Treasury Department
Division of Monetary Research

282

Date.....April 17,.....1942

To: Miss Chauncey

From: Mr. White

The Secretary would probably like to glance at this before leaving or take it with him to the country.

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Treasury Department
Division of Monetary Research

Date.....April 17,..1942

To: Secretary Morgenthau

From: Mr. White

Appended is the status of the proposal for the Army and Navy to take over British supply contracts.

After reading the memo you may wish to call Mr. McCabe personally to thank him for his efforts.

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# TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 17, 1942

TO The Secretary

FROM Mr. White

I attach a letter from Mr. McCabe of the Lend-Lease Administration and a memorandum to him from the War Department.

1. The memorandum is the final result of numerous and lengthy conferences between the Lend-Lease Administration and the War Department on the question of take-outs on British supply contracts.

2. The final decision of the War Department is that it is ready to provide the following sums:

| | |
|---|---|
| Air items up to | $250,000,000 |
| Ordnance items as required up to | $200,000,000 |
| Others as required up to | $ 20,000,000 |

3. However, the War Department will use its funds for these purposes only if it is directed by the President to do so. In that event, the War Department states that it would then have to go before Congress to replace the funds, and in justifying its request for additional funds it would have to explain to Congress that it had used these sums for the purchase of British contracts.

4. The next step is up to you -- to decide whether you wish to recommend to the President that his directive be given to the War Department.

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

April 16, 1942

MEMORANDUM

To: Mr. Harry White,
Assistant to the Secretary,
Treasury Department.

From: Thomas B. McCabe,
Lend-Lease Administration.

Following my telephone conversation with you this morning, I am attaching a copy of the memorandum which I have just received from Mr. McCloy on the subject, "Taking out British Contracts".

I will talk with you tomorrow after my conversation tonight with Patterson and McCloy.

Thomas B. McCabe

Thomas B. McCabe,
Acting Administrator

Enclosure:
Letter to McCabe from
McCloy 4/14/42.

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COPY

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY
Washington, D.C.

April 14, 1942

MEMORANDUM FOR MR. McCABE:

SUBJECT: Taking out British Contracts.

After an investigation of the moneys available in our existing or pending War Department appropriations (including those for articles for export to other governments), I find that there are as yet uncommitted funds which could be used to buy out British contracts in the following approximate amounts:

| | | |
|---|---|---|
| Air items | - | up to $250,000,000 |
| Ordnance items | - | as required (up to $200,000,000) |
| Others | - | as required (up to $20,000,000) |

In every instance, however, these appropriations were or are being obtained on the basis of estimates which we submitted to Congress and which do not include the British contracts. If these moneys are utilized for the purpose of taking out the early British contracts, it will be necessary for us to reapply to Congress immediately for the restoration of these amounts for they will be needed for the programs we already have under way for our own Army and for the foreign governments whose interests are represented in the appropriations.

The particular items which are involved in the British contracts that are the subject of discussion are in many cases not items the War Department would desire to procure and, in any event, it is certainly contemplated that the British will want (and no doubt will eventually receive) the articles that are covered by the contracts.

For this reason, as well as for the reason that the appropriations based on estimates for our own armies are so largely committed, or at least earmarked, we can look, as a practical matter, for money to take over British contracts, only to the appropriations set up for articles for export. These moneys are available in the quantities set forth above, but as

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obtained on testimony which not only did not disclose might be utilized for the purpose now contemplated but ...ly the impression that they were to be used for ... yet contracted for, we feel that if they are to be ... this purpose the Chief Executive, acting either ... through the Budget Director, should so direct the ...ment. Such direction is the more necessary because ...ion is being urged primarily as a means for improving ... dollar exchange which is not normally a War Department

(Signed) John J. McCloy
John J. McCloy
Assistant Secretary of War

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# C A B L E

From: Banco Central de la
Republica Argentina, Buenos Aires.
Date: April 17, 1942
Rec'd: April 18, 1942

FEDERAL RESERVE BANK OF NEW YORK

#81

In order to increase our gold reserves please buy for our account gold bars for the equivalent of U.S. $5,000,000 keeping the gold bars earmarked for our account. Cable execution.

BANCO CENTRAL DE LA REPUBLICA ARGENTINA.

Received by telephone from F.R.B. of N.Y. - April 20, 1942, 9:30 a.m.

lap

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APR 17 1942

Dear Sumner:

I refer further to your letter of April 7 regarding the treatment of Senor Jose Ramon Gutierrez, former Minister of Foreign Affairs of Chile, at Miami on February 10 and your suggestion that general instructions be issued to customs officials that they should be careful not to offend visitors from the American republics who are able to produce promptly substantial documents giving reasonable indication of their reliability and prominence.

These matters were discussed some time ago by the Commissioner of Customs and Mr. Woodward, of your Department. It was explained to Mr. Woodward at that time that the examination of the effects of Senor Gutierrez by customs officers was in the regular course of the administration by the Customs Service of its functions under section 3(c) of the Trading with the enemy Act under instructions which had been cleared with representatives of your Department. Under those instructions no examination is made of the effects of outbound persons entitled to customs courtesies. Senor Gutierrez, under long-established customs practice, would be entitled to customs courtesies only if he were designated to the Treasury Department by your office as a distinguished foreign visitor. This was not done, and the customs officers at Miami therefore acted only in compliance with their instructions in carefully examining the effects of Senor Gutierrez.

It was explained to Mr. Woodward by the Commissioner of Customs that the field officers of the Customs Service are authorized to accept credentials of certain diplomatic and other officers of foreign governments as establishing their right to customs courtesies, but that, in the opinion of the Commissioner, there is no way in which authority may

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safely be delegated to customs officers at the several ports of entry to fix the status of a traveler as a distinguished foreign visitor without special authorization from Washington based upon advice from the Department of State. I am inclined to agree with the Commissioner of Customs, but if your Department is disposed to suggest any criteria which you believe can be applied at the several ports of entry with due regard to the responsibilities of the Customs Service under the Trading with the enemy Act they will be given prompt and sympathetic consideration.

Sincerely yours,

The Honorable Sumner Welles,

Under Secretary of State.

WRJ-esb 4-9/16-42

N.M.C.
File to Thompson

Regraded Unclassified

April 8, 1942.

Dear Sumner:

I have received your letter of April 7, with regard to the unpleasant experience of Senor Jose Ramon Gutierrez, former Minister of Foreign Affairs of Chile, upon his departure from Miami by plane on February 10.

I am having an investigation made of this at once and will let you hear from me again as soon as practicable.

Sincerely yours,

The Honorable Sumner Welles,
Under Secretary of State.

CC: Mr. W. R. Johnson

By Messenger 11:05 Vard
4/11/42

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DEPARTMENT OF STATE
WASHINGTON

April 7, 1942

Dear Henry:

A former Minister of Foreign Affairs of Chile, Señor José Ramón Gutiérrez, was recently invited by our Government to visit the United States in the belief that his more intimate acquaintance with this country would be of definite assistance in interpreting the peoples of Chile and the United States to each other. Señor Gutiérrez came to the United States and his visit seemed to have been an unqualified success until, at the last moment before his departure from Miami by airplane, he was required by a customs official to disembark from the plane and submit to a detailed interrogation and examination. All of his personal documents were held by this customs official. I enclose a translation of a letter in which Señor Gutiérrez has described this incident.

While

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

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While Señor Gutiérrez refers to his examination as being made by agents of the Federal Bureau of Investigation, the Department of Justice disclaims such examination which was apparently conducted by customs inspectors under the general enforcement provisions of regulations set up under the Trading With the Enemy Act.

I would not bring this matter to your attention if it were not that the officers of the Department of State who have been endeavoring to persuade the customs authorities to handle discreetly the cases of such prominent visitors appear to have been unsuccessful in establishing a basis of understanding which will give assurance that efforts to develop useful international relations will not be thus jeopardized.

You may wish to give consideration to the possibility of issuing general instructions to customs officials that they should be particularly careful not to offend visitors from the American republics who are able to produce promptly substantial documentation which would give a reasonable indication of their reliability and prominence. This Department will, of course, be glad to notify the customs authorities, as in the past, of the dates of arrival and departure of prominent visitors, but in view

of

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frequent inavailability of information concerning
travel plans, I believe that some such general
ructions as those mentioned would be advisable.

Sincerely yours,

losure:

Translation of letter
from Señor Gutiérrez.

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TRANSLATION

February 10, 1942

friend Bonsal:

I regret very much that my first letter to you has its object to make a protest, but I am obliged by nts to act in this manner.

I simply want to report the facts to you.

When I appeared today at the airport at Miami to take the Clipper which was to take me to Balboa, my passport (Chilean Diplomatic Passport No. 602, as ex-Minister of oreign Relations) and my tickets were in regular form. lso my baggage was examined and found "okay". A moment ter I was ready to get on the plane, without other than ordinary inconveniences.

Then an employee--who came with instructions from the .B.I.--came up to me and told me to follow him.

Once with him he asked for all the papers I carried on (family letters, private notes, bills, et cetera) and mitted me to a detailed investigation, the object of ch I could not ascertain. He told me simply that he received private instructions to proceed thus. At same time he again made as detailed an examination of luggage as if I had hidden firearms or incendiary bombs it.

Naturally

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Naturally all the passengers present can verify the ident.

After a half hour dedicated to my person and to enring a stupid questioning made by an official who was norant of Spanish and who refused to accept all logical planation--they took all my papers.

These papers were kept in Miami to be examined in greater detail and perhaps by an expert.

It was useless to tell this individual that I came to the United States by special invitation of the Government of the United States; it was useless to remind him that my passport proved my rank of ex-Minister of Foreign Relations; it was useless to show him a letter signed by Mr. Nelson Rockefeller which made evident my condition as a dignified guest. This individual appeared to have exact instructions in the sense of bothering me and to turn a deaf ear to any logical suggestion.

I do not blame the Government of the United States for this incident; but only as another example in favor of coordination of the different elements of Government which constitute good public administration.

I ask you to intercede so that my papers may be returned to me as soon as possible.

Your friend,

José Ramón Gutiérrez (Signed)

anslated
GMB:JLS

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Treasury Department 297
Division of Monetary Research

Date April 17, 1942

To: Secretary Morgenthau

From: Mr. White

In continuation of the work of the Cuban Mission, it is deemed necessary to send Mr. Spiegel to Cuba to make a further study of problems in connection with the proposed agricultural bank. He will be accompanied by Mr. Esgate, of the Farm Credit Administration, who is also a member of the Mission.

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April 17, 1942

Mr. Harold L. Spiegel,
Division of Monetary Research,
Treasury Department.

Dear Mr. Spiegel:

You are hereby authorized and directed to proceed on or about April 25, 1942, from Washington, D. C., to Havana, Cuba, and to such other points in Cuba as may be necessary to the fulfillment of your assignment, and return to Washington, D. C., on official business for the Treasury Department.

In view of the nature of this mission, you are authorized to travel by airplane, and to use any available methods of transportation as may be necessary.

You will be allowed transportation expenses and $6.00 per diem in lieu of subsistence for travel within the continental limits of the United States, and $7.00 per diem in lieu of subsistence for travel outside the continental limits of the United States. You will also be entitled to reimbursement for loss sustained from appreciation of foreign currencies in their relation to the American dollar, as authorized by the Act approved March 26, 1934, as amended.

All of the above expenses and allowances will be payable from the Exchange Stabilization Fund.

A copy of this travel authorization should accompany the voucher making claim for expenses incurred thereunder.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

N.M.C.
File to Thompson

MH

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For Miss Chauncey



TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

April 17, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended April 8, 1942 showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.

lap-4/17/42

Regraded Unclassified

COPY

FEDERAL RESERVE BANK

OF NEW YORK

April 16, 1942

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended April 8, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

Copy:vw:4-17-42

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# ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended April 8, 1942

Strictly Confidential

| PERIOD | BANK OF ENGLAND (BRITISH GOVERNMENT) DEBITS: Total Debits | Gov't Expenditures(a) | Other Debits | CREDITS: Total Credits | Proceeds of Sales of Gold | Securities (Official)(b) | Other Credits(c) | Net Incr. (+) or Decr.(-) in Balance | BANK OF FRANCE DEBITS: Total Debits | Gov't Expenditures (d) | Other Debits | CREDITS: Total Credits | Proceeds of Gold Sales | Other Credits | Net Incr. (+) or Decr. (-) in Balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| First year of war (9/29/39-8/28/40)* | 1,793.2 | 605.6 | 1,187.6 | 1,828.2 | 1,356.1 | 52.0 | 420.1 | + 35.0 | 866.3(e) | 416.6(e) | 449.7 | 1,095.3(e) | 900.2 | 195.1(e) | +229.0 |
| War period through December, 1940 | 2,792.3 | 1,425.6 | 1,356.7 | 2,793.1 | 2,109.5 | 108.0 | 575.6 | + 10.8 | 878.3 | 421.4 | 456.9 | 1,098.4 | 900.2 | 198.2 | +220.1 |
| Second year of war (9/29/40-8/27/41)** | 2,203.0 | 1,792.2 | 410.8 | 2,189.8 | 1,193.7 | 274.0 | 722.1 | - 13.2 | 38.9 | 4.8 | 34.1 | 8.8 | - | 8.8 | - 30.1 |
| 1941 | | | | | | | | | | | | | | | |
| Aug. 28 - Oct. 1 | 140.9 | 105.9 | 35.0 | 176.2 | 20.1 | 2.0 | 154.1 | + 35.3 | 0.3 | - | 0.3 | 0.5 | - | 0.5 | + 0.2 |
| Oct. 2 - Oct. 29 | 109.0 | 77.3 | 31.7 | 150.9 | 0.8 | - | 150.1 | + 41.9 | 0.3 | - | 0.3 | 0.3 | - | 0.3 | - |
| Oct. 30 - Dec. 3 | 156.1 | 111.6 | 44.5 | 134.6 | - | 1.0 | 133.6 | - 21.5 | 16.1 | - | 16.1 | 0.4 | - | 0.4 | - 15.7 |
| Dec. 4 - Dec. 31 | 88.4 | 69.6 | 18.8 | 51.5 | - | - | 51.5 | - 36.9 | 0.8 | - | 0.8 | 0.4 | - | 0.4 | - 0.4 |
| 1942 | | | | | | | | | | | | | | | |
| Jan. 1 - Jan. 28 | 102.3 | 73.2 | 29.1 | 69.3 | - | 0.5 | 68.8 | - 33.0 | 0.2 | - | 0.2 | 0.4 | - | 0.4 | + 0.2 |
| Jan. 29 - Feb. 25 | 87.2 | 63.8 | 23.4 | 57.2 | - | 1.0 | 56.2 | - 30.0 | - | - | - | 0.3 | - | 0.3 | + 0.3 |
| Feb. 26 - Apr. 1 | 121.4 | 86.4 | 35.0 | 171.4 | - | - | 171.4 | + 50.0 | 0.1 | - | 0.1 | 0.4 | - | 0.4 | + 0.3 |
| WEEK ENDED: | | | | | | | | | | | | | | | |
| Mar. 18 | 24.3 | 19.3 | 5.0 | 26.3 | - | - | 26.3 | + 2.0 | - | - | - | 0.1 | - | 0.1 | + 0.1 |
| 25 | 21.1 | 14.2 | 6.9 | 18.8 | - | - | 18.8 | - 2.3 | - | - | - | 0.1 | - | 0.1 | + 0.1 |
| Apr. 1 | 19.8 | 13.3 | 6.5 | 58.9 | - | - | 58.9 | +39.1 | - | - | - | - | - | - | - |
| 8 | 36.3 | 19.0 | 17.3(f) | 20.3 | - | 0.5 | 19.8(g) | -16.0 | - | - | - | 0.1 | - | 0.1 | + 0.1 |

**Average Weekly Expenditures Since Outbreak of War**

France (through June 19, 1940) $19.6 million
England (through June 19, 1940) 27.6 million
England (since June 19, 1940) 39.1 million

*For monthly breakdown see tabulations prior to April 23, 1941.
**For monthly breakdown see tabulations prior to October 8, 1941.
(See attached sheet for other footnotes)

**Transfers from British Purchasing Commission to Bank of Canada for French Account**

Week ended April 8, 1942 $ - million
Cumulation from July 6, 1940 $ 162.7 million

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(a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.

(b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $334 million.

(c) Includes about $85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.

(d) Includes payments for account of French Air Commission and French Purchasing Commission.

(e) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.

(f) Includes $10.4 million representing partial payment to American film producers under the recent agreement covering the remittance of blocked funds and current earnings from film rentals.

(g) Includes $10 million transferred from account of British authorized banks.

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| PERIOD | DEBITS | | | CREDITS | | | | | | DEBITS | | | CREDITS | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total Debits | Transfers to Official British A/C | Other Debits | Total Credits | Proceeds of Gold Sales | Transfers from Official British A/C: For Own A/C | Transfers from Official British A/C: For French A/C | Other Credits | Net Incr. (+) or Decr. (-) in Balance | Total Debits | Transfers to Official British A/C | Other Debits | Total Credits | Proceeds of Gold Sales | Other Credits | Net Incr. (+) or Decr. (-) in Balance |
| First year of war (9/29/39-9/28/40)* | 323.0 | 16.6 | 306.4 | 504.7 | 412.7 | 20.9 | 38.7 | 32.4 | +181.7 | 31.2 | 3.9 | 27.3 | 36.1 | 30.0 | 6.1 | + 4.9 |
| War period through December, 1940 | 477.2 | 16.6 | 460.6 | 707.4 | 534.8 | 20.9 | 110.7 | 41.0 | +230.2 | 57.9 | 14.5 | 43.4 | 62.4 | 50.1 | 12.3 | + 4.5 |
| Second year of war (9/29/40-9/27/41)** | 460.4 | - | 460.4 | 462.0 | 246.2 | 3.4 | 123.9 | 88.5 | + 1.6 | 72.2 | 16.7 | 55.5 | 81.2 | 62.9 | 18.3 | + 9.0 |
| June 28 - Oct. 1 | 23.1 | - | 23.1 | 52.2 | 21.2 | - | - | 31.0 | + 29.1 | 10.7 | 0.5 | 10.2 | 2.8 | 2.1 | 0.7 | - 7.9 |
| 1941 | | | | | | | | | | | | | | | | |
| Oct. 2 - Oct. 29 | 37.4 | - | 37.4 | 19.7 | 11.9 | - | - | 7.8 | - 17.7 | 8.2 | 5.5 | 2.7 | 8.0 | 5.9 | 2.1 | + 0.2 |
| Oct. 30 - Dec. 3 | 52.8 | 0.1 | 52.7 | 32.5 | 19.2 | - | - | 13.2 | - 20.3 | 10.3 | 6.9 | 3.4 | 11.6 | 9.0 | 2.6 | + 4.5 |
| Dec. 4 - Dec. 31 | 47.7 | - | 47.7 | 22.2 | 17.3 | - | - | 4.9 | - 25.5 | 3.9 | 1.8 | 2.1 | 2.8 | 0.2 | 2.6 | - 1.1 |
| 1942 | | | | | | | | | | | | | | | | |
| Jan. 1 - Jan. 28 | 39.5 | - | 39.5 | 33.0 | 27.0 | - | - | 6.0 | - 6.5 | 4.5 | - | 4.5 | 10.8 | - | 10.8 | + 6.3 |
| Jan. 29 - Feb. 25 | 34.1 | - | 34.1 | 35.7 | 12.4 | - | - | 23.3 | + 1.6 | 8.4 | 5.3 | 3.1 | 1.6 | - | 1.6 | - 6.8 |
| Feb. 26 - Apr. 1 | 46.5 | - | 46.5 | 99.3 | 20.5 | 7.7 | - | 71.1 | + 52.8 | 7.8 | 1.3 | 6.5 | 3.6 | - | 3.6 | - 4.2 |
| WEEK ENDED: | | | | | | | | | | | | | | | | |
| Mar. 18 | 9.5 | - | 9.5 | 7.5 | 3.3 | - | - | 4.2 | - 2.0 | 1.3 | - | 1.3 | 0.2 | - | 0.2 | - 1.1 |
| 25 | 11.9 | - | 11.9 | 8.3 | 0.2 | 3.4 | - | 4.7 | - 3.6 | 0.1 | - | 0.1 | 0.5 | - | 0.5 | + 0.4 |
| Apr. 1 | 14.1 | - | 14.1 | 12.7 | 9.2 | - | - | 3.5 | - 1.4 | 2.3 | 1.3 | 1.0 | 2.4 | - | 2.4 | + 0.1 |
| 8 | 7.2 | - | 7.2 | 9.5 | 2.5 | - | - | 7.0 | + 2.3 | 0.3 | - | 0.3 | 0.8 | - | 0.8 | + 0.5 |

Weekly Average of Total Debits Since Outbreak of War Through April 8, 1942 7.8 million

* For monthly breakdown see tabulations prior to April 23, 1941.

** For monthly breakdown see tabulations prior to October 8, 1941.

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**BRITISH AIR COMMISSION**
1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE
REFERENCE NO._____

With the compliments of British Air Commission
who enclose Statement No. 29 - Aircraft Despatched
- for week ended April 14, 1942.

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

April 17, 1942.

Regraded Unclassified

## STATEMENT NO. 29

### AIRCRAFT DESPATCHED FROM THE UNITED STATES DURING WEEK ENDED APRIL 14,1942

| | DESTINATION | ASSEMBLY POINT | BY SEA | BY AIR | FLIGHT DELIV'D FOR USE IN CA |
|---|---|---|---|---|---|
| cobra | U.K. | U.K. | 25 | | |
| Fortress II | U.K. | Canada en route | | 2 | |
| 17 Crane IA | Canada | Canada | | | 5 |
| OLIDATED | U.K. | Canada en route | | 5 | |
| ISS<br>yhawk | Australia | Sydney<br>Melbourne | 33<br>12 | | |
| CHILD<br>9 | U.K. | U.K. | 6 | | |
| N MARTIN<br>timore | Middle East | Port Sudan | 7 | | |
| MAN<br>tlet II | India | Bombay | 16 | | |
| KHEED<br>son IIIA | Australia<br>New Zealand | Melbourne<br>Auckland | 5<br>10 | | |
| 9A AC 151 | U.K. | U.K. | | 20 | |
| tura | U.K.<br>Canada | Canada en route<br>Canada | | 11 | 1 |
| TH AMERICAN<br>5B | U.K. | Canada en route | | 1 | |
| ARMAN<br>27 | | | | | 24 |
| ALS | | | 114 | 39 | 30 |

ITISH AIR COMMISSION
April 16th, 1942.

Regraded Unclassified

NEW ZEALAND LEGATION
WASHINGTON, D. C.

April 17, 1942.

Mr. Henry Morgentheau, Jr.,
Secretary of the Treasury,
The Treasury,
WASHINGTON, D.C.

Dear Mr. Morgentheau,

Following our conversation on Tuesday last, I have written to Milo Perkins as requested by you and a copy of my letter is attached for your information.

If I can facilitate the availability of wool for United States, I am always at your service.

I much appreciate your courtesy in sending the Executive Order relative to the additional functions and duties of the Board of Economic Warfare.

Yours sincerely,

Encl.

Regraded Unclassified

(COPY)

April 17, 1942.

Mr. Milo R. Perkins,
Executive Director,
Board of Economic Warfare,
Department of Agriculture,
WASHINGTON, D.C.

Dear Mr. Perkins,

On Tuesday last the Secretary of the Treasury, during a conversation, mentioned the difficulties associated with the obtaining of wool from New Zealand sources and in a telephone message to you suggested that an approach should be made to the Maritime Commission with a view to using special movement ships for the transfer of wool from New Zealand to the United States.

I promised to supply you with the representations which had been made to me. They are as follows:

On March 27th last Mr. Richard D. Chase, Manager Transportation Department of the Boston Wool Trade Association wrote as follows:

> "Members of the Boston Wool Trade Association who have had occasion to buy wools in New Zealand are greatly exercised over the fact that they cannot seem to get cargo space to move the wools to this country.
>
> It is our understanding that there have been 25,000 or more bales on hand ready to be shipped since the latter part of last fall.
>
> This wool is to be used in Government contracts, and we will appreciate your letting us know the situation in New Zealand, more particularly in reference to sailings, and also whether you can bring your good service into use in obtaining additional vessels, particularly from Wellington.

Regraded Unclassified

Perhaps you will let us know what we may expect in the way of assistance from your office."

Following the receipt of this letter supported by personal representations by Mr. Irving Carney of the Willey-Biggin Wool Service Inc., I cabled the New Zealand Minister of Marketing on April 1st last as follows:

Cable 109

"Irving Carney saw me today relative to following circumstances. Bigelow Sanford Carpet Company of New York have placed orders and had confirmed 3,000 bales of halfbred wools for blanket manufacture. They are now asked to quote for a portion of a United States order for ten million blankets but cannot do so because of uncertainty with regard to wool delivery. Can you help if so please advise me position at once. Boston Wool Trade Association have also asked for information particularly in reference to sailings and possibility of obtaining additional vessels from Wellington. They understand there have been 25,000 or more bales on hand ready to be shipped since latter part of last fall. Would appreciate any further information you can give me."

He replied on April 4th in the following text:

"Cable 160 Your No. 109

Following from Minister of Marketing

We have been consistently urging on all interests necessity provision for wool for North America and negotiations at present proceeding with the British Ministry of Shipping and American Maritime Commission regarding United States vessels to replace MANZ ships. Will advise progress but in the meantime suggest you press matter with the British Shipping Mission and the American Maritime Commission, Washington."

If you will supply me with any information which you may obtain relative to availability of ships for transport of wool, I will be pleased to advise my Government.

Regraded Unclassified

The general question of shipping is under continuous discussion between the British Shipping Mission and the American Maritime Commission, but I am supplying this information to assist in overcoming the difficulty regarding wool shortage.

Yours sincerely,

(Signed W. Nash)

Regraded Unclassified

Department of State

Washington

In reply refer to
FF 195.2/3993

April 17, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits paraphrased copies of telegram no. 1470, April 12, 11 a.m., from the American Legation at Bern, concerning the schooner yacht Weather Bird and its alleged sale to Mr. Gerard de Loriol of Geneva by Mr. Gerald Murphy, an American citizen.

Reference is made to this Department's letter of April 7, 1942.

Enclosure:

Paraphrase of telegram
no. 1470, April 12,
1942, from Bern.

eh:copy
4-17-42

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Bern.

TO : Secretary of State, Washington.

DATED: April 12,1942, 11 a.m.

NUMBER: 1470

Legation's telegram no. 1335, April 2, 1942.

Information was received on April 9 from the American Consul at Geneva that de Loriol failed to keep an appointment made with the Consul for the purpose of presenting documents and additional information which the Consul had requested. The questionable nature of de Loriol's reputation tends to be confirmed by further investigations of the American Consul.

On the evening of April 10 Mr. de Loriol called voluntarily at the Legation on the pretext of offering to the Legation full cooperation and all information.

Documents were presented by Mr. de Loriol which appear to prove his purchase in May 1941 of the Weather Bird from Gerald Murphy and that necessary steps were taken in June 1941 to change the vessel's name to La Java and to obtain Swiss registry. Cost of repairs have amounted so far to 700,000 French francs according to him, whereas the American Consul at Geneva had been told by Mr. de Loriol that 350,000 French francs had been expended for such repairs. As to the repairs involved he presented unsatisfactory and evasive answers but offered to have shown to

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the American Consul at Nice the receipts covering such expenditures. The Legation's question regarding the reasons for specifying a price estimated to be about one-half of the actual price of the purchase he resented but volunteered that this was done for the purpose of protecting Murphy's interests through the concealed payment of 400,000 French francs in cash.

It was stated by de Loriol that Orloff had advised him about eight days ago that the latter had learned from the American Consul at Nice that the transfer of this yacht to Swiss from American registry had just been approved by the American authorities and that there should be filed with the Nice Consulate all the necessary documents by which the formalities may be completed. The Legation requests verification of the truth of the statement by Mr. de Loriol. It is pointed out by the Legation that evidence was presented proving that this yacht had actually been sold to Mr. de Loriol in May 1941 by Murphy, whereas it was stated in the Department's telegram no. 781, March 25, that application to sell the Weather Bird to de Loriol had been filed with the Treasury Department by Murphy.

On the basis of the information available thus far the Legation is of the opinion that permission for the transfer in this instance should be refused.

HARRISON

Copy:bj:4-17-42

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PD
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Ankara

Dated April 17, 1942

Rec'd 6:13 p.m.

Secretary of State,

Washington.

277, April 17, 5 p.m.

The press announces the arrival in Istanbul of a delegation of seven, representing Hungarian commercial banks and confidentially for the purpose of dealing with matters arising out the Turkish-Hungarian commercial agreement.

STEINHARDT

LMS

eh:copy
4-22-42

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April 17, 1942

Dear Sumner:

I am sending you herewith a copy of a very confidential memorandum given to the Treasury, yesterday, by the Papal Delegate.

I will greatly appreciate your advice on how you think we should proceed in this matter.

Yours sincerely,

Honorable Summer Welles,

Under Secretary of State.

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# M E M O R A N D U M

on the transfer of sums from United States money into the money of European countries

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At the very outset of the present war, the Holy See transferred practically all its funds to the United States of America, and changed its foreign assets into American dollars. In this step it was motivated by implicit confidence in the security of the American dollar, as well as by the clear-sightedness and the spirit of cooperation of the Government of the United States regarding the use of the said funds in countries whose assets had been frozen, or in countries which had been invaded by the enemy.

For its own internal use within Vatican City, and for the salaries of its employees in Rome, outside Vatican City, the Holy See has its own currency. This currency, however, is equivalent in all respects to Italian money and, consequently, shares the lot of this latter. From this it follows that the special currency proper to Vatican City is, practically speaking, at the present time devoid of value on the international exchange. Consequently, for purposes of exchange with other nations Vatican City cannot really say that it has its own money. As a result, it

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must fall back on the currency of neutral countries, and particularly on the Swiss franc.

Vatican City is completely surrounded by Italian territory, and is at the present time separated from other continents because of the actual international situation. None the less it finds itself obliged to use its own assets in every nation, without regard to the role played by any nation in the war. These assets must be used for the Holy See's aims of religion, charity, and assistance to the needy, conformably to the Mission which the Holy See has carried out for centuries, and which it feels itself under special obligation to realize at the present time, according as requests for spiritual and material aid become more pressing.

Consequently, the Holy See is confident that the Government of the United States of America, recognizing the supranational aims of the Church and its system of worldwide organization, which is completely foreign to the present conflict and altogether impartial in its attitude, will allow it to carry on, through the medium of the currency of European neutral nations, those financial transactions which are necessary for the internal needs of the Holy See and of the State of Vatican City, as also for the realization of its mission of charity and assistance for the poor, which is being carried out in every part of the world by many organizations of a strictly religious character.

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These financial transactions for which the Holy See requests the permission and the cooperation of the Government of the United States of America, are not in any way intended to benefit enemy nations. Even in case these nations should derive some slight benefit from the aforesaid transactions, this advantage would be of practically no account, in view of the limited sums in question. On the other hand, the carrying on of good works and the internal necessities of the Holy See are of supreme importance for the regular functioning of the Church's organization and for the alleviation of the countless ills and miseries which have been occasioned by the war.

The sums in question are intended for payments exclusively in countries whose assets have been frozen, or in territories occupied by enemy nations. This designation, however, does not include Germany and Japan nor the territories occupied by this latter.

The following is an explanation of the purposes of the payments which the Holy See is desirous of making in the said nations and territories:

1) The maintenance of Representatives of the Holy See (Apostolic Nunciatures and Delegations).

These payments have to do with the upkeep of the buildings of representatives of the Holy See, as well as the board, lodging, and salaries of their diplomatic and domestic personnel, with

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chancery and postal expenses etc. Offices of these representatives of the Holy See are maintained in the following nations: Switzerland, France, Hungary, Roumania, Bulgaria, Slovakia, Portugal, Spain and Italy.

2) Works of religion and of charity, and works connected with the Missions and with assistance to the needy.

In countries whose assets have been frozen, as also in those now occupied by enemy nations, the Holy See must carry on, particularly at the present time, its religious and charitable works, with assistance and financial help afforded to bishops and priests, to religious communities and to organizations intended to assist the needy. In addition the Holy See, and even the Holy Father personally, is keenly interested in the work of spiritual assistance and of some material help to the prisoners of war, who are detained in concentration camps in Axis-dominated countries, as well as to those other persons who have been interned in occupied nations.

It should be borne in mind that the clergy, religious communities and the various Catholic institutions in those countries of Europe which have been occupied by the Axis, have been deprived of all resources and of all means of subsistence. At the same time the people of the territories in question are too poor

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[illegible] able to make even the smallest contributions for the continuation of these works. The needs of the above-mentioned persons and institutions have become more acute, while the people who depend on them are at present in ever-increasing need of religious assistance, which can be given to them only with extreme difficulty and at the risk of great danger.

3) The State of Vatican City, and the Sacred Congregations.

The State of Vatican City is under the exclusive sovereignty of the Sovereign Pontiff, and, as such, is not part of Italian territory. Outside Vatican City, there are, besides, other localities over which the Holy See enjoys the privilege of extraterritoriality, and which are, consequently, exempt from the control, domination and police surveillance of the Italian government. These localities comprise the offices of the Congregations of the Holy See, certain international institutes for ecclesiastical studies, as also the headquarters of several religious Orders, and the four major Basilicas of the City.

For the upkeep of the buildings of Vatican City strictly so-called, and likewise for the buildings in extra-territorial localities, and for technical equipment and utilities (electricity, water, radio etc.), as well as for the providing of food supplies for all those persons who reside in territory subject

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in the Holy See, the authorities of Vatican City must make their own provisions. This follows from the fact that the Italian government assumes no responsibility whatsoever for these persons or buildings, while the Holy See itself demands their exemption from Italian control in order to protect the more jealously its own independence and sovereignty. Naturally enough, at the present time, the Holy See must provide for all its needs from European countries, in view of the difficulties involved in importation from America and even in transportation within Europe itself. The Italian government has consented to furnish the Holy See with a large quantity of necessary supplies, but only on condition that the Vatican pay for its purchases with money backed by the gold standard, that is, practically speaking, in Swiss francs. Faced with the absolute necessity of providing for the livelihood of its own subjects, the Holy See was obliged to accept this condition. This explains the necessity under which it is at the present time of changing its own funds in the United States into other currencies, particularly into the Swiss franc, to the amount of $476,000.00, representing its needs for the current year of 1942. Part of this sum, however, is to be transferred to Portuguese money ($135,000.00) and part also into Spanish money ($55,000.00)

4) Pensions for the Swiss Guards.

The members of the Swiss Guard, which for centuries has given its services to the Vatican, are entitled after a certain

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number of years of active service, to return to Switzerland, where for the rest of their natural life they receive an annual pension from the Holy See. These pensions, which must be paid in Swiss money, amount annually to $50,000.00.

5) Expenses for postal, telegraphic, radio and international money order services etc.

The State of Vatican City, conformably to various international agreements, must in the course of this present year pay in various parts of the world, the sum of about $50,000.00, on the basis of similar payments made during the preceding year, 1941. These payments must be made on a gold basis, and that, practically speaking, requires payment in Swiss francs.

6) Transactions involving protection of capital, reinvestments, transfers of principal etc.

Through the medium of the "Pontifical Administration for Religious Works", the Holy See has received in deposits from dioceses, religious institutions, organizations and communities, various funds which it administers, according to the terms contained in various contracts of different forms. For some of the said funds the Holy See pays annual interest or the dividends accruing from stocks; for others it pays out an annual sum to be taken from the principal, or, within a certain time limit, reimburses the whole of the principal once deposited. In other cases,

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acting as guardian of sums left in trust, the Holy See is responsible for protecting the investments entrusted to it, by changing investments or by any other of the transactions which may be suggested by the exigencies of wise and careful administration. To meet these obligations, which the Holy See absolutely cannot repudiate, it must have at its disposal in European currency (i.e. in Swiss francs) funds in the amount of $300,000.00 for the duration of the present year.

The payments given on the accompanying prospectus amount cumulatively, for the whole of the current year, 1942, to $1,300,00.00. These payments have been calculated on the basis of expenses incurred in 1941, according to principles of strict economy and of absolute necessity.

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| | | | |
|---|---|---|---|
| 1 SWITZERLAND | | | |
| Pensions for the Swiss Guards | Swiss francs | $50,000.00 | |
| Expenses for the Nunciature | " | 20,000.00 | |
| International accounts for money orders, telegraph, radio etc. | " | 50,000.00 | |
| Transactions involving protection of principal, reinvestments etc. | " | 300,000.00 | $420,000. |
| 2 DENMARK AND NORWAY | | | |
| Works of charitable assistance, religious works, and missionary work | " | 25,000.00 | 25,000. |
| 3 POLAND | | | |
| As above for Denmark and Norway | " | 40,000.00 | 40,000 |
| 4 BELGIUM AND HOLLAND | | | |
| As above for Denmark and Norway | " | 40,000.00 | 40,000. |
| 5 FRANCE | | | |
| Religious and charitable works, as above | French francs | 30,000.00 | |
| Expenses for the Nunciature | " | 30,000.00 | 60,000. |
| 6 HUNGARY, ROUMANIA, BULGARIA, SLOVAKIA | | | |
| Expenses for the Nunciatures | Swiss francs | 30,000.00 | |
| Religious and charitable works | " | 40,000.00 | 70,000. |
| 7 JUGOSLAVIA, BOHEMIA, AND MORAVIA | | | |
| Religious and charitable works | " | 40,000.00 | 40,000. |
| AND ITS TERRITORIES | | | |
| Expenses for the Nunciature | Escudos | | |
| Food supplies for Vatican City | " | 100,000.00 | |

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| | | | | |
|---|---|---|---|---|
| 9 | SPAIN AND ITS COLONIES | | | |
| | Technical supplies for Vatican City | Swiss francs | $ 6,000.00 | |
| | Food supplies | Pesetas | 55,000.00 | |
| | Expenses of the Nunciature | Escudos | 12,000.00 | |
| | Religious and charitable works | Escudos | 12,000.00 | 85,000.00 |
| 10 | ITALY | | | |
| | Technical supplies for Vatican City | Swiss francs | $ 280,000.00 | |
| | Expenses of the Nunciature | " | 10,000.00 | |
| | Religious and charitable works | " | 10,000.00 | 300,000.00 |
| 11 | ESTONIA, LITHUANIA, LETTONIA, FINLANDIA | " | $ 30,000.00 | 30,000.00 |
| | | T O T A L | 1,300,000.00 | 1,300,000.00 |

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## TOTALS FOR EACH CURRENCY

| | |
|---|---|
| To be transferred into Swiss francs | $ 971,000.00 |
| To be transferred into Portuguese escudos | 214,000.00 |
| To be transferred into French francs | 60,000.00 |
| To be transferred into Spanish pesetas | 55,000.00 |
| | $ 1,300,000.00 |

## TOTALS FOR INDIVIDUAL PAYMENTS

| | |
|---|---|
| Maintenance of Apostolic Nunciatures | $ 117,000.00 |
| Religious and charitable works, with missionary works | 307,000.00 |
| State of Vatican City and the Roman Congregations | 476,000.00 |
| Pensions for the Swiss Guards | 50,000.00 |
| Outstanding accounts for international money orders, telegraph, radio etc. | 50,000.00 |
| Transactions involving protection of principal, reinvestments, transfers of principal etc. | 300,000.00 |
| GRAND TOTAL | $ 1,300,000.00 |

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# TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE April 17, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

| | |
|---|---|
| Sold to commercial concerns | £59,000 |
| Purchased from commercial concerns | £ 6,000 |

Open market sterling held at 4.03-3/4, with no reported transactions.

The Venezuelan bolivar, which has been quoted at .2830 for more than a week, advanced to .2850 today.

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

| | |
|---|---|
| Canadian dollar | 12-13/16% discount |
| Argentine peso (free) | .2370 |
| Brazilian milreis (free) | .0516 |
| Colombian peso | .5775 |
| Mexican peso | .2064 |
| Uruguayan peso (free) | .5295 |
| Cuban peso | 3/16% premium |

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, spot and forward silver remained at 23-1/2d, equivalent to 42.67¢.

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.

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Copy No. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 126

Information received up to 7 A.M., 17th April, 1942.

1. NAVAL

On 10th/11th a convoy of 24 ships to North RUSSIA ran into ice and became scattered. 8 ships are now proceeding in company with their escorts and 15 have turned back, 1 is still unaccounted for.

2. MILITARY

BURMA. IRRAWADDY FRONT. 15th. Our forces maintained their positions at TAUNGDWINGYI in order to protect the Chinese right flank and established themselves astride the YIN CHAUNG. The King's Own Yorkshire Light Infantry had been fighting a delaying action for two days at MYINGUN. Situation obscure but counter attack has been launched to help them.

SITTANG FRONT. The Chinese report severe fighting north of TWA.

KARENNI FRONT. Heavy casualties on both sides in fierce fighting north of KEMAPYU. The Chinese wiped out a small enemy party which was astride the road ten miles south of LOIKAW.

3. AIR OPERATIONS

WESTERN FRONT. 15th/16th. DORTMUND. About 118 tons of H.E. and incendiaries were dropped. Apart from the glow of fires reflected through clouds no results were reported. 22 R.C.A.F., 14 R.A.A.F. and 8 New Zealand aircraft took part without casualties.

16th. 12 Bostons claimed direct hits on HAVRE power station and on one of the dock gates. Fighter Command despatched 628 offensive sorties - the largest number since the war began. Five of our aircraft are missing (2 pilots rescued). Enemy casualties 5 destroyed, 3 probably, 3 damaged.

16th/17th. 67 aircraft were despatched - LORIENT 17, aerodromes 14, leaflets Northern FRANCE 11, Sea-mining 21, two are missing. One enemy aircraft was destroyed by fighters over a French aerodrome. About 24 enemy aircraft dropped bombs over widely separated areas in the Southern counties.

BURMA. 13th. Enemy aircraft caused extensive damage to the Bazaar area at PYAWBWE 17 miles southeast of THAZI. MEIKTILA town and landing ground are being attacked daily.

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4. HOME SECURITY

15th/16th. 25 persons were killed at MIDDLESBROUGH.

5. After a long period of inactivity Italian bombers have recently taken part in offensive operations in the MEDITERRANEAN. On 31st March/1st April, four operating from ITALY or SARDINIA bombed GIBRALTAR. Since the 1st others operating from SICILY have joined in the MALTA attacks. On 6th/7th and 7th/8th, some Italian bombers operating from RHODES attacked ALEXANDRIA. This renewal of Italian long range-bomber activity is believed to be partly due to popular dissatisfaction in ITALY at the inactivity of their bomber force and partly to German pressure to relieve the strain on their own bomber force during the present intensive attack upon MALTA.

6. Arrangements are being made to evacuate Polish ex-prisoners of war from RUSSIA to the MIDDLE EAST, where they will be equipped. The numbers involved are uncertain but will be at least 35,000 and may be considerably more. They will proceed from Russian TURKESTAN via KRASNOVODSK and PAHLEVI (ENZELI) to the neighbourhood of GAZA. The first elements have already moved.

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UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

April 17, 1942

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

Dear Henry:

The attached is taken from the Weekly Empire Guidance of the British Ministry of Information.

Sincerely,

Bill

William J. Donovan

Regraded Unclassified

There are still no signs of Axis troop concentration in the Balkans. There are no signs in Libya that Rommel intends to advance further. Apparently he is digging in. The Luftwaffe is compelled to divert a large proportion of its forces from the Russian front to attack Malta which has been subjected to many weeks of the heaviest air attack ever delivered on an objective of comparable size. Stress the unity of the Anglo-Russian front.

Far East. Stress Ceylon's present readiness to resist and note that the threat of the American navy on rear communications is the most effective check that could apply to the Japanese advance.

France. Avoid until clearer speculation on strategic possibilities and continue to refer to Petain more in sorrow than in anger.

India. The Cripps mission was not in vain. The air is clearer and there are brighter prospects for further negotiations. Stress the fact that the Indians are determined to resist the aggression of the Japanese.

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# TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 17, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Summary of Military Reports

Indian Ocean

On April 15, in the afternoon, a Japanese force consisting of one battleship and one cruiser on a westerly course was sighted by aircraft one hundred miles south of Ceylon.

(U.K. Operations Report, April 16, 1942)

Italy

Colonel Donovan's office reports that the British Ministry of Economic Warfare estimates that Italian war production has decreased 50 percent. The causes of the decrease are (a) reduction of military expenditures by the government, (b) inefficient price and wage controls, (c) the transportation of the most efficient labor to Germany.

(C.O.I. Cable, April 14, 1942)

New German Fighter

It is estimated that the Germans have 90 - 120 Focke Wulf 190 fighters in the German Air Force first-line squadrons. These fighters are single-engined with an estimated maximum speed of 380 miles per hour at 20,000 feet, compared with 370 miles per hour of the Messerschmidt 109 F. The FW 190 is armed with four guns of unknown caliber as against two machine guns and one cannon in the Me 109 F. All the units known to be equipped with the FW 190's are in France and the Low Countries, chiefly around Calais. In the latter area, they amount to 75 percent of the German single-engined fighter force.

(U.K. Operations Report, April 16, 1942)

Regraded Unclassified

Laval

(Perhaps the best explanation of Germany's insistence on putting Laval into the Vichy Government is found in a report we received in March. At that time, the British stated that France had stopped sending supplies to Libya after February 19.)

Regraded Unclassified