I've got your letter, Senator, and I just wanted to tell you that this thing was brought to me today for the first time; and we are in the process of coming to a decision today. Hello.

Senator Smathers: Yes, sir.

HMJr: And we have certain information about this Mr. Gallowher which I'd be glad to show you in the strictest confidence.

S: Yes.

HMJr: Now, I'll do it either way that's convenient for you. If you'd like Mr. Foley to come up to see you and he'll let you see what we've got.....

S: All right, sir. Thanks. Suppose I talk to the Governor and the people that are interested back in New Jersey, and then I'll give Mr. Foley a call and ask him if he'll come up sometime this afternoon or tomorrow.

HMJr: Yes. Because we ought to decide it today.

S: Yes, sir.

HMJr: But with this information that we have, I don't think that Gallowher should be permitted to buy the company.

S: Yeah. All right, sir. Thank you very much for calling.

HMJr: And I'll tell Foley that you'll hear from him today.

S: All right. Thank you very much.

HMJr: Thank you.

S: Good-bye.
Operator:  Mr. Foley.

HMJr:  Ed.

Edward Foley:  Yes, Mr. Secretary.

HMJr:  Ed, I talked with Senator Smathers. He was very nice. I said we had certain confidential information on Gallowher which made it inadvisable to let him buy this Schering Chemical Corporation, and that you'd be glad to show it to him in strictest confidence.

F:  Right.

HMJr:  So then he said, "Well, I haven't talked to the Governor, because it's he who's interested."

F:  Yeah.

HMJr:  And he said, "I'll get in touch with Mr. Foley today." I said, "Be sure and make it today, because we've got to move today."

F:  That's right.

HMJr:  And he said he'll call you later.

F:  All right.

HMJr:  But I said from the information I had at hand, it seemed inadvisable to let Mr. Gallowher buy this company.

F:  That's right.

HMJr:  So - but he was very nice about it.

F:  Well, I think it was good that you called him; because I think he was a little indignant yesterday that he couldn't talk to you and that he had to talk to me about the matter; and he said something about he hoped that when Henderson got all this authority, a fellow could approach him.
I said, "Well, Leon’s all right." He said, "You might think so, but I think he’s a cheap, fifteen dollar a week clerk." (Laughs)

HMJr: Well, it's hard - I mean the people try to protect - it's hard to know when I should talk to a Senator and when I shouldn't.

F: Yeah. Well, he probably had Gallowher in his office. That's usually the way they talk.

HMJr: Well, he was very nice over the phone.

F: Fine. Well, I think it's a good thing you called. He's on the Banking Committee, you know.

HMJr: I told him pointblank that I didn't see how we could sell it to Gallowher.

F: Yeah.

HMJr: Thank you.

F: All right. Fine.
January 28, 1942
11:54 a.m.

Hello.

Hello, Henry.

Hello, Lew.

How are you?

I'm sore as hell at you.

Well, Henry, I really have treated you like a bum.

(Laughs)

I just got - I called up to apologize.

Yeah. Well, I knew you were going to - I knew you had this under consideration for months.

Well, I really - Henry, I've just been rude and inconsiderate.

Oh, no, no. I won't let you say any of those things.

Well, that's true.

Oh, no, no, no. I'm sorry, because you've just been getting the thing started nicely in New York, and I'm sorry to see you go over to London.

I can understand that, Henry.

But I guess this is something that you wanted to do.

Well, you know, I'm grateful to you for letting me do what little I did up here.

Well, it's the other way around.

But the organization is completed, Henry.
HMJr: Well, now, Lew, Averell called me up yesterday and he's worried about Lend-Lease in reverse, if you know what that means.

D: Yes, I do.

HMJr: I learned about it yesterday.

D: Yes, sir.

HMJr: And I - he said you were going to be here for two or three weeks.

D: Yes, I am, Henry.

HMJr: In Washington?

D: Yes, sir.

HMJr: Well, when you get down, let me know; because we're in the midst of this.....

D: Yes.

HMJr: ....and it's an awful mess and nobody seems to know, and they want to buy stuff in Australia and they don't know how they're going to get the money. There's a job there.

D: Quite.

HMJr: And your brother-in-law, McCloy, was over on the same thing yesterday.

D: Yes.

HMJr: And he says it's a mess.

D: Yes.

HMJr: So when you come down, you'd better look into that about as soon as possible.

D: I will, Henry. May I come and see you?

HMJr: Sure. But Jack McCloy's all worried about it, and I don't know - as they put it, shipping is the thing and the more they can buy where the
troops are, why the less pressure.

D: Quite.

HMJr: And Mr. Swope, who's sitting here with me, is helping me on this end.

D: I see.

HMJr: And he sends you his greetings.

D: Give him mine, too, will you, Henry? And may I come to see you on this as soon as I get down there?

HMJr: As soon as you get down, I'd like to see you.

D: All right, Henry.

HMJr: And thanks for calling.

D: Okay. And please excuse me for treating you.....

HMJr: That's all right. Everybody's got to do what his own heart dictates these times.

D: Well, Henry, this is an exciting thing, isn't it?

HMJr: Oh, yes.

D: Okay.

HMJr: Right.

D: All right, Henry.

HMJr: Good-bye.

D: Good-bye.
Hello.

Mr. Sullivan.

Yes, Mr. Secretary.

John, what happened on the Hill?

He wanted me to talk about something else, the Vinson-Trammell Act.

Oh.

I told him we were studying the report, and that we didn't care to make any comments until we had definitely decided what our position was to be. He agreed that that would be preferable. I then asked him about the fourth matter, and he said, "Oh, no," he said, "we can't take that up this morning because that would have to be done in executive session."

I see.

I signified our willingness to appear on that matter, and he said he'd notify me.

I had a talk with Ferdie Kuhn on this other matter. I'd like to see you sometime when it's convenient for you.

Now, you and I are together, aren't we, that we think the way to tax people on profits is through excess profits and not through any special legislation.

Well, there was quite a lengthy discussion of that up there this morning.

But I mean, that's the way I feel.

Well, that's the way I feel, too; but I do think that we should thoroughly canvass the situation, because the feeling on the Hill is running quite strongly.
Well, but I just want to make sure that you and I were together.

S: We are together. I don't think that I'm going to change. But I mean, I do want to have an opportunity to analyze this report; and there may be something that you and I have missed, but I don't think so.

HMJr: Well, after all, the way I feel, that end of it is up to War and Navy.

S: Yes, it's their fight.

HMJr: Yeah. We'll see.

S: Yeah.

HMJr: If they're - but I just - I knew that's the way you felt last year.

S: Well, I think I feel a little bit more strongly that way now than I did last year; but I do want to get the result of our work on this report.

HMJr: Okay.

S: When will I have an opportunity to see you?

HMJr: Sometime this afternoon.

S: About this drive.

HMJr: What?

S: On the drive.

HMJr: This afternoon.

S: Thank you, sir.
January 28, 1942
4:03 p.m.

HMJr: Hello.
Operator: Mr. Powel.
HMJr: Hello.
Harford Powel: Yes.
HMJr: Mr. Powel, Morgenthau talking.
P: Yes, Mr. Secretary.
HMJr: Mr. Powel, I've got something which I think is right down your alley.
P: Yes.
HMJr: George Buffington has arranged for these thousand reels of Donald Duck on the income tax.
P: Yes.
HMJr: Now, I want something to go out of the Treasury to the various newspapers, where these pictures are going to appear in the theatre.
P: Yes, sir.
HMJr: Preparing a story, pictures, and so forth, and saying, "On February 1, in your town, at such and such a theatre, this picture and will you cooperate with the Treasury to give it local publicity." Not just that language, but.....
P: No, but I know.
HMJr: But you - it's the kind of thing which you of all people are skilled in.
P: Well, he was awfully good about it, you know. He lunched with me, and he was very keen on doing it and said he was going to do a great reel very fast and I hope he has.
HMJr: Who?
P: Disney.
HMJr: Oh, the reel's finished.
P: Yeah, I know.
HMJr: We have the thousand reels.
P: So you're going to send them out immediately. I'll get the letter out right away.
HMJr: Well, you better - George Buffington will contact you; because there's a moving picture industry - they're doing the theatres.
P: Yeah.
HMJr: Now, what I'd like you to do is the newspapers.
P: All right, we will.
HMJr: Do you get it?
P: Yes, sir.
HMJr: You're equipped?
P: Right.
HMJr: Okay. Well, now, George will be in touch with you.
P: Right.
HMJr: Thank you.
P: Thank you.
January 28, 1942
4:29 p.m.

HMJr: Hello.

Secretary Stimson: Hello, Henry.

HMJr: How are you?

S: I find this call from you.

HMJr: Yes. Henry, what I called about was this, as you know, the President asked me to do some very difficult negotiations with the Chinese. Hello.

S: Yes.

HMJr: And the attitude that they're taking now is really, it's a hold-up, and it's very...

S: Asked you, you say, to?

HMJr: Well, no. He—I've been doing this, I mean, with Chiang Kai-shek about financing.

S: Yes.


S: Yes. I think—I don't know whether I did receive that, Henry, but I've heard of it, anyhow, outside, so I know enough about it.

HMJr: Well, this is what I'd like to get from you and General Marshall if I could. I'd like to come over and call on you sometime that's convenient to both of you, and go to school as to just how much are we or should we be worried that Chiang Kai-shek might stop fighting if certain things happen, do you see?

S: Yes.

HMJr: So I—that's what I.....

S: I don't know whether we can tell you very much.
Well, I knew you had a military mission over there, and whatever you knew - at least, I'd appreciate it if you'd tell me.

S: Yes. Well, I'll give you everything that we know.

HMJr: Right. When would be a good time that I could come over, when you could have General Marshall there?

S: Well, I'll - it has to be done on fairly short notice. Of course, he's like a grasshopper these days.

HMJr: I see.

S: And - but he is here sometimes - mornings are better than any other time. Early morning.

HMJr: Well, how early tomorrow morning?

S: Well, he's always here very early, so that I think he - although I haven't consulted him just now - let's see. I'll see if I can get him. What time could you be here?

HMJr: Oh, I'll come just as early as you want.

S: Could you come here at nine o'clock?

HMJr: Yes.

S: I'll see if he's in.

General Marshall: Hello, Mr. Secretary.

S: The Secretary of the Navy - of the Treasury, wants to have a meeting with you and me to get some information from us about the situation in China in which he is negotiating for that financial relief.

M: When does he want to do that, sir?

S: Nine o'clock tomorrow.
M: All right, sir.
S: Is that all right?
M: Yes, sir. Over there in his office?
S: No, he said he'd come here.
M: Oh, fine. All right, sir.
S: Henry.
HMJr: Yes.
S: He says that's all right.
HMJr: I'll be in.....
S: He's delighted at your courtesy to come over, because he is terrifically on the job.
HMJr: Well, it's courtesy to you, both of you.
S: All right.
HMJr: I'll be there at nine. Could you have somebody at your door so I can get through the guard?
S: Sure. I can arrange that.
HMJr: I'll be there at sharp nine.
S: I'll send you the most beautiful sergeant I've got.
HMJr: I've seen him. Very handsome.
S: (Laughs) All right. All right, old man.
HMJr: Thank you.
At the request of the Secretary, Mr. Coe called on Mr. Currie Tuesday afternoon, January 15, at 4:30 p.m., to inform him about the progress of negotiations for the China loan. Mr. Currie was told that Secretary Morgenthau had placed before the President the proposal that the United States undertake to make monthly payments of salary and maintenance to Chinese soldiers. The President had been enthusiastic about this proposal, which fitted in with his general program. The President had authorized the Secretary to communicate to the Chinese Government through Foreign Minister T. V. Soong a proposal along these lines: the United States Government would pay monthly $5 as pay for each of one million men and $5 for maintenance of each of one million men. The suggestion was made that this loan might be in the form of U.S. currency but it had been indicated that any of several forms of payment might be used according to what the Chinese and ourselves thought best after study and discussion. The President had indicated that he was very much interested in the proposal to pay U.S. currency in this way.

Mr. Currie expressed his thanks to the Secretary for this information. He thought that the method of pay was subsidiary and could be arranged in a great many ways. He repeated that one of the least desirable was the issue of U.S. currency.

Also in accordance with the Secretary's request, Mr. Hornbeck was given the same information as Mr. Currie.

Mr. Hornbeck thanked the Secretary for this information and said that he would pass it on to his superiors. He stated that in view of the fact that the loan was political, even more than military or economic, and in view of the statement to this effect which Secretary Hull had sent to Secretary Morgenthau, he believed Mr. Acting Secretary Hull should call on Secretary Hull and discuss this matter with him.
Mr. Hornbeck did not think that such important action should be taken without a direct check with the Secretary of State to ascertain whether on political grounds he found this action satisfactory. Mr. Hornbeck said that he personally saw many drawbacks to this proposed loan.

Mr. Coe told Mr. Hornbeck that he would pass this request along to Acting Secretary Bell. Mr. Coe said that Treasury officials had had several conferences with State Department officials on this proposed loan and that Secretary Morgenthau wanted the President's approval passed on to the State Department so that the State Department would be informed and have a chance to make any representations that they felt desirable.

Mr. Hornbeck asked whether it would not be possible to get in touch with the Secretary. Mr. Coe said that the Secretary would still be in town this evening and that Mr. Hornbeck or other officials of the State Department could reach him personally by telephone. Mr. Hornbeck thought that he would prefer to communicate directly with the Secretary on the matter and withdrew his suggestion that Mr. Bell should get in touch with Secretary Bell.
1. The first interview with Dr. Soong on the China Loan was made January 13. On January 14 Dr. Rajchman rang and asked me whether I could meet him at the Cosmos Club. He stated that there was certain information which he wanted to transmit. During the interview I gathered that the essential thing which Dr. Rajchman wanted to transmit was that it would be hard for the Generalissimo to make arrangements for U. S. payments to one part of his troops. Dr. Rajchman also presented the background of the political situation along lines similar to what we had heard. He stressed that there was nothing official in what he was saying.

2. On Friday, January 16, Dr. Rajchman rang to say that they had had some word from China and that he would like to see me. A luncheon was arranged.

3. On Saturday, January 17, during a conference Dr. Rajchman said that it appeared that the Generalissimo was going to hold fast to the figure of $500 million. He explained that there had been a long background of estimates with all the financial technicians in agreement that $600 million was the minimum necessary to prevent a debacle. He also said that either because of misunderstanding or for other reasons, the proposal to pay in currency seemed not to have received a favorable reception. One possibility was that the Chinese thought that this would involve a great many conditions to the loan. The Generalissimo wanted a loan with no conditions. I pointed out that the Secretary had left the mechanism of payment open and that he had said to Dr. Soong that he wanted the Chinese to tell him whether they thought that this or some other mechanism was the right one. Again Dr. Rajchman said that they had received nothing which could be passed along officially and I could not ascertain whether the foregoing represented an official reaction from Chungking to Dr. Soong, or impressions based upon some other communication.

Dr. Rajchman said that though he wanted to discuss the matter, there was nothing official to be communicated.
4. On January 19, Dr. Soong rang and said that he wanted to talk about the China matter. I told him I would be glad to at his convenience. He asked me to come to his office, which I did at 4 p.m., where I found Dr. Soong and Dr. Rajchman. Dr. Soong referred to the earlier meeting with Dr. Rajchman and indicated that he had received a personal message — from, I understood, the Generalissimo — but this was not certain. Just what the message to be communicated was I was not certain; unless it was the question whether Dr. Soong should, on the Secretary's return, come in and tell him of Chungking's reaction. I told him that I thought the Secretary would be anxious to get word of how the Generalissimo had received his proposal as soon as he could.

Dr. Soong said that he understood that Mr. Fox had had an hour's discussion with the Generalissimo before he left Chungking and that consequently he was bringing back the results of that conference. Probably what was on Dr. Soong's mind was the question whether he — Dr. Soong — should bring word of the Generalissimo's reaction to Secretary Morgenthau or whether everything should be held up until Mr. Fox arrived. (It may be that Dr. Soong was told that Mr. Fox would bring back the official position on this proposal and was anxious to know whether anything was expected of him.) At any rate, the reply from me on this subject was, that as I understood the matter, the Secretary, with the authorization of the President, had made a proposal and was now waiting an answer to that proposal or any comments which the Chinese Government had to make. Dr. Soong on the subject of size repeated what Dr. Rajchman had said at the previous meeting. On the subject of conditions, he repeated the Generalissimo's wish to have a loan free of conditions because there were a variety of ways in which the situation had to be tackled and these could not be foreseen.

Dr. Soong also emphasized another point which Dr. Rajchman had previously made, namely, that Chungking believed that the Secretary's proposal in emphasizing the problem of military finance neglected the equally important and very grave economic and financial problems with which the Chinese had to cope. Of this last point, I said that I thought the Secretary's proposal was meant to be a way of approach to these problems. There were difficulties in conceiving just how U. S. dollars could affect the needed improvements in the economic picture, but if Chinese currency were absorbed through military payments, the economic picture would be improved in the same way as if the absorption came through some other channels.
Read to the Secretary today by Dr. White. Secretary said it was a matter which could await Mr. Fox' arrival.
In reply refer to TD.

January 28, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram No. 60, dated January 25, 1942, from the American Embassy, Chungking, China, concerning a suggestion by the British Embassy looking toward the formation of a committee in Chungking to coordinate approach to economic and financial problems in China.

Enclosure:

From Embassy, Chungking, No. 60, January 25, 1942.
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China.

DATE: January 25, 1942.

No. 60

The formation of a committee in Chungking to coordinate Allied approach to financial and economic problems in China, particularly with respect to the utility of any foreign credits that may be granted to China, has been suggested by the British Embassy. The British Embassy suggests that the Allied Economic Council (the committee) comprise two Chinese, two British, two Americans and possibly one Dutch and one Australian member; one of the British and one of the Americans to be from Embassy staffs, the Chairman and the Secretary to be Chinese. The Embassy says that Mr. A. A. Kung, Minister of Finance, knows of the suggestion and has indicated he approves it; also that the Minister of Finance desires that the Council should be established without reference to the proposed credits, that is that the Council be charged with making economic studies and recommendations but that when the credits are granted the Council also interest itself in problems connected with their effective utilization. The British Ambassador is prepared to approve the scheme.

Provided such a body is given scope and authority really to accomplish something I can see its utility, however, as a
result of seeing at first hand how inclined the Chinese authorities are toward sidetracking foreign economic advisers and disregarding their advice, I am skeptical of the practical benefit to be derived from organizing an economic council which may find itself in the position either of being politely ignored, or of simply rubber-stamping what the Chinese want done. I could approve the establishment of a council of capable men who are competent to study and make decisions on the serious economic problems in China and to supervise the execution of remedial measures, provided it were given definite authority under a loan or credit agreement, but I do not think that the Chinese would be prepared to agree to the handling of Chinese internal problems by such foreign participation.

Instructions as to what attitude I should take toward the suggestion will be appreciated.

Dr. Fox should be in Washington in a few days and it might be advantageous to discuss the matter with him.

GAUSS
January 20, 1943.

My dear Mr. Soong:

It was very good of you to send me the badge designed by Walt Disney for the American Volunteer Group.

I am very pleased to have this, and appreciate what you said of my part in securing planes obtained for this Group. Their record is certainly a splendid one.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable T. V. Soong,
Minister for Foreign Affairs,
Republic of China,
Chinese Embassy,
2001 Nineteenth Street,
Washington, D. C.
January 27, 1942

Dear Mr. Morgenthau:

I am sending you a badge designed by Walt Disney for the American Volunteer Group, which is now credited with having destroyed more than 100 Japanese planes.

I thought you might like to have this souvenir as it was through your initiative that we obtained planes for this Group. I need hardly say again how much your interest and encouragement are appreciated.

With kind regards,

Yours very sincerely,

[Signature]

T. V. Soong

The Honorable
Mr. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.
January 28, 1942

Dear Bernie:

Many thanks for your letter of January 23rd.

I think you are doing an excellent thing in enclosing Defense Bond literature with your dividend checks. I have asked our Defense Savings people to look into this method of getting our message to other stockholders, and it may well be that you have set an example for many other companies.

All of us at the Treasury appreciate the help you are giving us in so many useful ways.

Sincerely,

(Signed) Henry

Mr. Bernard F. Gimbel,
Gimbel Brothers, Inc.
New York, N. Y.

FK/cgk
January 23rd, 1942

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

Dear Henry:

You probably will be interested to know that Gimbel Brothers, Inc. is enclosing the attached literature which may help in the sale of United States Savings Bonds, with dividend checks being sent to all our preferred stockholders. So far as I know, this is the first corporation to take this means of suggesting to stockholders the use of dividends, at the time they receive them, for the purchase of defense bonds.

We hope this action meets with your approval and are calling it to your attention with the thought that you may desire to initiate a program for the sale of savings bonds in this way. Naturally, we want to cooperate with the Government in every way possible to promote the sale of bonds and we intend to include with our future dividend checks any special literature the Treasury Department may develop.

I realize these are very busy days for you. With every good wish, I am

Sincerely yours,

[Signature]
My dear Colonel Codd:

Mr. Irving Berlin has composed and generously donated to the Department of the Treasury a new song entitled, "I Paid My Income Tax Today". The song has been copyrighted in the name of Henry Morgenthau, Jr., Secretary of the Treasury, and will be used immediately to publicize the new taxes.

It is desired that any royalties from the manufacture, sale, or distribution of records of the Income Tax song shall go to the Army Ordnance Association in the same manner as the royalties from the song, "Any Bonds Today?". It is, of course, the policy of this Department to receive no direct monetary profit from the printing, manufacture, and distribution, in any form, of songs given to it.

I have, therefore, granted a revocable license to the Army Ordnance Association to manufacture and sell or to permit others to manufacture and sell upon payment of royalties records of the song, "I Paid My Income Tax.
Today”, by Irving Berlin, owned and copyrighted by me as Secretary of the Treasury.

Very truly yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Lt. Col. L. A. Codd,
Army Ordnance Association,
Mills Building,
Washington, D. C.

Enclosure.

JAG Sfg
1/23/42

Regraded Unclassified
Dear Sirs:

You are hereby licensed to manufacture and sell or to permit others to manufacture and sell devices serving to reproduce mechanically or electrically the words and music of the musical composition, "I Paid My Income Tax Today", by Irving Berlin, owned and copyrighted by me as Secretary of the Treasury, including the right to make such arrangements of said composition as may be necessary in connection with the manufacture of such devices; provided, however, that permission to others to manufacture and sell such devices shall be given only upon condition that royalties at the statutory rate of two cents per record be paid to the Army Ordnance Association. This license is granted on the further condition that it is non-transferable and non-exclusive and is revocable at the will of the Secretary of the Treasury.

Very truly yours,

[Signature]

Secretary of the Treasury.

Army Ordnance Association,
Mills Building,
Washington, D. C.

JAG:bg
1/26/42

Regraded Unclassified
To All Employees of the Treasury Department:

There has been established throughout the Treasury Department, both in Washington and in its field offices, a Pay Roll Savings Plan whereby every employee of the Department is being given an opportunity to purchase Defense Savings Bonds through periodic allotments from his pay.

Under this Pay Roll Savings Plan, which is entirely voluntary, you may sign a card which will authorize the Treasury disbursing officer to withhold a specified sum from your salary each pay-day, to be accumulated in your name. Individual accounts will be maintained, and as soon as a sufficient sum has accumulated to your credit, a Defense Savings Bond will be purchased, registered in accordance with your instructions, and delivered either directly to you or to a designated address. Following the purchase of the bond, allotments will continue until a sufficient sum has again accumulated, when another bond will be purchased. This procedure will be repeated indefinitely, but should you at any time find it necessary to cancel your authorization and discontinue the allotments, you may do so and receive a refund of any money that has accumulated. The amount of your periodic allotment will be left for you to determine, except that it must be in accord with the limitations fixed in the official circular.

Our plans for financing the war are based on the belief that the American people will, of their own free will, want to assume a big share of its cost. In this effort no group should be more active than the employees of the Government itself. They should be in the
front ranks of that vast army of wage-earners throughout the country who are so generously supplying fighting dollars for fighting men. In every community pay-days are fast becoming "bond" days for everyone receiving regular current income.

War is always costly. However, it is a million times more costly to lose than to win. The wheels of production throughout the country are now striving to produce an overwhelming number of planes, tanks, ships and guns to properly equip our men on the front lines.

This is a people's war, and I am depending on you to do your part by supplying your just share of the funds necessary to finance this war. It will be the responsibility of each one of us to determine the very most that we can set aside from our wages each pay day to buy Defense Bonds for our own good and for our country's good.

The heads of sections and units and other supervisors throughout the Department are being instructed to assist employees in a proper understanding of the plan. Please obtain a copy of the official circular and the authorization card. Remember that you are not being asked to make a contribution or a donation of money, but that you are being given an opportunity to participate in a plan of systematic savings for your own benefit. While you are helping your country through the purchase of bonds, you will at the same time be helping to safeguard your own financial future.

Very truly yours,

(Signed) E. Magnuson, Jr.

Secretary of the Treasury.

M. M. C.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE January 28, 1942

TO Secretary Morgenthau

FROM Dave H. Morris, Jr.

Subject: Requests for special initial reports from selected "Other Corporations"

Detailed lists received by the close of business January 27, giving data on "Other Corporations" as of the close of business on January 24, covered 111 out of the increase of 228 between January 10 and January 24, shown on your regular report for January 24.

Of the 111 corporations on these lists, 34 had qualified between January 10 and January 17. Telegrams or letters similar to the telegram sent to the first twelve, who qualified by January 10, have been sent to 11 of this new group.

Additionally, 6 telegrams or letters have been sent to firms who qualified between January 17 and January 24 and who have already requisitioned "stock".

The districts whose lists are analyzed above are:

Atlanta
Boston
Cleveland
Dallas
New York
Richmond
St. Louis
San Francisco

The districts still to be heard from are:

Chicago
Kansas City
Minneapolis
Philadelphia
Dear Mr. Houghteling,

In view of the changed situation here since we have entered the war, I find that I must have the services of additional Assistants to the Secretary. We are limited by law to five of these positions, and since you are engaged wholly on Defense Savings activities, I am placing you in the status of a Consulting Expert in that organization where we are not limited as to the number of such positions. This will enable me to appoint immediately another Assistant to the Secretary for general assignment in my office. A formal letter making this change is enclosed.

Sincerely,

(Signed) A. Morgenthau, Jr.

Mr. James L. Houghteling.
Office of the Secretary.
Mr. James L. Houghteling,
Office of the Secretary.

Sir:

Effective as of February 1, 1943, your designation will be changed from Assistant to the Secretary to Consulting Expert, G47-18, in the Defense Savings Staff, without change in compensation or pay roll.

Very truly yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

\[Signature\]
JAN 28 1942

Mr. Gerard Swope,
Office of the Secretary.

Sir:

You are hereby appointed an Assistant to the Secretary of the Treasury, with compensation at the rate of nine thousand dollars per annum, payable from the appropriation "Salaries, Office of the Secretary," the appointment to be effective on February 1, 1942.

Very truly yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

N. M. C.

Regarded Unclassified
TREASURY DEPARTMENT ORDER NO. 44:

Effective from and after this date, the following assignments to Mr. Gerard Swepe, Assistant to the Secretary, are hereby ordered:

1. Procurement Division
2. Bureau of Engraving and Printing
3. Bureau of the Mint

Treasury Department Order No. 25, dated September 19, 1939, is revoked and superseded by this Order.

(Signed) N. M. C. Morgenthau, Jr.

Secretary of the Treasury.
Mr. Philip Young's office is asking for copies of this correspondence. They explain that the original has been routed to various officials who were interested and has become lost.

O.K. to give?

nm

Regraded Unclassified
Dear Ed:

In your letter of December 29, in paragraph "b" you stated that $27,000,000 representing the 10% reserve of Category 3 would be reserved for the emergency and would not be released without consultation with me.

Further, in confirmation of our conversation of Tuesday, January 27, we release you from holding this reserve for us, and want to express our appreciation of your courtesy in this matter.

Sincerely,

(Signed) H. Morgenthau, Jr.,
Secretary of the Treasury

Honorable H. R. Stettinius, Jr.
Administrator, Lend-Lease Administration
Fifteen 22nd Street, N. W.
Washington, D. C.

GS:BLB (1/23/42)
December 29, 1941.

Dear Mr:

Thank you for your letter of today’s date, confirming your oral statement in the matter of track procurement and available funds reserved for future requirements. I appreciate your letting me have this information in writing.

Sincerely,

(Signed) Henry

Honorale E. R. Stettinus, Jr.,
Administrator, Lend-Lease Administration,
Five-Fifteen Fifty Street, N.Y.,
Washington, D.C.

Regarded Unclassified
OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

December 29, 1941

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

Dear Henry,

Confirming the oral statement made to you this morning by Mr. Philip Young and myself relative to truck procurement, we wish to state the following:

a. We were told yesterday by Harry Swiggert of the British Purchasing Commission that they desired to requisition some time in the future approximately 30,000 three-quarter ton standard commercial trucks. However, no requisitions or specifications for this have as yet been received from the British.

b. We have available unallocated $27,000,000 representing the 10% reserve of Category 3 which could be made available in an emergency for this purpose. This $27,000,000 as agreed in our conversation is being reserved for this purpose and will not be released without consultation with you.

Sincerely yours,

E. R. Stettinius Jr.
The attached article from this week's issue of "The National Week" recites what we did after Pearl Harbor. It gives the credit inferentially to Leo Crowley and the Department of Justice.

I am also attaching an extract from this week's "National Whirligig" in which Ray Tucker (for the first time) has something complimentary to say about foreign funds control activities.

Attachments
A PADLOCK LIQUIDATED THE BANKERS OF NAPLES
... also corner delicatessens and barbershops

A POLICE ESCORT FOR THIS CONSUL OF JAPAN
... many a lesser business was enough.

These and related questions may well best be answered in the early days ahead. Decisions cannot be made now; officials say the task now is to take the job's dimensions. Thus will come the long-stall details and their solution. Millions and millions may be many years will be needed, the notable move long over from the first World War in litigation that ended only last summer.

Problems of real ownership already have engaged numerous federal investigators and probably will continue to engage them for years. Here and there, eminent names have been found, Axis sympathizers, as well. Naturalized Americans of Italian birth, for instance, were officers of the New York branch of the Naples bank. They were sent from Naples in 1939 and immediately took steps looking to U.S. citizenship. But, the government charges, their real sympathies were with the homeland.

In the case of a mammoth German-dominated corporation, General Anhein and Filra Cia, the government recently received from executive authorities five American citizens. Their backgrounds and sympathies, said the Treasury, were clearly German. One was receiving an $80,000 salary.

German, Italian and Japanese sympathizers, even though they be American citizens, will be removed, it is contemplated, from alien property management as fast as they are disposed of. German probably have lots of work ahead on the score. Who will stay who must go, which plant will be leased, which plants liquidated, what will the management phones—all these and related problems are wrapped up in the multi-billion dollar package. Uncle Sam is just beginning to inspect.
ROUNDUP OF ALIEN PROPERTY: BILLIONS IN NEW U.S. HOLDINGS

Plans for Operating Some Seized Firms and Liquidating Others

Concentration camps for Axis citizens who ran big and little businesses

On the evening of Sunday, December 7, "day of infamy" at Pearl Harbor, a grim group of Government agents entered a New York clubhouse, locked the door, arrested the members, and took over the place. It was a Japanese clubhouse and the captives were enemy aliens.

Elsewhere in New York, in San Francisco, Seattle and many points between, the scene was re-enacted. Without waiting for Congress to declare war, Uncle Sam moved silently and swiftly to take over all Japanese-owned property in the United States. Restaurants, banking agencies, apartment houses, vineyards, silk factories, storage warehouses, bakeries, importing firms, stores—many a lesser business—all were caught in the dragnet.

The next afternoon and night, Government agents moved in on properties of German and Italian aliens. From corner delicatessens and barbershops to mammoth business firms, these businesses were closed. A guard, a manager, a small group or a large force was posted at each.

Alleged enemy business ceased throughout the country. The Government found itself in possession of seized properties whose value may run to $2,000,000,000 or more. The total has never been tabulated.

Virtually every national bank examiner in the United States was told by wire December 8 to drop what he was doing and proceed in haste to New York or San Francisco. The Mississippi River was the dividing line. Those east of it hurried to New York, those west to San Francisco.

Some 600 bank examiners, thus hurried from the comptroller of the Currency, plus thousands of clerical assistants hastily assembled, have been working on the books of seized properties from that day to this—and it is still impossible to get more than an estimate of their value.

Best guess is that these Axis-owned properties, together with those of 29 other Axis-dominated nations whose assets previously had been "frozen," will total between $7,000,000,000 and $8,000,000,000.

What is the Government going to do with all these properties? What will happen to the owners, managers and agents in charge when the properties were seized?

The latter question is the easier to answer: Thousands of aliens have been sent to American concentration camps—in Montana, the Dakotas, the East, the Middle West, the Southwest—where today they are housed, fed, and humanely treated. If they want it, they are given light work, at a daily dole, to occupy themselves. The roundup will be taken over later. There are plenty of data to work from. Hundreds of thousands of enemy aliens registered somewhat more than a year ago at post offices. Their records are being studied by the Department of Justice. The hope is they fill out through invaluable information as to who's who among enemy aliens. Even so, a new registration may be ordered soon.

In general, the Government plans to conserve all the seized properties. At present, they are in a state of rubbish, distinct from condemnation.

Some, such as apartment houses, little retail establishments, are still too small or too small a business for Government managers. But the good bulk of them, including big and little corporations, are closed tight while federal agents go over their records. Probably most of them will be liquidated. They may, later, become bargains for American buyers. A few will be permitted to resume operations under Government managers.

Ten of thousands of managers, attendants and clerical workers must be appointed by the Government to undertake and carry through the gigantic task of operating or liquidating alien businesses. Regional rendezvous are projected. Under the term of a new executive order drafted for the President's signature, this machinery must be in motion. It was designed to operate under the Department of Justice. Attorney General Biddle on Dec. 9 announced that Leo T. Crowley had been selected to head the division and that the essential executive order would be issued in due time.

Mr. Crowley, who long has headed the Federal Deposit Insurance Corp., is a pleasant, gray-haired native of Westmoreland County, who also is closely identified with the city affairs of Minneapolis. He is chairman and president of the Standard Gas Electric Co. His friends say he will soon fill office as well as his FDI post.

Problems of administration from the new Alien Property Custodians will be legion. Future of each seized asset must be determined on the basis of new market needs and public need for its continued use, in management and for other factors. Property for sale will be kept in separate pools. Each property, it is said, will pay the costs involved and

LEO T. CROWLEY

Problems . . . knotty and legion

(From an Associated Press dispatch.)
Extract from the "National Whirligig"
by Ray Tucker
January 29, 1942

"DOCKS: How Treasury agents swung into action to prevent shipments of strategic materials to Far Eastern areas endangered by the Japanese attack provides one of the most dramatic stories of the conflict. It is estimated that they may have prevented millions of dollars' worth of valuable goods from falling into hostile hands.

"Secretary Morgenthau's men in the fund-freezing and export control divisions got news of the war's outbreak while on the golf course, at church, in the movie houses or at home as did many Americans. They sensed the need for immediate countermeasures and rushed to their desks on Sunday afternoon. First they checked 'customs cards' to learn what cargoes to Hong Kong, the Philippines, Thailand and the Malay States had been approved or were scheduled for early departure. Then they requested thirty banks to report on transactions which they were handling through cash deposits, letters of credit, sight drafts, etc. Next they asked all Federal Reserve institutions to canvass local concerns. They sent a fourth warning to corporations which deal directly with foreign firms and whose business relationships are not reflected in bank accounts. Meanwhile the Navy and Maritime Commission recalled fourteen vessels already en route to the danger zones.

"Within a few days Washington had a complete inventory of articles destined for countries in the sweep of the enemy's southward advance. All warlike materials, whether on the docks, in process of manufacture or simply on order, were frozen. The S.P.A.B. was notified where the metals, machinery and clothing could be picked up and the Wallace organization passed the information along to the naval or military agency which wanted it."
TO 
FROM 

Secretary Morgenthau

E. H. Foley, Jr.

Lane Timmons of John Fehle's staff had luncheon at the Belgian Embassy on Friday, January 23, 1942, and among those present was Ernest Draper of the Board of Governors of the Federal Reserve System. After lunch, the conversation turned to the freezing control. Draper was very outspoken in praise of the Foreign Funds Control. He indicated that the Foreign Funds Control is our most effective weapon of economic warfare. Draper said that he had received a lengthy transcript of the public relations meeting our people held at the Federal Reserve Bank of Cleveland last month, and that the report was most interesting.

S. H.
The TFR-300 reports provide extensive information with regard to the property holdings of British nationals, many of whom have failed to report their dollar holdings to the British Government. Stopford has informally indicated to Pehle that his Government would be very grateful if this information could be made available to it.

The Foreign Funds Control has made a study of 75,000 reports to indicate the magnitude of the property holdings of British nationals. This group of 75,000 reports includes 5,658 with citizenship or residence in the United Kingdom. Their total property holdings amount to $554 million. These reports and property holdings are as follows:

<table>
<thead>
<tr>
<th>Residence</th>
<th>Citizenship</th>
<th>Number of Reports</th>
<th>Property Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>United Kingdom</td>
<td>2,359</td>
<td>$332,598,809</td>
</tr>
<tr>
<td>Outside U. K.</td>
<td>United Kingdom</td>
<td>2,214</td>
<td>165,975,029</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Other than U.K.</td>
<td>185</td>
<td>55,130,309</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$554,206,107</strong></td>
</tr>
</tbody>
</table>

* It should be noted that this compilation is taken from only 75,000 reports.

Of these property holdings of $554 million, fully $395 million is in the form of deposits and $120 million.
As in the form of securities. Among the large depositors are the following individuals:

<table>
<thead>
<tr>
<th>Name</th>
<th>Residence</th>
<th>Citizenship</th>
<th>Amt. of Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. E. Embiricos</td>
<td>United Kingdom</td>
<td>Unknown</td>
<td>$ 466,000</td>
</tr>
<tr>
<td>Zannis L. Cambanis</td>
<td>United Kingdom</td>
<td>Unknown</td>
<td>697,000</td>
</tr>
<tr>
<td>Eleanor L. Patenotre</td>
<td>United Kingdom</td>
<td>United States</td>
<td>121,000</td>
</tr>
<tr>
<td>Louise G. Emmet</td>
<td>United Kingdom</td>
<td>United Kingdom</td>
<td>494,000</td>
</tr>
<tr>
<td>William Bernstein</td>
<td>United Kingdom</td>
<td>United Kingdom</td>
<td>150,000</td>
</tr>
<tr>
<td>Thomas N. Cole</td>
<td>United Kingdom</td>
<td>United Kingdom</td>
<td>1,358,000</td>
</tr>
</tbody>
</table>

Among the large security holders are the following individuals:

<table>
<thead>
<tr>
<th>Name</th>
<th>Residence</th>
<th>Citizenship</th>
<th>Amt. of Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. C. Cassels</td>
<td>United Kingdom</td>
<td>United Kingdom</td>
<td>$ 105,000</td>
</tr>
<tr>
<td>Benjamin Shamosh</td>
<td>United Kingdom</td>
<td>United Kingdom</td>
<td>140,000</td>
</tr>
<tr>
<td>Eleanor L. Patenotre</td>
<td>United Kingdom</td>
<td>United States</td>
<td>2,534,000</td>
</tr>
<tr>
<td>Emma W. Crookshank</td>
<td>United Kingdom</td>
<td>United Kingdom</td>
<td>293,000</td>
</tr>
</tbody>
</table>

On the basis of our study, it would appear that the total number of returns on TFR-300 filed for British nationals will approximate 46,000, and that the total property holdings reported will exceed $2.5 billion. It should be kept in mind, of course, that some of these funds are held by British banks in the United States with the full knowledge of the British Government and for governmental purposes.

Subject to your approval, information as to the funds held in the United States by the following classes of persons will be furnished informally and confidentially to Mr. Stopford of the British Embassy:

(a) Citizens of the United Kingdom, wherever resident

(b) Persons, other than citizens of the United States, resident in the United Kingdom.

No information will be transmitted with respect to the holdings of citizens of the United States residing in the British Empire without raising the matter further with you.

Approved:

[Signature]

Regraded Unclassified
TO

Secretary Morgenthau

FROM

E. H. Foley, Jr.

DATE

January 28, 1942.

I know you will be interested in the attached memorandum of a conference held at the Department of Justice yesterday (January 27, 1942) in regard to the segregation of enemy aliens.

The point which will interest you most is that now Justice proposes to take action along the lines suggested by you to J. Edgar Hoover and the Attorney General in the week following the outbreak of the war, i.e., to move large groups of Japanese aliens out of the West Coast strategic area. This discussion is found on page 3.

We are organizing a group to take care of the problems which will fall on us when the proposed action is taken.

Attachment.
MEMORANDUM FOR THE FILES:

Re: Japanese Alien Situation

Conference at the Department of Justice, 4:00 p.m., January 27, 1942.

Presiding: Mr. James Rowe, Assistant to the Attorney General.

Present: Three representatives of the Department of Justice.

One representative of the Department of Labor.

One representative of the Federal Security Agency.

One representative of the Works Progress Administration.

One representative of the Farm Security Agency.

Two representatives of the War Department.

One representative of the Immigration & Naturalization Bureau.

One representative of the Department of Agriculture.

One representative of the Office of Facts & Figures.

Mr. J. John Lawler, of the Treasury Department.
The representatives of the Department of Justice informed us that Lt. Gen. DeWitt, Commander of the 4th Army, informed the Department of Justice that, in order to properly discharge his responsibility of defending the Pacific Coast, three requirements should be met immediately by the Department of Justice:

(1) Alien enemies who have been interned must be moved from the coastal area. In accordance with this request the Department of Justice moved all interned alien enemies from the coastal area to Missoula, Montana, and Bismarck, North Dakota, although this move complicated the procedure established by the Department for hearings before a local board of three civilians.

(2) The Department of Justice must issue certificates of identification in order to keep track of the movements of alien enemies. In accordance with this request the Department of Justice has arranged for the registration of all alien enemies at their local post offices during the week of February 2, 1942, and delivery by mail during the week of February 9, 1942, of certificates of identification in book form similar to a passport with provision for a notation of permission to travel.

(3) Strategic areas. The Army intends to designate two types of areas along the coastal strip:

Class A - Prohibited areas in which enemy aliens will not be permitted to live, work or travel.

Class B - Restricted areas within which enemy aliens will be permitted to live or work only by special permission endorsed upon the certificate of identification.

To date, 45 Class A areas have been designated. The Navy and the Air Force have not yet turned in their designations. The Class B area is already established. It
consists of practically all land west of the escarpment of the Sierra Nevadas and, in consequence, includes practically all arable land on the West Coast. On questioning, it developed that the Department of Justice uses the phrase "alien enemy" to include all German, Italian and Japanese citizens, but does not include American citizens of Japanese origin or individuals of Japanese or Italian origin who hold dual citizenship.

Mr. Rowe explained that the Department of Justice, consisting exclusively of lawyers, was not well versed in social problems, but realized that a large social problem is involved and called this meeting to obtain information.

Mr. Rowe explained in the absence of some help from the other departments the Department of Justice would merely inform all aliens within Class A areas to be at a designated railroad station at a specified time. The aliens would then be loaded into cars, taken some distance from the coast and set free, leaving all problems attendant upon such a wholesale migration to be handled by the appropriate agencies. On questioning, it developed that the Department of Justice estimates that there are 10,000 alien enemies within the prohibited areas.

There was a general discussion in which the representatives of the social agencies pointed out that the resettlement problem involved in any such mass migration would be a very serious social problem. There would also be a vast work dislocation. The representative of the Department of Agriculture pointed out that there would be a very serious dislocation of vegetable production. The representatives of the Department of Justice then suggested that, in order to avoid some of those problems, they would be willing to create reservations similar to Indian reservations and simply give the alien enemies an enforced vacation for the duration of the war. The representative of the Immigration & Naturalization Bureau said that he could arrange for guards within 72 hours.

At this point the representatives of the Department of Justice pointed to the various stories of violence against
Japanese in the California area and to the fact that some Japanese had asked to be interned. They also stated that conferences with Congressmen from the area indicated that if the Federal Government did not move in rapidly the state government, local government, or the people themselves would take matters into their own hands. The representative of the Office of Facts & Figures stated that they had undertaken a poll to determine public opinion in the area which will be completed tomorrow.

The representative of the Navy Department stated that so far as his department was concerned it had no concern as to what happened to the aliens after they were moved out of strategic areas, but that he personally felt that the extreme probability that areas now placed in Class B might subsequently be placed in Class A made the problem much more serious than appeared on the surface. He seemed inclined to the view that all persons of Japanese origin should be interned. The representatives of the Department of Justice pointed out that there were certain constitutional difficulties. The representative of the Farm Security Agency offered the use of 15 portable camps capable of housing 200 persons each. The representative of the Works Progress Administration offered the use of WPA labor to harvest the crops.

The question was then discussed of the administration of the property of the aliens moved from the land. One of the representatives of the Department of Justice suggested jocularly that possibly the Treasury Department might feel that it had an interest in that. The Treasury Department representative and that particular representative of the Department of Justice agreed at this point to forego all discussion of who might have responsibility for the property of those alien enemies.

After a general discussion as to the advisable technique, it was the sense of the meeting that the Department of Justice should inaugurate a test program in two
Class A areas: Area No. 19, including part of the San Francisco waterfront with no resident enemy aliens, but with docks employing many enemy aliens resident in other parts of the city as longshoremen, and Area No. 33 in Los Angeles, embracing an area roughly of 35 square miles with farms, residences and service organizations operated by enemy aliens. Within the area live 1540 Japanese enemy aliens, 75 German enemy aliens and 25 Italian enemy aliens. A representative of the Department of Justice stated that letters delineating the exact areas and giving exact dates of the experiment would be sent out this evening to each department and agency represented at the meeting.

RECOMMENDATIONS

It is submitted that if the Department of Justice actually moves these 1640 enemy aliens out of Area No. 33 a small scale problem of alien property custodianship, conservation and supervision will be posed for immediate solution by some Government department. The Treasury Department, through the branch of the Federal Reserve Bank in Los Angeles, California, under Mr. Morgan Craft, and with the Foreign Funds investigative unit, under Mr. Leroy Powers, and with supervisors in several business enterprises in neighboring localities in the same city, is prepared to deal with the problem. The Department of Justice also has a special staff on the West Coast working exclusively on the alien problem. The Treasury Department no longer is the only agency in a position to act, but it is submitted that Mr. Powers and Mr. Craft should be instructed, through Mr. Slade of the Federal Reserve Bank of San Francisco, in due time to be prepared to act and should be kept informed of the situation.
TO  Secretary Morgenthau

FROM  Mr. Haas

Subject: Export freight situation.

Lighterage freight accumulated at New York is now somewhat below the December peak but has increased slightly in the past week. (See Chart 1.) In comparison with the latest total of 19,736 carloads, there was additional storage space available for 10,114 carloads on January 24.

Exports from New York are generally holding at the average level of the past 6 months, but declined sharply last week to 5,393 cars from 6,396 in the previous week. (See Chart 2, upper section.)

Receipts of export freight at New York this month have averaged lower than during the last quarter of 1941. Last week showed a slight decline to 5,980 cars from 6,314 in the previous week. Receipts at other North Atlantic ports and at Pacific ports have recently declined from the early January peaks. (See Chart 2, lower section.)
EXPORT FREIGHT MOVEMENT

Exports

From New York

Receipts for Export

At New York

At 9 Other North Atlantic Ports

At 6 Pacific Ports

*Estimates from data of General Managers' Association of New York
**Association of American Railroads

Regraded Unclassified
TO: Secretary Morgenthau
FROM: Mr. White

Subject: Exports to Russia, China, Burma, Hong Kong, Japan, France and other blocked countries, as reported to the Treasury Department during the week ending January 17, 1942.

1. Exports to Russia

Exports to Russia as reported to the Treasury during the week ending January 17, 1942, amounted to about $5,800,000. The chief items were motor trucks and chassis and landplanes. (See Appendix C.)

2. Exports to China, Burma and Hong Kong

Exports to Free China amounted to about $1,700,000, of which printed matter and motor trucks and chassis accounted for nearly fifty percent. (See Appendix D.) Exports to Burma amounted to $447,000. (See Appendix E.)

No exports to Occupied China or Hong Kong were reported during the week under review.

3. Exports to Japan

No exports to Japan were reported during the week under review.

4. Exports to France

No exports to France were reported during the week ending January 17, 1942.

5. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A.
SUMMARY OF UNITED STATES
DOMESTIC EXPORTS TO SELECTED COUNTRIES
AS REPORTED TO THE TREASURY DEPARTMENT
FROM EXPORT DECLARATIONS RECEIVED
DURING THE PERIOD INDICATED 1/

July 28, 1941 to January 17, 1942
(In thousands of dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>July 28 to Jan. 3</th>
<th>Week ended Jan. 10</th>
<th>Week ended Jan. 17</th>
<th>Total Domestic Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>USSR</td>
<td>$80,548</td>
<td>$ 9,247</td>
<td>$ 5,874</td>
<td>$34,669</td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>28,369</td>
<td>91</td>
<td>1,695</td>
<td>30,155</td>
</tr>
<tr>
<td>Occupied France</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupied France</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>2,329</td>
<td></td>
<td></td>
<td>2,334</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5,061</td>
<td>11</td>
<td>207</td>
<td>5,279</td>
</tr>
<tr>
<td>Sweden</td>
<td>11,515</td>
<td>1</td>
<td>4/</td>
<td>11,516</td>
</tr>
<tr>
<td>Portugal</td>
<td>4,482</td>
<td>155</td>
<td>824</td>
<td>5,467</td>
</tr>
</tbody>
</table>

1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular week. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.

2/ From September 11, 1941 to date — it is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.

3/ Includes both Occupied and Unoccupied France through week ending October 4, 1941. Occupied and Unoccupied France separated thereafter.

4/ Less than $500.
<table>
<thead>
<tr>
<th>Date</th>
<th>Total</th>
<th>To Japanese controlled ports</th>
<th>To Chinese controlled ports</th>
<th>Exports to Burma</th>
<th>Exports to Hong Kong</th>
<th>Exports to Japan</th>
<th>Exports to U.S.S.R.</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 28 - Aug. 2</td>
<td>937</td>
<td>542</td>
<td>395</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug. 4 - Aug. 9</td>
<td>2,794</td>
<td>2,794</td>
<td></td>
<td>684</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug. 11 - Aug. 16</td>
<td>1,278</td>
<td>969</td>
<td>309</td>
<td>983</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug. 12 - Aug. 23</td>
<td>1,352</td>
<td>1,350</td>
<td>2</td>
<td>234</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug. 25 - Aug. 30</td>
<td>736</td>
<td>735</td>
<td>1</td>
<td>742</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept. 2 - Sept. 6</td>
<td>897</td>
<td>693</td>
<td>204</td>
<td>634</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept. 8 - Sept. 13</td>
<td>3,038</td>
<td>2,281</td>
<td>2,281</td>
<td>389</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept. 15 - Sept. 20</td>
<td>462</td>
<td>352</td>
<td>110</td>
<td>456</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept. 29 - Oct. 4</td>
<td>1,305</td>
<td>1,225</td>
<td>80</td>
<td>297</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct. 6 - Oct. 11</td>
<td>5,864</td>
<td>5,312</td>
<td>552</td>
<td>810</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct. 13 - Oct. 18</td>
<td>528</td>
<td>269</td>
<td>269</td>
<td>389</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct. 20 - Oct. 25</td>
<td>2,120</td>
<td>1,157</td>
<td>4,772</td>
<td>584</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov. 3 - Nov. 8</td>
<td>1,836</td>
<td>1,672</td>
<td>164</td>
<td>584</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov. 10 - Nov. 15</td>
<td>3,009</td>
<td>2,851</td>
<td>1,58</td>
<td>624</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov. 17 - Nov. 22</td>
<td>1,701</td>
<td>1,021</td>
<td>473</td>
<td>303</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov. 24 - Nov. 29</td>
<td>3,359</td>
<td>1,354</td>
<td>120</td>
<td>1,275</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec. 1 - Dec. 6</td>
<td>855</td>
<td>791</td>
<td>61</td>
<td>1,275</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec. 8 - Dec. 13</td>
<td>3,025</td>
<td>2,337</td>
<td>688</td>
<td>1,275</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec. 15 - Dec. 20</td>
<td>123</td>
<td>111</td>
<td>12</td>
<td>1,275</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec. 22 - Dec. 27</td>
<td>37</td>
<td>36</td>
<td>1</td>
<td>1,275</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec. 29 - Jan. 3</td>
<td>35</td>
<td>35</td>
<td>6</td>
<td>1,275</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan. 5 - Jan. 10</td>
<td>91</td>
<td>91</td>
<td></td>
<td>1,275</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan. 12 - Jan. 17</td>
<td>1,695</td>
<td>1,695</td>
<td>11,796</td>
<td>7,409</td>
<td>11,629</td>
<td>1,869</td>
<td>95,017</td>
</tr>
</tbody>
</table>

1. These figures are in part taken from copies of shipping manifests.
2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
3. It is presumed that a large percentage of exports to Burma are destined for Free China.

Treasury Department, Division of Monetary Research

January 13, 1942

Regraded Unclassified
### Principal Exports from U.S. to U.S.S.R.

as reported to the Treasury Department during the week ending January 17, 1942

(Thousands of Dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity (Thousands of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL EXPORTS</strong></td>
<td>5,874</td>
</tr>
<tr>
<td><strong>Principal Items:</strong></td>
<td></td>
</tr>
<tr>
<td>Motor trucks and chassis</td>
<td>1,101</td>
</tr>
<tr>
<td>Landplanes, powered</td>
<td>1,029</td>
</tr>
<tr>
<td>Molybdenum ore and concentrate</td>
<td>632</td>
</tr>
<tr>
<td>Military tanks</td>
<td>480</td>
</tr>
<tr>
<td>Refined copper</td>
<td>195</td>
</tr>
<tr>
<td>Men's boots and shoes</td>
<td>184</td>
</tr>
<tr>
<td>Ethyl fluid</td>
<td>158</td>
</tr>
<tr>
<td>Insulated copper wire</td>
<td>155</td>
</tr>
<tr>
<td>Aluminum plates, sheets, bars, strips and rods</td>
<td>153</td>
</tr>
<tr>
<td>Drilling machines</td>
<td>146</td>
</tr>
<tr>
<td>Aircraft engines</td>
<td>118</td>
</tr>
<tr>
<td>Brass and bronze plates and sheets</td>
<td>117</td>
</tr>
<tr>
<td>Relief supplies - clothing</td>
<td>111</td>
</tr>
<tr>
<td>Aircraft parts and accessories, n.e.s.</td>
<td>110</td>
</tr>
<tr>
<td>Engine lathes</td>
<td>96</td>
</tr>
<tr>
<td>Other lathes</td>
<td></td>
</tr>
</tbody>
</table>

Treasury Department, Division of Monetary Research, January 23, 1942
APPENDIX E

Principal Exports from U.S. to Burma as reported to the Treasury Department during the week ending January 17, 1942

(Thousands of Dollars)

<table>
<thead>
<tr>
<th>TOTAL EXPORTS</th>
<th>$ 447</th>
</tr>
</thead>
</table>

Principal Items:

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor trucks and chassis</td>
<td>133</td>
</tr>
<tr>
<td>Automobiles</td>
<td>83</td>
</tr>
<tr>
<td>Proprietary medicinal preparations</td>
<td>48</td>
</tr>
<tr>
<td>Auto replacement parts</td>
<td>34</td>
</tr>
<tr>
<td>Iron and steel sheets</td>
<td>19</td>
</tr>
<tr>
<td>Evaporated milk</td>
<td>11</td>
</tr>
<tr>
<td>Petroleum and gas well-drilling apparatus</td>
<td></td>
</tr>
<tr>
<td>and parts</td>
<td></td>
</tr>
<tr>
<td>Metal-grinding machines and parts</td>
<td>9</td>
</tr>
<tr>
<td>Typewriters and parts</td>
<td>8</td>
</tr>
<tr>
<td>Cotton piece goods</td>
<td>6</td>
</tr>
<tr>
<td>Industrial chemicals</td>
<td></td>
</tr>
<tr>
<td>Dried skimmed milk</td>
<td>5</td>
</tr>
<tr>
<td>Cotton canvas articles</td>
<td></td>
</tr>
</tbody>
</table>

Treasury Department, Division of Monetary Research January 26, 1942
APPENDIX D

Principal Exports from U.S. to Free China as reported to the Treasury Department during the week ending January 17, 1942

(Thousands of Dollars)

<table>
<thead>
<tr>
<th>Principal items</th>
<th>Value (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printed matter (bank notes)</td>
<td>561</td>
</tr>
<tr>
<td>Motor trucks and chassis</td>
<td>243</td>
</tr>
<tr>
<td>Ink</td>
<td>80</td>
</tr>
<tr>
<td>Auto replacement parts</td>
<td>76</td>
</tr>
<tr>
<td>Relief supplies - hospital</td>
<td>74</td>
</tr>
<tr>
<td>Tires and tubes</td>
<td>60</td>
</tr>
<tr>
<td>Copper wire (bare)</td>
<td>50</td>
</tr>
<tr>
<td>Wheels</td>
<td>45</td>
</tr>
<tr>
<td>Aircraft instruments and parts of steel bars</td>
<td>36</td>
</tr>
<tr>
<td>Steel bars</td>
<td>32</td>
</tr>
<tr>
<td>Hand tools</td>
<td>27</td>
</tr>
</tbody>
</table>

TOTAL EXPORTS TO FREE CHINA $1,695

Treasury Department, Division of Monetary Research January 23, 1942
INCOMING CABLEGRAM

Rec'd: January 28, 1942
From: Rio de Janeiro
Dated: January 28, 1942

Federal Reserve Bank of New York,

New York,

No. 1

You will receive $2,000,000 from various sources charge our account as fiscal agent of the Brazilian Government $5,000,000 same conditions our cable of February 11, 1941, No. 2 releasing correspondent gold secured. Please cable execution.

(Signed) Banco do Brasil

(Rec'd. by phone from Federal Reserve Bank of New York — 11:00 a.m. 1-29-42 vv)

Note: According to the above cable, Brazil is repurchasing 100,000,000 milreis from the Fund, paying back the equivalent of $5,000,000. About $5,016,600 in gold will be released from collateral account by the FEB of NY, and returned to Brazil's earmarked account. The Fund will still hold 60,000,000 milreis, valued at $3,000,000, and collateralized by $3,072,500 in gold.
In reply refer to FD 832.61321/149

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram no. 214, dated January 23, 1942, from the American Embassy, Rio de Janeiro, Brazil, concerning negotiations looking to an agreement whereunder the Spanish Government can use sterling to purchase cotton in Brazil during 1942.

Telegram no. 5, January 1, 1942, referred to was transmitted to Treasury on January 2, 1942.

Enclosure:


Copy:sc:1-38-12
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brasil

DATE: January 23, 1942, 4 p.m.

NO.: 214

Reference is made to telegram no. 5, sent by the Embassy at 9 p.m. on the first of January, 1942.

There are indications that the proposal will be accepted by the Government of Brazil.

CAFFERY

Copy: ec:1-28-42
January 23, 1942

Sec. Jorgenthaler

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

- **Sold to commercial concerns**
  - £50,000

- **Purchased from commercial concerns**
  - £9,000

Open market sterling remained at 4.03-3/4, and there were no reported transactions.

The Cuban peso, which has remained approximately at par for several weeks, was quoted at 1/16 premium today.

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

<table>
<thead>
<tr>
<th>Currency</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian dollar</td>
<td>11-7/8% discount</td>
</tr>
<tr>
<td>Argentine peso (free)</td>
<td>.8300</td>
</tr>
<tr>
<td>Brazilian milreis (free)</td>
<td>.0518</td>
</tr>
<tr>
<td>Colombian peso</td>
<td>.5775</td>
</tr>
<tr>
<td>Mexican peso</td>
<td>.2105</td>
</tr>
<tr>
<td>Uruguayan peso (free)</td>
<td>.5250</td>
</tr>
<tr>
<td>Venezuelan bolivar</td>
<td>.2710</td>
</tr>
</tbody>
</table>

In New York, the offered rate for the Portuguese escudo improved from 5,040 to 5,0410 today. This change followed reports that Portuguese banks had lowered their buying rate for dollars from 24.35 to 24.55 escudos (5,0402-1/2 to 5,0407-1/4), possibly as a result of recent American offerings of dollars in exchange for escudos to be used in buying Swiss francs.

The Federal Reserve Bank of New York purchased 250,000 Swedish kronor in New York at the rate of .3385-1/2 by order and for account of the Central Bank of the Uruguayan Republic. The latter reported that it needed these kronor for commercial purposes.

In order to increase the Stabilization Fund's gold balance, we purchased 8,000,000 in gold from the General Fund, through the New York Agency Office.
The State Department forwarded cables to us reporting the following gold shipments, both of which will be sold to the New York Assay Office:

$280,000 from Venezuela, shipped by New Goldfields of Venezuela, Ltd., to the New York agency of the Royal Bank of Canada.


$412,000 Total

In London, spot and forward silver remained at 23-% and 23-9/16d respectively, equivalent to 42.67¢ and 42.78¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

CONFIDENTIAL
BRITISH EMBASSY
WASHINGTON, D.C.

January 28th, 1942.

Personal and Secret.

Dear Mr. Secretary,

I enclose herein for your personal and secret information copies of the latest reports 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.
Information received up to 7 a.m., 27th January, 1942.

1. NAVAL

One of U.S. submarines claims two hits on a convoy of three merchant ships of about 5,000 tons each entering SUDA BAY on the 12th, one ship was seen to sink.

On the 22nd an 8,000 ton Norwegian tanker was torpedoed and set on fire South-East of HALIFAX and on the 25th another Norwegian tanker from DURBONA was hit by three torpedoes 200 miles North-East of CHESAPEAKE BAY.

2. MILITARY

LIBYA. 26th. Reports from the forward area indicate that on the afternoon of the 25th two enemy columns consisting of a total of 200 M.T., and 20 tanks were advancing North-East from ISUS and were being engaged by our forces. Our armoured forces were in the CHARGUBA Area some 50 miles North of ISUS, while our main infantry forces were still south of BENGHAZI threatening the left flank of the advancing enemy columns.

MALAYA. East: Enemy estimated at two battalions supported by Naval forces landed at SIBAU on the morning of the 26th. Our aircraft against strong air opposition, engaged these forces and hit warships and transports. Heavy air losses on both sides.

Centre: Throughout 26th our troops were in contact with the enemy North of SABAHAN and DINGIIBAH. Our forward troops and road communications were continually dive-bombed and machine-gunned.

West: The 15th Indian Infantry Brigade are trying to move South from SENGARAN. The 53rd Infantry Brigade were trying to make contact with them from the South but were unable to advance beyond SENGARAN.

SIBAU. Everything of value in SIBAU was destroyed before evacuation. There has been no further contact with the enemy.

3. AIR OPERATIONS

WESTERN FRONT. 26th/27th. 136 aircraft sent out - HAMOVO 70 - EMBDEN 33 - EREST 25. 3 are missing.

LIBYA. 25th. All available aircraft were used to cover withdrawal of our ground forces. Many enemy vehicles were destroyed or damaged. 4 enemy aircraft were shot down and 3 damaged. 46 lost 2.
25th/26th. Wellingsons bombed mechanised columns in the JEDABA Area.

MALAYA. 25th. Our troops in the ATHER HITAII Area were again heavily attacked by Japanese and Siamese aircraft. Buffaloes intercepted 27 enemy bombers attempting to attack SINGAPORE, bombs were either jettisoned or caused no damage, 3 enemy aircraft were damaged.

25th/26th. Our bombers attacked BATU PAHAT and HUAR.

BURMA. 26th. About 20 enemy fighters approaching RANGOON were intercepted by the American Volunteer Group. 3 enemy aircraft were destroyed and one probably destroyed for the loss of one American fighter.

NETHERLANDS EAST INDIES. 24th. Enemy aircraft attacked SAMARINDA (EAST BORNEO) and 3 were destroyed. One Dutch fighter was lost.

PACIFIC. 24th/25th. R.A.A.F. Catalinas bombed RAHAUL registering two probable hits on a warship. At MAGNE (AMERALTY ISLAND) on the 24th 5 enemy float-planes caused considerable damage.

ITALY

Movements of oil from GERMANY to ITALY via the ST. GOTHARD which started on 12th December were still continuing on 18th January when three or four trains of tankers, representing about 1,800 tons of oil, were passing daily. Some of the tank wagons contained petrol.
Following is supplementary resume of operational events covering the period 15th - 22nd January, 1942.

1. NAVAL

Three of the thirteen ships driven ashore in the British Isles have become a total loss. An important convoy was passed through to MALTA and one from MALTA reached ALEXANDRIA. A Tribal class destroyer and one merchant vessel were lost during these operations. Dutch coastal batteries sank two Japanese destroyers during the attack on TARAKAN.

Submarines. There has been a concentration of U-boats off the North American Coast from NEWFOUNDLAND to VIRGINIA. Smaller groups were working in the North Western Approaches, near the AZORES and off HURRICANE. Activity in the MEDITERRANEAN continued. Shipping losses were moderate. U-Boats sank two ships off the U.S. Atlantic Coast. Our Ocean Homeward Convoys sustained no losses through enemy action. Owing to delays caused by bad weather imports in convoy into United Kingdom for week ending 17th were only 180,000 tons of which 11,000 tons were oil. During the period 883 ships were convoyed. The German VINDIKTA (16,600 tons) and the Italian CONTE GRANDE (23,350 tons) have been taken over by the Brazilians at SANTOS.

TORUK. During 6 months from 12th April, 1941, the Royal Navy, in maintaining sea communications with TORUK, lost 27 H.U., ships including small auxiliary craft and two destroyers and had seven destroyers damaged. Naval casualties were 469 killed or missing and Mercantile Marine 70 killed and missing. On the other hand, 32,667 personnel were landed and 34,113 embarked in addition to some thousands of prisoners of war and wounded. About 34,000 tons of stores and ammunition besides numbers of tanks and guns were transported.

2. MILITARY

GERMANY. The continuance of Russian pressure is making it increasingly difficult for GERMANY to regain the initiative on land. So long as this pressure is maintained, the Germans cannot withdraw and reit enough divisions for such fresh operations as might restore to them the strategic initiative.

LIBYA. It was not to be expected that a Commander of Rommel’s quality would remain indefinitely on the defensive at AGHEILA while we made preparations to renew the offensive against him. And he has now attacked our light forward forces with about 90 tanks. (Throughout this battle it has been difficult to assess accurately the enemy’s armoured strength, and Rommel may have either
managed to repair more tanks than we considered possible, or received fresh tanks via TRIPOLI, or both). His object was probably to anticipate a resumption of our offensive believing this to be more imminent than in fact it was. At all events, for the present, he has regained the tactical initiative.

RUSSIA. After clearing down last week, the Russian offensive has gained fresh impetus, on almost the whole front the Russian Army is renewing its pressure and finding the weak spots. The new attack South of LAKE ILIEN may lead to the disengagement of LUNDKHAD. The converging movement West of RISHY and West of KALUGA is resulting if not in an encirclement at least in a withdrawal of the German forces in the whole of the NOJAISK SALIENT, and the offensive recently launched on a wide front from the DONETSK BASIN should play an important part in the process of preventing the enemy from stabilising his line and withdrawing divisions for rest and refit. The battle is in fact going well for the Russian Army everywhere, except in the CRIMEA - a front which retains a special importance from its position near the German route to the CAUCASUS.

FAR EAST. On a series of fronts which widen in extent every week the Japanese are taking advantage of their opportunities "while the going is good". During this early phase of the war they have not only ample forces to attack in nearly all directions simultaneously but also the shipping and freedom of the seas to transport these forces to the various fronts. (Their comparatively small air strength is one of their few limitations at present). In the PHILIPPINES the UNITED STATES troops though in danger of shortages of food and ammunition are giving them such a tough nut to crack that they are making but little progress. Similarly in MALAY, where the Japanese possess air superiority and have thrown in a crack Guards Division, the British - Indian and Australian Units already in action have been joined by fresh British troops and, though continually outnumbered and outflanked, are offering a barrier of increasing strength. Nevertheless, if the front line is forced any further back, it may prove impracticable to maintain resistance on the mainland and a withdrawal to SINGAPORE ISLAND may become necessary. In BURMA the centre of attack has shifted to MOHIMEN, against which the Japanese can bring two divisions with a further one against KANDALAY, threatening the BURMA ROAD, China's last supply route. Moreover, on this front the enemy can reinforce more easily than we can. They have been able to move against NEW BRITAIN and NEW IRELAND without meeting enough opposition to stop them. Indeed on the short view the Japanese General Staff must be having a less anxious time than their partners in BRESIL.

EUROPE. German divisions in FRANCE now estimated at 23 and in BALKANS 11 or 12. There is evidence that the DAMBSE is frozen as far east as RUSTCHUK and that navigation above this town is no longer possible.
It is estimated that the Germans are now using about 5,000 aircraft on the Russian front compared with over 2,500 during the first weeks of their Russian campaign.

It is thought that the Russians are now using about 6,500 aircraft on the Russian front compared with over 2,500 during the first weeks of their Russian campaign.

The front was kept in constant activity against Russian troops and forward communications had been very well maintained by the German Air Force. Italian and German aircraft were used by the French, Italians, and dive bombers. In the Russian front the Germans claimed another 99. We lost II fighters and 6 planes.

Every activity was principally in the Southern Sector of the front from KARKARY to the CRISMA but whenever weather permitted operations against the Eastern Front was possible. The Italian and German front was kept in constant activity against Russian troops and forward communications had been very well maintained by the German Air Force. Italian and German aircraft were used by the French, Italians, and dive bombers. In the Russian front the Germans claimed another 99. We lost II fighters and 6 planes.

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I. Pacific Theater.

Philippines: On yesterday enemy activity along the Bataan battle position was limited. Hostile air operations were light, and our antiaircraft artillery continued to exact its toll. There was no change in the Visayas or in Mindanao. Hawaii: Negative reports.

Malaya: The press reports a British line Senggarang—Ayer Hitam—south of Kluang—Jemaluang, with fighting in all sectors. Heavy air activity continues. Burma: The British have withdrawn from Mergui, in the Burma panhandle. Elsewhere the situation is unchanged.

Australasia: Air action continues, as small scale ground operations proceed in the New Guinea—New Ireland area. The attacks on Japanese ships in the D'Estrees Straits are apparently continuing, with American bombers sinking one large transport and setting on fire another on the 27th. Sumatra: On January 27 the Japanese bombed Ema Haven on the west coast of Sumatra, west coast. No further reports of hostile activity.

II. Eastern Theater.

Russian pressure continues along the entire Eastern front.

(No situation maps will be issued this date.)

III. Western Theater.

Air: The R.A.F. again bombed Brest on yesterday. No results were reported.

IV. Middle Eastern Theater.

Ground: Press reports indicate the possible conclusion of the first phase of present operations. At the end of eight days, characterized by combat between mobile columns throughout a wide area, the Axis drive has slowed, and opposing forces are now in contact along a discontinuous battle front from northeast of El Asu to Soluichi.

Air: According to the press, the R.A.F. carried out a very strong offensive against Axis ground forces south of Benghazi. Axis air forces continue bombing of Malta, and the R.A.F. continues bombing Axis airdromes in Sicily.