August 1, 1941

Dr. Feis
Mr. Cochran

Will you kindly send the following cablegram, at the expense of the Treasury's Stabilization Fund:

"American Embassy,
London.

For Cee from the Treasury Department.

Secretary Morgenthau wishes you to be in a position to report on conditions in the field as soon as possible. Therefore, subject to the Ambassador's approval, proceed to cover items 1, 2, 3 and 5 of your proposed agenda at once. Please note particularly second sentence in last paragraph of your copy of instructions from Secretary Morgenthau."

---

Regraded Unclassified
August 1, 1941

Dr. Feis

Mr. Cochran

Will you kindly send the following message at the expense of the Treasury's Stabilization Fund:

"American Embassy,
Chungking.

For Fox from Secretary of Treasury.

Roelett was interviewed in the Treasury today and is agreeable to proceeding at an early date to China to act as your secretary at a salary of $3,500 and $6.00 per day V. S. currency plus transportation both ways. Dr. Soong has been informed of your urgent need for a secretary and of your preference for Roelett. Dr. Soong will receive Roelett Monday afternoon to discuss possibility of employment on above terms and travel arrangements if contract is consummated."

[Signature]
August 1, 1941

Dr. Feis
Mr. Cochran

Will you kindly send, with the approval of your Far Eastern Division and Dr. Currie, and at Treasury expense, the following cablegram:

"American Embassy, Chungking.

For Fox from Secretary of Treasury.

Please keep us currently informed regarding effects of freezing orders on China and forward any suggestions regarding the administration and application of these orders. We are especially interested in the operations of the various general licenses. It would be helpful if you could discuss with your colleagues and evaluate frequently the wisdom of continuing or amending each of the general licenses and keep us informed of views on this matter. Also relay any information to us of dollar situation in Hong Kong resulting from exclusion of Hong Kong from our Freezing Control."

[Signature]
PARAPHRASE

A telegram (no. 324) of August 1, 1941 from the American Ambassador at Chungking reads substantially as follows:

The American Ambassador was confidentially informed by Quo Tai-chi (Minister for Foreign Affairs) during the course of a conversation recently of a proposal by the British to send to China an economic mission headed probably by Otto Niemeyer or some other British economist equally as prominent. It was Quo's understanding that the British Government is taking the matter up with the American Government with the suggestion that the consonance should be Anglo-American. Although Quo Tai-chi did not know what could be accomplished in a substantial way by the mission at this time, he was of the opinion that its coming might have a good psychological effect. He said in reply to inquiries from the Ambassador that the mission would come as in response to an invitation extended by General Chiang Kai-shek about a year ago.

Although it might be considered advisable to join in this proposed economic mission if only for the purpose of showing solidarity in the attitude of assistance to and sympathy for China on the part of the United States and Great Britain, the Ambassador is of the opinion that such a mission could do little more than point out China's need for financial assistance and recommend at least (?) financial reforms, the effect of which however on the economic and financial position, even if the reforms could be adopted, would be limited. In this connection there is a suspicion that to some extent the British proposal may represent another attempt to embarrass the present Minister of Finance.

The economic and financial position of China is most unsatisfactory
it is true, inflation is going on at the rate of about 400,000,000 Chinese dollars new note issue each month, price levels are increasing until in an alarming manner, and recently nothing in the way of instituting financial reforms has been done by the Government. It must be remembered that the usual revenue sources of China—salt, customs and consolidated taxes—have now to a great extent fallen into the hands of the Japanese; that it is not in position now to reduce military expenses; and that the fiscal and economic organization (?) (?) the advantage under control of the national Government is such that it will be difficult if not impossible to introduce new revenue producing measures and even if such measures are introduced they will do little to improve the real financial situation.

Currency inflation is not the sole cause of the rise in price levels. A serious shortage of commodities actually exists and this brings about a very competitive demand and hoarding. The route of supply from Hunan Province and the other areas up the Yangtze River was blocked about a year ago by the loss to Japan of Ichang. The food situation would no doubt be improved by the recapture by the Chinese of Ichang. However this seemingly cannot be undertaken without artillery which China does not have at this time. In the opinion of the American Ambassador we are faced with the unfortunate picture of Government expenditures (?) more than income and available revenue (?). Some persons estimate that the ratio of expenditure to revenue is as high as two to one. He sees the resort to printing money as the only means available by which to meet the deficit. A foreign economic mission may recommend fiscal measures and reforms which could bring about little actual improvement.
in the situation in the near future even if it was found practicable to introduce such reforms in this area of China. The American Ambassador is of the opinion that the principal recommendation to be made by such a mission must be for outright financial assistance to keep the Chungking Government operating and to keep China in a condition of continued resistance to the Japanese. Already the American Government is aiding China substantially under the stabilization loan, the Import-Export Bank credits and the Lend-Lease Act. In case we join the economic mission it must be expected that it would be found necessary to give China further substantial financial assistance and that we will probably be expected to supply the greater part of this assistance. The suggestion that we join the mission may have been prompted to some extent by this consideration.
DEPARTMENT OF STATE

Washington

August 1, 1941.

In reply refer to
DA 840.51 Frozen Credits/2736

The Secretary of State presents his compliments to
the Honorable the Secretary of the Treasury and encloses
six copies of telegram No. 194, dated July 31, 1941,
from the American Embassy at Peiping, China, reporting
that the enforcement of certain retaliatory freezing
measures will be entrusted to a new group of persons
known at the "Central Special Assets Commission."

Enclosure:

From Embassy, Peiping,
No. 194, July 31, 1941.
(6)

cc: copy
Peiping via NR
Dated July 31, 1941.
Rec'd 11:50 p.m.

Secretary of State,

Washington,

194, July Thirty-first.

It was announced here today that enforcement of the retaliatory freezing measures mentioned in the Embassy's 189, July 29, 5 p.m., will be entrusted to a new group of persons known as the "Central Special assets Commission" composed of North China representatives of the Japanese Army, the Japanese Embassy, the China Affairs Board, the Japanese Ministry of Finance and the Federal Reserve Bank. The head office of the Commission will be in Peiping; branches will be established at other places in North China under supervision of the special affairs section of the Japanese Army.

Other local developments resulting from the retaliatory measures which came into force July 28 include the freezing of substantial American deposits held by Chinese and Japanese banks, the suspension of foreign exchange transactions for American citizens, and the impounding of American travelers baggage at the railway station in Peiping.

This office made inquiry of the Japanese Embassy yesterday in regard to the impounding of baggage. Part of the baggage was released this morning.

Sent to the Department, repeated to Chungking, Shanghai, Tientsin.

Copy airmailed to Tokyo.

KLP

eh: copy
DEPARTMENT OF STATE

Washington

In reply refer to
Re 840.51 Frozen Credits/2793

August 1, 1941.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses three copies of telegram No. 45, dated July 30, 1941, from the American Consulate at Tsingtao, China, in regard to an official announcement by the Japanese Consul General which was published in a local newspaper and which gives the regulations governing the dealings of other nationals with British and American promoters.

Enclosure:

From Consulate, Tsingtao,
No. 45, July 30, 1941. (3).
Secretary of State,

Washington,

45, July 30, 3 p.m.

Official announcement by the Japanese Consul General published in local newspaper gives regulations governing dealings of other nationals with British and American promoters. Principle provisions forbid transactions involving transfer of movable or immovable property, loans or collections licentious payment of debts, payment of deposits and general business or collections investment in business or other enterprises without the permission of the Japanese Consul General. Japanese banks are reported to allow withdrawals up to $500 FEB currency to individual depositors per month which is the amount FEB currency to individual depositors per month which is the amount currency allowed per family. Certain exceptions are provided for but Chinese and Japanese firms and banks are on the side of caution in dealing with British and American nationals. Regulations are doubtless the same as those enacted elsewhere in occupied China and will not be supplied in detail unless the Department so instructs.

Travel by rail is still prohibited to British and American nationals although permission has in one case been granted to an American traveller for the journey to Shanghai by steamer. Oil companies are still forbidden to remove stocks from their installation and local retail supply is practically exhausted. Sent to the Dept. Repeated to Peiping, Chungking and Shanghai.
TELEGRAM RECEIVED

From

SFWU X 71, 3 Ex.


Department of State,
Washington, D. C.

In view of Finland's position, believe you are considering order freezing Finnish funds in this country. There is now pending in this city an arbitration in which an American firm for whom we are counsel is seeking to recover several hundred thousand dollars from Pulp Sales Corporation representatives Finnish Cellulose Association. Unless freezing order is entered immediately recovery of any amount which may be awarded may be impossible.

Mendes Krisel & Lessall,

1450 Broadway,
New York City.

12:10 P.M.
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMBASSADOR, BUDAPEST

TO: Secretary of State, Washington

DATED: August 1, 1941

NO.: 471

STRICTLY CONFIDENTIAL

The Hungarian Government pursuant to the Economic Agreement between Germany and Hungary which ended recently has decided to unify the exchange premium on all foreign exchange. No premium is received by Russia, which is the only exception to the foregoing. The average unified premium will be 21 3/4 per cent, the same as the existing reichsmark premium. The order becomes effective August 1 with respect to the Swiss franc and the Swedish kroner. Since it is understood that the premium upon Italian exchange must be agreed to by both parties, the authorities are seeking an exchange agreement with Italy. Since quotations have been suspended with respect to the American dollar and pound sterling, the foregoing has no application to those currencies. The non-existence of trading possibilities with the United States and the British Empire, together with the freezing measures of those countries, have been given as reasons for the non-application of the measure. It has been pointed out that except for small
licenses obtained in the United States there is no possibility of receiving payments therefrom. Neither pound sterling nor dollars will therefore be bought by the National Bank. There will be no alteration in the Hungarian debt service, to which the last quotation will be applied.

FELL
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMBASSADOR, BUDAPEST

TO: Secretary of State, Washington

DATED: August 1, 1941

NO.: 472

I was told today by the Governor of Hungary's National Bank, Doctor Baranyai, that Germany had insisted upon the action taken by the Hungarian Government as reported in my earlier telegram of today, and that Clodius had insisted upon the reduction to the 20 odd per cent granted Germany of premiums for all countries mentioned. Rather than meet the alternative German ultimatum of increasing the premium to Germany to the percentage granted free devisen countries, the Governor preferred the discontinuance of quotations on dollars and pounds, since the alternative would result in the economic breakdown of Hungary. The Germans had been very rough according to Baranyai, who implied that if there had been refusal on the part of the Bardoay Government acquiescence might be obtained from an Imredi Government.

There is no doubt that a European financial leadership is being attempted by Germany, and the hope that his action in discontinuing quotations with respect to dollars and pounds will be understood by other
other countries was expressed by Baranyai. If and when Hungary is permitted to deal with and settle its own questions concerning politics and finances, the Governor's action undoubtedly will permit greater freedom of action than would the alternative. Agreement as to the fixing of prices for quotas agreed upon and that no further currency fluctuation would be permitted was provided by the accord between the two countries.

FELL
To: Secretary Morgenthau  
From: Mr. White  

You may be interested in the attached estimate which indicates that the six principal concessions which are being offered to Argentina in the current trade agreement negotiations will involve a calculated loss of revenue to the Treasury of about $11 million.

Attachment

MR. WHITE  
Branch 2058 - 214½
### Estimated Loss in Customs Revenues from Six Principal Concessions to Argentina 1/

(thousands of specified units)

<table>
<thead>
<tr>
<th>Tariff paragraph</th>
<th>Item</th>
<th>Unit</th>
<th>Imports 1940</th>
<th>Imports 1941</th>
<th>Calculated duty 2/</th>
<th>Calculated loss of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>casein</td>
<td>lbs.</td>
<td>24,518</td>
<td>25,000</td>
<td>$1,380</td>
<td>$690</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>1,243</td>
<td>1,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>706</td>
<td>canned beef</td>
<td>lb.</td>
<td>61,327</td>
<td>75,000</td>
<td>$4,500</td>
<td>$2,250</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>6,908</td>
<td>8,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>762</td>
<td>flaxseed</td>
<td>bu.</td>
<td>11,825</td>
<td>14,000</td>
<td>$9,100</td>
<td>$4,550</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>14,121</td>
<td>10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1101(a)</td>
<td>wools, not finer than 40s</td>
<td>lb.</td>
<td>15,584</td>
<td>20,000</td>
<td>$4,600</td>
<td>$2,400</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>4,995</td>
<td>5,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1102(a)</td>
<td>wools, not finer than 44s</td>
<td>lb.</td>
<td>3,894</td>
<td>5,500</td>
<td>$1,560</td>
<td>$900</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>1,509</td>
<td>1,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1530(a)</td>
<td>cattle hides</td>
<td>$</td>
<td>16,915</td>
<td>20,000</td>
<td>$2,000</td>
<td>$1,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$45,691</td>
<td>$46,600</td>
<td>$23,140</td>
<td>$11,790</td>
</tr>
</tbody>
</table>

---

1/ No allowance is made for any increase in imports arising from the reduced rates of duty. Actually imports may be expected to increase somewhat, so that the probable loss of customs revenues will be less than that indicated above. On the other hand, no allowance has been made for possible decreases in imports as a result of shipping shortages.

2/ On basis of estimated imports in 1941. On the basis of 1940 imports the duties at old rates total $19,256,000, duties at new rates total $9,863,000, and the calculated loss of revenue totals $9,393,000.
MEMORANDUM

1. The Department of State has been considering with other agencies of the Government of the United States measures which might appropriately be included in a long-term plan of collaboration to foster continued mutually beneficial economic relations between the United States and Bolivia and to develop the national economy and national resources of Bolivia.

2. It is believed that the basis of such a plan must be in the development of communications — largely of highways, but perhaps including certain railway facilities. The report of the United States Army engineers who studied the Vila Vila-Santa Cruz railway project does not support the construction of such a railway, but suggests as an alternative consideration of the construction of a highway joining the two points. It is believed that a decision regarding a long-term program for the development of communications in Bolivia can best be taken after a general survey by competent engineers.

The Bolivian Government has recently inquired concerning the possibility of a general survey by highway experts, and there is attached a memorandum outlining the studies which the appropriate officials of this Government believe may be practicable at this time. The Government of the United States is prepared to detail qualified experts to Bolivia under the provisions of Public No. 63 (76th Congress) to carry out this survey work.

3. The development of communications should encourage an expansion and diversification of agricultural production in Bolivia, involving both an increased degree of self-sufficiency and perhaps the development of certain tropical products for export. It is believed that this development might be advantageously speeded up and assisted by a comprehensive survey of the...
several potentially important agricultural regions of Bolivia. The Government of the United States is prepared at the request of the Bolivian Government to detail competent agricultural experts to carry out such a survey in cooperation with the Bolivian authorities.

3. It has been suggested that it may be feasible and desirable to stimulate production of tin, tungsten and certain other minerals in Bolivia of small mines by assisting them in improving their methods, providing them with appropriate machinery, and possibly erecting a reduction plant for the treatment of low-grade tin ores. Such possibilities of course would require careful study, and the Government of the United States would be glad to consider any request that may be made by the Government of Bolivia for the services of a qualified expert.

5. The Government of the United States is prepared to cooperate in giving effect to the recommendations arising out of thorough technical and economic surveys of Bolivian communications needs and agricultural and mineral potentialities by the extension of financial and technical assistance in appropriate manner and amounts for the execution of individual projects which are considered desirable, useful, and practicable by both the Bolivian and United States Governments.

6. The Government of the United States is prepared to consider the practicability of measures which may be suggested for cooperation with the Government of Bolivia in the stabilization of the Bolivian currency in its relation to the United States dollar.

Department of State
Washington.

RA:393:M70 8-1-41  Copy:alm 8-4-41
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMBASSADY, Rio de Janeiro
TO: Secretary of State, Washington
DATED: August 1, 1941, 10 p.m.
NUMBER: 990

CONFIDENTIAL, NOT FOR PUBLICATION

Negotiations will in the near future be initiated by British cotton firms with Brazilian cotton exporters for the purchase of (a) approximately one million sterling area of Sao Paulo cotton. This (†) differs from the British cotton deal referred to in my telegram of June 16, no. 673, in that the cotton will not be purchased through the Brazilian Government but will be purchased direct.

I was told today by the French Commercial Attaché that the Vichy Government will next week begin negotiations to buy 52,000 contos worth of Sao Paulo cotton to be paid for by the redemption of part of the French bonds of the Sao Paulo—Rio Grande railway. This cotton will be stored here.

CAFFEY

* Apparent omission.

COPY: alg; wsc: 8-15-41

Regraded Unclassified
CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £89,000
Purchased from commercial concerns £ 9,000

The Federal Reserve Bank of New York sold £15,000 in registered sterling to the
American Express Company.

Open market sterling remained at 4,03-1/2. Transactions of the reporting banks
were as follows:

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

In New York, closing quotations for the foreign currencies listed below were
( as follows):

Canadian dollar 11-3/8% discount
 Argentine peso (free) .2380
 Brazilian milreis (free) .0505
 Uruguayan peso (free) .4360
 Colombian peso .5800
 Mexican peso .2070
 Cuban peso 1-1/16% discount

In Shanghai, the yuan remained at 5-3/16¢, and sterling was again quoted at
4,02-1/2.

According to a cable received from London, Hong Kong was brought into the
sterling area today. One of the New York banks received cable advice from Hong Kong
stating that no exchange business had been transacted there today, "due to confusion"
since the extension of our freezing control to Japan and China, the Hong Kong dollar
has shown a firm tendency in terms of our currency, and yesterday's quotation was
25-1/4¢, as compared with 24-11/16¢ at the end of last week. Sterling in that
center has also advanced against the dollar, rising from 3.95 on July 26 to 4.04
yesterday.

We sold $10,000,000 in gold to the Central Bank of Java, which was added to its
earmarked account.
The Treasury issued licenses under both the Gold Reserve Act and Executive Order No. 8389, as amended, permitting the Federal to effect the following transfer of gold in its vaults:

$409,342 from B.I.S. account No. 6 to the account of the Central Bank of El Salvador. This gold, which constitutes the remaining balance in account No. 6, is to be transferred on August 22.

Gold in B.I.S. account No. 6 was pledged to the B.I.S. by the Salvadoran bank last December and January as collateral for B.I.S. dollar loans. On August 21, the $400,000 loans still outstanding will be repaid by a dollar transfer from Salvador's account at the Federal to the B.I.S. account, and the gold transfer represents a release of the collateral.

No new gold engagements were reported to us today.

In London, spot and forward silver were priced at 23-7/16d, off 1/16d. The U.S. equivalent of this price is 42.55¢.

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

We made seven purchases of silver amounting to 970,000 ounces under the Silver Purchase Act, all of which was bought for forward delivery. Of this amount, 700,000 ounces represented new production from Peru, and 270,000 ounces consisted of new production from Honduras.
BRITISH EMBASSY,
WASHINGTON.

August 1st, 1941.

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,

Halifax

The Honourable

Henry Morgenthau, Jr.,
United States Treasury,
Washington, D. C.
Telegram from London dated July 31st.

1. **Naval:** Naval aircraft attacked Bremes p.m. July 30th. Two hits made on Bremes and one hit each on 4 merchant vessels. Other results unobserved. We lost eleven torpedo aircraft and two fighters. Two Messerschmidt 109's, one Junker destroyed.

2. Another force of naval aircraft attacked Petamo same time. Jetties torpedoed and fire started in oil tanks and warehouse. Three aircraft lost, one Messerschmidt 109 destroyed.

3. **Royal Air Force:** Two attacks were made by bomber command on convoy of five ships and U-boats p.m. July 30th off Heligoland. First attack two merchant vessels claimed hit with bombs. Second attack U-boat attached by [word omitted] but not hit. 1500 ton merchant vessel claimed as total loss. Altogether Royal Air Force on July 30th claims to have destroyed 5 ships totalling about 6000 tons.

4. **Night of July 30th/31st heavy attack made on Cologne industrial area.** One aircraft lost and two overdue.

5. On July 29th when strong force of dive-bombers and fighters attacked British convoy off Libya, our fighters shot down four Junkers 87, two Messerschmidt 109 for loss of two Tomahawks.

6. On July 30th six Messfighters attacked Elmas (Sardinia) aerodromes and seaplane base destroyed five aircraft and damaged seven. Large fire started hangars.

7. **Military:** Tobruk. Night of July 28th/29th fighting patrol evicted large party of Italians from position 4000 yards east of Perimeter. Enemy casualties unknown, ourselves 2. Some area captured. Other patrols penetrated deep into enemy lines south of Derna Road without making contact. July 29th enemy/
enemy shelled harbour demolishing secondary pumping plant.

8. Eladom area. Our mechanised patrols have destroyed 2000 gallons of aviation spirit, 600 gallons of oil at landing field 50 miles south east of Eladom.

9. Russia. Estonia. Slight German progress towards Tallinn and southwest Lake Ilmen. Smolensk area heavy fighting but apparently no important change. To southwest of Smolensk Russian counter attacks believed slackening.

Ukraine. Some German progress south Kiev against stubborn Russian resistance.
NOTICE

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

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

LEWIS AND BREN GUN SUCCESSES AGAINST ENEMY AIRCRAFT

SOURCE

This is the third and last of a series of three bulletins based upon information contained in a British handbook for light machine gunners. The handbook was written by a retired English army officer and its publication in March, 1941, was approved by the Ministry of Information.

The first bulletin of the series, Tentative Lessons Bulletin No. 124, covered data on the Lewis light machine gun. The second, Tentative Lessons Bulletin No. 132, contained similar data on the Bren and Hotchkiss light machine guns, together with firing instructions.

Intended propagandistic effects in this bulletin should not be overlooked.

CONTENTS

1. GENERAL
2. LEWIS GUN
3. BREN GUN

NO OBJECTION TO PUBLICATION IN SERVICE JOURNALS
LEWIS AND BREN GUN SUCCESSES AGAINST ENEMY AIRCRAFT

1. GENERAL

Single Lewis and Bren Guns, manned by gunners of the fighting forces on land and sea, the mercantile marine, and trawler flotillas, have been handled with outstanding success.

2. LEWIS GUN

a. With Infantry Column

During the withdrawal to the coast of the Allied Forces in Belgium, in May, 1940, a column of French infantry was moving up to the front line when it was attacked with bombs and machine guns by low-flying enemy aircraft. The column was obliged to scatter, and each soldier had to rely on his own initiative.

One of the soldiers, a private armed with a Lewis gun, settled himself at the side of the road and put his gun into position. Then, after waiting until one of the German planes dived sufficiently low, he took careful aim and brought it down with his first burst of fire. Another German plane arrived at full speed, skimming over the ground. Again the private took aim; and the second machine fell. He had demonstrated that an infantry man armed with a Lewis gun can destroy these formidable machines.

b. At Dunkirk

During the Evacuation of the British Expeditionary Forces from Dunkirk, a Lewis gunner on a small British ship successfully fought relays of bombers for several hours. An evacuated B.E.F. soldier told this story at an East Coast port, on May 30, 1940:

"Every one of us owes his life to that single man. When we reached the coast we were exhausted, having been fighting and marching day and night for several days. A small British ship had come inshore, stern first, as close as she could. Half wading, half swimming, we clambered on board. Then the bombers came. But as they roared towards us a Lewis gunner in the stern of the ship replied.

"Because of the tide we were unable to sail for several hours, all the time that Lewis gun was answering. At least four of the planes were very badly damaged. Bombs were throwing up spray all around us and making the ship tremble from stem to stern. Finally the ammunition began to run low, so we took rounds from our own pouches, and spent the time between attacks refilling the Lewis drum."
"At last we sailed, but not until we were a long distance away did the Germans cease attacking. By then the gunner was almost dropping from fatigue. When we all gathered round and cheered him, he did not hear us. The noise of continuous firing had left him temporarily deaf."

c. On Fishing Trawlers

Now that they have been given arms for defence against air attacks by Nazi planes, the men of Britain's fishing fleet fight enemy aircraft as a sideline.

(1) A trawler was fishing peacefully when she was attacked by two German airplanes. The first came very low over the trawler, and one of the fishermen opened fire with the Lewis gun. His bullets ripped into the plane, and in a matter of seconds black smoke poured from both of its engines and a trail of dirty white smoke from its fuselage. The aircraft, crippled, tried to fly away to the eastward, but it lost height rapidly and could not climb. The second plane abandoned its attack on the trawler when it saw how effectively the fishermen could hit back.

(2) Another fishing vessel, attacked by a Heinkel-lll bomber, opened such effective fire with its Lewis gun that it brought the attacker crashing down into the sea. The crew of the Heinkel were picked up and are now prisoners in England.

(3) A Goole motor ship was machine-gunned less than half an hour after it left port. The enemy plane swooped down with engines cut out. Though taken by surprise, the chief engineer jumped to the ship's Lewis gun, and poured four drums of ammunition into the tail of the plane as it made off astern.

Tracer bullets were seen entering the tail, and, as the rear gunner never fired a shot, it seems probable that he was hit. While the Lewis gun was firing the plane dived within a few yards of the surface and thenbanked and turned. Bullets penetrated many parts of the ship, but there was only one slight casualty aboard.

d. At Airdrome

Useful lessons, on the subject of defending airdromes from attack by air-borne troops, have been learned from operations in France. In recent operations south of the Somme it was obvious that attacks by parachutists, and possibly by airplane-carried troops, would be made on certain large airdromes situated in the heart of the lines of communication of the R.E.F. at Rouen.

At one airdrome the infantry personnel was largely that
of a Divisional HQ. Included were clerks, cooks, drivers, and storemen, armed with rifles and a few Lewis and Bren guns. Since most of the men were old soldiers, the Lewis guns were particular favorites with them.

At about five o'clock a most determined attack was made from very low altitudes by some 30 German planes. Two or three machines were shot down with small arms and light automatic fire by the troops guarding the airfield.

One particular airplane was felled by the lone efforts of a corporal who was in charge of the Divisional HQ cook-house. This corporal was a particularly expert Lewis gunner who was firing a Lewis gun which he had "borrowed" from somewhere. The plane fell in flames not many yards away from his post.

After this attack had been repelled the enemy confined its efforts to bombing from very high altitudes.

e. In North Sea

On August 2, 1940, the S.S. Highlander, of Aberdeen, reached port with the wreckage of a Heinkel-115 bomber lying across her broken bridge and afterdeck. The rest of that Heinkel and the wreckage of another were in the North Sea, shot down by one Lewis gun manned by two gunners.

The first plane appeared soon after midnight on August 1. Twice it swooped across the ship, coming lower each time, but the gunner held his fire until it came a third time; then he opened fire. The plane attacked and dived from bow to stern; the gunner aimed at the spot at which he judged the airplane would come into sight over the superstructure of the ship. The machine came right into his line of sight as he opened fire. It lurched over the ship about 30 feet away and then crashed. One wing caught the side of the bridge, the other wing fell over the deck and smashed the railings; the body then broke away, and bursting into flames, crashed into the sea.

While the crew was looking for survivors, a second Heinkel appeared and dived to the attack. The second gunner persuaded his comrade to hand over the Lewis gun to him; and the new marksman likewise held his fire until the plane was really near. He scored hits with his first burst, and the second Heinkel crashed straight into the sea—the whole action was over in 20 minutes.

f. At a Sussex Airfield
In August, 1940, an officer of the Royal Engineers was in command of a party of sappers working on the defenses of a Sussex airfield, when it was suddenly attacked by German planes. The officer got into a pillbox of his own construction, with a Lewis Gun in hand. The planes were swooping down almost to the level of the chimney pots. He winged one, and then fired on the next one, a Dornier, it crashed three-quarters of a mile away. The crew of three was killed by Lewis gun fire, and the officer was officially credited with the Dornier.

Off the Cornish Coast

It was learned on February 5, 1941, that a German bomber, which had crashed shortly before that date in the sea off the Cornish coast, had been shot down by a Norwegian Merchant ship. Diving out of the clouds, the bomber had dropped four bombs which fell in the sea around the vessel, and had then made off into the clouds again. A few seconds later it had returned to rake the vessel with machine gun fire. A Norwegian sailor stuck to his post at a Lewis gun; he hit the raider, causing it to dive, and then riddled it with bullets as it was coming down. The crew of four was killed.

BREN GUN

a. With the B.E.F.

At 6 A.M. on Sunday, May 12, 1940, eleven Dornier - 215s flew at a height of about 50 feet very near to a gun position at which was stationed a lance-bombardier of the British Expeditionary Forces in France. The bombers appeared to be planning to attack the gun site, since they were flying in line astern formation in the direction of the site. Although a burst of machine gun fire came from one of the planes, and although he was standing quite unprotected by any form of emplacement, the bombardier opened fire with his Bren gun.

Because of this action the approach of the aircraft was turned away from the site, five planes flying away to one side and six to the other. The bombardier engaged each plane as it arrived, and one plane appeared to be hit a number of times. By his exemplary conduct and coolness in action, this NCO set a very high example to the section and saved the gun site.

b. At Abberton

In the early hours of November 8, 1940, at Abberton, near Colchester, a corporal, operating a Bren gun, shot down a big German bomber, a Dornier - 17, carrying a crew of six. The machine was badly damaged as it crashed. Two of the crew were taken to a hospital, and the other four were made prisoners.
SITUATION REPORT

I. Eastern Theater.

Ground: German forces advancing on the Leningrad front south of Lake Ilmen reached the areas just west of Stereysa-Russia and Cholm on July 28th.

Russian forces, including Siberian divisions, are counter-attacking along the axis: Kaluga-Smolensk, in order to free Russian forces encircled by German columns between Smolensk and Vyazma. Strong Russian forces hold the area Rogachev-Gomel on the southern flank of the German salient pointing towards Moscow.

A German mechanized force advancing southeastward through the Russian Ukraine has reached the area just east of Svenigorodka. Another German infantry force has reached Umen east of Tultachin. Behind these columns, considerable Russian forces continue to resist strongly in two well defined areas:

(1) Southeast of Berdichev.  
(2) East of Winnica.

It is not known whether these Russian forces are encircled or whether they have still communication with the interior of Russia. A German column advancing eastward from Balta reached a point 25 miles east of that city on July 28th.

Air: No change in the general situation.

II. Western Theater.

Air: German - A few local night attacks on English ports and airfields.  
British - Very limited activity by day and night.

III. Mediterranean Theater.

Ground: Nothing of importance.  
Air: Widespread small Axis raids over Egypt, including Alexandria and the Suez Canal. The British raided Benghasi and points in Sicily.

REstricted
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE August 2, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 9:20 this morning Mr. Loy Henderson telephoned me from the Department of State. He said that after our conversation some days ago he had sent a memorandum to Acting Secretary Welles in regard to the suggested exchange of notes between the Secretary of the Treasury and the Soviet Ambassador concerning gold.

Mr. Welles had today referred to this memorandum for the first time, informing Mr. Henderson that he opposed the idea of such an exchange. It was my impression from what Henderson said that there was a general opposition on the part of Mr. Welles to the Treasury Department undertaking to consummate a binding agreement through direct correspondence with the diplomatic representative of a foreign government. Mr. Henderson gave me this information on a personal basis, and asked how it should be conveyed to Secretary Morgenthau. I told him that if either Mr. Bell, the Acting Secretary, or I should be speaking by telephone this morning with Secretary Morgenthau, who is in the country, we could pass on the word.

I was with Mr. Bell when the Secretary called him shortly after 11 o'clock and Mr. Bell mentioned to the Secretary that Mr. Welles was opposed to the idea of the exchange of notes with the Soviet Ambassador. The Secretary told Mr. Bell that he did not want to go into this until Monday. Mr. Bell gave the Secretary themessage which I had received from Henderson to the effect that the question of the signing of the trade agreement by the Soviet Ambassador and the Department of State might very likely come up on Monday, so there was some urgency involved.
At 11 o'clock on July 22 the following officers met with Secretary Morgenthau in preparation for his conference with the Soviet Ambassador to be held at 3 o'clock that afternoon: Messrs. Bell, Foley, White, Bernstein and Cochran.

I showed to the Secretary the attached memorandum dated July 19, 1941, in which I had recounted our earlier negotiations with the Soviet Ambassador on the question of gold. The Secretary did not read the memorandum entirely, but I summarised it to him.

I also explained to the Secretary that we had drafted three alternative replies to the letter of July 16 from Acting Secretary of State Welles on the above subject. In drafting each of these alternative letters we envisaged that the Secretary would first have a private talk with the Soviet Ambassador. He could then decide which of the three might be suitable. Copies of the draft letters are attached. The Secretary preferred to have no documents before him upon receiving the Ambassador, other than the original letter of July 16 from Mr. Welles. He hoped to discourage the Ambassador from asking for anything in writing from the Treasury at this time. It was the opinion of all of the Secretary's advisors that no special commitment should be given the Soviets unless the Secretary felt bound by his conversation of last October with Ambassador Gumansky.
In August of 1940 the State Department raised with the Treasury the request of the Union of Soviet Socialist Republics as presented by the Soviet Ambassador in the United States, for assurances from the Government of the United States that the State Bank of the U.S.S.R. would be permitted without hindrance to export gold to the United States, that the Treasury of the United States would purchase such gold, and particularly that the Government of the United States would not take with respect to the U.S.S.R. any measures prohibiting or curtailing imports or exports of gold or silver which should not be applied with respect to all other countries. This question was discussed by the State and Treasury Departments at some length.

With the Secretary's approval, there was sent to the Department of State under date of September 30, 1940, the Treasury Department's suggestion for a draft letter to the Soviet Ambassador, amending the draft received by the Treasury from the State Department. This draft letter is quoted herewith:

"Sir:

The receipt is acknowledged of your note of 1940, in which you state that the Government of the Union of Soviet Socialist Republics would appreciate certain assurances from the Government of the United States relating to the purchase of Soviet gold in the United States.

In announcements of January 31 and February 1, 1934, the Secretary of the Treasury stated that, until further notice, the United States would buy gold imported from abroad at the rate of $35 per fine troy ounce, less the usual mint charges and less one-fourth of one percent, all subject to compliance with the regulations issued under the Gold Reserve Act of 1934. Such gold purchases have been made continuously thereafter and without discrimination.

The foregoing continues to be the policy of the Government of the United States and it is also the established policy of the Government of the United States not to enter into any undertaking which might tend to limit its freedom of action in the purchase of gold."

On October 22, 1940, Mr. Page of the Russian Division of the Department of State telephoned me that the Soviet Ambassador was requesting Under Secretary of State Welles to insert a further sentence in the contemplated draft above quoted, pledging most favored nation treatment by the United States. I told Mr. Page that the draft which we had already approved had, according to my recollection, made it clear that the Treasury does not practice discrimination in its gold purchases.
I added that Mr. Henderson of the Department of State and I had had several conversations over our attitude toward Russia on this question of trying to bind the Treasury exceptionally, and that I was convinced that Secretary Morgenthau would make no pledge in this direction beyond that incorporated in the draft letter to which we had already agreed. I told Page this was my personal reply, but that if Mr. Welles felt that their negotiations with the Russians importantly depended upon our attitude on gold, and if he desired that this question be again submitted to Secretary Morgenthau, I would gladly do so on hearing further from the Department of State.

On October 24 Mr. Page telephoned me, and later came to discuss with Mr. Bernstein and me a redraft of the proposed letter to the Soviet Ambassador, in which it was contemplated that the following text should replace that of the third paragraph of the letter above quoted:

"The foregoing continues to be the policy of the Government of the United States and assurances are given to the Government of the U.S.S.R. that no prohibitive or restrictive measures will be applied to the export or import of Soviet gold or silver which will not be applied to all other countries."

I took this draft to Secretary Morgenthau, who approved it, stating that this was the text which he had agreed to in a private conversation with the Russian Ambassador.

As indicated in my memorandum of July 14, 1941, and Mr. Welles letter of July 16, 1941, the draft letter to which Secretary Morgenthau gave his approval was never sent the Soviet Ambassador. The Department of State now raises the question with this Department as to whether we have any comment to make on this draft, since the Soviet Ambassador has reopened the question and desires an early answer. It will be noted that the proposed exchange of correspondence may be connected with, or form a part of, the commercial agreement between the Soviet Union and the United States which is to be renewed in the immediate future.

Some seven months have elapsed since the Secretary was requested by the State Department to consider what assurances the Treasury could give in the proposed exchange of letters with the Soviet Ambassador. Since the exchange of letters was not consummated at that time, presumably because of other political questions of interest to the Department of State, it is only fitting that the whole subject should be restudied at this later date before the Treasury gives any commitment. During these seven months there have been important international developments, including the attack of Germany upon Russia and consequently the latter's involvement in the European war. The outcome of this war is still very uncertain insofar as Russia is concerned. Should Russia be partly or wholly occupied there is the chance that the present government will either fall or be so dominated by Germany that it could no longer exercise the authority of a government. In such event it would be very much to the advantage of the Russian people that the United States freeze Russian assets and hold them intact for the benefit of such people. Consequently it is not desirable from the standpoint of the Russians themselves that the Secretary of the Treasury give an undertaking which would tie his hands if the freezing of Russian assets
might become urgently desirable. It should be realized that an undertaking such as is now proposed would conceivably bar the Treasury from putting Russian funds in this country under its freezing control unless the funds of all other countries in the world were similarly treated. The Russians should realize that they are asking treatment of this Government which would constitute a definite exception to our rules. At the insistence of the Treasury Department, no trade agreement so far consummated between this and foreign countries has included therein provisions which would bind this Treasury insofar as its treatment of gold and silver is concerned. The Russians should not ask that this exception be made. In present circumstances such an exception would embarrass us vis-a-vis our other friends who might logically expect to receive as favorable treatment as that accorded Russia. Furthermore, it is definitely to Russia's interest to let this Treasury, which has constantly manifested its sympathy with Russia, have its usual free hand to protect Russian funds in this country through the freezing or other means considered most effective.

[Signature]
My dear Mr. Secretary:

The receipt is acknowledged of your letter dated July 16, 1941, with which you enclosed draft copies of a proposed exchange of notes between the Soviet Ambassador and yourself, wherein this Government gives assurances to the Government of the Union of Soviet Socialist Republics that no prohibitive or restrictive measures would be applied to the export or import of Soviet gold or silver which would not be applied to all other countries.

It is noted that your draft reply is in the exact terms to which I gave my approval when this matter was discussed in October 1940. Insofar as the Treasury Department is concerned, I find this draft still acceptable.

Sincerely yours,

Secretary of the Treasury.

The Honorable
Sumner Welles,
Acting Secretary of State.
My dear Mr. Secretary:

The receipt is acknowledged of your letter dated July 16, 1941, with which you enclosed draft copies of a proposed exchange of notes between the Soviet Ambassador and yourself, wherein this Government gives assurances to the Government of the Union of Soviet Socialist Republics that no prohibitive or restrictive measures would be applied to the export or import of Soviet gold or silver which would not be applied to all other countries.

In agreement with your office, and upon an appointment made at my request by the Department of State, Ambassador Oumanaky called on me this afternoon. I thought it desirable that I should discuss with him personally the matter of assurances which he desires on the part of the Treasury, since this matter had been the subject of a personal talk between the Ambassador and myself last October. At our meeting today the Ambassador agreed that the following text would be acceptable to replace the third paragraph of the draft letter which accompanied your communication of July 16:

"The foregoing continues to be the policy of the Government of the United States and it is also the established policy of the Government of the United States not to enter into any undertaking which might tend to limit its freedom of action in the purchase of gold."

With this amendment, I find your draft reply acceptable to the Treasury Department.

Sincerely yours,

Secretary of the Treasury.

The Honorable
Sumner Welles,
Acting Secretary of State.
My dear Mr. Secretary:

The receipt is acknowledged of your letter dated July 16, 1941, with which you enclosed draft copies of a proposed exchange of notes between the Soviet Ambassador and yourself, wherein this Government gives assurances to the Government of the Union of Soviet Socialist Republics that no prohibitive or restrictive measures would be applied to the export or import of Soviet gold or silver which would not be applied to all other countries.

In agreement with your office, and upon an appointment made at my request by the Department of State, Ambassador Cusamaky called on me this afternoon. I thought it desirable that I should discuss with him personally the matter of assurances which he desires on the part of the Treasury, since this matter had been the subject of a personal talk between the Ambassador and myself last October. At our meeting today the Ambassador agreed that the following text would be acceptable to replace the third paragraph of the draft letter which accompanied your communication of July 16:

"The foregoing continues to be the policy of the Government of the United States and assurances are given to the Government of the Union of Soviet Socialist Republics that no prohibitive or restrictive measures will be applied to the export or import of Soviet gold or silver which will not be applied to other countries in similar circumstances."

With this amendment, I find your draft reply acceptable to the Treasury Department.

Sincerely yours,

Secretary of the Treasury.

The Honorable
Sumner Welles,
Acting Secretary of State.
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE July 21, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At the Staff meeting this morning I raised the question of Russian gold. I thought the Secretary might desire to resolve this before he leaves Washington. I told him that I had drawn up a memorandum on Saturday, giving the background of the Russian gold case, and indicating reasons for opposing guarantees on the part of the Treasury incorporated in the draft notes for contemplated exchange between the American and Soviet Governments. I told the Secretary, however, that I had not yet had a chance to submit my memorandum to Mr. Bell and Mr. Bernstein, who had been the other members of the Committee which had discussed this question with the Secretary last week.

The Secretary instructed me to ask Mr. Welles' office to arrange for Ambassador Cusansky to come to the Treasury and see the Secretary tomorrow afternoon at 3:00. Mr. Bell made the suggestion that I give the reason for this appointment, to which suggestion the Secretary agreed.

Upon coming out of the meeting at 10:25, I called Miss Clarkson in Mr. Welles' office and referred to the letter of July 16 which Mr. Welles had addressed to Mr. Morgenthau in regard to the proposed exchange of notes between the Department of State and the Soviet Ambassador concerning most favored nation treatment for Russian gold and silver. I told Miss Clarkson that since the question of assurances on the part of the Treasury involved in this correspondence had been discussed personally between the Soviet Ambassador and Secretary Morgenthau some months ago, it was desirable that a further conversation be held between these two officials before anything further is done. She said she would give this message to Mr. Welles. I asked that the appointment be arranged by the Department of State for tomorrow afternoon at 3 o'clock. Miss Clarkson reminded me that the letter under reference had not been drafted in the Under Secretary's office. She asked that I speak also with Mr. Henderson, and transferred me to him. I repeated to Mr. Henderson what I had said to Miss Clarkson. Both Miss Clarkson and Mr. Henderson promised to call as back as soon as the appointment with the Soviet Ambassador is confirmed.

At 12:30 this noon Mr. Henderson telephoned me back to the effect that the appointment had been made for Ambassador Cusansky to call on the Secretary of the Treasury at 3 o'clock on Tuesday. Mr. Cusansky had not been informed as to the subject which Secretary Morgenthau desires to discuss with him.
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE: July 26, 1941

TO: Secretary Morgenthau

FROM: Mr. Cochran

STRICTLY CONFIDENTIAL

The Secretary received the Russian Ambassador at 3 o'clock on Tuesday, July 22, on an appointment made through the Department of State. To a group of us on Wednesday morning the Secretary stated that Mr. Foley or Mr. Bernstein could give the story of the interview. The Secretary summarised it in a few words and asked that this report be communicated orally to the Department of State.

After talking with Mr. Bernstein, who told me that he and Mr. Foley were present during part of the interview with the Ambassador, I telephoned Mr. Loy Henderson in the Department of State at 10 o'clock this morning. I told Mr. Henderson that it was my understanding that the Russian Ambassador had been insistent upon an undertaking from the Treasury Department in the terms formulated at the time the Ambassador called on Secretary Morgenthau last October. Mr. Morgenthau had, however, objected to any such arrangement being included in the proposed trade agreement between the United States and Russia. The Secretary and the Ambassador had agreed on the idea, therefore, of an exchange of confidential letters between the Treasury Department and the Soviet Embassy incorporating the terms set forth in the draft letters last fall. The Ambassador is to submit this proposal to his Government, and also, as a second point, ascertain whether his Government would consider that such an arrangement be terminable with the commercial agreement. I told Mr. Henderson that we would let the State Department know when further word is received from the Ambassador. Mr. Henderson thought that if the Treasury is disposed to give some undertaking to the Russian Embassy on gold and silver, it would be preferable to do it in some manner other than through the medium of the trade agreement. He wondered whether the Russians might try to tie an exchange of letters between the Treasury and the Embassy up with the trade agreement, if the two arrangements are made to terminate simultaneously. Henderson asked whether the Treasury had made in the past any written agreements of this sort directly with foreign embassies. I told him that the only arrangements in the past with which I was familiar had been the Tripartite Agreement, which had been between Ministries of Finance and the Stabilisation arrangements.

At my request, Mr. Henderson promised to bring the above information promptly to the attention of Acting Secretary Welles.
See next page
filed Aug 8 - attached
 to Carlson's memo
August 2, 1941

My dear Mr. Secretary:

For a number of years purchases by the Union of Soviet Socialist Republics in the United States of America have greatly exceeded exports from the Soviet Union to the United States and it is probable that this condition will continue to exist for some time. In view of this situation the Government of the Union of Soviet Socialist Republics may find it desirable to export gold to the United States of America in an amount sufficient to enable it to meet obligations which it has already made or the making of which is under contemplation. It would, therefore, appreciate assurances from the Government of the United States that the State Bank of the Union of Soviet Socialist Republics will be permitted without hindrance to export gold into the United States for

The Honorable

The Secretary of the Treasury
for the purpose indicated, that the Treasury of the United States will purchase such gold, and in particular that the Government of the United States of America will not take with respect to the Union of Soviet Socialist Republics any measures prohibiting or curtailing exports or imports of gold or silver which shall not be applied with respect to all other countries.

I am, my dear Mr. Morgenthau,

Very sincerely yours,

C. [Signature]
Mr. Bewley, Financial Counselor of the British Embassy, called on me at 10:30 this morning. He showed me a confidential cablegram dated July 29 from Eden to Halifax, which read, in paraphrase: "Please inform the United States Government of the acceptance by the Chinese Government of the proposal to appoint Mr. Hall-Patch, and emphasize temporary character."

Mr. Bewley also showed me a second confidential cablegram dated July 31 from Eden to Halifax which reported that the British Embassy at Chungking had asked for the letter of appointment for Mr. Hall-Patch.

Thus the formalities for Hall-Patch becoming the British member, although only temporary, of the Stabilization Board in China, are apparently being completed. Mr. Bewley said that Sir Otto Niemeyer will discuss with us upon his contemplated early arrival in Washington British plans for permanent representation on the Board.

Mr. Bewley also permitted me to make the attached photostat copy of a message from his Government to Chungking, and requested our reaction to the suggestions made therein with respect to Chinese exchange control and its relation to the working of our stabilization agreements. I told Mr. Bewley that I would circulate this cablegram to my colleagues in the Department in order that we may discuss the matter later next week with Messrs. Phillips and Bewley.
Mr. Eden

Viscount Halifax.

6.10 p.m. July 25th, 1941.

211 (Deciphered July 25th)

Addressed to Hong Kong telegram No. 742 of July 25th repeated to Washington for Phillips and Chungking.

Secret.

Following for Hall-Patch from Treasury Foreign Office telegram No. 4193 to Washington.

As we see it the plan to freeze Chinese assets will mean that:

(1) prime function of Stabilization Board will largely disappear and the Board will be left holding sterling and dollars to be used directly for account of Chinese Government.

(2) Shanghai and they will cease to function as heretofore, the Papi will no longer be freely convertible and normal banking machinery will be suspended.

We think that confusion must result unless the Chinese are able to give rapid and positive directions immediately Chinese assets are frozen in United States or sterling area.

As soon, therefore, as we decide to freeze Japanese assets in sterling area we would propose:

(1) to ask the Chinese Government to make to us request parallel to that already made by them to the United States Government that Chinese assets in sterling area be also frozen, explaining to them objectives and consequences we have in mind;

(2) to advise them (a) to appoint a central body (e.g., Chinese members of Stabilization Board) to be responsible for administrating a Chinese exchange control in cooperation with sterling area (b) to set up subsidiary offices of their exchange control in London and Washington and possibly Singapore and Rangoon;

(3) if possible reaching a provisional agreement with the Chinese Government that the Central body appointed under (2a) above would immediately raise objections of official rates of exchange for sterling and dollars in terms of yen. We would suggest that rates not dissimilar to those quoted in Shanghai market today with the exception that the official rate of net 1.03 for dollars against sterling must be taken into account.

We should need a personal link with the new Chinese Exchange control. Presumably this

...would
would be automatically member of new Stabilization Board as soon as it is set up (meantime it clearly ought to be Rogers but this no doubt should not be specifically proposed but left to committee as only possible solution).

In spite of temporary loop-hole that will be left for Japanese evasion or freezing via occupied China, we do not believe it would be wise to impose a Chinese freezing and payments order alongside Japanese order. A gap of at least a few days will be required to dissociate the two actions in the public mind and to give us a little more time to make the necessary arrangements. Even a week or two's interval might be preferable to a chaotic state of affairs which itself would cost time and trouble to clear up.

Please let us know your views and those of Rogers. Phillips will no doubt give us his views and repeat to you.
Mr. T. J. Carlyle Gifford called on me today to say good-by. He regretted very much that you were absent from the city so that he was unable to tell you personally how much he had enjoyed his association with and assistance from you during the past two years. Mr. Gifford will fly directly to Scotland next Tuesday, and his return to the United States is uncertain. He is leaving his assistant at the New York office to carry on the business which he has conducted.

In answer to my inquiry, Mr. Gifford estimated that the British have vested and still on hand in New York approximately $30,000,000 of American securities. He estimated at $100,000,000 the total of such securities which are still available for vesting and sale. He does not include in this latter amount a large variety of practically untradeable securities held in very small amounts by British subjects. The sale of the above-mentioned securities is continuing at the rate of approximately $1,000,000 per week, and will be carried on as heretofore. There is no immediate need for pressing such sales since the British have just now received the check for $100,000,000 covering the first installment due from the Reconstruction Finance Corporation on account of the securities and properties against which the $425,000,000 loan was recently consummated. To my final question, Mr. Gifford replied that all direct investments had been included in the collateral given Mr. Jones except those concerns whose annual gross income is less than $100,000 annually.
Reference is made to my memorandum dated July 30, with respect to my conversation with Messrs. Blaisdell and Edminster of the Department of State concerning an inquiry from the Consul General at Calcutta in regard to our Lend-Lease policy.

Yesterday evening Mr. Blaisdell sent me the State Department copies of certain messages received from Calcutta, together with the State Department's contemplated reply. At a meeting held in Acting Secretary Bell's office this morning I read this correspondence to the Group, which included Miss Kistler of Mr. White's office and Mr. Kadec from the General Counsel's office. It was agreed that I should check with Mr. Cox of Lend-Lease to see whether he was entirely familiar with the contemplated reply. Following the meeting I telephoned Mr. Cox and learned that he had actually written the cablegram under reference. Consequently I then telephoned Mr. Blaisdell to let him know that the Treasury Department had no objection to the outgoing cablegram to Calcutta, and I returned the file of correspondence to Mr. Blaisdell by special messenger. Photostatic copies of the incoming and outgoing messages are attached. While speaking with Mr. Blaisdell, I referred to my conversation with Mr. Edminster, and to the memoranda of which Mr. Edminster had provided me with copies. I told Mr. Blaisdell that since the Treasury was working in direct contact with the Lend-Lease officials, and since the latter were consulting the State Department on matters of policy involved, including the draft letters to Mr. Purvis now under consideration, there appeared to be no need for the Treasury Department to give any reaction directly to the State Department with reference to Mr. Edminster's memoranda. Mr. Blaisdell agreed that these matters appeared to be in the way of being worked out, and that he would tell Mr. Edminster not to expect anything from the Treasury, unless he may specifically request it.
TELEGRAM SENT

Department of State

Washington, August 1, 1941

AMERICAN CONSUL,
CALCUTTA, (INDIA).

The subject matter of your telegram of July 24, 10 a.m. and of July 26 in clear has been discussed with Lease-Lend officials and, in reply, you are advised as follows:

QUOTE Only those defense articles which are essentially needed in relation to the war effort will be supplied under the Lend-Lease Act to India and to the Dominions. To obtain such defense articles it is necessary for the Government of India to requisition them through the Division of Defense Aid Reports of the Office of Emergency Management—the agency administering the Lend-Lease Act. Private individuals or firms cannot requisition or receive aid under Lend-Lease. Although aid will be asked for and received directly by the Government of India the British Supply Council will assist in the preparation and filing of the requisitions and in the other required administrative steps.

Because of inadequate supplies for our own defense purposes, including lend-lease aid to Britain, China, etc.,
it is daily becoming more difficult for any Government, including India, to get any defense articles unless they are essential to the war effort. In view of this situation and also in order to conserve dollar exchange the British have urged all parts of the Empire in the sterling area to obtain through lend-lease those articles which are lend-leaseable—that is, those essential to the war effort. To execute this proposition, it is necessary for the Government of India not only to centralize its purchasing and its consignment of articles essential to the war effort through a branch of its Government, as contrasted with private importers, but also to represent that it will (a) use the defense articles for a purpose essential to the war effort; (b) use them directly and not distribute them through commercial channels unless that is the most efficient method of distribution and no profiteering results or is likely to result from such commercial distribution.

The entire subject of a more clear-cut understanding between us and the British with respect to these and other conditions designed to safeguard American interests is now under active discussion here with British officials, and

[Signature]

[Date]

M. 19...
you will be informed further concerning them. The Department fully recognizes the danger of discrimination against American interests, to which you allude in your telegram of July 26, and will endeavor to see that assurances on this score are included among the conditions referred to above.

Steel and steel products are in the same situation as other defense articles which are lend-leaseable. UNQUOTE
TELEGRAM RECEIVED

Calcutta

Dated July 24, 1941

FROM

Re: Soviet negotiations in Moscow being communicated to anyone. (br)

Secretary of State,

Washington.

July 24, 10 a.m.

Because of confusing reports and increasing inquiries here, the Department is requested to inform by telegram with details by air mail what requirements and procedures are contemplated for lease-lend exports to India. Understand Government India preparing limited list of importers authorized to handle lease-lend business and expect requests from American firms for Consular General’s support of their applications for inclusion. Instructions are requested re to proper degree of support.

Supplied department has announced that placing steel orders through private channels discontinued July 15th at the request of United States Government. This ends business of local representative of American steel manufacturers including some Americans and makes steel controller sole buyer. Full background
July 24, 1941, from Calcutta.

Ground desired on our Government’s request.

Wilson.
Twenty-sixth. (SECTION ONE)

GAZETTE OF INDIA EXTRAORDINARY of July 21st extends Part Two of import restrictions gazetted May tenth to include the following tariff positions and portions thereof. Five, forty seven sub two five six and seven, forty eight sub three A, B and C, forty eight sub five seven eight nine and ten, forty nine, forty nine sub one A and C, forty nine sub two, fifty one, fifty one sub two and three, fifty three, eighty two. Positions together run from serial number one hundred nineteen to one hundred thirty eight inclusive. Prohibitions not applicable to goods shipped before August first next. Accompanying announcement attributes these restrictions to necessity conserve exchange and to reduce adverse balance trade with certain countries, particularly Japan. Open general license provided for Chinese goods imported via Burma Road.
TELEGRAM RECEIVED

CALCUTTA

Dated July 28, 1941
Rec'd 11:28 a.m.

Secretary of State,
Washington.

July 28, 10 a.m., (SECTION TWO).

This Consulate General's telegram of July 26 in clear regarding import restrictions: Representatives of American firms here and at Bombay are convinced that Government of India in continually expanding the scope of import restrictions is not unaware of collateral benefits accruing to British and Indian interests at the expense of the United States. If as appears likely the present trend toward channeling trade through Indian Government agencies continues direct business contacts will be severed or useless and American firms which have developed markets at great expense may be forced out. Getz Brothers, Muller, Phipps and Dodge, Seymour and others fear that further restrictions may necessitate closing of offices in India. American businessmen here feel that even present degree of restriction is out of all proportion to admittedly abnormal increase in American trade in the last year and
-2-, Unnumbered from Calcutta, July 28, 1941, 11:28 a.m.

and that lasting and harmful effects on normal business will result. Consensus is that some quid pro quo should be obtained in exchange for lease-lend benefits which probably possible only with the approval of the British Government.

The above is given as representative of American firms' sentiments here. These concerns are being asked to report more fully to their home offices and to provide me with detailed statements their position.

(END OF MESSAGE.)

WILSON

GW
PARAPHRASE OF TELEGRAM RECEIVED

TO: American Consul, Calcutta, India
     Secretary of State, Washington

FROM: July 28, 1941, 10 a.m.

SECTION TWO. Refer this office's telegram of
July 28 regarding restrictions upon imports:

Bombay and local representatives of American firms
are convinced that the Indian Government in expanding
its import restrictions is aware that these restrictions
at the expense of the United States result in collateral
benefits to British and Indian interests. A continuation
of the present trend of forcing trade through agencies
of the Indian Government may result in the severance of
direct business contacts and the forcing of American
firms out of markets which they have developed at great
expense. It is feared by such firms as Getz Brothers,
Muller, Phipps and Dodge, Seymour and others that the
closing of their offices in India will be necessary if
further restrictions are imposed. Local American business
believe that even present restrictions are out of all
proportion to the abnormal increase in American trade in
last year and that the result will be lasting and
damaging effects upon normal business. The feeling is
that
In exchange for lease-lend benefits some quid pro
would be given. It is possible that the British
Government would have to approve such an arrangement.

The foregoing represents the consensus of opinion of
several firms in London. These firms have been requested
to report to their home offices more fully and to
provide detailed statements of their position to the
Department General.

WILSON
MEMORANDUM FOR THE SECRETARY’S FILES:  

August 2, 1941.

A meeting relative to the administration of Executive Order No. 8389, was held in Mr. Foley’s office at 3:00 P.M., July 31, 1941, and was attended from time to time by the following:


Mr. Foley called attention to the fact that a number of telegrams have been received from American importers who have paid for goods now on board the "Tatuta Maru", which is at present docked in San Francisco. In many cases it is indicated that drafts drawn in payment for such merchandise have been paid and the relative documents turned over to the American purchasers. The question that is being raised in such telegrams is whether all or part of the cargo will be discharged from the "Tatuta Maru". If such is not the case, there is every chance that the cargo will be libelled. After discussion, Mr. Acheson called Mr. Maxwell Hamilton of the Division of the Far East Affairs in the State Department, and informed him of the views of the committee; namely, that the Japanese Ambassador should immediately be informed that if the "Tatuta Maru" does not discharge cargo already paid for by Americans, it is most likely that the importers will pursue their legal remedies in the courts. Thus, if the Japanese do not unload the cargo, they are running a chance of having the boat tied up by court proceedings. After talking with Mr. Hamilton, Mr. Acheson reported that the Counselor of the Japanese Embassy was then on his way to the Treasury to discuss the matter. He was received by Messrs. Acheson, Foley, and Shea, who informed him that insofar as the Government was concerned, the "Tatuta Maru" would be given the necessary licenses and allowed to sail whenever she wished. Obviously, however, this government could not forbid private citizens taking legal action to protect their rights. It was made clear to the Counselor that the purpose of this conversation was merely to make perfectly clear to the Japanese Government the facts involved in the question of the disposition of the "Tatuta Maru’s" cargo. Mr. Shea and Mr. Steally informed the Committee that the United States Marshal in San Francisco had inquired of the Justice Department whether he could proceed to serve libel attachments against cargo on board the "Tatuta Maru". It was agreed that the Marshal should be informed that this was not a case in which the Department of
Justice could offer any instructions and that he should consult the presiding judge of his district.

Mr. Delano reported that the Comptroller’s office has at present 12 men in 6 Japanese banks on the West Coast. Frozen assets of such banks total nearly $15,000,000, and most of the depositors concerned are Japanese nationals. Mr. Delano stated that he thought that the banks could be closed without disturbance, if such was decided to be the proper course of policy. All but two of the banks in question are banks of deposit, but are not members of the Federal Deposit Insurance Corporation. Inquiry was made as to the conditions under which American banks in Japan are being allowed to operate. It was reported that our banks were allowed to open this morning under almost similar arrangements to those which had been applied to the Japanese banks in the United States. The point was made that this Government’s policy in administering the freezing control should not be guided by the retaliatory measures taken by Japan. The question is not whether the Japanese Government is allowing American citizens the same amounts as allowed in General License No. 11, nor whether the foreign banks in each country are operating under similar conditions; but is rather one of influencing and controlling as much as possible, through the medium of the freezing control, Japanese economic and political policy. With respect to the Japanese banks on the West Coast which have general licenses, it was noted that there will be a policing problem as long as such general licenses are outstanding. Such general licenses could be revoked, and arrangements made whereby local depositors can withdraw funds in limited amounts. It was mentioned that consideration should be given to amending the licenses issued to the Banco di Napoli so as to prohibit such banks from conducting a remittance business.

Mr. Pehle distributed to the committee two schedules, listing applications involving imports from and exports to Japan. It was explained that such applications were still being held pending a general policy decision.

Mr. Pehle referred to an application filed by an importing concern in the United States which seeks permission to import approximately $72,000 worth of scrap steel from a firm in Cuba on the “Proclaimed List of certain Blocked Nationals”. Approval of such application has been urged by the Office of Production Management and the State Department. The problem involved was made the subject of general discussion during which it was pointed out that the policy of denying all transactions with firms on the "Proclaimed List" should be maintained as far as possible. It was
agreed that the application should be discussed again with OPM to determine the necessity of the proposed purchase in this particular case.

Reference was made to a request by the Italian Government, transmitted through the Department of State, for a license to permit a shipment of models of certain machines and inventions of Leonardo da Vinci to Japan. These models had previously been exhibited at the New York World's Fair. It was agreed that such shipment should be licensed.

Mr. Foley reported that the action taken by this committee in the Silesian-American Corporation case had been discussed with Secretary Morgenthau, who approved of the action taken. The Secretary was also informed of the sending of Treasury representatives to the Philippine Islands and Hawaii to aid in the administration of the freezing control in those areas. The Secretary had also approved of this action, and thought that this Committee should discuss the making of arrangements to place observers in certain neutral countries in Europe, such as Sweden, Switzerland, and Portugal. Such men could observe and report proposed transactions such as the Silesian-American deal, and observe the workings of the various General Licenses issued to neutral countries, as well as furnish the Treasury with many types of information which it is impossible to procure in the United States. It was agreed that this proposal should be further discussed as soon as possible.

It was agreed that telegrams should be sent to the United States High Commissioner of the Philippine Islands, and to the Governor of Hawaii, to the effect that the British officials there are willing to furnish to our men in the Philippines certain types of confidential material.

Mr. Bernstein read a telegram which it was proposed to send to Collectors of Customs at various West Coast ports, stating that Japanese diplomats who desire to leave the country may take with them not more than $1,000 in currency, drafts, and travellers' checks; other Japanese nationals may not take out more than $200.00. Specific licenses must be secured to take out larger amounts on securities.

Mr. E. M. Bernstein referred to a recent meeting held with representatives of the various New York banks, during which it was
reported that several of such banks hold approximately 1,000 sealed instructions relative to property held by such banks, which instructions were not to be opened except under certain conditions. It was agreed that the banks should not be asked to open such instructions for the purpose of obtaining information with respect to property required to be reported on Form TFR-300. It was also agreed that banks could not be requested to inventory all securities in their possession in order to report the numbers of such securities.

Mr. Acheson referred to the discussion that had been held regarding the issuance of a general license in Portugal. He said that the State Department did not desire to see Portugal receive a general license more liberal in any way than those previously issued. Mr. Pehle confirmed Mr. Acheson's understanding that, if a general license similar to General License No. 52 is issued to Portugal, such general license would not require the presence of a representative of the Bank of Portugal in the United States. Such a general license will, of course, force Portugal to institute some sort of exchange control.
Memorandum for THE SECRETARY:

The following report is made of Stamp sales at "Treasury House":

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1-31</td>
<td>$23,684.90</td>
</tr>
<tr>
<td>August 1</td>
<td>699.15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$24,384.05</strong></td>
</tr>
</tbody>
</table>

GRAVES
TO THE FIELD STAFF:

The Defense Savings organizations created in the field continue to furnish encouraging reports of progress. Extensive educational programs are carrying our message to increasing numbers of citizens who now understand better than ever the part to be played by the individual in these critical times. This educational program is enlivening the great confidence in the future of our nation, in our ability to meet every challenge with united strength, in the practice of thrift today and its bearing on each individual's future.

At the same time, members of the committees are busily engaged in establishing plans that will afford the most convenient methods for the public to purchase securities regularly and systematically. The cooperation of financial, labor, industrial, mercantile, professional, and the other groups that are making these methods available will chronicle an important chapter in the nation's history. The ownership of Defense securities is becoming more and more widespread daily. Many dollars are being laid aside regularly through payroll allotments and stamp purchases which will increase materially, in the near future, the number of bonds owned.

The plans of organization, the educational programs, and the methods of marketing which your committees are following are certain to produce excellent results when coupled with the enthusiasm and patriotic devotion so characteristic of those engaged in this important work.

Sincerely yours,

GALE F. JOHNSTON

Field Director, Defense Savings Staff
LEADERS APPOINTED IN OREGON AND VERMONT

Governor Charles A. Sprague of Oregon has accepted the Honorary Chairmanship of the Defense Savings Committee for that state. At the opposite side of the continent, Levi P. Smith, President of the Burlington Savings Bank, has accepted Secretary Morgenthau's appointment as Chairman of the Defense Savings Committee for Vermont.

* * * * *

IN THIS ISSUE

ALLOTMENT DEVELOPMENTS—
Recent reports from Vermont - page 3; Florida - page 4; South Carolina - page 5; Missouri - page 6; Sample allotment plan to bankers - page 13; Posters for factories and offices available - page 13; Submarine builders launch Defense Savings drive - page 13

BANK NEWS—
Defence Savings Bond clubs in Vermont - page 3; Bankers Set Example - page 8; Elkhart bank display - page 14; State banking associations act - page 15; Investment of business reserves in Defense Bonds advised - page 15

COMMITTEES REPORT — Vermont - page 3; Florida - page 4; South Carolina - page 5; Missouri - page 6.

DRAMATIZING DEFENSE SAVINGS—
Four generations make investment - page 4; Stamps are prizes at union meetings - page 6; Treasury House attracting thousands - page 11; Can your band play "Any Bonds Today?" - page 12; Prizes in Defense Securities - page 12

MISCELLANEOUS—
Georgetown alumni "provide for the common defense" - page 7; Milk truck bumpers boost bonds - page 7; Rand-McNally employees receive bond albums - page 14

POST OFFICE AND TREASURY JOINT COMMITTEE - Page 3

PRESS--Page 10

QUOTEABLE QUOTES—
E. C. Grace, President, Bethlehem Steel Corporation - page 16; Robert E. McConnell, Conservation and Substitution Section, Office of Production Management - page 16

RADIO—Page 9
VERMONT
First Report from the Green Mountain State

VERMONT BANKERS, through the Vermont Bankers Association, have pledged their support.

DEFENSE SAVINGS BOND CLUBS are being organized in all Vermont banks, according to Levi P. Smith, President of the Burlington Savings Bank and Chairman of the Defense Savings Committee for Vermont. These clubs will be very similar to the Christmas Savings Clubs, with which all banks are familiar.

WINDSOR COUNTY is reported to be the first in the state fully organized for Defense Savings. Frank W. Corliss, the County Chairman, has organized Defense Savings Committees in each of the towns of the county.

TOP FLIGHT MACHINE TOOL MANUFACTURERS of the United States are among the Vermont firms which are installing Defense Savings Payroll Allotment Plans. The first list of Vermont companies which have offered such plans to their employees includes:

Every Mutual Savings Bank in the State
- Bryant Chucking Grinder Company - Springfield
- Conc Automatic Machine Company - Windsor
- Fellows Gear Shaper Company - Springfield
- Jones & Lamson Company - Springfield
- National Life Insurance Co. of Vt. - Montpelier

Parks & Woolson Company - Springfield
- J. B. Ripley Brass Foundry, Inc. - Windsor
- Rutland Railroad Company - Rutland
- John T. Slack Corporation - Springfield
- Vermont Foundry Company - Springfield
- Windsor Foundry Corporation - Windsor

CHURCH LAWN FESTIVALS held this Summer in the Diocese of Burlington will award prizes of Defense Savings Stamps and Bonds. With the permission of Bishop Matthews F. Brady, all priests in this diocese are being asked to suggest to committees sponsoring festivals for church support the use of Defense Savings securities as prizes.

1,000 in Defense Savings Bonds were awarded "holders of the lucky numbers" at the "Pyrotechnic of America" fireworks display in Waterbury, Connecticut, which heralded the opening of the state convention of the American Legion.
FLORIDA
Some "Firsts" in the Peninsula

FOUR GENERATIONS in Mayor L. E. Zinzner's family in Safety Harbor lined up at Postmaster Dwight W. Shiever's window to purchase Defense Savings Bonds, making one of the first "human interest" photographs in the campaign.

THE FIRST SERVICE CLUB in Florida to report purchase of Defense Bonds was the Florida District Kiwanis Club. The Rotary Club in Orlando quickly followed suit.

THE FIRST THREE COUNTIES to report substantial purchases of Defense Savings Bonds were Duval ($50,000), Orange ($25,000), and Lake ($50,000). In addition to making those purchases, the county commissioners adopted resolutions calling upon all citizens to "invest in Defense." The town of Alachua claimed the distinction of being the FIRST CITY in the state to invest in Defense Bonds.

AMONG THE FIRST retail outlets in Florida to establish stamp banks or depots were:

- Lane Drug Stores (60 retail stores in Fla., Ga., and Ala.)
- Wahlgren Drug Stores
- Dade Pharmacies (40 stores in Miami and Southeastern Florida)
- Red Cross Pharmacy in Miami (This store is advertising Defense Savings Bonds and Stamps on its large, well-lighted posterboard on the Miami-Miami Beach Causeway)
- Margaret Ann Stores
- Piggy Wiggly Stores
- Florida Power & Light Company (40 offices in Miami)

A SALARY ALLOTMENT plan has been offered to the 3,000 employees of the Florida Power & Light Company in Miami. Other large concerns in Florida which are installing Defense Savings salary allotment plans include:

- American Fire and Casualty Company, Orlando
- Wahlgren Drug Stores
- Margaret Ann Stores
- Piggy Wiggly Stores
- Southern Brewing Company, Tampa
- Dade Pharmacies, Miami
- Union Trust Company, St. Petersburg
- First National Bank, Leesburg

THE PENSACOLA CENTRAL LABOR UNION recently indicated its endorsement of the Defense Savings Program by purchasing a Defense Bond.

An interesting use of the official Minute Man poster is illustrated by the sketch at the left. Superimposed upon an outline of the State of Florida, the poster becomes the device or emblem of the Florida Defense Savings Committee. Local engravers contributed the art work and three sizes of mats were made and distributed to state committee members and others authorized to use them.
SOUTH CAROLINA
Defense Savings Making News

BUSINESS, LABOR, and a wide variety of organizations in all parts of the state are cooperating with the Defense Savings Committee, reports State Administrator W. F. Bowers. Here are a few highlights from one of his recent reports:

CHARLESTON--
The United Brotherhood of Carpenters and Joiners of America, Local No. 159, has subscribed to $4,000 in Defense Savings Bonds.

COLUMBUS--
Duck Mill Local No. 254, Textile Workers Union of America, has purchased a $1,000 Defense Savings Bond.
Schulte United's Columbia store presented an attractive window display, showing flags, stamps, rifles, machine guns and grenades. At the same time, the store announced 100 per cent employee participation in a systematic Defense Bond and Stamp purchase plan.
The South Carolina American Legion has purchased a $3,000 Bond.

HARTSVILLE--
Company sponsors essay contest. The Seneco Products Company is offering prizes of from $5 to $100 for the best essay on "Why Americans Should Buy Defense Savings Bonds." The contest is open to company employees and, of course, prizes will be paid in Defense Savings Bonds or Stamps.

HUNTING--
Claremont County has invested $30,000 in Defense Savings Bonds from county funds.

SPARTANBURG--
The South Carolina Federation of Labor (SFL) endorsed the Defense Bond Program at its annual convention here and subscribed to a $1,000 Bond.
Fifty-two Spartanburg County business concerns are selling Defense Savings Stamps.

* * * * *

SAVING ALLOTMENT PLANS continue to gain favor. The following concerns, not previously listed in the NEWS LETTER, have now made it possible for their employees to join in the Defense Savings Program in this way:

Eckerd's, Inc., Columbia
Kohn's Department Store, Columbia
McKesson-Robins, Columbia
National Bank of South Carolina, Sumter
Palmetto Bank, Laurens

Pearsall-Young-Angel Company, Orangeburg
Schulte-United Store, Columbia
Seibels, Bruce & Company, Columbia
Insurance agents, Columbia
Shearin-Williams Company, Columbia

LABOR DEPARTMENT HELPS INSTALL ALLOTMENT PLANS

The State Commissioner of Labor, W. Rhett Harley, who is a member of the State Defense Savings Committee, has given the services of three of his labor inspectors to explain the allotment plan to large industrial plants in the state.
MISSOURI
Stamps Are Prizes at Union Meetings

ATTENDANCE PRIZES of two $100 Defense Bond stamp albums, each containing a one dollar stamp, are awarded at each bi-monthly meeting of the Moving Picture Operators Union in St. Louis. Also the following resolution was adopted by unanimous vote at a recent meeting:

"That all persons working under the jurisdiction of Local 143, do hereby pledge to buy each week either a Defense Stamp or Defense Bond and the amount shall be to their best ability."

Harvard O'Laughlin, secretary of the union, writing to Deputy State Administrator Shackelford, said:

"We are happy and pleased to assist the Government in its defense preparation for the safety of this country and we hope that all labor organizations will follow the action of Local 143."

* * *

MISSOURI PUBLIC UTILITIES are helping to keep the message of Defense Savings before the public:

ARM FOR DEFENSE
Buy
United States Defense Savings Bonds


450,000 Missouri families are now reminded each month by their utility bills to "Buy Defense Savings Bonds."

* * *

EVERY OIL COMPANY in Kansas City has placed in operation a plan for the purchase of Defense Savings Bonds by its employees, reports J. W. Wilson, manager of the Kansas City branch of Standard Oil of Indiana and chairman of the oil industry group for the Kansas City Defense Savings Committee. In some companies an allotment plan is used; in others, employees pledge themselves to buy stamps each pay day and the companies make these stamps conveniently available.

* * *

REPRESENTATIVES OF THE NINE BREWERIES in St. Louis met on July 16 and set up a Defense Savings Committee under the chairmanship of Joseph Hauser, International Vice-President of the Brewery Workers Union, and with Walter Pierce, coordinator of brewing interests for Missouri, as liaison officer between the brewing interests and the Defense Savings Staff. Each of the brewery workers unions in the nine plants will be represented on this committee. Advertising managers of the breweries will develop a publicity program. The payroll allotment plan has been endorsed 100% by union representatives. And the International Union started the ball rolling by purchasing $35,000 worth of Defense Savings Bonds.
TO PROVIDE FOR THE COMMON DEFENSE

TO THE FUTURE SONS OF GEORGETOWN

This album, filled with United States Defense Stamps, is the gift of...

And represents his faith in the values taught by Georgetown University and his devotion to the permanence of democratic institutions.

Executive Secretary,
Georgetown University Alumni Association

FOR NATIONAL DEFENSE

A special effort for a $25 Defense Bond stamp album, shown above, was prepared by the Georgetown University Alumni Association in its plan "to provide for the common defense" and raise funds for the university. These albums are being distributed to Georgetown Alumni by the Hon. Martin Conboy, Alumni Association president, with the suggestion that they be filled with stamps and returned to the university where they will be converted into Defense Savings Bonds registered in the name of the alumni fund.

A BUMPER BOOST FOR DEFENSE SAVINGS

Red, white, and blue bumper strips, pictured above, are now carried by all milk and ice cream trucks in Indianapolis. On the right, holding one end of a strip, is President Hunt of the Milk Foundation, which contributed this attractive bit of advertising.
POST OFFICE AND TREASURY DEPARTMENTS
ESTABLISH JOINT COMMITTEE

A Joint Committee has recently been established for the purpose of coordinating Treasury and Post Office plans for the sale of Defense Savings Bonds and Stamps. Both the Field and Information Divisions of the Defense Savings Staff are represented on this committee.

LETTER CARRIERS REQUEST PERMISSION TO SELL STAMPS

Members of the Houston, Texas, local branch No. 283, of the National Association of Letter Carriers, have presented Secretary of the Treasury Morgenthau, Postmaster General Walker, and Postmaster Dunlop of Houston with a resolution asking for permission to sell Defense Savings Stamps to patrons on their routes in the manner that postmen during the World War sold War Savings Stamps.

"We wouldn't go around ringing doorbells," said Fred F. Thompson, president of the local. "Rather, we would be in the nature of order takers. We could save our patrons trips to town."

The Post Office Department has authorized postmasters to instruct rural mail carriers to sell Defense Savings Stamps. (NEWS LETTER Number 5, June 21, Page 10.)

* * * * * * * * * * *

BANKERS SET EXAMPLE
WITH THEIR OWN ALLOTMENT PLAN

ALL COMMERCIAL AND SAVINGS BANKS in New Haven, Connecticut, are represented on the bankers committee which has been formed there to cooperate with the general Defense Savings Committee for New Haven in boosting the sale of Defense Bonds and Stamps.

NOT CONTENT merely to serve as issuing agents, New Haven banks have adopted salary allotment plans as an example to all employers and employees and are working together to publicize and encourage systematic purchasing of Defense Savings Securities. J. H. Allen, assistant cashier of the First National Bank and Trust Company, is the chairman of this active committee.

* * *

THE LETTER read by President Roosevelt at a recent press conference which ended "I'd rather be an American than anything else on Earth" was reprinted in full by the Crocker First National Bank of San Francisco in a newspaper advertisement devoted exclusively to Defense Savings Bonds.

* * *

ADDRESS PLATES can reduce errors and save labor for banks which sell substantial blocks of Defense Savings Bonds. The Bowery Savings Bank reports that whenever a person purchases ten or more bonds, a stencil is cut giving the name of the purchaser, his address, name of co-owner, beneficiary, etc.
DEFENSE SAVINGS ON THE AIR
Leading Programs for the Coming Week

Tuesday, August 5
FOR AMERICA WE SING 7:30-8:00 P.M. (EST) NBC Blue Network

A musical program featuring a 44-piece NBC symphony orchestra and chorus, conducted by Dr. Frank Black.

GUEST STARS: Rose Bampton and Robert Weede.

This program, dedicated to Defense Savings, has been contributed by the National Broadcasting Company. It will be heard regularly each week.

* * *

Wednesday, August 6
MILLIONS FOR DEFENSE 8:00-9:00 P.M. (EST) CBS Network
(The Treasury Hour)

GUEST STARS: John Charles Thomas, Robert Ripley, Miriam Hopkins, Fanny Brice, with Al Goodman and his band, Barry Wood and Ray Block's choir.

Time for this program is contributed by the Texas Company. This is the sixth in a 13-week series.

* * *

Sunday, August 10
MILLIONS FOR DEFENSE 5:00-6:00 P.M. (EDST) WORL - Boston

New England's own hour-long "Millions for Defense Program" has been on the air every Sunday since June 15th. Station time, artists, speakers, and broadcasting facilities are all donated to the Defense Savings Program. The program is directed by Gordon Wayne of the WORL staff, and is under the immediate supervision of Massachusetts Defense Savings Administrator Daniel J. Doherty and Internal Revenue Collector Thomas B. Hassett.

* * *

In addition to radio shows devoted entirely to Defense Savings Bonds and Stamps, radio stations and the sponsors of some of the most widely listened to radio features continue to give powerful support to the Defense Savings Program.

For example, Bulova Time Signals now promote Defense Bonds and Stamps regularly at the rate of 100 announcements per week over more than 200 radio stations.

* * * * * *

Is Thursday A Big Day in YOUR Community?

Thursdays are big days for the sale of Defense Bonds in many cities, according to reports being received here from banks and local committee chairmen. The Wednesday night program "Millions For Defense" is apparently proving to be very effective.
PRESS CONTINUES ITS POWERFUL SUPPORT

CONNECTICUT--
"By the purchase of these Defense Savings Bonds the individual not only renders the Government a patriotic service but he creates a reserve for himself that he will find mighty good to have."
---The Hartford Courant.

GEORGIA--
"These facts should be borne in mind: America needs your help and through the purchase of Defense Savings Bonds and Stamps, your money is immediately put to work for Uncle Sam; moreover, you have an opportunity to invest your savings in a safe and conservative investment program. Uncle Sam has a big job. Let's help him do it!"
---The Atlanta Constitution.

INDIANA--
"More people must constantly recognize the double purpose served by these bonds, and old purchasers must keep coming back, making a weekly or monthly habit of buying them.
"Put Defense Savings Bonds or Stamps on your budget!"
---The Terre Haute Star.

MASSACHUSETTS--
"Every man, woman and child can make a direct and important contribution to the gigantic effort of National Defense by purchasing a Defense Savings Bond or Stamp, the denominations of which are within the financial reach of virtually all."
---The Lynn Telegram-News.

NORTH CAROLINA--
"Defense Savings Bonds enable the individual purchaser not merely to assist with his ready money in paying for the defense program, but, more important for him, it becomes an utterly safe and profitable means of laying by in store for future needs.
"It is primarily a saving venture for the people of this country and as such deserves universal acclaim and support."
---The Charlotte Observer.

* * * * *

DEFENSE BOND QUIZZES REACHING MILLIONS

From all parts of the country come reports that Defense Bond Quizzes, now appearing in daily - and weekly - newspapers, are proving to be a highly effective way of presenting the facts which folks want to know about Defense Savings Bonds and Stamps.

Large metropolitan dailies, small country weeklies, foreign language journals, trade papers and many other types of periodicals - more than 5,000 of them - are using this material.

Clippings and letters from newspaper editors indicate that this feature is being used more widely than any feature ever before syndicated.
TREASURY HOUSE ATTRACTS THOUSANDS DAILY

Treasury House and the exhibits in Defense Square, Washington, D.C., are proving increasingly popular. Military equipment of the Army, Navy and Marine Corps is on display at all times with trained service men on hand to explain the various pieces and answer questions.

Defense Savings Stamps are sold at the attractive pavilion (pictured in NEWS LETTER No. 8), and those who begin their Defense Savings programs here are given albums stamped with the Treasury House imprint. Well-known figures of the entertainment world frequently appear at Treasury House and autograph the albums.

The most exciting taxi ride in town! Those who invest the price of a bond in Defense Savings Stamps are taken in an Army "jeep" car to the Treasury where they exchange their stamp albums for a bond. This proves to be such a thrilling experience for some that they come back for more.

Colorful and highly-varied programs are presented at Treasury House and in Defense Square. Here is a typical day's program:

10:15-11:30 A.M. - Loew's Theater Cadet Band
1:00-2:00 P.M. - Concert by U. S. Navy Band
4:15-5:00 P.M. - Treasury House Quiz
   The right answers win Defense Stamps as prizes for the persons interviewed.
5:00-5:30 P.M. - Concert by U. S. Army Band
5:35 P.M. - Retreat: Colors lowered with full military honors.
7:30-8:00 P.M. - Elks Boys Band
8:30-9:30 P.M. - Variety Program with singing and dancing.
   During the intermissions on this program, Treasury House hostesses appear on the stage and invite the audience to purchase Defense Savings Stamps.

Every hour - There is a five-minute news broadcast over the Treasury House public address system.

* * * * *

The first "block party" in Washington was held recently in the square adjacent to Treasury House. There was dancing in the street and the party was pronounced a great success by the service men and all others in attendance.

* * * * *

Plans are now being made for the erection of Treasury Houses in several of the large cities throughout the country, including New York and Boston. Arrangements have been made through the offices of the Secretary of War and the Secretary of the Navy to duplicate as nearly as possible the military exhibits in Washington's Defense Square.
CAN YOUR BAND OR ORCHESTRA PLAY "ANY BONDS TODAY?"

Complete musical scores of the song "Any Bonds Today?" are now available for distribution to bands and orchestras. Forward your requests for copies of the band and orchestra arrangements to the Defense Savings Administrator for your state.

Within a few weeks, it is hoped that every orchestra and band, including school, college, and other amateur musical organizations, as well as professional bands and orchestras, will be equipped to play this tuneful air as it deserves to be played.

* * *

TEAM WORK

MOVIE TRAILERS devoted to Defense Savings, the contribution of radio station KHUB, being shown in Watsonville and Santa Cruz, California, say:

"Buy National Defense Bonds. Defend America and you defend your home. Listen to Hollywood stars asking your cooperation several times daily over KHUB, the voice of the Monterey Bay Area.

"ROCHESTER," of radio and movie fame, (Eddie Anderson) is boosting Defense Savings Bonds and Stamps on the broadcasts he gives during the personal appearance tour he is now making.

* * *

HOLLYWOOD STARLETs MAKE DEFENSE SAVINGS BANNER

Recent releases of "News of the Day" and "Movietone News" show four Hollywood starlets completing the sewing of a huge silk banner bearing the slogan, "Buy Defense Savings Bonds."

* * *

MORE PRIZES BEING AWARDED IN BONDS

According to Variety, news magazine of the entertainment world, there is a growing tendency in show business and radio to substitute Defense Savings Bonds and Stamps for cash in giving prizes, premiums and bonuses.

* * *

A SUGGESTION

Have you arranged for the awarding of Defense Savings Bonds and Stamps as prizes in some local contest? — (Remember that by notifying the Defense Savings Staff in Washington, arrangements probably can be made to cover such events in the news reels. All five news real companies have expressed a desire to include "shots" of the awarding of Defense Savings Bonds in their regular weekly releases.)
SAMPLE PAYROLL ALLOTMENT PLAN DISTRIBUTED
BY AMERICAN BANKERS ASSOCIATION

IN A SPECIAL COMMUNICATION to leaders of the banking fraternity, William T. Wilson, Director of the Public Relations Council of the American Bankers Association, says:

"Payroll deduction plans will become an increasingly important factor in the Defense Savings Program. Bankers can do much to promote such plans, first, by installing them in their own organizations, and secondly, by encouraging and assisting their customers to do likewise.

"The A. B. A. has received numerous requests from member banks for payroll deduction systems, and with the hope of being helpful, we have worked out a simple plan, which is enclosed. We hope that it will be helpful in suggesting procedures which may be adapted to banks and recommended to bank customers for application to their own personnel. Supplies of the plan are being furnished to all state associations for distribution."

SUBMARINE BUILDERS ESTABLISH DEFENSE BOND LEAGUE

A DEFENSE BOND LEAGUE has been established by the Groton Shipbuilders Federal Credit Union. According to The Sub, magazine of the Shipbuilders Union, the Credit Union Defense Bond League has formulated plans for an "all-out drive" to promote the sale of Defense Savings Bonds to all Electric Boat Company employees.

Honorary chairman of this Defense Bond League is L. Y. Spear, Vice President of the Electric Boat Company. In a memorandum to all employees, Mr. Spear said:

"I take pleasure in accepting the Honorary Chairmanship of the current Defense Bond drive and to express my whole-hearted endorsement thereof. It is my recommendation that each employee support this worthy move in order to insure the fullest possible representation of purchasers."

SUBMARINE OFFICERS at the United States Naval Submarine Base in New London, Connecticut, are purchasing Defense Savings Bonds. Their "Ships Service Club" recently made a substantial investment in these bonds as one way of bringing the Defense Savings Program to the attention of its members.

POSTERS FOR FACTORIES AND OFFICES

The official Minute Man poster is now available with a new last line. Instead of reading "For sale at your post office or bank," the new posters read:

"Ask About Our Payroll Allotment Plan."

These posters are appropriate for display in factories, large stores and offices which have Defense Savings allotment plans.
Display of national defense products made in Elkhart, Ind., in lobby of First National Bank of Elkhart. See the A. D. A. poster "Here's How YOU Can Help." The display greatly increased sales of Defense Bonds, according to George S. Anderson, bank president.

**MAPS BOND DRIVE**

Andrew McNally, HI, vice president of Rand McNally & Co., presents an album containing $1 in Defense Savings Stamps to Miss Catherine Elliott. Each of the 1,500 employees of this 70-year-old company received a similar start towards a Defense Savings Bond. To encourage regular saving, Defense Stamps were placed on sale in the firm's offices and plants in Chicago, New York, Washington, Los Angeles, San Francisco, and Nashville.

**SOMETHING VENTURED— SOMETHING GAINED**

John Richard Anderson, 7, of Superior, Wis., "buys a share in America."
STATE BANKING ASSOCIATIONS TAKE ACTION

NEW YORK

In a message to all member banks, Eugene C. Donovan, President of the New York State Bankers Association, urged them to qualify as issuing agents for Series E Defense Savings Bonds. Mr. Donovan said:

"I certainly look forward eagerly to the time when... substantially all, if not actually all, the banks in this State are on the job as issuing agents for the Series E bonds...

"Personally, I feel this work presents one of the greatest opportunities banks have had in a long, long time to do a vitally important and tremendously constructive job in the nation's interest. We can pull a mighty strong oar, and I feel sure we will."

OKLAHOMA

The Executive Committee of the Oklahoma Bankers Association has pledged unanimous support to the sale of Defense Savings Bonds. R. B. Patton, president, and Eugene P. Gumm, executive secretary of the Association, have suggested that all bankers enclose descriptions of the Bonds and Stamps with monthly statements, make talks before civic clubs, and arrange for the systematic purchase of Defense Savings Bonds by bank employees.

PENNSYLVANIA

The Administrative Council of the Pennsylvania Bankers Association has adopted a resolution urging all member banks to qualify as issuing agents and to encourage bank customers to purchase Defense Savings Bonds.

VERMONT

Resolutions expressing "gratification for the opportunity afforded to assist the Defense efforts of the United States Government in the sale and distribution of Defense Bonds" have been adopted by the Vermont Bankers Association and the National Banks of Vermont.

*A LIQUID INVESTMENT FOR BUSINESS RESERVES*

The South Carolina National Bank in Columbia, S. C., has addressed the following message to several hundred business firms in that state:

"Almost every business in the country makes a charge annually or more frequently against operating expenses and sets aside a proper sum to a reserve for depreciation, and in some cases also a reserve for depletion.

"The best asset available today for the purpose of conserving these reserves is United States Defense Savings Bonds. Any monies invested in these securities will be stored away with absolute safety and will always be available to be taken down in any amount needed or required and plowed back into the business. In the meantime, monies so invested will be earning good interest."

Regarded Unclassified
"To assist the Government in financing the immense cost of the defense program, as well as to afford employees a convenient method of purchasing these Bonds and encourage the practice of thrift, a Defense Savings Plan has been established for Bethlehem employees.

Participation in the Plan is entirely voluntary on your part. President Roosevelt, however, has urged all of us to purchase the Bonds, and I hope that your response as individuals will be comparable to the great effort which you as Bethlehem employees are making toward the realization of national defense."

—E. G. Grace, President, Bethlehem Steel Corporation.

* * *

"You and I and RCA are now cooperating with the Government's National Defense program through our engineering and research, through our production facilities and plants and through our man power. Now our Company is cooperating with our Government in making it convenient for the RCA Family to purchase and invest in U. S. Defense Savings Bonds through regular salary allotments."

—You and I and RCA, Number 82 of a series of booklets for employees of Radio Corporation of America.

* * *

"In cooperation with the Government's defense efforts, Schenley Distillers Corp. has adopted a plan by which employees at the plants will be enabled to purchase Defense Savings Bonds by payroll allotment...

"Those who save a larger share of their earnings today will be lending real aid to the cause of defense. Lost hardships be created, prices must be kept at a sane level. The most effective way of keeping prices down is by reducing the heavy demand for articles of everyday consumption. Save your extra dollars today, for they will buy more commodities when the defense effort is over."

—From Remarks of Merit, magazine for Schenley employees.

* * *

"For the past several months it has been clear that the size of the defense job this country has undertaken would involve considerable sacrifice on the part of the general public...

"Faced with this situation, there are a number of solutions which will go part way to meet the deficiencies...

"However, the people of the United States might just as well face the simple fact that this defense program is going to mean that they will have fewer of the luxurious, comforts, and conveniences to which they have become accustomed. No matter how hard we try to avoid it, production of consumer goods is bound to be curtailed to an increasing extent. Every patriotic American should start right now to save our resources for the defense effort."

—Robert E. McConnell, Chief of the Conservation and Substitution Section, OPM
DEPARTMENT OF STATE

Assistant Secretary

August 2, 1941

To: Mr. E. M. Bernstein

From: Adrian S. Fisher
Since Iceland was occupied by British forces in May, 1940, the British Government have regarded themselves as responsible for Iceland's welfare and have done their best (a) to buy Iceland's products and (b) to supply her needs, including the purchase in the United States and Canada of goods which could not be supplied by the United Kingdom.

At the time of the landing of their forces in Iceland, the United States Government undertook to further the interests of Iceland and by every means in their power to supply the country with sufficient necessaries to provide shipping and to make favourable commercial agreements.

His Majesty's Government in the United Kingdom now proposes to the United States Government that the two Governments shall cooperate closely in fulfilling under present conditions the parallel obligations which both Governments have undertaken at different times. With this object in view, His Majesty's Government in the United Kingdom suggests immediate discussion so that a plan satisfactory to all parties can be drawn up.

The present position appears to be that the British Government must continue to carry fish and fish oils to the United Kingdom from Iceland and there will, therefore, be a certain amount of tonnage available for carriage to Iceland of those goods which we can still supply, but, owing to the limitation of available supplies in the United Kingdom, most of Iceland's requirements must to an increasing extent be drawn from the United States and Canada.
The British Government, therefore, hope that the United States will assume the responsibility for providing the tonnage necessary to supply from North America Iceland's civil requirements and would also welcome United States' assistance in supplying those military requirements which could be drawn from America. The British Government has in the past had to supply Iceland with some American dollars in order to meet the cost of her purchases in the United States. It is likely that as a result of the United States occupation, Iceland will have increased dollar resources and the British authorities hope that the United States Government will be prepared to assist Iceland to obtain such additional United States and/or Canadian dollars as may be needed to meet her purchases. The British Government wish still to pay in sterling for vital supplies of mutton, fish and fish oil which are imperative for the British food programme.

The following figures give some general indication of the tonnage required both for Iceland's civil cargoes and for British military supplies:

The volume of goods at present moving annually from the United Kingdom to Iceland is 170,000 tons of coal, and 65,000 tons of coke, salt, fertilizer, cement and general cargo. In addition, moving from the United States and Canada there are about 40,000 tons of timber and general cargoes. A good deal of this programme has to be lifted in the summer months when weather conditions are favourable.

Finally, London hopes that the Maritime Commission will be able to find tonnage for British military requirements to be purchased and shipped under Lease-Lend arrangements. These requirements are approximately 70,000 tons of coal and coke per annum, and stores averaging about 6,000 tons a month.

British Embassy
29th July, 1941
Copy:ims.9,30.41
MEMORANDUM.

With reference to conversation with Mr. Hugh S. Cumming Jr., last Saturday regarding refunds of dollars to the British Government the Delegation referring to a Memorandum, dated August 26, 1941 to the Department of State, Section I.c, has the honor to quote here the exact wording of the British clause in question:

In the event of a surplus of foreign exchange accruing to the Icelandic Authorities, the Icelandic Authorities will at the request of the United Kingdom Government re-sell against sterling to the British Authorities any sums in foreign exchange previously made available by the latter as far as the surplus will permit. In computing the amount to be repaid under this provision, account shall be taken of any payment made to or by residents in Iceland in sterling which carries with it a right of conversion into the currency in question through a registered account or otherwise.

The Icelandic Government is desirous of having this obligation cancelled, but should this prove impossible, the Delegation venture to request on behalf of the Icelandic Government that the United States Government agree to purchase from the Icelandic sterling holdings in London, such an amount which would be needed to refund the dollars obtained according to this clause.

The amount rendered until September 1st is equal to Can $ 1,525,000 and U.S. $ 663,000. In addition to this the Icelandic Banks in conformity with the Committee of Two have already bound themselves to transfer $2,071,000.

Washington
September 9, 1941
THE ICELANDIC GOVERNMENT TRADE COMMISSION
THE MAYFLOWER
WASHINGTON, D. C.

August 26, 1941.

My dear Mr. Cumming:

I have the honor to enclose a memorandum giving more details on the principal points which are going to form the basis of our discussions. The Delegation is at your service for any further information which it can give and you might desire.

Sincerely yours,

/s/ Vilhjalmur Thor

Vilhjalmur Thor,
Chairman of the
Icelandic Government
Trade Delegation.

Mr. Hugh S. Cumming, Jr.,
Division of European Affairs,
Department of State,
Washington, D. C.
The Icelandic Government Trade Commission,
The Mayflower,
Washington, D. C.

MEMORANDUM

The Trade Delegation has the honor to submit the following information and would greatly appreciate that the subjects are discussed as far as possible in the same order as they appear hereafter.

I. Transfer of £ Sterling to Dollars.

During the year 1940 and the year 1941 until now, Iceland has sold the bulk of her fish products to Great Britain and they are meeting there an urgent need. Recently an agreement was signed between Iceland and Great Britain concerning the sale of the majority of this production for one year, from July 1, 1941 to July 1, 1942. This sale is estimated to amount up to £ 5,000,000 in an average fishing season.

Last month Icelandic sterling holdings in British banks amounted to about £ 5,000,000.

Great Britain has endeavored to sell to Iceland most of the necessities which are required for the maintenance of Iceland's production and to the sustenance of the people. But because of obvious reasons this has become more and more difficult as the war goes on, and now the situation has become so serious that a number of commodities which are urgently needed in Iceland cannot be purchased from Great Britain. Due to this situation, no supplies are available of various commodities and this scarcity has become embarrassing in many fields.
In the opinion of the Icelandic Government the only way to help this situation and enable Iceland to obtain her supplies from America, is to find means to transfer Icelandic Sterling holdings into U. S. Dollars.

Whereas the United States Government has decided to render Great Britain all possible assistance because of the war, not only in war equipment, but also in food products (The Lend-Lease Act), and whereas the exportation from Iceland to Great Britain of food products lessens the British requirements from the United States as far as these necessities are concerned, the Delegation ventures to make the following requests:

a) that the United States Government purchase or arrange the purchase of a certain amount of sterling, of the Icelandic holdings in London in order that the Icelandic Government could immediately make necessary preparations to purchase commodities in the United States. At present the Icelandic banks have undertaken obligations for dollar transfers far exceeding the holdings which they have available in New York besides owing to the Export-Import Bank in Washington, D. C. over $500,000.

b) that the United States Government agree upon transferring into dollars all Icelandic holdings deposited in British banks after July 1, 1941 for commodities sold to Great Britain from Iceland.

c) In accordance with an agreement between Iceland and Great Britain, dated March 14, 1941 Iceland has promised to refund when possible to Great Britain the U. S. and Canadian dollar currency which Great Britain has made
available for the Icelandic banks. Should Great Britain not be willing to cancel this stipulation the Delegation in addition to items a) and b) above ventures to request that the United States Government agree to purchase from the Icelandic sterling holdings in London, in addition to the aforesaid, such an amount which would be needed in order to refund the dollar credits which have been made available for Icelandic nationals by the British Government.

II. The Sale of Icelandic Products.

As previously stated, Iceland has by special agreement sold to Great Britain the majority of the fish products which will be produced from July 1, 1941 to June 30, 1942. The Delegation shall be glad to furnish the Department of State with a copy of this agreement if desired.

There are several Icelandic export products which have not yet been disposed of. It is very important to find markets where these commodities can be sold at remunerative prices. Failing that, the inevitable consequences will be a serious dislocation in the standard of living of many sections of the Icelandic people specially the rural population. This would constitute a great danger for the future economic life of the country.

There are still various agricultural export products undisposed of from last year as well as the entire production of this year. In order to obtain a natural balance it is considered very urgent to find without delay a market for these commodities at remunerative prices.
Last year Great Britain paid Iceland £200,000 as compensation or subsidy for lost markets. Close to 95% of this amount is being disposed of as a subsidy to the agricultural products and the remainder as a subsidy to the special fish products.

This year Iceland has not received any promise as to such compensation from Great Britain. Therefore Iceland must rely on the help which the United States Government may be able to give her in order to overcome or lessen the above mentioned difficulties. The Icelandic Government trusts that the United States Government will see their way to facilitate the sale of Icelandic products concerned in the United States.

The Delegation ventures to make the following proposals:

a) Reduction of import duties to be made on specially mentioned Icelandic products, or if this is impracticable
b) Direct purchasing by the U.S. Government at prices which are considerably higher than ordinary market prices to cover cost of duty
c) Purchases of Icelandic food products for the military forces in Iceland at ruling domestic market prices

The Commodities which first come into consideration are principally the following:

1. Frozen Lamb:

Samples of this commodity have been brought to the United States and the quality found suitable for the market. The import duty is, however, 7 cents a lb., which is entirely prohibitive for any import to this country. Total yearly output is approximately 8,000 tons. The home consumption is about 1,000–1,500 tons. For export (or sale to the military forces
in Iceland) can be calculated 3,000-4,000 tons.

2. Wool:

The wool is of rather coarse quality. It has been imported to this country for carpet-making. The wool may also be used for the manufacture of winter apparel. It might be excellent for military winter uniforms and blankets. There is now available in stock approximately 500 to 600 tons.

3. Sheep Skins:

They are mostly exported with the wool on. If the wool is partly cut, the skins are excellent for the manufacture of fur garments. The pelts are considered excellent for the making of gloves or garments.

What is said above about the wool applies also to the skin-wool.

The sheep skins seem to fit excellently for military outfit, both naval and aerial, when military forces are operating in a cold climate.

The estimated output this year is 500,000 pieces or 1,500 tons. It will be ready for shipment during October.

4. Casings:

The yearly output is 400,000-500,000 pieces.

They are shipped fully prepared.

5. Fishmeal and Herringmeal:

These commodities are free of duty but the interest in this country of purchasing them has not been sufficient to obtain favorable prices. They have proved excellent for feeding cattle and chickens in other countries, as for instance, Holland and Belgium. Would it be possible for the United States Government to investigate the possibilities of purchasing these commodities and use them for agricultural
purposes where it is of interest to increase quickly both the milk production (herringmeal) and the stock of poultry (fishmeal)?

This year's production is estimated at approximately 25,000 tons of herringmeal and 6,000 to 7,000 tons of fishmeal.

6. Salted Herring:

This commodity has during the last few years had a fairly good market in the United States, but the import duty is high and therefore this commodity becomes too expensive. The output could be 250,000 barrels but this year it will probably not exceed 25,000 to 35,000 barrels because of lack of markets.

7. Canned Fish:

Iceland now has facilities to produce considerable quantities of this commodity and could therefore replace those countries which are cut off from delivering their product to this country. Owing to the high duty, the prices on this commodity produced in Iceland become too high on the American market.

8. Frozen Fish:

Only small quantities have been shipped to the United States in previous years. It has proved very satisfactory. Because of the high duty the prices which the Icelandic producers obtain for this commodity are too low.

9. Herring Oil:

The duty and excess tax on this commodity makes its importation entirely prohibitive. On the other hand, this product forms one of the most important items in Iceland's exports.
### III. Iceland's Need of Imported Goods

The present quantitative requirements of Iceland are estimated at about 350,000 tons annually. The most important items are as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Coal</td>
<td>170,000 Tons</td>
</tr>
<tr>
<td>2. Salt</td>
<td>40,000 Tons</td>
</tr>
<tr>
<td>3. Fuel Oil and Gasoline</td>
<td>30,000 Tons</td>
</tr>
<tr>
<td>4. Cereals</td>
<td>16,000 Tons</td>
</tr>
<tr>
<td>5. Grain and Feeding Stuffs</td>
<td>4,500 Tons</td>
</tr>
<tr>
<td>6. Sugar and Coffee</td>
<td>7,000 Tons</td>
</tr>
<tr>
<td>7. Lumber</td>
<td>20,000 Tons</td>
</tr>
<tr>
<td>8. Cement</td>
<td>20,000 Tons</td>
</tr>
<tr>
<td>9. Iron and Steel</td>
<td>8,000 Tons</td>
</tr>
<tr>
<td>10. Lubricating Oils</td>
<td>2,000 Tons</td>
</tr>
<tr>
<td>11. Artificial Manure</td>
<td>4,500 Tons</td>
</tr>
<tr>
<td>12. Paper</td>
<td>2,500 Tons</td>
</tr>
<tr>
<td>13. Fruit, Vegetables and Potatoes</td>
<td>4,500 Tons</td>
</tr>
<tr>
<td>14. Fats and Oils (Animal &amp; Vegetable)</td>
<td>2,000 Tons</td>
</tr>
<tr>
<td>15. Ropes, Nets &amp; Yarn (Manila, Sisal, Cotton)</td>
<td>2,500 Tons</td>
</tr>
<tr>
<td>16. Hemp (Manila, Sisal)</td>
<td>500 Tons</td>
</tr>
<tr>
<td>17. Textiles, Clothing, Footwear</td>
<td>2,000 Tons</td>
</tr>
<tr>
<td>18. Machinery, Electrical Goods</td>
<td>3,000 Tons</td>
</tr>
<tr>
<td>19. All other commodities</td>
<td>11,000 Tons</td>
</tr>
</tbody>
</table>

\[
\text{Total} = 350,000 \text{ Tons}
\]

With regard to lumber, this figure may have to be revised later owing to severe import restrictions in the past on this commodity.

The quantitative statistics of imports for the last year, showing the sources of import, are not yet available.
But according to preliminary statistics of import value during period of 12 months, from July 1, 1940 to June 30, 1941, the figures are as follows:

<table>
<thead>
<tr>
<th>Imported from</th>
<th>Kronur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>54,446.907.00</td>
</tr>
<tr>
<td>United States</td>
<td>21,831.002.00</td>
</tr>
<tr>
<td>Canada</td>
<td>5,789,919.00</td>
</tr>
<tr>
<td>Brazil</td>
<td>451,353.00</td>
</tr>
<tr>
<td>Other Sources</td>
<td>10,023,455.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>92,542,535.00</strong></td>
</tr>
</tbody>
</table>

The imports from the United States during this period include nearly all classes of goods but due to limited dollar resources the importation from the United States had to be restricted considerably.

During the war, Iceland has been gradually cut out from all supplying markets other than Great Britain, the United States, Canada and Brazil. The principal imports from Canada have been as follows:

1. Cereals
2. Lumber
3. Rubber Footwear

The imports from Canada have mostly been paid in Canadian dollars and free sterling made available to Icelandic banks by the British Government and financed out of Icelandic credit balances in London.

The most important items supplied by Great Britain during the period July 1, 1940 to June 30, 1941 are as follows:
<table>
<thead>
<tr>
<th>Item Description</th>
<th>Kromur</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Coal</td>
<td>9,557,000</td>
</tr>
<tr>
<td>2. Salt, Cement</td>
<td>2,309,000</td>
</tr>
<tr>
<td>3. Textiles and Clothing</td>
<td>13,199,000</td>
</tr>
<tr>
<td>4. Ropes, Nets and Yarn</td>
<td>4,586,000</td>
</tr>
<tr>
<td>5. Footwear</td>
<td>1,221,000</td>
</tr>
<tr>
<td>6. Tobacco</td>
<td>1,535,000</td>
</tr>
<tr>
<td>7. Chemicals</td>
<td>1,444,000</td>
</tr>
<tr>
<td>8. Dyeing Material, Soaps, Etc.</td>
<td>1,096,000</td>
</tr>
<tr>
<td>9. Paper</td>
<td>1,597,000</td>
</tr>
<tr>
<td>10. Iron and Steel</td>
<td>971,000</td>
</tr>
<tr>
<td>11. Different Iron Goods</td>
<td>2,839,000</td>
</tr>
<tr>
<td>12. Machinery, Electrical Goods</td>
<td>3,788,000</td>
</tr>
<tr>
<td>13. Vehicles</td>
<td>1,491,000</td>
</tr>
<tr>
<td>14. Sugar and Coffee</td>
<td>950,000</td>
</tr>
<tr>
<td>15. Miscellaneous Other Goods</td>
<td>8,163,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54,446,000</strong></td>
</tr>
</tbody>
</table>

During the last few months it has become more and more difficult to obtain these supplies from Great Britain. This applies almost to every item of the list above although a limited quantity has been made available in most classes up to the present time. However, the situation is fast becoming so precarious that means must be found to place the supply problem of Iceland on a more secure basis.

The question of financing purchases in the United States has been dealt with above and if that problem finds a satisfactory solution, the Delegation wishes to point out that it is of most vital importance that means are found to facilitate deliveries of commodities now subjected to priorities. This applies especially to goods needed by the fishing industry.
in Iceland such as iron and steel for repair of the fishing
vessels, raw material for fishing tackle and implements for
agricultural purposes.

The Delegation therefore takes the liberty to request
that the comparatively small supplies needed by Iceland are
given A-1 priority.

IV. Shipping Facilities.

The annual tonnage requirements are estimated as
follows:

1. Coal 170,000 Tons
2. Salt 40,000 "
3. Fuel Oil and Gasoline 30,000 "
4. Lumber 20,000 "
5. Cement 20,000 "
6. Cereals 16,000 "
7. Sugar and Coffee 7,000 "
8. All Other Commodities 47,000 "
Total 350,000 Tons

As regards the first two items, the Delegation has
every reason to believe that most of the salt required for fish
curing can be obtained in Great Britain and transported to
Iceland by British vessels employed to carry fresh fish to Great
Britain. The situation as regards coal is more uncertain but
the Icelandic Government is negotiating with the British Govern-
ment on this question with a view of having the situation clari-
fied. At the present time there are practically no coal stocks
in Iceland whereas normally 60-80,000 tons should have been
accumulating to meet the winter requirements. If the coal prob-
The problem cannot be solved by immediate supply from Great Britain and the coal carried in British-controlled vessels, there will be an urgent and immediate need for American vessels to carry coal to Iceland as follows:

<table>
<thead>
<tr>
<th>Month</th>
<th>Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>September</td>
<td>33,000</td>
</tr>
<tr>
<td>October</td>
<td>20,000</td>
</tr>
<tr>
<td>November</td>
<td>20,000</td>
</tr>
<tr>
<td>December</td>
<td>20,000</td>
</tr>
</tbody>
</table>

As to the items 3-8, it is now generally anticipated that these commodities must be mostly bought in the United States. Iceland has now few small steamers in regular trade. It is estimated that these steamers can carry annually about 50,000 tons of general cargo, lumber and cement (Items 4-8). As the annual requirements of tonnage for these items are estimated at about 110,000 tons, Iceland is in need of additional tonnage to carry up to about 60,000 tons. To solve this problem, the Delegation would propose:

a) That 2-3 steamers, each about 2000-3000 tons can be bought by Iceland at reasonable prices and transferred to Icelandic Flag, or

b) That 2-3 steamers, each about 2000-3000 tons are now made available to Iceland for the duration of the war on a charter basis, excluding officers and crew, in which case the steamers should be transferred to Icelandic Flag during charter.

If this can be arranged, the tonnage problem with exception of tonnage for coal, fuel oil and gasoline, could be considered as solved as far as the situation is now and provided no special events happen. As regards tankers to carry oil the most suitable size of a cargo is 4000-6000 tons. The size of
vessels carrying coal should vary according to ports of destination. Steamers 5000-6000 tons can be discharged at Reykjavik whereas steamers of about 1000-3000 tons are required for other ports.

This estimate of tonnage is based on the immediate prospect of the country's need but on account of previous years' severe restrictions on the import of building materials, the estimate may have to be revised at some later date.

We also wish to draw attention to the fact that owing to the presence of the military forces in Iceland, the demand for various goods is likely to increase to a considerable extent.

V. Direct Mail and Telegraph Connection.

As the mail and telegraph service is now between Iceland and the United States it takes three months to send letters and receive replies by return mail. A telegraphic reply to a telegram sent from one country to the other can never be expected in less than one week and often with further delay. It is evident that this situation causes so great inconveniences and is such an obstacle to the normal trade between Iceland and the United States that it has become intolerable.

Therefore the Government of Iceland emphasizes especially the desire of having opened a direct radio service between the two countries and that all conventional mail and parcel post be forwarded through the shortest possible route.

Washington, D.C.,
August 26, 1941.
MEMORANDUM

September 25, 1941

A/B - Mr. Berle:

Due to the reorganization of OPM and the absence from their offices of most of the higher officials of OPM and DAR who are testifying on the Hill on the new lend-lease bill, a settlement of the details of our proposed purchases from Iceland for British account has been unavoidably delayed. It is hoped, however, that discussions between DAR, the Icelandic Delegation, and possibly the British, may take place early next week, if not at the end of this week.

In the meantime, the Icelandic Delegation has pointed out to us that the present is one of the heaviest shipping seasons for goods bound from Iceland to Britain and that, accordingly, several weeks delay means a further addition to their already very large blocked sterling balances in London.

At the same time, Iceland must in the very near future commence her purchases in the United States. Mr. Maltzer of Mr. Acheson's office has made considerable progress in working out with OPM and DAR the details of the procedure to be followed by Iceland in procuring supplies in the United States and expects to have a draft agreement to that end ready for presentation to the Icelandic Delegation very shortly.
The most pressing need of Iceland at the moment is for dollars with which to make their purchases in the United States.

In response to the request which you made of the Icelandic Delegation when they called on you earlier this month, the Delegation has now informed us that Icelandic sterling holdings in London on July 1, 1941 were about £4,903,057. During July and August, 1941 the Icelandic banks have purchased a total of £1,871,256 making an approximate total as of September 1 of £6,774,313. The British Embassy has also sent in their estimate of the Icelandic sterling balances but have warned me that since their telegram from London was badly garbled, their figures should not be considered strictly accurate. According to the Embassy's statement, Iceland's sterling balances have increased by only £8,000 since July 1 and the total sterling balances are said to have been £5,800,000. For our purposes, I believe it would be safer to take the Icelandic figures.

In addition to the above-mentioned sterling balances Iceland is obligated to resell against sterling to the British authorities from any surplus of foreign exchange accruing to Iceland's foreign exchange previously made available to Iceland by Great Britain. The Icelandic Delegation informs me that up to September 1, 1941 Great Britain had made available to Iceland Can. $1,525,000 and U.S. $663,000. Since September 1, the Icelandic banks have bound themselves to repay to the British $2,071,000, should the British make this sum available to Iceland to cover purchases in the United States.
In view of Iceland's pressing need for dollar exchange and the possibility that dollars will not accrue to Iceland as a result of our lend-lease purchases in Iceland for British account as rapidly as we had expected, it is suggested that you may wish to sound out the Treasury on the possibility that through the stabilisation fund the United States might purchase Icelandic sterling balances to the extent necessary (a) to enable Iceland to repay the Canadian and United States dollars already advanced by the British prior to September 1, 1941; (b) to enable Iceland to repay such dollar exchange as may have been advanced by the British since September 1; and (c) to provide Iceland with the approximately $1,250,000 which the Icelandic Delegation informed you they needed to cover immediately necessary purchases in the United States.

While it is possible that such a transaction by the Treasury may run counter to policies already determined upon in connection with sterling balances belonging to some of the American republics, it would seem on the basis of the facts available to us to be the only procedure by which we might immediately give to Iceland some of the financial and economic aids promised by the President in his exchange of notes with the Prime Minister of Iceland.

Ray Atherton
TELEGRAM SENT
GRAY
AUGUST 2, 1941, 1 p.m.

AMERICAN EMBASSY,
CHUNGKING, VIA N.R.

178.
FOR FOX FROM SECRETARY OF TREASURY,

Please keep us currently informed regarding effects
of freezing orders on China and forward any suggestions
regarding the administration and application of these
orders. We are especially interested in the operations
of the various general licenses. It would be helpful
if you could discuss with your colleagues and evaluate
frequently the wisdom of continuing or amending each
of the general licenses and keep us informed of views
on this matter. Also relay any information to us of
dollar situation in Hong Kong resulting from exclusion
of Hong Kong from our Freezing Control.

WELLES, ACTING
(HE)

EA: HF: PAK
COPI
TELEGRAM SENT
GRAY
August 2, 1941, 6 p.m.

AMBASSADOR,

CHUNGKING (CHINA) VIA NAVAL RADIO.

179.

FOR FOX FROM SECRETARY OF TREASURY.

Hewlett was interviewed in the Treasury today and
is agreeable to proceeding at an early date to China
to act as your secretary at a salary of $3,500 and
$6,00 per day U.S. currency plus transportation both
ways. Dr. Soong has been informed of your urgent need
for a secretary and of your preference for Hewlett.
Dr. Soong will receive Hewlett Monday afternoon to
discuss possibility of employment on above terms and
travel arrangements if contract is consummated.

WELLES, ACTING
(DA)

KA:HFMN
PE
DEPARTMENT OF STATE  
Washington  

August 2, 1941.

In reply refer to  
EAS40.51 Frozen Credits/2764.

The Secretary of State presents his compliments to  
the Honorable the Secretary of the Treasury and encloses three  
copies of telegram No. 52, dated July 30, 1941, from the American  
Embassy at Nanking, China, concerning regulations adopted by the  
Nanking Government affecting foreign assets in China.

Enclosure:

From Embassy, Nanking,  
No. 52, July 30, 1941. (3)  

(Handwritten note:  
2-4-41)
Secretary of State,
Washington.

52, July thirtieth.

Following is rough translation of an item in this morning's local Chinese press: Concerning the freezing of Chinese assets by the United States and other countries, country measures were discussed and adopted at the 70th Executive Yuan meeting held yesterday. "The regulations governing the disposition of assets of designated persons" as proposed by the Ministry of Finance were adopted and promulgated. The full text of the regulations are given below:

Article one. Only person designated by the Ministry of Finance shall be affected by this regulation. The approval of the Ministry of Finance must be obtained before designated persons may acquire or dispose of assets of the following varieties: (1) immovable property rights; (2) enterprises, businesses and investments in enterprises or business; (3) government bonds; (4) domestic and foreign exchange; (5) banknotes over Chinese dollars five hundred in value per month; (6) foreign banknotes; (7) other movable properties over one hundred Chinese dollars in value.

Article two. Only persons designated by the Ministry of Finance shall be affected by this regulation. The approval of the Ministry of Finance must be obtained when designated persons engage in the following activities except for those who have obtained the approval of the Ministry of Finance for the items provided in article one.

Article three. Only persons designated by the Ministry of Finance shall be affected by this regulation. The approval of the Ministry of Finance must be obtained before designated persons may engage in the following activities in connection with assets as specified in article one except for those who have been given special permission in accordance with the provisions of articles one and two.

One. Request for the custody of properties and the exceptance of trusteeship. Two. Return of properties which are entrusted to or by others. Three. Loans rents consumption indirect loans, etc.

Article four. Items mentioned below are exempted from the provisions stipulated in the preceding articles.

One. The receipt of various taxes. Two. The receipt of salaries expenses and other similar payments by employees of or persons specified by the Ministry of Finance. Three. Cases specially permitted by the Ministry of Finance.

Article five. Any one who violates the provisions of the preceding articles shall be punished with a fine of not more than Chinese dollars five thousand or a sum equivalent to and amount more than three times and less than five times the value of the assets involved or sentenced to no more than one month penal servitude.
Article six. These regulations shall be enforced on the day they are promulgated.

Sent to Department. Repeated to Chungking, Peiping and Shanghai.

By mail Tokyo.

PAXTON

RR

eh:copy
In reply refer to
EA 340.51 Frozen Credits/2605

The Secretary of State presents his compliments to
the Honorable the Secretary of the Treasury and transmits
herewith copies of telegram no. 53, dated July 31, 1941,
from the American Embassy at Nanking concerning a statement
in the Chinese press with regard to foreign funds control.

Enclosure:

No. 53 from Nanking,
July 31, 1941.

eh: copy
8-3-41
Secretary of State

Washington,

53, July thirty-first.

My 52, July thirty, regulations concerning assets.

Following is rough translation of an item in this morning's local Chinese press: The Ministry of Finance has made the following announcement concerning those affected by the regulations (issued yesterday) (One) the United States of America and all its possessions, the Philippines Common Wealth, Canada, Great Britain and Northern Ireland are referred to below as designated countries; (two) administrative areas of designated countries and their quasi administrative areas; (three) countries other than those mentioned above to be added later; (four) other nationals who are in reality in a status resembling that of the nationals mentioned above; (five) branch offices and other business establishments of nationals concerned which are located in the designated countries; (six) nationals of the designated countries and those who reside or sojourn in the designated countries.

Sent to the Department. Repeated to Chungking, Peiping and Shanghai.

By mail to Tokyo.

NOTICE

BR

ccopy
FOREIGN EXCHANGE CONTROL BOARD

Ottawa

August 2, 1941.

PUBLIC CIRCULAR NO. 13

KINDS OF FOREIGN CURRENCY WHICH MAY BE SOLD OR USED FOR VARIOUS TRANSACTIONS

Effective August 1, 1941, Hong Kong has been included in the sterling area for foreign exchange control purposes. Accordingly the definition of sterling area in paragraph 1 of Public Circular No. 10, dated April 2, 1941, is amended to read as follows:

"1. The expression "sterling area" means and includes any territories under the sovereignty, protection, suspeniaty or mandate of His Majesty (except Canada and Newfoundland) and also includes Egypt, the Anglo-Egyptian Sudan, Belgian Congo, Ruanda-Urundi, Iceland, Faroe Islands, and the 'Free French' Colonies of French Cameroons, French Equatorial Africa (composed of Chad, Ubanghi-Chari, Middle Congo and Gaboon), French Settlements in India and French Oceania (composed of New Caledonia, New Hebrides and Tahiti)."
Secretary of State,

Washington.

29, August second.

Following from Tientsin American Chamber of Commerce, which requests copy be given United States Chamber of Commerce:

"On July 23rd Japanese military refused to allow bristle shipments from this port to United States notwithstanding cargoes were already sold to American buyers and shippers have complied with all exchange control regulations and other formalities. It is our opinion that Japanese action in prohibiting shipments of bristles from Tientsin to United States indicates prior to the freezing order a definite policy on the part of the Japanese to prevent shipments of essential material to United States.

Effective July 26th Japanese controlled authorities prohibited exportation of all goods by any nationality to United States or by any American from Tientsin to place and have given no intention that shipments might be resumed even under licensing system. Japanese sponsored exchange control bank states that no imports by American firms will be allowed into Tientsin except possibly those shipments enroute and for which Japanese controlled bank has received through linking benefit of United States dollars exchange.

Japanese controlled post office has denied parcel post facilities, both local and international, to Americans."
Japanese action is effectively and rapidly bringing American
business in North China to complete standstill. Japanese military
authorities require permits for travel in China which permits with
few exceptions are presently withheld from Americans. Despite
resultant difficulties suffered by American businessmen in North China
this Chamber heartily endorses all measures taken or to be taken by
our Government".

CALDWELL

CEB

ehicopy
3-15-41
PARAPHRASE OF PERTINENT PARTS OF TELEGRAM RECEIVED

FROM: American Legation, Bangkok, Thailand.
DATE: August 9, 1941.

THE FOLLOWING IS STRICTLY CONFIDENTIAL.

This afternoon after the close of office hours I was called to the Foreign Office by the Deputy Minister of Foreign Affairs to impart to my Government, on behalf of the Minister of Foreign Affairs and of the Prime Minister, the suggestion that the Government of the United States establish an Embassy in Bangkok.

Among the things the Deputy Minister said were the following: The Government of Thailand has refused to recognize the Japanese Government, but has agreed to recognition of Manchukuo; Japan having requested the formation of a syndicate of three Thai banks, the National and City Bank, Bank of Asia, and the Thai Commercial Bank, with a view to extending credits up to 10,000,000 baht to facilitate Japan's purchase of such commodities as rubber and rice, the Government of Thailand has insisted upon gold as security; Japan has agreed with this understanding; an arrangement has been made with the Yokohama Specie Bank, and the syndicate has been formed.
Secretary of State,

Washington.

1156, August 2, 6 p.m.

Embassy's 1108, July 26, 8 p.m.

In order render foreigners' transactions control regulations more flexible general license system has been established effective July 31 through ordinances appearing Official Gazette published yesterday.

Permission from Finance Minister will not be required in following cases: (one) payment by bank to "designated foreigners" their deposits for purposes payment taxes or salaries Japanese employees, (two) payment to Government offices by designated foreigners of cable charges and railway fares; (three) payment by designated foreigners of loans or deposits to banks not of designated countries for settlement of bills for imports under certain conditions.

According today's press exemption from permit requirements will also be granted for certain domestic payments freight and storage charges, dividends etc. When such payments made to Japanese nationals however latter must obtain permission.

Sent Department via Shanghai.

CSB          GHEW  copy: JMR-8-6-41
CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £ 6,000
Purchased from commercial concerns £11,000

Open market sterling held steady at 4.03-1/2, and there were no reported transactions.

In New York, closing quotations for the foreign currencies listed below were as follows:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian dollar</td>
<td>11-3/8%</td>
</tr>
<tr>
<td>Argentine peso (free)</td>
<td>.2380</td>
</tr>
<tr>
<td>Brazilian milreis (free)</td>
<td>.0505</td>
</tr>
<tr>
<td>Uruguayan peso (free)</td>
<td>.4380</td>
</tr>
<tr>
<td>Colombian peso</td>
<td>.5800</td>
</tr>
<tr>
<td>Mexican peso</td>
<td>.2070</td>
</tr>
<tr>
<td>Cuban peso</td>
<td>1-1/16% discount</td>
</tr>
</tbody>
</table>

In Shanghai, the yuan advanced 1/32¢ to 5-7/32¢. Sterling was quoted at 4.02-3/4, up 1/4¢.

A Hong Kong dollar quotation of 25-11/32¢ was received from Hong Kong this morning, representing a gain of 3/32¢ since the quotation of July 31. Sterling in that center was quoted at 4.05-1/2, or 1-1/2¢ higher than the July 31 rate. The Hong Kong office of one of the New York banks reported that inter-bank business in U.S. dollars had been discontinued; also that it had to sell its dollar balances to the Bank of England.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the following gold shipments had been consigned to it:

- $2,570,000 from Canada, shipped by the Bank of Canada, for account of the Government of Canada, for sale to the U.S. Assay Office.
- 2,223,000 from Colombia, shipped by the Central Bank of the Colombia Republic for its account, disposition unknown.

Total $4,793,000
SITUATION REPORT

I. Eastern Theater.

Ground: German forces assigned to clean up Estonia are engaged with Soviet forces to the west of Lake Peipus and to the south of Tallin. Tallin appears to be in Russian hands.

The situation in the Smolensk area appears unchanged. The German High Command claims that the ring around the Russian troops encircled between Smolensk and Viasma has been drawn tighter.

The Russian Army holds Kiev and a bridghead of considerable radius to the west of the Dnieper.

The German High Command claims that a "battle of annihilation" has begun against strong Russian forces encircled in the southern Ukraine. German armored forces have crossed the important Odessa-Cherkassi railroad to the southeast of Zwernigorodka.

Air: No change.

II. Western Theater.

Air: No important operations by either side.

III. Mediterranean Theater.

Ground: Nothing to report.

Air: Usual harassing raids.
CONFIDENTIAL

London, filed 17:00, August 2, 1941.

1. British Air Activity over the Continent.

2. Flight of July 30-31. In the area around Cologne, 43 tons of high explosive bombs and 2800 incendiaries were dropped. Over Cologne were dropped 44 tons of high explosive bombs, 36 twenty-five pound incendiaries and 4700 ordinary incendiary bombs. British bombers also dropped leaflets over Giebelstadt, Cologne, Bonn, and Ansbach.

2. Day of August 1. A total of 273 fighters were dispatched as follows: 37 on interception patrols, 13 on special missions, 36 on offensive patrols and 173 in the protection of shipping. Shipping off Emden was attacked by 3 Blenheim, no results of this raid being given.

2. German Air Activity over Britain.

2. Day of July 31. 19 reconnaissance aircraft and 5 long range bombers were employed.

2. Flight of July 31-August 1. Four fighters and 10 long range bombers were used.

2. Day of August 1. Defensive patrols were maintained and one reconnaissance carried out.

2. Flight of August 1-2. Operations were principally in southwestern Cornwall and were on a small scale.

5. Aircraft Losses Reported.

5. British Losses. One Hurricane and pilot were lost on August 1.

5. Axis losses. No German losses were reported for August 1.
CONFIDENTIAL

4. British Air Activity. Other Theaters.


6. Axis Air Activity. Other Theaters.

7. Middle Eastern Theater. On July 30, eight Axis aircraft attacked Bezu. No damage was reported.

Distribution:
State Department
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
G. I. G.
Chief of the Army Air Forces
Secretary of Treasury
Assistant Secretary of War for Air
Assistant Chief of Staff, G-3
Air Corps

CONFIDENTIAL
to the Panama Canal in new operation
would cause conflict with the
and that when it proceeded to open the interconnection
the Panama Canal was on the way to peace and war.
repealed on the basis of the Canal Repeal
further, the operation of the Canal to ensure the Panama
would be cold and inconsiderate to the state of hand, and
the Canal of Panama of course in a manner that is not
and, on the basis of my past belief a couple of
the Canal of the Panama to the Minister of Panama
upon request made by the Joint Secretary of

I proceed to the request in the Panama Canal

Regraded Unclassified

FROM AMERICAN EMBASSY, PUNA

Panama
New Orleans in order to effect the transfer of the registry of the vessel.

It was stated by the Minister of Foreign Affairs that it had not been found possible to comply with our suggestion concerning a requisition of this vessel because of the authorization which was given in May to transfer the ship's registry. I stated that I was amazed to be told now, for the first time, that such an authorization had been issued in May. The Minister's reply was that he had just been so informed. I added that in accordance with the cable of the 30th of July from the Panamanian Consul that it would appear that the sale had been effected on that date, in other words, a number of days after I had discussed the matter with the Government of Panama, and, that had they wished to do, they could at once have withheld the authorization after I had first raised the question with them on the 22nd of July.

The Minister stated that he did not know on what date the transaction had taken place, and that it was not possible for the Government of Panama now to requisition a vessel which had been sold to the Government of Spain.

The details
The details of the case heretofore outlined, as regards "cooperation" are self-evident.

WILSON
August 4, 1941
10:45 a.m.

HMJr: Hello.
Operator: British Ambassador.
HMJr: Hello.
Lord Halifax: Hello. Good morning, Mr. Secretary.
HMJr: Good morning, Mr. Ambassador.
H: I rang you, as I threatened I would. Any chance of your being free tonight or tomorrow night?
HMJr: Yes.
H: Lady Halifax, I'm sorry to say, is away....
HMJr: Oh, I'm sorry.
H: .....and therefore if you could - if you didn't mind dining more or less alone with me, and I think - I hope to have either dinner tonight our new Minister, Ronnie Campbell, who's just come out of Belgrade - rather interested about it all in Italy.
HMJr: Yes.
H: I don't know whether.....
HMJr: Oh, I'd be very much interested.
H: I think he'd interest you.
HMJr: Very much. I just was thinking a minute - I think that tomorrow night would be fine.
H: Well, that is all right for me. If you don't mind quietly, no party - literally no party.
HMJr: No, I'd much rather. We could talk.
H: We can talk, and you'll feel entirely free to - I don't know what your habits are - to go early or work or stay late - just as you like.

HMJr: What time do you dine.

H: Whatever time you like. Eight or eight-fifteen?

HMJr: Either one.

H: Good.

HMJr: Good. Eight o'clock?

H: Eight o'clock's all right for me.

HMJr: And you dress?

H: Just as you like. I shall, probably, because I might indulge in a game of tennis and have a bath before dinner. But do just as you like.

HMJr: Well, I'll have on a white tuxedo.

H: Well, don't bother. Do just as you like.

HMJr: Then I'll.....

H: Well then, I'll expect you tomorrow night at eight o'clock.

HMJr: I'd love to have a chat either with you or Campbell. That would be fine.

H: Right.

HMJr: Fine.

H: Very nice.

HMJr: Thank you.

H: Right. Tomorrow night.
August 4, 1941
10:50 a.m.

HM Jr: Good morning, Marriner.

Marriner Eccles: Good morning, Henry.

HM Jr: How are you?

E: I'm fine.

HM Jr: Good. You called me Saturday. This is in answer to your call.

E: Oh yes. Well, it may be too late now. I - it's with reference to a vacancy on the Board here.

HM Jr: Oh.

E: And I don't know just how it finally ended up. I talked to the President, I think, last Tuesday, about two people - one was Wilson....

HM Jr: Yeah.

E: ....Undersecretary - used to be Undersecretary of Agriculture.....

HM Jr: Yeah.

E: ....and the other is this fellow they call Spike Evans. You know Evans - he's head of the AAA. Fine looking, big, tall fellow from.....

HM Jr: No. I don't know him.

E: Well, you just don't place him. He's been over in the office I know while I've been there, but anyway he's head of the AAA.

HM Jr: Yes.

E: And a very - he's been there since '38. A very able fellow. Well, I talked to the President
about both of them, and checked with Wallace; and Wallace recommended both very, very highly.

**HMJr:** Yeah.

**E:** I talked to Wickard about it, and Wickard said, "Well, before we do anything, let me see you on Monday. I've got to go out of town, and I'd like to talk to you." See?

**HMJr:** Yeah.

**E:** And he said, "In the meantime, would it be all right to say nothing about it?" In the meantime, Wickard talks to the President and proposes Paul Appleby.

**HMJr:** Uh-uh.

**E:** (Laughs) And I get a note from the President in which he said he was making out the papers.....

**HMJr:** Yeah.

**E:** .....saying that Wickard had said he couldn't spare either of the other two......

**HMJr:** Yeah.

**E:** .....and that this fellow's been a good administrator and a lot of other stuff.

**HMJr:** Yeah.

**E:** And this was Saturday morning I get this. Well, of course, I wrote a note immediately to the President and got ahold of Rudolph Foster.....

**HMJr:** Yeah.

**E:** .....had him put one copy on the papers he was preparing......

**HMJr:** Yeah.

**E:** .....got ahold of Watson finally - I couldn't
get him for a time; apparently he was over at
the House, because the President wasn't in his
office.....

HKJr: Yeah.

E: .....and got an original copy of the letter,
and I haven't heard the results yet.

HKJr: I see.

E: And I was trying to get ahold of you to see
if you knew Paul Appleby very well.

HKJr: Yeah, I know him.

E: Well, now, he's - he and this fellow Black -
I mean, I'm told that Wickard has been trying
his best to get rid of him - get him out of
there - and.....

HKJr: Well.....

E: .....the way that thing was handled made me
pretty - I was - talked to him, you know,
perfectly frank, and he said, "Well, let's -
if it's all right to wait, I'd like to talk
to you about it." In the meantime, apparently
this is what happened.

HKJr: Yeah.

E: Well, that isn't very square shooting.

HKJr: No. I don't think so.

E: Huh?

HKJr: I don't think so.

E: Well, I wanted to - I knew you'd be interested
in - I talked to you about Wilson, you remember.

HKJr: Yeah, I remember.

E: And I knew you'd be interested in the thing, and
so I was just trying to get ahold of you
to tell you about what the situation was
and see if you had any suggestions.

HMJr: I got a little note from the President.
Did he send you a copy or was mine a copy
of yours? I guess it's a copy of what he
wrote you about talking with me and....

E: Yeah. Yeah, I got it.

HMJr: Yeah.

E: Yeah, I got it Friday.

HMJr: Yeah.

E: You mean on this installment credit thing?

HMJr: Yeah...

E: Yeah, I got it.

HMJr: Well, that's all right.

E: Yeah. Well now, Leon and I talked to him.....

HMJr: Yeah.

E: .....as we told you we would do.....

HMJr: Yeah.

E: .....and he was, of course, very much in
favor of doing something about it. We didn't
have to really do any selling job at all. He
said that it wouldn't be necessary for us to
clear it with more than Smith and have him
with the Attorney General.....

HMJr: Yeah.

E: .....that he wanted to get it signed before
he left.

HMJr: Yeah.
E: See? That - this was Thursday we talked to him, so it didn't give him much time.

HMJr: Yeah.

E: And it was his suggestion that he get it out immediately before he got away.

HMJr: Yeah.

E: Now, this is what he signed it. I asked that he leave the date of it blank.....

HMJr: Yeah.

E: .....for the reason that the minute it becomes public, everybody's going to try to beat the gun.

HMJr: Yeah.

E: You see?

HMJr: Yeah.

E: And I felt that we agreed to do some checking with the Federal Reserve Bank people before any regulation was issued.

HMJr: Yeah.

E: You see? So what we're doing this week and next week.....

HMJr: Yeah.

E: .....is getting the regulation in shape to present and discuss it with the trade and with the bank people, which I think is a lot better than just springing something on these people without giving them a chance to be heard.

HMJr: Yeah.

E: Now, Ronald - I've asked Ronald Ransom if he
would represent - handle this thing for the Board. It's going to be a constant job, so Ronald is going to take this over and handle it; and who - who do you want to designate to advise with on it?

HMJr: Well.....

E: I assume you want to designate somebody that.....

HMJr: .....on this?

E: Yes.

HMJr: I think until further notice, Bell.

E: Bell.

HMJr: Yes. Is that agreeable?

E: Yes, fine.

HMJr: Is that all right?

E: So I'll - well, then I'll advise Ronald to keep Bell in touch with the situation then.

HMJr: Yeah.

E: Let me ask you this. Confidentially, do you feel that Appleby is a proper representative of Agriculture on the Board? Is he an agriculturist?

HMJr: No.

E: Well, that's just the way I feel about it.

HMJr: He ran some small town newspaper and.....

E: Mostly politician, isn't he?

HMJr: Well, inclined that way.

E: Uh huh.
Inclined that way.

Well, it makes - it upset me. I'm - I don't know whether the President got my letter and what he did about it, but I'm just....

No, Agriculture wouldn't recognize him as a representative.

Well, Agriculture's going to be - not going to like it at all.

No.

Well, if he deferred it, why we've still got a chance. I don't know whether he did or not. If he got my letter, I rather think he did, because it was pretty strong.

Yeah. Be seeing you soon.

All right. Good-bye.
August 4, 1941
11:00 a.m.

GROUP MEETING

Present: Mr. Cochran
Mr. Thompson
Mr. Bell
Mr. Gaston
Mr. Blough
Mr. Odegard
Mr. Kuhn
Mr. Schwarz
Mr. Graves
Mr. Cairns
Mr. Sullivan
Mr. White
Mrs. Klotz
Mr. Foley

Dan, I had a long talk with Eccles.

There is a letter in from the President which you can see. Mrs. Klotz will show it to you afterward. Eccles sent me a copy. It said any move that he should take that might affect the Treasury, he should first talk with us. He handled it that way, which is all right. Eccles wanted to know who would represent the Treasury on the question of instalment buying, and I said you would.

Is it settled now that way?

What do you mean?

I mean that they are going ahead with the program —
H.M.Jr: Well, I gathered he didn't want the President to date it for some reason or other, but the President has signed the order.

Bell: Oh, he has signed it?

H.M.Jr: But Eccles also wants to see the industry first, and he said Ronald Ransom would get in touch with you.

Bell: I see, so that in effect answers Henderson's letter too.

H.M.Jr: Yes, I am not paying any attention to the Henderson letter.

Bell: All right.

H.M.Jr: Herbert?

Gaston: Yes.

H.M.Jr: What have you got?

Gaston: Nothing much. That building you spoke about at Two Park Avenue in New York, they have only four thousand feet of space left now. We need seventy thousand, and also it is very undesirable space, anyway. That sixty-day cancellation thing bothers me quite a bit. I don't think we can get any bids. We have advertised twice now. We have just got a new set of bids. We will have to re-advertise on that sixty-day cancellation thing. I don't think we will get any bids because our alteration expenses are very heavy.

H.M.Jr: Can you take it for a year?

Gaston: Oh, yes.

H.M.Jr: One year?
Gaston: We have been on a year basis with a thirty-day cancellation after the first year.

H.M. Jr: That is all right. Go ahead on that basis.
Anything else?

Gaston: Elmer Irey is here and is coming in to see me soon. I am working on a letter.

H.M. Jr: I would like to see him this morning. Is he well?

Gaston: Yes. He had an appendicitis operation.

H.M. Jr: He is well now?

Gaston: He is well now.

H.M. Jr: I would like to see the two of you at eleven thirty.

What else?

Gaston: That is all.

Sullivan: Here is a memorandum --

H.M. Jr: Did you go home over the weekend?

Sullivan: Yes, sir, I went up Friday night and came down last night.

H.M. Jr: What is going on on the Hill?

Sullivan: Oh, I think just people getting more and more irritated. I had a call from one member of the Committee this morning, and it seems pretty clear from his conversation that the Committee are getting very bitter toward Sam and John McCormick.
H.M. Jr: A little louder.

Sullivan: They seem to be feeling quite bitter toward the Speaker and the majority leader. This man, at least, blamed them for the affair. The C.I.O. has endorsed the joint returns.

H.M. Jr: I saw that. Was there anything for me to do today?

Sullivan: I don't think so, sir.

I am going to be there at twelve and I will stay right there through the fight and if anything develops I will phone. Do you intend to be here?

H.M. Jr: Right. What else?

Sullivan: That is all, sir. Mr. Blough has a draft of your statement for Friday or Monday. This thing today may result in a postponement of a day or two, but I don't think we can rely on it, and if you have time to get a start on this today, I think it would be helpful.

H.M. Jr: Well, I will see Blough and Kuhn right after press, Mrs. Klotz.

Sullivan: Thank you.

Schwarz: I was going to suggest, Mr. Secretary, in line with that that you will probably be asked to reconcile possibly the fact that we did not favor - we did not ask for broadening the base and the President has. This might be a good opportunity this afternoon to discuss that a little bit.

H.M. Jr: What should I say?

Schwarz: Ferdie and I have talked about it. We think you could say that that was in May, when you
went up on the Hill, and the situation has changed some and that many people have an illusion about the amount of revenue that would be obtained from base broadening, and we didn't ask for it because we were hoping to get revenue from the excess profits tax, but that we haven't opposed it.

Sullivan: That is not true, Chuck. I have fought it tooth and nail for three months.

Schwarz: By questioning, not by - by examination. Did we fight it?

Sullivan: Oh, yes.

H.M.Jr: No.

White: I hope you don't say anything about it.

H.M.Jr: No.

Schwarz: Then even more so I think we should --

Gaston: I thought two or three days ago that you ought to come out with a statement defending our position and opposing any so-called broadening of base, but in view of the events that have happened in the last few days, I think it is a good spot to say nothing.

H.M.Jr: Certainly. I agree with you a hundred per cent.

Sullivan: Well, there is an answer.

H.M.Jr: Yes, but the answer is to say nothing

Sullivan: All right.

H.M.Jr: I mean, I am not going to get into a discussion. My position would be untenable. Don't you agree?
Sullivan: Yes. I think the place for the answer is on the Hill. I will tell you later what I have in mind for you when you are before the Senate Finance Committee.

(The Secretary held a telephone conversation with Mr. Early).

H.M.Jr: A dirty job for you, Herbert. There is a Frank Smith that the President turned down for SEC on Steve Early’s recommendation. Now he is trying to get him a job here in the Treasury. Have you (Bell) got any correspondence from him?

Sullivan: Where is he from?

H.M.Jr: I don’t know.

Sullivan: There is a Frank Smith that has been bothering me.

H.M.Jr: Anyway, if you (Klotz) will give the correspondence to Mr. Gaston, he will be delighted to see him. It comes under politics.

Where were we?

Cochran: You were starting with me.

Sullivan: You decided to say nothing?

H.M.Jr: Sure.

Cochran: Mr. Gifford was in Saturday to say goodbye. He is flying to Scotland tomorrow. He is leaving his assistant up in New York. They are still liquidating some. He gave me a statement as to what they still have. He was most appreciative of the help you have given him. I have a letter here --
H.M., Jr.: I hope when he gets back he will send me a picture. He asked me for a picture of myself, which I gave him, and out of courtesy I said, "Well, won't you give me one," and he said, "Yes, but all of my pictures of myself are in Scotland." So when he gets back maybe I will get one o.o.d., collect.

White: He will have to get it away from one of his relatives, I expect.

Cochran: Your office referred to me a letter. I drafted a reply for my own signature (August 2, 1941 to Mrs. Vinaver-Grinberg). I don't think you know those people.

H.M., Jr.: No, I don't.

Cochran: That was just a memo to record Welles' answer on that Russian thing.

H.M., Jr.: I want to read that memo from Welles (August 2, 1941). (cochran mem)

Well, now, you can sell them very simply, every monetary agreement that I have arrived at, so far, as far as I know, certainly I have done from Treasury to Treasury.

Cochran: I mentioned the Tri-partite and Stabilization agreements. On the other hand, of course, this is between you and Welles, there is a little bit to what he says there. They are consummating an important agreement of which this was supposed to be a part, and if you do it separately at the same time and make it terminate coincidentally with the other agreement, it might be something which they would prefer to handle themselves.
Well, you can call up Mr. Henderson and tell him that I would very much prefer to have it separate because I don't want the publicity. I don't want to set a precedent. It means a good deal to me and unless it means a lot — if it means enough to Mr. Welles, then Mr. Welles should call me himself.

Cochran: All right.

White: Isn't there something more than that, Mr. Secretary? The position that we have taken right along with respect to gold is that it is a monetary matter. We took that when Mr. Welles included in his statement on policy on freezing Chinese and Japanese assets — there was a statement in there that we would not buy gold from Japan. Ed Foley called Dean Acheson up at once and said, "We object to that being put in there at all because that relates to an entirely different class of question."

And Dean Acheson replied to Ed Foley's statement that that was all right with them, when Ed Foley explained to him what we would do, and what he could say is, that we would block the dollars which they acquire as a consequence of the purchase of gold, but that was a separate matter. That was a question of freezing dollars which they had and I think that we have a clear record going all the way back that questions of purchase and non-purchase of gold has got nothing to do with any arrangements with any country.

H.M.Jr: Well, that is the way I feel, but I haven't discussed it with you. So will you (Cochran) pass that along to Henderson?

Cochran: Yes, sir.

H.M.Jr: Say I feel very strongly about it.
Cochran: That it should be separate?

H.M.Jr: Yes. I feel very strongly about it.

Cochran: All right, sir.

H.M.Jr: Will you do that, please.

Cochran: Yes, sir.

That is all I have except that Mr. Bell may have told you that Hall-Patch has been named temporarily to the Stabilization Board out in China for the British, so that finishes the --

H.M.Jr: Now, the Russian Ambassador is pushing me for this thing, so I would like to get an answer as soon as possible.

Cochran: The State Department is anxious to have it too, because he is pushing them for the signing of the trade agreement today. I will phone as soon as I go out.

H.M.Jr: Anything else?

Cochran: No, sir.

Cairns: I have nothing.

Kuhn: I have talked to Howard Dietz about that poem that the President wanted us to use, and he has everything ready, but he would like very much to use it two weeks from Wednesday, instead of this Wednesday, and wonders if you have any objection to that.

H.M.Jr: Yes.

Kuhn: He says the show is crowded and there is no logical place for it.
I told the President it would be on this week, and I want it on this week.

Right.

I am not going to argue with Howard Dietz. I told the President it would be there, and the President can't understand that it won't be on.

And he is trying to get Al Freedland and thinks he can do it.

Tell Howard Dietz that this is a must.

Right:

I don't know if you saw the two columns yesterday about the radio shows.

No.

It is the best piece that has yet been written.

About our radio shows?

Everything about our radio shows.

No, I would like to read it.

It did not come from anyone in Treasury, and I can't find out where it came from, which makes it all the better.

You tell Howard Dietz this is a must.

Yes, sir.

What else?

That is all.
Blough: You don't wish to see this statement draft until later?

H.M. Jr: Not until this afternoon.

Harry?

White: I called up Feis yesterday with respect to the matter you spoke of. He was out of town for the week. I called his assistant and after quite a little discussion, he remained in doubt as to whether it would call for an answer or not, and he said Edmiston was handling it for the State Department. I called Edmiston and he was away. I thought that Cox was the important man and I called Cox and he said that he was a little bit dubious about whether, A, it called for a reply from you, and B, whether even if it did that should be the reply, because he had some doubts about it and he thought he would like to have it postponed until Monday, so I suggested he send a cable saying that a reply would be forthcoming from Lend-Lease on Monday morning, which he did, and there is to be a meeting, I gathered, today, at which the reply is to be drafted. A good deal of material came from Coe.

H.M. Jr: I would like to have it.

White: Then when you want it summarized --

H.M. Jr: Thank you.

What else?

White: I have a - Eccles likewise sent me a draft of that statement with a personal letter which, if you don't answer, I would like to answer, but I would wish you would answer it, and I drafted a reply, thinking that he must have sent a letter to you, too.
H.M. Jr: I will read it.

Gaston: That is his article, Harry?

White: Yes, his article in Fortune, which I think is a very good one.

Gaston: He sent me one.

Bell: I got one also. That is not a criticism, it is just an acknowledgment of the letter?

White: We are still getting the daily reports on our trade with Japan and China. They are not very significant yet, because most of these --

H.M. Jr: Well, when they are will you let me know?

White: Yes. "Another few days, and we will analyze them and summarize them for you."

H.M. Jr: All right.

White: We cabled the Philippines to adopt the organization form. There is this plan which I think has come to your attention, of deferred payments which a large number of economists signed. It is important only because of the importance of the signers. I personally am not in agreement with their view. I will be glad to give you a memorandum why, but I think that you ought to glance at the summarized plan which I have got for you.

H.M. Jr: All right.

White: Are you going to see the Ecuadorian minister? Is the Secretary going to see him?

Bell: I don't know.

H.M. Jr: I have no request.
Well, the State Department called, I understand, and they wanted the Secretary to say "Hello" to him. I thought you (Bell) were going to arrange the meeting.

They said they would confirm it today if they did want it.

I understand he was in town and if they wanted him to see the Secretary, somebody from the State Department would call the Secretary, that we weren't to make any appointment.

They were to call back.

That is the way I understood it.

If you do have an appointment with him, here is a one-page statement of the situation.

What else?

That is all.

Harold, I don't know whether you have seen this book or not, but this is my idea of a good book, all but the last two pages, which we can't use. (Referring to book on Canadian bond series.) Instead of fooling around with it for two or three months, I think the thing to do is to give Life Magazine the job of making one like it and we will get it out quickly. That is good. I don't have to ask anybody's advice. Just leaf through that once. That is Canada. Instead of taking months and months - not the first two pages or the last two, but the rest of the stuff. What?

Very good.
Show it to Odegard and Kuhn, but it really is tops. I think the best place to do it is just ask Mr. Luce whether he won't do one for us.

This month's Fortune has a number of reproductions and posters.

But that is a top job.

Certainly.

Particularly at the end. Do you think we could get something out?

I think Ferdie would know better than I.

Well, I would put it up to Luce. Give him the whole job to do.

Have you seen it?

Yes.

I asked for what Canada was doing. That is my only copy. You might get more.

I can get more from Coyne. He sent me this little thing today, too. (Handing pamphlet to Secretary).

Would you mind keeping them all together? That is a swell job. I got a real thrill out of it and I am sure everybody else will that takes a look at it.

How was it distributed?

That I don't know. I think what they call it is their working manual, so to speak. I think it goes to field workers. I am not sure.

Why couldn't Life devote one of its own issues,
not wholly but almost wholly, on that special subject?

H.M.Jr: Well, we will get out a lot of these. I think this is the way to do it.

What about this Congressman Kelly and this F. C. Ratsohe?

Graves: I passed that on to Mr. Boyd Fisher who is now in Chicago on our work. He knew the man. The man's name is misspelled, he told me. He knows about him.

H.M.Jr: Are we using him?

Graves: No, no.

H.M.Jr: Would you prepare an answer for me to tell Kelly we are not using him? He is under the impression we are using him.

Graves: Oh. I didn't get that.

H.M.Jr: I would like to have a letter prepared saying we are not using the man and have no intention of using him, if that is true.

Graves: Yes, sir.

H.M.Jr: All right. What else, Harold?

Graves: I have nothing.

H.M.Jr: Now, when do you want to bring your group in to see me?

Graves: Whenever you like. I would suggest the latter part of the week, if it is convenient to you.

H.M.Jr: Well, the latter part of the week I get tuckered out. How about 10:30 Wednesday?
Graves: That will be all right.

H.M. Jr: Dan?

Bell: We are still having a little difficulty in Bermuda getting cooperation between the depositaries and the Army and Navy officers and the contractors. I would like to send one of my men and an Army and a Navy officer down there to see if they can't work out the difficulty next week.

H.M. Jr: Would you like to go down yourself?

Bell: No, I would not. It is the wrong time. But I would like to send a crew down there to see if they can't straighten it out.

H.M. Jr: All right.

Bell: The tax notes circular, that is a mechanical problem in the Government Printing Office. Those sheets come in blocks of fours; four eight, twelve and so forth for folding purposes, and it would have cost us three hundred forty-six dollars more to have put out a six sheet circular than an eight sheet circular.

H.M. Jr: Would you write that to the Trib?

Bell: I don't know whether it is worth that or not.

H.M. Jr: Yes, it is.

Bell: All right.

H.M. Jr: Or give it to Gregory.

Bell: I can give it to Gregory and he may --

Schwarz: If you will let me have it, Dan, I will give it to him. I think it is worth doing.
H.M.Jr: It is worth doing, because they will keep at it and at it.

Bell: It is a little dirty dig, but he didn't understand printing, I guess.

H.M.Jr: Would you?

Bell: Yes, I will do that.

We got subscriptions amounting to forty-eight million dollars in the two days in New York alone. I haven't got the reports from the rest of the country. We won't get any reports except through our transcripts from the Treasury's account.

H.M.Jr: My thought was that at press I would say that I really don't expect to have anything to say until the Thursday after Labor Day, because most of the people will wait until the end of the month to subscribe.

Bell: Well, you won't get any large amounts, probably, for a week or ten days because you see in many cases, particularly the corporations, the boards of directors have to meet.

H.M.Jr: I thought I would withhold any judgment until after Labor Day.

Bell: You are going to get a lot of money, though.

H.M.Jr: What is the matter --

Bell: I think I will have printed, if you don't mind, two more denominations, a half million and a million. We got seventeen million dollars from General Motors alone. Now, that means a hundred and seventy pieces where if we have it in millions we can give them seventeen pieces.
They have come in with seventeen million?

Yes, seventeen million, and that is just the beginning, I understand. The chances are we will get a hundred and some million dollars from then in the next few months.

(Mr. Foley entered the conference).

Hello. I will buy you a ferry.

We are also getting a number of letters. We got four or five on Saturday as to why this doesn't apply to estate taxes and asking us to give consideration to that question, so we may want to look at that later on.

Well, you take a look at it.

Mr. Callahan says that he has a place on the radio the nineteenth at 2:45 in the afternoon and he would like to have a lady speaker and he wondered if you would like to suggest someone and could we take Mrs. Banister or Mrs. Ross. We thought the afternoon would be a better time for the ladies, probably.

Mrs. Banister.

I understand she has a very good voice.

Great Britain got its first hundred million last week of the Jesse Jones loan.

I understand that the President has asked the Navy to work up a bill to provide censorship of cables and so forth, and that they have drafted such a bill and they are now drafting regulations. They have submitted to me a copy of that part which covers financial cables and I think probably what we ought to do is
first have a committee in the Treasury to go over it and after we are satisfied with it get together with the Federal Reserve Board, possibly Securities and Exchange, and the Commodity Exchange in the Department of Agriculture before we have the Navy back and tell them our views on it.

H.M.Jr: I will leave it with you.

Bell: All right. I would like to have a few minutes, fifteen minutes between now and 11:30 tomorrow, to go over these South American countries, the policy matters, particularly Mexico. I think we have two or three we ought to discuss before we see the Mexican representative tomorrow at 11:30.

H.M.Jr: I haven't got anybody down at 11:30 tomorrow.

Bell: Well, we are going to discuss --

H.M.Jr: 10:15?

Bell: Tomorrow?

H.M.Jr: Yes. How much do you want?

Bell: Fifteen minutes will be plenty, I think, don't you Harry?

H.M.Jr: Sold.

Bell: All right, that is all I have.

Thompson: I wonder if you want to select your alternate on the Economic Defense Board, Mr. Wallace's board?

H.M.Jr: My alternate?

Thompson: Yes.
No, I am not quite ready. Has he written us?

Yes, it came in this morning.

Well, you keep after me, will you?

I think you ought to allocate some time before you see the British because I think there are a couple of decisions, Dan, you wanted to take up, the matter of the French—

I would like particularly to speak to the Secretary on that French thing at 10:15.

All right.

Well, if not tomorrow, then today.

I can give you half an hour tomorrow. What time?

10:15, you said, we might do both.

Supposing I say 10:45?

To 10:45?

From 10:15 to 10:45. We will do British and whatever you fellows have got.

That is plenty.

All right?

Yes.

Mr. Foley?

Here is a memorandum (August 2, 1941) on the Lazard Freres, that Silesian-American unit you asked about.
H.M.Jr: Anything else?

Koley: No.

H.M.Jr: Wonderful.

You (Sullivan) let me know as the battle progresses on the Hill, will you?

Sullivan: I will, sir.

H.M.Jr: Thank you.
Operator: There you are.

HMJr: Hello.

Steve Early: Good morning, Henry.

HMJr: How are you?

E: Fine, thank you, sir. And you?

HMJr: Very well.

E: Henry, about two weeks ago I sent over—maybe it was eight or ten days ago—I sent over to you a letter that the President got from Frank Smith, who had written to the boss asking him to consider him as an applicant for the appointment to the SEC.

HMJr: Oh.

E: And the boss told me, by memo, which I sent along to you....

HMJr: Yeah.

E: ....that he was committed over the SEC....

HMJr: Yeah.

E: ....and to ask you if you had anything over there in financing, because Smith's whole experience has been in finance—bonds and securities and so forth—and I sent along with it a statement of his experiences, background, previous connections, his education, etcetera. Frank is in town today.

HMJr: Yeah.

E: And I was wondering if you or anyone else over there that you'd like or might like to have Frank see and talk to about himself.
Yeah. I'd like him to see Herbert Gaston.

E: Would you?

HMJr: Yeah.

E: Well, I'll tell him to do it.

HMJr: And I'll tell Herbert.

E: Thank you very much.

HMJr: I'd be delighted.

E: Thank you.

HMJr: Thank you.

E: Good-bye, Henry.
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE August 1, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Upon coming out at 11:30 this morning from the Secretary's Staff Meeting, I telephoned Mr. Henderson in the Department of State. Mr. Henderson was not in his office so I left word that I urgently desired to speak with him before he went out for lunch. I succeeded in reaching him at 12:10.

I read to Mr. Henderson the memorandum dated August 2, which I had prepared on Saturday morning, after my conversation with Mr. Henderson, and which I had handed to Secretary Morgenthau this morning. Mr. Henderson confirmed the correctness of my memorandum. I told Mr. Henderson that Secretary Morgenthau felt strongly that the arrangement on gold should be directly between the Treasury and the Soviet Embassy. The Secretary stressed his desire that this arrangement should be kept strictly confidential, and that this could only be achieved through the separate arrangement. Furthermore, he asked me to remind the State Department that all international arrangements of the Treasury have been consummated by it directly with foreign governments. I specifically recalled to Henderson the Tripartite Monetary Agreement, which had been between Ministries of Finance. I also pointed out that at least two of our recent Stabilization Agreements had been signed by foreign ambassadors accredited to this Government, namely, those of China and Argentina. Such agreements had been consummated by the Treasury and signed by the Secretary as the one responsible American official.

I asked that Mr. Henderson convey the Secretary's message to Mr. Welles as early as possible. Furthermore, I said that the Secretary desired that Mr. Welles telephone him personally if there is still any question about this arrangement.

[Signature]
Operator: Mr. Foley

Edward Foley: Yes, Mr. Secretary.

HMJr: ..... on the men in Frozen Funds, I wish you would inquire - do they put the men to work first and investigate afterwards or do they investigate first and then put them to work?

F: Well, I think that they have had to hire people so fast, Mr. Secretary, that they've been putting them to work and investigating afterwards.

HMJr: Yeah. Well, they better stop it.

F: All right.

HMJr: They better stop it. Look, I'd rather be - that's just damn nonsense, and something's come to my attention.

F: All right.

HMJr: Now, let them - I don't care - put all the pressure - but don't put anybody on or let anybody go in there unless they're investigated first.

F: All right.

HMJr: And if Pehle's got anybody on now who's working and hasn't been investigated, you'd better find out and get a list of those people.....

F: All right.

HMJr: ..... and you better get a hurry-up investigation or lay them off temporarily.
All right.

It's just unbelievably stupid.

All right.

I mean, all you've got to do is to be in there for a month and the fellows get the investigation and then they find out he's no good.

Well......

Well, just tell Pehle - tell Pehle I want a list this afternoon of how many people are working in Frozen Funds.....

......that haven't been investigated. Yes.

And I want that this afternoon and I want it in my own hands.....

All right, Mr. Secretary.

What?

All right.

......and let him bring it over here and you and he can bring it in at two-forty-five.

Two-forty-five.

Please.

Okay.
Oscar: Mr. Secretary.

Cox: Yes, Oscar.

HK Jr: The President called Wayne Coy and got him back from Indiana and told him to get onto this Russian thing and he damn well meant business.

HK Jr: Yeah.

C: And also sent him a memorandum which he dictated off Saturday night.

HK Jr: Yeah.

C: And I thought I'd bring you up to date on it, and also I think he'll probably want to cry for help to you, because you know what this business is about.

HK Jr: Well, if you and Wayne Coy want to come over and see me, I'll be delighted to see you.

C: All right. Suppose I get hold of him and we fix a date with Mrs. Klotz.

HK Jr: Well, I'd better give you time now.

C: All right.

HK Jr: What?

C: All right.

HK Jr: How fast are you moving on it?

C: Well, he just got going on it and....

HK Jr: The President said at Cabinet that he would, you see.

C: Yeah.
August 4, 1941
12:10 a.m.

Mr. Secretary.

Yes, Oscar.

The President called Wayne Coy and got him back from Indiana and told him to get onto this Russian thing and he damn well meant business.

Yeah.

And also sent him a memorandum which he dictated off Saturday night.

Yeah.

And I thought I'd bring you up to date on it, and also I think he'll probably want to cry for help to you, because you know what this business is about.

Well, if you and Wayne Coy want to come over and see me, I'll be delighted to see you.

All right. Suppose I get hold of him and we fix a date with Mrs. Klotz.

Well, I'd better give you time now.

All right.

What?

All right.

How fast are you moving on it?

Well, he just got going on it and.....

The President said at Cabinet that he would, you see.

Yeah.
I steamed the President up at lunch, and then for forty-five minutes he gave them a lecture.

Yes. Well, I think you put this one over the hump, and it's....

What?

I say, you put this one over the hump and it's a darn good move.

I think I helped.

Yeah. I'm sure you did.

Do you want to do it today or tomorrow?

Well, I think we'll probably have more facts tomorrow; because we're putting all the facts together now in terms of....

Well, I'll hold ten-forty-five.

All right.

Ses?

Fine.

And if you — Coy and Cox....

Right.

I'll be delighted if you fellows want to come over.

Well, that's wonderful of you.

I'll hold it, and then you just let what's-his-name know and confirm it.

I certainly will.

All right.

Thank you.

Good-bye.