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BRITISH EMBASSY,
WASHINGTON, D. C.

August 15th, 1940

PERSONAL AND
SECRET

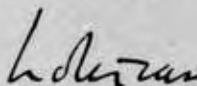
Dear Mr. Secretary,

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,



The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

Telegram despatched from London
in the evening of August 14th, 1940

Naval

Early yesterday morning three MTB's encountered E-boats and anti-aircraft ships off the Dutch coast. They engaged enemy with hand grenades and HCs and one MTB rammed an E-boat which reduced her speed to 6 knots, damage to enemy unknown. All our MTBs returned safely.

Smallland.

Yesterday destroyer "Kimberley" and sloop "Auckland" bombarded and dispersed enemy troops and lorries on the coast road west Berbers and probably delayed enemy's advance.

One E-S trawler bombed and sunk in Downs.

2. Royal Air Force.

Night operations on August 12th-13th again hampered by cloud. Only small number of aircraft bombed primary targets. Fires started at Gotha aircraft factory, other aircraft attacked aerodromes as secondary targets. Five Blenheims attacked aerodromes north-west France, one missing. Docks in Northern Holland successfully attacked, some mine-laying also accomplished.

Yesterday 9 out of 17 Blenheims bombed aerodromes at Jersey and north-west France, 7 others obliged to abandon task, 1 failed to return

07/

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Of 12 Blenheims sent to attack large aerodromes in North Denmark one returned early, remainder missing.

Last night, 101 heavy bombers despatched as follows: 62 to Northern Germany to aluminium works, aircraft factories, railway targets. 37 to Italy to attack Fiat aero-engine factory at Turin and Caproni aircraft factory at Milan. All these aircraft returned. Two to make photographic reconnaissance of dockyard and oil plant at Stettin and seaplane base elsewhere. Six medium bombers to attack aerodromes in occupied French territory.

From all the above operations two aircraft missing, crew of one safe.

3. German Air Force.

Further reports of night of 12th-13th notified few casualties and slight damage Sunderland, South Wales and Plymouth. Leaflets dropped in Derbyshire.

Exceptional air activity throughout yesterday. Estimated that over 2000 enemy aircraft engaged operations over Great Britain during day. Severe enemy casualties inflicted by fighter squadrons from which 13 aircraft lost but only 3 pilots. Attacks began at 6 a.m. when formations crossed Sussex coast and raiders operated almost continuously over southern and south-eastern counties as far inland as Wiltshire and Berkshire. At 4.30 p.m. about 500 enemy aircraft reported over coast from Thames Estuary to Weymouth. Enemy attacks directed chiefly against aerodromes and Southampton where premises and contents of cold-storage building burnt out. Damage

ta/

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to aerodromes slight except at Delling which was attacked by 15 dive-bombers, 8 Blenheims destroyed on the ground, operations room destroyed and Commanding Officer killed. At Andover, offices and quarters badly damaged, one aircraft hit. At Eastchurch operations room destroyed. Four barrage balloons destroyed at Dover. Casualties determined light considering extensive attacks. Enemy air losses 39 bombers and 36 fighters destroyed, 31 more aircraft probable casualties and 49 damaged. In addition 3 aircraft destroyed by anti-aircraft. Our losses 2 Spitfires and 11 Hurricanes, only 3 pilots. Last night several small raids by single aircraft or small formations over widespread area. Offices and tool room badly damaged at Huffield's aero factory, casualties two killed, 50 wounded. One hundred incendiary bombs dropped on Castle Bromwich, only slight damage.

4. Shipping Casualties.

A. By U-boat. Swedish ship of 5,800 tons torpedoed and sunk off Northern Ireland on August 9th.

B. By aircraft. Swedish ship of 900 tons sunk in Western Approaches on August 10th. Attack made on two convoys off north Scotland during last night, no damage reported.

5. Middle East.

Somaliland. Situation at 6.0 a.m. August 13th. After heavy attack, preceded by low flying M.G. fire and bombing, August 11th on Mill Hill, in left centre, our position astride Hargeisa-Berbera road, in which we suffered some

casualties; /

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casualties; enemy reached the road before being forced back by our counter-attack. Subsequently the enemy in heavy infantry attack supported by tanks compelled our evacuation of Mill Hill with loss of two 3.7 inch howitzers after removal of breach blocks. Anticipated slight infiltration of enemy would be cleared by the morning of August 13th, but no general counter attack contemplated owing to importance of maintaining reserves. Enemy casualties believed heavy, ours slight except at Mill Hill. Enemy column of 400 strong reported moving along the coast road west of Berbera. Enemy heavy artillery ineffective, many duds. Our troops resisted stubbornly but are tired after two days of fighting.

Our Blenheims while heavily attacking enemy artillery positions were intercepted by fighters. Two Blenheims forced-landed at Berbera (one crashed), another returned to Aden but is probably a "write-off". On August 13th three of our medium bombers dropped 12 tons of bombs on Italian aerodromes, reconnaissance aeroplane called for fire from destroyer on enemy troops and 3 more attacked targets in battle area.

Libya.

On August 12th 9 Blenheims with fighter escort attacked floating cranes in Yerbruk harbour, two small vessels hit. Total of 13 escort-fighters and 29 fighters have arrived from Sicily and are being sent to Benghazi.

August 15, 1940
10:50 a.m.

H.M.Jr: Hello.

Knudsen: This is Knudsen.

H.M.Jr: Good morning.

Knudsen: Good morning. What did you get out of that conference yesterday noon?

H.M.Jr: Oh, well, I got it that Jones was going to do it just his own way.

Knudsen: That was no policy question there, was it?

H.M.Jr: No, he seemed awful sore, I don't know. I've never seen Jones act quite as mad as that before.

Knudsen: Well, do you think we can do this, take them up one at a time and have a discussion of each one and then give Purvis any sort of assurance?

H.M.Jr: Do I think so?

Knudsen: Yes.

H.M.Jr: I don't know, I tell you, Bill, I - when are you going away?

Knudsen: Monday.

H.M.Jr: Oh. I find it sort of difficult to do this on the phone. I'd love to sit down with you. Have you got any time today?

Knudsen: Sure.

H.M.Jr: If you want to.

Knudsen: Sure.

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H.M.Jr: I could do it right after lunch. I have lunch --

Knudsen: I have to go over to the White House at 2:00 o'clock.

H.M.Jr: At 2:00 o'clock.

Knudsen: But say I come after I get through there?

H.M.Jr: Well, I've got somebody at 3:00 and 3:45, that's the only trouble.

Knudsen: Yes.

H.M.Jr: I don't quite get what you have, but I think it's important. I'd be glad to sit down and talk to you.

Knudsen: Yes. How are you later in the afternoon?

H.M.Jr: I tell you what you do - how long do your meetings usually last at the White House?

Knudsen: Well, sometimes they only last an hour and sometimes they last two hours.

H.M.Jr: Why don't you, when you get through there, call me up from the White House and see where I'm at, huh?

Knudsen: All right.

H.M.Jr: How would that be?

Knudsen: Fine.

H.M.Jr: When you get through with the President, give me a ring.

Knudsen: Fine.

H.M.Jr: Okay?

Knudsen: Yes.

H.M.Jr: Thank you.

August 15, 1940
2:35 p.m.

H.M.Jr: Hello.

Guy
Vaughn: Hello.

H.M.Jr: Morgenthau.

V: Mr. Secretary, how are you?

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

V: Well, so am I. I wondered what you found out in Indianapolis, in a general way.

H.M.Jr: Well, what I found out was this: They've got 49 engines which have passed the Green test.

V: Yes.

H.M.Jr: And they have trouble with superchargers.

V: Oh, yes.

H.M.Jr: And my understanding with Mr. Evans was that when that was fixed, he would call me.

V: I see.

H.M.Jr: I spoke to him on Monday and I haven't heard from him.

V: I see.

H.M.Jr: And he promised that the minute he saw daylight on these 49 engines, he would call me.

V: I see.

H.M.Jr: Now, not having heard from him, I thought I'd call him tomorrow morning.

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V: Yes.

H.M.Jr: But, that's what it is.

V: Well, those are regular teething troubles that they didn't expect but everybody told them they'd have.

H.M.Jr: Well, it's too damn bad because it - just at this time - it's about as bad a time as they could pick.

V: It certainly is.

H.M.Jr: But, that's the whole story.

V: That's too bad.

Now, you know that I offered - through Alfred Sloan we had a conference in New York about two months ago with Henry Crane.

H.M.Jr: Yes.

V: And I don't know whether you know Henry Crane or not, but George Mead does know him very well and we have - I think George has great regard for him and I certainly have.

H.M.Jr: Yes.

V: We offered him the services of our engineers.

H.M.Jr: Yes.

V: We told Crane at the time - he unloaded his engineering troubles to me, you see.

H.M.Jr: Yes.

V: And General Brett was present, very fortunately. It was on June 15th, to be exact.

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H.M.Jr: Yes.

V: We told Crane that we would be very glad to offer the services of our engineers, not that we knew very much about it, but we'd had an awful lot of experience that they had not had, and that we might be able to help them out of their difficulty because we had had a similar one which we knew had been licked in such and such a way.

H.M.Jr: Yes.

V: Then we went back to Alfred Sloan and he had to get through Hunt. He said Hunt was a little obstinate and didn't want anybody from the outside coming - horning in.

H.M.Jr: Yes.

V: We have never heard another thing about it.

H.M.Jr: I see.

V: I still believe that whether our engineers can help them or not, that possibly some improvement might be made and at least if they get together we'd know that they couldn't or they would.

H.M.Jr: I see.

V: Now, I don't know, but it seems to me that something like that ought to be shoved down O. E. Hunt's craw. It doesn't seem right that a man like Hunt would say, "We won't have any help from anybody when we're in a hell of a fix."

H.M.Jr: Well, I get the idea, and I'll see what I can do with it.

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- V: And that offer of ours still holds good. We'll let them have any engineers that they want who are specialists in our plant to go out there and discuss - not tell them anything to do, but just discuss it with them and then let them do as they damn please. They're running their own show, after all.
- H.M.Jr: Right.
- V: If I was in trouble, I'd welcome a thing like that in a minute.
- H.M.Jr: Well, thank you very much and I appreciate - it's a very sporting offer and I'll see what I can do about it.
- V: All right. I think it's just for the whole national good, everybody's good.
- H.M.Jr: Right.
- V: Now, there's one other thing.
- H.M.Jr: Yes.
- V: The Army, on this British question that 53 engines are still chasing around, and the British wanted us to - I believe the Army were perfectly willing to divert some engines to them, provided we'd give up that 60-day specification that we have 60 days delivery of motors before the delivery of airplanes.
- H.M.Jr: Yes.
- V: That is a nominal and normal time for the motors to come in on the production that we have.
- H.M.Jr: Yes.

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- V: Mr. Morgenthau, we just can't give that up because it breaks a perfectly clean-cut record of ours; it sets up a precedent; and it is apt to cost us a great deal of money at a future date.
- H.M.Jr: But of course, the 53 engines don't exist.
- V: They don't exist, I know. I say, they're still chasing us around. That's the number that they had in mind.
- H.M.Jr: Well, Brett was wrong, he took --
- V: All the Army have to do is to not give up anything themselves, not take anything from anybody else, but just say that these engines are for the British instead of us; in other words, put a British designation on them instead of an Army designation.
- H.M.Jr: I get it.
- V: Get all the engines that the British - I mean, give them all that they can in that way.
- H.M.Jr: Yes.
- V: Without disrupting - we've got a pretty good record and we're proud of it.
- H.M.Jr: Yes.
- V: And besides that, if we give it up today, one year from now we'll be forced to give it up again because we did give it up.
- H.M.Jr: Yes.
- V: And do with 20 engines or 30 engines in process 30 days before delivery and it's going to cost us a lot in liquidated damages.

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H.M.Jr: Yes.

V: Due to no fault of ours.

H.M.Jr: Okay.

V: I think it's perfectly fair.

H.M.Jr: Yes.

V: The British are willing to pay the liquidated damages, but I don't think it is a very dignified thing to ask them to do.

H.M.Jr: Well, all the Army has got --

V: That would upset our whole show.

H.M.Jr: All the Army has got to say is to Allison, let every other engine or whatever they want to go, be designated British, is that right?

V: That's exactly correct. And then nobody needs be disturbed, nobody give up anything or take anything away.

H.M.Jr: Well, that's what I - that's the position I took.

V: And I do think it's a little undignified to ask the British to pay, but that would be the end of that.

H.M.Jr: Yes.

V: The main part is that it is going to ruin us eventually - not ruin us, but make us suffer undue hardships and God knows we've got enough of them now.

H.M.Jr: Okay.

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V: All right, sir. Thank you very much.

H.M.Jr: If I hear anything, I'll call you.

V: All right. Thank you.

CABLE

FROM: Treasury Attache Nicholson,
Shanghai, China.

DATE: August 15, 1940

For the Secretary of the Treasury.

Shanghai market August 14 closed uncertain at 3-45/64
for cash and August 3-11/16 for September for sterling 5-7/16
for cash and August 5-3/8 for September for U.S. dollars.
Gold bars closed at 5,808 and wei wah at discount of 4.30%.

NICHOLSON

G-2/2657-220

RESTRICTED

No. 170

SITUATION REPORTM.I.D., W.D.
August 15, 1940.
12:00 M.

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

I. Western Theater of War.

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

On the 14th German daylight operations were on a reduced scale. Objectives attacked included the Dover balloon barrage, airdromes in south and southeast England, rail communications at Southampton and the harbors of Cardiff, Weston and Portland.

No details are available on raids conducted by the British and Germans during the night of August 14-15.

According to press reports German air activity over England was somewhat increased today, but below the level of August 11-13.

II. Mediterranean Theater of War.

No important ground or aerial activity reported.

III. East African Theater of War.

1. Ground Operations.

British troops in Somaliland have retreated in the face of a violent Italian attack. British naval units from Aden are reported to be moving to the support of the defenses of Berbera. Supply and evacuation at Berbera are rendered exceedingly difficult by the seasonal monsoons now blowing.

2. The Italian air force has attacked British troops south of Berbera and installations at Berbera itself.

RESTRICTED

August 15, 1940
11:01 a.m.

H.M.Jr: Hello, George.

Harrison: Henry, I haven't got a thing in the world on my mind or to tell you, but it has been so long since I talked to you, I just thought I'd call up and see whether there was anything we've been bad about or anything we can do.

H.M.Jr: (Laughs) No, you've been very good boys, as far as I know.

H: (Laughs).

H.M.Jr: But the - there just wasn't - as far as I was concerned, I wasn't in any trouble so I didn't have to talk to you.

H: Well, that's been my fix.

H.M.Jr: Yes, things are going along fairly smoothly.

H: I think so.

H.M.Jr: And I had nothing, and I hope to go away for the last two weeks in August.

H: Good for you.

H.M.Jr: And --

H: Danny is away now, isn't he?

H.M.Jr: He's away on account of that, you see.

H: Yes.

H.M.Jr: Be back Monday.

H: I see.

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H.M.Jr: Otherwise, I'm all right.

H: Where are you going, up to your farm?

H.M.Jr: No, we think we're going up into Canada.

H: Oh, good.

H.M.Jr: Yes, get far enough away so that --

H: That's the cheapest place to spend your vacation now.

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

H: Better get some cheap Canadian dollars.

H.M.Jr: How does one do that?

H: We'll get them for you.

H.M.Jr: Really?

H: Yes.

H.M.Jr: Well, I wasn't - should I take some money with me?

H: Well, what I would do - I think you would do better to buy free dollars here, which they are glad to have you do.

H.M.Jr: Yes.

H: And get a draft on a Montreal bank and just cash it when you get up there, on any bank.

H.M.Jr: Oh, really?

H: Yes.

- 3 -

H.M.Jr: I didn't --

H: Whereas if you take American money up there, you'll get maybe, I think, a ten percent discount, whereas here you get thirteen.

H.M.Jr: Is that perfectly --

H: Perfectly proper.

H.M.Jr: Perfectly proper?

H: Yes.

H.M.Jr: Well, I don't know how much I want, but with the whole family, I surely need \$500. How do I do it, send you a check?

H: Why, all you do is send me a check and ask me to get you a draft for \$500 worth of Canadian dollars.

H.M.Jr: You mean send you my check.

H: Yes.

H.M.Jr: Well, I'll give it to --

H: Or your bank there in Washington can do it for you.

H.M.Jr: No, I have no bank in Washington.

H: Well, just send it up here, I'll do it.

H.M.Jr: What?

H: Just send it up here, we'll do it.

H.M.Jr: Is that perfectly --

- 4 -

H: Absolutely. I inquired, because the three Grayson boys have just gone up yesterday.

H.M.Jr: Yes.

H: And there's no - and I spoke to Knoke about it and he said no objection at all, I'd like to have you do it.

H.M.Jr: And then you give me - then I get a draft for that on the Bank of Montreal.

H: Yes.

H.M.Jr: Should I?

H: Yes, on some Montreal bank.

H.M.Jr: I see.

H: Okay. So if you want me to do it, I'd be very glad to.

H.M.Jr: Fine. I'll do it right away.

H: All right, sir.

H.M.Jr: Thank you for calling me.

H: And if there's anything else I can do, let me know.

H.M.Jr: Okay.

H: Goodbye.

H.M.Jr: Thank you.

H: Goodbye.

August 15, 1940
11:10 a.m.

Sumner
Welles: Good morning, Henry.

H.M.Jr: Good morning.

W: Henry, in a conversation that I had yesterday with Seignor Schnake, the Minister of Fomento of the Chilean Cabinet, who is here --

H.M.Jr: Yes.

W: He was the Chilean delegate in Havana. He brought up certain questions which clearly came within the jurisdiction of the Treasury Department and I told him that I would ask if you would be kind enough to see him in order that he could lay these problems before you for study by the Treasury Department.

H.M.Jr: Yes.

W: I know you are leaving in the next day or so, but I would appreciate it if you could see him before you go.

H.M.Jr: Well, I can see him at 11:00 tomorrow morning.

W: 11:00 tomorrow morning?

H.M.Jr: Yes.

W: Fine, I'll send word immediately.

H.M.Jr: Would you have somebody from the State Department present?

W: I'll be very glad to, Henry. I'll have Collado go over.

H.M.Jr: Collado.

W: Yes.

- 2 -

H.M.Jr: You'll have him introduce him, then.

W: Yes, indeed.

H.M.Jr: At 11:00 tomorrow morning.

W: 11:00 tomorrow morning.

H.M.Jr: Thank you.

W: Thank you so much. Goodbye.

H.M.Jr: Goodbye.

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Note:

Copy of this turned over to Mr. Gaston
at 12:40 on instructions of Secretary
Morgenthau.

R MCH

Aug. 15th

August 15, 1940
11:40 a.m.

H.M.Jr: Hello.

Bone: Hello, Mr. Morgenthau.

H.M.Jr: How are you?

Bone: Fine.

I had a talk long distance last night with Sol Harris, the Collector out in Seattle.

H.M.Jr: Yes.

Bone: He wants to quit out there and he rather attached a couple of suggestions to it that made me - was the reason for my calling you. He said he wants to - doesn't want to quit unless we both want him to quit.

H.M.Jr: I see.

Bone: Well, I haven't any feeling one way or the other about it. If he wants to, why all well and good but I - he, I suppose, feels some sense of responsibility to me and we have been very warm friends over the years.

H.M.Jr: Yes.

Bone: I guess he feels badly about the way some things have gone, so now I'm merely telling you and passing it on, he wants the consent of both of us and so you can have that in mind, Mr. Morgenthau.

H.M.Jr: I feel just the way you do. It's immaterial to me. If he wants to quit, that's okay. I mean, it's perfectly satisfactory to me. I'm not, naturally, in close touch with the situation, as you are.

- 2 -

Bone: Sure. Well, I think it isn't anything out there except just merely - I suppose he -- I don't know, maybe he's discouraged with the general political situation out there.--

H.M.Jr: But it's okay with me and I appreciate very much your calling me.

Bone: Yes, well I wanted you to know this, and if there is anything that you care to do, why it's all right with me.

H.M.Jr: Thank you.

Bone: All right, Mr. Morgenthau.

H.M.Jr: Goodbye.

August 15, 1940.

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston



I talked to Admiral Johnson about the design of the Detroit River Life Saving Station and he will look into the question whether it is possible to employ Dyer as consulting architect. He has previously been employed by the Office of the Coast Guard Civil Engineer in Cleveland as an architectural draftsman, at a salary of \$2,000 per year. It is not possible to reemploy him in that status under Civil Service rules since he is more than seventy years old.

The Cleveland station, Johnson tells me, was produced under the direction of Chief Engineer Gay at Cleveland by four architectural draftsmen - Porter, Rasmussen, Arany and Dyer. He says that no one of the four is responsible for the design but they are entitled to about equal credit. The general idea of developing modernistic stations and different types of stations adapted to the localities in which they are to be erected came from his office in Coast Guard headquarters.

It may be that you would like to talk to Johnson about the project. If so, he will of course be glad to come over at any time.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 15, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

The only transactions in registered sterling effected today by the six reporting banks were purchases of £39,000 for customer account.

The open market for sterling was featureless, and the rate showed little variation from 4.02-1/4, the first and last quotation. The reporting banks sold £20,000 and bought £22,000 for commercial concerns.

The other currencies closed as follows:

Swiss franc	.2279-1/2
Canadian dollar	13-1/4% discount
Lira	.0505
Reichsmark	.4005
Cuban peso	11-9/16% discount
Mexican peso	.1992 bid. .2016 offered

There were no gold transactions consummated by us today.

The State Department forwarded to us a cable stating that the following gold shipments were made from England, for sale to the U.S. Assay Office at New York:

\$266,000 shipped by Samuel Montagu, London, to the Chase National Bank, New York.
 42,000 representing two shipments to commercial banks in New York.
 \$308,000 Total

The Bombay gold price was equivalent to \$33.72, off 2¢.

Spot silver in Bombay was 1/8¢ lower at the equivalent of 44.96¢.

In London, the price fixed for spot silver was 23-1/2d, up 1/16d, while the forward price was unchanged at 22-11/16d. The U.S. equivalents were 42.67¢ and 41.20¢ 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 one purchase of silver amounting to 150,000 ounces under the Silver Purchase Act, which represented a sale from inventory, for spot delivery.

B. M. R.

August 15, 1940
9:30 a.m.

GROUP MEETING

Present: Mr. Gaston
Mr. Sullivan
Mr. Thompson
Mr. Cochran
Mr. Chamberlain
Mr. Foley
Mr. Schwarz
Mr. White
Mr. Buckley
Mrs. McHugh

H.M.Jr: Did you (Foley) see this clipping about
SEC?

Herbert?

Gaston: I have Admiral Johnson coming over to show
me some plans for a new Coast Guard Life
Saving Station in the Detroit River, Lake
St. Clair. Would you be interested?

H.M.Jr: Is it like the one in Cleveland?

Gaston: I haven't seen them, but they were done before
that was completed.

H.M.Jr: I would like to take a look at it.

Gaston: I've got some pictures coming through on
that.

H.M.Jr: Anything else?

Gaston: No, I don't think so. You got this message
through Mr. Cochran about the British tax
which will add to the value of their products
unless they change it?

H.M.Jr: Yes.

Cochran: That is the one you cleared.

H.M.Jr: Yes. Anything else?

Onaton: Nothing else.

H.M.Jr: Ed?

Foley: I may want to talk to you later in the day about the Curtiss-Wright deal. The RFC changed the basis on which we gave the ruling and they have included an option to purchase provision on the stipulated price in there. It makes the scheme smack more of tax avoidance than it did before, and we may not be able to go along.

Now, Curtiss-Wright said they didn't want it and they didn't ask for it in the original application for the ruling, but they say that Mr. Jones insisted that that provision go in there because he didn't want the Government to be in the position at any time of owning airplane plants and Hotchkiss indicated to us that if we take the position that we can't give the ruling, they would have no objection to going along without the option.

H.M.Jr: Well, if you are going to do it in view of yesterday's meeting I think I would call up Jones and ask if you couldn't see him and explain the difficulty so that he doesn't get his back up again.

Foley: Yes, okay.

H.M.Jr: I thought that was all settled.

Foley: It would have been if they had left that out and I understand that there are several other companies, Douglas and other companies, that are just waiting to see whether this deal goes through and if it goes through they all want to come in and get similar arrangements.

- 3 -

H.M.Jr: Well, how do you think we had better handle it so there is no time lost?

Foley: Well, I want to wait and get word from the Bureau as to whether or not they are going to go along. If they say they can't go along, then I think I had better call Mr. Jones and go over and see him.

H.M.Jr: All right. Will you handle it?

Foley: Yes, I will handle it.

H.M.Jr: All right. Why does he do that sort of thing?

Foley: I don't know. It is just petty, that is all. It wasn't necessary to do it. The company didn't ask for it.

H.M.Jr: All right. If you have any trouble, let me know. Anything else?

Foley: No.

H.M.Jr: What are you doing these days, John?

Sullivan: On the Hill. I am due there at ten.

H.M.Jr: Are you getting anywhere?

Sullivan: Oh, just trying to see how we can excuse the few people left from paying tax.

H.M.Jr: I sent you that so-called Henderson Plan. What happened to that?

Sullivan: Leon and I have discussed it.

H.M.Jr: I don't have to get in on it.

Sullivan: I shouldn't think so. I don't understand what has happened on the Hill.

Cochran: Mr. Knoke telephoned me again yesterday on that Bank of Canada matter. Howe has been pressing him, and I told him we would let him know Monday. The only thing, it delays

- 4 -

him a little bit because they are having a Board Meeting today.

H.M.Jr: Well, they will have to wait.

Cochran: All right.

H.M.Jr: Let me just read this.

Cochran: Stone offered that, so I think it is all right.

H.M.Jr: All right.

Schwarz: You may be asked in press conference this morning regarding the new system of financial reporting set up by the President's Executive Order Tuesday. Dan Bell was eager that if we do say anything, we hold it to generalities, just that it is an improved system.

H.M.Jr: I haven't the foggiest idea what it is. Do you know?

Schwarz: Yes. It calls for more detailed reporting, especially by the independent agencies and by the Government corporations.

H.M.Jr: It was set up in the first instance by the Budget, wasn't it?

Schwarz: That is correct. We could refer any questions to them.

H.M.Jr: Refer them to the Budget?

Schwarz: Yes.

H.M.Jr: What else?

Schwarz: That is all.

Buckley: We had Mr. Gunliffe, Administrator of Aluminum for the United Kingdom, entire British Empire, in yesterday. I took him over and introduced him to Mr. Stettinius and he went over the aluminum situation with our people. There were several problems, and I think they will be

- 5 -

worked out. He left town last night, but I think he will be back again. I think that is the only thing I have.

H.M.Jr: Mr. White?

White: There was a contemplated case of dumping of Mexican oils to the United States which the Mexicans were apparently quite interested in. We couldn't find any grounds for further investigation of the case, so we are going to inform them that we have dropped it. I didn't know but what you might have something in mind now or in the future in which you might want to tell them that you are doing this as a favor to them, or if there is nothing on foot, it will merely go through, because we have no choice in the matter.

H.M.Jr: I am waiting to see who is to be the next president of Mexico.

White: Well, it is Camachio.

H.M.Jr: How do you know?

Gaston: They haven't had the revolution yet, Harry.

White: You mean he hasn't taken office yet. I don't.

H.M.Jr: I thought their Congress was going to decide that.

White: Our Congress?

H.M.Jr: Their Congress.

White: Well, I thought it was in the bag.

H.M.Jr: Do you think that would help you - Mrs. Morgenthau has a set of dishes of eight pieces and she would like to get another four. The Minister of Finance gave them to us.

White: I should say it would help.

- 6 -

H.M.Jr: On the strength that I would like to get another four pieces. We broke a couple. I have been waiting for some excuse. I told her I couldn't ask the Ambassador now, but sometime it was a good excuse. I was just being silly. You remember what is his name gave us a set of Mexican dishes that comes from his home town. The freight is more than - the dishes don't cost anything. Never mind, I was just joking.

Gaston: Creighton, our Supervising Customs Agent on the Border, goes down every month. He could take one of those dishes down and match them.

White: It may be juggling, but I will see that you get it.

H.M.Jr: We bought some of the stuff. It doesn't cost anything. It is the freight and packing to get it up here.

Gaston: Well, he could pack it in his suitcase.

H.M.Jr: It is a couple of good offers, anyway.

White: I will take it up with Mrs. Morgenthau.

H.M.Jr: What did Harry say?

Sullivan: He said he would take it up with Mrs. Morgenthau.

Foley: He took it out of your hands.

H.M.Jr: All right.

White: Hornbeck is coming here at a quarter of eleven, and I wanted --

H.M.Jr: Eleven o'clock and Soong at eleven fifteen.

White: I wondered if I could see you a few minutes before Hornbeck comes in.

H.M.Jr: How many minutes?

- 7 -

White: Five.

H.M.Jr: Five minutes of eleven.

Professor Chamberlain?

Chamberlain: We haven't yet heard about that note renewal. I called up this morning and they say it is on the President's desk and hasn't yet been signed. You remember that letter to authorize --

H.M.Jr: I am seeing the President tomorrow morning. If you could give me a copy of it to take with me, give me another copy - a complete set and I will take it over at 9:30 tomorrow morning.

Chamberlain: We are keeping in touch with the White House offices, so if anything turns up we will let you know.

H.M.Jr: I am going over at 9:30 tomorrow morning to see him.

Chamberlain: I will see that you are informed, Mr. Secretary. That is all. I am staying here at lunch.

Thompson: I have this letter from Mrs. Delahunt.

H.M.Jr: And what do you think?

Thompson: I think we ought to continue her and I can easily arrange it.

There was a young man in yesterday looking for a job. He was a very nice looking boy, and I think we could use him, as a messenger boy or in our photostat room.

H.M.Jr: You think you can?

Thompson: Yes. He is a bright boy. I think he will be all right.

H.M.Jr: Write a letter to my sister and I will sign it. Is that all?

- 8 -

I don't want to crow yet, but I think there is something happened over in the War Department. Assistant Secretary Patterson is going to town on things, and he just brushes the generals aside. It is just too good to be true. We will know this afternoon. Do you know Judge Patterson?

Chamberlain: Just know him. What I have heard of him is very good.

H.M.Jr: Like a breath of fresh air.

Chamberlain: And what I have heard of him - I have heard that he was that kind of man.

H.M.Jr: He just - (accidentally striking glass)

White: Oh, he rings the bell?

H.M.Jr: He shows particular good sense by letting the Treasury people write his letters for him. He seemed to have known Cox when he was up in New York, and Cox is over there now writing a letter to Maxwell, isn't he?

Foley: Yes.

H.M.Jr: Wonderful. I will see this afternoon if he really goes through with it. I think he will. If we could only get somebody like that in the State Department.

White: Oh, yes.

H.M.Jr: All right, thank you.

August 15, 1940

Files

Mr. Cochran

Baron de Gruben, Counselor of the Belgian Embassy, telephoned me yesterday in regard to the letter which he had addressed to me on August 10 in regard to the accounts of Ambassador Georges Theunis. I told him that after making inquiries I had found that the State Department had forwarded to the Treasury Ambassador Theunis' letter of July 19, but that through inadvertence this had not been received by the Federal Reserve Bank at New York or had been forwarded by the Treasury Department. Consequently I had asked Mr. Noble, in whose hands the letter rested, to do the necessary.

Having received this morning from Mr. Noble a copy of the letter which he drafted on August 13 for Professor Chamberlain's signature, I checked with New York and found that Mr. Knoke had received it and had referred it to Mr. Cameron for examination and possible discussion with Mr. Knoke. I then telephoned Baron de Gruben that the letter was in New York and that Mr. Knoke would let me know if there was any difficulty in consummating the desired transaction upon the basis of this letter, or whether the Federal Reserve Bank might have any specific suggestions to make for the future handling by the Embassy of transactions of this type. Baron de Gruben appreciated our intervention, but still feels that the Federal Reserve Bank is being quite legalistic in dealing with these matters. He hoped to come in and see me within the near future in regard to general problems of the Belgian accounts, particularly those of the National Bank of Belgium.

August 16, 1940

Mr. Knoke telephoned me today in regard to the letter written by Theunis under date of July 19 to the Department of State which was transmitted to the Treasury on July 20 and by the Treasury to the Federal Reserve Bank on August 14. Knoke said this letter was not satisfactory to the Federal and that the transaction in question could not be completed on the basis thereof. He asked me to let the Belgian Embassy know this, and request that a letter similar to that written by Theunis on June 23 to the State Department regarding a payment of \$3,300,000 to the Swiss Bank Corporation by the Federal Reserve Bank of New York, be prepared and sent through the established channels of the State and Treasury Departments.

I telephoned the Belgian Embassy this afternoon but learned that Baron de Gruben would not be in town until Monday, when I shall communicate with him August 19, 1940. I gave the above information this morning to the Secretary of the Belgian Embassy, in the absence of Baron de Gruben. I also read to him the cable of August 17 from Brussels to the Governor of the Banque Nationale Belgique.

8-17-40

DMG:isp-3/16/40

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 15, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 11 o'clock today the Secretary received Dr. Hornbeck of the Department of State. Messrs. White and Cochran also were present. This meeting was to prepare for a conversation with Dr. T. V. Soong of China. It was explained, principally by Dr. Hornbeck, that Mr. Welles, the Acting Secretary of State, was not willing to proceed at present with any triangular negotiations between the United States, Russia and China, involving a possible facilitating of Chinese purchases of munitions from Russia in return for American credits extended China against tungsten or other products, in view of present diplomatic relations and negotiations between the United States and Russia. Mr. Welles felt that the Russians might misunderstand any advances which we made toward them in the name of good relations with China. The Secretary definitely excluded the possibility of the Stabilization Fund extending any assistance to China. There remained, therefore, only the chance of obtaining something from the Export-Import Bank.

When Dr. Soong joined the group at 11:15, the Secretary asked him what access he had had in this country. Dr. Soong stated that he had visited the Department of State and had also enjoyed technical discussions with Dr. Harry White, but that no results had yet been achieved. In answer to the Secretary's request for an explanation of the present Chinese situation, Soong stated that China needed materials for the pursuit of her war against Japan and also support for her currency. If China should fall either from lack of materials or from the collapse of her currency, he felt that the repercussion on the other democracies of the world would be serious. When the Secretary questioned him in regard to the facility of China to export and import materials, Soong thought that exports could be made both through French Indo-China and over the Burma Road. He was not aware that the British had interposed any objection to exports over Burma. In confirmation of his belief that Chinese products could be shipped out through Indo-China, he cited the recent cargoes of tungsten and antimony, which the United States R.F.C. had purchased from China and shipped from Haiphong. (It should be recalled that this material had been in Indo-China for months.)

The Secretary stated definitely that he would not be warranted under law to take the risks involved in the American Stabilization Fund lending direct assistance to Chinese currency. He suggested that Soong again get in touch with the Export-Import Bank, or directly with Mr. Jones, if and when the pending legislation for increasing the resources of the Export-Import Bank may be passed. It is understood that in its present form this legislation would permit further credits to China, the maximum limits of which under the present law have now been reached. The idea was discussed of China paying back any new credit through shipments of tungsten ore which Dr. Soong stated could be produced to the extent of approximately 13,000 tons annually, with a value of around \$13,000,000. The meeting ended, therefore, with the Secretary positively refusing Stabilization Fund credit and leaving the matter of an Export-Import Bank credit for Soong to take up directly with Jones if and when the present bill passes Congress.



August 15, 1940

Possible Agenda for 11 o'clock Conference with Mr. Hornbeck

A. There are three possible ways of extending economic aid to China:

- 1. A stabilization loan, provided you are willing to accept the risk of possible loss. (See B-1 in book)
- 2. The President's proposed Three-Way Arrangement under which the R.F.C. buys manganese, chromite, asbestos, platinum, etc., from Russia, making partial advanced payments, while Russia extends equivalent sum of credits to China for purchases of war materials. (See A page 2)
- 3. The R.F.C. can purchase \$50 million worth of wolfram and tin from China, paying in advance -- delivery over the next five year period. (See A- page 1)

B. The following should be discussed this morning:

- 1. Does the State Department wish the Treasury Department to push project of financial aid to China, or do they wish the matter dropped. (See copy of appended telegram.)
- 2. Does the State Department approve of a stabilization loan should the Treasury find it feasible to extend such a loan?
- 3. Does the State Department object to further exploration with the Russians of the proposal made by the President of a Three-Way Arrangement?
- 4. Has the State Department any concrete suggestion to offer either as method of aiding China, or procedure in negotiations?
- 5. Would the State Department actively support the Treasury in its attempt to secure R.F.C.'s favorable action in the purchase of strategic materials from either Russia or China?

Copy of telegram given informally to Mr. White by Mr. Soong. The telegram purports to be a report of Mr. Johnson's (U. S. Ambassador to China) comments to the Chinese Government.

COPY

40

TELEGRAM FROM CHUNGKING

JULY 31, 21:31

No. 1635/ July 31.

FOLLOWING ARE SALIENT POINTS AMERICAN EMBASSY UPON INSTRUCTION VERBALLY CONVEYED US (1) U.S. WILL CONTINUE ASSISTANCE TO CHINA AS FAR AS IT IS APPROPRIATE AND PRACTIGABLE (2) U.S. SYMPATHIZES WITH CHINA'S RESISTANCE AND HER PRESENT PLIGHT AND WISHES MANIFESTATION SUCH SYMPATHY IN CONCRETE FORM (3) IMPORTANT AMERICAN OFFICIALS ARE CONSTANTLY STUDYING CHINA'S SITUATION (4) U.S. HOPE AND BELIEVE OUTCOME CHINA'S STRUGGLE WILL BE HER INDEPENDENCE AND POSSESSION OF LARGE INFLUENCE (5) CHINESE AMBASSADOR WASHINGTON IS KEEPING CLOSE CONTACT WITH HIGH OFFICIALS AMERICAN GOVERNMENT AND MUST BE REPORTING HIS OBSERVATIONS AND INTERPRETATIONS OF CONDITIONS IN U.S. TO HIS GOVERNMENT.

WAICHIAOPU

July 31, 1940.

C
O
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Y

BRITISH EMBASSY,

WASHINGTON, D.C.

15th August 1940.

Dear Merle,

With reference to
Stopford's letter to you of the 12th
August, covering an extract from a
Ministry of Economic Warfare telegram
dated August 9th, on which you tele-
phoned me yesterday evening, I began
getting further information by
telegram almost immediately after our
telephone conversation, and I enclose
a note of this information.

Yours ever,

(signed) Jerry Pinsent

Note: I have put Stopford's initials
on the note, as I am doing this
for him.

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

0
P
Y

1. On July 19th, the Twentsche Bank, Amsterdam, told the Guaranty Trust of New York that their account was 204,000 guilders overdrawn, and asked them to cover, adding that the buying rate for dollars was 188 $\frac{3}{16}$ ths.

2. On the same date the same Amsterdam bank advised the National City Bank of New York identically in reference to an overdraft of 81,000 guilders.

3. There was a similar recent interchange between the Rotterdamsche Bank and the Bank of the Manhattan, who are said to be 55,400 guilders overdrawn.

4. The Manhattan Bank say that they have already covered other contracts with Dutch banks. Apart from this there is no evidence to show whether any of the American banks above complied with the request to cover the overdrafts.

5. On July 28th the American Express Company of New York asked their Zurich agency to transmit a message to Boyce, Bordeaux, asking whether in view of the unrestricted dollars they were placing to his credit he could not place these to the credit of the Banque de France in his books, and instruct New York to act in accordance with the instructions of the Banque de France who should give Boyce francs. On that basis they proposed continuing to order payments of dollar amounts to Boyce paying the equivalent in francs. They also asked whether he could still handle travellers' cheques. /6.

6. Several German banking houses are recommended by German Consulates as collecting agents for inheritances in the United States of America. One such is Hoerner of Heilbron, Neckar, who have recently asked the Chase Bank to transfer \$220,500 to the Reichsbank's account.

7. We are instructed to ask the United States Treasury to watch for any transfer of shares in the American Askania Corporation, and to consult us if any proposal of the kind should be made.

8. We are also instructed to ask if payments by the British-American Tobacco Company can be held up (details of the payments referred to are not given but can be asked for if required).

(Initialed) R.J.S.

British Embassy.

15th August 1940.

Jba

August 15, 1940.

My dear Mr. Secretary:

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

Part I - Airplanes
Deliveries of and New Orders for Airplanes,
May 1 - August 10, 1940; Unfilled Orders
and Estimated Deliveries on August 10, 1940.

Part II - Airplane Engines
Deliveries of and New Orders for Airplane
Engines, May 1 - August 10, 1940; Unfilled
Orders and Estimated Deliveries on
August 10, 1940.

These tables carry forward through August 10, 1940
the information furnished you last week.

Sincerely,

(Signed) H. Morgenthau, Jr.

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

AUG 15 1940 By Messenger
3:30 P.M.

[Handwritten initials] FILE COPY

*Letter is going to
hand this letter
to Judge Patterson
sent by messenger*

August 16, 1940.

My dear Mr. Patterson:

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

Part I - Airplanes

Deliveries of and New Orders for Airplanes, May 1 - August 10, 1940; Unfilled Orders and Estimated Deliveries on August 10, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane Engines, May 1 - August 10, 1940; Unfilled Orders and Estimated Deliveries on August 10, 1940.

These data have been compiled from reports submitted by airplane and airplane engine manufacturers.

Sincerely,

(Signed) H. Morgenthau, Jr.

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

ORIGINAL FORWARDED TO ADDRESSEE
FROM OFFICE OF THE SECRETARY

By Messenger AUG 16 1940
1:25 P.M.

BA *hr*
FILE COPY

August 15, 1940.

My dear Mr. Secretary:

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

Part I - Airplanes

Deliveries of and New Orders for Airplanes, May 1 - August 10, 1940; Unfilled Orders and Estimated Deliveries on August 10, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane Engines, May 1 - August 10, 1940; Unfilled Orders and Estimated Deliveries on August 10, 1940.

These tables carry forward through August 10, 1940 the information furnished you last week.

Sincerely,

(Signed) H. Morgenthau, Jr.

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

AUG 15 1940 By Messenger
3:30 P.M.

JA Km

FILE COPY

August 15, 1940.

Dear Mr. Knudsen:

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

Part I - Airplanes

Deliveries of and New Orders for Airplanes, May 1 - August 10, 1940; Unfilled Orders and Estimated Deliveries on August 10, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane Engines, May 1 - August 10, 1940; Unfilled Orders and Estimated Deliveries on August 10, 1940.

These tables carry forward through August 10, 1940 the information furnished you last week.

Sincerely,

(Signed) H. Morgenthau, Jr.

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

AUG 15 1940 By Messenger
3:30 P.M.

WHA *kn*

FILE COPY

August 15, 1940.

Dear General Marshall:

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

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 - August 10, 1940; Unfilled Orders and
Estimated Deliveries on August 10, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, May 1 - August 10, 1940; Unfilled
Orders and Estimated Deliveries on
August 10, 1940.

These tables carry forward through August 10, 1940 the information furnished you last week.

Sincerely,

(Signed) H. Morgenthau, Jr.

AUG 15 1940 By Messenger
3:30 P.M.

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

GA

Kim

FILE COPY

August 15, 1940.

Dear Mr. May:

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

Part I - Airplanes

Deliveries of and New Orders for Airplanes, May 1 - August 10, 1940; Unfilled Orders and Estimated Deliveries on August 10, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane Engines, May 1 - August 10, 1940; Unfilled Orders and Estimated Deliveries on August 10, 1940.

These tables carry forward through August 10, 1940 the information furnished you last week.

Sincerely,

(Signed) H. Morgenthau, Jr.

AUG 15 1940 By Messenger
3:30 P.M.

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

BA
tru

FILE COPY

August 15, 1940.

Dear Admiral Stark:

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

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 - August 10, 1940; Unfilled Orders and
Estimated Deliveries on August 10, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, May 1 - August 10, 1940; Unfilled
Orders and Estimated Deliveries on
August 10, 1940.

These tables carry forward through August 10, 1940 the information furnished you last week.

Sincerely,

(Signed) H. Morgenthau, Jr.

AUG 15 1940 By Messing
3:30 P.M.

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

MA *th*
FILE COPY



THE ASSISTANT SECRETARY OF WAR
WASHINGTON

August 16, 1940.

My dear Mr. Secretary:

I thank you very much for the
reports on airplanes and airplane engines.

With best regards, I am

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. P. Patten". The signature is written in a cursive style with a long horizontal stroke at the end.

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

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

OCS 17840-203

August 15, 1940.

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

Thank you very much for the following reports which you sent me on August 15, 1940:

Part I - Airplanes

Deliveries of and New Orders for airplanes, May 1 - August 10, 1940;
Unfilled orders and estimated deliveries on August 10, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for airplane engines, May 1 - August 10, 1940;
Unfilled orders and estimated deliveries on August 10, 1940.

Faithfully yours,



Chief of Staff.

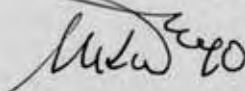
DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON

August 15, 1940

My dear Mr. Secretary:

Secretary Knox wishes me to acknowledge and to thank you for sending him the Tables showing deliveries of and new orders for airplanes and airplane engines, May 1 - August 10th, 1940, unfilled orders and estimated deliveries on August 10, 1940.

Sincerely yours,



M. L. Deyo
Captain, U.S.Navy
Aide to the Secretary

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

In reply refer to Initials
and No.

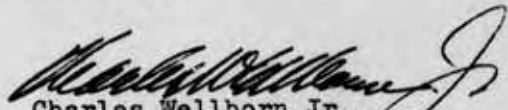
NAVY DEPARTMENT
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON

15 August 1940

My dear Mr. Morgenthau:

This will acknowledge receipt by
Admiral Stark of confidential reports, Part I -
Airplanes, and Part II - Airplane Engines,
which information carries through August 10,
1940.

Yours sincerely,



Charles Wellborn, Jr.,
Commander, U.S. Navy,
Aide to Chief of Naval Operations.

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

RECEIVED
10 5 AM
SEP 1 1940

UNITED AIRCRAFT CORPORATION
EAST HARTFORD, CONNECTICUT

OFFICE OF THE
PRESIDENT

August 15, 1940

The Honorable Henry Morgenthau, Jr.,
Secretary, United States Treasury,
Washington, D. C.

My dear Mr. Secretary:

I am glad to have your letter of July 26, and shall await with interest any further communication on the matter which the Advisory Commission of The Council of National Defense may send me.

Yours very truly,



E. E. Wilson, President

md

JT

PLAIN

LONDON

Dated August 15, 1940

Rec'd 4 p.m.

Secretary of State,
Washington.

2745, August 15.

FOR TREASURY FROM BUTTERWORTH.

Asked in the House of Commons whether the British Government had received from the Soviet Government a communication about bank balances in the United Kingdom belonging to the states of Lithuania, Latvia and Estonia, the Under Secretary of State for Foreign Affairs replied: "His Majesty's Government are at present considering the representations of the Soviet Government in which they raise objection to the prohibition imposed by order-in-council on the transfer of the gold lying in the Bank of England to the account of the three Baltic States. The Soviet point of view is being carefully considered in the light of the various important political, financial and legal considerations involved." Asked will the fate of these gold balances be considered as part of a general commercial arrangement with the U.S.S.R. if such be come to in the future, Mr. Butler replied: "I think we must take it that these

Baltic

-2- #2745, August 15, from London

Baltic questions provide a problem of their own. We have our point of view and our interests, but I do not see why some settlement should not be arrived at.

KENNEDY

WSB

PLAIN

Kaunas

Dated August 15, 1940

Rec'd 5 p.m.

Secretary of State

Washington

209, fifteenth.

There follows a copy of a certificate executed
by me today.

American Legation, Kaunas, Lithuania, August 15,
1940.

I certify that the Lithuanian Foreign Exchange
Commission made available on August 8, 1940 to the
Americans repatriated by this Legation for lits
ten thousand five hundred six point fifty at a rate
of lits five ninety-two to the dollar, dollars one
thousand seven hundred seventy-four point seventy-
five, which were used by the Legation on behalf
of these persons to purchase transportation to
Stockholm over Berlin at a cost in dollars of one
thousand six hundred sixty-seven point ought six
(lit equivalent nine thousand eight hundred sixty-
nine) and marks five hundred and ten at a cost of
dollars one hundred and seven point sixty-nine (lit
equivalent

- 2 -

equivalent six hundred thirty-seven point fifty and I respectfully request the Treasury of the United States of America to grant licenses to the Federal Reserve Bank of New York and other banking institutions in the United States holding accounts in dollars of the Bank of Lithuania for the transfer upon the instructions of the Bank of Lithuania to a special free dollar account of dollar funds of the Bank of Lithuania in the amount of dollars one thousand seven hundred seventy-four point seventy-five. Signed Bernard Gufler.

GUFLEB

CSB

C O P Y

August 15, 1940
11:30 a.m.

H.M.Jr: Hello.

Rentschler: Hello, Henry, good morning.

H.M.Jr: Good morning.

R: How are you?

H.M.Jr: I'm all right.

R: Henry, I have two things. In the first place, I understand you are interested in talking with Pete Shorrey, who just came back from Japan.

H.M.Jr: That's right.

R: And we told Pete to come down any time you want him.

H.M.Jr: I gave him a time, I think.

R: Oh, fine. Well, that's all right.

H.M.Jr: He's coming - let's see - tomorrow, at 10:30.

R: That's all right, fine.

H.M.Jr: Yes.

R: Now, Wilshire told him to give you the whole story as completely as he can.

H.M.Jr: Good.

R: Now, the next one is, we're having a little trouble getting a license on remitting back to France on francs that we have to have for our branch there to liquidate our depositors.

- 2 -

H.M.Jr: Yes.

R: Will you take a personal look at it? The request is New York 33226.

H.M.Jr: What number is that?

R: 33226.

H.M.Jr: 33 --

R: 33226.

H.M.Jr: Right.

R: New York.

H.M.Jr: Yes.

R: Now, Henry, here's what we're doing. This is just off the record to you, if you please.

H.M.Jr: Yes.

R: But no further.

H.M.Jr: Yes.

R: Over in France, we've got ten millions reduced down to francs. We've got ten millions on each side of our balance sheet, besides our building.

H.M.Jr: Yes.

R: Now, of that ten millions, five million nine is in foreign currency deposit and that foreign currency deposit is only - we're only obligated to give that depositor a draft on New York.

H.M.Jr: Yes.

- 3 -

- R: And so that means that that five million nine is cash in United States dollars in New York. You see?
- H.M.Jr: Yes.
- R: Now, we've got three million dollars, approximately, worth of franc deposits, which belong to all manners and class of people.
- H.M.Jr: Yes.
- R: And if that three million dollars worth of francs that we're paying out as were demanded - they're demanded from us.
- H.M.Jr: Yes.
- R: Because very, very much off the record between us, we're still outside of Paris operating from LePuy which is not in occupied territory, and I have a personal hunch that what we ought to do is when we get liquidated down to approximately nothing, we might want to come home.
- H.M.Jr: I see.
- R: You see what's in my mind?
- H.M.Jr: Yes. Well, I'll take a look at it.
- R: You take a look because I'd like - I don't want to be in the position of getting in trouble with banking authorities there because we're not liquidating our obligations.
- H.M.Jr: I see.
- R: So the sum total is not a great sum total. The five million nine we're not obligated

- 4 -

to give anybody except as they present drafts in New York.

H.M.Jr: Yes.

R: And as you know, all those drafts have to be approved here before remittances can go back over there.

H.M.Jr: Well, let me take a look at it.

R: Yes, you take a look at it. It would help us a good deal if we can get this in the clear because we are running short of cash there now.

H.M.Jr: Okay.

R: And that's franc cash which we ought to pay our franc cash depositors.

H.M.Jr: Okay.

R: Thanks very much, Henry.

H.M.Jr: Okay. Goodbye.

R: Goodbye.

August 15, 1940
2:56 p.m.

H.M.Jr: Hello.

Knox: Hello, Henry.

H.M.Jr: How are you?

K: Fine.

H.M.Jr: Two things, Frank. You know, they keep throwing into my face all the time that Admiral Gormley told the State Department that Japan has a reserve of 69,000,000 barrels of oil.

K: Well --

H.M.Jr: Well, I wondered if you couldn't find out where Gormley got his figures and what they are based on.

K: Well, do you know where Gormley is?

H.M.Jr: I know where he is.

K: Yes.

H.M.Jr: But is the Navy still carrying on?

K: Well, I'll find out, if I can.

H.M.Jr: I mean, supposing you, as Secretary of the Navy, said you wanted to know - and forget about Gormley - what would --

K: How many were there, 67,000,000?

H.M.Jr: Sixty-nine, I think they said.

K: 69,000,000 barrels --

H.M.Jr: Of oil that Japan had on hand.

- 2 -

K: All right, I've got a memorandum of that. Now, what else?

H.M.Jr: The other thing is, you remember when we --

K: What?

H.M.Jr: When we were talking, we were talking about a \$2500 house.

K: Yes - \$2,000 house.

H.M.Jr: Well, gosh.

K: Huh? It makes a difference when they're building thousands of them.

H.M.Jr: Are you still interested?

K: You bet your hootin' I am!

H.M.Jr: Well, these dirt foundations - I had one of my boys take it up with them.

K: Yes.

H.M.Jr: And they took it up with the Weyhauser[?] lumber people and they could do a hundred houses a week.

K: A hundred a week!

H.M.Jr: Yes.

K: Well, what'll the house cost in quantities like that.

H.M.Jr: Well, I don't know, but this fellow is available if you want to see him.

K: Well, I do want to see him if you'll send him over here. Give me his name, now.

- 3 -

- H.M.Jr: Well, I think it's Davidson but I'm not sure. It's the Pierce Foundation.
- K: Oh, yes, I've got that name.
- H.M.Jr: And I'll tell you, if you'll - I can have him call up your secretary if you tell me what day you want to see him.
- K: Well, I guess I'd better see him next Monday. I'm going to be loaded to the rails today and tomorrow. I want to try to get away tomorrow night.
- H.M.Jr: Well, do you want to give me a time, just put down Pierce Foundation. I can't --
- K: All right, what time? I'll make it --
- H.M.Jr: You say the time and I --
- K: All right, let me look at this book. There's nothing on that day at all. Well, suppose he comes in here about 11:00 o'clock.
- H.M.Jr: 11:00 o'clock, and I'll tell your man what his name is, but it's the Pierce Foundation and they can do a hundred a week.
- K: Uh-huh. All right, I've got a memorandum for that, too.
- H.M.Jr: What?
- K: Fine! What else is on your mind?
- H.M.Jr: Not a thing.
- K: Have you heard the results of the latest message?

- 4 -

H.M.Jr: No, I have not.

K: Accepted, one hundred percent.

H.M.Jr: No!

K: Yes.

H.M.Jr: Wonderful!

K: Yes.

H.M.Jr: Wonderful! Now, what happens?

K: Well, I haven't heard from the big fellow.

H.M.Jr: I see.

K: But I suppose he's working on some message or other, I don't know. But I got that from Lothian this morning.

H.M.Jr: Did it just come in?

K: Well, it came in just this morning, yes. No reservations at all.

H.M.Jr: Well, I'll be damned! Well, things are looking-up.

K: Yes, a little better.

H.M.Jr: Do your boys feel at all cheerful about what's happening around Great Britain, the island?

K: Yes, the last 24 hours, I think, look better. The British are taking the offensive and that - if anything could - was needed. That will certainly establish the fact that the Germans haven't established mastery in the air, or the British wouldn't be bombing French concentrations if they were unable to maintain themselves

- 5 -

over their own territory.

H.M.Jr: Right.

K: Another interesting thing is that the fighting over England, of course, is over English soil.

H.M.Jr: Yes.

K: And these fighters have now learned the trick of bailing out when their machine is - if they're not killed, they bail out. Well, it makes quite a difference. That goes for both sides, the Germans and English alike. But the German lands in enemy territory and is immediately captured and the British flier lands in home territory and he is in another plane the next day.

H.M.Jr: I see.

K: Which makes quite a difference, especially when there's a real shortage of pilots in both countries.

H.M.Jr: Well, thank you, Frank.

K: You'll notice in the communiques from now on, I think, - it was this morning - that the British list how many pilots they lost.

H.M.Jr: I see.

K: That may have nothing to do with the number of machines they lost.

H.M.Jr: I see.

K: It makes it a little more intelligible when you read a communique. Okay, Henry. Goodbye.

H.M.Jr: Thank you. Goodbye.

August 15, 1940
3:37 p.m.

Knudsen: Hello.

H.M.Jr: Hello, are you back at your office?

Knudsen: Yes.

H.M.Jr: Why do you --

Knudsen: I called you from over there. They say you couldn't be disturbed.

H.M.Jr: Well --

Knudsen: So I came back here.

H.M.Jr: I didn't - they didn't tell - I had the former Air Minister of France in here.

Knudsen: Uh-huh.

H.M.Jr: La Chambre; I don't know whether you've met him or not.

Knudsen: Yes.

H.M.Jr: Do you want to get together today or tomorrow?

Knudsen: Well, I'd rather get together today, a little later in the evening. How late are you over there?

H.M.Jr: Well, I'm not going to be here so awful late tonight.

Knudsen: Can I pick you up in the morning?

H.M.Jr: Well, no, I'm going to the White House the first thing in the morning.

Knudsen: Uh-huh. Do you want me to come over now?

- 2 -

H.M.Jr: Well, let me just - I tell you, I got this - just a second, let me look a minute. I'll be free at 4:15.

Knudsen: Uh-huh.

H.M.Jr: Are you tied up?

Knudsen: Yes.

H.M.Jr: You are tied up?

Knudsen: Yes. When do you get through at the White House tomorrow?

H.M.Jr: I don't know that. You know how those appointments are.

Knudsen: Well, I just came in here.

H.M.Jr: What's that?

Knudsen: I just came back.

H.M.Jr: But supposing when I get through, I call you up?

Knudsen: Fine.

H.M.Jr: My first appointment tomorrow is at 10:30 and if I get through there, I can give you a ring.

Knudsen: All right, fine.

H.M.Jr: But he said to come over the first thing in the morning.

Knudsen: Yes.

H.M.Jr: How would that be?

Knudsen: Sure.

H.M.Jr: Thank you.

August 15, 1940
4:30 p.m.

Stimson: Hello, Henry.

H.M.Jr: How are you?

S: A number of things are happening today, I suppose you know.

H.M.Jr: I don't know whether I do or not.

S: Well, you remember our conference Tuesday?

H.M.Jr: Yes, I hear that there's been a good cable come in.

S: Yes.

H.M.Jr: What?

S: Yes, complete acceptance, I understand.

H.M.Jr: Well, that's marvelous.

S: Perfectly marvelous.

H.M.Jr: Yes.

S: But that isn't the only thing I wanted to speak to you of.

H.M.Jr: Yes.

S: I haven't heard anything from the White House yet on that, and I don't suppose you have, have you?

H.M.Jr: Well, I heard it from Knox, to be - that's who told me.

S: From Knox?

H.M.Jr: Knox told me about this cable.

- 2 -

- S: Well, he heard it from Lothian and Lothian told me this morning.
- H.M.Jr: Well, I got it --
- S: Just got back from Aberdeen.
- H.M.Jr: Well, I got it from Knox.
- S: Yes. Well, I suppose that will - we'll soon hear something about that.
- H.M.Jr: Yes, I hope so.
- S: Now, have you seen the tape ticker?
- H.M.Jr: I don't know - I have seen it, but I don't know whether I've seen what you want me to.
- S: Something - a matter on which you were of great help to me.
- H.M.Jr: What's that?
- S: I read these three lines: "Louie Johnson today rejected President Hoover's offer - President Roosevelt's offer of an appointment as Special Administrative Assistant on National Defense."
- H.M.Jr: Yes.
- S: "He took under advisement an offer of another position in the Federal Government," and there's some more about it.
- H.M.Jr: Yes.
- S: You remember the thing.
- H.M.Jr: I did see that, yes, sir.

- 3 -

S: Well now, I want - I'd like to have you think about that. Of course, I heave a tremendous sigh of relief. I don't know what Special Administrative Assistant on National Defense means, except from the title. I don't know whether it was a matter that the President had in mind, other than as an escalator clause, so to speak.

H.M.Jr: I don't know.

S: But if it means that he's thinking of somebody for such a position, which I would take from the name meant something in the nature of a Presidential liaison officer in regard to national defense, it is a matter of great importance to the War Department and the Navy Department as to who such a person would be.

H.M.Jr: Yes.

S: You can see - I mean, it would have been a terrific jolt, if it had gone - if it had not been rejected. Now, if that's going begging and if it's likely to be appointed - the fact that it's been named - it may be that a great many patriots will be thinking of it and I had to think of it with reference to our job here.

H.M.Jr: Yes, of course.

S: And in thinking of it, I wondered whether just - this is just a shot in the air and I'd like your reaction on it.

H.M.Jr: Please.

S: A man who, so far as I know, from my standpoint, would not at all be obstructive, but would be very welcome to - that is, as such a position, so far as I know of him, though

- 4 -

I know him only slightly, would be Stettinius.

H.M.Jr: I see.

S: You see?

H.M.Jr: Yes.

S: I just wanted your reaction.

H.M.Jr: Well, I'll tell you --

S: Think it over, will you?

H.M.Jr: Of course, I'll think it over, but I'll give you my first reaction.

S: Yes?

H.M.Jr: I'd - Patterson has made a tremendous hit with me.

S: Yes.

H.M.Jr: And I don't see what - why you and Patterson need anybody between you and the President.

S: Well, I don't - mind you - you misunderstand me. We don't. But if there is going to be someone, we don't want it to be an insulator.

H.M.Jr: Well, this is - now, mind you, I haven't talked to the President about this since that original time, you know?

S: Yes.

H.M.Jr: And I think what he was doing was to make a job to suit the man. See?

S: That's what I thought.

- 5 -

- H.M.Jr: And if Louie Johnson doesn't take this, I think he'll forget about it.
- S: Well, I pray to heaven that he will, but I didn't quite like - after these announcements.
- H.M.Jr: Yes.
- S: There was such a position. And in a Presidential year with lots of patriots around, I didn't know what might happen. That was the only reason for --
- H.M.Jr: Well, I don't know if I'll have any luck, but I'll try to do a little snooping.
- S: Just sounding.
- H.M.Jr: I'll try to do a little sounding.
- S: Well, I'll be grateful --
- H.M.Jr: But I say, personally, I don't know why, unless there's a case of political expedience in a case like Louie Johnson's, I think the President would be much better off not to have anybody between you and Patterson and himself.
- S: Do you think he's fairly satisfied with us, so far?
- H.M.Jr: Well, I think he has every reason to be.
- S: Well, that's different.
- H.M.Jr: What?
- S: That's different, he might not be. I hope he is.
- H.M.Jr: Well, the only indications he's given me have been that he's been most pleased.

- 6 -

- S: Well, I'm very glad of that.
- H.M.Jr: Most.
- S: But just - I wanted you, as a man who knew the situation and who has been very friendly and helpful, to know that and I would like your - a little guidance and advice.
- H.M.Jr: Well, I'm hoping to see him early tomorrow morning and if I do, I'll see if I can do a little sounding.
- S: Well, thank you very much.
- Now, the Swedish matter has gone through all right and --
- H.M.Jr: Oh, really?
- S: Oh, yes. A letter has just been drawn. There was a little question at first of power, raised by the Uniform Force, so to speak, but I found a way around it...
- H.M.Jr: Oh, really!
- S:I thought, and the letter has been drawn to Maxwell, in regard to the licenses. You sent over a draft and I put in - there was a little question raised as to whether Patterson had the statutory power to do it, so I assumed that myself.
- H.M.Jr: Good for you!
- S: And let him say that he did it by my direction.
- H.M.Jr: Well, fine!
- S: He has the power.

- 7 -

H.M.Jr: Well, is it far enough along that I could tell Arthur Purvis about it?

S: Why, I think so. I'll tell you, I'll let Patterson call you as soon as it's actually signed.

H.M.Jr: Oh, I see.

S: I just passed the letter.

H.M.Jr: I see. Well, if you'll have him do that, I'd appreciate it.

S: I will, yes.

H.M.Jr: And if I find out anything, I'll let you know.

S: Yes.

Then in regard to the other big explosion, we'll sit and hold tight.

H.M.Jr: You mean the ships?

S: Yes.

H.M.Jr: Right.

S: All right.

H.M.Jr: Thank you.

S: Thank you.

August 15, 1940
4:42 p.m.

H.M.Jr: Hello.

Patterson: Hello.

H.M.Jr: Morgenthau.

P: Yes.

H.M.Jr: I want to go home.

P: Yes.

H.M.Jr: And I can't go home until I hear whether you've signed that letter.

P: I haven't, but I'm going to. It's - I had to make a little change in it.

H.M.Jr: Yes, Mr. Stimson just called me up.

P: Yes, he's right here.

H.M.Jr: And he told me about it.

P: Yes.

H.M.Jr: But I didn't want to go home until I heard from you.

P: Well, it's okay. I'll sign it tomorrow morning.

H.M.Jr: I see.

P: Is that time enough?

H.M.Jr: Oh, sign it tonight.

P: Sign it tonight? All right. I'll sign it tonight.

H.M.Jr: I'm sorry you couldn't come. I just wanted

- 2 -

to get better acquainted. Maybe we can do it some other time.

P: I hope so.

H.M.Jr: Yes.

P: This is only a deferred thing, I think - I hope.

H.M.Jr: Yes, but I just - I want it very informally and I thought we might - you know, but when I get back - I'm going away for two weeks, tomorrow, and when I get back, I hope we can do it some other time.

P: Well, I want to talk over agricultural problems with you.

H.M.Jr: Well, there's nothing that I do better. I can talk about them.

P: I've been taking a course all this winter up at the Cornell Agricultural, by correspondence.

H.M.Jr: Oh, really?

P: On farm soils, and I am in arrears now on the lessons.

H.M.Jr: Well, we'll have to have some more, but - well, this is fine; I'm simply delighted, and --

P: I'll send the letter off tonight.

H.M.Jr: Fine. The sooner Maxwell gets it, the better.

P: Yes, I'll send it to Maxwell.

H.M.Jr: Well, isn't that who it goes to?

- 3 -

P: Yes, I'll send it to Maxwell.

H.M.Jr: Yes.

P: All right, I'll sign it. There's a little change in it but of no importance.

H.M.Jr: Well, Mr. Stimson said you're signing by direction of the Secretary of War, isn't that it?

P: That's right.

H.M.Jr: That's the only change, isn't it?

P: That's all.

H.M.Jr: Fine. Thank you.

P: Goodbye.

DEPARTMENT OF STATE

WASHINGTON

In reply refer to
EA

August 15, 1940.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits copies of a letter dated August 5 from the Australian Government Trade Commissioner to an officer of the Department of State, with enclosure, regarding sale of United States and Canadian securities held by Australian nationals, together with a copy of the Department's reply dated August 12, 1940 dealing with this and an unrelated matter.

Enclosure:

1. From Australian Government Trade Commissioner, August 5, 1940, with enclosure (4).
2. To Australian Government Trade Commissioner, August 12, 1940 (1).

DEPARTMENT OF STATE
WASHINGTONIn reply refer to
A

August 12, 1940.

My dear Mr. Macgregor:

I have received from Mr. Fuqua of this Department your informal communications of August 5, 1940, which you addressed to me.

With regard to the first communication concerning certain Commonwealth of Australia bonds said to belong to Mrs. O. M. Middleton of Cap Martin, France, the disposition of such bonds in the United States or the payment of interest thereon from funds in the United States would appear to fall under restrictions imposed by Executive Order No. 8389 of April 10, 1940, as amended. The regulations provide that information concerning this Executive Order and questions arising under it may be obtained from the Federal Reserve Bank of New York.

With regard to the second communication which relates to the order of the Australian Government for the sale by Australian holders of certain American securities, I

have

L. R. Macgregor, Esquire,
Australian Government Trade Commissioner,
630 Fifth Avenue,
New York, New York.

Copy

-2-

have cast around without coming to any clear understanding as to what may be involved in the suggestions you have received or whether it is advisable that you in any way amend or add to what you have heretofore done. My suggestion would therefore be on this also you take occasion informally to consult the Federal Reserve Bank of New York, having regard to their general competence in such matters.

Sincerely yours,

Frederick Livesey
Assistant Adviser on International
Economic Affairs

Copy

GOVERNMENT OF THE
COMMONWEALTH OF AUSTRALIA

Office of the
Australian Government Trade Commissioner
In the United States of America

630 Fifth Avenue
New York.

INFORMAL

5th August, 1940.

Mr. F. Livesey,
Assistant Economic Adviser,
State Department,
Washington, D. C.

Dear Sir: ORDER BY AUSTRALIAN GOVERNMENT FOR SALE BY
AUSTRALIAN HOLDERS OF CERTAIN AMERICAN SECURITIES

I have to advise that on the 30th of April, an order was issued by the Australian authorities for the sale of certain American securities held by Australian holders under conditions stipulating that the proceeds of such sale are to be made over to the Federal Reserve Bank for the account of the Commonwealth Bank of Australia.

A few weeks ago a request was received from a New York brokerage house for information as to the correct procedure to be followed in carrying out the Australian regulations and this house was suitably advised. In giving the information I enquired as to whether it was felt that the brokerage houses generally had not been fully informed by their Australian associates. The house in question indicated that they doubted whether adequate information was available, and suggested that I should advise the Secretary of the New York Stock Exchange. A communication was addressed to the New York Stock Exchange giving the information and asking whether they would circulate it among the brokerage houses concerned, or whether it was preferred that this office should do so. The reply from the Stock Exchange was a request that this office should communicate with 58 brokerage houses, the names of which were furnished by the Stock Exchange.

A

Copy

-2-

A communication was therefore addressed to the 58 brokerage houses concerned, as per copy attached. A number of communications have been received from the brokerage houses concerned acknowledging the communication and offering every co-operation. One house, however, Messrs. Kidder, Peabody & Company, has raised the question as to whether certain official procedure should not be complied with to put the matter in proper order. This firm suggests that whereas the majority of the brokerage houses may comply with the instructions, there may be some who will not do so. They envisage a possibility of leakage. They also suggest the possibility of legal action ensuing if the procedure be not regularised. I enquired of Messrs. Kidder, Peabody as to whether they knew of such procedure having been followed by the British authorities in connection with their liquidation of securities, and they advised that it was doubted as to whether this had been done, although they felt that we would be in a stronger position if a formal procedure were followed.

Consultation with the British Treasury representative in New York concerned with liquidation of securities, elicited the information that the British authorities are not issuing any instructions or following any official procedure at this side but are relying entirely upon the compliance by their own nationals in their own country with the regulations promulgated in the United Kingdom and upon the penalties for non-compliance imposed by the British regulations.

I would be grateful to you for the favour of any informal advice or suggestion which you may be able to offer, and particularly as to whether any U. S. regulations have been promulgated, setting forth the action which should be followed by us, or if not, as to whether it would be prudent to take some official action or follow some specific procedure in this country either for legal or other protection.

Yours very truly,

L. R. MACGREGOR
Australian Government Trade Commissioner.

M:D

(C O P Y: EHS)

GOVERNMENT OF THE
COMMONWEALTH OF AUSTRALIA

Office of the
Australian Government Trade Commissioner
in the United States of America

630 Fifth Avenue
NEW YORK

23rd July, 1940.

Dear Sirs: SALE OF UNITED STATES AND CANADIAN
SECURITIES HELD BY AUSTRALIAN NATIONALS

The following information regarding sale of United States and Canadian securities held by Australian nationals is being transmitted to you at the suggestion of the New York Stock Exchange, viz: -

1. Under Australian Government regulations it is prescribed that as and when securities are sold, proceeds must be paid in United States dollars to the Federal Reserve Bank of New York for credit of the Commonwealth Bank of Australia No. 3 Account. The payment to the Reserve Bank is to be accompanied by a statement setting out the full name of the owner, together with particulars of the securities.
2. It is required that the New York broker forward to the Governor, Commonwealth Bank of Australia, Sydney, the broker's contract notes showing the terms and amount of the proceeds of the sale of the securities together with particulars of the payment made to the Federal Reserve Bank in New York as above set forth.

Attached hereto is a photostat of the regulations.

I remain,

Yours very truly,

L. R. MACGREGOR
Australian Government Trade Commissioner

M:D

(C O P Y: EHS)

COPY

August 16, 1940.

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston



We have lately received several requests from the British through different channels for cooperation and assistance in the matter of ship movements.

(1) Through Lord, Day & Lord, New York maritime attorneys, we were asked to omit the port of destination in the British Isles from telegrams passing between Collectors and the Office of Ship Movements over commercial wires. This was done and the initials U.K. substituted in all such requests for departure.

Through the same channel we are now asked to devise some means to obviate having the names of the ships come over commercial wires. I believe we can accomplish this by having the shipping agents make their requests for departure as early as possible so that the data may be submitted by air mail and permit granted by use of a key number. We may also be able to extend slightly the use of the teletype, which the British regard as adequately protected.

(2) Through Foley's office Pinsent asked if we couldn't find some means to let them know if any German or Italian ships should put to sea from American ports, or show signs of putting to sea. We have taken no action on this request.

(3) Through Merle Cochran Pinsent has asked if we can not prevent the departure of two French ships - the VAN and the WISCONSIN - now on the Pacific Coast. I have asked Derby to consult me before granting departure permits for either of these vessels.

(4) Pinsent presented to Cochran yesterday an inquiry whether we couldn't hold ships of Esthonia, Latvia and Lithuania. I have not replied to this request.

August 16, 1940.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Wes

Among the ship departure permits yesterday the following are of some interest:

- (1) Russian SS TURKSIB - New York for Murmansk - with the 1939 Russian display at the New York World's Fair.
- (2) Finnish SS KURIKKA - Baltimore for Petsamo, with a cargo of sugar.
- (3) Greek SS EVANTHIA - New Orleans for Japan, with scrap iron.
- (4) Japanese SS NIPPON MARU - San Pedro for Japan, with crude oil.
- (5) Japanese SS DAI SAN OGURA MARU - San Francisco for Yokohama, with crude oil.

Knudsen

33

August 16, 1940

Memorandum to the Secretary:

From Mrs. McHugh:

Mr. Hinckley informed me that so far they have been able to get very little information on the plant which Howard Hughs has somewhere near Los Angeles for building plywood planes. As far as Mr. Hinckley knows, it is still in the experimental stage, but Hughs has been working very secretly and they haven't been able to find out much about it.

There is another plant near Los Angeles by the name of Timm which is supposed to be working on this same kind of plane, and it is rumored that Hughs is also backing this company. They have one ship completed and the tests were very satisfactory. Mr. Hinckley thinks the Timm Company is planning to build only trainer planes.

Mr. Hinckley said he had sources of information available to him and he would be glad to look into the matter further if you so desire.

*Telephoned to Mrs. Knudsen's
Secretary 8/16.*

August 16, 1940

To: The Secretary
From: Mr. Buckley
Subject: Swedish Situation.

I had a call at 2:05 P.M. from Colonel Maxwell who said that he was going over Judge Patterson's letter with the State Department.

He asked me why we thought the license for the approximately \$27,000 worth of spare parts for Douglas DC-3 planes should be revoked. I told him that dollar-wise it wasn't a very important item from our standpoint but that I believed the Army Air Corps had felt rather strongly that the parts could be used better in this country than in Sweden.

He asked me if the approximately 7,000,000 rounds of 9 mm. parabellum cartridges, to the export of which the letter said no objection would be made, represented the amount now manufactured. I told him that our best information was that approximately 7,250,000 rounds had been manufactured but I suggested that before the exact amount to be revoked is set forth in a formal order it might be well to call the manufacturer directly.

AUG 16 1940

Dear Mr. Howards:

I want to express my appreciation for the oil map you submitted through Mr. Sadler, and also for the information in your letter of August 13, 1940. I have forwarded photographic copies to the Secretaries of War, Navy, and Interior. The material is very helpful, and I want to thank you for your kindness.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Frank A. Howard,
Vice President,
Standard Oil Company,
30 Rockefeller Plaza, Room 2800,
New York, New York.

ORIGINAL FORWARDED TO ADDRESSEE
FROM OFFICE OF THE SECRETARY

HDW:md
8/16/40

Carbon Copies to
Mr. Thompson

HDW

FILE COPY

STANDARD OIL COMPANY

(Incorporated in New Jersey)

NEW YORK

FRANK A. HOWARD
Vice President

August 13th, 1940

The Hon. H. Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

My dear Mr. Secretary:

With reference to Mr. Sadler's letter of August 12th we have prepared a set of maps which show the location, outside of the United States, of tetraethyl lead plants and synthetic oil plants. These maps are being expressed to you today, together with the maps mentioned in Mr. Sadler's letter, in a single container. A distinction has been made on the maps between the hydrogenation type and the Fischer type of synthetic oil plants.

Attached to the maps are tables giving the location, capacity, feedstock and type of products of the synthetic oil plants and a table giving the location of the tetraethyl lead plants.

Outside of Europe the only tetraethyl lead plant concerning which we have any definite knowledge is a small one recently put into operation near Mexico City. There are certainly also one or more tetraethyl lead plants in Russia but we have no information as to their location or size. Early this year certain Japanese groups were discussing with the Ethyl Gasoline Corporation the possibility of a license for the manufacture of tetraethyl lead in Japan and assistance in the construction of a plant. In deference to the wishes of the State Department we asked that these negotiations be suspended. We believe that the result will be that the Japanese will proceed on their own with the manufacture of tetraethyl lead in the near future. Our Japanese patents are just about to expire.

If we can be of further assistance in this matter please do not hesitate to get in touch with us.

Very truly yours,

Frank A. Howard

FAH:MP

AUG 16 1940

Dear Mr. Sadler:

I want to thank you for the information received in your letters of August 9, 10 and 12, in connection with various questions that arose during the recent discussion on the petroleum situation. The maps and tables have arrived, and I am sure they will be useful to us. I very much appreciate receiving this information.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. E. J. Sadler, Vice President,
Standard Oil Company,
30 Rockefeller Plaza, Room 2967,
New York, New York.

ORIGINAL FORWARDED TO ADDRESSEE
FROM OFFICE OF THE SECRETARY

*Carbon Copies
to Mrs. Thompson*

WLU:dln
8/15/40.

2/W FILE COPY

Mr. Morgenthau:-

The attached memorandum may be of interest to you.

E.J.S.

STANDARD OIL COMPANY

(Incorporated in New Jersey)

30 ROCKEFELLER PLAZA

NEW YORK Aug. 9, 1940.

ROOM 2867

ADLER
NEW YORK

The Hon. H. Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.

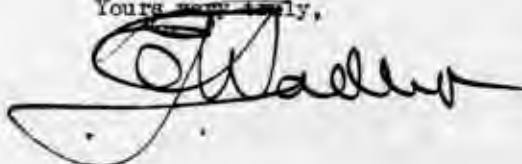
My dear Mr. Secretary:-

Bearing on the discussions at the Treasury Department on Wednesday, I beg to advise that the representative of Mitsui & Company in New York asked the Standard Vacuum Company to offer them any kind of aviation gasoline they might have for delivery at points other than the United States for shipment over the balance of this year. This telephonic request came in Tuesday and was confirmed by letter, as per attached copy. It would appear, therefore, that the Japs will now canvass the world for supplies to replace those that they have been receiving from the United States.

We inquired of the Shell whether they knew whether their company would be encouraged or discouraged by the British Government in making further supplies of aviation products available to the Japanese, and we were advised by the local people that they had not information on this subject at the present time. They believed that this particular point was now under consideration in Great Britain, and they believed that one attitude might be assumed for their operations in the Dutch East Indies, and another attitude assumed for their operations in other countries outside the United States, and that they would try to clear up this point.

Photostat in duplicate of Mitsui's letter of inquiry to the Standard Vacuum is attached hereto.

Yours very truly,



SJS/LTD

-Enclosure-

HEAD OFFICE, TOKYO, JAPAN

ANDHRA	HONGKONG	SAIGON
B	KARACHI	SAN FRANCISCO
BNG	KOBE	SEATTLE
BUP	KEELUNG	SEMARANG
BVA	LONDON	SEOUL
BWH	LOS ANGELES	SHANGHAI
BTTA	MANILA	SHIMIZU
BR	MELBORN	SINGAPORE
BTDN	MELBOURNE	SYDNEY
BDO	MIKE	SOURABAYA
BDSN	MOJI	TAIPEH
BK	MURDEN	TAKAO
BQ	NAGASAKI	TEHERAN
BQ	NAGOYA	TIENSIN
BQTE	NEWCHWANG	TSINGTAO
BQW	OTARU	WAKAMATSU
BQ	OSAKA	YOKOHAMA
BQ	PERING	ETC. ETC.
BQ	BANGCOON	

Cable Address for all offices
"Mitsui"**MITSUMI & CO. LIMITED***(Mitsui Bussan Kaisha, Ltd.)*350 FIFTH AVENUE, NEW YORK
TELEPHONE CHICKERING 4-2900

NEW YORK

August 7th, 1940.

PLV-PLEASE
RTD

Sundry #1 Dept.

Standard-Vacuum Oil Company,
26 Broadway,
New York City.

Dear Sirs:

Attention: Mr. W.S. Leaper

Confirming conversation had with you at your office yesterday, you are kindly requested to offer any type of Aviation Gasoline for delivery at other countries than the United States and shipment to be made during the balance of this year.

This morning, we have been earnestly requested by our Tokyo people to secure an offering from you promptly. Therefore, will you please let us know as soon as possible if you can offer any quantity available.

Thanking you for your usual kind co-operation, we remain

Very truly yours,

S. Nakao/FP

S. Nakao.

HEAD OFFICE, TOKYO, JAPAN

Cable Address for all offices
"Mitsui"

ALEXANDRIA	HSINGKING	SAIGON
BATavia	KARACHI	SAN FRANCISCO
BOMBAY	KOBE	SEATTLE
CANTON	PEKING	SEMARANG
Cebu	LONDON	SEOUL
HANKOW	LOS ANGELES	SHANGHAI
HONG KONG	MANILA	SHIMIZU
Kobe	Medan	SINGAPORE
London	MELBOURNE	SYDNEY
Manila	MIAMI	SCARABAYA
Peking	MOJO	TAIPEI
San Francisco	MURDEN	TAKAO
Shanghai	NAGASAKI	TEHERAN
Singapore	NAGOYA	TIENTSIN
Tientsin	NEWCHANG	TSINGTAO
Yokohama	OTAWA	WAKAMATSU
	OSAKA	YOKOHAMA
	PEKING	ETC. ETC.
	RANGOON	

MITSUMI & CO. LIMITED*(Mitsui Bussan Kaisha, Ltd.)*350 FIFTH AVENUE, NEW YORK
TELEPHONE CHICKERING 4-2900

NEW YORK

August 7th, 1940.

Sundry #1 Dept.

Standard-Vacuum Oil Company,
26 Broadway,
New York City.

Dear Sirs:

Attention: Mr. W.S. Leaper

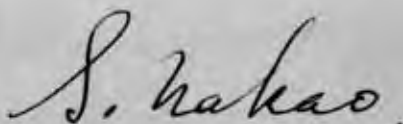
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This morning, we have been earnestly requested by our Tokyo people to secure an offering from you promptly. Therefore, will you please let us know as soon as possible if you can offer any quantity available.

Thanking you for your usual kind co-operation, we remain

Very truly yours,

S. Nakao/FP



Aug. 9, 1940. 94

The following information comes from the American representative of the Shell:

He is not informed since the shutting-off of American aviation supplies to Japan from the United States what his company's procedure will be, or what, if any, instructions his company will have had from the British Government.

It is his conviction that the American Government is currently and fully informed on decisions in this respect from the British Government.

It is his information that operations in the Dutch East Indies and supplies from this area to the Japs will be in a different class from supplies from other sources available to the Shell.

The Shell's present aviation gasoline plant makes about 300 barrels daily of high octane gasoline (90 to 100). (Dutch East Indies)

From normal naphthas in the Dutch East Indies the Shell segregates around 4,000 barrels daily of 77 octane base stock; with 4 c.c.'s of lead this is 90 octane. In addition, they have about 4,500 barrels daily of 74 octane gasoline, which, with 4 c.c.'s of lead goes to 87 octane.

The Shell have under construction a second alkylation plant in the Dutch East Indies which will be finished about December 31st, and will produce 1,000 tons per month of alkylate, or about 300 barrels daily.

In the past they have probably not been delivering any aviation gasoline to Japan which could be leaded to higher than about 87 or 90 octane, and their high octane production is probably all under contract to the British.

Recently, the Dutch East Indies Government in an appeasement program agreed to supply Japan with 40,000 tons per month of crude, of which one cargo (10,000 tons) was to be so-called Navy quality, which would make 15 to 20% of aviation gasoline susceptible to leading to 87 to 90 octane. The other three cargoes were to be crude comparable to Kettleman Hills.

The deliveries of such crudes may decrease to some extent the production in the Dutch East Indies by the Shell of the 74 and 77 octane base stocks which are noted above as being current production.

The Japs, since the American embargo, want to increase the one cargo a month of Navy quality crude to three cargoes a month. This will probably not be possible, and the alternative of increasing product deliveries of gasoline Diesel oil and fuel oil may be worked out.

After the 40,000 ton monthly agreement was made with the Dutch East Indies, an inquiry was made by the Japs for a million tons a year, but nothing seems to have come from this inquiry.

The information of the party referred to is that the Japs will probably plan to attack and keep the Dutch East Indies if they are not otherwise able to obtain everything which the Dutch East Indies produces and which Japan requires.

The party referred to above has been yesterday at the British Legation in Washington.

EJS/LTD

Wilkinson

STANDARD OIL COMPANY

(INCORPORATED IN NEW JERSEY)

30 ROCKEFELLER PLAZA

ADLER,
VICE PRESIDENT

NEW YORK Aug. 9, 1940.

ROOM 2867

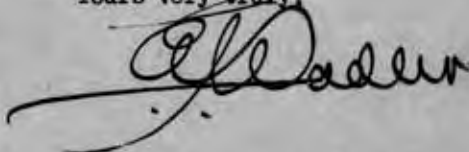
The Hon. H. Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.

My dear Mr. Secretary:-

Bearing on the inquiries made Wednesday at the Treasury Department, we find that the Japs are willing to pay very high prices for petroleum coke in the Dutch East Indies which they use, according to our information, with bauxite in the production of aluminum in Japan, largely for use in airplane construction. It is possible that they are purchasing similar petroleum coke on the Pacific Coast. We are not clear that the petroleum coke is indispensable in the production of aluminum, but it appears at the present time to be important to the Japs.

We believe that some of the petroleum companies on the Pacific Coast who have been important suppliers to the Japs in the past are perhaps negotiating with them at the present time in looking to co-operation in supplying Japan's needs of petroleum products. This is, however, a matter of hearsay, and one which the Treasury Department can probably clear up through its own channels, if it is interested.

Yours very truly,



EJS/LTD

P.S.- The maps which you requested are in the course of preparation.

STANDARD OIL COMPANY

(INCORPORATED IN NEW JERSEY)

30 ROCKEFELLER PLAZA

NEW YORK Aug. 10, 1940.

ROOM 2867

ADLER,
VICE PRESIDENT

The Hon. H. Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.

My dear Mr. Secretary:-

In connection with my note to you with respect to the use of petroleum coke in Japan, I am able to give you additional information in regard to exports of petroleum coke to Japan for the year 1938, as per following quotation from a memorandum given me under date of August 9th:

"As per your request this morning, the exports of petroleum coke from United States to Japan for the year 1938 were 11,455 long tons. The value of this product was \$212,456, which is roughly \$18.66 per ton. There is no breakdown given for the raw and calcined product, but we are attempting to get a division on same.

For the year 1939 the United States exported 47,871 long tons. No value is obtainable on this amount as yet, as we took the latter figure from the Socony-Vacuum statistical division."

Yours very truly,



EJS/LTD

101

STANDARD OIL COMPANY

(INCORPORATED IN NEW JERSEY)

30 ROCKEFELLER PLAZA

NEW YORK

Aug. 10, 1940.

ROOM 2867

ADLER,
PRESIDENT

The Hon. H. Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.

My dear Mr. Secretary:-

I am now able to give you the exact figures on sales of the Standard Vacuum and of the Shell people in Japan for the year 1939. These figures, of course, include only the sales of these companies and affiliates in the Japanese market.

Yours very truly,

EJS/LTD

-Enclosure-

YEAR 1939JAPAN TERRITORY

(Bbls.42's)

	<u>S.V. Sales</u>	<u>Shell Sales</u>	<u>Total S.V. & Shell</u>
Gasoline *	857 537	1 187 987	2 045 524
Kerosene	299 518	278 167	577 685
Fuel & Diesel - Ind.	298 501	1 560 622	1 859 123
- Bunkers	45 199	1 111 453	1 156 652
Lubg. Oils	139 139	65 962	205 101
Total	1 639 894	4 204 191	5 844 085

Mitsui Sales

Fuel & Diesel - Ind.	1 319 955
- Bunkers	1 297 499
Total	2 617 454

* Includes Aviation - S.V. - 28 117 Bbls. (1,211 bbls. from N.E.I. to Formosa/
Dairen on Exch., Balance from Calif.)
Shell - 13 794

Above does not include
Emergency Aviation Sales -

S.V. - 52 960 bbls. F.O.B. Calif. in drums
No record of Shell.

Crude Oil Imports - Year 1939

From General Pet. California	-	865 434 Bbls.	Straight Crude
" Shell U.S.A.	-	191 774 "	Topped Crude
" "	-	391 951 "	Lube Crude
" Miri	-	595 455 "	Topped Crude
Total Shell		1 179 180	
Total General & Shell		2 044 614	

Statistical & Distribution Dept.
August 9, 1940

YEAR 1939
JAPAN TERRITORY

(Bbls.42's)

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Statistical & Distribution Dept.
August 9, 1940

STANDARD OIL COMPANY

(INCORPORATED IN NEW JERSEY)

30 ROCKEFELLER PLAZA

NEW YORK Aug. 12, 1940.

ROOM 2567

MR.
PRESIDENT

The Hon. H. Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.

My dear Mr. Secretary:-

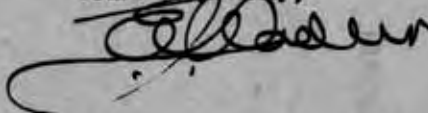
Pursuant to your request when we were in Washington last Wednesday, we are sending you by express a set of maps showing the petroleum producing areas and the refining areas outside the United States as well as the existing pipe lines.

There are tables attached to the maps giving additional information as to the ownership of producing and refining activities, using the figures for the year 1939.

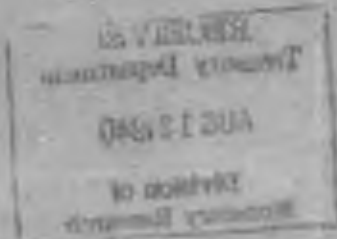
In addition to these maps, Mr. Howard is also sending maps showing the tetra-ethyl lead plants and the synthetic oil plants outside the United States, making a distinction between hydrogenation plants and Fischer process plants.

As these maps are rather large, they are being sent separately by express.

Yours very truly,



EJS/LTD



STANDARD OIL COMPANY

(INCORPORATED IN NEW JERSEY)

30 ROCKEFELLER PLAZA

NEW YORK Aug. 14, 1940.

ROOM 2867

LER.
RESIDENT

The Hon. H. Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.

My dear Mr. Secretary:-

The maps you requested were sent by express yesterday afternoon, and I would be pleased to know that they were received without delay and confidentially. They were sent as valuable papers with a declared value of \$100.00 to insure, as far as we were able, that they were carefully handled.

Yours very truly,



EJS/LTD

TREASURY DEPARTMENT

106

INTER OFFICE COMMUNICATION

DATE AUG 16 1940

TO Secretary of the Treasury
FROM General Counsel

A question has been raised whether provisions of the Joint Resolution of June 15, 1940 (Public Res. No. 83, 76th Congress) are limited by the provisions of section 14 of the Act of June 28, 1940 (Public, No. 671, 76th Congress). The pertinent provisions of the Joint Resolution of June 15, 1940, read as follows:

"(a) the President may, in his discretion, authorize the Secretary of War to manufacture in factories and arsenals under his jurisdiction, or otherwise procure, coast-defense and anti-aircraft matériel, including ammunition therefor, on behalf of the government of any American republic; to sell such matériel and ammunition to any such government; * * *

"(b) The President may, in his discretion, authorize the Secretary of the Navy to construct vessels of war on behalf of the government of any American republic in shipyards under his jurisdiction; to manufacture armament and equipment for such vessels on behalf of any such government in arsenals under his jurisdiction; to sell armament and equipment for such vessels to any such government; to manufacture antiaircraft artillery and ammunition therefor, on behalf of any such government in factories and arsenals under his jurisdiction; to sell antiaircraft artillery and ammunition therefor to any such government; * * * And provided further, That no transaction authorized herein shall result in expense

to the United States, nor involve the extension of credits by the United States: And provided further, That no contract shall be entered into under the terms of this joint resolution which shall interfere with or delay the United States in the full use of its shipyards, arsenals, munition plants, and other equipment for its own purposes."

Section 14 of the Act of June 28, 1940, provides:

"Sec. 14. (a) Notwithstanding the provision of any other law, no military or naval weapon, ship, boat, aircraft, munitions, supplies, or equipment, to which the United States has title, in whole or in part, or which have been contracted for, shall hereafter be transferred, exchanged, sold, or otherwise disposed of in any manner whatsoever unless the Chief of Naval Operations in the case of naval material, and the Chief of Staff of the Army in the case of military material, shall first certify that such material is not essential to the defense of the United States.

"(b) The Secretary of War and the Secretary of the Navy as the case may be are hereby requested and directed to furnish or cause to be furnished to the respective chairmen of the Committees on Military Affairs and the Committees on Naval Affairs of the Senate and House of Representatives a copy of each contract, order, or agreement covering exchange of deteriorated, unserviceable, obsolescent, or surplus military or naval equipment, munitions, or supplies exchanged for other military or naval equipment, munitions or supplies, and a copy of each contract, order, or agreement shall be furnished regarding any other disposition of military or naval equipment, munitions and supplies by which the title passes, either de jure or de facto, from the United States, or by which delivery of material thereunder is deferred, where the original cost of such military or naval equipment, munitions or supplies exceeded or exceeds \$2,000. The copies of each contract, order or agreement herein referred to shall be transmitted to the respective chairmen of the committees not later than twenty-four hours after such contract, order or agreement is made, and the

- 3 -

chairman of each committee shall consider such contracts, orders or agreements confidential unless a majority of the members of his committee shall direct the particular transaction to be made public."

I shall assume, first, a set of facts whereby, under the provision of the Joint Resolution of June 15, 1940, certain military and naval equipment is constructed and manufactured in Government factories, arsenals, and shipyards, or otherwise procured, on behalf of the government of an American republic, and which from the very beginning of its construction or manufacture is being made for the American republic. It is clear, in my opinion, that under that set of facts the transfer of such constructed, manufactured, or procured equipment to the American republic would not be subject to the conditions set forth in section 14 of the Act of June 28, 1940.

Subsection (a) of section 14 refers to equipment "to which the United States has title, in whole or in part". Subsection (b) of section 14 refers to the "disposition of military or naval equipment, munitions and supplies by which title passes, either de jure or de facto, from the United States". Under the facts assumed above in connection with the Joint Resolution of June 15, 1940, it will probably be true that during the construction or manufacture of the equipment or when the equipment is procured on behalf of the American republics title thereto will

be vested in the United States. Although there is nothing in the terms of the Joint Resolution which would necessitate that fact, the contracts with the American republics will probably contain provisions to that effect for sound business reasons or for purposes of convenience. It would seem, therefore, that under the literal terms of section 14 of the Act of June 28, 1940, when the equipment now under consideration is finally delivered to the American republics, there would have to be compliance with the conditions set forth in section 14. However, section 14 of the Act of June 28, 1940, when read in the light of its legislative history, presupposes a situation where the materials therein mentioned have been ordered for the use of the United States or are actually a part of the equipment of the military or naval establishments of the United States. 56 Cong. Rec., June 21, 1940, at 13314 et seq. Since, under the assumed facts, from the initial stages of the transactions the equipment will have been constructed, manufactured, or procured for the American republics, it is evident that the situation thus arising is entirely different from that with which section 14 of the Act of June 28, 1940, is concerned. Therefore, although title to the equipment involved under the assumed facts would be lodged in the United States Government for certain purposes, it is not believed that section 14 should be construed as

applying to the ultimate transfer of such equipment to the American republics.

Supposition may be made of a second set of facts involving the transfer of war and naval equipment to an American republic under the provisions of the Joint Resolution of June 15, 1940. The case might arise where it would be desired to complete, on behalf of the government of an American republic, the construction or manufacture of equipment which is being constructed or manufactured for use in the military or naval establishments of the United States. There would appear to be no doubt that the provisions of the Joint Resolution are broad enough to authorize such a transaction provided, of course, that proper arrangements with the American republic were made with regard to the expense involved. In addition, the Joint Resolution contains an authorization for the sale to the government of an American republic of certain limited war and naval equipment which is a part of the military and naval establishments of the United States.

It might be inferred, from what has previously been stated, that the transfer of such equipment to an American republic is the type of transfer contemplated by section 14 of the Act of June 28, 1940. However, whether the transfer of even such equipment to an American republic, under the Joint Resolution, is subject to the conditions set forth in section 14 of the Act of June 28, 1940, is open to question.

In view of the propositions set forth in the Monroe Doctrine, the United States is, of course, committed to the policy that the protection of the American republics from outside aggression is essential to the defense of the United States. Indeed, the authorizations contained in the Joint Resolution of June 15, 1940, are, in a real sense, a recognition and reaffirmation of that policy. In a letter dated June 5, 1939, addressed to the Chairman of the Committee on Foreign Affairs, House of Representatives, the bill which later became the Joint Resolution of June 15, 1940, was approved by the Secretary of War. In that letter it was stated, among other things:

*** It is the opinion of the War Department that these measures will result in closer cooperation among American republics on matters pertaining to defense and will bring about a better understanding of our common defense problem. Also, the utilization by American republics of similar types of equipment for defensive purposes will simplify the munitions problem in any common defense in which American republics may be engaged." (1939) H.R. Rep. No. 1231, 76th Cong., 1st Sess. 2.

In connection with the same bill, Admiral Leahy, Chief of the Bureau of Naval Operations, made the following statement to the Committee on Foreign Affairs, House of Representatives:

"It is my personal opinion that closer relations between the navies and the armies of the American republics will bring about a better understanding of our common defense problems and a closer relationship between the peoples.

- 7 -

"Improvements in the naval material of any or all of the South and Central American republics will make more difficult and discourage aggression against this continent from overseas, and should it become necessary for America to support the Monroe Doctrine with its navies, the burden to be borne by the United States Navy will be reduced in exact proportion to the number of efficient ships available to the other Republics of America." (1939) 84 Cong. Rec. 9860.

Referring to the same bill, Mr. Sumner Welles, the then Acting Secretary of State, stated to the press on March 14, 1939:

"Cooperation between the United States and the other American republics in the defense of this hemisphere would be to the distinct advantage of this country. To make possible such cooperation is a logical corollary of the 'good-neighbor policy'.

"The proposed joint resolution, if enacted, would enable the governments of the other American republics to obtain in the United States, without expense to this Government, vessels of war, coast and antiaircraft artillery of modern types at the same prices as those at which they are obtained by the Government of the United States. It would also enable this Government to cooperate with the governments of the other American republics in the construction of vessels of war in their own shipyards. Its enactment would foster the growing spirit of American solidarity and would constitute a further and a necessary step in the interests of the national defense." (1939) H.R. Rep. No. 1231, 76th Cong., 1st Sess. 3.

In view of the expressions quoted above it may reasonably be argued that the Joint Resolution of June 15, 1940, is concerned with transfers of equipment to American republics for purposes of our own national

defense. In cases, therefore, where such transfers are made, the Chief of Naval Operations and the Chief of Staff of the Army could not accurately make the certifications required by section 14(a) of the Act of June 28, 1940, that the equipment "is not essential to the defense of the United States" since the Congress seems to have recognized that the transfers, and thus the equipment involved in those transfers, are essential to the defense of the United States. It is believed that no intent should be attributed to the Congress to render substantially ineffective, by section 14(a) of the Act of June 28, 1940, the transfer provisions of the Joint Resolution of June 15, 1940. Under the above argument, therefore, it may be said that the transfers involved in the second set of facts hereinbefore set forth and with which we are now concerned would not be subject to the provisions of section 14(a) of the Act of June 28, 1940.

Although a conclusion, based on another ground, has been reached regarding the transfers involved in the first set of facts discussed above, it is evident that the above argument is equally applicable to such transfers.

It is not without significance, in connection with the foregoing argument, that prior to the time of the transfers, the President, in the exercise of the discretion granted to him by the Joint Resolution of June 15, 1940, could determine whether the equipment would better serve the interests of the United States in the military or naval establishments of this country or in those

of another American republic. It is not to be assumed that the President would abuse the discretion thus granted to him.

With respect to section 14(b) of the Act of June 28, 1940, requiring transmittal of information to the House and Senate concerning certain transfers, there is reason to believe that, since it is so closely related to section 14(a) of that Act, it applies only to those transfers which are covered by section 14(a) and which involve equipment originally costing in excess of \$2,000. Support for that view may be found in the debates which occurred in the Senate on June 21, 1940, when, on the floor of that body, section 14 was first introduced as an amendment to H.R. 9822, the Bill which later became the Act of June 28, 1940. 86 Cong. Rec., June 21, 1940, at 13368 et seq. In addition, the Bill was sent to conference, and in the report of the Conference Committee to the House, on June 22, 1940, it was stated that section 14:

"Prohibits the disposal of any military or naval weapon, ship, boat, aircraft, or other military supplies without certification of the Chief of Naval Operations or the Chief of Staff of the Army that such material is not essential to the defense of the United States. It provides that the Secretary of War and the Secretary of the Navy shall notify the chairman of the respective congressional committees the details of any transfer of any such material or equipment within 24 hours when the value exceeds \$2,000 with copies of the contracts, orders, or agreements. * * * (Underscoring supplied.) (1940)
H.R. Rep. No. 2706, 76th Cong., 3rd Sess. 7.

It is also to be noted that the circumstances surrounding the passage of the Act make it reasonably clear that one of the primary purposes for the insertion of section 14 was to prohibit and discourage, on the part of the executive branch of the Government, transfers of

military and naval equipment belonging to the United States when those transfers tended, in the views of the legislative branch of the Government, to weaken our national defense. See 86 Cong. Rec., June 21, 1940, at 13314 et seq. Whatever may be the situation with regard to transfers to European states, it has previously been pointed out that the transfers under the Joint Resolution of June 15, 1940, may not be considered as being transfers which would weaken our national defense. While the matter is not entirely free from doubt, I feel that it may well be argued that the transfers now under consideration would not be subject to the provisions of either section 14(a) or section 14(b).

Finally, it should be noted that so far as the sale to an American republic of arms, ammunition, or implements of war is concerned, section 3 of the Public Resolution of June 15, 1940, provides that all contracts of sale must contain a provision that the American republic receiving the arms, ammunition, or implements of war will not dispose of them to any state other than an American republic. Thus, it is clear that the arms, ammunition, or implements of war sold to the American republics will not fall into the hands, by subsequent transfer, of any of the European belligerents.

L. W. Foley
General Counsel.

August 16, 1940
4:05 p.m.

GROUP MEETING

Present: Mr. Gaston
Mr. White
Mr. Schwarz
Mr. Cochran
Mr. Chamberlain
Capt. Puleston
Mr. Thompson
Mr. Haas
Mr. Buckley
Mr. Graves
Mr. Foley
Mrs. McHugh

H.M.Jr: Herbert - two things for you. You had better get a pencil. Ralph Ingersoll of P.M. would like you to give John Handley, Secret Service, a month's leave of absence so he could work with a man doing a serial. I said that as far as I was concerned I was sure we could give it.

Gaston: All right.

H.M.Jr: What does this fellow know about that?

Gaston: I guess his father knows this fellow he is to work with.

H.M.Jr: Then, the Northland, Sumner Welles called up and she is west of Cape Farewell, to go to Julianeshaab tonight.

Gaston: She is there.

H.M.Jr: You are to keep her there until further notice, because the English want her to

- 2 -

go up - instead of going through that pass between Iceland and Greenland - what is it called?

Gaston: Denmark Strait.

H.M.Jr: They want her to go via the Faeroe Islands.

Gaston: The English notified us about --

H.M.Jr: The point is you are to hold her and not let her proceed any further until - because he said we did not have - what do you call this --

Gaston: Paravanes?

H.M.Jr: We do not have paravanes.

Gaston: No. We were definitely assured by the State Department before she left here that it was all right.

H.M.Jr: Well, Denmark Strait is supposed to be mined.

Gaston: That is what I told the State Department and then the State Department came back and said it would be all right.

H.M.Jr: Well, now they have said it is all right. As a matter of fact this American Legion is coming back here. They are running her through the Faeroe Islands instead of north of Iceland, and the Germans have told them they won't guarantee her free passage, but she left last night. I wouldn't mention that out of the room. I had to do quite a little arguing to keep our ship there, because the idea was, well, just let her go up but be careful. But my God, to go up through Denmark Strait if that is mined --

Gaston: I thought when we got that word back - you see the British put out an official notice they had mined the Strait. I thought when we got that word back it

- 3 -

was all right. It must have been just mined for publicity, but apparently that is not the fact. Then we will hold her at Julianeshaab until we get further notice, presumably it will be from the White House or State Department.

- H.M.Jr: State Department, but I would be very much opposed - I put up a fight today. I don't want her to go on.
- Gaston: Clear across the ocean. I think that is bad business.
- H.M.Jr: And to just let her go on up through the Denmark Straits when it is mined I think is awful business.
- Gaston: Yes.
- H.M.Jr: So I think I would keep her there for awhile and then let her come back.
- Gaston: If the British mined that Strait, I think it is up to them to look after those Islands along the east coast of Greenland. There are about a dozen villages there.
- H.M.Jr: The other thing - I communicated with Colonel Maxwell. I am going to call Mr. Purvis as soon as I get through here. The Swedish deal is through, and Colonel Maxwell thanked me for getting him off the hot spot.
- Buckley: I think that is marvelous.
- H.M.Jr: And Mr. Welles said he had always been for it.
- White: Now all that is necessary is for the Swedish to say they are glad and it will be a perfect score.
- H.M.Jr: So unless somebody else has some emergency matter, I say good-bye and hope you all have a good time for the next two weeks. Now, Ed, you are going away for two weeks?
- Foley: If you tell me to I will.

H.M.Jr: And, Harry, I am telling you. Who else would like to go away?

Haas: It is as good a time as any, I think.

H.M.Jr: Anybody else?

Graves: If you don't mind I think I will take a little official trip.

H.M.Jr: All right.

Gaston: Is there anybody who would like to stay here?

Schwarz: I will stay in town, but I would like to be away from the office a few days.

H.M.Jr: It is all right.

Buckley: I would like to take a day to catch my breath after Phil gets back.

H.M.Jr: All right. If you stay behind a minute you can hear what I have to say to Purvis. Well anyway, good-bye.

AUG 16 1940

My dear Mr. President:

I am transmitting herewith for your consideration a memorandum regarding the petroleum situation in Japan.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

By Messenger AUG 16 1940
4:45 P.M.

The President,
The White House.

Carbon copies to
Thompson

HDP

HW:ls
8/16/40

FILE COPY

August 14, 1940

MEMORANDUM FOR THE PRESIDENT

Subject: Petroleum Situation in Japan

The conference on the oil situation held last week at the Treasury was attended by Secretaries Knox, Ickes and Morgenthau, and by numerous officials of Standard Oil and Tidewater Associated Oil Companies in charge of foreign marketing. The company officials left copies of various charts and tables, among which were maps giving the location of refineries in Japan and other foreign countries. Copies of these documents were forwarded to the Secretaries of War, Navy and Interior.

The following important points were made by the oil men:

1. Japanese petroleum stocks are believed to be about 20 million barrels, or equivalent to six or seven months' requirements at Japan's present rate of consumption.
2. Japan is now planning to obtain a greatly increased share of its petroleum from the Netherland East Indies. (Standard Oil officials have been advised from London that Netherland officials are now negotiating for the sale to Japan of 3 million barrels of crude immediately, plus 14 million annually, or a total amount equal to almost a half of Japan's yearly requirements.)

Japan has been importing three-quarters of its oil supply from the United States.

3. The Standard Oil officials report that former plans to destroy East Indies production facilities (in case of attack) have been abandoned. They believe that German pressure on relatives of Dutch colonial officials, together with England's efforts to appease Japan, will result in the East Indies supplying oil to Japan. Shell, however, has informed Standard Oil that the British Government has not yet expressed an attitude toward contemplated transactions.

4. Japan also plans to obtain increased supplies of crude oil from Venezuela and Colombia. Our State Department, I am informed, has indicated it had no objection to sales of crude oil to Japan from these two countries, but did wish to discourage sales of aviation gasoline. Some of the oil officials felt that even though British and American companies would wish to cooperate, if asked, in not exporting oil to Japan from their Latin American properties, that the Latin American Governments having final jurisdiction and faced with loss of revenue might force such exports. (Last year Continental Europe, now a lost market to Latin America, took approximately 70 million barrels of Latin American oil.)

5. The Japanese will probably be able to make most of their aviation gasoline if they can obtain tetraethyl lead. They may be able to purchase tetraethyl lead (which is produced in England, France, Germany, Italy, Mexico, U.S.S.R.) or may be able to make it. Both Standard Oil and Tidewater officials believe that Japan can make tetraethyl, though the experts disagree as to the difficulty involved.

Japan can get suitable crude petroleum for making into base stock for aviation gasoline from the Netherland East Indies or from Latin America. It is reported that suitable crude can also be obtained from the United States, despite the export control.

6. Japan may be able to purchase aviation gasoline in finished form from the East Indies, which produces 3.7 million barrels per year -- .7 million of straight 100 octane gasoline, and 3 million barrels leaded 87 octane gasoline. (The straight 100 octane has all been going to England.)

The Japanese have asked Standard Oil to inform them of any aviation gasoline it holds outside the United States available for purchase. (Standard's reply is not available.)

7. Tidewater officials believe that Japan, with its present plants, can produce aviation lubricating oil from crude petroleum, from fuel oil, or from ordinary lubricating oil (all of which it can still import from the United States.) Standard Oil officials believe Japan could do it, but with considerable difficulty.

- 3 -

8. Standard officials pointed out that fuel oil was one of Japan's most important import items. Not only is it necessary for ships and tanks, but it can be cracked and refined into gasoline and blending agents. (Japan can refine 24 million barrels of crude annually, or two-thirds of its general requirements.) Tidewater representatives said that fuel oil could be made into aviation lubricating oil. They complained, however, that the export regulation covering products that can be converted into aviation gasoline is written so broadly that it might be used to embargo many petroleum products intended for non-aviation purposes.

HDW:VHC:WLU:lrs
5/14/40

August 16, 1940.

My dear Mr. Secretary:

I am transmitting herewith for your information copy of a memorandum which I have sent to the President regarding the petroleum situation in Japan.

Sincerely yours,

(Signed) H. Morganthau, Jr.

By Messenger AUG 16 1940
4:45 P.M.

Honorable Harold L. Ickes,
Secretary of Interior.

*Copy of enclosure
attached to letter
to President of the
same date.*

August 16, 1940

My dear Mr. Secretary:

I am transmitting herewith for your information copy of a memorandum which I have sent to the President regarding the petroleum situation in Japan.

Sincerely yours,

(Signed) E. A. Tamm, Jr.

Honorable Henry L. Stimson,
Secretary of War.

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Honorable Frank Knox,
Secretary of the Navy.

*Copy of enclosure
attached to letter
to President of the
same date.*

AUG 16 1940

My dear Mr. Secretarys

There are transmitted herewith photographic copies of several confidential maps and tables which have been submitted by the Standard Oil Company (N. J.). The material indicates the oil extracting and refining facilities of Europe, Asia, Oceania, South America, and Africa, as well as the European equipment for manufacturing tetraethyl lead.

Sincerely,

(Signed) H. Morgenthau, Jr.

ORIGINAL FORWARDED TO ADDRESSEE
FROM OFFICE OF THE SECRETARY By Messenger AUG 16 1940
4:45 P. M.

The Honorable Henry L. Stimson,
Secretary of War,
Washington, D. C.

Enclosures.

*Copies of maps
in Harry White's Office.*

HJW:md
8/16/40

FILE COPY

*Carbon copies to
Mr. Thompson*

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The Honorable Frank Knox,
Secretary of Navy,
Washington, D. C.

By Messenger AUG 16 1940
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8/16/40

HDW

FILE COPY

*carbon copies to
Mr. Thompson*

August 16, 1940

My dear Mr. Ambassador:

I was delighted to receive your letter of August 15th informing me that Sir A. Agnew, your oil expert, is sailing on August 17th and should reach New York about a week later. Thank you very much for furnishing me with this information.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

His Excellency,
The British Ambassador.

By Messenger

AUG 16 1940

4:45 P.M.

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The British Ambassador.

BRITISH EMBASSY,
WASHINGTON, D. C.

SECRET

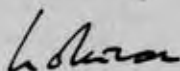
August 15th, 1940

Dear Mr. Morgenthau,

You will be glad to hear that Sir A. Agnew, our oil expert, is sailing on August 17th and should reach New York approximately a week later. Either Purvis or I will bring him to see you as soon as he arrives.

I am also informing Mr. Welles of his impending arrival.

Yours sincerely,



The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington.

ATP

PLAIN

OSLO

Dated August 16, 1940

Rec'd 10:45 a.m.

Secretary of State,
Washington.

921, Sixteenth.

Following for Guaranty Trust Company, New York
from Norenberg and Belshain "Have signed order duly
executed before Consul Oslo transfer ten thousand
dollars from our account to Irving Trust Company,
New York, for account of Kjobmandsbanken, Oslo.
If license necessary apply Estrin or Rowe or Irving
Trust."

PRESTON

KLP

ATF

GRAY

STOCKHOLM

~~Dated August 16~~, 1940

Rec'd noon

Secretary of State,
Washington

840, August 16, noon.

According to documents shown to the Legation Skandinaviska Banken, Malmo, transferred 6th of April \$73,543.41 to National City Bank, New York, for account Dännorske Credit Bank, Oslo by error.

Mistake being fully explained, all three banks willing to reverse transfer but license American authorities refused.

Please ask Treasury to investigate and advise what steps may be taken to permit license. STCOR.

GREENE

DDM

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
EA 840.51 Frozen
Credits/463/464

August 16, 1940

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits copies of translations of two notes from the Mexican Ambassador in Washington, regarding a license for the transfer of funds held in the United States.

Enclosures:

From Mexican Ambassador,
August 7, 1940. (2)

copy

EMBASSY OF MEXICO

Washington, D. C., August 7, 1940.

Excellency:

With reference to the note verbale No. 4877 which this Embassy addressed to the Department of State on August 2, 1940, I am taking the liberty of asking Your Excellency very respectfully to amplify the request made therein so as to include in the permit which the Embassy desired as a matter of urgency the amount of \$1,235.34, which is to be drawn by the National City Bank of New York at Bucharest, Rumania, on the account of our Government, to pay the Mexican diplomatic officials at that place.

At the same time, I respectfully ask Your Excellency that if possible a global permit be granted to the said Bank up to \$60,000.00 per month, which will cover the necessities of the Mexican service in Europe, for there have really been serious difficulties in the financial management of such payments, the amounts and the identifiable destination of which appear to justify the granting of the permit referred to.

I offer to Your Excellency the assurances of my high and distinguished consideration.

F. CASTILLO NAJERA
Ambassador.

His Excellency
Cordell Hull,
Secretary of State,
Etc., etc., etc.

TR: :JP:IML

COPY

[Translation]

EMBASSY OF MEXICO

Washington, D. C.,

August 7, 1940.

Excellency:

Our Fiscal Delegate in New York communicates to us that the Mexican Consulate General at London has informed him as follows:

"The Fiscal Delegation of the Department of Hacienda at Brussels sent me several checks for the payment of expenses and salaries of this General Office and that of Liverpool during the months of April and May, some of which checks on their presentation for collection in New York at the National City Bank, on which they were drawn by the same bank at Brussels, were protested, I being notified as follows: 'Checks drawn by National City Bank of New York, Brussels, on their New York office, unpaid with the answer: 'Unpaid on account Presidential Proclamation. Drawee applying for license to pay' Protest fees \$1.37 and \$1.27." - and consequently they were not paid, thus causing injury and expense to the interested parties. I take the liberty of communicating the foregoing to you with the very respectful

His Excellency

Cordell Hull,

Secretary of State,

etc., etc., etc.

-2-

request that you be good enough to intervene in the appropriate quarter to the end that payment be effected in the understanding that these checks were presented by the Guaranty Trust Company of New York of that city, in the name of Martin's Bank of London, and others through the channel of the said National Bank at London."

In view of the foregoing data I request Your Excellency most respectfully that if possible the Treasury Department address the National City Bank of New York for the purpose of authorizing it to pay the said amounts.

I avail myself of the opportunity to renew to Your Excellency (etc.).

F. CASTILLO NAJERA

Ambassador.

TR: :JP:IML

COPY

P

AUG 16 1940

My dear Congressman:

I have pleasure in referring to your letter of August 12 in which you inquired as to whether my recent conferences with Sir Frederick Phillips, Undersecretary of the British Treasury, included "some consideration of the possibility of coordinating British purchases in the United States with the United States own arms program", and if so, "what arrangements, if any, were made to effect the desired purpose".

For your information, I am happy to enclose a copy of the statement which was issued to the Press on July 19, 1940, at the termination of the meetings which were held between Sir Frederick Phillips and myself. Any references that may have been made in these meetings to the subject of British purchases in the United States touched only the banking and monetary problems involved.

Very sincerely yours,

(Signature) ~~W. A. Ruggles~~, Jr.

Secretary of the Treasury.

Enclosure.

Honorable George Holden Tinkham,
House of Representatives,
Washington, D. C.

ORIGINAL FORWARDED TO ADDRESSEE
FROM OFFICE OF THE SECRETARY

By Messenger AUG 16 1940

1:25 P.M.

JCB/m

Carbon Copies
File to Mr. Thompson

TREASURY DEPARTMENT
Washington

140

FOR IMMEDIATE RELEASE,
Friday, July 19, 1940.

Press Service
No. 21-65

Conferences during the past week between Sir Frederick Phillips, Under Secretary of the British Treasury, and Secretary Morgenthau have provided an opportunity for the discussion of questions of mutual interest to the British and American Treasuries.

The British Under Secretary was able to assure Secretary Morgenthau that, while Great Britain is now obliged by the exigencies of war to resort to exchange control and other temporary measures affecting international transactions, his Government plans to return to liberal monetary and trade policies as soon as possible after hostilities cease. Such temporary measures include the arrangement between the financial centers of London and New York inaugurated on July 18 for a system of registered sterling accounts, which should tend toward stabilizing the sterling rate and help protect the American market.

Prospective British purchases in the United States were considered in detail and their effects on the balance of payments between the two countries during the next twelve months were carefully examined.

The controls by the two Governments, as they affect their respective nationals, over assets of invaded countries held in Great Britain and the United States were given attention.

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TREASURY DEPARTMENT
Washington

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FOR IMMEDIATE RELEASE,
Friday, July 19, 1940.

Press Service
No. 21-65

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GEORGE HOLDEN TINKHAM
15TH DISTRICT MASSACHUSETTS

COMMITTEE ON FOREIGN AFFAIRS

142

G. C. HAMELIN
SECRETARY

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

August 12, 1940

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

My dear Mr. Morgenthau:

In the July 12 edition of THE TIMES (London) there appeared an article bearing upon a conference which was to take place between you and Sir Frederick Phillips, and Under-Secretary of the British Treasury. Referring to "the field of possible topics" the article stated: "it may include among other things some consideration of the possibilities of coordinating British purchases in the United States with the United States own arms programme."

I should like to know (1) if the topics discussed at the conference in question included "some consideration of the possibilities of coordinating British purchases in the United States with the United States own arms programme" and (2) if so, what arrangements, if any, were made to effect the desired purpose.

With appreciation of your attention and advice,
I remain

Sincerely yours,


GEORGE HOLDEN TINKHAM

ATP

GRAY

LONDON

Dated August 16, 1940

Rec'd 10:55 a.m.

Secretary of State,

Washington

2762, August 16, 3 p.m.

The Embassy has received the following informal communication from the Ministry of Economic Warfare:

"You will remember that it was arranged that Russell of the Chrome Company should suggest to the Turks that they might try and sell chrome to America. We have now received a telegram from Ankara informing us that:

(1). Russell approached the Eti Bank and learned that the Mutual Chemical Company, the agents for the Eti Bank in America, are offering a minimum of \$23.50 per ton F.O.B. for guleman ore (sic-presumably they are offering ore at this price)

(2). Russell is suggesting the United Kingdom contract price with possibly \$22 for considerable quantities.

(3). If we could give some indication of the quantities which the United States of America would be willing to take, also maximum price and delivery requirements, it would facilitate his efforts.

The

-2- 2762, August 16, 3 p.m. from London

The telegram also mentions that the present freight rate to America is about \$16, and correspondingly higher via Suez.

If you care to let us have the information asked for we will be glad to pass it on to Russell. Otherwise you may wish to get your people to instruct your Embassy in Ankara.

As regards shipping we have discussed this here. Chrome is such a valuable substance to the axis that we do not like to see it pass within their reach. If other things were equal we should prefer that it went round the cape but as this would put up the cost we do not wish to press for this. We think it would be desirable to arrange, however, that not more than one shipload should be afloat in the Mediterranean at one time; that is to say, ship A should not sail until ship B has safely reached Gibraltar."

KENNEDY

WSB

August 16, 1940
4:05 p.m.

H.M.Jr: Hello.

Operator: General Watson.

H.M.Jr: Thank you.

Watson's
Secretary: Colonel Maxwell is standing right here, but
the General is not here.

H.M.Jr: That's all right. Okay, put Maxwell on, please.

Watson's
Secretary: All right, Colonel Maxwell, sir.

H.M.Jr: Hello. Hello.

Maxwell: Yes? Colonel Maxwell.

H.M.Jr: Morgenthau.

Maxwell: Yes, sir.

H.M.Jr: Mr. Welles said in Cabinet that he'd cleared
that matter of the cancellation on the Swedish
stuff?

Maxwell: Yes, sir. Well, I've just delivered the in-
structions to the State Department and left
a copy with General Watson.

H.M.Jr: Well then, I'm free to tell the Purchasing
Mission to go ahead.

Maxwell: That's correct, yes, sir.

H.M.Jr: All right.

Maxwell: And I want to thank you very much for the way
you took action.

- 2 -

H.M.Jr: Well, that's very kind of you. I figured the way to do it was through the Secretary of War.

Maxwell: That's fine?

H.M.Jr: What?

Maxwell: That saved things for me very nicely.

H.M.Jr: It made it easy for you, didn't it?

Maxwell: Yes, sir.

H.M.Jr: Well, that's one less worry.

Maxwell: Yes, sir.

H.M.Jr: Thank you for your cooperation.

Maxwell: Well, we'll do the best we can.

H.M.Jr: Good luck.

Maxwell: All right, sir.

H.M.Jr: Goodbye.

August 16, 1940
4:07 p.m.

H.M.Jr: Hello.

Operator: Mr. Ralph Ingersoll.

H.M.Jr: All right. Hello.

Operator: Go ahead.

Ingersoll: Hello, Secretary Morgenthau.

H.M.Jr: Talking.

I: This is Ralph Ingersoll.

H.M.Jr: How do you do?

I: Do you remember me?

H.M.Jr: Well, I certainly do and I've been reading your editorials and I've been meaning to write you because I think they've been simply swell.

I: Well say, that's very good of you to say that.

H.M.Jr: Yes.

I: I hoped I'd be in Washington today because I wanted to see you for a minute. I have a very odd request of you that I'm putting up to you.

H.M.Jr: Well go ahead, take a chance.

I: The fellow that's working on our Benedict Arnold stuff, Henry Painter, he's an old lifelong friend of a man who works for you.

H.M.Jr: Yes.

- 2 -

- I: Whose name is John Handley. He's in the Secret Service.
- H.M.Jr: Oh, surely.
- I: And Painter came to me and said if he could get this fellow to work with him, if he could get him a leave of absence for a month from the Treasury Department, it would be a wonderful help to him.
- H.M.Jr: Yes, I see.
- I: Well, is that an impertinent way to --
- H.M.Jr: No, it's not impertinent. Does Handley want a leave of absence?
- I: I believe Painter has talked to him and asked him if he would do it if it could be done and I think he said yes, although the motive power came from Painter.
- H.M.Jr: What's Painter's first name?
- I: Henry.
- H.M.Jr: Henry. Well, I'll tell you what I'll do. I'm seeing Herbert Gaston in two minutes.
- I: Yes.
- H.M.Jr: And I'll tell him - the Secret Service comes under him.
- I: Yes.
- H.M.Jr: And I'll tell him it's all right with me, he should get in touch with Handley and if Handley wants a leave of absence for a month, to give it to him.
- I: Say, that's perfectly great. The reason I

- 3 -

felt at liberty to call you was because he's working on things that I know you approve and believe in.

H.M.Jr: Right.

I: And it's in the cause.

H.M.Jr: Good. I'm going to - I hope - I'm going away for a little holiday and any time you come down, after Labor Day, if you'd let me know a day or two in advance, I'd love to have you have lunch or supper with me.

I: Oh, I will do that, certainly.

H.M.Jr: Because my whole family is reading your paper and we're very enthusiastic.

I: I couldn't be more pleased.

H.M.Jr: So if you're down here any time after Labor Day, let me know a day or two in advance.

I: Fine. I'll do that, and we'll have lunch, and thank you very kindly.

H.M.Jr: All right, goodbye.

I: Goodbye.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE August 16, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At the Group Meeting yesterday morning I reminded the Secretary of the memorandum which I had written the previous evening in regard to the desire of Mr. Knoke to obtain before yesterday noon a decision as to our attitude on the question of the Federal Reserve Bank accepting gold deposits from the Canadian, British and Netherlands Governments, in order that the matter could be definitely submitted at the Thursday meeting of the Directors of the New York bank. I called Mr. Knoke back at noon and let him know that this matter would have to wait until Monday. I am to take up with Under Secretary Bell on that day, and inform Mr. Knoke of the decision which may be taken.



LEGATION OF THE
UNITED STATES OF AMERICA
OTTAWA

August 16, 1940.

My dear Mr. Secretary:

I am delighted to know that you are coming to Canada to spend your vacation, and hope very much that you and Mrs. Morgenthau get a real rest. I can imagine that there is nothing that you crave as much as getting away from people, telephones, etc. However, if there is anything that I can do for you, I should be delighted to have you let me know. I need hardly add that if at any time the spirit moved you to motor this way, - and Ottawa is only 50 miles distant, - my wife and I would be only too delighted if you would lunch or have tea with us either alone or with anybody that you might want
to

The Honorable
Henry Morgenthau, Jr.,
The Seigniory Club,
P.Q.

- 2 -

to see.

Both Mr. Howe and Graham Towers have told me how kind you have been to them during their trip to Washington.

With every good wish to you and Mrs. Morgenthau, in which Lilla joins,

As ever, yours,

Reverend Mother

*ack'd receipt
9/11/40*

*ack rec 153
Jc*

KWANG PU CHEN

Shanghai Commercial &
Savings Bank,
Kunming, China,
August 16, 1940.

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

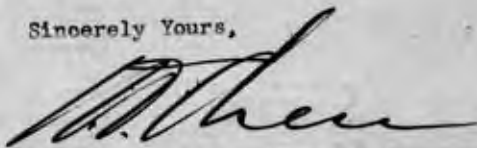
Dear Mr. Morgenthau,

I am enclosing two snapshots, one of which was taken outside one of the doors of the air-raid shelter in the Foreign Trade Commission. It was taken when we were loitering outside the cave after the alarm was sounded but before the enemy planes arrived. The temperature in the cave is at least ten degrees lower than the outside. You will notice that we are all carrying extra clothes which was to be put on after we enter the cave. The second snapshot is a picture showing people entering the air-raid shelter behind the house of a wealthy Chungking contractor.

Under separate cover I am sending you a set of pictures taken from an illustrated magazine published in China. Inadequate as they are, they illustrate, in a vague way, the various steps in the production of woodoil. I am hoping to make some pictures that will give you a clearer idea of this important industry and of the activities of Foo Shing Corporation.

With the kindest personal regards to you and
Mrs. Morgenthau,

Sincerely Yours,



RECEIVED
U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.
AUG 21 1940



WOOD OIL

—A GREAT CHINESE EXPORT CROP

According to the statistics of our international trade for 1933, wood oil was our greatest individual export during that year, taking up 47% of the total. The production of this crop has not so far been affected by the war, since the plant growing areas are still in our hands. On the contrary, methods of cultivation have been greatly improved with the aid of experts sent by the government to Szechuan, Yunnan, Hunan, Hopei and other provinces where the tung tree flourishes. The government's plans call for the export of 70,000 tons of oil annually.

L'HUILE DE GRAINS D'ALEURITES, CORDATA—UNE DES PRINCIPALES EXPORTATIONS DE LA CHINE

L'huile de grains d'aleurites cordata est une de nos productions principales et occupe une place très importante dans le commerce international. Depuis les statistiques du commerce international de 1933, l'huile de grains d'aleurites cordata occupe la première place, d'un total de 47 pour cent de l'exportation totale. Depuis la guerre de résistance contre l'étranger, les pays producteurs n'ont pas cessé par eux-mêmes, l'exportation de l'huile de grains d'aleurites cordata ou par nous-mêmes d'augmenter. Tous ensemble, sous l'encouragement du gouvernement qui a développé et amplifié la plantation d'aleurites cordata dans les provinces de Szechuan, Yunnan, Hunan et Hopei, la quantité de production a visiblement augmenté et devrait probablement devenir encore plus abondante. Les statistiques des juges représentent la plantation d'aleurites cordata et la production de l'huile.

ДРЕВЯНОЕ МАСЛО — ГЛАВНЫЙ ЭКСПОРТНЫЙ ПРОДУКТ КИТАЯ

Согласно статистическим данным торговли Китая с другими странами за 1933 г., древесное масло занимает первое место среди экспортных продуктов страны и 47% экспортной ценности всего китайского экспорта. Производство этого предмета до сих пор не пострадало в результате войны, так как главные районы его производства продолжают оставаться в наших руках. Еще более, методы его обработки достигли улучшения в правительстве, которое специально посылает экспертов в провинции Си-чуань, Юньнань, Хунань и Хэбэй, чтобы развить и расширить план производства этого масла.

Предварительный план предусматривает ежегодный вывоз 70,000 тонн масла за границу.

桐油——中國出賣品的主要品

桐油為我國主要土產，其總產量佔我國出口總值之百分之四十七。自抗戰以來，桐油產區，仍在發展中。政府特派專家，分赴四川、雲南、湖南、河北等省，以發展及擴大桐油之生產。據初步估計，今年產量將比往年增加百分之二十以上。我國出口桐油之總額，預計將達七萬噸以上。



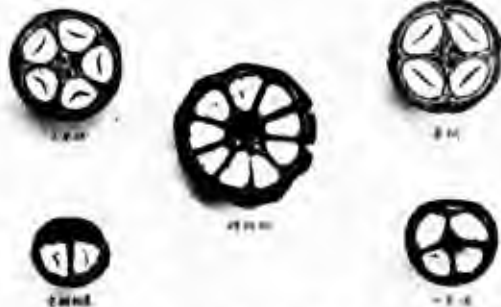
Moss of China's tung trees grow in Szechuan.
L'aleurite cordata est de haute taille et a de grandes feuilles.
Большинство деревьев "тун" растут в провинции Сичуань.
桐樹產區廣大，其樹以四川產量最多。



The fruit from which wood oil is pressed.
Les grains ont la forme d'un œuf, d'où l'on tire de l'huile.
Плод, из которого прессуются древесное масло.
桐子狀如成卵，由外殼出桐油。



The plant has a long stem and large leaves.
Les feuilles ont la forme d'une palette, avec une longue tige.
Растение имеет длинную стебель и большие листья.
桐樹樹幹長，且有長葉。



Five different varieties of tung-tree fruits, all of which yield oil.
Cinq variétés des grains d'aleurites cordata.
Пять сортов плодов дающих ценный продукт.
桐子種類不一，此種各種不同之桐子。



Tung tree blossoms in full bloom.
L'arbre produit la fleur.
Цветы дерева "тун".
桐樹開花情形，皮實如桐子。

HOW WOOD OIL IS PRODUCED



The fruit is dried by baking
Séchage au feu des grains.
Плод сушится в печи.
木料樹子燒乾其所含水份。



It is ground into powder.
Mouage des grains.
Он растеряется в порошок.
木料樹子磨成粉。



The powder is again heated and dried.
Séchage des grains broyés.
Порошок снова просушивается.
粉料再受爐上蒸乾水份盡去。



Old method of pressing oil from the dried powder.
Mise en presse, le clind, système à quatre rouleaux.
Старый способ прессовки масла из порошка.
榨油工作 - 新舊法兼用 - 圖示舊式榨油。



The oil is collected by barrels by press.
En presser par un tuyau. Filiale immergée dans un tonneau.
Масло проводится в бочки через трубы.
油桶出使 - 即經油管注入桶內。



The matter remaining after the oil is expressed is made into cakes which make a good fertilizer.
Résidu de l'huile servant d'engrais.
Остаток после прессовки масла — прекрасное удобрение для земли.
油渣製成餅 - 可作種田肥料用。

LA PRODUCTION DE L'HUILE DE GRAINS D'ALEURITES
CORDATA

КАК ПРОИЗВОДИТСЯ ДЕРЕВЯНОЕ МАСЛО

桐油製煉



Wood oil ready for shipment abroad.
On scelle les tonneaux contenant de l'huile.
Масло в экспортной упаковке.
桶上密密封以封蓋，準備裝運。



On the way to the ship.
La transportant par les portefaix.
Первый этап экспорта.
從棧挑運桐油，編織忙碌。



Ready to go.
L'arrive au port d'exportation par les estriens.
В ожидании режского парохода.
由安東區赴碼頭，轉輪輸出國外。

Photo by Hui Yu Chen.

September 11, 1940.

Aug. 16 ^{from Chen} letter indoped

Dear Mr. Chen:

I have received your letter of August 18th, and the two snapshots which you were so good as to send me. I am very much interested to see these and appreciate your thought in forwarding them to me.

I have also received the pages from the illustrated magazine, showing the various steps in the production of woodoil. This is most informative and I am glad to have it.

With cordial regards and all good wishes,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Kwang Pu Chen,
Shanghai Commercial & Savings Bank,
Kunming, China.

GMF/abs

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Mr. Kwang Fu Chen,
Shanghai Commercial & Savings Bank,
Kunming, China.

GHF/dbs

British Purchasing Commission

5/16/40

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Memorandum Re Tanks

It is understood that the United States Government has now in manufacture light tanks Type M2 A-4.

This type of tank is considered one which would be most suitable for immediate use in the Middle East. Such tanks are urgently required for this purpose and would be of inestimable value if they could be obtained for the United Kingdom.

Fifty such tanks would equip one tank battalion and twenty would be the normal reserve.

It is believed that the United States military authorities might welcome an opportunity of trying out this tank under service conditions in the Middle East.

The Director General of the British Purchasing Commission therefore desires to enquire whether seventy such tanks with appropriate stores and ammunition could be made available now either from stocks or from priorities.

A.B.P.

August 16, 1940

Memorandum Re Chemical Warfare

There is a strong possibility that the United Kingdom will desire to place contracts with American manufacturers for finished products coming under Category VI of the President's Proclamation of May 1, 1937 which is set out in the fourth annual report of the National Munitions Control Board for the year ended December 31, 1939.

In view of the strong possibility of such orders being placed, it is desired to now know whether in the event of the manufacture of such products they would be licensed for export sale to the United Kingdom.

We would be obliged if you could clear this matter for us now because without such knowledge it will be impossible to decide upon a course of action.

C.T.B.

Washington
August 16, 1940

August 16, 1940

To: The Secretary

From: Mr. Buckley

Lieutenant McKay turned over photostats of the attached memoranda from the British Purchasing Commission covering:

- Ys* - 1. Tanks
- No* - 2. Chemical Warfare

with a note which seemed to indicate that a copy of each should be sent to Mr. Knudsen.

Obviously the tank memorandum ought to go to Mr. Knudsen but I do not believe that at this stage the memorandum on chemical warfare ought to be transmitted. Will you please advise me as to your wishes in this matter.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 16, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

In accordance with an arrangement which I made directly, at the Secretary's request, with Vice President Howard Sheperd of the National City Bank, Mr. Arthur C. Shorey, Assistant Vice President of that bank, called this morning and was received by the Secretary at 10:45. Messrs. White and Cochran were present. Mr. Shorey summarized to the Secretary his views upon the economic situation in Japan, which country he had visited only recently, and was then taken to the office of Dr. White for a further conference.



August 16, 1940

Professor Chamberlain

Mr. Cochran

At 10 o'clock yesterday forenoon I received Mr. Bernard S. Carter, a partner in the Paris firm of Morgan & Co., together with Messrs. Alexander and Hinkle of J. P. Morgan & Co., Inc., of New York. I took these gentlemen to Professor Chamberlain's office, by appointment, where Mr. Carter related to Professor Chamberlain the difficulties experienced by his bank in Paris, and also provided information in regard to the operation of American benevolent institutions in France. Messrs. Friedman and Towsen subsequently, I understand, received Messrs. Alexander and Hinkle.

There is attached a copy of a letter which I have today received from Mr. Carter, referring to the visit which he had with us.




EMC:dm:8.17.40

August 16, 1940

Professor Chamberlain

Mr. Cochran

Mr. Koltowski, Financial Counselor of the Polish Embassy, telephoned me at 5:30 this evening from New York. He referred to application for license No. 30547 which had been filed by the Guaranty Trust Company in behalf of one Rosstecki, which matter I had made the subject of a memorandum after a conversation some days ago with Mr. Koltowski. The Attache now tells me that he has received a cablegram from London protesting that the approval which the Treasury gave did not facilitate the transfer of the stock in question into the hands of the owner, but merely into the agency of the Guaranty Trust. This left the situation no better than it was a month ago. Consequently, Koltowski asked urgently that we do something to grant satisfaction to the applicant.



August 16, 1940

Professor Chamberlain

Mr. Cochran

Mr. Robert Levett, a partner in Brown Brothers Harriman Co., New York, telephoned me this noon that a wire from the Bank for International Settlements at Chateau d'Oex, Switzerland, had been received August 15 by Brown Brothers Harriman Co.:

"Our wire of August 8 can you explain why delay as payment constitutes simple transfer of proceeds matured notes our ownership to account of B. I. S. with Federal Reserve Bank of New York, New York City not involving any third party's interest."

Original cable received August 8:

"Value eighth this month please pay \$250,000 to Federal Reserve Bank of New York 2462."

Brown Brothers Harriman made application on that date, August 8, quoting the cable and stating also in the application that the Federal Reserve Bank of New York has instructions to receive the above amount. The New York number of the application is 36506.

I brought this case to the attention of Mr. Fohle, who informed me this afternoon that an approval of the application was being sent to New York this evening. Consequently I telephoned this information at 4:30 p.m. to Mr. Levett's office in New York.



HMC:dm:8.17.40

August 16, 1940

Professor Chamberlain

Mr. Cochran

As reported at today's Group Meeting, Mr. Livesey of the Department of State telephoned me at 2:35 this afternoon to the effect that the Near Eastern Division of the State Department had inquired urgently as to what action had been taken by the Treasury Department on two cablegrams recently received from the American Consul General at Beirut, Syria, concerning the blocking of Syrian balances in the United States.

August 19, 1940

On Saturday, August 17, Mr. Livesey telephoned me again about the above cablegrams. The Near Eastern Division of the Department of State has drafted a tentative reply, which will be held pending some word from us, which is urgently desired.



NC:dm:8.17.40

August 16, 1940

Professor Chamberlain

Mr. Cochran

Mr. Youngs, of Dominick & Dominick in New York, called on me this afternoon at 2:30. He left with me the attached memorandum, and asked that we do anything possible to expedite favorable consideration of application No. 17,725, made by his concern with respect to ~~some~~ securities by Pictet & Co. of Switzerland. He told me that the Swiss were quite concerned over the possibility of United States freezing their assets in this country, and that their inability to obtain action with respect to the securities in such cases as that under reference tends to confirm their fears that it will be difficult for them to withdraw their assets from the United States. In this connection Youngs thought that the rise in the Swiss franc this past week had resulted to some extent from Swiss concerns which have their capital funds on this market withdrawing them and converting them into Swiss francs, in order that they may have such funds available for their necessary operations in Switzerland in case Switzerland might be included under our blocking regulations.



HMC:dm:8.17.40

August 16, 1940

Professor Chamberlain

Mr. Cochran

Mr. Howard Shepard, Vice President of the National City Bank of New York, called me yesterday at 10:00 by telephone to inquire whether the Treasury had taken any action on the two applications filed by that institution in connection with the business of its Paris organization, especially in the light of the urgent telegram which had been received from Manager Faure, in France, and which Mr. Shepard had communicated to me the preceding day. I told Mr. Shepard that no action had yet been taken, but that I would bring the matter to the afternoon session of the Central Group as an urgent case.

HHC:lsp-8/16/40

August 16, 1940

Professor Chamberlain

Mr. Cochran

In accordance with the understanding of our Group, I took up with the Legation of Uruguay in Washington several days ago the attached application No. 27583 of the French American Banking Corporation. The Minister promised to cable his Government in regard thereto.

At 11 o'clock today the Minister told me that he had received a reply from Montevideo to the effect that the transaction was a bona fide purchase actually made by the Government of France and that the Frigerific Nacional of Montevideo expected payment of the \$210,000 in question. The Minister therefore recommended it to us as a purchase of Uruguayan products for which he hoped payment would be duly facilitated. He was willing to give us a formal letter through the Department of State if we required it. I am to inform him when the transaction is definitely approved.



EMC:dm:8.17.40

August 16, 1940

Professor Chamberlain

Mr. Cochran

Mr. Pincent of the British Embassy telephoned me yesterday evening. He referred to a memorandum left with me by Mr. Stopford, and dated August 8, which referred to the importation of gold and securities by Clipper ships. Pincent stated that they now desired that this note be altered, since the original communication had been based on misinformation. It is not a question of stopping gold shipments, the British having no knowledge that there are any imports of gold into this country by airplane from Europe. The British do desire, however, that we prohibit the importation by Clipper ships of securities and other valuables, most particularly diamonds, since they have been advised that the Germans are organizing the traffic into this country of diamonds to be smuggled on Clipper ships.



August 16, 1940

Professor Chamberlain

Mr. Cochran

Yesterday evening Mr. Lewis Clark of the Department of State telephoned me that a despatch had been received from France enclosing an affidavit executed by an American woman in Paris in regard to the destruction in the presence of two officers of our State Department establishment in that city of certain securities belonging to her. These included no United States Government bonds, but American industrial securities. This action had been taken following the telegraphic instructions which had been issued by the Department of State, in accordance with the ideas of the Treasury Department, for the guidance of individuals in areas threatened with German invasion. It will be recalled that the advice was that one copy of the affidavit be retained by the owner of the securities; that one copy be filed with the American Consular Office at which it is executed, and that the third be forwarded to the Department of State at Washington.

Mr. Clark states that the owner of the securities whose destruction was recorded desires that the American issuing concerns in the United States be notified of such destruction. The question arises, therefore, as to whether the Department of State should assume this task; whether the Treasury Department should accept the duty; or whether we can suggest some other system. It seems imperative, however, that a practice should now be instituted which may be uniformly maintained.

I told Mr. Clark that I would call him back after consulting with my colleagues on this subject.

EMC:lap-8/16/40

August 16, 1940

Professor Chamberlain

Mr. Cochran

Senator Henderson of the R. F. C. telephoned me this morning in regard to the question as to whether the dollar proceeds of tin imported into this country from China by the Bank of Indo-China branch at Yunnan and by one Henden would be free. I explained that if the tin is sold by parties recognized as French under our freezing orders, the proceeds would normally go into a blocked account. I explained further the arrangement whereby branches in the Far East of the Bank of Indo-China at present are permitted to draw out one-fourth of their dollar assets, plus new deposits. I cautioned him that this arrangement was provisional, being subject to renewal from month to month. Furthermore I made the point that we had no knowledge of the nationality of Henden, and consequently could not say just what the situation would be if a sale should be consummated jointly by Henden and the Bank of Indo-China. The Senator stated that he would pass on to Henden, who is now in New York, my advice that he call personally at the Federal Reserve Bank of New York to obtain full information for his guidance.



August 16, 1940

Professor Chamberlain

Mr. Cochran

A few days ago we asked the British Embassy to give us any information in regard to the Banque Belge et Internationale in Egypt, having branches at Cairo and Alexandria. Mr. Pimsent informed me last evening that this matter had been cabled to London and he is now informed that the British Government is making inquiries at Cairo. He will let us know the results thereof.



August 23, 1940

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At the Secretary's request, a copy of this letter and a copy of Mr. Foley's opinion were given to Mr. Young to give to Judge Patterson.

Mrs. McHugh

AUG 16 1940

Dear Mr. Knudsen:

I thought you would be interested in the enclosed opinion of my General Counsel holding that the United States may lawfully assist the manufacturer in obtaining plant expansion (by means other than the lending of money) even though the expanded plant may be used in part to produce military supplies and equipment for sale to others than the United States. This complements Mr. Foley's opinion dealing with the powers of the Reconstruction Finance Corporation to finance, by way of loan, additional plant capacity for national defense where part of such expanded facilities may be used to produce equipment for sale to other countries.

The enclosed opinion is applicable to situations such as the new tank plant to be built on behalf of the War Department and operated by the Chrysler Corporation, which was announced yesterday.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Hon. William S. Knudsen
 Advisor on Industrial Production
 Advisory Commission of the Council
 of National Defense
 Washington, D.C.

By Messenger AUG 16 1940
 4:45 P.M.

9/14/40
 MRF:MD
 8/16/40

177
AUG 18 1940

My dear Mr. Secretary:

The Y Company, which manufactures supplies and materials useful for national defence, is desirous of enlarging its present plant capacity and equipment. The Y Company is, and will be, producing such supplies and materials for the Government of the United States and also for the Government of Great Britain. The program of expansion may consist of new buildings or new machinery and equipment, or both. You have inquired whether the Government of the United States may lawfully assist the Y Company in obtaining that plant expansion (by means other than the lending of money) even though the expanded plant may be used in part to produce military supplies and equipment for sale to others than the United States.

It is understood, of course, that in the event the United States needs the entire output of the Y Company's plant, such output will be available to the United States.

It is my opinion that there is ample statutory authority for the Government of the United States to assist the Y Company (by means other than the lending of money) in obtaining that additional plant capacity, and that there would be no legal objection if the Y Company were to use such capacity in the manner proposed.

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Section 54 of the Reconstruction Finance Corporation Act, as amended (U.S.C., Sup. V, title 15, sec. 606b), as added to by section 5 of the Act of June 25, 1940 (Public, No. 664, 76th Congress, 3rd Sess.), provides, in part:

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

"(2) When requested by the Federal Loan Administrator, with the approval of the President, to create or to organize a corporation or corporations, with power (a) to produce, acquire, and carry strategic and critical materials as defined by the President, (b) to purchase and lease land, to purchase, lease, build, and expand plants, and to purchase and produce equipment, supplies, and machinery, for the manufacture of arms, ammunition, and implements of war, (c) to lease such plants to private corporations to engage in such manufacture, and (d) if the President finds that it is necessary for a Government agency to engage in such manufacture, to engage in such manufacture itself. The Corporation may make loans to, or purchase the capital stock of, any such corporation for any purpose within the powers of the corporation as above set forth related to the national-defense program, on such terms and conditions as the Corporation may determine."

Title II of the First Supplemental National Defense Appropriation Act, 1941, Act of June 26, 1940 (Public, No. 667, 76th Congress, 3rd Sess.), provides, in part:

"To enable the Secretary of War, upon the recommendation of the Council of National Defense and the Advisory Commission thereof, and with the approval of the President, and without reference to section 3709, Revised Statutes, to expedite the production of equipment and supplies for the Army for emergency national defense

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purposes, including all of the objects and purposes specified under each of the appropriations available to the War Department during the fiscal year 1941, for procurement or production of equipment or supplies, for erection of structures, or for acquisition of land; the furnishing of Government-owned facilities at privately owned plants; the procurement and training of civilian personnel in connection with the production of equipment and material and the use and operation thereof; and for any other purposes which in the discretion of the Secretary of War are desirable in expediting production for military purposes and are recommended by the Council of National Defense and the Advisory Commission thereof, and approved by the President, \$150,000,000, to be immediately available, * * * and, in addition, the Secretary of War, upon the recommendation of the Council of National Defense and the Advisory Commission thereof, and with the approval of the President, is authorized to enter into contracts prior to July 1, 1941, for the same purposes to an amount not exceeding \$50,000,000; * * * ."

Section 1 of Act of July 2, 1940 (Public, No. 703, 76th Congress, 3rd Sess.), provides, in part:

"(a) in order to expedite the building up of the national defense, the Secretary of War is authorized, out of the moneys appropriated for the War Department for national-defense purposes for the fiscal year ending June 30, 1941, with or without advertising, (1) to provide for the necessary construction, rehabilitation, conversion, and installation at military posts, depots, stations, or other localities, of plants, buildings, facilities, utilities, and appurtenances thereto (including Government-owned facilities at privately owned plants and the expansion of such plants, and the acquisition of such land, and the purchase or lease of such structures, as may be necessary), for the development, manufacture, maintenance, and storage of military equipment, munitions, and supplies, and for shelter; (2) to provide for the development, purchase, manufacture, shipment, maintenance, and storage of military equipment, munitions, and supplies,

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and for shelter, at such places and under such conditions as he may deem necessary; and (3) to enter into such contracts * * *, and to amend or supplement such existing contracts, as he may deem necessary to carry out the purpose specified in this section: * * *.

"(b) The Secretary of War is further authorized, with or without advertising, to provide for the operation and maintenance of any plants, buildings, facilities, utilities, and appurtenances thereto constructed pursuant to the authorizations contained in this section and section 5, either by means of Government personnel or through the agency of selected qualified commercial manufacturers under contracts entered into with them, and, when he deems it necessary in the interest of the national defense, to lease, sell, or otherwise dispose of, any such plants, buildings, facilities, utilities, appurtenances thereto, and land, under such terms and conditions as he may deem advisable, and without regard to the provisions of section 321 of the Act of June 30, 1932 (47 Stat. 412)."

Section 5 of that Act provides, in part:

"The President is authorized, with or without advertising, through the appropriate agencies of the Government (1) to provide for emergencies affecting the national security and defense and for each and every purpose connected therewith, including all of the objects and purposes specified under any appropriation available or to be made available to the War Department for the fiscal years 1940 and 1941; (2) to provide for the furnishing of Government-owned facilities at privately owned plants; * * *."

Appropriations in terms practically identical with the last-quoted authorization are contained in the Military Appropriation Act, 1941, Act of June 13, 1940 (Public, No. 611, 76th Congress, 3rd Sess.), and the appropriation act for the Navy Department for the fiscal year ending June 30, 1941, Act of June 11, 1940 (Public, No. 588, 76th Congress, 3rd Sess.).

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It is apparent that by the foregoing statutes the Congress intended to provide methods and means to increase the capacity of the nation to produce articles necessary to the defense of the United States. In my opinion to you dated July 23, 1940, it was pointed out that the authority granted to the Reconstruction Finance Corporation by section 5(1) of the Act of June 25, 1940 (Public, No. 604, 76th Congress, 3rd Sess.), to make loans to private industry "for plant construction, expansion and equipment" to be used in the manufacture of equipment and supplies necessary to the national defense, contemplated, not only the immediate needs of the United States for such equipment and supplies, but also the present preparation of the industries of the United States for such production in possible future emergencies. It seems clear that the industrial preparation contemplated by the statutes now under consideration also is one for meeting these future emergencies as well as for meeting the present needs of the United States.

With respect to section 5(2) of the Act of June 25, 1940, quoted above, what was stated in my opinion of July 23, 1940, concerning the extent of the industrial preparation which was contemplated by the Congress under section 5(1) of that Act, and concerning sales to others than the United States is, of course, equally applicable. The only material difference in the two portions of that Act concerns the method of achieving the preparation.

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That the Congress contemplated the use of the funds appropriated in the previously-quoted portion of the First Supplemental National Defense Appropriation Act, 1941, for the above type of industrial preparation is indicated by the legislative history of that Act. The portions of the President's message to the Congress on May 31, 1940, which were quoted in my opinion to you of July 23, 1940, were set forth in part in the Report of the House Committee on H.R. 10095, the bill which became the Act now under consideration, as being "pertinent to the appropriations" recommended therein. (1940) H.R. Rep. No. 2497, 76th Cong., 3rd Sess. 3. In those portions of the President's message stress was placed on the need for the United States to prepare industrially "to meet possible future emergencies". In addition, the Committee stated with reference to the \$200,000,000 item contained in the above-quoted provision in the First Supplemental Act:

" * * * The purpose of the appropriation is to enable the War Department to be in position to provide additional manufacturing capacity either at Government arsenals, existing commercial plants, or by new plants all looking to major national-defense requirements. The terms of the appropriation as approved by the committee require approval of projects by the Secretary of War upon recommendation of the Council of National Defense and the Advisory Commission of the Council and final approval by the President. This fund is not contemplated for use in connection with the production of military material for which appropriations are contained in this bill or for which funds are contained in the military appropriation bill for 1941. In the latter bill

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is contained an emergency fund to the President of \$66,000,000 in direct appropriation and \$66,000,000 in contractual authority, or \$132,000,000 of obligating authority, for similar purposes.

"The present fund of \$200,000,000 looks to the future and to the procurement of facilities which will be needed for war purposes, which do not exist for normal commercial pursuits, and which take a very long time to create. The committee is advised that if the United States is to prepare for major national defense within the next 2 years it is necessary to create additional manufacturing capacity to fill in the gaps and deficiencies of our munitions production. * * * (1940) H.R. Rep. No. 2497, 76th Cong., 3rd Sess. 10. (Underlining supplied.)"

It is to be noted that there is nothing in the terms of the statute now under consideration which would restrict the use of the facilities which are authorized to be created to the production of supplies and equipment for the United States Government. Indeed, it is not reasonable to believe that the Congress intended that the industrial capacities authorized to be created by that statute, if not immediately needed to fill orders placed by the United States Government, should lie idle until the "possible future emergencies" arise. The creation by the Government of the facilities contemplated by the statute and their authorized installation in privately owned plants requires the cooperation of the owners of the plants and, in many cases, a vast physical reorganization of the plants. If that is to be accomplished at the present time and a

- 2 -

reasonable guid. prog. prog. obtained by the Government, it is only reasonable to assume that the Congress did not intend to forbid the utilization of the facilities to the extent necessary to fill orders that might be placed by others than the Government of the United States. [✓] Even apart from such guid. prog. prog., the same conclusion may, in my opinion, be reached by considering that the operation of the facilities would provide a method of giving valuable training to personnel, a necessary step in any industrial preparedness program and one which is recognized in several of the Acts above mentioned, including the statute now under consideration.

With respect to the precise question of using the facilities to fill orders placed by Great Britain, your attention is directed to a statement made by Representative Woodrum during the debates in the House on that portion of H.R. 10055 which is now under consideration. He stated:

"We are preparing to render to the Allies every possible assistance that can be rendered by a nation that is going to remain a neutral nation. We are going to send them supplies. We

[✓] It has previously been pointed out, of course, that the entire output of the plant would be available to the United States if needed. See, in this connection, section 2(a) of the Act of July 28, 1940 (Public, No. 671, 76th Congress, 3rd Sess.), which provides, in the discretion of the President, for priority to be given in the filling of Army and Navy contracts or orders over all deliveries for private account or for export.

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are going to send them planes and equipment. We are going to send them whatever can be sent to these countries so long as we can without actually entering this conflict." 86 Cong. Rec., June 12, 1940, at 12245.2/

In view of the foregoing discussion, it may be concluded that it would be legally proper to use the appropriation and authorization in the First Supplemental National Defense Appropriation Act, 1941, to assist the Y Company to enlarge its present plant capacity and equipment and that there could be no valid objection if such plant capacity and equipment were used by the Y Company for the proposed purposes.

Turning to sections 1 and 5 of the Act of July 2, 1940, an act to expedite national defense, set out above, it is evident from the wording of those sections that the authority therein granted is, as it concerns the question under consideration, as broad as the authority contained in the previously considered portion of the First Supplemental National Defense Appropriation Act, 1941. Under the language of that Act, the Secretary of War is authorized to provide for "the expansion of such [privately owned] plants", and to provide for "the furnishing of Government-owned facilities at privately owned plants". He is given authority "under such conditions as he may deem necessary" to provide for the

2/ Representative Woodrum was in charge of the bill on the floor of the House. Expository statements by those in charge of legislation may, of course, be used as an aid in the interpretation of that legislation. Wright v. Vinton Branch of the Mountain Trust Bank of Roanoke, (1937) 300 U.S. 400, 443.

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manufacture of munitions and supplies. The authority to expand privately owned plants on the condition that they may sell any part of their product not needed by the United States would clearly seem to be included. It will be noted that in subsection (b) of section 1 of the July 2 Act authority is given to the Secretary of War "to lease, sell, or otherwise dispose of" plants, buildings, facilities, utilities, appurtenances thereto, and land "under such terms and conditions as he may deem advisable."

The Act of July 2, 1940, was passed within a few days of the enactment of the First Supplemental National Defense Appropriation Act, 1941, and it would, therefore, seem to be unwarranted to read into the former Act, which in terms and import is so broad, restrictions which the Congress did not desire to include in the latter Act. In my opinion, therefore, the authority and funds granted in sections 1 and 5 of the Act of July 2, 1940, may validly be used in assisting the Y Company in the proposed manner.

It is my conclusion, therefore, with respect to each of the above-cited Acts, that ample authority exists whereby the Government of the United States may assist the Y Company in the contemplated plant expansion, and that there is no requirement, in absence of need thereof by the Government of the United States, that the output of such plant be sold exclusively to it.

Very truly yours,

(Signed) E. E. Clegg, Sr.
General Counsel.

The Honorable

The Secretary of the Treasury.

JAG:HPZ:PJV - ma
E-3-40



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
EA 840.51 Frozen
Credits/456

August 16, 1940

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits a copy of a note dated August 14, from the Peruvian Ambassador in Washington, requesting the licensing of transmittal of funds to Peruvian diplomatic and consular officers in territories occupied by Germany.

Enclosure;

From Peruvian Ambassador,
August 14, 1940.

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PERUVIAN EMBASSY
WASHINGTON, D. C.

August 14, 1940.

Your Excellency,

In view of the difficulties encountered by the Peruvian Consulate General at New York in forwarding their salaries to the Peruvian diplomatic and consular officers resident in the European countries now occupied by Germany, I have the honor to request that Your Excellency be so good as to obtain, if possible, from the competent United States Department authorization empowering the Central Hanover Bank to remit those funds.

TO THE SECRETARY OF STATE
WASHINGTON
OFFICE OF THE PERUVIAN CONSUL GENERAL
NEW YORK
AUG 15 1940
RECEIVED

The Peruvian Consulate General at New York acts in this instance as the Government's disbursing agency, and transacts business through the said Central Hanover Bank. I may add that the amount to be remitted monthly is not large, as the diplomatic and consular officers in question are few.

Thanking Your Excellency in advance, I have the honor to renew the assurances of my highest consideration.

M. de Freyre y S.

His Excellency
Cordell Hull,
Secretary of State,
Department of State,
Washington.

August 16, 1940

To: The Secretary
From: Mr. Buckley *LB*
Subject: Meeting on Allison Engines and Swedish Export
Situation - August 13, 1940.

This meeting was attended by Mr. Patterson, Major Smith and Mr. Buckley. Discussions under the two headings were as follows:

ALLISON ENGINES

There was outlined for the benefit of Mr. Patterson the shocking situation that the Allison plant produced only one engine last week and they cannot, at the present time, give any assurances as to future deliveries.

Until production makes up a back-log of 24 engines due on Army orders, as of the week beginning August 12, and is maintained at 15 per week for the Army thereafter, the British will get none of these engines under the present arrangement. Yet the British have about 40 airframes at the Curtiss plant at Buffalo awaiting Allison engines.

Suggestion was made that beginning at once every other engine produced be made available to the British, so that these airframes awaiting at Buffalo could be utilized quickly. This will mean a slight delay for the Army, but will make available to the British some pursuit ships which are vitally needed.

Mr. Patterson said that he was not at all familiar with the situation, but was impressed by the need for some action and would take it up with General Brett and General Arnold at the War Department.

SWEDISH EXPORT LICENSES

It was explained to Mr. Patterson that the Swedes have on order about 115 Republic pursuit planes, for 22 of which an old export license is outstanding. About 40 of these planes have been completed and are on hand at the Republic plant.

- 2 -

In addition, Sweden has on order 156 Vultee pursuit planes, on which order delivery is to begin in September.

Discussion brought out that export of the planes to Sweden would be contrary to our present policy. In fact, the Swedish Minister has already been advised informally that no licenses would be granted for the Vultee planes or for the Republic planes not covered by the present licenses.

Recommendation was made to Mr. Patterson that Colonel Maxwell revoke the export licenses on 22 Republic planes and that a method be worked out by which the planes could be sold to Canada or Great Britain, both of whom stand willing to take them.

Mr. Patterson expressed himself in favor of this procedure and agreed to take it up immediately with the men in the War Department and attempt to secure approval on the procedure recommended.

A discussion was then had as to the 211 Pratt and Whitney airplane engines for Sweden still covered by an export license. It was pointed out that these engines were badly needed by our own air force for pursuit planes and certainly should be kept here for them, rather than exported to Sweden.

Mr. Patterson expressed himself as heartily in accord with this view, and agreed that an effort should be made to have Colonel Maxwell revoke this export license.

The remaining items for which export licenses are still in effect for Sweden were discussed briefly and it was the consensus of opinion that the Administrator of Export Control, because of the nature of the items, should revoke all licenses with the possible exception of those covering a small amount of spare parts for Douglas DC-3 commercial airplanes; those covering 10,000 rounds of rifle ammunition; and those covering approximately 7,000,000 rounds of 9 mm. parabellum cartridges which have already been manufactured, are awaiting shipment, and cannot be used by the U. S. Army.

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There is attached a copy of a table showing the export licenses for Sweden which are still in effect. This tabulation was the basis for discussion at this meeting.

C O P Y

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Re: Swedish Export Licenses

The following is a complete analysis of undelivered balances of export licenses now in effect for shipment to Sweden:

Airplanes

22 Republic 2 PA pursuit ships are covered by license out of a total of 115 still to be delivered on an old order. 34 of these ships were on hand complete with engines ready for delivery on August 9.

No export license exists for 156 Vultee pursuit planes on which delivery will begin in September. The Swedes have asked Vultee to offer these planes to the U. S. Army.

Engines

211 Pratt and Whitney aircraft engines suitable for pursuit ships are covered by existing export licenses.

Propellers

106 Hamilton Standard Hydromatic propellers

36 Hamilton Standard propeller blades

50 Hamilton propeller hub forgings

65 Hamilton propeller blade forgings

All the above are covered by existing export licenses.

Spare Airplane Parts

\$193,602.00 worth of spare parts for the Republic 2 PA pursuit ships are covered by an existing export license.

\$ 29,091.67 worth of spare parts for Douglas DC-3 commercial planes are covered by existing export licenses.

- 2 -

Cartridges

- 23,150,000 rounds of 9 mm. parabellum ammunition suitable for Swedish, British, Canadian and German pistols are covered by existing export licenses.
- 10,000 rounds of rifle bullets are covered by existing export licenses.

August 16, 1940

To: The Secretary
From: Mr. Buckley *CB*
Subject: Meeting on Allison Engines and Swedish Export
Situation - August 14, 1940.

This meeting was attended by Mr. Patterson, Assistant Secretary of War, and Messrs. Foley, Cox and Buckley.

It was emphasized in the discussion that the objective at the moment was to get to the British as much material as possible within the next 60 days. To this end, Mr. Patterson was again apprised of the desperate situation with regard to deliveries of Allison engines and he agreed to do everything possible to secure agreement from the Army Air Corps to the allocation of every other Allison engine to the British.

Mr. Foley pointed out certain alternatives with reference to the disposition of the Swedish planes now on order. These were:

- (1) They could be sold to the U. S. Army which could trade them back in, leaving the manufacturers free to re-sell them to the British or Canadians.
- (2) Export licenses being revoked, the manufacturers would be free to dispose of the planes.

If they disposed of them to Canada, it would be in line with our general policy of hemisphere defense and should not embarrass the State Department. Mr. Patterson agreed that the second alternative was the better of the two, and will make every effort to secure agreement in the War Department to that end.

Mr. Patterson again reviewed the items for which export licenses are still outstanding, and agreed that with the possible exception of the spare parts for Douglas DC-3 commercial planes, the rifle ammunition and the 7,000,000 rounds of 9 mm. parabellum cartridges which have already been manufactured, the licenses ought to be revoked. He said that he would arrange to have a recommendation go to the Administrator of Export Control from the War Department, recommending such revocation.

August 16, 1940
9:08 a.m.

General
Brett:

Yes, sir.

H.M.Jr:

General, could you just explain to me -
I have before me my table here, and what
is the Allison V-170-27?

B:

The V --

H.M.Jr:

1710.

B:

1710, dash --

H.M.Jr:

27.

B:

Well, I haven't my book right here, sir.
I could call you right back. I'm up at
the head office and my book's down in
my other office. I could call you right
back and give you exactly the purpose of
that --

H.M.Jr:

Well, there's another, there's a 27-29 and --

B:

Well, I'll tell you, the 27-29 may be a small
change from the standpoint of the method of
supercharging, the method of ignition, or
whether it's a ram-controlled engine or
whether it's a straight carburetor engine.
I mean, and also, for instance if we're in-
stalling an engine in a P-39, it's a little
bit different than the P-30 and the P-40.
Now, the P-40 engine is a little bit different
than the P-14 engine.

H.M.Jr:

Could you go to your office and call me?

B:

Well, I can call you within three minutes.

H.M.Jr:

I'd appreciate it.

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B: I'm going right on down now.

H.M.Jr: Thank you.

B: Okay.