if you could let me have them for use in the Secretary's office.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,  
Private Secretary.

Mr. Sidney Sherwood,  
Assistant Secretary, The Advisory Commission  
to the Council of National Defense,  
Federal Reserve Building,  
Washington, D. C.

GXF/dbs

By Messenger

November 6, 1943.

Dear Mr. Sherwood:

Thank you very much for sending the list of the businessmen associated with the defense activities. The Secretary was very glad to have these names, together with the information as to the dates of each.

Would it be possible for us to secure twenty copies of this list? I would appreciate it if you could let us have them for use in the Secretary's office.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,  
Private Secretary.

Mr. Sidney Sherwood,  
Assistant Secretary, The Advisory Commission  
to the Council of National Defense,  
Federal Reserve Building,  
Washington, D. C.

GKF/dbs

By Messenger



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

October 22, 1940

Memorandum for Mrs. Klotz:

Attached you will find a list of the businessmen associated with the defense activities, their capacity with the Commission indicated and also their business connection.



Sidney Sherwood  
Assistant Secretary

Mrs Klotz: Please thank  
S. Sherwood and get a copy of  
this list for each member of  
my 9.30 group and an  
extra copy for Ed. Greenbaum  
HMS

RAW MATERIALS DIVISION

	<u>Capacity With Commission</u>	<u>Previous Connection</u>
Adams, C. E.	Executive Assistant	Air Reduction Corporation
Allen, R. C.	Specialist, Manganese	Oglebay, Norton & Co.
Batt, William L.	Deputy Commissioner	SKF Industries, Inc.
Barrett, William J.	Executive Secretary and Liaison	Metropolitan Life Insurance Company
Besse, Arthur	Specialist, Wool	National Association of Wool Manufacturers
Bower, William C.	In Charge of Purchases	New York Central Railroad
Boyce, Charles W.	Assistant Group Executive, Paper and Pulp Section	Northwest Paper Company
Brand, E. A.	Assistant Group Executive, Leather	General Attorney representing Tanners Council
Colbear, S. H.	Specialist, Chromium	Consulting Engineer
Dunn, Gano	Senior Consultant	J. G. White Engineering Company
East, J. D.	Chief Economic Statistician	U. S. Steel Corporation
Everest, D. C.	Group Executive, Pulp and Paper Section	Marathon Paper Mills
Finger, W. L.	Assistant Group Executive, Rubber Products	Rubber Manufacturers Association
Folsom, Marion B.	Assistant Section Executive, Mining and Mineral Products	Eastman Kodak Company
Francis, Clarence	Section Executive	President, General Foods Corporation
Hallett, Robert L.	Specialist, Tin	National Lead Co.
Harriman, W. A.	Transportation Liaison and Export Licensing	Union Pacific Railroad
Hauck, W. A.	Assistant Group Executive, Iron and Steel Products	Luckens Steel Company

RAW MATERIALS DIVISION

	<u>Capacity With Commission</u>	<u>Previous Connection</u>
Henderson, Alexander	Assistant on Export Licensing	Cravath, DeGerfordorff, Swaine and Wood
Hewes, Thomas	Assistant Legal Counsel	Hewes, Prettyman, Awalt and Smiddy
Holden, Grenville R.	Economic Adviser	Eastman Kodak Company
Jackson, Roy	Office Manager	U. S. Steel Export Company
Kellogg, C. W.	Group Executive, Heat, Light and Power	President, Edison Electric Institute
Kudner, Arthur	Special Consultant	Arthur Kudner Advertising Agency
Lynch, R. J.	Assistant to Commissioner	U. S. Steel Corporation
Masters, Harris K.	Specialist, Antimony, Tungsten	Vice President, Charles Hardy, Inc.
McAdoo, H. M.	Group Executive, Leather	President, U. S. Leather Company
McCabe, T. B.	Special Assistant	Scott Paper Company
McGowan, Earl M.	Assistant to Group Executive, Lumber and Timber Products	W. T. Smith Lumber Company
Morgan, D. P.	Group Executive, Chemical and Allied Products	Investment Counsel, Scudder, Stevens & Clark
Morton, Allen	Assistant to Commissioner	Vice President, Koppers Company
Parker, John C.	Consultant on Power Committee	Vice President, Consolidated Edison Company
Raynor, Hayden	Assistant to Commissioner	U. S. Steel Corporation
Reid, Ernest W.	Group Executive, Chemical and Allied Products and Products of Coal	Mellon Institute; Union Carbide & Carbon Co.
Smith, Blackwell	Legal Counsel	Wright, Gordon, Zachry and Parlin



RAW MATERIALS DIVISION

	<u>Capacity With Commission</u>	<u>Previous Connection</u>
Smith, L. W.	Assistant Group Executive, Lumber and Products	National Lumber Manufacturers Association
Smith, Walter C.	Committee on Tin Smelting	Cerro de Pascoe Copper Corporation
Stall, Earl R.	Specialist, Cotton Products	President, F. W. Poe Manufacturing Company
Stettinius, Edward R., Jr.	Commissioner	Chairman, U. S. Steel Corporation (Resigned)
Stevens, Robert T.	Group Executive, Textile Products	J. P. Stevens & Company
Sweet, Charles A.	Specialist, Cotton Products	Wellington Sears Company
Sykes, Howard C.	Specialist, Mica	Mica Insulator Company and Eugene Munsell Co.
Thompson, John F.	Committee on Tin Smelting	International Nickel Company, Inc.
Tower, Walter S.	Group Executive, Iron and Steel Products	President, American Iron and Steel Institute
Viles, A. L.	Group Executive, Rubber Products	Rubber Manufacturers Association
Vogelsang, Erwin	Specialist, Tin	Tin Broker, Representing Malcolm Bowley and Company
Watson, M. A.	Assistant Group Executive, Leather	Executive Vice President, Tanners Council
Watzek, John W., Jr.	Group Executive, Lumber and Products	Crossett, Watzek & Yates
Weidlein, E. R.	Division Executive	Mellon Institute
Willard, F. W.	Committee on Tin Smelting	President, Nassau Smelting & Refining Company
Williams, Clyde	Chairman, Committee on Tin Smelting	Director, Battelle Memorial Institute

RAW MATERIALS DIVISION

	<u>Capacity With Commission</u>	<u>Previous Connection</u>
White, H. J.	Specialist, Synthetic Textiles and Miscellaneous Products	Head of Viscose Division, duPont Company
Wilson, Robert E.	Group Executive, Petroleum, Natural Gas, and Products	President, Pan American Petroleum & Export Company

INDUSTRIAL PRODUCTION DIVISION

	<u>Capacity With Commission</u>	<u>Previous Connection</u>
Biggers, John D.	Deputy Commissioner	Libby-Owens-Ford Glass Company
Britton, Mason	Assistant Director Machine Tools and Heavy Ordnance	Studebaker Corporation
Brooks, George A.	Legal Staff	General Motors Corporation
Collins, William M.	Secretary to Commissioner	General Motors Corporation
Court, Andrew	Chief Statistician	Auto Manufacturers Association
Eaton, Frederick M.	Chief, Legal Staff :	Wright, Gordon, Zachry and Parlin
Eink, A. B.	Machine Tool Technician	Motch & Merryweather Machinery Company
Eldridge, Mark	Chief Business Specialist	Memphis Gas, Light and Water Division
Graham, Ray A.	Assistant to Administrative Assistant	Graham Motors
Harrison, W. H.	Director, Construction Section	American Telephone and Telegraph
Heron, S. D.	Assistant Chief, Aircraft Engines Section	Ethyl Gasoline Corporation
Jones, Fred	Assistant to Mr. Nichols Miscellaneous Equipment Section	Fred Jones Automobile Distributors
Johnson, E. F.	Director, Ammunition and Light Ordnance Section	General Motors Corporation (Retired)
Johnston, Paul	Executive Officer, Aeronautical Section	Editor of aviation magazine
Knight, William W., Jr.	Assistant Director, Tanks, Trucks and Tractors Section	Ford Building Company
Knudsen, William S.	Commissioner	General Motors Corporation (Resigned)



INDUSTRIAL PRODUCTION DIVISION

	<u>Capacity With Commission</u>	<u>Previous Connection</u>
Kehler, W. V.	Assistant Director, Construction Section	Illinois Bell Telephone Company
Kuhrt, Wesley A.	Assistant to Chief of Aircraft Structures Section	Pratt & Whitney
Laflin, Donald M.	Machine Tool Technician	Giddings & Lewis Machine Company
Luce, Milton H.	Assistant Director, Miscellaneous Equipment Section	President, Egg White Products Company
Mead, George J.	Director, Aircraft Section	United Aircraft Corporation (Retired)
Moffett, George	Director, Food and Food Products Section	Corn Products Refining Company
Nichols, J. C.	Director, Miscellaneous Equipment Section	J. C. Nichols Company
Ohl, John P.	Legal Staff	Wright, Gordon, Zachry and Parlin
Palmedo, Raymond	Financial Counsel	Lehman Brothers Corporation
Reiss, Raymond H.	Supervisor, Clothing Section	International Tailoring Company (President)
Rhoads, R. H.	Consultant	Kansas Industrial Development Commission
Vance, H. S.	Director, Machine Tools and Heavy Ordinance Section	Studebaker Corporation
Voorhees, Stephen F.	Consultant	Voorhees, Walker, Foley and Smith
Wilde, H. George	Assistant to Deputy Commissioner	Wood Struther & Company
Wright, T. P.	Chief of Aircraft Structures Section	Curtiss-Wright Corporation

PRICE STABILIZATION DIVISIONCapacity with CommissionPrevious Connection

Avildsen, Clarence	Industrial Methods (Consultant)	Avildsen, Reinhard and Company
Bishop, C. A.	Executive Assistant	Pennsylvania Economy League
Brady, George S.	Substitute and Secondary Materials Section	Industrial Engineer
Corry, Andrew V.	Metals and Minerals Section	Consultant Engineer
Dunn, John E.	Personal Assistant to the Commissioner	Russell Sage Founda- tion
Lansburgh, W. H.	Industrial Engineering (Consultant)	Philadelphia Committee
Millum, Floyd	Financing (Consultant)	Atlas Corporation
Paul, Randolph	Taxation (Consultant)	Lord, Day and Lord
Penard, George	Purchasing (Consultant)	National Association of Purchasing Agents

LABOR DIVISION

	<u>Capacity With Commission</u>	<u>Previous Connection</u>
Alexander, Will	Administrative Assistant	Vice President, Rosenwald Fund
Brandwen, Maxwell	Executive Assistant to Commissioner	Attorney
Bransome, E. D.	Consultant on Labor Relations	Vanadium Corporation of America
Dietz, J. W.	Assistant to Channing Dooley	Western Electric Company
Dooley, Channing R.	Director, Training Within Industry	Socony Vacuum Oil Company
Hillman, Sidney	Commissioner	President, Amalgamated Cloth- ing Workers of America
Keenan, Joseph D.	Assistant on Labor Relations	Chicago Federation of Labor
Owens, John	Assistant on Labor Relations	United Mine Workers of America



TRANSPORTATION DIVISION

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Budd, Ralph	Commissioner	Burlington Lines
Crooks, Harry D.	Consultant on Warehousing	Crooks Terminal Warehouses
Dann, Alex W.	Consultant on Inland Waterways (Except Great Lakes)	Union Barge Lines
Dow, Fayette B.	Consultant on Pipe Lines	American Petroleum Institute
Fischer, Karl W.	Deputy Commissioner	Burlington Lines
Gordon, Charles	Consultant on Urban Transit	American Transit Association
Henry, Thomas P.	Consultant on Private Automobiles	American Automobiles Association
Mill, Arthur M.	Consultant on Bus Transportation	National Association of Bus Operators
Hood, J. M.	Consultant on Short Line Railroads	American Short Line Railroad Association
Horner, Frederick C.	Consultant on Private Trucking	General Motors Corporation
Rodgers, Ted. V.	Consultant on Trucking	American Trucking Association, Inc.
Smith, C. R.	Consultant on Airways	American Airlines, Inc.
Swinburne, A. Francis	Executive Assistant	Association of American Railroads

AGRICULTURAL DIVISIONCapacity with CommissionPrevious Connection

Miller, Raymond C.

Chief, Foreign Trade  
Section

Export-Import Bank

CONSUMER PROTECTION DIVISION

338

No business men affiliated with Commissioner Elliott's staff.



NATIONAL DEFENSE PURCHASES

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Wolsom, Frank M.	Assistant Coordinator	Goldblatt Brothers
Hill, A. C. C., Jr.	Assistant to Coordinator	Guaranty Trust Company
Mac Keachie, Douglas C.	Assistant Coordinator	Great Atlantic and Pacific Tea Company
Welson, Donald M.	Coordinator	Sears, Roebuck and Company

COMMERCIAL AND CULTURAL RELATIONS  
BETWEEN THE AMERICAN REPUBLICS

	<u>Capacity With Commission</u>	<u>Previous Connection</u>
Clayton, William	Director, Commodities and Natural Resources	Anderson, Clayton Co.
Corry, Andrew V.	Director of Planning Economic and Statistical Research	Director, Arminis, South America
Dickey, John	Special Consultant	Snow, Hunt, Rice and Boyd
Douglas, Percy	Consultant, Commercial and Cultural Relations	Export Manager, Otis Elevator
Harding, William B.	Special Consultant	Smith, Barney and Company
Lockwood, John	Consultant, Commercial and Cultural Relations	Millbank, Tweed and Hope
Lucas, Henry R.	Consultant, Commercial and Cultural Relations	President, Time and Fortune
Peterson, G. J.	Special Consultant	Vice President, Cargill, Incorporated
Rockefeller, Nelson A.	Coordinator	President, Rockefeller Center
Rovensky, Joseph	Director, Finance and Industry	Vice President, Chase National Bank
Speeth, Carl E.	Assistant Coordinator and General Counsel	Vice President of Cia. De Fomento Venezolano and Cia. Anonima Hotelera Venezolano
Winks, Gordon	Head Attorney	Attorney, Sidley, McPherson, Austin & Burgess
Young, James	Consultant	Lane Publishing Company

NATIONAL DEFENSE HOUSING

	<u>Capacity With Commission</u>	<u>Previous Connection</u>
Bradt, Carl L.	Principal Program Planner	Executive Director, Detroit Housing Commission
Buckingham, S. M.	Consultant	Cleveland Terminals Building Company
Colean, Miles L.	Consultant	Research Director, Housing Survey, Twentieth Century Fund
Monsees, Carl Henry	Executive Assistant to Coordinator	Chief of Field Service, National Association of Housing Officials
Nelson, Herbert U.	Consultant	National Association of Real Estate Boards
Niewenhous, Mathias	Liaison Officer	President, Niewenhous Co., Inc.
Palmer, Charles F.	Coordinator	President, Palmer, Inc.
Ring, Gustave	Consultant	President, Ring Engineering Company
Woodbury, Coleman	Consultant	National Association of Housing Officials



DIVISION OF STATE AND LOCAL COOPERATION

	<u>Capacity With Commission</u>	<u>Previous Connection</u>
Bane, Frank	Director	Executive Director, Council of State Governments
Gallagher, Hubert	Assistant	Assistant Director, Council of State Governments


BUREAU OF RESEARCH AND STATISTICS

	<u>Capacity with Commission</u>	<u>Previous Connection</u>
Johnson, Pyke	Assistant to Director	Automobile Manufacturers Association
May, Stacy	Director	Rockefeller Foundation

November 6, 1940.

MEMORANDUM

To: Secretary Morgenthau  
From: Mr. Gaston



Supplementing my previous memoranda, the following charter of a vessel of the United States to an alien corporation is considered of interest:

Steamship JEFFERSON MYERS (Official No. 220769) - Application filed on behalf of States Steamship Company, Portland, Oregon, for approval of charter to Amtorg Trading Corporation for one voyage with a cargo of lawful merchandise from a port or ports on the east coast of South America to Vladivostok, U.S.S.R., lay days (loading and/or discharging days) commencing November 25 - December 31, 1940. Approved 29 October, 1940.



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate, Dakar, French West Africa  
(Senegal)

DATE: November 6, 1940, 4 p.m.

NO.: 50

For the Treasury.

Information has been given to the Consulate that on November 4 there was shipped by air from Dakar to Marseille gold in the amount of 1,500 kilos.

WASSON.

EA:LWW

WAR DEPARTMENT  
WAR DEPARTMENT GENERAL STAFF  
MILITARY INTELLIGENCE DIVISION G-2  
WASHINGTON

November 6, 1940.

MEMORANDUM TO THE CHIEF OF AIR CORPS:

About October 12, the undersigned made informal arrangements with the British Ministry of Aircraft Production, Lord Brownlow representing Lord Beaverbrook, the Minister.

At that time the Ministry of Aircraft Production agreed to send to this country the following type equipment retrieved from German airplanes that had been shot down in England. This equipment follows.

- a. Bomb aiming, which would consist of one each of the representative type bomb sights and affiliated equipment.
- b. Radio, this to consist of one each of the representative type radio apparatus, voice, direction finding, Lorenz type blind landing, and any other type radio equipment that in their opinion would be of value from a research standpoint.
- c. Photography, one each of the worthwhile, representative type cameras, exposure meters, and affiliated equipment.

It was agreed that so much equipment had been retrieved by the British that it was now largely a question of its eating up valuable storage space as well as man hours in its maintenance and storage.

This material was to be shipped as follows: To the Chief of Metals Division, U. S. Army Air Corps (Attention of Major George C. McDonald) Wright Field, Ohio.

In coordinating the above with Mr. Morgenthau, it is suggested that other items of equipment such as instruments,

armaments, etc., that may be desirable, be included in this list for transmittal to the British Ministry of Aircraft Production.

*George C. McDonald.*

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