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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 27, 1943

TO Secretary Morgenthau

FROM Mr. D. W. Bell

I am enclosing the three letters that I talked to you about the other day. If you approve of them, I should appreciate it if you would sign them and return to me.

DWB

*Cleared with Hase, Gumble, Smith, Luce, Ransom
and McKee.*

1 - Letter to all banks and insurance companies, and large selected list of corporations.

THE SECRETARY OF THE TREASURY
WASHINGTON 25

Gentlemen:

On January 18, 1944, the Treasury will open the Fourth War Loan, the goal of which is \$14 billions. It is our aim in the coming campaign to increase the sale of Government securities to individuals, who are expected to account for \$5.5 billions of the total goal. In my statements concerning the Fourth War Loan, I have emphasized that the drive is to be limited to obtaining subscriptions from nonbank investors. The following statement was included in the first formal announcement of the Loan:

"In order to help in achieving its objective of selling as many securities as possible outside of the banking system, the Treasury requests the cooperation of all banking institutions in declining to make speculative loans for the purchase of Government securities. The Treasury is in favor of the banks making loans to facilitate permanent investment in Government securities provided such loans are made in accord with the joint statement issued by the National and State Bank Supervisory Authorities on November 23, 1942."

During the three preceding war loan drives, an increasing volume of subscriptions appears to have been entered by subscribers who paid for the securities they purchased largely by borrowing funds from commercial banks. Many of these subscriptions were placed with the intention of repaying the borrowed funds out of future income, and of holding the securities purchased as investments. A substantial volume of such subscriptions, however, appears to have been predominantly speculative in character, or else to have been entered merely for the purpose of helping to achieve campaign quotas. The subscribers evidently intended to hold the securities only for short periods and expected to sell them in the market within a few weeks or months after the drive.



- 2 -

Accordingly, most of these securities have found their way into the banking system, thus involving an expansion of bank credit. Such subscriptions do not contribute to the objective of financing the war as largely as possible outside of the banking system.

In view of these considerations, I want to ask all banks to scrutinize carefully all requests that come to them for loans to finance subscriptions to securities offered in the Fourth War Loan; and in so doing, to consider that loans to facilitate the investment in Government securities are a proper part of the financing mechanism only when they are in accordance with the joint statement issued by the National and State Bank Supervisory Authorities in November 1942. This statement, you will recall, was in part as follows:

"... subscribers relying upon anticipated income may wish to augment their subscriptions by temporary borrowings from banks. Such loans will not be subject to criticism but should be on a short-term or amortization basis fully repayable within periods not exceeding six months."

Loans to finance speculative subscriptions and any other loans on Government securities in connection with Government financing which do not meet the requirements of the statement referred to above are not consistent with the Treasury's policy and program.

Another matter with respect to which I should also appreciate your further cooperation is that of the transfer of funds for the purchase of Government securities. We have written a letter to the larger corporations of the country about this matter and a copy is enclosed for your information.

May I take this opportunity to express my deep appreciation of the great help you and other bankers have given the Treasury in connection with its war financing operations, in promoting the sale of securities, in acting as sales agencies during drives, in the continuous sale of savings bonds, and in your subscriptions to those securities which banks have been eligible to purchase.

Sincerely,

Henry M. Truman Jr.
Secretary of the Treasury

To go to insurance companies.



THE SECRETARY OF THE TREASURY
WASHINGTON 25

Gentlemen:

On January 18, 1944, the Treasury will open the Fourth War Loan, the goal of which is \$14 billions. This war loan will afford many of the country's insurance companies an opportunity to invest some of the cash funds they have accumulated since the Third War Loan closed.

A number of insurance executives have told me that it would be helpful to their companies and avoid confusion if the Treasury made a definite statement of policy with respect to (a) the method it desired insurance companies to follow in placing their subscriptions to the various issues, and (b) the matter of allocations of credit for insurance company subscriptions.

With respect to the first point, it seems to me that no corporation should transfer funds from one bank to another exclusively for the purpose of entering subscriptions to Government securities because of the disturbing effect of such transfers upon the reserve positions of the nation's banking institutions. It is the Treasury's wish, therefore, that such transfers of funds during the Fourth War Loan be avoided as far as possible. In entering a subscription during the Fourth War Loan, it would be helpful if you would make a point of entering it at the bank or banks in which you keep the funds to be used to pay for the securities subscribed for.

With respect to the matter of allocations of credit for subscriptions to local communities, please be advised that during the Fourth War Loan — as during the previous war loan drives — no allocation of insurance company subscriptions to an address other than that of the home office can be permitted. I recognize that there are some problems of business and customer relations in the various communities in which you do business which might make some allocations appear desirable.

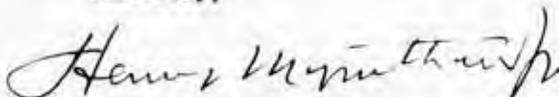


- 2 -

Our discussions with insurance executives in various parts of the country, however, have led us to the conclusion that allowing allocations of insurance company subscriptions would create a host of new and difficult problems. We have decided, therefore, to leave the previous ruling unchanged and have included in the quotas assigned to the various States and counties an estimate of the amounts likely to be obtained from insurance companies whose home offices are located therein.

May I take this opportunity to express my deep appreciation of the great help your company and the other insurance companies of America have given the Treasury in connection with its war financing activities. Through the cooperation of your executives and employees you have helped us develop and extend our program of selling large volumes of securities to individual purchasers under the payroll savings plan and during the War Loan Drives.

Sincerely,



Secretary of the Treasury

THE SECRETARY OF THE TREASURY
WASHINGTON 25



Gentlemen:

On January 18, 1944, the Treasury will open the Fourth War Loan, the goal of which is \$14 billions. This war loan will afford many of the country's large corporations an opportunity to invest some of the cash funds they have accumulated since the Third War Loan closed.

A number of corporation executives have told me that it would be helpful to all large corporations and avoid confusion if the Treasury made a definite statement of policy with respect to (a) the method it desired large corporations to follow in placing their subscriptions to the various issues, and (b) the procedure it desired them to follow with respect to allocations of credit to their various locations throughout the country.

With respect to the first point, it seems to me that no corporation should transfer funds from one bank to another exclusively for the purpose of entering subscriptions to Government securities because of the disturbing effect of such transfers upon the reserve positions of the nation's banking institutions. It is the Treasury's wish, therefore, that such transfers of funds during the Fourth War Loan be avoided as far as possible. In entering a subscription during the Fourth War Loan, it would be helpful if you would make a point of entering it at the bank or banks in which you keep the funds to be used to pay for the securities subscribed for.

With respect to the matter of allocations of credit to local communities, I recognize the force of the many problems of business and customer relations in the various communities that make allocations desirable and necessary. In view of the amount of detailed work involved in making allocations, however, it is desirable to reduce the number to the fewest possible.

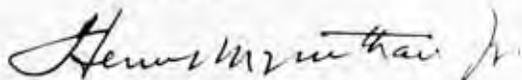


- 2 -

We are, however, desirous of meeting your wishes as to the distribution of credits for your subscription or portions thereof. We have arranged, therefore, with the Federal Reserve Banks for the establishment of a procedure which will permit allocations to be made effectively and systematically. A circular letter from the Federal Reserve Banks describing the procedure and providing forms for its operation should be in the hands of your bank shortly if it has not already arrived.

May I take this opportunity to express my deep appreciation for the great help your company and other corporations of America have given the Treasury in connection with its war financing activities. Through the cooperation of your executives and employees you have helped us develop and extend our program of selling large volumes of securities to individual purchasers under the payroll savings plan and during the War Loan Drives.

Sincerely,



Secretary of the Treasury

12/27/43

(Amitt's Second draft)
Secretary's first draft
Wells-

8

12,300 -

W.B.S.

We are addressing this broadcast to Retail people -- to the owners and managers of retail stores, and to the hundreds of thousands of clerks who are among the Treasury's best salesmen in our War Bond campaigns. We are asking you who have close, day-by-day contact with the public, to again help in January, when we launch the Fourth War Loan Drive. We ~~will~~ ask the American people ^{will be asked} to lend their Government fourteen billion dollars with which to finance the war. Five and one-half billion of this is to be loaned by individuals -- by you and your neighbors.

All of you know why we need this money at this time. You know that the leaders of United Nations have drawn up plans for the all-out attack ~~that will soon~~ ^{come}. It will be the greatest attack in history, and it will require tremendous quantities of fighting equipment -- the kind of equipment that your War Bond money buys.

I can assure you that when that attack comes, our troops -- our men on the front lines -- will give a mighty good account of themselves. I saw those men in

White

- 2 -

~~Mr. [unclear]~~

~~8 1 22~~

P. 2. 22

action in Italy. I talked to them and was inspired by their seriousness and determination. These millions of American fighting men -- and women too -- scattered the length and breadth of the globe, want assurance that we are behind them -- that we on the Home Front are fighting the war too.

The success of the Fourth War Loan will ^{help to} give them this assurance.

You retail people have always taken on a big part of the job of selling war bonds during past drives. This time I understand you are setting a higher goal than ever *for yourselves*

~~More money to you~~

^{Treasury}
The Government congratulates you and thanks you.

WAR DEPARTMENT
WASHINGTON

DEC 27 1943

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

I should like to express my appreciation of your letter of the 17th instant which releases to the Army for technical study and research the several German tanks selected by you in Italy for use as Fourth War Loan exhibits.

The War Department will endeavor to make available substitute captured materiel which is suitable for exhibition purposes. In this connection, Colonel E. W. Gruhn, General Staff Corps, (Telephone No. REpublic 6700, Extension 72622), will act as the War Department liaison officer with such representatives of your office as you may designate in order to carry out the detailed arrangements which will insure that the Treasury Department exhibitions contain interesting items of captured equipment.

Sincerely yours,



Secretary of War.

12/27/43

Note to editors:

MEMORANDUM TO EDITORS,
PUBLISHERS AND COMMENTATORS
FROM HENRY MORGENTHAU, JR.,
SECRETARY OF THE TREASURY

While this memorandum is not intended as a news release, facts herein may be used as the basis of news stories or editorial comment on and after January 3, 1944.

The black market in liquor is a major menace on the Home Front.

I am sending you this memorandum in the hope that you will find time to read it and to give us whatever help you can in crushing this black market as quickly as possible, in order to avoid the more serious complications that it may lead to.

WHAT IT IS

Liquor black market is not primarily a question of morals, or drinking habits, of temperance, of shortage, of inflation, or even of taxes. It is a question of preventing the old criminal gangs from taking advantage of the war situation to enrich and entrench themselves again.

At the very first evidence of a problem developing in the liquor field, the Treasury's Alcohol Tax Unit began an investigation to find out whether a revival of bootlegging was imminent; and accordingly whether or not the Treasury had a right to declare war on liquor racketeers.

We found that we were faced with an entirely different situation from that which we had during prohibition and one in which our responsibility, technically at least, was not clear. Only a negligible amount of liquor in the black market was found to be non-tax paid. Practically every bottle sold on the black market was the properly tax paid product of a recognized distiller. It was not bootleg.

Bootleg liquor is illicit liquor made and sold without payment of Federal tax and in violation of the Internal Revenue laws. Essentially, bootleg liquor is the kind of stuff that was sold during prohibition. Black Market liquor, however, may be and usually is fully tax paid liquor but is sold in violation of the price ceilings and other regulations of the Office of Price Administration. In other words, most black market liquor is perfectly legal liquor in all respects except price and selling method.

The problem we face today is chiefly one of price violations and illegal selling methods. Many retail storekeepers were selling liquor under the counter instead of over it. Some wholesalers were delivering only to retailers willing to pay a premium in one way or another.

CRIMINAL RINGS ARE DISCOVERED

When Treasury investigators brought reports to me, however, that criminal gangs as vicious and potentially as

dangerous as the old bootleg gangs were fattening on the illegal profits of the black market liquor; and when they reported that some of these gangs actually were revivals of the old bootleg gangs, it seemed obvious that someone had to do something; and since the Treasury is charged with the supervision of the liquor industry under the Internal Revenue laws, we decided to take the initiative. It seemed reasonable to suppose also, that the ground was being laid now for a resumption of traffic in moonshine products as soon as sugar, molasses and other supplies became available.

About sixty days ago, I asked the Commissioner of Internal Revenue, Robert E. Hannegan, to get the Alcohol Tax Unit to make a thorough investigation. I also had Treasury lawyers find out on what basis we could properly and legally attack this problem. We found we had certain legal responsibilities insofar as distillers, rectifiers and wholesalers were concerned; since they operate under a Treasury permit requiring them to obey all Federal, state, and local laws relating to liquor. As the result, it has been possible for us to file both criminal and administrative proceedings against members of the industry, especially wholesalers, who are engaging in black market operations.

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The nation's newspapers are already beginning to show some of the results as indictments pile up against liquor racketeers. Here are some examples:

"U.S. SMASHES WHISKEY RING HERE" -- St. Louis Globe-Democrat, December 21 -- six arrested, 3300 gallons confiscated after Alcohol Tax Unit discovered activities to buy up huge quantities of legal liquor and divert it to black market outlets throughout Missouri and Eastern Kansas.

"U.S. JURY INDICTS THREE HERE IN LIQUOR BLACK MARKET" -- Cleveland News, December 22 -- Three charged with conspiracy "to purchase distilled spirits in case lots outside of Ohio and to sell and ship these spirits into Ohio" at a price far in excess of ceilings. One defendant, Alfred Polizzi, has record of liquor violations dating back to 1926.

"LIQUOR RING SEIZED ON HOTEL ASTOR TIP" -- New York Times, December 22 -- Seven arrested after Hotel Astor reported pressure from a gang to buy liquor at double ceiling price. Alcohol Tax Unit agent obtained evidence by posing as the hotel's buyer. Gangster boasted to agent that his ring had thousands of cases of liquor stored in New York, Boston, Baltimore and other places in Connecticut and Kentucky. First arrests made when gang truck drove up to the Hotel with a delivery of 295 cases of liquor.

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"INDICT 3 IN LIQUOR BLACK MARKET HERE" -- Brooklyn Eagle, December 21 -- Trio charged with buying liquor in New York for black market sales in Philadelphia. This ring acquired some of its stocks by sending elderly woman around to stores to buy a bottle or two at a time, supposedly as holiday gifts for servicemen.

"4 ON EAST SIDE GIVE UP ON U. S. LIQUOR CHARGE" -- Star-Journal, Minneapolis, December 4 -- Four charged with organizing black market shipments to various parts of the country, especially North and South Dakota and Montana.

I would like to have you become interested in the project, because the more publicity we can give to this war on liquor racketeers, the quicker the problem can be solved.

THE METHOD OF ATTACK

The Alcohol Tax Unit first made a quiet survey of where the liquor was going after it left bonded warehouses. We investigated books, watched the normal channels of the business, and asked questions. We thus secured our first clues, and from them we produced our first indictments. As this is written, 230 cases are under investigation, and we have only started. Additional Treasury enforcement men are being placed at the disposal of the Alcohol Tax Unit -- as many as necessary -- to keep this campaign going.

- 6 -

Every agent of the Alcohol Tax Unit has instructions to hit the black market with every law or regulation on the books. We have set up special methods of keeping a constant tracer on the flow of liquor, and from this the racketeer will automatically be shown up.

We have gone a step further and instructed the distilling industry that it also has a responsibility to discharge in this matter, and the industry has already cooperated on several occasions. We must depend upon the industry, very largely, to take punitive measures against guilty retailers, for there is no legal way that the Treasury can handle vast groups of retail outlets, although our agents have found instances where the retailer boasts that he sells black market goods exclusively. They do not operate under Federal permits, and as long as their liquor is properly tax paid, we are helpless to take any measures. However, we have investigated many cases of retail black market sales, and this evidence, along with any other that is turned up, is available to the industry to act upon. This retail problem is something that you might interest yourselves in, for the power of publicity can do a great deal toward keeping retailers in line.

WE NEED YOUR COOPERATION

We have secured the cooperation of the OPA, the Department of Justice, and to an increasing extent, the liquor industry. We hope that you too will cooperate by using your tremendous local power as a publisher, to solve this problem before it serves to incubate a wholesale disrespect for the law, such as we had during the prohibition era.

OK
HMM

To: Mr. Livesey

From: Mr. White

Will you please send the following cable to the American Embassy, Chungking, China:

FOR ADLER FROM THE SECRETARY OF THE TREASURY

Please transmit the following message to Dr. Kung:

"Dear Dr. Kung:

I would like to thank you again for your kind invitation to visit China contained in your letter of December 4, 1943. I am looking forward to the day when I will be able to visit your great country for which I have always had the highest esteem.

May I, at this time, extend my congratulations to the Chinese people and their Government for their continuous successful struggle during the past year against our common enemy and my best wishes that the forthcoming year will bring even greater successes. The American people have appreciated the difficulties under which the Chinese people and their Government have labored and hope that in the coming year it will be possible to take fundamental remedial measures which will overcome these difficulties. The American people are anxious

- 2 -

that China be a great, strong and democratic nation and, as such, contribute to the postwar peace and prosperity which we are all striving to achieve.

I would like to take this occasion to congratulate you on your completing ten years in office as Minister of Finance. China has indeed been fortunate in having in office as Minister of Finance during these years one who has realized the importance of proper financial measures during a period of protracted war.

May I also express my pleasure at having had so many opportunities to work closely together with you and representatives of your Ministry during these many years. I sincerely trust that the mutual good will and confidence which characterizes the relations between your Ministry and my Department will continue during the coming years. Close cooperation between your Ministry and my Department will be a significant contribution towards solving the difficult postwar problems of financial and economic reconstruction and rehabilitation.

Sincerely yours,

Henry Morgenthau, Jr.,

Secretary of the Treasury"

ISF/efs 12/27/43

國民政府行政院
THE EXECUTIVE YUAN.
NATIONAL GOVERNMENT.
CHINA.

Chungking, December 4, 1943.

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

Dear Mr. Secretary,

In the latter part of October when I heard of your visit to North Africa, I, on behalf of our Government, and also personally, extended, by cable, an invitation to you, Dr. White and the other members of your party to visit China in the course of your tour. I felt that your visit here would give us the benefit of your wise counsel and that you could also obtain first-hand information of the situation in China. I was much disappointed when Ambassador Gauss transmitted to me your reply saying that owing to the exigencies of your duties in Washington, you were not able to come. I still hope that it will not be long before we have the pleasure of welcoming you in China.

Thank you very much for your thoughtfulness

國民政府行政院
THE EXECUTIVE YUAN.
NATIONAL GOVERNMENT.
CHINA.

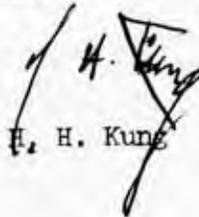
- 2 -

The Honorable Henry Morgenthau, Jr.

in sending me, through Mr. Adler, ten boxes of fine Egyptian cigarettes. I was glad to learn from him that you are enjoying excellent health which is important in view of the great responsibilities you are shouldering.

With compliments of the season.

Yours sincerely,



H. H. Kung

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

December 27, 1943

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 December 15, 1943, 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.

EMB

FEDERAL RESERVE BANK
OF NEW YORK

December 24, 1943.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended
December 15, 1943, 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 25, D. C.

Enclosure.

COPY

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

Week Ended **December 15, 1943**

Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE		
	D E B I T S				C R E D I T S						Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)	Not Incr. (+) or Decr. (-) in \$ Funds (d)			
First year of war (a)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (b)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (c)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth year of war (d)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
1943													
Sept. 2 - Sept. 29	46.3	15.5	10.6	20.2	78.1	-	-	14.0	64.1	+ 31.8	-	-	-
Sept. 30 - Nov. 3	99.5	35.3	0.1	24.1	120.4	-	-	41.5	36.9	+ 68.9	-	-	-
Nov. 4 - Dec. 1	48.2	24.4	5.8	18.0	83.4	-	-	3.5	19.9	+ 35.2	-	-	-
Dec. 2 - Dec. 29													
Week Ended:													
November 24	6.4	2.9	0.1	3.4	26.5	-	-	2.0	24.5	+ 20.1	-	-	-
December 1	4.7	1.4	-	3.3	8.5	-	-	1.5	7.0	+ 3.8	-	-	-
December 8	12.1	7.2	-	5.5	24.8	-	-	15.0	9.8	+ 12.1	-	-	-
December 15	11.2	3.7	-	7.5	30.9(k)	-	-	5.0	25.9(l)	+ 19.7	-	-	-

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) \$20.3 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, 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 current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 19.8 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports., \$0.5 million to be held for credit of U.S. armed forces abroad, and \$1.5 million transferred from account of reserve bank of New Zealand at the bank.

(In Millions of Dollars)

PERIOD	D E B I T S				C R E D I T S				Net Incr. (-) or Decr. (+) of Other Credits (-) or Debits (+) in #Bills (e)						
	Total Official Debits	British A/C Debits	Other Debits	Total Credits	Total Official Credits	British A/C Credits	Other Credits	Total Debits							
First year of war (a)	477.2	16.6	460.6	707.4	32.4	181.7	33.2	39	36.1	30.0	5.1	4.9			
December, 1940	460.4	-	460.4	462.0	110.7	110.7	41.0	230.2	57.9	16.5	43.4	62.6	50.1	12.3	4.4
Second year of war (b)	525.8	0.3	525.5	798.6	7.7	-	360.0	40.5	107.2	57.4	49.8	112.2	62.9	18.2	9.8
Third year of war (c)	723.6	-	723.6	958.8	47.1	170.4	741.3	235.2	197.0	155.1	41.9	200.4	95.0	5.8	3.6
Fourth year of war (d)	18.4	0.1	18.3	100.4	5.8	-	83.8	52.4	77.9	3.5	2.8	18.3	4.8	11.0	3.2
Dec. 2 - Dec. 29	18.4	0.1	18.3	100.4	5.8	-	83.8	52.4	77.9	3.5	2.8	18.3	4.8	11.0	3.2
Sept. 30 - Nov. 3	31.5	-	31.5	83.9	0.1	-	83.8	52.4	77.9	3.5	2.8	18.3	4.8	11.0	3.2
Sept. 29	46.4	-	46.4	65.1	10.6	-	54.5	18.7	15.8	14.0	1.8	7.8	-	-	-
Nov. 4 - Dec. 1	18.4	0.1	18.3	100.4	5.8	-	83.8	52.4	77.9	3.5	2.8	18.3	4.8	11.0	3.2
Dec. 2 - Dec. 29	18.4	0.1	18.3	100.4	5.8	-	83.8	52.4	77.9	3.5	2.8	18.3	4.8	11.0	3.2
November 24	4.9	-	4.9	13.8	0.1	-	13.1	8.9	2.0	2.0	0.4	0.4	0.4	1.6	0.4
December 1	5.6	-	5.6	23.2	-	-	23.3	17.1	2.6	1.5	1.1	16.0	16.0	13.4	10.5
December 8	10.9	-	10.9	16.8	-	-	16.8	5.9	16.0	15.0	1.0	5.5	5.5	10.5	10.5
December 15	1.8	-	1.8	2.9	-	-	2.9	4.9	5.0	4.8	0.2	4.8	4.8	4.8	4.8

BANK OF CANADA (and Canadian Government) C R E D I T S

COMMONWEALTH BANK OF AUSTRALIA (and Australian Government) D E B I T S

Transfers from Official British A/C

Transfers to Official British A/C

Proceeds of Gold Sales

Other Debits

Total Credits

Other Credits

Total Debits

Net Incr. (-) or Decr. (+) of Other Credits (-) or Debits (+) in #Bills (e)

Other Debits

Other Credits

Total Debits

Net Incr. (-) or Decr. (+) of Other Credits (-) or Debits (+) in #Bills (e)

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Net Incr. (-) or Decr. (+) of Other Credits (-) or Debits (+) in #Bills (e)

Other Debits

Other Credits

Total Debits

First year of war 6.2 million.
 Second year of war 8.9 million.
 Third year of war 10.1 million.
 Fourth year of war 13.9 million.
 Fifth year of war (through December 15, 1943) 1.1 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
- (b) For monthly breakdown see tabulations prior to October 8, 1941.
- (c) For monthly breakdown see tabulations prior to October 14, 1942.
- (d) For monthly breakdown see tabulations prior to September 29, 1943.
- (e) Heliothe changes in all dollar holdings payable on demand or maturing in one year.
- (f) Does not reflect transactions in short term U. S. securities.
- (g) Includes \$ 1.3 million deposited by War Supplies, Ltd. and \$ 1.5 million received from New York accounts of Canadian Chartered Bank.
- (h) Includes \$3.0 million for account of Treasurer of U.S., to be applied against U.S. currency and Treasury checks negotiated.

REF ID: A66881

U.S. SECRET

OPTEL No. 422

Information received up to 10 a.m., 27th December, 1943.

1. NAVAL

NORTHERN WATERS. Three of H.M. Cruisers whilst covering a convoy to RUSSIA, made contact with the German battle-cruiser SCHARNHORST yesterday at 9:36 A.M. about 80 miles S.E. of BEAN ISLAND. SCHARNHORST made two attempts to attack the convoy but was driven off by the British Cruisers. One of the Cruisers was hit aft at 12:37 P.M. SCHARNHORST made off to the south at high speed but the Cruisers hung on to her and reported her movements throughout the afternoon. Meanwhile, the C. in C. Home Fleet, flying his flag in one of H.M. battleships with one of H.M. Cruisers was moving up from the S.W. to intercept. At 4:17 P.M., C. in C. reported he was in touch with the enemy 33 miles distant. On finding herself in contact with the Battleship, SCHARNHORST turned to the northward and later to the eastward, and at about 6:30 p.m., it appeared that her superior speed would enable her to escape. A resolute attack by three of H.M. Destroyers and a Norwegian Destroyer however succeeded in inflicting such torpedo damage on SCHARNHORST as to reduce her speed and enable the Battleship to engage. At 7:29 P.M. SCHARNHORST was reported to be on fire and nearly stopped about 60 miles N.W. of NORTH CAPE. She sank at 7:45 P.M. Two of H.M. Cruisers and one of H.M. Destroyers were damaged. Some survivors from SCHARNHORST were picked up by our destroyers.

MEDITERRANEAN. 21st/22nd. I.I.Bs. successfully attacked the German (ex-Yugoslav) Cruiser DALMACIJA, 2,300 tons, when she was aground off SILBA ISLAND, ADRIATIC.

24th. Danish S.S. NICOLINE MERSK, 4,200 tons, bound from VALENCIA for a French port and sailing under German flag, was intercepted by a French Destroyer outside territorial waters. She ignored an order to stop and later ran aground off the Spanish Coast.

2. MILITARY

ITALY. To noon 26th. 8th Army. Canadian troops now occupy two-thirds of ORTONA. Indian troops have captured VILLA GRANDE, two and a half miles southwest of ORTONA. Enemy troops forming up for counter attack were dispersed by defensive fire. Bad weather has again hampered operations.

5th Army. U.S. troops captured three more hills north of SAN PIETRO.

3. AIR OPERATIONS

ITALY. 25th. 64 escorted Fortresses (one missing) dropped 186 tons on BOLLANO Railway Centre with good results. 35 escorted Liberators successfully attacked VICENZA Airfield. Six of our fighters missing for two enemy aircraft destroyed.

4. On 24th/25th, three small detachments of Commando Troops carried out three reconnaissance raids: (a) near GRAVELINES; (b) on coast of JERSEY, (c) on coast of BARK. Valuable information was obtained. Some casualties were sustained.

12/31/43

27

Advised Mr. Sullivan that the Secretary does not want him to approach any more people until Mr. Sullivan has a chance to talk to the Secretary.

nmc

MEMORANDUM

December 28, 1943.

TO: The Secretary
FROM: Mr. Sullivan

JKS

Mr. Elmer Wieboldt of Wieboldt Stores, Chicago, Illinois, was one of the two men on the list given you by Donald Nelson, who was most favorably regarded by John Hancock for work in connection with the Treasury Procurement Division. This morning I talked with him in Chicago and he advised me that he had been ordered by his physician to take a six-months rest. He is leaving Chicago on January 6th and plans to spend the following six months at the Meadow Farm, North Garden, Virginia. As soon as he is settled down there he will get in touch with me and will be glad to come up here for consultation. He further volunteered the information that if there is anything the Treasury wishes him to do at the end of six months, he will be glad to undertake it.

MEMORANDUM

December 28, 1943.

TO: The Secretary

JHS.

FROM: Mr. Sullivan

Today I talked with Al Hughes, Assistant to the President of the J. C. Penney Company.

I asked him if he could come to Washington next week and he told me that because of the illness of the President he would be unable to leave New York. He stated that he thought he would be able to come down the following week. I told him I would get in touch with him a week from Monday.

MEMORANDUM

December 28, 1943.

TO: The Secretary
FROM: Mr. Sullivan

TWS

Pursuant to your understanding with General Marshall relating to the joint inspection of officers' clubs by Army inspectors and representatives of the Alcohol Tax Unit, we have had conferences with Colonel Walsh and Colonel Berrays. We all agree that it will be well to wait until after the new floor stocks tax applies before making the first of these joint inspections. This probably means that no inspections will be made until after February 1st.

In the course of our discussions we find unanimity of opinion on all points except one. The representatives of the War Department indicate the confusion and difficulty that will result from our trying to collect any floor stocks tax owing as of November 1, 1942. Their objections are based upon the fact that in almost all instances the responsible officers of these clubs as of that time have long since been transferred to distant posts all over the world. I believe that the amount of money involved in previous floor stocks tax is very small and I agree with the representatives of the War Department to impose this tax upon the present officers or membership of these clubs would be hardly fair.

You will recall that in General Marshall's memorandum to you under date of November 5th he states it is his understanding that "past transactions which occurred during the Army's rapid expansion are no longer in question and that the Treasury Department's inspections will have to do only with current practices". Although in our previous discussions the Treasury's understanding as to its attitude on past transactions was not exactly that set forth in General Marshall's memorandum to you, it is now my opinion that the easiest and fairest method of resolving this difficulty is for us to impose a current occupational tax and the new floor stocks tax wherever we find them to be due and that we not go back to any liability existing before July 1, 1943.

I am attaching hereto copies of General Marshall's memorandum of November 5th and my memorandum to you of November 3rd in the event that you wish to refresh your recollection of this situation.

OK W.M.J.

WAR DEPARTMENT
THE CHIEF OF STAFF
WASHINGTON, D. C.

5 November 1943

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

I have looked into the matters discussed in Mr. Sullivan's memorandum, which you handed me at luncheon yesterday. There is apparently some misunderstanding as to the situation. During the period of the Army's rapid expansion, some officers' and noncommissioned officers' clubs acquired an erroneous notion concerning the handling of liquor on military reservations. This situation has been corrected. The directive of March 12, 1943, a copy of which was left with Mr. Sullivan, prescribes clearly our present policy.

The purpose in suggesting that military inspectors accompany Treasury Department personnel was to aid the Treasury Department, who could then collect taxes due it if any taxable transactions are going on, and to enable the War Department to take the necessary disciplinary action if War Department orders were being violated. These two functions are entirely separate and it is not our desire to have the Treasury Department act to enforce Army regulations. The arrangement agreed upon by our representatives, as I understand it, was that past transactions which occurred during the Army's rapid expansion are no longer in question and that the Treasury Department's inspections will have to do only with current practices. Far from leading to difficulty, I believe that this cooperation of the two Departments will further the interests of both.


Chief of Staff.

MEMORANDUM

November 3, 1943.

TO: The Secretary
FROM: Mr. Sullivan

It has been the practice of inspectors of the Alcohol Tax Unit to inspect Officers' Clubs in those Army installations where the Club has applied for a license to sell alcoholic beverages. A partial list of such inspection shows that seventy-five such organizations paid Floor Stocks Taxes of over \$47,000 in the few months following November 1, 1942. In addition to the type of investigation above referred to, there have been two or three cases in the last year when Alcohol Tax inspectors have attempted to make investigations and have been forbidden by the Commandant. This situation has been the occasion of correspondence between the War Department and the Treasury Department. In every instance permission to inspect was granted until June 1943 when permission to inspect the Officers' Club at Bolling Field was denied.

In response to a letter addressed to the Secretary of War (which enclosed a list of the Officers' Clubs and Messes which paid Floor Stocks Taxes last year), yesterday morning Colonel Walsh and Lieutenant Colonel Bernays called to discuss this situation with Mr. Kennedy, Assistant Deputy Commissioner of the Alcohol Tax Unit, and myself. They advised us that on January 25, 1943, General Marshall issued Circular No. 29 calling attention to the prohibition of the sale of any beer, wine, or other liquor containing alcohol content in excess of 3.2 in any Officers' Club or Mess. They also showed us a confidential memorandum issued on this same subject on March 12, 1943, by the Adjutant General.

They stated that the Deputy Chief of Staff, General McNarney, was very much disturbed about the situation and they wished to work out some system with us which would enable the inspectors in the several service commands to accompany our own inspectors in joint investigations of Officers' Clubs and Messes. It was tentatively decided that they should draft instructions to the service commands and to the Commandants of all Army installations and that we would work out a procedure for these investigations. It was contemplated that Mr. Kennedy and I would meet with Colonel Walsh and Lieutenant Colonel Bernays later this week.

Colonel Walsh and Lieutenant Colonel Bernays stressed the desire of General McNarney to have us assist the Army in doing this work. They further requested that we send informally to them memoranda regarding the most flagrant cases our inspectors encountered. This would serve as a check upon their own inspectors.

They suggested that if we were able to inspect a few installations in each of the service commands simultaneously in company with their own inspectors the situation would be cleared up very shortly. It should be borne in mind that very soon a Floor Stocks Tax of 2.00 a gallon may become effective.

It is the opinion of Mr. Kennedy and myself that the type of joint inspection proposed by the Army will not only result in the payment of substantial sums of taxes now due, but will also accomplish the more important objective of solving the joint problem of the two Departments. The type of liquor sales discussed in this memorandum are prohibited by Army regulations. Nevertheless, the Internal Revenue Code imposes upon Internal Revenue offices the duty of collecting a tax where such sales are made even though contrary to Army regulations.

JSL:eh



DEPARTMENT OF STATE
WASHINGTON

December 28, 1943

refer to
7/3429

Dear Henry:

I have received your letter of December 14, 1943 asking that I personally do what I can to assist in arranging for the repatriation from the Philippines of the five Treasury Department employees who are still interned there.

As indicated in my letter of September 1, the Japanese Government reserved to itself the right to select the small number of American civilians who were permitted repatriation from the Philippines in the second exchange. We are now endeavoring to negotiate a third exchange and hope that we can persuade the Japanese Government to agree to the early repatriation of all American civilians in its custody. You may be sure that we will do everything possible to assist the Treasury Department employees to return to this country at the earliest feasible opportunity.

I am enclosing several copies of a statement dated November 15, 1943. I think that you may wish to send copies of these statements to the families of the Treasury personnel in the Philippines and that they will find some comfort from the information contained therein concerning the Department's unremitting efforts in behalf of our nationals in Japanese custody.

Sincerely yours,

Cordell Hull

Enclosures:

5 Statements, dated
November 15, 1943.

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



SUMMARY OF STEPS TAKEN BY THE DEPARTMENT OF STATE
IN BEHALF OF AMERICAN NATIONALS IN
JAPANESE CUSTODY

1. Treatment of prisoners of war and civilian internees.

Upon the outbreak of war between the United States and Japan the United States Government, in an endeavor to ensure humane treatment for American nationals in Japanese hands, confirmed its intention to observe the Geneva Prisoners of War Convention (convention relative to the treatment of prisoners of war, signed at Geneva on July 27, 1929, and ratified by the United States in 1932), and to apply its provisions to prisoners of war and, so far as its provisions might be adaptable, to civilian internees. The Japanese Government, which had signed but had not ratified the Convention, thereupon notified the United States Government that it would apply the provisions of the Convention, *mutatis mutandis*, to the treatment of American prisoners of war and to the treatment of American civilian internees so far as its provisions might be adaptable to civilian internees.

The United States Government has also obtained assurances from the Japanese Government that it is applying the Geneva Red Cross Convention (convention for the amelioration of the condition of the wounded and the sick of armies in the field, which was also signed at Geneva on July 27, 1929, and which was ratified by the United States in 1932 and by Japan in 1934.)

The Conventions named above provide a humanitarian standard of treatment for prisoners of war. Specifically, they provide that prisoners of war shall be treated humanely and held in honorable captivity - not imprisoned as criminals. They establish as the standard for the shelter and diet of prisoners of war, the corresponding treatment of the garrison troops of the detaining Power and they establish fundamental rights regarding correspondence, medical care, clothing, pay for labor, satisfaction of intellectual, recreational and religious needs, and the continued enjoyment of full civil status. For persons generally referred to as "protected personnel", that is, doctors, nurses and other sanitary (medical) personnel and chaplains, they provide certain special rights and protections.

The Department of State is constantly alert to ensure observance of the Conventions. Whenever it is learned through the Swiss Government, which represents American interests in Japan and Japanese-occupied territories, through the International Red Cross, or otherwise that the terms of the Conventions are not being observed, the United States Government draws to the attention of the Japanese Government that Government's obligations under the Red Cross Convention and under its agreement to apply to the treatment of interned American nationals in Japanese hands the provisions of the Prisoners of War Convention.

2. Exchange of civilians.

Negotiations between the United States Government and the Japanese Government lasting more than a year culminated in a second exchange of civilians resulting in the repatriation of approximately 1,240 nationals of the United States, including a small number from the Philippine Islands, and 260 nationals of the other American republics and Canada. In the first exchange, which took place in the summer of 1942, over 1,300 United States officials and non-officials were repatriated from the Far East.

The Japanese Government refused to apply the provisions of the civilian exchange arrangements to American civilians who were captured in the Philippine Islands, Guam and Wake Island. Although it finally agreed to ~~accept~~ the repatriation of a small number of American civilians from the Philippines in the second exchange, it reserved to itself the right to select them. The repatriates were thus drawn almost entirely from Japan, Japanese-occupied China, Hong Kong and Indochina.

The Swiss representatives in the Far East, under broad directives issued by the United States Government, compiled the list of those to be repatriated, giving preference to the following categories of American civilians in Japanese hands: (1) those under close arrest; (2) interned women and children; (3) the seriously ill, and (4) interned men, with preference being given, other things being equal, to married men long separated from their families in the United States.

The Japanese Government indicated that it would not enter into negotiations for additional exchanges until the second exchange was completed. The Department of State is proceeding with negotiations and will continue its efforts to induce the Japanese Government to agree to apply to all American civilians detained by the Japanese, wherever they may have been captured, the provisions of such arrangements as may be made. The Department hopes eventually to obtain Japanese agreement to further exchanges at an accelerated rate so that all American civilians remaining in Japanese custody, numbering about 10,000, may have an opportunity to be repatriated at the earliest practicable date.

3. Repatriation of sick and wounded prisoners of war.

Article 68 of the Prisoners of War Convention provides that:

"Belligerents are bound to send back to their own country, regardless of rank or number, seriously sick and seriously injured prisoners of war, after having brought them to a condition where they can be transported.

"Agreements

"Agreements between belligerents shall accordingly settle as soon as possible the cases of invalidity or of sickness, entailing direct repatriation, as well as the cases entailing possible hospitalization in a neutral country. While awaiting the conclusion of these agreements, belligerents may have reference to the model agreement annexed, for documentary purposes, to the present Convention."

The model agreement defines the degree of incapacity that shall be considered sufficient to qualify a prisoner of war for repatriation. Although the Japanese Government indicated no intention to observe such provisions of the Convention, this Government proposed to the Japanese Government that the model agreement be observed on a reciprocal basis and made insistent demands that the Japanese Government honor the obligation imposed by the Convention to repatriate sick and wounded prisoners. The Japanese Government replied, after long delay, that it could not make a favorable response to the United States Government's proposal. The Department of State has formulated, in consultation with other agencies of the Government, further proposals in an effort to induce the Japanese Government to enter into negotiations for the exchange of sick and wounded prisoners of war and these proposals are being transmitted to the Japanese Government in connection with proposals for the continuation of the repatriation of civilians.

4. Repatriation of sanitary personnel.

Article 9 of the Red Cross Convention provides, in part:

"The personnel charged exclusively with the removal, transportation, and treatment of the wounded and sick, as well as with the administration of sanitary installations and establishments, and the chaplains attached to armies, shall be respected and protected under all circumstances. If they fall into the hands of the enemy they shall not be treated as prisoners of war."

Article 13 of the same Convention provides, in part:

"The persons described in Article 9 may not be detained after they have fallen into the power of the adversary."

"Unless there is an agreement to the contrary, they shall be sent back to the belligerent to whose service they are attached as soon as a way is open for their return and military necessities permit."

"While waiting to be returned, they shall continue in the exercise of their functions under the direction of the adversary; they shall be assigned preferably to the care of the wounded and sick of the belligerent to whose service they are attached."

Pursuant to the provisions of Article 13 of the Red Cross Convention, it was proposed to the Japanese Government that the repatriation of the personnel protected under the Convention be begun, since facilities for their return to the United States could be made available on the vessels employed for the exchange of civilian nationals. In order, however, not to deprive American prisoners of war of the care that they may require and might not otherwise receive, the United States Government also proposed to the Japanese Government, on a basis of reciprocity, that the right of repatriation be waived for protected personnel detained and permitted in prisoner of war camps or hospitals to render spiritual and medical assistance to associates who were in the care of that personnel at the time of capture. This Government further proposed that the selection of protected personnel to be repatriated be made by the senior officer of the unit captured.

The Japanese Government agreed in principle to the repatriation of protected personnel in connection with exchanges of civilians but reserved to itself the decision whether the retention of that personnel was necessary for the care of American prisoners of war and civilian interests under Japanese control. The Department accordingly requested the Swiss Government to endeavor to arrange for the recommendation of American protected personnel in future American-Japanese civilian exchange operations.

Although 12 repatriated five nurses from Guam at the time of the first civilian exchange, the Japanese Government apparently did not find that it had in its power surplus American protected personnel available for repatriation in the second exchange as no such personnel was included in the lists for that exchange. However, the Department intends, when conducting negotiations for further exchanges of civilians, to convey again to the Japanese Government the expectation of the United States Government that protected personnel whose repatriation proves possible will be included in future exchange operations.

5. Exchange of able-bodied prisoners of war.

As indicated in a statement to the press dated May 25, 1943, there is no customarily-accepted practice among nations nor provisions of international law or conventions for the return or exchange during hostilities of able-bodied members of the armed forces of one belligerent who may be captured by the forces of an opposing belligerent. In the circumstances, there is no immediate prospect of obtaining the release and return to the United States of able-bodied members of the American armed forces taken prisoners of war by the Japanese.

6. Shipment of relief supplies to the Far East.

Early in 1942 the American Red Cross in conjunction with the interested agencies of the United States Government made efforts to find a means acceptable to the Japanese Government of forwarding to our prisoners of war and civilian interests in the Far East necessary

supplies of food, medicine, clothing and comforts such as are regularly sent to American civilians in corresponding circumstances in other enemy-held areas. A neutral vessel to carry such supplies to Japan was obtained and chartered in the summer of 1942. The Japanese Government, however, refused to give its safe conduct for the voyage of the vessel to the Far East. In response to repeated representations the Japanese Government indicated that it was unwilling for strategic reasons to grant any non-Japanese vessel safe conduct to move in Japanese waters and that it had no intention of sending one of its own vessels to any neutral area in order to pick up relief supplies for United States and Allied prisoners of war and civilians as was suggested by the United States Government. Upon the receipt of this Japanese reply the United States Government pointed out its expectation that the Japanese would modify their position as soon as strategic reasons would permit and suggested for the interim the immediate appointment of International Red Cross delegates to Japanese-occupied territory who might receive and distribute funds in behalf of American nationals. This suggestion was eventually accepted by the Japanese only for Hong Kong and certain areas in occupied China. They have not accepted it so far for the Philippines Islands, Malaya and the Netherlands Indies. Efforts to induce the Japanese Government to abandon its position against the use of neutral ships to carry relief supplies into its waters were continued and new avenues of approach were fully canvassed, including the possibility of sending relief supplies in transit through Soviet territory. One suggestion proposed the sending of supplies by air to some point where the Japanese might lift them, with particular reference to medical supplies which might be afloat in Japan. No reply to this particular proposal was ever received. Another proposal was that the American Red Cross would provide a large ship to go to some point in the Pacific where a Japanese crew might take it over in order to conduct it to the ports where relief cargo should be discharged. This proposal was rejected by the Japanese. Numerous other proposals were considered but were either abandoned because of obstacles interposed by other enemy governments or were found to be otherwise impossible of accomplishment.

In March 1943 the Japanese Government, in response to repeated representations stressing its responsibility to cooperate in solving the problem, stated that strategic reasons still prevented neutral vessels from sailing the Pacific waters but that it would explore other means of permitting the delivery of relief supplies. In the following month the Japanese Government stated that it might consent to receive supplies overland or by sea from Soviet territory. There have ensued since that time long and complicated negotiations with the Japanese and Soviet Governments. Much detail of the negotiations had to be dealt with through a long and complicated procedure involving the handling of communications at Tokyo, Bern, Washington and Moscow and in reverse direction through the same channels. Despite these difficulties, it has not been possible with the Soviet Government's cooperation to create a stockpile of prisoner of war relief supplies on Soviet territory. Moreover, the Soviet Government has given assurances that it will facilitate the transit through the Soviet Union of such relief supplies on a continuing basis when a satisfactory arrangement for the onward shipment of these supplies is reached between the Japanese and American Governments. In spite of the Department's repeated endeavors to bring this matter to a conclusion, the Japanese Government has not thus far indicated the means by which it is prepared to receive these supplies. The Department is continuing its efforts in this regard, and it is hoped that a definite arrangement can soon be made whereby relief supplies will move on a continuing basis to all American nationals detained by the Japanese.

While the foregoing negotiations have been in progress it has fortunately been possible to take advantage of the two exchanges of civilians with the Japanese Government, one in July 1942 and the other in October 1943 to send to our nationals in the Far East an important quantity of relief supplies by means of the exchange vessels.

Reports of the distribution of relief supplies which left the United States on the first exchange vessel in 1942 were in the amount received from the Far East. There was placed on the motor vessel *Edwin* when it left this country to effect the second exchange of civilian nationals another large cargo of assorted relief supplies, American Red Cross standard food parcels, next-of-kin parcels and mail for distribution to American prisoners of war and American civilians interned in the Philippines Islands, occupied China, Hong Kong, Japan, the Netherlands East Indies, and Malaya. Valued at over \$1,300,000 and weighing 1600 short tons, these supplies include 140,000 food parcels of approximately 13 pounds each; 2000 cases of medical supplies, including surgical instruments, dressings, 7,000,000 vitamin capsules, at 25¢ each; 350 cases of comfort articles for men and women; 25,000,000 cigarettes; 200,000 to 250,000 next-of-kin parcels; and important supplies of clothing for men and women. This entire cargo was transferred to the Japanese exchange vessel at Marseilles and dispatched eastward.

In addition to the shipment of relief supplies on the exchange vessels, and the other measures above-mentioned, the Department of State and the American Red Cross are continuing to give close attention to all other phases of the subject.

7. Provision of financial assistance to American nationals in the Far East.

Since the Trading with the Enemy Act as amended prohibits, among other things, individual commitments to enemy and enemy-occupied or enemy-controlled territory, unless licensed, and since the issuance of such licenses is contrary to the policy of the Government, the Department of State, shortly after this country's entry into the war, made provision for the extension of financial assistance from public funds in the form of loans to Americans in such territories through representatives of the Swiss Government representing American interests there. Approved by this memorandum is an information sheet explicating how such assistance is extended and how funds so advanced are reimbursed to the United States Government. With certain exceptions in territories occupied or controlled by Japan, the enemy governments have permitted payments to be made to qualified American nationals in the manner described. The Japanese authorities, however, have thus far refused to permit the Swiss Government's

PROCEDURE TO BE FOLLOWED IN EXTENDING FINANCIAL ASSISTANCE TO AMERICAN NATIONALS IN TERRITORIES WHERE THE INTERESTS OF THE UNITED STATES ARE REPRESENTED BY SWITZERLAND

representatives, in certain areas under Japanese control, to extend financial assistance to American nationals in those areas on the same basis as elsewhere. The Department, therefore, has had to find other means of making funds available to Americans in such areas.

At Hong Kong, where the Swiss Government has not been permitted by the Japanese Government to act in behalf of American nationals, the International Red Cross delegate has been authorized to provide assistance to qualified American nationals there from public funds made available for the purpose by the Department.

Immediately after the fall of the Philippine Islands, the Department endeavored to arrange for the extension of financial assistance to qualified American nationals there. In June 1943, the Japanese Government permitted the transfer of \$25,000, representing a contribution by the American Red Cross, to be made to the Executive Committee of the Santo Tomas Internment camp at Manila, and the Department subsequently requested that the Swiss Minister at Tokyo endeavor to effect the transfer of a second contribution of \$25,000 made by the Red Cross for the relief of American nationals at Manila.

It was not until July 1943 that the Japanese Government indicated that it would agree in principle to permit payments to American nationals interned in other parts of the Philippine Islands and to allow further payments to the internees at Manila. Accordingly, the Department in August 1943 authorized the Swiss Government to make remittances, in accordance with the need and the number of eligible individuals, to the Executive Committee of the American Internment camps in the Philippine Islands beginning with the month of August or as soon as feasible thereafter. Funds delivered to the Executive Committee under this authorization may be used (1) for the purchase of available supplies considered necessary to supplement the diet provided by the Japanese authorities, (2) to pay for essential services obtained outside of camp, (3) to provide each internee with a small amount of money for personal use, and (4) to advance funds, against promissory notes if possible, to indigent internees for delivery to such members of their families as may be at liberty.

The Japanese Government has recently consented to monthly transfers of United States Government funds to the Executive Committee of the Santo Tomas internment camp. Such transfers are being effected from funds on deposit with the Swiss Government and it is understood that they will be used for the purposes mentioned above.

The Department's standing instructions to the Swiss representatives in charge of American interests in enemy-held areas are that funds provided by this Government may be made available to American prisoners of war as well as to interned American civilians for necessary personal expenditures in accordance with their established needs over and above the food, shelter and other necessities provided them by the detaining Power. Such assistance has already been made available through the local International Red Cross delegates to American prisoners of war near Shanghai and Hong Kong. The Department of State is pressing for the extension to American prisoners of war in the Philippine Islands of the system of financial assistance referred to above which the Japanese have agreed to make available to civilian internees.

B. Prisoners of War Convention and Red Cross Conventions.

Any person who wishes to obtain the complete official text of the Prisoners of War Convention or the Red Cross Convention may do so by writing to the Superintendent of Documents, Washington, D. C., and enclosing 10 cents for each copy of the Prisoners of War Convention and 5 cents for each copy of the Red Cross Convention. The Prisoners of War Convention is Treaty Series No. 846 and the Red Cross Convention is Treaty Series No. 847.

The Department of State has completed arrangements for financial assistance to American nationals in territories where the interests of the United States are represented by Switzerland. Those able to qualify for such assistance will be entitled to receive from the Swiss representatives monthly payments corresponding to their established needs and the unwilling cost of living in the country concerned. All recipients will be limited to the monthly payments established for their place of residence, regardless of their ability or the ability of others interested in their welfare to repay amounts greater than the sums advanced. It is realized that a limitation upon the amount that American nationals may expend in enemy territory, even from their own resources, will entail some hardship. The conservation of foreign exchange, however, is an essential factor in the present economic policy of the United States and it is expected that Americans everywhere will willingly share with those in the armed forces the sacrifices that must be made in winning the war.

Based upon the latest ascertained cost of living in the various countries concerned, the maximum monthly payment for the head of a household will range from \$60 to \$130, with smaller allowances for additional members of the household. The monthly payments are subject to revisions from time to time to meet changing living cost. In addition, the Swiss representatives are authorized to make special advances for such extraordinary expenditures as may be essential to the health or safety of American nationals for medical, surgical, or dental care, for hospitalization, for reasonable legal defense against political or criminal charges, or for a decent though modest burial where such is not provided by friends or relatives locally nor by the local authorities.

Wherever prisoners of war and interned civilians are supported by the detaining Power, it is expected that payments made to them will generally not exceed a small sum sufficient to provide spending money for miscellaneous personal needs not supplied by the detaining Power. However, no payments will be made to officers or to persons of equivalent status held as prisoners of war, who receive pay under the convention relative to the treatment of prisoners of war, signed at Geneva on July 27, 1929.

Allies, including alien spouses and alien children of American nationals, cannot qualify for payments from funds of the United States Government.

Swiss representatives charged with the representation of the interests of the United States will explain to the recipients that such financial assistance should not be considered as public bounty but as loans from public funds to American nationals finding themselves in an abnormal position by reason of the war. It is accordingly expected that all sums advanced will be repaid either by the recipients themselves or by relatives, friends, business associates, employers, or legal representatives in the United States.

Receipts embodying promises to repay without interest the sums advanced will be taken for all payments. Private deposits to reimburse the Government for sums advanced should be made with the Department of State. Persons wishing to make such deposits should indicate the names of the beneficiaries and should remit by postal money orders or certified checks payable to "The Secretary of State of the United States".

The foregoing arrangements do not apply to the Philippine Islands.

Department of State,
Washington, Nov. 4, 1943.

*Switzerland represents the interests of the United States in Germany, Italy, and Japan, in territories occupied by those countries, and in Bulgaria, Hungary, and Rumania.

Department of State,
November 15, 1943.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



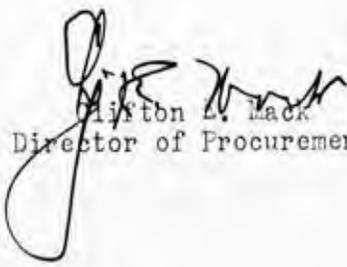
December 28, 1943

SECRET

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the weekly report of Lend-Lease purchases.

Recent purchases of special interest were the requirements for the Russian industrial boiler program, also clothing needs initiated by OFRRO.


Clifton L. Mack
Director of Procurement

SECRET

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF DECEMBER 22, 1943
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$3979.1 (3975.7)	\$1980.1 (1978.1)	\$1560.0 (1558.8)	\$109.8 (109.8)	\$10.6 (10.6)	\$318.6 (318.4)
Purchase Authoriza- tions (Requisitions)	\$3354.7 (3315.9)	\$1752.3 (1729.2)	\$1333.2 (1325.9)	\$43.9 (44.1)	- -	\$225.3 (216.7)
Requisitions Cleared for Purchase	\$3270.9 (3240.9)	\$1715.6 (1693.1)	\$1302.8 (1295.3)	\$43.8 (44.0)	- -	\$208.7 (208.5)
Obligations (Purchases)	\$3109.6 (3094.5)	\$1360.8 (1649.7)	\$1258.1 (1255.5)	\$43.7 (43.9)	\$9.1 (8.9)	\$137.9 (136.5)
Deliveries to Foreign Governments at U. S. Ports*	\$1568.1 (1546.2)	\$1071.4 (1055.5)	\$453.4 (448.3)	\$20.1 (20.1)	- -	\$23.2 (22.3)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of December 15, 1943.

SECRET

EXPLANATION OF DIFFERENCES

The decreases shown in the China Columns are a result of adjustment of requisitions to actual contracts.

41

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Dec. 28, 1943

TO Secretary Morgenthau

FROM Mr. White *JDW*

Subject: Exports to Russia - Information

1. In October, 1943, U. S. exports to Russia totalled approximately \$140 million dollars as compared with about \$123 million in the previous month.

2. Among the principal non-military items were:

Trucks, including services & repairs (\$25 million)
Canned meat (\$15 million)
Wool cloth and dress goods (\$6 million)
Dried eggs (\$5 million)

3. Among the munitions sent were:

94	P-40 pursuit fighters
113	P-39 pursuit fighters
17	2-engine medium bombers
28	2-engine light bombers
120	medium tanks
466	40 mm. anti-aircraft guns
1,936	scout cars
426	ordnance combat vehicles
40	anti tank guns
28	90 mm. anti-aircraft guns.

25

December 28, 1943.**Dear Mr. Knellenberg:**

Your letter of December 27, transmitting a personal and private copy of the report on the status of the Soviet Aid Program, as of November 30, 1943, has been received in this office during the Secretary's absence. As soon as Mr. Morgenthau returns to his desk, your letter and the report will be brought to his attention.

Sincerely yours,

(Signed) H. S. Klets

**H. S. Klets,
Private Secretary.**

**Mr. Bernhard Knellenberg,
Executive Advisor to the Administrator,
Foreign Economic Administration,
Five-fifteen 22nd Street, N.W.,
Washington 25, D. C.**

GEP/abs

FOREIGN ECONOMIC ADMINISTRATION
~~OFFICE OF ECONOMIC ADMINISTRATION~~
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON 25, D. C.

December 27, 1943

The Honorable Henry Morgenthau
Secretary of the Treasury
Room 280, Treasury Department
Washington, D. C.

Dear Mr. Secretary:

Attached hereto is your personal and private copy of the report on the status of the Soviet Aid Program, as of November 30, 1943.

This report summarizes the aid furnished to the Soviet Union in the period covered by the First and Second Protocols and the first five months of the Third Protocol.

Very truly yours,

Bernhard Knollenberg

Bernhard Knollenberg
Executive Advisor to the Administrator

STATUS OF THE SOVIET AID PROGRAM
AS OF NOVEMBER 30, 1943



Foreign Economic Administration
~~Office of Lend-Lease Administration~~
Washington, D. C.

PERFORMANCE DURING NOVEMBER 1943

November shipments from United States and Canadian ports totaled 566,100 long tons, the largest total for any month since the beginning of the First Protocol and 149 percent of the monthly requirement under the Third Protocol. Shipments during the first five months of the Third Protocol period have totaled 2,323,500 long tons, - 122 percent of Protocol rate.

Cargo shipped is summarized as follows:

	November		July - November	
	Tons	Percent	Tons	Percent
U. S. SUPPLIES				
Trucks & Other Vehicles	64,600	11	248,800	11
Metals	92,100	16	419,300	18
Chemicals & Explosives	70,500	13	223,600	9
Petroleum Products	32,300	6	228,900	10
Industrial Equipment	57,900	10	246,900	11
Food	173,600	31	653,200	28
Other U. S. Supplies	51,400	9	226,000	10
U. S. Total	542,400	96	2,246,700	97
CANADIAN SUPPLIES	18,500	3	55,100	2
BRITISH SUPPLIES	5,200	1	21,700	1
TOTAL	566,100*	100	2,323,500*	100
*Shipped in Tankers	58,600	10	229,700	10

Shipments during December are expected to exceed 650,000 long tons with foodstuffs comprising larger proportions of the total.

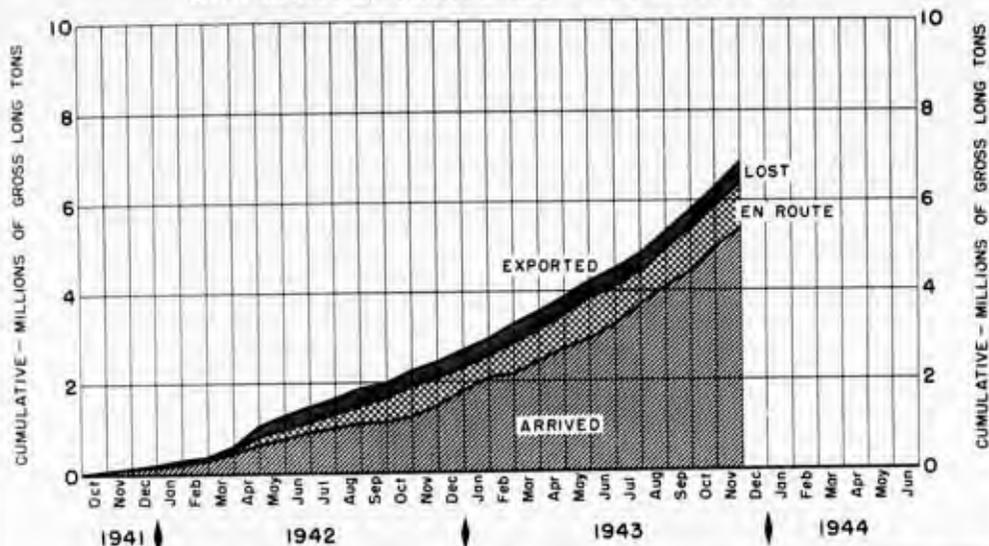
Present stocks and production schedules are expected to provide sufficient cargo despite the fact that shipments are exceeding Protocol schedules.

During November 416 aircraft departed from North America for the Soviet Union, 343 for U. S. Protocol account and 73 for U. K. account. Of the total departed, 58 were shipped by water to Murmansk, 99 by water to the Persian Gulf, 44 by air via the South Atlantic and 211 departed from Fairbanks over the Alaskan-Siberian ferry route.

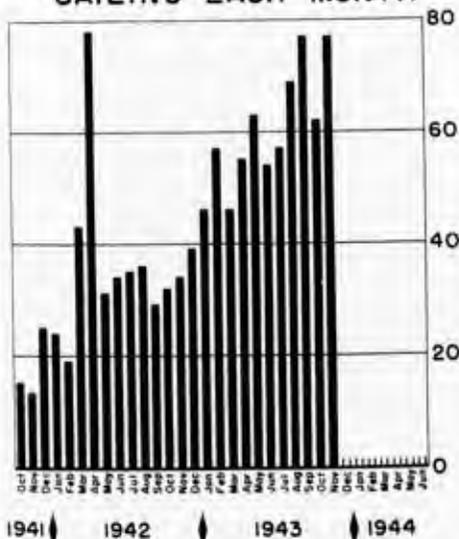
Foreign Economic Administration
December 21, 1943

SHIPMENTS TO U. S. S. R.

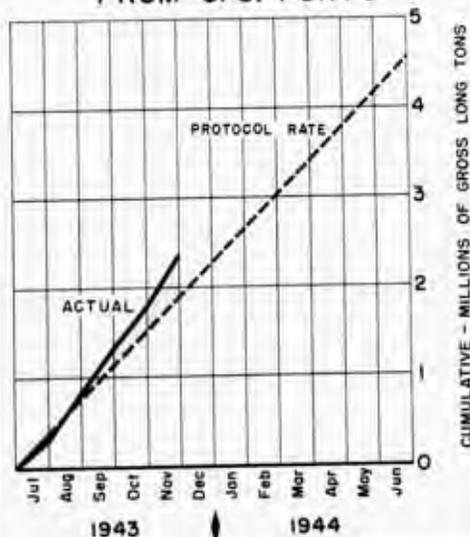
SHIPMENTS, ARRIVALS AND LOSSES



NUMBER OF SHIPS SAILING EACH MONTH



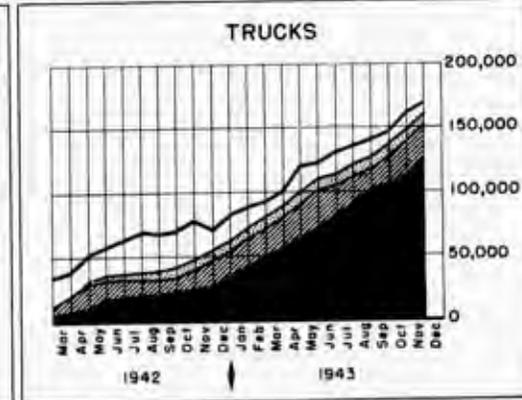
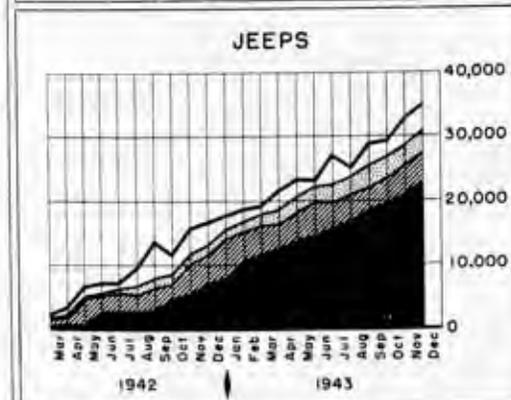
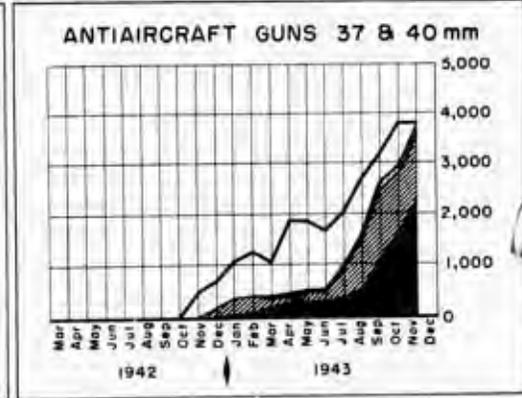
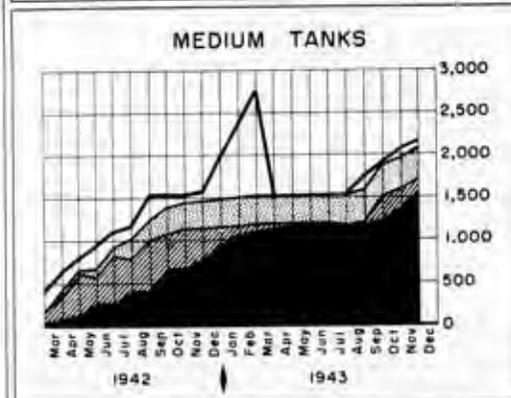
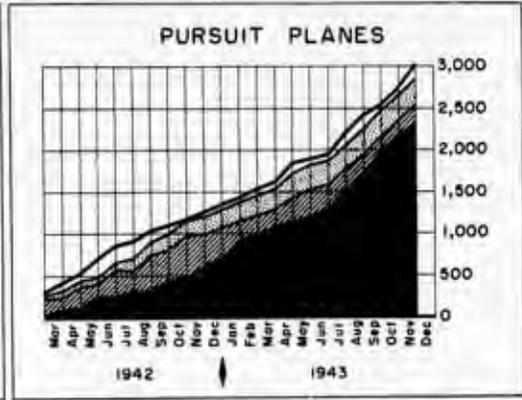
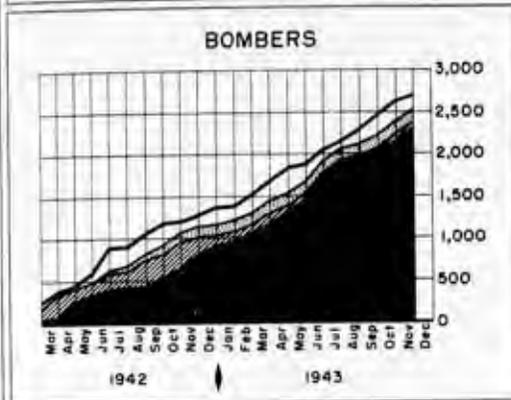
THIRD PROTOCOL CLEARANCES FROM U. S. PORTS



EXPORTS AND AVAILABILITY OF SELECTED ITEMS CUMULATIVE SINCE OCTOBER 1, 1941

Exported
Lost
En Route
Arrived

Quantity made available at
U.S. centers of production

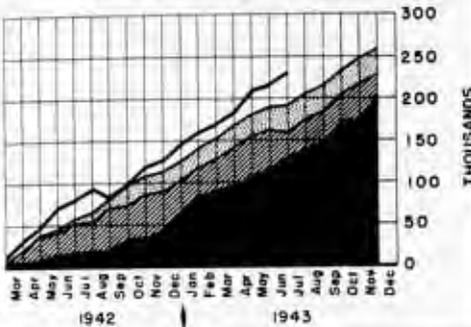


EXPORTS AND AVAILABILITY OF SELECTED ITEMS CUMULATIVE SINCE OCTOBER 1, 1941

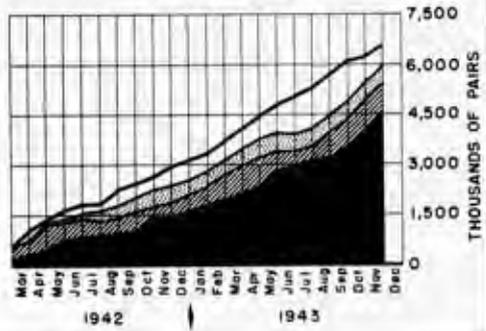


Quantity made available at U.S. centers of production

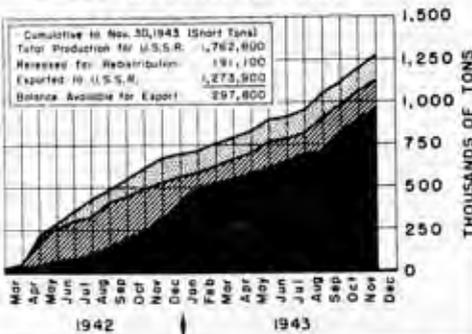
FIELD TELEPHONES



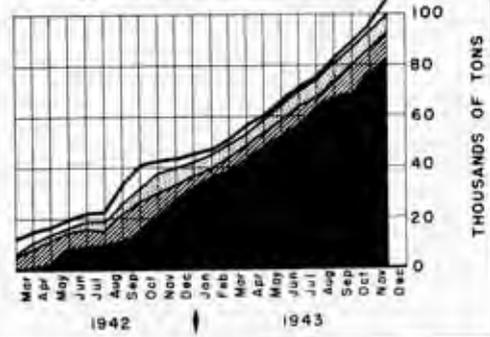
ARMY BOOTS



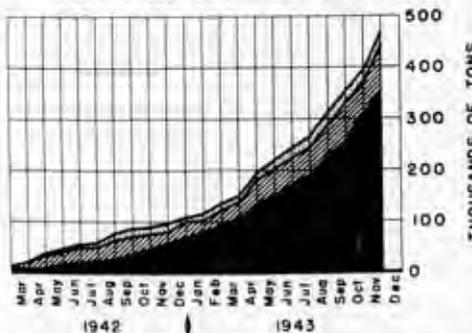
STEEL AND STEEL PRODUCTS



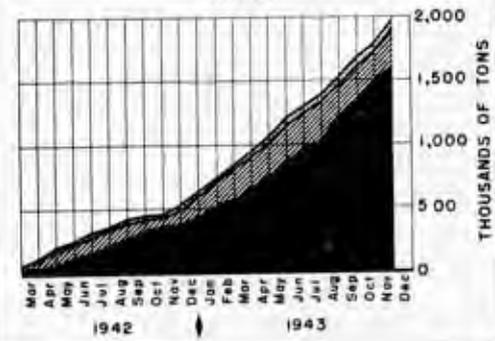
ALUMINUM AND DURALUMINUM



CHEMICALS AND EXPLOSIVES



FOODS



AIRCRAFT DELIVERIES TO U.S.S.R.

October 1, 1941 to November 30, 1943

Protocol requirements are considered filled upon delivery of aircraft from factories.

Departure points from North America are: U.S. ports for water shipments, Fairbanks for flight-deliveries via the Alaskan-Siberian Ferry Route, and Miami, Florida or adjacent fields for flight deliveries via the South Atlantic. Planes shipped by water to North Russia are considered delivered upon arrival at Murmansk or Archangel. Planes shipped by water to the Persian Gulf are assembled at Abadan and with planes arriving there over the South Atlantic Ferry Route are delivered at Abadan to U.S.S.R. pilots. Alaskan-Siberian Ferry route planes are delivered to Soviet pilots at Fairbanks.

With the exception of 59 P-40 fighters shipped from U.S. ports in September 1941 and arrived in North Russia in November and December 1941, the above schedule includes all aircraft departed from the U.S. for direct delivery to the U.S.S.R. Aircraft shipped from the U.S. intended for use in the United Kingdom but retransferred from the United Kingdom to the U.S.S.R. are not included.

	Delivered at Factories	In North America Nov. 30, 1943		Lost in North America		Departed North America	Lost After Departure	Diverted to Others	En Route N.A. to Destination 11/30/43	Arrived at Destination	Delivered to USSR at Destination
		In U.S.	In Canada and Alaska	In U.S.	In Canada and Alaska						
BY ROUTES											
Alaskan-Siberian Ferry Route	2,810	187	149(119*)	45	32	2,397	0	0	0	2,397	2,397
South Atlantic Ferry Route to Abadan	774	3	0	13	0	758	36	1	49	672	622
Water to North Russia	1,378	61	0	0	0	1,317	304	1	102	910	910
Water to Persian Gulf Assembly at Abadan	2,986	69	0	0	0	2,917	175	0	106	2,636	2,239
Total	7,948	320	149(119*)	58	32	7,389	515	2	257	6,613	6,168
U.S. PROTOCOL ACCOUNTS											
Pursuit Planes											
P-40 Alsb	50	0	0(0*)	0	2	48	0	0	0	48	48
P-40 North Russia, water	1,050	61	0	0	0	989	242	1	99	647	647
P-40 Persian Gulf, water	621	0	0	0	0	621	25	0	7	589	-
P-39 Alsb	485	4	11(8*)	5	8	457	0	0	0	457	457
P-39 North Russia, water	57	0	0	0	0	57	7	0	0	50	50
P-39 Persian Gulf, water	745	69	0	0	0	676	28	0	99	549	-
P-47 Alsb	3	0	0	0	0	3	0	0	0	3	3
Total Pursuit Planes	3,011	134	11(8*)	5	10	2,851	302	1	205	2,343	-
Light Bombers											
A-20 Alsb	874	28(a)	41(39*)	15	6	784	0	0	0	784	784
A-20 South Atlantic	646	3	0	13	0	630	32	1	49	548	498
A-20 North Russia, water	165	0	0	0	0	165	39	0	0	126	126
A-20 Persian Gulf, water	637	0	0	0	0	637	79	0	0	558	558
Total Light Bombers	2,322	31(a)	41(39*)	28	6	2,216	150	1	49	2,016	1,966
Medium Bombers											
B-25 Alsb	237	34(b)	28(21*)	0	1	174	0	0	0	174	174
B-25 South Atlantic	128	0	0	0	0	128	4	0	0	124	124
B-25 North Russia, water	5	0	0	0	0	5	0	0	0	5	5
Total Medium Bombers	370	34(b)	28(21*)	0	1	307	4	0	0	303	303
Heavy Bombers											
B-24 Alsb	1(c)	0	0	0	0	1	0	0	0	1	1
Cargo Planes											
C-47 Alsb	187	35	10(9*)	1	0	141	0	0	0	141	141
Observation Planes											
O-52 North Russia, water	30	0	0	0	0	30	11	0	0	19	19
Advanced Trainers											
A-T-6-C North Russia, water	8	0	0	0	0	8	0	0	3	5	5
A-T-6-C Persian Gulf, water	22	0	0	0	0	22	0	0	0	22	19
Total Advanced Trainers	30	0	0	0	0	30	0	0	3	27	24
U.K. PROTOCOL ACCOUNTS											
(Under Reciprocal Agreements)											
P-40 Persian Gulf, water	300	0	0	0	0	300	0	0	0	300	300
P-39 Alsb	943	86(d)	59(42*)	24	12	762	0	0	0	762	762
P-39 North Russia, water	35	0	0	0	0	35	5	0	0	30	30
P-39 Persian Gulf, water	540	0	0	0	0	540	43	0	0	497	-
Total (Pursuits)	1,818	86(d)	59(42*)	24	12	1,637	48	0	0	1,589	-
REIMBURSEMENT ACCOUNT											
P-39 Alsb	30	0	0	0	3	27	0	0	0	27	27
P-39 North Russia, water	28	0	0	0	0	28	0	0	0	28	28
P-39 Persian Gulf, water	121	0	0	0	0	121	0	0	0	121	-
Total (Pursuits)	179	0	0	0	3	176	0	0	0	176	-

* At Fairbanks

- (a) Includes 5 aircraft refused by U.S.S.R. at Fairbanks returned to Great Falls.
 (b) Includes 2 aircraft refused by U.S.S.R. at Fairbanks returned to Great Falls.
 (c) One heavy bomber carrying a U.S. Mission became stranded in Siberia and was transferred to the Soviet Government.
 (d) Includes 2 aircraft departed from Great Falls for Fairbanks but forced down at Out Bank, U.S. because of weather.

EXPORTS AND AVAILABILITY

As of November 30, 1943

Ref.	Item	Third Protocol Performance July 1, 1943 to November 30, 1943		Expected		Cumulative Performance - 1st, 2nd and 3rd Protocols October 1, 1943 to November 30, 1943						
		Made Available	Offered to be Made Available	During Period 7/1/43 to 11/30/43	During Third Protocol Period 7/1/43 to 11/30/43	Made Available	Exported	Arrived	Lost	Diverted to Others After Export	In U. S. Availability Forwarding	Balance on Hand Nov. 30, 1943
MILITARY ITEMS												
Aircraft												
For U.S. Protocol Account												
I 1A	Parasut Planes	1,064	1,000			3,011	2,851					
I 1B	Light Bombers	500	500			2,222	2,216					
I 1C	Medium Bombers	150	125			370	309					
I 1D	Heavy Bombers	0	0			1	1					
I 1E	Cargo Planes	107	100			127	121					
I 1F	Advanced Trainers	0	0			30	30					
I 1G	Observation Planes	0	0									
For U.S. Protocol Account Under Reciprocal Agreements												
I 1A	Parasut Planes	644	750			1,418	1,437					
For Balance-of-Payment Account												
I 1A	Parasut Planes	0	0			179	176					
Trucks												
I 2A	Light Trucks	0	0	0	0	1,480	1,480	4,237	447	0	0	0
I 2B	Medium Trucks	623	834	100	527	2,159	2,063	1,150	362	0	0	151
Auto, M.C.												
I 3A	AA 90 cc.	96	0	24	108	200	196	128	8	0	30	40
I 3B	AA 40 cc.	3,181	0	782	1,746	3,354	3,321	1,969	152	0	0	1,220
I 3C	AA 37 cc.	0	0	0	0	424	424	308	16	0	66	32
I 3D	AA 50 cc. w/ eq.	1,100	0	200	725	1,900	1,823	623	0	0	600	600
I 3E	AT 37 cc.	0	0	0	0	63	63	35	28	0	0	0
I 3F	AT 37 cc.	630	0	225	411	650	611	154	0	0	0	437
I 5D	Truck Destroyers (AT 57 cc. self-propelled sound)	30	0	10	50	52	52	2	0	0	0	30
I 5D	Truck Destroyers (AT 37 cc. self-propelled sound)	0	0	0	0	132,783	132,783	109,593	23,190	0	0	0
I 6A	Submachine Guns .43 cal.	0	0	0	0	3,000	3,000	3,000	0	0	0	0
I 6B	Recoil Launchers	0	0	0	0	30	30	30	0	0	0	0
I 6C	Mortars, 82 mm.	0	0	0	0	30	30	30	0	0	0	0
I 6D	Flamethrowers	2,430	0	1,450	7,930	8,932	7,930	4,900	0	0	0	1,450
Ammunition is being supplied for all weapons furnished by the U. S. in accordance with statistics prescribed for U. S. Forces. Additional ammunition has been furnished for weapons of Soviet manufacture.												
Trucks (with equipment & spare parts including tires)												
I 10A	Cargo & Weapons Carriers (1/4 ton)	3,120		492	898	8,904	7,546	4,456	0	390	0	492
I 10B	Trucks (1 1/2 ton)	23,250		8,566	26,764	82,692	81,007	59,655	5,794	1,820	1,444	17,086
I 10C	Trucks (2 1/2 ton)	19,734		3,261	18,806	79,130	74,970	59,315	3,976	726	3,418	4,657
I 10D	Trucks (5 ton and over)	0		0	0	54	54	0	0	0	0	0
I 10E	Truck Transporters (20 ton & 43 ton)	214		78	172	290	248	162	16	0	0	70
	Total Trucks	45,318	50,000	12,397	46,640	169,071	164,125	124,042	9,786	3,128	4,864	19,305
Other Vehicles												
I 9A	Armored Scout Cars	350	(4,500)	210	380	1,764	1,414	1,010	158	0	0	316
I 9B	Jeeps (1/2 ton and over)	9,468	21,000	1,932	8,201	36,800	30,451	23,004	3,434	1,378	0	2,819
I 9C	Powerwheel Carriers (1/2 truck)	230	230	60	109	559	438	297	49	0	0	92
I 9E	Cargo Carriers (1/2 ton & truck)	2	0	2	2	2	2	2	0	0	0	0
I 17	Motorcycles	5,440	3,000	1,488	3,674	17,540	17,076	12,316	1,446	1,120	0	2,158
I 15F	Truck Recovery Units	97	0	62	97	62	62	25	0	0	0	37
I 14	Field Repair Trucks	341	0	62	305	1,404	809	670	3	0	0	176
I 18	Military Tractors	1,142	1,000	217	960	4,190	2,731	2,210	305	0	157	261
Signal Equipment												
I 20A	Radio Stations (over 1 KW)	10	7	1	1	**	**	**	**	**	**	**
I 20B	Radio Stations (1 KW & under)	6,865	8,784	1,462	4,892	**	**	**	**	**	**	**
I 20C	Radio Receivers	211	354	0	378	**	**	**	**	**	**	**
I 26	Radio Sets	101	0	43	43	**	**	**	**	**	**	**
I 27	Radio Direction Finding Sets	60	34	3	28	**	**	**	**	**	**	**
I 30	Radio Parts & Access. (\$1000)	695	1,230	**	**	**	**	**	**	**	**	**
I 28	Radio Measuring & Testing Equip. (\$1000)	603	775	**	**	**	**	**	**	**	**	**
I 11	Radio Tubes (1000 units)	34,764	41,667	10,215	69,822	**	250,213	304,030	30,468	600	11,600	11,339
I 12	Field Telephones	79,382	125,000	38,564	142,716	**	821,070	637,677	126,258	0	12,604	44,521
I 13	Field Telephones (w/ cables)	**	2,500	0	7,104	**	14,167	13,794	103	0	0	270
I 24	Gas Drive Generators	**	0	0	1,188	**	104,188	99,268	0	0	0	6,280
I 31A	Dry Cells for Batteries	**	0	0	420,000	**	645,000	395,000	0	0	0	60,000
I 31B	Flashlights with Dry Cells	**	0	0	**	**	**	**	**	**	**	**
Explosives												
I 11A	Smokeless Powder (tons)	40,634	30,000	10,584	46,947	88,097	85,545	60,127	4,439	0	3,369	15,610
I 14B	Nitroglycerine Powder (tons)	254	0	15	15	254	15	0	0	0	0	15
I 15B	T.N.T. (tons)	16,350	11,200	5,928	27,574	73,711	61,442	47,349	3,649	250	2,452	7,742
II 61A	Dynamite (ammunition) (tons)	11,976	0	1,018	8,299	21,903	14,610	13,792	0	0	0	1,018
	Total Explosives (tons)	69,060	41,200	17,545	82,835	183,671	161,612	121,068	8,088	250	7,821	24,385
Other Military Items												
I 35A	Protonic Flasks	0	0	0	0	3,000	3,000	2,308	552	0	0	0
I 35B	Barbed Wire Cutters (\$1000)	**	0	0	196	**	438	438	0	0	0	0
I 35C	Stake Poles	**	0	66,000	211,650	**	210,632	137,804	0	0	0	78,828
Quartermaster Items												
II 71A	Leather (tons)	5,114	7,500	2,190	7,668	34,401	31,321	22,992	4,613	774	0	2,940
II 71B	Army Boots (1000 pr)	1,560	1,500	458	1,973	6,634	5,971	4,648	555	0	256	496
II 71C	Infantry Boots (1000 pr)	0	0	6	49	200	106	96	0	0	4	6
II 71D	Leather Belts (1000 units)	608	0	**	**	1,788	**	**	**	**	**	**
II 71E	Leather Jackets (1000 units)	35	0	**	**	175	**	**	**	**	**	**
II 71F	Woolen Cloth (1000 yds)	5,177	7,500	2,496	10,732	24,642	19,364	13,820	943	0	1,069	3,492
II 71G	Woolen Cloth (1000 yds)	21,792	10,417	6,733	16,748	111,207	97,406	27,818	1,232	0	1,478	6,488
II 71H	Woolen Cloth (1000 yds)	14,360	8,612	2,971	3,611	80,010	21,498	18,251	2,207	0	2,027	4,973
II 71I	Woolen Cloth (1000 yds)	1,358	1,250	**	**	5,337	**	**	**	**	**	**
II 71J	Woolen Cloth (1000 yds)	1,307	0	497	2,773	4,752	2,485	1,721	169	0	3	702
II 71K	Other (M. Articles) (\$1000)	2,023	0	1,029	2,149	6,780	4,998	3,499	67	0	894	1,234
SPECIAL SUPPLIES												
Y	Drugs, Instruments, Equip. (\$1000) Protocol Items Only	2,485	5,000	**	**	24,380	**	**	**	**	**	**

Notes: All tons are 2000 lbs. net weight.

** Data not available

* Free production or assignments in addition to quantities made available but not exported at end of Second Protocol period and after

* Subtraction of quantities reprocessed or diverted before export.

* Offerings selected by U.S.-S. are in excess of the aggregate of shipping commitments and reprocessible stocks. Production control

provisions of the Protocol are being exercised and will reduce production before offerings in some instances. Offerings for which

no monthly schedule are quoted in the Protocol have been completed on the basis of proportional time elapsed.

* Free production or assignments after deduction of quantities reprocessed or diverted before export.

* 1943 shipments for clearance through Persian Corridor reported arrived in Persian Gulf.

* 1943 shipments discharged in U.S. considered as awaiting forwarding when other data is not yet available.

* Agreement, spare parts and other equipment supplied in accordance with U.S. standards.

* Additional offering of Second Protocol items not made available by June 30, 1943.

* Offerings under negotiation.

* A portion of this commitment is being met by supply of leather products.

Ref.	Item	Third Protocol Performance July 1, 1943 to November 30, 1943		Expected		Cumulative Performance - 1st, 2nd and 3rd Protocols October 1, 1941 to November 30, 1943						
		Made Available a	Offered to be Made Available b	During 1943	During Third Protocol Period 7/1/43 to 11/30/43	Made Available c	Expected	Arrived d	Lost	Diverted to Others After Export e	In P. C. Awaiting Forwarding f	Balance on Hand 11/30/43 g
MATERIAL												
Non-Ferrous Metals (Unit - tons)												
II 3	Aluminum Ingots	25,890	14,900	4,703	21,575	63,930	59,655	49,094	4,133	0	0	8,028
II 3A	Duralumin	9,755	5,000	2,164	7,917	42,921	40,137	31,579	2,953	0	14	4,351
II 4	Tig Metal	1,500	1,600	1,410	1,410	6,562	5,960	4,744	858	0	0	331
II 4J	Metal Metal Scrap	77	399	0	75	77	75	75	0	0	0	0
II 4C	Basic Products of Nickel	18	1,100	0	10	128	111	91	13	0	0	7
II 5	Molybdenum Concentrates	2,079	1,669	888	2,069	10,450	10,440	7,827	1,430	0	0	1,383
II 6	Copper, Electrolytic	0	0	0	111	1,144	1,144	1,144	0	0	0	0
II 7	Brass, Bronze, etc.	38,033	44,800	8,488	37,311	290,958	170,442	134,230	13,977	0	5,309	16,706
II 11	Copper Tubes, etc.	1,129	4,250	1,263	5,781	23,238	20,183	16,841	1,581	36	284	2,056
II 8	Magnesium	1,480	1,640	827	1,934	3,497	3,502	2,719	0	0	0	784
II 9	Zinc Slab	4,860	5,600	1,662	6,860	48,120	48,120	42,041	2,323	0	0	1,753
II 29	Special Non-Ferrous Wires	44	112	13	79	435	393	368	4	0	3	18
II 30A	Nickel Wire and Strip	229	325	0	158	958	866	714	92	0	0	80
II 30B	Basic Nickel Products	18	1,100	0	75	508	502	463	0	0	25	12
II 49	Mercury	0	0	0	30	995	995	995	0	0	0	0
II 58	Cerium	0	0	0	18	18	17	17	0	0	0	0
II 61A-13	Metallurgical Sodium	172	0	0	0	1,278	1,203	845	258	0	0	0
II 88	Bismuth	0	0	0	11	11	11	11	0	0	0	0
II 89	Lead	0	0	0	34	43	43	9	0	0	0	34
II 90	Tin	0	0	0	8	10	10	10	0	0	0	0
II 91	Aluminum, Tin & Nickel Foil	64	0	64	64	214	214	144	4	0	0	64
II 92	Niobium Metal	0	0	0	0	105	105	86	20	0	0	0
II 93	Cobalt	0	0	0	0	201	201	201	0	0	0	0
II 94	Cobalt	81	57	4	57	249	249	176	0	0	0	73
Total Non-Ferrous Metals		91,464	-	20,017	85,617	393,866	369,461	296,236	27,088	36	5,535	33,546
II 30B Misc. Non-Ferrous Metals and Products (\$1,000)												
		4	0	0	3	13	13	13	0	0	0	0
Copper Cable and Wire												
II 1	Marine Cable (miles)	89	311	15	233	1,350	1,117	803	127	0	91	95
II 2	Submarine Cable (miles)	74	155	0	255	839	833	783	50	0	0	0
II 2A	Insulated Cables (\$1,000)	11,642	3,000	3,360	6,833	35,357	16,763	12,162	218	0	886	3,117
II 2AA	Bare Copper Cable and Wire (\$1,000)	263	4,350	7	201	1,563	1,476	1,085	0	0	81	11
Ferro-Alloys (Unit - tons)												
II 12	Ferro-Silicon	38	0	397	2,489	8,284	6,446	4,368	1,049	0	28	1,001
II 13	Ferro-Chrome	0	0	1,760	4,113	3,745	2,412	494	0	0	0	899
II 85	Ferro-Phosphorus	0	0	0	4	4	4	4	0	0	0	0
II 86	Ferro-Vanadium	0	0	0	2	2	2	2	0	0	0	0
II 87	Ferro-Tungsten	0	0	0	2	2	2	2	0	0	0	0
II 87A	Ferro-Niobium	0	0	0	0	0	0	0	0	0	0	0
Total Ferro-Alloys		38	4,400	397	4,249	12,035	10,999	8,788	1,543	0	28	1,840
Ferrous Metals and Products (Unit - tons)												
II 10	Steel	526	4,642	9,484	19,417	15,076	9,483	60	0	288	5,205	
II 14	Armor Plate	141	0	0	8,951	8,951	5,787	2,997	267	0	0	
II 16	Polished Drill Rods	141	39	93	370	283	213	4	0	10	58	
II 17	High Speed Tool Steel	2,779	586	1,611	7,749	6,207	4,542	388	0	83	91	
II 18	Tool Steel	5,911	1,474	5,165	20,803	18,189	14,113	893	23	416	2,698	
II 19	Gold Finished Bars	16,000	10,599	25,379	121,815	97,008	73,707	6,433	280	3,024	13,636	
II 20	E.E. Aircraft Steel	24,384	1,771	35,886	137,500	97,322	87,281	1,517	0	697	7,867	
II 21	Cr-St.Mn. Billets	(-)	4,073	0	3	83,518	79,288	65,908	9,081	431	3,214	654
II 22	Gold Rolled Sheets	(-)	1,450	73	378	85,377	81,221	49,074	29,653	1,709	699	86
II 23A	Gold Rolled Strip	(-)	27,007	763	1,637	75,707	66,173	51,783	13,266	797	1,089	1,238
II 23	Stainless Steel	1,633	300	1,888	7,447	5,604	4,936	70	0	1	617	
II 24	Thimble	17,874	2,165	6,407	96,837	82,117	64,007	10,611	970	1,902	4,467	
II 25	Steel Wire	(-)	2,076	3,767	12,996	85,867	68,078	34,882	5,052	672	968	7,104
II 26	Wire Rope	3,854	1,864	5,184	29,423	21,084	17,399	789	0	344	2,532	
II 27	Steel Alloy Tubes	11,547	2,976	8,119	33,300	26,230	12,011	52	0	105	4,043	
II 28	Stainless Steel Wire	189	14	167	2,407	2,409	2,479	84	1	44	39	
II 31	Barbed Wire & Staples	(-)	5,583	128	1,712	48,021	47,477	35,039	10,538	203	99	1,978
II 32	Pipe and Tubing	16,854	527	23,236	143,238	83,860	60,405	15,918	1,571	388	5,878	
II 33	U.S. Sheets and Plates	11,300	11,977	49,275	189,152	160,858	115,117	18,642	1,533	4,383	21,183	
II 34	Boiler, Buns, Rivets, etc.	1,500	465	2,945	13,715	6,876	6,370	0	0	0	506	
II 35B	Aircraft Landing Mats	8,333	8,333	8,333	8,333	8,333	8,333	8,333	0	0	0	
II 101	U.S. Balls and Accessories	109,042	16,947	124,167	273,262	235,244	179,444	20,474	1,421	518	33,887	
II 102	Mounted Gels, Washes & Asies	0	4,773	19,188	34,075	21,680	11,130	90	0	811	7,549	
II 103	Car Axles	0	4,795	6,084	35,910	25,790	16,025	927	0	4,000	4,788	
II 104	Locomotive & Car Wheel Tires	543	742	5,656	13,319	11,240	9,399	53	0	481	1,344	
II 105	Roller Steel Car Wheels	88	49	4,272	8,658	6,106	5,544	0	0	512	50	
II 107	Locomotive Axles	0	0	141	255	183	183	0	0	0	0	
II 108	Electric Locomotive Axles	0	0	0	300	222	220	0	0	0	0	
Total Steel		7,765	208,333	74,706	385,111	1,170,786	1,072,927	807,181	141,658	7,892	24,219	127,147

Note: The following, released from U.S. Iron stocks for redistribution to others have been deducted from amounts made available.

	Jul.- Nov. 1943	Oct. 1941- Nov. 1943		Jul.- Nov. 1943	Oct. 1941- Nov. 1943		Jul.- Nov. 1943	Oct. 1941- Nov. 1943			
II-19	Gold Finished Bars	945	956	II-22A	Gold Rolled Strip	28,464	48,454	II-32	Pipe and Tubing	(-15,291)	80,578
II-20	E.E. Aircraft Steel	0	73	II-25	Steel Wire	21,896	11,896	II-33	U.S. Sheets & Plates	1,119	17,364
II-21	Cr-St.Mn. Billets	4,141	30,866	II-26	Wire Rope	330	430	Total Released		58,555	191,097
II-22	Gold Rolled Sheets	345	3,302	II-31	Barbed Wire & Staples	4,586	17,127				

Notes: All tons are 2,000 lbs. net weight.

- a Estimated
- b From production or assignments in addition to quantities made available but not exported at end of Second Protocol period and after deductions of quantities repossessed or diverted before export.
- c Offerings selected by U.S.S.R. in excess of the aggregate of shipping commitments and reasonable stocks. Production control provisions of the Protocol are being exercised and will reduce production below offerings in some instances. Offerings for which no monthly schedules are quoted in the Protocol have been computed on the basis of proportional time elapsed.
- d From production or assignments after deductions of quantities repossessed or diverted before export.
- e Includes shipments for clearance through Persian Corridor reported arrived in Persian Gulf.
- f 1943 shipments discharged in U.S. considered as awaiting forwarding when other data is not yet available.
- g Value of orders accepted for Third Protocol chargeable to blanket offering for "Other Materials".
- h Computed blanket chargeable to offering to 11/30/43 of 56,000 s.t. of nickel contained in steel and nickel products.
- i Offering included in blanket offering to 11/30/43 of 56,000 s.t. of copper in various forms.
- j Data not available in units of offering.
- k Production control has been exercised. Other ferro-alloys are being substituted for ferro-silicon and ferro-chrome originally offered.

Ref.	Item	Third Protocol Performance July 1, 1943 to November 30, 1943		Exported		Cumulative Performance - 1st, 2nd and 3rd Protocols October 1, 1941 to November 30, 1943						
		Made Available	Offered to be Made Available	During Third Protocol Period 7/1/43 to 11/30/43	During Third Protocol Period 7/1/43 to 11/30/43	Made Available	Exported	Arrived	Lost	Diverted to Others After Export	In U.S. Ex- amining Forwarding	Balance on Books Nov. 30 1943
II 341	Chains and Anchors (tons)	1,143	J	0	1,099	2,108	1,636	1,628	0	0	0	10
II 354	Misc. Ferrous Metals & Products (\$1000)	990	J	78	713	2,004	1,534	1,380	30	0	0	124
II 37	PETROLEUM PRODUCTS (tons)											
	From U.S.	247,749		35,986	247,749	t	447,459	502,422	10,786	0	0	46,262
	From Abroad	50,443		30,633	50,443	t	56,115	56,115	0	0	0	0
	(Replacements to U.S. from U.S.)											
	Replacements for Diversions to Others											
	Shipped from U.S.	31,407				t	(31,407)	(31,407)	0	0	0	0
	Other Allocations from U.S. Included in Exports above						(29,971)					
	Chemicals											
II 614	Acetone (tons)	683	2,800	0	660	1,688	1,507	1,298	0	0	0	269
II 38A	Alcohol from U.S. (tons)	58,285		29,954	56,154	88,678	86,300	56,402	159	0	0	29,739
	Alcohol from U.S. (tons)	10,165	44,800	10,165	10,165	10,165	10,165	10,165	0	0	0	0
	(Replacements to U.S. from U.S.)											
II 6143	Caustic Soda (tons)	18,411	16,800	1,222	18,560	43,931	42,400	38,859	707	0	0	2,840
II 39	Ethylene Glycol (tons)	1,792	1,400	841	3,370	8,744	8,101	5,738	189	0	358	1,618
II 61411	Glycerine from U.S. (tons)	2,151	2,800	129	3,081	11,816	10,248	9,797	0	381	0	150
	Glycerine re-manufactured from U.S.	5,600				5,600						
II 45	Methanol (tons)	28	2,800	1,552	2,221	17,228	15,240	9,671	2,963	371	642	1,552
II 36	Phenol (tons)	1,942	5,000	1,761	3,038	19,541	19,300	14,625	1,976	0	0	2,641
II 61423	Potassium Tetraoxide (tons)	121	21	10	14	366	182	172	0	0	0	10
II 15A	Toluol (tons)	15,280	14,187	7,998	20,422	57,624	54,179	43,422	2,991	319	1,810	7,378
II 46	Urotropine (tons)	2,318	2,800	821	3,736	10,395	7,243	6,925	358	25	201	1,736
	Other Chemicals											
II 48	Ammonia Chloride (tons)			0	75	1,805	726	726	0	0	0	0
II 61423	Ammonia Nitrate (tons)	(-2,406)		0	0	3,394	3,394	2,602	113	0	0	479
II 51	Ammonia Sulpho Cyanate (tons)	0		0	0	3	3	3	0	0	0	0
II 6149	Aniline Oil (tons)	(-) 762		0	0	4,970	3,322	2,446	927	16	112	0
II 51	Anthracene (tons)	0		0	0	9	9	9	0	0	0	0
II 54	Boric Peroxide (tons)	1		0	0	332	106	106	0	0	0	0
II 61421	Black Dyes (tons)			282	510	752	669	333	0	0	0	336
II 61427	Boric Acid (tons)	0		0	0	860	459	292	167	0	0	0
II 6148	Calcium Carbide (tons)	112		0	186	368	354	354	0	0	0	0
II 6144	Carbon & Lamp Blacks (tons)	0		0	13	2,451	2,251	2,251	0	0	0	0
II 52	Centralite (tons)	866		75	486	1,537	993	871	0	0	0	122
II 61426	Chloric Acid (tons)	* 239		78	239	* 782	597	597	59	0	0	0
II 44	Colloxylin (tons wet)	0		0	0	8,136	4,766	3,231	1,339	86	110	0
II 59	Cresol (tons)	0		0	0	441	292	231	61	0	0	0
II 41	Dibutyl Phthalate (tons)	48		259	861	5,288	4,218	2,892	859	70	0	367
II 61417	Diethylene Glycol (tons)	50		0	167	418	342	342	0	0	0	0
II 42	Diethylamine (tons)	0		0	52	* 2,510	2,302	1,797	420	0	0	19
II 43	Diphosphorine (tons)	0		0	0	2,085	1,489	1,273	256	0	0	0
II 61416	Ethylene Chloroethylene (tons)	200		80	101	231	112	32	0	0	0	60
II 61410	Ethylene Sulfonide (tons)	0		0	319	4,613	1,768	1,768	0	0	0	0
II 61427	Formaldehyde (tons)	0		0	0	360	474	432	62	0	0	0
II 61422	Sulfamic Acid (tons)	0		0	0	600	0	0	0	0	0	0
II 61414	Succinic (tons)	0		0	0	354	470	470	0	0	0	0
II 6141	Ureol Formaldehyde (tons)	0		0	0	448	447	369	78	0	0	0
II 40	Phosphorus (tons)	(-) 851		100	201	2,712	2,156	1,556	485	0	0	125
II 6144	Picric Acid (tons)	139		186	298	929	655	322	0	0	0	147
II 61418	Potassium Chlorate (tons)	321		35	340	1,344	784	557	0	0	0	40
II 50	Potassium Nitrate (tons)	(-) 36		998	709	3,570	1,874	1,338	0	0	0	138
II 60	Potassium Sulphate (tons)	(-) 799		0	175	1,030	580	535	0	0	0	45
II 13	Resorcinol (tons)	0		0	0	125	61	53	0	0	0	13
II 56	Rhodanole (tons)	0		0	0	6	6	6	0	0	0	0
II 61419	Saccharine (tons)	125		25	92	323	277	200	12	0	0	63
II 6148	Soda Ash (tons)	112		0	734	1,501	1,388	1,340	0	0	0	48
II 61420	Sodium Bicarbonate (tons)	0		98	98	600	424	326	0	0	0	98
II 59	Sodium Bromide (tons)	(-) 311		0	53	2,151	1,722	1,330	336	0	0	58
II 55	Sulfonic Oxalate (tons)	0		0	48	96	76	76	0	0	0	0
II 57	Turbin Nitrate (tons)	0		0	0	12	12	6	0	0	0	0
II 61415	Twissell or Petros Resamit (tons)	143		74	252	650	469	395	0	0	0	74
II 77	Uranium (tons)	177		25	130	369	357	285	5	0	0	25
II 61409	Misc. Chemicals (tons)	1,152		235	2,271	8,897	7,260	6,775	129	0	0	333
	Total Other Chemicals (tons)	(-11,560)	3,833	1,950	8,453	70,019	48,018	38,485	5,309	172	1,426	3,464
	Total All Chemicals (tons)	125,458	97,241	55,983	162,054	367,995	307,151	231,556	14,252	1,798	4,906	11,029
	Other Materials & Products											
II 67A	Alumina Grain (tons)	3,129	1,667	1,062	3,193	5,770	4,570	2,505	91	0	200	1,774
II 67B	Alumina Products (\$1000)	2,163	1,667	651	2,267	4,896	4,424	3,370	916	35	344	774
II 66A	Graphite Electrodes (tons)	2,611	2,400	883	3,214	12,052	11,370	6,552	1,319	25	403	1,072
II 66C	Graphite Powder (tons)	918	457	256	885	1,932	1,514	1,140	124	0	0	348
II 66B	Other Graphite Goods (\$1000)	307	709 a.t. n	75	220	1,174	1,107	897	100	0	0	106
II 76	Iron (1000 units)	656	*	125	715	3,023	1,586	1,536	89	21	0	254
II 78	Tubes (1000 units)	656	*	154	710	2,079	1,490	1,483	66	0	0	210
II 79	Wool, Shelly or Part Inner (\$1000)	2,486	*	519	2,007	4,381	3,745	2,137	18	0	0	390
II 78A	Other Rubber Products (\$1000)	4,327	*	2,360	5,286	11,533	7,809	4,977	402	0	0	2,730
II 80	Sheet Fibre (tons)	1,223	417	334	1,686	4,172	3,225	1,887	496	3	147	682
II 81	Stock Showers Cord (yds)	80,000	J	0	0	247,369	166,111	166,111	0	0	0	0
II 82	Metallic Cloth & Screen (\$1000)	168		24	287	1,136	1,124	991	7	0	0	156
II 83	Cigarette Paper (tons)	0	61	0	0	356	119	119	0	0	0	0
II 83A	Cigarette Paper (tons)	0	140	0	143	1,042	535	405	68	0	0	0
II 83B	Other Paper (tons)	2	700	70	869	2,649	1,678	1,609	0	0	0	71
II 92B	Rubber Footwear (\$1000)	53		0	0	981	981	981	0	0	0	0
II 95C	Other Footwear except 3B (\$1000)	228	J	0	0	722	722	722	0	0	0	0
II 95A	Other Footwear except 3B (\$1000)	11	J	0	0	79	78	24	222	23	0	0
II 96A	Tentile except 2B (\$1000)	11	J	16	19	210	156	113	8	0	9	26
II 96B	Fish Nets (tons)	239	J	18	118	390	168	168	0	0	0	0
II 96C	Nete (tons)	1,150	J	141	622	2,189	1,624	1,467	0	0	0	141
II 97	Raw Cork (tons)	0	J	0	0	62	62	62	0	0	0	0
II 98C	Non-Metallic Minerals & Prods. (\$1000)	61	J	24	111	400	363	281	41	0	0	21
II 99	Misc. Metals & Prods. (\$1000)	283	J	268	48	874	790	425	1	0	0	268
II 71D	End Products of Leather N.E.S. (\$1000)	24	J	0	14	36	27	0	0	0	0	0

Notes: All tons are 2000 lbs. net weight.

* Estimated
** Data not available

a From production or assignments in addition to quantities made available but not reported at end of Second Protocol period and after deductions of quantities repossessed or diverted before export.

b Offerings released by U.S.S.S. are in excess of the aggregate of shipping commitments and reasonable stocks. Production control provisions of the Protocol are being exercised and will resume production below offerings in some instances. Offerings for which no monthly shipments are quoted in the Protocol have been supplied on the basis of proportional time elapsed.

c From production or assignments after deductions of quantities repossessed or diverted before export.

d Includes shipments for clearance through Persian Gulf reported arrived in Persian Gulf.

e 1943 shipments discharged in U.S. considered as awaiting forwarding when other data is not yet available.

f Ammunition, spare parts and other equipment supplied in accordance with U.S. standards.

g Additional offering of Second Protocol items not made available by June 30, 1943.

h Value of orders accepted for Third Protocol shipments to blanket offering for "Other Materials".

i Data not available in units of offering.

j Offered by replacement below.

k Offered to diversions of shipments from U.S. above. Balance not replaced is from 1942 discharge quantities.

l Petroleum products and feedstocks made available as exported.

m Contained rubber charged to offering to 11/30/43 to supply 14,800 a.t. of crude, synthetic and reclaimed rubber in various forms except as contained in military items.

Ref.	Type	Third Protocol Performance July 1, 1941 to November 30, 1943		Exported		Cumulative Performance - 1st, 2nd and 3rd Protocols October 1, 1941 to November 30, 1943						
		Made Available a	Offered Set to Made Available b	1943	During Protocol Period 7/1/41 to 11/30/43	Made Available c	Exported	Arrived d	Lost	Diverted to Others After Export e	In U. S. Awaiting Forwarding f	Balance Ex. Status Nov. 30, 1943 g
MACHINERY AND EQUIPMENT												
Except Military & Naval												
II 69470	Bearings (\$1000)	4,496	6,250	877	2,670	9,288	6,393	5,400	150	0	-	843
II 154	Generalized Cartridge Tips & Blanks (\$1000)	91	1,200	92	911	2,200	1,817	1,481	10	0	0	326
II 1381	Metal Cutters, Dies, Drills, etc. (\$1000)	4,000	6,250	377	3,035	19,381	17,071	16,884	42	0	3	148
II 1582	Portable Metal Cutting Machines (\$1000)	35		10	40	142	333	117	4	0	0	11
II 1583	Other Cutting & Boring Tools (\$1000)	435	28	781	3,706	3,555	3,424	58	0	0	73	
II 150	Precision Measuring Tools (\$1000)	512	107	500	917	752	736	1	0	0	15	
II 62	Machining Tools (\$1000)	+ 71,678	30,000	12,822	60,668	* 238,882	143,444	118,270	4,426	0	3,953	19,393
II 63	Electric Furnaces (\$1000)	+ (7,486)	(units)	(1,385)	(7,543)	* (26,189)	(19,550)	(16,109)	(26)	(0)	(315)	(2,077)
II 63	Electric Furnaces (\$1000)	2,770	5,000	1,054	3,034	9,836	8,117	6,168	599	0	97	1,233
	(units)	(127)	(55)	(100)	(584)	(428)	(330)	(377)	(0)	(5)	(56)	
II 64A	Steel Rolling Mills & Equip. (\$1000)	968	6,667	29	38	1,290	383	371	0	0	0	12
II 64B	Forges, Presses, etc. (\$1000)	+ 18,285	12,500	5,867	3,894	* 49,183	23,590	19,031	828	26	1,121	6,384
II 64C	Drawing Machines (\$1000)	482	834	0	0	482	0	0	0	0	0	0
II 64A	Shearing Equipment (\$1000)	2,753	3,208	644	3,785	13,682	11,192	7,478	334	0	2,478	902
II 64B	Truck & Tractor Cranes (\$1000)	812	934	12	594	2,773	1,577	88	0	0	0	28
II 650	Other Cranes (\$1000)	6,479	8,334	513	2,068	9,472	4,867	4,977	51	0	112	727
II 6501	Compressors (\$1000)	2,781	3,790	1,222	3,077	6,916	5,397	3,221	286	0	182	1,078
II 6502	Pumps and Blowers (\$1,000)	294	0	0	61	331	65	48	0	0	0	17
II 652	Fans (\$1000)	2,931	3,334	486	1,099	5,373	2,851	2,922	169	0	139	301
II 65F	Mining, Crushing & Conveying Equip. (\$1000)	3,779	4,147	624	1,806	7,140	3,134	2,271	59	0	118	706
II 65G	Blast Furnace Equip. (\$1000)	4,247	12,500	120	205	717	212	0	0	0	0	180
II 65H	Welding Equipment (\$1000)	2,139	1,667	728	1,264	3,750	1,858	1,070	90	0	0	738
II 651	Valves and Fittings (\$1000)	1,777	1,250	1,260	1,574	3,386	2,761	1,331	54	0	0	1,136
II 65J	Pneumatic Tools (\$1000)	1,390	2,084	302	1,222	3,424	2,427	2,134	0	0	0	293
II 66	Control Instr. & Test Equip. (\$1000)	515	709	95	315	827	582	485	29	0	7	69
II 140	Special Power Programs (\$1000)	21,938	31,250	2,992	22,046	20,822	27,721	22,633	0	0	15	5,079
II 140A	Dist. Boilers for Power Prog. (\$1000)	4,889	0	86	810	5,899	810	704	0	0	0	86
II 65K3H	E.S. Slave Signal System (\$1000)	1,244	3,000	0	0	1,244	0	0	0	0	0	0
Auxiliary Machinery & Equipment												
(Unit - \$1000)												
II 65E1	Engines & Turbines except Marine	35	0	0	103	1,679	1,737	1,566	133	0	18	0
II 65E2	Inf. Trucks & Tractors	232	0	241	599	3,112	2,540	2,111	78	0	225	225
II 65E3	Mechanical Power Trans. Equip.	7	0	0	0	22	15	15	0	0	0	0
II 65E4	General Purpose Equipments	0	0	0	27	786	1,419	1,419	0	0	0	180
II 65E5	Electric Motors, Generators, etc.	3,931	890	2,496	10,478	3,257	4,303	121	3	57	846	
II 65E6	Transformers, etc.	1,118	469	766	2,102	1,087	486	0	0	0	0	601
II 65E7	Elec. Mat. & Control Equip.	533	143	485	2,328	1,663	1,409	43	23	20	128	
II 65E8	Electric Ovens	0	0	3	4	4	4	0	0	0	0	
II 65E9	Electric Lamps (bulbs)	14	24	621	101	78	54	-	0	0	0	24
II 65E10	Electric Appliances	0	0	0	12	5	5	-	0	0	0	6
II 65E11	Misc. Electric Products	190	125	188	715	468	228	0	0	19	149	
II 65E12	Food Products Machinery	117	45	74	570	171	129	9	0	0	0	32
II 65E13	Textile Machinery	12	2	2	534	529	441	85	0	0	0	3
II 65E14	Paper Ind. Machinery	162	88	194	483	432	339	0	0	0	0	88
II 65E15	Printing Machinery	0	0	0	44	44	44	0	0	0	0	0
II 65E16	Tire & Rubber Machinery	3,994	342	2,365	9,951	5,150	4,817	0	0	0	0	793
II 65E17	Woodworking Machinery	289	70	190	138	382	278	27	0	0	0	72
II 65E18	Petroleum Refinery Equip.	+ 21,166	4,947	35,141	* 40,668	39,200	26,660	262	0	48	12,013	
II 65E19	Glass Ind. Machinery	136	54	61	174	61	18	0	0	0	0	51
II 65E20	Chemical Ind. Machinery	396	0	1	834	18	18	0	0	0	0	0
II 65E21	Gas Producing Machines	1,040	293	299	2,486	2,042	842	0	0	0	0	429
II 65E22	Other Special Machines	1,981	193	884	3,239	1,786	1,952	5	0	0	0	205
II 65E23A	Cartridge Mfg. Equip.	589	40	1,770	12,390	13,416	11,060	17	0	134	205	
II 65E23	Smelting & Casting Equip.	244	15	129	850	268	224	0	0	0	0	38
II 65E24	Non-Ferrous Rolling Mills	1,218	112	896	6,782	5,139	5,080	0	0	0	0	52
II 65E25	Misc. Metal Working Equip.	2,768	2,987	3,432	3,648	3,435	599	8	0	0	0	2,932
II 65E26	Attachments for Machine Tools	345	27	181	1,215	913	624	17	0	14	59	
II 65E27	Agricultural Machines	204	11	99	230	107	107	0	0	0	0	
II 65E28	Oil Well Drilling Equip.	1,625	299	2,740	4,799	4,011	2,417	0	0	14	580	
II 65E29	Rock Boring Equip.	385	0	14	400	14	33	0	0	0	0	3
II 65E30	Construction Machinery	28	0	135	338	321	203	0	0	0	0	120
II 65E31	Office Machines	0	0	0	49	48	48	0	0	0	0	0
II 65E32	Misc. Machines	686	30	334	1,296	459	341	0	0	0	0	116
II 65E33	Communication Equipment	3,999	710	1,768	4,979	2,377	1,646	0	0	10	712	
II 65E34	Teletype Apparatus	241	450	683	818	900	504	0	0	0	0	191
II 65E35	Inf. S.S. Trans. Equipment	547	418	793	3,084	1,924	854	0	0	0	0	590
II 65E36	Motor Vehicles & Parts	11	1	9	169	163	157	0	0	0	0	3
II 65E37	Refrigeration Equipment	16	1	13	28	13	12	0	0	0	0	1
II 65E38	Lighting Fixtures	68	0	68	255	255	222	33	0	0	0	0
II 65E39	Photographic Equipment	143	119	328	1,164	1,281	813	75	0	76	2	
II 65E40	Indicating & Other Instruments	814	128	541	2,441	1,927	1,780	35	0	0	0	134
II 65E41	Professional Instruments	114	89	303	844	729	678	37	0	0	0	84
II 65E42	Misc. Equipment S.E.S.	69	2	78	408	231	319	34	0	0	0	0
II 65E43	Hand Tools	8	0	13	155	127	118	7	0	0	0	0
Total Auxiliary Machinery & Equip.		48,959	15,099	13,052	58,636	125,724	97,945	74,504	1,003	26	987	21,434
Emergency Equip. Incl. in Previous Categories Above			10,417									
Total Machinery & Equipment		206,471	187,343	43,407	174,083	560,390	370,003	287,402	10,597	52	9,815	62,417
II 116	Locomotives (units)	164	0	84	61	154	44	6	0	0	0	38
II 111	Flat Cars (units)	1,397	1,600	97	99	1,297	99	6	0	0	0	0

Notes: All tons are 2000 lbs. net weight.

+ Estimated

a. From production or assignments in addition to quantities made available but not exported + net of second Protocol period and after deductions of quantities reprocessed or diverted before export.

b. Offerings selected by U.S.S.R. are in excess of the aggregate of shipping commitments and reasonable stocks. Production control provisions of the Protocol are being exercised and will reduce production below offerings in some instances. Offerings for which no monthly schedules are quoted in the Protocol have been compiled on the basis of proportional time elapsed.

c. From production or assignments after deductions of quantities reprocessed or diverted before export.

d. Includes shipments for clearance through Persian Corridor reported arrived in Persian Gulf.

e. 1543 shipments discharged in U.S. considered as existing forwarding when other data is not yet available.

Ref.	Item	Third Protocol Performance July 1, 1943 to November 30, 1943		Reported		Cumulative Performance - 1st, 2nd and 3rd Protocols October 1, 1941 to November 30, 1943						
		Made Available a	Offered to be Made Available b	During Third Protocol Period 7/1/43 to 11/30/43	1943	Made Available c	Exported	Arrived d	Lost	Diverted to Others After Export e	In U. S. E. Awaiting Forwarding f	Balance En Route Nov. 30 1943 g
FOODSTUFFS												
(Units - tons)												
IV 1	Wheat and Flour			26,161	78,735	369,958	331,182	2,894	5,337	0	30,545	
IV 2	Sugar			13,152	91,557	289,023	236,853	15,541	12,354	0	24,265	
IV 3	Canned Meat			22,400	111,053	326,574	280,441	16,842	14,842	581	33,868	
IV 4A	Cured Meats			68	3,679	15,846	14,934	499	302	0	131	
IV 4B	Pat Cuts			21,040	65,727	169,183	134,483	2,892	4,899	0	26,741	
IV 5	Lard			12,384	31,795	103,154	84,431	6,202	16,845	0	13,675	
IV 6	Vegetable Oil			17,566	70,087	201,303	178,572	395	2,274	0	19,702	
IV 7	Soap				958	5,762	5,651	111	0	0	0	
SP 101	Cereals			17,523	45,764	107,273	86,878	1,065	253	0	19,077	
SP 102	Feeder			23	3,282	5,299	5,176	0	0	0	23	
SP 103	Canned Fruits & Vegetables				14,561	2,233	2,144	75	0	0	14	
SP 104	Dried Fruits & Vegetables			10,516	34,922	147,811	102,536	6,993	22,993	0	15,299	
SP 105	Whole Fruits & Vegetables				1,083	1,157	1,156	0	0	0	1	
SP 106	Cheese			2,277	9,258	8,959	8,109	293	0	0	2,555	
SP 107	Butter			9,049	30,821	42,524	36,219	365	798	0	5,209	
SP 109	Canned Milk			1,230	5,536	10,835	8,741	188	0	0	1,906	
SP 110	Salt			137	320	1,856	1,720	0	0	0	136	
SP 111	Dried Eggs			6,053	13,747	44,750	27,206	4,137	5,296	0	8,111	
SP 112	Concentrated Cereals			420	3,530	4,450	3,767	0	0	0	883	
SP 113	Vitamins				3	25	25	0	0	0	3	
SP 114	Dried Milk			4,999	13,712	30,291	18,132	449	4,794	0	7,134	
SP 115	Concentrated Citrus Juices				1,343	2,051	1,972	0	0	0	79	
SP 116	Vegetable Pastes & Dehydr. Soups			1,450	6,388	6,611	3,635	30	0	0	2,965	
SP 117	Tea			47	185	807	760	0	0	0	47	
SP 118	Coffee			571	1,127	3,891	2,760	0	560	0	571	
SP 119	Dehydrated Meats			658	1,327	2,038	1,320	0	0	0	708	
SP 120	Seeds			573	502	10,445	9,993	18	0	0	602	
SP 122	Isotax				351	520	429	0	112	0	33	
SP 123	Oleomargarine			3,640	20,223	24,986	17,889	345	0	0	6,752	
SP 124	Dehydr. Fruits & Vegetables			486	1,092	1,585	1,099	0	0	0	486	
SP 125	Shal. Salt from Turkey			3,638	3,638	3,638	3,638	0	0	0	0	
SP 100	Miscellaneous Foodstuffs			508	3,451	4,650	4,130	3	0	0	517	
Total Foodstuffs		4	756,834	177,028	650,989	1,968,136	1,594,547	59,299	91,213	581	222,096	
NAVAL STORES & MARINE EQUIPMENT												
VI 1	Marine Diesel Engines	264	(517g) 2	125	382	742	719	564	9	0	146	
VI 2	Marine Gasoline Engines	493	(154g)	132	1,081	2,885	2,279	1,891	46	0	60	297
VI 4	Outboard Motors	400	0	150	400	600	600	375	0	0	0	225
VI 5	Dry Cargo Vessels Transferred	4	0	0	0	57	57	0	0	0	0	0
VI 6	Tankers Transferred	5	0	1	5	12	12	0	0	0	0	0
VI 7	Minesweepers	2	(11g)	0	10	10	10	0	0	0	0	0
VI 8	Tugboats	1	0	0	0	0	0	0	0	0	0	0
VI 9	Submarine Chasers	16	0	0	16	16	16	0	0	0	0	0
VI 10	Landing Boats	30	0	0	30	30	30	0	0	0	0	0
VI 10A	Ice Breakers Transferred	0	0	0	0	0	0	0	0	0	0	0
VI 11	Motor Tugs	18	0	12	13	30	25	3	3	7	12	12
VI 12	3/4 Cal. D.D. Deck Guns	117	0	51	204	-	180	14	0	0	16	90
VI 13	5/16 Cal. D.D. Guns	0	0	30	60	-	60	0	0	0	0	40
VI 15	50 Cal. A.L. Machine Guns	0	0	0	0	-	0	0	0	0	0	33
VI 16	50 Cal. Twin Machine Guns	224	293	25	280	-	280	230	0	0	0	30
VI 17	Orlikon Guns	478	0	100	778	-	1,558	1,077	111	150	0	200
VI 18	Ammunition for Naval Arm.			Furnished with Ammunition								
VI 19	Storage Batteries for Subs	5	(14g)	4	5	21	20	24	0	0	2	4
VI 20	Diesel Generators & Gen. Comps.	57	(80g) 22	6	91	303	252	341	0	0	0	11
VI 21	Gas Engine Generators	0	0	0	0	128	0	0	0	0	0	10
VI 22	Marine Turbo Generators	0	(10g)	10	10	14	14	4	0	0	0	0
VI 23	Electric Motors Motor Gen. & Gen.	571	(1,210g) 1,325	71	349	571	392	318	0	0	0	41
VI 24	Portable Water Pumps	35	0	0	4	11	6	6	0	0	0	0
VI 25	Marine Pumps Non-Portable	88	(287g)	4	4	89	4	0	0	0	0	4
VI 25A	Marine Turbo-Pumps	32	0	12	53	63	57	44	0	0	0	9
VI 30	Elec. & Pneumatic Underwater Tools (sets)	0	0	0	0	202	202	200	0	0	0	0
VI 31	Portable Electric Stations	80	0	58	68	72	58	30	0	0	0	38
VI 32	Jacking Equip. for Salvage (sets)	0	(20g)	0	0	0	0	0	0	0	0	0
VI 33	Vertical Steam Boilers	3	(10g)	0	0	3	3	3	0	0	0	1
VI 34	Submarine Rescue Chambers	1	(1g)	0	1	1	1	1	0	0	0	0
VI 35	Windlasses w/Motors	4	(5g)	0	0	4	0	0	0	0	0	0
VI 36	Electric Ventilating Sets	628	(449g)	0	104	628	225	225	0	0	0	0
VI 37	Marine Turbo-Ventilators	6	(8g)	14	34	32	34	34	0	0	0	0
VI 38	Air Tanks	0	(12g)	0	0	0	0	0	0	0	0	0
VI 39	Towing Winches	0	(10g)	0	0	0	0	0	0	0	0	0
VI 40	Rotary & Changeover Switches	0	(1,000g)	0	850	4,365	850	350	0	0	0	0
VI 41	Watertight Junction Boxes	240	(200g)	0	160	240	162	22	0	0	0	160
VI 42	Auxiliary Equip. for Ships (sets)		(10g)	-	-	-	-	-	0	0	0	0
VI 43	Elec. Instruments & Fixtures (\$1000)	\$ 145	44	114	143	\$ 145	145	31	0	0	0	114
VI 45	Winter Diving Suits	20	0	0	0	20	0	0	0	0	0	0
VI 99A	Misc. Stores (\$1000)	**	0	18	1,554	**	2,484	2,389	0	0	0	95
VI 99B	Other Marine Mach. & Equip. (\$1000)	**	0	35	184	**	796	310	-	0	13	79
VI 99C	Other Elec. Mach. & Equip. (\$1000)	**	0	36	389	**	330	293	0	0	0	37
VI 99D	Optical & Navig. Instr., etc. (\$1000)	**	0	3	35	**	32	69	0	0	0	3
VI 99E	Other Radio Equip. (\$1000)	**	0	180	375	**	887	791	1	0	0	75
VI 99F	Naval Aircraft Equip. (\$1000)	**	0	0	0	**	0	0	0	0	0	0
VI 99G	Torpedo Equipment (\$1000)	**	0	0	0	**	137	17	0	0	120	0

In addition to the above Soviet Vessels have been repaired and armed in U.S. ports and supplied with stores and equipment for their return voyages.

Notes: All tons are 2000 lbs. net weight.

* Estimated
** Data not available

a From production or assignments in addition to quantities made available but not exported at end of Second Protocol period and after deductions of quantities repossessed or diverted before export.

b Offerings selected by U.S.S.R. are in excess of the aggregate of shipping commitments and reasonable stocks. Production control provisions of the Protocol are being exercised and will reduce production below offerings in some instances. Offerings for which no monthly schedules are quoted in the Protocol have been computed on the basis of proportional time elapsed.

c From production or assignments after deductions of quantities repossessed or diverted before export.

d Includes shipments for clearance through Persian Gulf or reported arrived in Persian Gulf.

e Additional offering of Second Protocol items not made available by June 30, 1943.

f Petroleum products and foodstuffs made available as exported.

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PROGRESS OF INDUSTRIAL PROJECTS FOR THE U.S.S.R.
As of November 30, 1943

Petroleum Refinery Program

This project was developed under the Second Protocol to replace Soviet facilities destroyed by the German Army. It was designed to produce aviation gas, motor gas and lubricating oils. The cost is expected to be approximately \$39,000,000. Additions expected to cost \$25,150,000 have been approved under the Third Protocol. Engineering on the additions is progressing.

The Second Protocol program is nearly complete. Out of an estimated 149,250 short tons comprising the program, 146,380 short tons had been made available at plant by November 30th, and 138,950 short tons had been exported. Most of the remaining tonnage consists of valves, instruments, spare parts and tank cars which will be made available before the end of the year. Eight U. S. engineers have arrived in the U.S.S.R. to aid in construction. More will follow.

Tire Production Program

This \$6,000,000 project is to permit the Soviet Government to produce a minimum of 1,000,000 military tires per year from their own supplies of synthetic rubber and natural rubber obtained from shrubs. To utilize idle American equipment, the tire plant of the Ford Motor Company has been purchased; all of this equipment has been dismantled and shipped. Ninety-five percent of the new equipment to supplement the Ford plant has been shipped from suppliers; the remainder will be made available from production by January, 1944. Engineers are being obtained to assist in installation in the U.S.S.R.

Automatic Block Signal System

This \$12,000,000 project is to permit automatic signal operation of a portion of the U.S.S.R. railroad system. The equipment when installed will permit greater carrying capacity on existing rail facilities without increase of rolling stock. The system will consist of signal and signal operating equipment for 2000 km of track; 455 km single track alternating current supply, 1162 km single track storage battery supply, 800 km single track primary battery supply and 583 km double track storage battery supply. Equipment is being made available at the manufacturers' plant. Twenty-five percent of the project is scheduled for export in December.

Power Program

Under the Second Protocol program 320,000 KW of stationary steam generating equipment has been made available. This includes nine units with a total capacity of 60,500 KW furnished with the petroleum refinery project and two units totaling 11,000 KW furnished with the tire plant. The remainder of the Second Protocol program totaling 258,500 KW, consisting of units rated from 250 KW to 35,000 KW are for installation as power utility plants. Over 60 percent of this equipment has been exported.

Diesel generating equipment totaling 162,000 KW and 59 industrial steam boilers have been made available for export.

Power equipment approved under the Third Protocol has now been placed under contract. Designing and manufacturing are progressing on schedule. The program consists of generating equipment as follows:

Stationary Steam Generating Equipment	166,500 KW
Mobile Steam Generating Equipment	217,000 KW
Stationary Diesel Generating Equipment	106,925 KW
Mobile Diesel Generating Equipment	33,000 KW
Hydro-electric Equipment	54,500 KW
Total	578,925 KW

Thirty-two industrial steam boilers and transmission equipment valued at \$5,000,000 are also being supplied.

Equipment for Iron and Steel Industry

In order to increase the output of steel ingots and finished products in the U.S.S.R. for use in the war effort, equipment is being supplied to complete blast and open hearth furnaces, coke ovens and miscellaneous equipment amounting to approximately \$12,000,000. Fabrication is progressing. One complete 18' merchant mill to roll odd shapes will be delivered by spring. Contracts are being negotiated to supply equipment to roll rails and structural beams. This equipment will consist of one blooming mill, soaking pits and a rail and structural mill. The entire project is valued at approximately \$22,000,000.

Aluminum Rolling Mill

This \$6,000,000 project for the production of aluminum sheet for the U.S.S.R. aircraft industry has been entirely exported with the exception of miscellaneous auxiliary equipment valued at \$400,000 which is now awaiting export.

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STATEMENT OF VESSELS SAILED TO U.S.S.R.

As of November 30, 1943

Date of Sailing	Number of Ships Sailing					Arrived	En Route as of Nov. 30	Cargo Disch. in U.K.	Lost	Losses by Month
	For North Russia	For Persian Gulf	For Soviet Arctic	For Soviet Far East	Total					
1941 Oct	10	-	-	5	15	14	-	-	1	-
Nov	9	1	-	3	13	12	-	-	1	-
Dec	14	7	-	4	25	22	-	-	3	1
1942 Jan	20	-	-	4	24	19	-	1	4	3
Feb	13	2	-	4	19	16	-	-	3	1
Mar	31	6	-	6	43	32	-	4	7	9
Apr	62	6	-	10	78	46	-	13	19	-
May	14	10	-	7	31	21	-	4	6	6
Jun	8	11	6	9	34	27	-	-	7	6
Jul	2	5	16	12	35	34	-	-	1	16
Aug	11	5	1	19	36	33	-	-	3	1
Sep	4	8	-	17	29	29	-	-	-	10
Oct	-	13	-	19	32	32	-	-	-	-
Nov	-	8	-	26	34	32	-	-	2	3
Dec	4	11	-	24	39	38	-	1	-	-
1943 Jan	12	12	-	22	46	38	-	8	-	-
Feb	22	7	-	28	57	35	-	20	2	1
Mar	1	19	-	26	46	44	-	1	1	2
Apr	-	18	-	37	55	54	-	-	1	1
May	-	15	4	44	63	62	-	-	1	-
Jun	-	4	5	45	54	54	-	-	-	2
Jul	-	17	16	24	57	57	-	-	-	-
Aug	-	24	7	38	69	67	-	-	2	2
Sep	-	27	-	50	77	71	6	-	-	-
Oct	10	25	-	27	62	34	28	-	-	-
Nov	20	25	-	32	77	4	73	-	-	-
Dec	-	-	-	-	-	-	-	-	-	-
Total Oct. 1941 to Nov. 30, 1943	267	286	55	542	1,150	927	107	52*	64	64

*22 vessels discharged in 1942. All of the cargo has been forwarded or diverted to others. 30 vessels discharged in April, 1943. Cargo is being on-carried, stored, or diverted.

Of the 1,150 sailings from October 1, 1941 to November 30, 1943, 515 were made by American vessels, 422 by Soviet vessels, 193 by American vessels transferred to Soviet registry, 19 by British vessels and 1 by a Swedish vessel. In addition to the 1,150 sailings, there were 104 ships that loaded partial cargoes in the U.S. for the U.S.S.R. In addition to the 64 ships shown above as lost, several ships have been sunk on their return voyages.

ACTUAL SHIPMENTS COMPARED WITH PROTOCOL SHIPPING OBJECTIVES
July — November 1943
FIGURES IN LONG TONS

	Atlantic Route	Pacific Route	Total
Protocol Objective	892,900	1,004,500	1,897,400
Shipments	1,100,000	1,224,000	2,324,000
Shipments in % of Objective	123%	122%	122%

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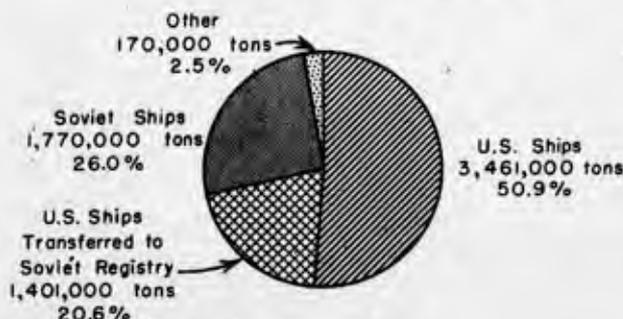
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STATEMENT OF CARGO SHIPPED TO U.S.S.R.

As of November 30, 1943

(Thousands of Gross Long Tons)

Month	For North Russia	For Persian Gulf		For Soviet Arctic	For Soviet Far East		Total	Arrived	En Route as of Nov. 30	Cargo on Hand or Diverted In U. K.	Lost	Losses by Month
		Full Cargoes	Partial Cargoes		Full Cargoes	Partial Cargoes						
1941 Oct	48	-	-	-	17	-	65	62	-	-	3	-
Nov	41	3	-	-	14	-	58	55	-	-	3	-
Dec	50	10	-	-	11	-	71	63	-	-	8	3
1942 Jan	63	-	-	-	26	-	89	72	-	1	16	9
Feb	66	4	1	-	20	-	91	76	-	-	15	5
Mar	171	17	1	-	25	-	214	163	-	5	46	42
Apr	376	21	-	-	38	-	435	267	-	40	128	-
May	92	79	8	-	33	-	212	141	-	19	52	-
Jun	55	84	7	18	31	-	195	139	-	-	56	55
Jul	14	38	25	47	58	1	183	174	-	-	9	114
Aug	69	40	25	2	83	-	219	197	-	-	22	7
Sep	28	63	9	-	79	-	179	179	-	-	-	65
Oct	-	109	12	-	108	-	229	229	-	-	-	2
Nov	-	66	5	-	106	1	178	165	-	-	13	17
Dec	29	83	9	-	122	-	243	236	-	7	-	2
1943 Jan	73	83	4	-	98	-	258	210	-	48	-	2
Feb	164	40	-	-	129	-	333	169	-	150	14	8
Mar	9	131	-	-	123	-	263	246	-	9	8	16
Apr	-	139	5	-	194	-	338	331	-	-	7	7
May	-	112	9	13	217	-	351	344	-	-	7	-
Jun	-	25	4	16	229	1	275	275	-	-	-	15
Jul	-	117	9	57	153	-	336	336	-	-	-	-
Aug	-	173	4	31	262	-	470	456	-	-	14	14
Sep	-	194	4	-	313	-	511	468	43	-	-	-
Oct	66	187	6	-	181	-	440	254	186	-	-	-
Nov	145	193	2	-	226	-	566	541	-	-	-	-
Dec	-	-	-	-	-	-	-	-	-	-	-	-
Total Oct. 1941 to Nov. 30, 1943	1,559	2,011	149	184	2,896	3	6,802	5,332	770	279	421	421

DISTRIBUTION OF TONNAGE SHIPPED TO NOV. 30, 1943
BY REGISTRY OF SHIPS

DATA ARE GROSS LONG TONS

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AIC,
Miami Beach, Florida,
28 December 1943.

MEMORANDUM FOR THE ASSISTANT CHIEF OF STAFF, G-2:

Subject: Argentina.

I. The Problem. The failure of Argentina to adhere to either the letter or the spirit of the Rio Agreement and the continuing deterioration of relations between Argentina and the United States since Pearl Harbor; the 4 June revolution in Argentina and the rise to power of a strongly pro-Axis or Axis dominated regime; the efforts of Argentina to create an anti-United States bloc of South American republics; the increasing catalogue of unfriendly and antagonistic acts by Argentina against the interests of the United Nations balanced against the gains by the United Nations from continuing trade relations with Argentina, create a problem of essential military interests both as to the present war effort of the United Nations and as to the post-war period. The following memorandum presents in detail the situation presently existing and recommends certain strong retaliatory measures short of war to be taken by the United States with respect to the Argentina.

II. Discussion.

1. Over all political and diplomatic situation presently existing in Latin America.

a. General Attitude of Latin American Countries. With the exception of Argentina, which has in general followed a policy of non-cooperation and attempted to undermine United States influence in Pan American affairs, all the Latin American governments have implemented the Rio Resolutions and cooperated with the United States in the war effort in varying degrees dictated largely by the local economic and political

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situation. Argentine cooperation has been limited to according the United Nations non-belligerent rights and to depriving the Axis nations of the privilege of sending coded messages by radio. Argentine economic assistance is covered in paragraph 3b.(5). The Central American countries and the Island republics of the Caribbean declared war on the Axis a few weeks after Pearl Harbor. Although not usually taking the initiative in practical steps to activate these declarations, these countries have generally adopted measures suggested by the United States and have permitted American forces to use existing installations and to construct necessary additional ones. When Mexico and Brazil joined the warring nations in 1942, they both expanded their military establishments and war production and intensified the anti-Axis measures introduced earlier when their countries broke relations with the Axis. Brazil, however, is the Latin American country which has carried its cooperation closest to actual participation in the war by its patrol activities in the South Atlantic and its training of the B.E.F. With the possible exception of Uruguay which has very little to offer but moral support based on its tradition of democracy at home, cooperation by the rest of the South American countries has not been "all-out". In spite of anti-American propaganda, Peru has managed to cooperate more fully and effectively than many of her neighbors, and Chile, which was the last country to break with the Axis (20 January 1943), has given satisfactory cooperation although maintaining an attitude of reserved cordiality toward the United States. Bolivia and Colombia consider themselves for all practical purposes at war, yet neither has taken the steps necessary, according to their constitutions, to make an out and out declaration. Colombian cooperation has differed only in degree since its adopting of a "belligerency" status, and the recent revolution in Bolivia has raised

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doubts as to its future cooperation. Venezuela's attitude has been closely related to its oil resources, its principal contribution to the war effort, and Paraguay has pursued policy of opportunism in dealing with the United States, as well as its neighbors, in its attempts to lessen its economic dependency.

b. Latin American Fear of the United States Domination After the War. The current wave of intense nationalism in certain parts of Latin America and the increasing attempts to promote the formation of such "blocs" as "Gran Colombia" and the "Argentine Bloc" are in part the result of a re-awakening of the traditional fear of United States imperialism. Except in Panama where there is considerable apprehension over the possibility that the United States will maintain its emergency defense sites in the Republic after the war, expressions of this fear have been made in the countries of Central America and the Caribbean area, accustomed to substantial economic dependence on the United States, only by individual politicians attempting to embarrass the regime in their own countries. The same has been true of the countries of northern South America. Mexico continues to distrust the United States and believes that the Good Neighbor policy will not survive the election of a new American president. While fear of United States post-war domination is real in Chile, Peru, and Ecuador, the Chileans are anticipating European competition which will relieve its economic dependence on the United States; Peruvians are depending on their own improved economic position to guarantee their independence; and Ecuadorans, though actively concerned over the possibility that the United States retaining the Galapagos Island base, feel that only through American aid can they reach a satisfactory boundary solution with Peru. Brazil, traditionally friendly with the United States and in a particularly favorable position because of her war effort, has shown no signs to date of fear

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of the United States post-war position. Argentina's principal concern is United States aid to Brazil rather than any direct domination.

c. Susceptibility to the Creation of an Anti-United States Bloc by Argentina. Paraguay, Bolivia, Chile, Uruguay, Peru, and Ecuador would probably be included in the proposed bloc. Paraguay and Bolivia, being inland countries and economically dependent on their neighbors both for supplies and markets, are probably the most susceptible to efforts by Argentina, if there is any promise of alleviating their economic situation. Ecuador is also susceptible on economic grounds, as she lacks foodstuffs. Chile's proximity to Argentina, their common history, and the fact that their economies are complementary to a large degree make it particularly susceptible to Argentine efforts, but Chile's extreme national pride, jealousy of Argentina, and knowledge that the Argentines drive a hard bargain are offsets to this susceptibility. Uruguay, with an economy almost identical with that of Argentina and a population strongly democratic and pro-United Nations, does not appear to favor an Argentine bloc, but its military weakness and proximity makes the country vulnerable to Argentine attack. Peru, standing along politically in South America, is probably the least susceptible to Argentine efforts, and fear of antagonizing the Peruvians may soften Argentine attempts to gain ground in Ecuador.

The multitude of conflicting interests, old jealousies and antagonisms make it difficult to envision more than a loose association of these countries at the most. Argentina would probably first contrive to establish nationalistic governments, preferably dominated by the military, and then set up a system of treaties bilaterally between Argentina and the other countries of the bloc. By offering the other members particularly attractive terms and long contracts for their products in exchange for their promise to follow Argentina's lead in Pan American affairs, Argentina could be successful in her attempt to usurp United States leadership in a large part of the hemis-

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phere unless the United States can match quickly and completely the advantages which Argentina can offer.

d. German Propaganda Line and its Effectiveness.

(1) Argentina allows pro-Axis propaganda to flow into this hemisphere. Pro-Nazi propaganda organizations have their headquarters in Buenos Aires, and disseminate Nazi ideology throughout Argentina and Latin America. The propaganda is definitely anti-United States. Argentina subdues pro-Allied vehicles of propaganda and news revealing the Allied cause in its true light.

(2) German propaganda, in addition to playing up the might of Germany and her Allies, has cleverly promoted the cause and friendship of groups of people and governments who are in sympathy with her system. Divisionist propaganda, playing on the weaknesses and errors of democratic peoples, encourages the growth of local Nazi-type parties which, while resolutely nationalist, are nevertheless a part of the Nazi chain. The propaganda has been very effective in that it has kept several countries internally divided and has lessened their assistance to the United Nations. (TAB A)

2. Argentina is a tool being used by the Nazis to create a diversion in Latin America which will cause the United States to divert its concentration from the main war effort. The pro-American Bolivian government is the first country to fall in the Nazi-inspired Argentine plot to create a bloc of South American countries which will follow a German-directed course against the United States. Argentina will gain adherents to the bloc by winning over Latin American governments or by overthrowing them. Flattery, threats, coercion, fear of Communism, colossus-of-the-north psychology, jealousy, trade treaties, lend-lease envy, nationalism, espionage, and money are all being used by her shrewd leaders to woo Latin American countries into her bloc.

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A large part of her effort is through her military and naval attaches. Many of her most prominent officers have been assigned to attache duty and their staffs have been heavily increased. (TAB B)

a. The Bolivian Revolution: On 20 December 1943, revolutionists under the leadership of Victor Paz Estenssoro overthrew the government of Bolivian President Penaranda and organized in its place a junta, composed of five Army Majors and six civilians. Events leading up to this coup d'etat present strong evidence to substantiate the following statements:

(1) The revolution, although it utilized the existing political opposition in Bolivia for its popular support, was hatched in Argentina; high ranking Argentine officials, including President Ramirez, War Minister Farrel and Colonel Peron were aware of the revolutionary plot and supported it to the extent of offering financial and other assistance; prominent Argentine and Bolivian pro-Nazis aided in the planning and possibly furnished financial assistance. Among the planners was the Nazi Party Intelligence organization (Sicherheitsdienst). (TAB B)

(2) The new Bolivian Regime is Nationalistic with some indications of being totalitarian. Many members of the present regime are pro-Axis; some are anti-United States. (TAB B)

(3) Bolivia's fall was due to Argentine aid. The revolutionaries were furnished arms and money, and promised food and loans if their revolution was successful. Argentine and German agents collaborated with the revolutionaries in contacting and bribing Army officers to activate the revolution. Such was the revolutionaries indebtedness to German agents in Argentina that they sent them reports on the progress of their plans. (TAB B)

(4) Preliminary conferences between the Revolutionists

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and German agents planned to place the blame for this revolt on the United States by means of propaganda describing the Bolivian conspirators as American agents designated to set up a puppet government in Bolivia.

(5) Reports on the reaction in other Latin American countries to the Bolivian revolution indicate that general opinion throughout Latin America recognized the event to be Nazi inspired and Argentine assisted. Some answers prophesied similar coups would follow in other countries. These opinions provide substantial support of the thesis that Argentina and her Nazi collaborators are provoking serious trouble for the U. S. in Latin America. (TAB C).

b. Chile.

(1) Since the institution of the Ramirez regime the increase in Argentina's efforts to establish closer relations with Chile has been so marked as to reveal a definite Argentine policy in this direction. Most of these efforts have been open and publicized but some are believed to have been conducted clandestinely. The impulse for the rapprochement is believed to come mostly from Argentina although appearing from press reports to be mutual. (TAB D). Assisting this rapprochement is a fear harbored by many Chileans that the United States, because of its isolationist groups, may revert after the war to a policy of self-interest and letting other nations shift for themselves.

(2) During the past six months the Rios Administration in Chile has been threatened with overthrow by a military coup d'etat. The militarists have become increasingly alarmed over the continuously growing strength of the Communists in Chile and many of them are advocates of severe repressive measures which the Rios government has, to date, been unwilling to take. It is reported that General Rawson, initial leader of the Argentine revolt, visited Chile before the

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Argentine coup and talked with Chilean Officers regarding a joint revolution. At that time he was refused, the Chileans maintaining that desired reforms could be accomplished constitutionally, but since then there is evidence that the plotting against the Rios government has continued and the plotters are reliably linked with the "Colonels" in Argentina and similar groups in Bolivia and Peru. (TAB E)

(3) In Chile, Argentine propaganda efforts are directed towards all classes of Chileans, and have led to the consideration of a Customs' Union between the two countries designed to eventually do away with customs barriers. Argentina has offered Chile her support against Communism; a military alliance against the growing power of Brazil; her assistance if Bolivia attempted to seize a seaport, and a mutual alliance against United States imperialism after the war. She has sent a stream of diplomatic missions, army officers and agents of various types to Chile to contact susceptible Chileans, to propagandize against the United States, and to spy on Chile. Argentine undercover activities have included the cultivation of rightists such as General Carlos Ibanez, dangerous local Nazis such as Jorge Gonzales von Marces and others of similar tendencies. If Chile's present government fails to satisfy the Argentines, intrigue and revolution will possibly follow. (TAB D & F)

c. In Paraguay, Argentina inspired an abortive revolution on 16 August 1943. Subsequent to this failure Argentina has strengthened its army along the Paraguayan border and has apparently decided to attempt to win over the present Paraguayan government to its side. It has lavishly entertained President Morinigo in Buenos Aires, and demonstrated its military strength to him. Argentina has instigated negotiations towards a customs union and has sent special missions for trade and agriculture to Paraguay. Paraguay seems willing to listen to Argentina's propositions. (TAB F)

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d. In Uruguay, Argentine efforts seem directed towards cultivation of discontented and pro-Axis elements through the use of trained agents. Argentina is reported to be concentrating on establishing an espionage system in Uruguay composed of naturalized Uruguayans of Argentine extraction. The possibility of an Argentine attack upon Uruguay should not be overlooked. (TAB Z)

e. Peru: In Peru, Argentina is using her staff of Military Attaches as propagandists and spies to promote her cause. Marshal Benavides is reported to be her most likely prospect to lead a Peruvian movement toward her side. Argentina is not now and has not been in recent years conspicuously popular among Peruvians. The weakness of the Prado Government -- its graft, corruption and dictatorial suppression of democratic liberties -- however, may at any time be exploited by well-calculated propaganda directed at arousing the strong Nationalism of Peruvian Military leaders. Definite proof of Argentine activity in this regard is lacking but in August 1943, a pamphlet quoting a press interview of General Ramirez in which he stated the causes and objectives of the Argentine coup was widely circulated among the Peruvian Army. Attributed by some to the Argentine Embassy, particularly to the Military Attache, this pamphlet urged the Peruvian Army to follow the example set by the Argentine militarists "to defend the democratic and republic Constitution of Peru and not permit the enthronement of tyrants without conscience who have made the country a feudal land for their families and their cronies." (TAB F)

f. Ecuador: Argentina's efforts to maintain her prestige and increase her influence in Latin America have spread to Ecuador, where there is increasing evidence of a determined Argentine policy designed to cement Argentine-Ecuadorian relations, while at the same time curbing United States influence in this country. Argentina's

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penetration heretofore has been mostly economic, but diplomatic and political activity has also been noted. Commercially, Argentina is taking advantage of the disrupted economic condition of the countries at war, including the United States. Diplomatically, the Argentines have a relatively easy job. They are making definite efforts towards cementing cultural and traditional ties, which are much stronger among Latin American countries than between any one Latin American nation and the United States. Politically, it appears to be the policy of alienating Ecuador from the United States by any means practicable. This is done largely through anti-American propaganda, and particularly through pro-Argentine propaganda which supports the Argentine premise that Argentina is the natural leader of South America.

g. Colombia: In Colombia, Argentine propaganda currently aims toward the development of sympathy with the Argentine stand.

3. Argentine Government is strongly antagonistic to the United States. a. Political. (1) Present Administration. The 4 June revolt is now believed to have been promoted by the G.O.U. (Government, Order and Unity), an organization of army officers bound together by little more than an oath of mutual allegiance. Actually, a small governing group within G.O.U. is using that organization to further its plans for a strong nationalist military oligarchy, and perhaps subsequently a personal dictatorship. This group is believed responsible for cabinet changes, switches in army commands, major economic and social changes, and intervention along totalitarian lines in nearly every phase of Argentine life. The leaders, pro-Axis and anti-United States most prominently mentioned, are Colonel Juan D. Peron, Chief of the War Ministry Secretariat and Head of the Secretariat of Labor and Social Welfare; Colonel Emilio Ramirez, Chief of Police of Buenos Aires; and Colonel Enrique Gonzales, Chief of the Presidential Secretariat.

President Ramirez, Vice President Farrell, and Colonel Avalos of the Campo

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de Mayo Garrison are also prominent members of G.O.U., but their influence at present is subordinate to that of the other three.

Now holding the position of most powerful individual member of the G.O.U. is Peron - young, athletic, ambitious, forceful, persevering - who by sheer force of personality seems to be able to impose his will on most of the other government leaders. He is a Nationalist by conviction, an avowed enemy of Communism and foreign capital, and unfriendly to the United States. There is considerable jockeying for power within the hierarchy, but at present there does not appear to be any real schism. Therefore, whether or not Peron should fall from power, this Army group appears firmly entrenched.

A democratic manifesto urging adherence to the Constitution and to international agreements was signed by a number of prominent Argentines on 15 October 1943. On the same day, three new cabinet officers were appointed, one of whom, the Minister of Justice and Public Instruction, was Gustavo Martinez Guviria (Hugo West), well-known for his pro-totalitarian and anti-Semitic views. One hour after the swearing in of these ministers, all government paid officials who had signed the democratic manifesto were ordered dismissed. Large numbers of distinguished teachers, professional men and scientists were affected by this order, and the action constituted a serious threat to free speech and the intellectual life of the country.

With but two exceptions, every Cabinet officer in General Ramirez's government is a military officer, Army or Navy. Many have spent years in Germany in official capacities and some have served with the German Army. All of the Army officers have been trained by German Military Missions in Argentina and all Cabinet officers are considered pro-totalitarian and anti-United States. The Minister of Finance is the only Cabinet officer who has had any training whatever in political science or government.

A further sign of Nazi influence on the Argentine Government can be observed in the support it receives from the pro-Nazi newspaper, El Cabildo.

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The proprietors of this daily morning newsheet are pro-totalitarian. Dermitt Fitzgibbon, advertising manager, states that the paper handles advertising only for firms on the blacklist, and that it is going to support anyone favoring the Nationalist cause. El Cabildo also takes credit for forcing the resignation of Storni. (TAB G)

(2) There is strong evidence indicating that the Nazis at least partially control the present Argentine Government. By means of loans, bribes, and financial transactions, the Nazis have a hold on certain members of the G.O.U. It is believed that in order to avoid exposure and remain in power, they follow Nazi orders. (TAB H)

(a) It is reported that the German Colony in Buenos Aires is assessed a monthly sum that runs into large figures, and over half this amount is used for Army officer graft. (TAB H)

(b) Argentine Army officers are reported to win large sums of money at the German Club in Buenos Aires, having regular and persistent good luck. (TAB H)

(c) Argentine officers are reported to obtain "loans" with ease at German banks. Prebisch, President of the Argentine Central Bank, is believed to have been removed because of his complete knowledge of these loans. (TAB H)

b. Economic.

(1) Argentine is being used as a cache for the loot of leading Nazis and will be the haven for their persons when they lose the war and have to leave Europe. (TAB I)

(2) Argentina is rendering positive economic aid to the German war effort.

(a) Argentina allows herself to be a base of operations wherein smugglers engaged in clandestine purchases of diamonds, platinum, and materials vitally needed by the Nazis may concentrate purchases

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made throughout Latin America and ship them to Spain and then to Germany.
(TAB K)

(c) Carlos Meyer Pellegrini and his associates are probably handling the investment of Axis wealth in Argentina. (TAB L)

(d) Fritz Mandl, former Austrian munitions manufacturer, is now in Argentina actively engaged in founding an Argentine munitions industry. He was able to remove \$12,000,000 from Germany with the consent of the German government. The French Deuxieme Bureau reported he was on mission for German government. (TAB M)

(e) Rafael Vehila and Francisco Cambo, wealthy Spaniards, now in Buenos Aires, are reported to be possible advisers and directors of Axis financial moves in Argentina. (TAB N)

(f) Other instances.

1. Funds of German and Vichy French origin seek haven in Argentina with cooperation of Argentine Banking houses.

a. Vichy French Investments in Argentina are being carried out by Rene de Chambrun. Holding companies are being organized to conceal transactions carried out on behalf of the Germans.
(TAB P)

b. Reports on German Embassy Funds and private German investments show Argentina does not harm these funds.
(TAB P)

c. Report of large amount of Axis money in Argentina brought there by Spanish boats. (TAB P)

d. Pascual Hermanos, Argentine Banking house suspected of operations in cooperation with Axis interest. (TAB P)

e. Reports of German-Argentine trade arrangements show strong ties between the two countries. (TAB P)

2 Argentine ports serve as depots from

which Spanish and other neutral ships carry war materials and couriers, engaged in espionage activities to Axis Europe. Her own ships and crews participate in coastal traffic which aids the Axis. Argentina ignores the provisions of the Proclaimed List and protects Axis-controlled firms so listed. (TAB O)

(3) Use of Spanish Ships to Carry Exports as well as Smuggled Goods for German use. Spanish ships are used to transport couriers, smuggled goods and needed strategic materials for German use. (TAB Q) Large quantities of grains, meat, fats, and hides have been shipped to Spain. Approximately 95% of the commodities listed in TAB R were shipped in Spanish bottoms and the principal ports of destination were Bilbao and Barcelona. Positive information concerning the final destination of these exports is unavailble but there are strong indications that large quantities of these Argentine products did not remain in Spain but were transhipped to the Axis or Axis-controlled countries. Detailed information concerning the amount and nature of goods smuggled from Argentina to Spain via Spanish ships is not available. However, the evidence concerning this subject is presented in TABS J and Q.

(4) Indications exist of possible aid to Axis submarines at sea. (TAB S)

(5) Food and Critical Materials Sold to United States and Britain Importance of Such Aid in the Total Supply Problem of the United Nations. Argentina has aided the United States by supplying her entire exportable surplus of meat and eggs as well as large amounts of wool, and lesser amounts of quebracho extract (for tanning), dairy products, poultry, fresh fruits, linseed and other vegetable oils and exporting to the United States all her tungsten. Since it is not known what the total supply needs of the United Nations are, it is impossible to state just how important Argentina's supply is to the whole subject. However, it is believed that the

Food Ministry in London depends on Argentine food for well over half its requirements. It is probable that Argentina supplies about 75% of the beef to the Food Ministry. Some of the purchases are made with funds under Lend-Lease and United States troops in the European theater eat Argentine meat. (TAB T)

c. Military: The consideration of possible Argentine Allies in an anti-Brazilian coalition has been limited here to those countries which a realistic Argentine government could be expected to secure as either active fighting or passively acquiescing Allies prior to making a serious effort to engage Brazil; namely, Bolivia, Paraguay and Uruguay, the last being the most important.

(1) Order of Battle Argentina and possible Argentine Allies. (TAB U and overlay).

(2) Order of Battle of Brazil. (TAB V and overlay).

(a) Effect of dispatch of Brazilian Expeditionary Force upon Brazilian Strength: Present plans calling for the dispatch of a Brazilian Expeditionary Force envisage one division by May 1944 at the earliest plus one air pursuit squadron, and possible later dispatch of as many as two additional ground divisions at an indefinite date. The organization of the 1st Expeditionary Division is proceeding slowly, with preparations centered on Rio de Janeiro. The contingents of officers and men sent there from various parts of Brazil to join the units of the expeditionary division are believed to be relatively small to date, and there is no indication that the soldiers withdrawn from established organizations cannot be replaced quickly through the operation of the normal conscription system. The gravitation of a number of the best qualified Brazilian officers to the expeditionary division(s) may be injurious to the units from which they are drawn from the Northeast and Central regions of the country respectively; these divisions, however, are not yet even in the

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formative stage. Brazil's Expeditionary Force is to be equipped with new materiel on arrival abroad; the maximum probable expedition (one division plus one pursuit squadron) does not appear to represent an inordinate drain upon her present military strength, either on the ground or in the air.

(b) Capabilities vis-a-vis Argentina and coalition of Argentine Allies: Brazil, enjoying a ground and air superiority over Argentina is believed to be thoroughly capable of defending herself against Argentina and her possible Allies. (TAB W)

(3) Uruguay: Estimate of capabilities and probable action. Uruguay's major capability is political rather than military, inasmuch as her army represents little more than an internal police force while her territory represents a buffer between Brazil and Argentina and the probable corridor for an attack upon either one by the other. At the present time, Uruguay's political sympathies are closely allied to Brazil and if given any freedom of choice, she would favor Brazil; however, any Argentine supported and inspired change in Uruguay's government might succeed in securing for Argentina transit privileges for her troops up to the Brazilian border.

(4) Fifth Column Groups in Brazil as Possible Argentine Allies: The large German colonies in south Brazil have been effectively organized into Fifth Column groups and are capable of rendering support to an Argentine invasion of Brazil. The large Japanese colony in south Brazil is well organized and would render active assistance to an Argentine invasion of Brazil if ordered to do so by the Japanese High Command. The pro-Axis Italians and Spaniards in Brazil are organized and, being closely associated with the German organizations in the area, are capable of rendering assistance to an armed invasion by Argentina.

Their groups were organized for the purpose of assisting a German invasion of Brazil or assisting Nationalistic pro-Axis

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governments in seizing control of as much of South America as possible.

(TAB X)

(5) Possibility of creating Axis-inspired diversion from our main war effort: Unless the United States fails to see the trap which is apparently being set for it and proceeds with a diversion on its own account, it is believed that there is little likelihood of an active military diversion arising out of the Argentine situation. As has been seen, the most likely source for such a diversion would be in a war between Argentina and Brazil but, as also stated, Argentina, even with a combination of all possible allies, is not strong enough to engage in such a war. Only in desperation in an attempt to divert attention from internal affairs would the present Argentine government attempt it.

Other possibilities for such diversionary effort are an Argentine attack on Uruguay, and a Bolivian attempt to wrest a seaport from Chile or Peru by force. It is believed, however, that Argentina will attempt to gain a friendly government in Uruguay by fomenting a revolution rather than by armed force. In an attempt for a seaport, Bolivia would be met by the Chilean or Peruvian army, either of which is more than a match for the Bolivian army.

A military diversion is therefore not considered probable unless the United States makes the first warlike move.

d. Espionage and Subversive Activities: Argentina, under Ramirez, continues to supply a base for Axis espionage operations in this hemisphere. The German Embassy and its Counsellor, Pochhammer, are believed to coordinate and manage espionage activities. (TAB Y).

(1) Buenos Aires is the center of Nazi activities in Latin America. (TAB Y)

(2) The Argentine espionage ring together with German agents collaborated with the Bolivian revolutionists. Just prior to the

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revolution, these Argentine agents were spending large sums of money and had secured extensive coverage. (TAB Y).

(3) In other countries, the Military and Naval Attaches are the principal figures in Argentine penetration. Many of her most prominent officers have been assigned to attache duty and their staffs have been heavily increased. (TAB Z)

(4) The Falange organization in Argentina has in no way been hampered by the Ramirez regime. Under the direction of the Falangista Spanish diplomats in Argentina, the Falange is in an excellent position to, and does facilitate the smuggling of strategic materials to the German war machine by way of Spanish ships leaving Argentine ports.

6. United States Military and Naval Bases in Latin America:

(1) By the end of 1943, the construction of a large number of airfields and seaplane bases in Latin America, developed by the United States under a number of separate agreements with the Latin American republics involved, will be virtually completed. This construction program was dictated by military necessity and necessary funds were provided by the War and Navy Departments either directly or through other governmental agencies. While the basic agreements regulating the construction of these bases establish the duration of the concession for their use by United States military organizations or airlines (ranging from the "Duration of the war plus six months" for purely military purposes, to 25 years for civil airlines use), it is considered highly important that such agreements be revised in such fashion as to grant to the United States permanent operating rights in such bases for the following reasons:

(a) Hemispheric defense: The defense of the Western Hemisphere is, for all practical purposes, the responsibility of the United States, this country being the only power in this hemisphere

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capable of conducting an effective defense. The areas in which the bases are located are areas guarding the air approaches to the Panama Canal and the United States proper; the national defense of the United States itself demands that such approaches be under our own control.

(b) Maintenance of the bases: The construction of these bases represents a considerable material investment on the part of the United States, the benefits of which would rapidly be lost both to the United States and the countries in which they are located were the installations permitted to deteriorate. Yet, the inexperience and carelessness of the Latin American governments, as well as their financial inability to support the expense of proper maintenance according to United States standards, would cause these bases to lose their value in a short time if they should become the sole responsibility of the Latin American governments. In the event it became necessary again to utilize these bases for active military operations, we and the Western Hemisphere would find ourselves in somewhat the same position we occupied at the outbreak of the present war.

(c) Commercial Aviation: A tremendous expansion of commercial aviation in the post-war period is anticipated, involving serious competition between the United States and foreign interest in the Latin American field. The advantageous position now occupied by the United States in this respect because of our operational rights to these bases could be maintained for the purpose of controlling new international and trans-continental airlines, provided continued operational rights could be negotiated.

(2) Effects of Argentine Influence: As matters now stand, with the exception of the airports at Cochabama, Bolivia and Asuncion, Paraguay, the airports constructed for United States use are not in the immediate area of Argentine influence. However, should Argentina's strength and prestige grow sufficiently to control the policies of north coast South

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American nations, and should Argentine-United States mutual distrust continue, any efforts to secure extensions of operational rights to bases in Latin America vital to our national defense would probably fail. In fact, even at the present time, efforts by the United States to renegotiate the agreements, if known to Argentina, would probably elicit Argentine claims that the plans of the United States in Latin America are aggressive and of a military character. Properly propagandized by Argentina, such contentions could be a major factor in any organized attempt to undermine and break down the Pan American system of voluntary association between the American republics and lead to a resurgence of "balance of power" groupings in its stead.

III. Conclusion:

1. The situation with regard to Argentine internal affairs and with regard to Argentine attempts to create an anti-United States, anti-United Nations bloc in southern South America is unfavorable to the United Nations.
2. It is believed that unless steps are taken quickly to insulate Argentina and to counter her activities in neighboring countries, Argentina will be able to create a bloc favorable to her consisting of all or some of the following countries: Uruguay, Paraguay, Bolivia, Chile and Peru. Argentina's efforts have already succeeded in aligning Bolivia on her side.
3. It is not believed that the development of armed conflict in South America involving Argentina is an immediate probability unless (a) the United States or Brazil makes the first war-like move, or (b) the internal situation of the present Argentine government becomes so desperate that it is forced to embark on an external war in order to maintain itself in power.
4. Possible sanctions which might be applied to Argentina are:
 - (a) Freezing Argentine funds with a corresponding investi-

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gation of Argentine holdings in the United States.

(b) Applying more strict surveillance at British control points to Argentine and Spanish vessels.

(c) Further reducing American exports to Argentina.

(d) Completely embargoing all United Nations exports to Argentina.

5. British Cooperation.

(a) Whether or not Britain would cooperate in such a program of sanctions is a matter not within the province of this office. It is known, however, that Britain has large financial investments in Argentina which might be jeopardized by such a step, and has a large and profitable commercial trade with Argentina which has not been terminated by the war. England also has no reason to support Pan-Americanism as an abstract ideal. It is anticipated that complete cooperation by England with the application of strict sanctions against Argentina will be difficult to obtain unless strong pressure is brought to bear.

(b) Without complete British cooperation, application of sanctions by the United States alone would be useless and harmful. Without British assistance shipping control would be practically impossible, and without British cooperation economic sanctions would be only partially effective, leaving Argentina free to do business with foreign markets. Furthermore, lack of British cooperation would demonstrate to the Axis lack of complete cooperation among the United Nations, providing them with excellent propaganda material. Furthermore, this would be a source of friction between England and the United States.

6. It is believed that Argentina would retaliate in only the commercial and financial fields to the application of sanctions and this would have little effect on the United Nations. Regardless of the nature of the sanctions, Argentina would probably continue to supply the United

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Nations with meat, wheat and dairy products since her entire economic structure is based on these commodities. Her retaliatory actions would probably be a matching of the same measures which were imposed on her in the way of sanctions. This would possibly be followed by a general freezing of all U. S. funds in Argentina of both private and U.S. Government assets. Then would follow general intervention in U.S. controlled firms with expropriation and confiscation as an ultimate objective. Such action would result in heavy financial loss to U.S. business firms which have large investments in Argentina but would not result in any appreciable loss to the United Nations's war effort.

7. The present Argentine Regime of General Ramirez can be overthrown. The military government of Ramirez does not enjoy the full support of the Army. Opposition is known to exist in considerable strength but is poorly organized. Since the Government has control of the arsenals and most of the military equipment, it would be difficult for an internal revolution to overthrow it. However, external pressure might accomplish it.

The only known organized opposition to the present regime is that of a movement headed by General Carlos Marquez. This alternative leader has the support of several army garrisons, many labor groups, many student groups and possibly a large proportion of the dissident elements of the Navy. It is known that the movement has two main objectives in throwing out the Ramirez Government. First, to implement the commitments of the Rio Conference including an immediate severance of relations with the Axis and, Second, the restoration of Constitutional government to Argentina. The United Nations would certainly gain by the overthrow of the present government by this group headed by General Marquez.

IV. Recommendations.

It is recommended that the United States, with British cooperation, apply the following sanctions to Argentina:

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1. Freezing Argentine funds with a corresponding investigation of Argentine holdings in the United States.

2. Applying stricter contraband controls to Argentine vessels at British control points. Additional control centers for this purpose may be established in Uruguay, Brazil, and Chile, if the need arises and the cooperation of these countries can be secured.

3. Further reducing exports to Argentina.

4. If the above recommended sanctions fail to produce results - completely embargoing all United Nations exports to Argentina.

W. W. COX,
Colonel, General Staff Corps,
Chief, American Intelligence Service.

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TREASURY,
PRETORIA,

28th December, 1943.

Dear Mr. Secretary,

I write to acknowledge receipt of your letter of 22nd November, together with attached document dealing with a tentative proposal for a United Nations Bank for Reconstruction and Development, for which I thank you.

I note that the proposal is not an expression of the financial views of your Government but is an indication of the views held by your technical experts. I shall take steps to have it examined by my advisers here.

I thank you also for your suggestion that I should submit comments and suggestions to you after such examination, and for your willingness to arrange for a further discussion of the proposal in Washington should any representative of the Treasury here be able to visit that city.

I note that you intend to send me further material amplifying and discussing the provisions in the outlined draft proposal.

Yours sincerely,

/s/ Jan Hofmeyr

The Secretary of the Treasury,
WASHINGTON, U.S.A.

BRITISH MOST SECRET

U.S. SECRET

OPTEL No. 424

Information received up to 10 A.M., 28th December, 1943.

1. NAVAL

One of H.M. Cruisers had 6 killed and 5 wounded during action against SCHARNHORST. Casualties in other ships not yet known.

2. MILITARY

ITALY. To noon 27th. 8th Army. Canadian troops made further progress in clearing ORTONA. Enemy machine gun positions southwest of the town were mopped up. Indian troops improved their positions southeast of TOLLO.

5th Army. French and United States troops made some further progress. Enemy was reported in strong outpost positions round SAN VITTORE. Active patrolling on British front.

3. AIR OPERATIONS

WESTERN FRONT. 27th. 3 Liberators and 2 Sunderlands attack eastward bound blockade runner, probably S.S. ALSTERUFER, 2,700 tons, 500 miles west-northwest of CAPE FIMISTERRE. The ship was left on fire and apparently abandoned and sinking. Off southwest NORWAY, Beaufighters torpedoed a 6,000 ton ship, set fire to another of 1,500 tons and shot down a Blohm and Voss 138 (large flying boat).

27th/28th. 7 Fortresses dropped leaflets over northern FRANCE.

ITALY. 25th. 84 Marauders attacked PIZA railway station and an adjacent airfield dropping 121 tons. 26th. 108 Marauders bombed 3 railway centres west of FLORENCE with good results.

4. On night 26th, 3 small Commando detachments made reconnaissance raids on French Channel Coast obtaining valuable information without meeting any enemy.

OPTEL No. 423 not sent to Washington.

SECRET
1943 DEC 29
TREASURY DEPARTMENT

Dec 29th H. Mc Told
 Jack Mc Cloy I recommend also
 W. Currie for financial
 & economic advisor to Eisenhower
 also we could furnish men to help him
 also I had heard it with
 F.O.R. - my boy
 said he would
 refer to them

12/29/43

Reading copy of Secretary's broadcast
to retailers on their opening of the Fourth
War Loan Drive.

We are addressing this broadcast to Retail people -- to the owners and managers of retail stores, and to the hundreds of thousands of clerks who are among the Treasury's best salesmen in our War Bond campaigns. We are asking you who have close, day-by-day contact with the public, to help again in January, when we launch the Fourth War Loan Drive. The American people will be asked to lend their Government fourteen billion dollars with which to finance the war. Five and one-half billion of this is to be loaned by individuals -- by you and your neighbors.

All of you know why we need this money at this time. You know that the leaders of United Nations have drawn up plans for the all-out attack.

-2-

It will be the greatest attack in history, and it will require tremendous quantities of fighting equipment -- the kind of equipment that your War Bond money buys.

I can assure you that when that attack comes, our troops -- our men on the front lines -- will give a mighty good account of themselves. I saw those men in action in Italy. I talked to them and was inspired by their seriousness and determination. ^{to win} These millions of American fighting men -- and women too -- scattered the length and breadth of the globe, want assurance that we are behind them -- that we on the Home Front are fighting the war too.

-3-

The success of the Fourth War Loan will help to give them this assurance.

You retail people have always taken on a big part of the job of selling war bonds during past drives. This time I understand you are setting a higher goal than ever for yourselves.

The Treasury congratulates you and thanks you.

To News Agency - 50 Rockefeller Plaza
NEW YEARS MESSAGE
PEOPLE SOVIET UNION

As sent to Secretary
12-29-43 75
New York City - (Press Collect)

As 1943 comes to a close, the entire civilized world recognizes and appreciates the strength and courage and character the Russian people have shown in beating back the hordes of well equipped, well trained Nazi troops. In the year to come, I sincerely hope that all of us, separated from you by miles upon miles of land and sea, will look further and probe more deeply into the nature of your country, about which there has been so lamentable a lack of understanding.

We know now that Russia is a great and powerful and progressive nation. Were she to remain misunderstood and mysterious as she was before the war, there could never be any real global cooperation or any real stability in the years to come.

Unfortunately, I did not have an opportunity to include Russia in my recent trip to the fighting front; but during the course of my traveling, I talked to a number of men returning from Russia -- high military officials and civilians with first-hand experience in dealing with leaders of the Russian nation.

I can say without hesitation that every report I heard was good. Everyone coming out of Russia after close association with the Russian people speaks highly of their character and integrity. Over and over again,

I heard this: "They stand by their word. What they agree to do, they'll do -- and nothing will stop them. There is no hedging, and no deviating from any commitment that they make, no matter how inconvenient or difficult carrying out their word may seem to be when the time comes to deliver the goods."

I don't know what better recommendation could be given any nation. I don't know any better foundation upon which the post-war reconstruction of the world could be based.

Over and over during the past generation, we have seen nations make commitments for expediency purposes and then forget them on the same basis.

We have seen the worst war in all history develop through a lack of International morality on the part of nations and their leaders. All this would never have happened -- and will not happen again -- if all nations could instil in their neighbors the kind of confidence that the people to whom I talked have in Russia.

It is with this in mind that I extend greetings and good wishes to the people of your country for the coming year.

*Checked with Russian Embassy
and signed by Secretary
12.30-27*

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1943 DEC 27 PM 1 12

HON HENRY MORGENTHAU JR

CARE FREDERICK SMITH OFFICE TREASURY OF U S

SOVIET PRESS TRADITIONALLY PUBLISHES MESSAGES NEW YEARS
GREETINGS TO PEOPLE SOVIET UNION FROM PROMINENT PERSONAGES
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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

December 29, 1943

TO Secretary Morgenthau

FROM H. E. McConnell

There are attached the most recent drafts of the Uniform Termination Article for Fixed Price Supply Contracts, the Statement of Principles for Determination of Costs Upon Termination of Government Contracts, and the Statement of Policy as to Removal and Disposition of Property in Connection with Contract Termination. These three papers are very near final form, and may be submitted to Justice Byrnes in the next week or ten days for his approval. With the exception of a few details, they have the unanimous approval of all the members of the Termination Board of the Baruch Unit. While I doubt that you will want to study the subjects item by item, you will probably want them readily available in your file for reference.

In general, I think they represent considerable progress. I think the work has been well done and carefully done. I have asked Mr. Sullivan to attend all meetings and discussions so that he is thoroughly familiar with it. At various times Mr. O'Connell, Mr. Mack and Mr. Davis have also attended.

We have all been particularly concerned with the necessity of finding a procedure which will permit of quick partial payments and early settlements which will give the Government the maximum protection consistent with prompt action, and which will not interfere with early conversion plans of contractors.

At various times Mr. Sullivan and I have suggested changes in previous drafts, practically all of which have been acted upon. I do not know now of any serious objection on our part to these drafts.

It may be that Justice Byrnes will release this material very promptly. Upon release, I think it will occasion considerable comment and discussion.

Encls.

H. E. M.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE 12/31/23

TO Secretary Morgenthau
FROM Mr. Sullivan

MS

As you know, the so-called Baruch Committee, acting through the Joint Contract Termination Board under the chairmanship of John Hancock, has for some time past devoted its efforts to the formulation of uniform principles governing the termination of war contracts by all war procurement agencies. I have acted as the Treasury representative on that Board.

Today the Board approved a uniform contract termination clause, together with an accompanying statement of cost principles, which will apply to the settlement of all fixed-price war supply contracts terminated by the Government.

The statements approved today contain substantial revisions over earlier proposals as a result of objections which I had presented to the Board. The principal changes made to meet Treasury objections were: first, in relation to payments to contractors to reimburse them for the cost of facilities which they had acquired for the performance of terminated contracts; and, secondly, as to the payment of accounting and legal expenses of contractors in connection with the settlement of terminated contracts.

It had earlier been proposed, in substance, that the contractor should be paid for loss of value of his facilities used in war production without regard to the substantial tax benefits that he might obtain under the tax amortization statute, which allows him to write off the cost of his facilities in five years or during a shorter period when the facilities become unnecessary for war production purposes. By contrast, the statement approved today, as revised to meet Treasury objections, limits payments for facilities in two important respects: first, payment by the Government will in no case exceed the cost of the facility reduced by the amount of tax amortization

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taken; and, secondly, payments are limited rigidly to the loss of useful value of special facilities which were acquired particularly for the performance of the contract and are not of a character which can reasonably be used in the ordinary business of the contractor.

With respect to reimbursement of the contractor for accounting and legal expenses in connection with the settlement of his terminated contract, the revised provision approved today excludes such costs incurred in connection with departmental appeals as well as in litigation.

I am advised that Mr. McConnell has already sent you a summary of the contract provision and cost statement in the form approved today.

M

Summary Of

Uniform Termination Article for
Fixed-Price Supply Contracts

This article gives the Government the right to terminate the contract at any time in whole or in part, by notice of termination to the contractor. It then specifies what the contractor is to do as to stoppage of work, termination and settlement of subcontracts, and preservation and disposition of property in its hands. Settlement may be made by negotiation between the contractor and the contracting officer representing the Government, either as to the whole of the contractor's claim or as to such parts as they agree upon.

While not stated in the article, the primary objective is to provide the basis for prompt payments by the Government to the contractor of amounts properly determined to be due so that funds will be made available to the contractor in order that he may immediately reconvert to civilian production, and thus reduce unemployment.

In the absence of agreement on a negotiated settlement the contractor is to be paid in accordance with a formula (1) the contract price for completed articles, (2) costs on work in process, plus a profit allowance which may not exceed 6% of such costs, and (3) costs incidental to termination of the contract and protection of property in the contractor's hands. There are also provisions for credits in favor of the Government on account of previous payments, Government claims, and proceeds of property sold or retained by the contractor. Partial payments of the amount due are to be made from time to time when found within the total amount allowable. In cases of partial termination the contractor is also to be entitled to a price adjustment on the work not terminated, to take care of higher costs on reduced production volume.

[Draft 27 December 1943]

UNIFORM TERMINATION ARTICLE FOR FIXED PRICE SUPPLY CONTRACTS

Article _____ Termination at the Option of the Government. (a) The performance of work under this contract may be terminated by the Government in accordance with this Article in whole, or from time to time in part, whenever the contracting officer shall determine any such termination is for the best interests of the Government. Termination of work hereunder shall be affected by delivery to the contractor of a Notice of Termination specifying the extent to which performance of work under the contract shall be terminated, and the date upon which such termination shall become effective. If termination of work under this contract is simultaneous with, a part of, or in connection with, a general termination (1) of all or substantially all of a group or class of contracts made by the _____ Department for the same product or for closely related products, or (2) of war contracts at, about the time of, or following, the cessation of the present hostilities, or any major part thereof, such termination shall only be made in accordance with the provisions of this Article, unless the contracting officer finds that the contractor is then in gross or wilful default under this contract.

(b) After receipt of a Notice of Termination and except as otherwise directed by the contracting officer, the contractor shall (1) terminate work under the contract on the date and to the extent specified in the Notice of Termination; (2) place no further orders or subcontracts for materials, services or facilities except as may be necessary for completion of such portions of the work under the contract as may not be terminated; (3) terminate all orders and subcontracts to the extent that they relate to the performance of any work terminated by the Notice of Termination; (4) assign to the Government, in the manner and to the extent directed by the contracting officer, all of the right, title and interest of the contractor under the orders or subcontracts so terminated; (5) settle all claims arising out of such termination of orders and subcontracts with the approval or ratification of the contracting officer to the extent that he may require, which approval or ratification shall be final for all the purposes of this Article; (6) transfer title and deliver to the Government in the manner, to the extent and at the times directed by the contracting officer (i) the fabricated or unfabricated parts, work in process, completed work, supplies and other material produced as a part of, or acquired in respect of the performance of, the work terminated in the Notice of Termination, and (ii) the plans, drawings, information and other property which, if the contract had been completed, would be required to be furnished to the Government; (7) use his best efforts to sell in the manner, to the extent, at the time, and at the price or prices directed or authorized by the contracting officer, any property of the types referred to in subdivision (6) of this paragraph provided, however, that the contractor (i) shall not be required to extend credit to any purchaser and (ii) may retain any such property at a price or prices approved by the contracting officer; (8) complete performance of such part of the work as shall not have been terminated by the Notice of Termination; and (9) take such action as may be necessary or as the contracting officer may direct for protection and preservation of the property, which is in the possession of the contractor and in which the Government has or may acquire an interest.

(c) The contractor and the contracting officer may agree upon the whole or any part of the amount or amounts to be paid to the contractor by reason of the total or partial termination of work pursuant to this article, which amount or amounts may include a reasonable allowance for profit, and the Government shall pay the agreed amount or amounts. Nothing in paragraph (d) of this article prescribing the amount to be paid to the contractor in the event of failure of the contractor and the contracting officer to agree upon the whole amount to be paid to the contractor by reason of the termination of work pursuant to this article shall be deemed to limit, restrict or otherwise determine or affect the amount or amounts which may be agreed upon to be paid to the contractor pursuant to this paragraph (c).

(d) In the event of the failure of the contractor and contracting officer to agree as provided in paragraph (c) upon the whole amount to be paid to the contractor by reason of the termination of work pursuant to this article, the Government, but without duplication of any amounts agreed upon in accordance with paragraph (c), shall pay to the contractor the following amounts:

- (1) For completed articles delivered to and accepted by the Government (or sold or retained as provided in paragraph (b) (7) above) and not theretofore paid for, forthwith a sum equivalent to the aggregate price for such articles computed in accordance with the price or prices specified in the contract;
- (2) In respect of the work under the contract terminated as permitted by this article, the total (without duplication of any items) of (i) the cost of such work exclusive of any cost attributable to articles paid or to be paid for under paragraph (d) (1) hereof; (ii) the cost of settling and paying claims arising out of the termination of work under subcontracts or orders as provided in paragraph (b) (5) above, exclusive of the amounts paid or payable on account of supplies or materials delivered by the subcontractor prior to the effective date of the notice of termination of this contract, which amounts shall be included in the cost on account of which payment is made under subdivision (i) above; (iii) a sum equal to 1% of the part of the amount determined under subdivision (i) which represents the cost of articles or materials not processed

1. Not to exceed 1%.

by the contractor, plus a sum equal to _____%² of the remainder of such amount, but the aggregate of such sums shall not exceed 6% of the whole of the amount determined under subdivision (1), which for the purpose of this subdivision (iii) shall exclude any charges for interest on borrowings; and (iv) any other reasonable cost incidental to termination of work under this contract, including expense incidental to the determination of the amount due to the contractor as the result of the termination of work under this contract; and

- (3) The reasonable cost of the preservation and protection of property incurred pursuant to paragraph (b)(9) hereof.

The total sum to be paid to the contractor under subdivisions (1) and (2) of this paragraph (d) shall not exceed the total contract price reduced by the amount of payments previously made for articles delivered prior to termination and by the contract price of work not terminated. Except to the extent that the Government shall have otherwise expressly assumed the risk of loss, there shall be excluded from the amounts payable to the contractor as provided in paragraph (c)(1) and paragraph (d)(2)(i), all amounts allocable to or payable in respect of property, which is destroyed, lost, stolen or damaged so as to become undeliverable prior to the transfer of title to the Government or to a buyer pursuant to paragraph (b)(7) or prior to the 60th day after delivery to the Government of an inventory covering such property, whichever shall first occur.

(e) The obligation of the Government to make any payments under this article: (1) shall be subject to deductions in respect of (i) all unliquidated partial or progress payments, payments on account theretofore made to the contractor and unliquidated advance payments, (ii) any claim which the Government may have against the contractor in connection with this contract, and (iii) the price received upon or the proceeds of sale of any materials, supplies or other things retained by the contractor or sold, and not otherwise recovered by or credited to the Government, and (2) in the discretion of the contracting officer shall be subject to deduction in respect of the amount of any claim of any subcontractor or supplier whose subcontract or order shall have been terminated as provided in paragraph (b)(3) except to the extent that such claim covers (i) property or materials delivered to the contractor or (ii) services furnished to the contractor in connection with the production of completed articles under this contract.

(f) In the event that, prior to the determination of the final amount to be paid to the contractor as in this article provided, the contractor shall file with the contracting officer a request in writing that an equitable adjustment should be made in the price or prices specified in the contract for the work not terminated by the Notice of Termination, the appropriate fair and reasonable adjustment shall be made in such price or prices.

(g) The Government shall make partial payments and payments on account, from time to time, of the amounts to which the contractor shall be entitled under this Article, whether determined by agreement or otherwise, whenever

2. To be established at a figure which is fair and reasonable under the circumstances.

in the opinion of the contracting officer the aggregate of such payments shall be within the amount to which the contractor will be entitled hereunder.

(h) For the purposes of paragraphs (d)(2) and (d)(3) hereof, the amounts of the payments to be made by the Government to the contractor shall be determined in accordance with the Statement of Principles for Determination of Costs upon Termination of Government Contracts promulgated by the Department 1943. The contractor for a period of three years after final settlement under the contract shall make available to the Government at all reasonable times at the office of the contractor all of its books, records, documents, and other evidence bearing on the costs and expenses of the contractor under the contract and in respect of the termination of work thereunder.

Statement of Principles for Determination
of Costs upon Termination of Government Contracts

The termination article makes this statement of cost accounting principles applicable to all settlements not arrived at by negotiation. It is generally assumed that the same principles will be followed in arriving at negotiated settlements.

The statement provides in general terms for the allowance of all direct and indirect costs "sanctioned by recognized commercial accounting practices". To the extent consistent, the contractor's own accounting practices as indicated by his books of account and financial reports are to be given due consideration. The statement does not purport to set forth all items of cost that will be allowed, nor those that will not, but it does deal with a number of special items. It makes allowable, for example, a proper proportion of such overhead items as depreciation, experimental and research expense, commercial advertising expense, and interest on borrowings. Engineering and special tooling costs, and losses on special facilities acquired solely for the performance of the contract and any other war production contracts, are also allowed under terms providing for protection of the Government's interest by transfer of title or other appropriate means. Certain costs are expressly excluded, such as expenses of Federal income tax litigation, reconversion costs, and costs in excess of the reasonable requirements of the contract.

6th Draft
27 Dec 1943

Statement of Principles for Determination of Costs
Upon Termination of Government Contracts.

The following is "the Statement of Principles for Determination of Costs upon Termination of Government Contracts promulgated by the Department _____ 1942" referred to in paragraph (h) of the Uniform Termination Article applicable to the termination of fixed-price contracts at the option of the Government.

1. General Principles. The costs contemplated by this Statement of Principles are those sanctioned by recognized commercial accounting practices and are intended to include the direct and indirect manufacturing, selling and distribution, administrative and other costs incurred which are reasonably necessary for the performance of the contract, and are properly allocable, under such practices, to the contract (or the part thereof under consideration). The general principles set out in this Statement are subject to the application of any special provisions of the contract. Certain costs are specifically described below because of their particular significance, and, as in the case of other costs, should be included to the extent that they are allocable to or should be apportioned to the contract or the part thereof under consideration.

(a) Common Inventory. The costs of items of inventory which are common to the contract and other work of the contractor.

(b) Common Claims of Subcontractors. The claims of subcontractors which are common to the contract and to other work of the contractor.

(c) Depreciation. An allowance for depreciation at appropriate rates on buildings, machinery and equipment and other facilities, including such amounts for obsolescence due to progress in the arts and other factors as are ordinarily given consideration in determining depreciation rates. Depreciation as defined herein shall not include loss of useful value of the type covered by subparagraph (f).

(d) Experimental and Research Expense. General experimental and research expense to the extent consistent with an established pre-war program, or to the extent related to war purposes.

(e) Engineering and Development and Special Tooling. Costs of engineering and development and of special tooling; provided that the contractor protects any interests of the Government by transfer of title or by other means deemed appropriate by the Government.

(f) Loss on facilities - Conditions on Allowance. In the case of any special facility acquired by the contractor solely for the performance of the contract, or the contract and other war production contracts, if upon termination of the contract such facility is not reasonably capable of use in the other business of the contractor having regard to the then condition and location of such facility, an amount which bears the same proportion to the loss of useful value as the deliveries not made under the contract bear to the total of the deliveries which have been made and would have been made had the contract and the other contracts been completed, provided that the amount to be allowed under this paragraph shall not exceed the adjusted basis of the facility for Federal income tax purposes immediately prior to the date of the termination of the contract, and provided further that no amount shall be allowed under this paragraph unless upon termination of the contract title to the facility is transferred to the Government, except where the Government elects to take other appropriate means to protect its interests.

(g) Special Leases. (1) Rentals under leases clearly shown to have been made for the performance of the contract, or the contract and other war production contracts, covering the period necessary for complete performance of the contract and such further period as may have been reasonably necessary; (2) costs of reasonable alteration of such leased property made for the same purpose; and (3) costs of restoring the premises, to the extent required by reasonable provisions of the lease; less (4) the residual value of the lease; provided that the contractor shall have made reasonable efforts to terminate, assign, or settle such leases or otherwise reduce the cost thereof.

(h) Advertising. Advertising expense to the extent consistent with a pre-war program or to the extent reasonable under the circumstances.

(i) Limitation on Costs Described in Subparagraphs (d), (e), (f), (g), and (h). In no event shall the aggregate of the amounts allowed under subparagraphs (d), (e), (f), (g), and (h) exceed the amount which would have been available from the contract price to cover these items, if the contract had been completed, after considering all other costs which would have been required to complete it.

(j) Interest. Interest on borrowings.

(k) Settlement expenses. Reasonable accounting, legal, clerical and other expenses necessary in connection with the termination and settlement of the contract and subcontracts and purchase orders thereunder including expenses incurred for the purpose of obtaining payment from the Government only to the extent reasonably necessary for the preparation and presentation of settlement proposals and cost evidence in connection therewith.

(l) Protection and Disposition of Property. Storage, transportation and other costs incurred for the protection of property acquired or produced for the contract or in connection with the disposition of such property.

2. Initial Costs. Costs of a non-recurring nature which arise from unfamiliarity with the product in the initial stages of production should be appropriately apportioned between the completed and the terminated portions of the contract. In this category would be included high direct labor and overhead costs, including training, costs of excessive rejections and similar items.

3. Excluded Costs. Without affecting the generality of the foregoing provisions in other respects, amounts representing the following should not be included as elements of cost:

(a) Losses on other contracts, or from sales or exchanges of capital assets; fees and other expenses in connection with reorganization or recapitalization, anti-trust or federal income-tax litigation, or prosecution of federal income tax claims or other claims against the Government (except as provided in paragraph 1(k)); losses on investments; provisions for contingencies; and premiums on life insurance where the contractor is the beneficiary,

(b) The expense of conversion of the contractor's facilities to uses other than the performance of the contract,

(c) Expenses due to the negligence or wilful failure of the contractor to discontinue with reasonable promptness the incurring of expenses after the effective date of the termination notice,

(d) Costs incurred in respect to facilities, materials or services purchased or work done in excess of the reasonable quantitative requirements of the prime contract,

(e) Costs which, as evidenced by accounting statements submitted in reimbursement under Section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942, as amended, were charged off during a period covered by a pre-award renegotiation, may not be subsequently included in the termination settlement if a refund was made for such period, or to the extent that such charging off is shown to have avoided such refund.

4. To the extent that they conform to recognized commercial accounting practices and the foregoing Statement of Principles, the established accounting practices of the contractor as indicated by his books of account and financial reports will be given due consideration in the preparation of statements of cost for the purposes of this article.

5. The failure specifically to mention in this statement any item of cost is not intended to imply that it should be included or excluded,

Statement of Policy as to Removal and Disposition
of Property in Connection with Contract Termination

The policy to be announced by this statement would commit the Government to the greatest possible speed in clearing contractors' plants of completed articles, component parts, work in process, raw materials, and equipment on hand upon termination, both to facilitate other war production and, after the war, to permit a prompt return to civilian production. For those purposes the procuring agencies are to be given broad powers of disposition during the war, and central agencies are to be designated to handle property not disposed of by the procuring agencies. The central agencies are not named in the draft.

A procuring agency may at all times dispose of property by allowing the contractor who has it to retain it by appropriate agreement. During the war a procuring agency may also dispose of any property either itself or through the contractor who has it, but it is stated that the powers of the procuring agencies in that regard are expected to be limited by further action of the Board to disposals of property for war production purposes when the central agencies become ready to undertake disposals for other purposes. It may be inferred that at that time and thereafter the central agencies will have the function of disposing of all property which the terminated contractor is not to retain and for which the procuring agency does not find a need in war production.

Procuring agencies are allowed sixty days after lists of property are furnished by contractors in which to effect disposition. Thereafter, if they fail to remove the property upon demand of the contractor, the contractor may remove and store it at the expense and risk of the procuring agency. At that time, or at any other time, the procuring agency may report the property to the central agency for disposition, and the central agency will be responsible for disposition and for storage and other costs. The central agency is required to consult with the procuring agency as to the disposition of any property of special military significance, and procuring agencies are required to render all reasonable assistance to the central agency in the performance of its obligations.

The same policy and procedure are made applicable to property in the hands of subcontractors, however remote, where lists of such property are furnished to the procuring agency with satisfactory evidence that the property is properly allocable to the terminated prime contract.

T2-16-437STATEMENT OF POLICY AS TO REMOVAL AND DISPOSITION OF
PROPERTY IN CONNECTION WITH CONTRACT TERMINATION

The speedy adjustment of cancelled contracts depends to a large extent on the prompt removal and disposal of completed articles, component parts, work in process, raw materials and equipment in the possession of the contractor at the time of cancellation. So long as the war continues it is essential to clear the contractor's plant as soon as possible so that it may return to the production of other needed war materials and to make available for other war production any property which can be used for that purpose. After the war the speedy disposition of such property is essential in order to clear the contractor's plant for a return to civilian production. To that end it is essential that broad powers of disposition be vested in the procuring agencies, and that a central agency should be designated to which may be transferred property not disposed of by the procuring agencies and no longer required by them.

In some cases legal title to the property in the possession of the contractor has passed to the Government; in others, it remains in the contractor. In either case the problem is essentially the same and there is need for policies permitting uniform administration. Therefore, the following steps should be taken promptly upon cancellation or substantial modification of any contract.

1. As soon as possible after receipt of notice of cancellation or modification of any contract, the contractor should submit lists of property no longer required for the performance of the contract to which the Government is entitled, or which are the property of the Government. Separate lists should be prepared of (1) machine tools and other production equipment, (2) completed articles, subassemblies and component parts, (3) work in process (4) supplies (5) materials, and (6) scrap. Partial lists should be presented from time to time giving preference to those items which, in the opinion of the contractor or the procuring agency, are immediately needed in war production either in the contractor's plant or elsewhere. The list should contain an adequate description of each item and should show the ceiling and current established market prices for each item if readily available and any readily available information as to the cost of each item to the contractor. Where the contractor wishes to retain or acquire an item, he should state the price at which he is willing to accept the item. Failure to list an item should not prevent the contractor from claiming reimbursement therefor in the final settlement and in connection with final settlement the contractor may furnish additional information as to the cost of any item.

2. Where the contractor has an option to purchase or lease or other contract rights in any item, he should promptly indicate whether he desires to exercise such rights or is willing to waive them. If he indicates the former, disposition of the property should be made in accordance with the terms of the contract.

3. While the lists are in course of preparation and as the necessary information becomes available the procuring agency and the contractor should seek to make immediate disposition of any items which can be readily disposed of. If, in the judgment of the procuring agency, the item is one which it would be appropriate for the contractor to retain or acquire the procuring agency should endeavor to negotiate an agreement for such retention or acquisition. If the procuring agency determines that the item should be disposed of to someone other than the contractor for purposes of war production, the procuring agency should endeavor to arrange for such disposition through the contractor or direct. Prior to the cessation of hostilities, any item not disposed of to the contractor or to others for purposes of war production, which the procuring agency does not desire to retain for its own use or that of any other governmental department, may be disposed of by the procuring agency or by the contractor with the approval of the procuring agency for any purpose not inconsistent with the policies of the Board. It is expected that the power of disposition for any purpose other than for war production or to the contractor will be transferred in whole or in part by action of the Board to the central agency as it becomes ready to undertake such activity.

4. Each procuring agency may exercise complete discretion as to the price at which any item may be disposed of subject to such pricing policies or formulas as may be established by the Board or under its authority, including any specific instructions referred to in paragraph 9 hereof. In the absence of specific action by the Board the procuring agency will endeavor to dispose of property at prices which it may regard as representing fair values under the existing circumstances observing the following general policy as to determination of fair value

a. Where there is an established market price for the item an effort should be made to obtain that price with due allowance for the condition of the item, its location and the cost to remove it to a place of disposal, and the selling cost including cost of preparation for sale.

b. Where there is no established market price, consideration should be given to the foregoing factors and any other available information including the cost of the item, and the speed with which the item can be re-processed or otherwise put back into use. It is recognized that disposal prices will in many instances bear little, if any relationship to cost.

c. Substantial portions of property involved in contract termination, particularly work in process, jigs, dies, fixtures and specially designed items having no known commercial application, may have no value except as scrap. A prompt effort should be made to determine promptly what items are properly classified as scrap and to effect prompt disposition of such items.

d. In cases where disposition is made to a contractor or supplier for the purpose of performing a war production contract consideration may be given to any lesser value of the item to the contractor or supplier for that purpose, if war production will thereby be facilitated.

If disposition cannot be made at prices determined in accordance with the foregoing, then until such time as the central agency becomes ready to undertake disposition of the property, sale may be made by the procuring agency under such other regulations as it may prescribe for the purpose of adequately testing the market.

5. Unless the contract otherwise provides, the contractor may, at any time after receipt of termination notice, remove from his plant and store at his own risk, any property, and the Government, with the consent of the contractor, may remove and dispose of any property listed in accordance herewith prior to final settlement. At all events, unless the contract otherwise provides, any property not disposed of in the manner hereinbefore provided within sixty days from receipt of a list covering the particular item should, upon demand of the contractor, be removed from the contractor's premises by the procuring agency, unless the procuring agency shall previously determine that the item is not chargeable to the Government and does not belong to the Government. In the event that any such property is not so removed upon demand, the property may be stored by the contractor at the expense and risk of the procuring agency or on the contractor's premises or, if he determines that space is not available for that purpose, then elsewhere. In such a case the contractor should take reasonable precautions for the protection of the property and should notify the procuring agency of the action taken. If it is later determined that the procuring agency was not obligated to take property which was removed or disposed of prior to final settlement, an adjustment should be made in the final settlement which will allow the contractor the current disposal value of the property at the time of removal.

6. Any property which comes into the hands of the procuring agency in connection with contract termination which is not disposed of as hereinbefore provided and which has been determined by the procuring agency to be surplus to its needs should be reported to the central agency for disposition. Upon receipt of such report the central agency shall with reasonable promptness take possession, accountability, and full responsibility for any further maintenance or utilization, removal, protection, storage, sale or other disposition of the property. The central agency shall consult with the procuring agency as to the disposition of any property of special military significance. The procuring agency shall have the right to remove and store for the account and at the risk of the central agency any property so reported, pending action by the central agency.

7. The procuring agency shall render all reasonable assistance to the central agency in performing its obligations under paragraph 6. The central agency shall be authorized to use any existing storage or other facilities which the procuring agency finds it practicable to make available to it.

8. Transfers to the central agency shall be made without values but the central agency shall make periodic reports to the procuring agency as to the aggregate estimated value of items transferred, valuations to be based on disposal values at the time of transfer to the central agency, as estimated by the central agency.

9. Any disposition of property by the procuring agencies or the central agency shall be made subject to such regulations as the particular agency may prescribe but only in conformity with policies or determinations of the Board and under applicable rulings of the War Production Board, the Office of Price Administration or any other duly authorized agency. At the request of any procuring agency or the central agency or on its own initiative, the Board may establish or approve pricing formulas under which any article or class of articles may be sold by a procuring agency, may designate the appropriate agency to sell any article or class of articles, and may prohibit or condition the sale of any article or class of articles by a procuring agency.

10. The foregoing provisions relate solely to property in the hands of prime contractors. In order to carry out the basic policies of speedy adjustment of contracts and prompt clearance of plants, the same principles should be applied to property in the hands of subcontractors of any level where the subcontractor submits lists of such property prepared in accordance with paragraph 1, with the certificate of the prime contractor that the items listed are believed to be properly allocable to the prime contract, or any other satisfactory evidence of that fact,

NOT TO BE RE-TRANSMITTEDCOPY NO. 17BRITISH MOST SECRET
U.S. SECRETOPTEL No. 425

Information received up to 10 a.m., 29th December, 1943.

1. NAVAL

BAY OF BISCAY AREA, 29th. 11 German destroyers sighted 9:40 A.M. 300 miles Southwest of USHANT with apparent intention of meeting homeward bound blockade runner. Enemy destroyers intercepted at 1:35 p.m. by two of H.M. Cruisers.

2 Narvik Class and 1 Elbing Class destroyers sunk, others damaged. Liberators subsequently attacked at 6:30 p.m. No details available. Our Cruisers sustained slight damage and a few casualties.

2. MILITARY

ITALY. 8th Army have made further progress in clearing ORTONA.

RUSSIA. Russians have made progress in VITEBSK area and advanced in KOROSTEN area. North of KIROVOGRAD strong German tank and infantry attacks have been repelled.

3. AIR OPERATIONS

WESTERN FRONT. 28th. Beaufighters damaged a 2,000 ton ship and 3 escort vessels off NORWAY.

28th/29th. 20 Mosquitoes despatched to DUISBURG, DUSSELDORF and COLOGNE. 11 Wellingtons dropped leaflets.

ITALY. 27th. Communication targets near GENOA and AREZZO attacked by 41 medium bombers, and at ANAGNI (S.E. ROME) and CIVITAVECCHIA by 92 fighter bombers.

OFFICE OF THE
SECRETARY OF THE
TREASURY
C. J. AM 11 57
NAVY DEPARTMENT

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

December 30, 1943

TO Secretary Morgenthau

FROM Fred Smith

- (1) Isn't it about time to spring George Albee? He will have to help on the first broadcast, and we have a speech in Cincinnati to follow almost immediately.
- (2) I have asked Gamble to let us use Private Dudley to stage your broadcasts during the drive. I think he will also have some fresh ideas.

FS

OK
- HMM

Howard Smith - 12/31/43

December 30, 1943

Dear Mr. Sherrard:

I have read with great interest your plan which has been suggested to the fifty-five hundred members of your Association to cooperate in the Fourth War Bond Drive.

The encouraging part of your plan is your willingness to concentrate on the man in the street who, with his volume purchases of small denomination bonds, can make this drive a really great success.

In previous drives we realize that too little publicity emphasis has been placed on the man in the street. He has come to feel that his small purchases do not matter.

The hotels of this country, by this kind of cooperation, can perform a great public service.

You may count on the full support of the Treasury Department in your effort.

Sincerely,

(Signed) E. Margathan, Jr.

Mr. Glenwood J. Sherrard
American Hotel Association
c/o The Parker House
Boston, Massachusetts

FS:gr
12-30-43

Advised Mr. Gamble that whenever Mr. Frank
can come in, the Secretary will be glad to
see him.



WAR FINANCE DIVISION
DEFENSE SAVINGS PLAN

TREASURY DEPARTMENT

WASHINGTON

December 30, 1943

TO SECRETARY MORGENTHAU
FROM TED R. GAMBLE

I located Mr. Aaron Frank in Southern California, where he was visiting with sons and is recuperating from a recent illness. He contacted his doctor and upon his advice, decided he could not come to Washington, on Monday, January 3rd. He felt he would be able to make the trip a week or ten days after this date and while he would not commit himself as being definitely available to take the job you had in mind, it is my opinion he would make a favorable decision after meeting with you.

I told him I would get in touch with him later, if it were possible to delay your decision in this matter that long.

FOR DEFENSE



THE UNDER SECRETARY OF STATE
WASHINGTON

December 30, 1943

Dear Henry,

I have just received your message and I appreciate tremendously your kind thought. I have had quite a severe seige of the flu and while I am at work at my apartment, I am warned that I should not be out and around for another few days.

With every good wish for the new year,

Sincerely yours,



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

COPY

Strictly Confidential

Letter from Adler dated December 30, 1943

The most interesting recent development here is the story that a number of younger Army officers have been attempting to organize a movement to displace the people "close" to the Gimo, that is both higher Army officers and non-military politicians. One of the leaders of this movement which was gaining considerable support as a result of the corruption rife in upper Army circles was arrested after his return from India where apparently he was enlisting support among the Chinese Army officers there and may have been shot by now. The above story is very hush-hush. The incident reflects the increasing political instability to which I called attention in my last letter to Mr. White. Should such a movement gather headway it might easily lead to a 1944 equivalent of the Sian episode—mutatis mutandis of course. As it is there are recurrent rumors that Chen Cheng is to replace Ho Ying-chin as Minister of War, which in itself would be a partial concession to existing Army discontents; this change would constitute a slight step forward for obvious reasons.

Did you get my report on the Gimo's book on "Chinese Economics" which I did for the Embassy several months ago? The Embassy told me a copy would be forwarded to the Treasury, but in view of the tardiness with which Washington departments release material to other Govt. agencies it is always safest to check up. The new edition of "China's Destiny" specially revised to be less offensive to foreigners will be published in the next day or two and I shall send along a review as soon as possible. Incidentally you will be interested to hear that the B.E.W. gets a fair amount of material on financial conditions in occupied territory which there is every reason the Treasury should receive.

- 2 -

The best thing to do is to get in touch not with Agnes Roman who is something of a nincompoop but with the person in B.E.W. who is in charge of enemy areas; another useful source of information is the radio intercepts of Japanese commercial firms released in mimeograph form to various Government departments in Washington by the O.W.I. I hope to have access to all the available material in Chungking in preparing the survey of conditions in 1943 to which I alluded in my last letter.

The British have not yet given the Chinese notice to terminate the 1941 Agreement. Thomas believes that they will do so at the end of 1943 or at the beginning of 1944, and I hope he's right, as it would be a nuisance if I cannot hand in my resignation as of January 31, 1944. According to Thomas the British are keeping you informed in Washington; it would be appreciated if you could let me know what is going on. Am enclosing an item from the Bank of China Bulletin containing the regulations governing the granting of foreign exchange by the Exchange Control Commission.

By the way, could you let me know what the Chinese official balances in the U. S. are now? They should be pretty substantial what with the heavy expenditures by our Army not to mention the remittances by overseas Chinese and by missionary and philanthropic agencies. It occurred to me that in view of the lack of cooperation on the part of the Chinese in the matter of U.S. disbursements in China, it might be desirable to request the Chinese to pay for material which would otherwise be lent-leased to them once their official balances exceeded a certain level. In any case it is necessary for us to maintain and increase the pressure on them to come to some more reasonable arrangement in connection with our expenditures here; as you must know the Embassy and other Government agencies here are receiving U. S. currency which they are selling

- 3 -

on the black market to finance current needs, but this is only a stopgap and doesn't affect the bulk of our expenditures here. Incidentally it makes G.I. 75 a dead letter. Re the black market, China must be one of the few places -- if not the only place -- in the world where a sterling area currency is at a premium over the US\$; rupees are now selling in Kunming at US40 cents per rupee. The reasons are firstly, that there is a more plentiful and regular supply of U.S. currency than of rupees and secondly, that rupees can be put to immediate use in smuggling goods in from India. As soon as the situation with respect to the Board is cleared up I should like to spend a week in Kunming to look into the general economic situation there, to pick up some dope about our Army expenditures, and to investigate the gold and black markets. There are lots of ugly stories about squeeze and inefficiency on the Chinese side in the handling of our Army contracts; in some cases the labor was conscripted without being paid, the contractors using the excuse that the U.S. Army refused to pay Chinese labor. It is easy to see how such incidents would create anti-American feeling. In other cases the squeeze is reported to have amounted to 50%, so that what with the official exchange rate grotesquely undervaluing the dollar and other waste incidental to getting work done in present conditions we were paying at least 10 times more than we should have done. One of the troubles is the Army Service of Supply Officers who are put in charge of construction work are often completely ignorant of conditions here. Could you let me know if the Treasury is interested in this sort of thing? If so, I could very profitably spend a week in Kunming, a week in Kweilin, and perhaps another week in places like Hengyang collecting the actual facts. They would of course still further strengthen the case both for Reverse Lend-Lease and for adjustment enabling us to acquire fapi at a more reasonable rate, though the case is already overwhelming.

I have reason to believe that the Gimo is still pressing for a further loan to China and am afraid that the President's Xmas Eve speech will serve to encourage him. There is absolutely no case for such a loan which would be displaced generosity of the worst kind. Again if there have been any further developments in this connection I should appreciate being informed.

Have you heard that Kung has instructed the National Resources Commission to approach the FEA about the possibility of selling tungsten in exchange for gold? The Chinese Government seems to be badly bitten with the auri sacra fames.

Is it true that the monetary conference is to take place fairly soon? If so it is to be hoped that the Chinese will have a stronger delegation than they had at the preliminary discussions and that they will include people like Dr. Chi. There is a rumor that Hsi Te-mou may come back to become General Manager of the Central Bank as the job is proving too much for K. K. Kwok who would become Head of the Bank's Foreign Exchange Department. It is also rumored that T. V. will be replaced by Dr. Wang Chung-wei as Foreign Minister. Apparently the family quarrel was pretty bitter, for T. V. did not even receive the customary felicitations from the other side of the family on his 50th birthday a few weeks ago.

* * * * *

Yours sincerely,

Sol Adler.

P.S. The story reported in the first paragraph has been corroborated. Apparently the movement had quite wide ramifications involving 10 classes of the Army college and even people in the Gimo's personal entourage. Its objective was to enlist the support of 40 Divisional Commanders and then to organize a coup d'e-tat. The plot was discovered in India.

"Dissolution of the Currency Stabilization Board:

For the purpose of centralizing the control of foreign exchange, the Ministry of Finance ordered to dissolve the Currency Stabilization Board of China on December 1st, 1943. All foreign exchange business has since been transferred to the Commission for the Control of Foreign Exchange Assets, which is now placed under the direction of the Ministry instead of the Executive Yuan as formerly the case. Dr. H. H. Kung is the chairman of the new Commission, with K. P. Chen and O. K. Yui as vice-chairmen, Messrs. Tsuyee Pei, K. K. Kwok and M. L. Tai as members and Dr. Chao-ting Chi as general secretary.

New regulations governing the application for foreign exchange have been promulgated as follows:

(1) All applicants for foreign exchange, whether individuals, commercial firms or banks, are required to file an application form, which will be submitted by the designated banks to the Commission.

(2) Upon the approval of the application by the Commission, the designated banks may sell foreign exchange to the applicants.

(3) The bank who has sold the exchange approved by the Commission shall be reimbursed by the Central Bank.

(4) All foreign exchange bought by any one of the designated banks must be sold to the Central Bank.

(5) All designated banks should regularly furnish statements to the Commission for examination regarding the amounts of foreign exchange bought or sold".

From The Bank of China Bulletin, December 15, 1943.

PARAPHRASE OF TELEGRAM RECEIVED

106 V

FROM: AMERICAN EMBASSY, CHUNGKING
TO: Secretary of State, Washington
DATED: December 30, 1943
NO.: 2514

SECRET

Reference is made herein to our message of December 22, no. 2478.

1. On December 29, in pursuance of Chiang's request, and by appointment, I interviewed Kung. Acheson accompanied me. It was mentioned to Kung that we had discussed with Generalissimo the question of reverse Lend-Lease and that I see Kung again on this matter was requested by him. Any comment or proposal Kung might wish to make, I stated, I would be glad to communicate to the Department.

It was indicated by Kung that the Chinese Government was surprised the American Government had not shown immediate favorable reaction to suggestion by Foreign Office that May 15 draft of reverse Lend-Lease agreement now be signed at Chungking (see our 2404, December 14), as draft had been proposed by the American Government, had been studied by Chinese Government which had dropped its suggested changes, and the Chinese Government had agreed to it. It was stated by me that we had not yet received instructions and the place of signing was, of course, immaterial. It was suggested by Acheson that the draft had been proposed many months ago and since that time General Somervell had come here with his proposal in regard to U.S. Army expenditures and there had come up for discussion various related questions. Whether the Chinese Government had any plans, to implement reverse Lend-Lease agreement was an inquiry put by me.

In vague terms Kung replied that China's vital economic problem was maintenance of the currency, mentioning that Japan was waging economic as well as military warfare on China and he said that everything would collapse if the currency did not stand up. Accordingly, he stated that he had proposed to the Chinese Government that American Army expenditures here be matched dollar by dollar with some of such expenditures matched by two dollars, and that the Chinese Government approved was indicated. (Of course, he referred to Chinese dollars). He confirmed, in response to inquiry, that such proposal involves provision of Chinese currency in ratios equivalent to exchange rate of 40 to 60 to 1. It was stated by him that Chinese currency so provided would of course be credited to Chinese reverse Lend-Lease account (assumably at 20 to 1 for currency provided over and above the official rate of 20 to 1). A letter to him from the President, dated November 26, was shown to us which he thought had been written in Cairo and mailed in Washington (mentioning that Generalissimo and Mme. Chiang had approached the President in regard to the question of inflation in China and that the President had made some suggestion to them which he contemplated discussing with Treasury. The President well understood China's difficulties, Kung said, and I replied that we endeavored to keep him and our government in general fully informed of developments as they occurred.

We were in no position to make comment other than that outlined above, in light of Department's 1841, December 22, and I merely stated that I would let Kung know as soon as instructions were received. Throughout the conference, Kung was most cordial and affable.

2. General Hearn has informed us that an army "financial adviser named Atcheson" is shortly coming here and that accordingly "things will soon begin to happen." in connection with this matter. It is stated by the local representative of the Chase National Bank that he has been instructed to remain in Chungking until arrival of Professor Edward Atcheson and has asked for information as to prospective dates thereof and as we have not been advised this was of course information which we could not furnish. If Professor Atcheson is being sent here by the (*) for the purpose indicated by Hearn, it is our hope that he will have full authority to speak for all concerned agencies and thus tend to resolve the deplorable confusion of this matter which has been the result of the incoordinated approaches made by representatives of the various departments interested.

GAUSS

(*) Apparent omission

eh: copy
1-3-44

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

December 31, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential informaion of the Secretary of the Treasury, compilation for the week ended December 22, 1943, 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.

CMB

FEDERAL RESERVE BANK
OF NEW YORK

December 30, 1943.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended December 22, 1943, 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 25, D.C.

Enclosure

C O P Y

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Billions of Dollars)

Week Ended December 22, 1943 Strictly Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)									BANK OF FRANCE			
	D E B I T S				C R E D I T S					Net Inc. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Inc. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold		Transfers from Official Australian Account	Other Credits (c)				
First year of war (a) War period through December, 1940	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	22.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
Second year of war (b)	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Third year of war (c)	2,209.0	1,192.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Fourth year of war (d)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	6.6	- 14.1
	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
1943													
Sept. 2 - Sept. 29	46.3	15.5	10.6	20.2	78.1	-	-	14.0	64.1	+ 31.8	-	-	-
Sept. 30 - Nov. 3	59.5	35.3	0.1	24.1	120.4	-	-	41.5	86.9	+ 68.9	-	-	-
Nov. 4 - Dec. 1	48.2	24.4	5.8	18.0	83.4	-	-	3.5	79.9	+ 35.2	-	-	-
Dec. 2 - Dec. 29													
Week Ended:													
December 1	4.7	1.4	-	3.3	8.5	-	-	1.5	7.0	+ 3.8	-	-	-
December 8	12.7	7.2	-	5.5	24.8	-	-	15.0	9.8	+ 12.1	-	-	-
December 15	11.2	3.7	-	7.5	30.9	-	-	5.0	25.9	+ 19.7	-	-	-
December 22	5.4	1.9	-	3.5	42.0 (k)	-	-	-	42.0 (k)	+ 36.5	-	-	-

Average Weekly Expenditures Since Outbreak of War
 (through June 19, 1940) \$19.6 million
 (through Sept. 19, 1940) \$27.6 million
 (through Dec. 12, 1941) \$54.9 million
 million

See attached sheet for footnotes,

- (a) Includes payments for account of British Ministry of Supply Mission, 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 current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 5.1 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, \$27.5 million in connection with the expenses of our armed forces abroad, and \$2.0 million transferred from account of Reserve Bank of New Zealand at this bank. In addition, \$3.1 million received from U.S. Treasury; this dollar payment, together with \$0.5 million of gold earmarked for account of England, reflected acquisition of British pounds for U.S.G.C.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS

(In Millions of Dollars)

Statistics Week Ended December 22, 1943

PERIOD	DEBITS				CREDITS				D E B I T S				
	Total	British	Others	A/C	Total	For Own	For French	Other	Net Incur.	Total	British	Others	A/C
First year of war (a)	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
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2
Third year of war (c)	325.8	0.3	325.5	198.6	7.7	-	360.0	88.0	+ 70.5	107.2	57.4	49.8	112.2
Fourth year of war (d)	723.6	-	723.6	958.8	47.1	170.4	741.3	360.0	+ 235.3	197.0	155.1	41.9	200.4
1943	46.4	-	46.4	65.1	10.6	-	54.5	15.8	+ 18.7	14.0	1.8	4.8	-
Sept. 2 - Sept. 29	46.4	-	46.4	65.1	10.6	-	54.5	15.8	+ 18.7	14.0	1.8	4.8	-
Sept. 30 - Nov. 3	30.5	-	30.5	83.9	0.1	-	83.8	44.9	+ 52.4	47.5	2.2	47.7	-
Nov. 4 - Dec. 1	18.4	0.1	18.3	100.4	-	-	91.6	5.7	+ 82.0	5.7	3.5	18.3	-
Dec. 2 - Dec. 29	18.4	-	18.4	100.4	-	-	91.6	5.7	+ 82.0	5.7	3.5	18.3	-
Dec. 1	5.6	-	5.6	23.3	-	-	21.3	2.6	+ 17.7	1.5	1.1	16.0	-
Dec. 8	10.9	-	10.9	16.8	-	-	16.8	5.9	+ 5.9	15.0	1.0	5.5	-
Dec. 15	7.8	-	7.8	2.9	-	-	2.9	7.9	+ 7.9	6.8	5.0	1.8	4.8
Dec. 22	7.2 (f)	-	7.2	10.8 (f)	-	-	10.8 (f)	3.6	+ 3.6	-	-	16.0 (h)	16.0 (h)

Transfers Weekly Requirements for

First year of war 6.2 million

Second year of war 8.9 million

Third year of war 13.9 million

Fourth year of war 17.6 million

Fifth year of war (through December 22, 1943)

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
- (b) For monthly breakdown see tabulations prior to October 8, 1941.
- (c) For monthly breakdown see tabulations prior to October 14, 1942.
- (d) For monthly breakdown see tabulations prior to September 29, 1943.
- (e) Helioct changes in all dollar holdings payable on demand or maturing in one year.
- (f) Does not reflect transactions in short term U. S. securities.
- (g) Includes \$ 8.6 million deposited by War Supplies, Ltd.
- (h) Includes \$ 1.6 million received from New York accounts of Canadian Chartered Bank.

(i) Includes \$15.0 million in connection with the expense of our armed forces abroad.

NOT TO BE RE-TRANSMITTEDBRITISH MOST SECRETCOPY NO. 12U.S. SECRETOPTEL No. 426

Information received up to 10 A.M. 30th December

1. NAVAL

Northern Waters. Convoy of 19 ships, M.C. was unsuccessfully attacked by SCHALMORST has arrived in North Russian ports.

Norwegian Waters. 26th Dutch Submarine probably torpedoed one enemy ship of a convoy south of BERGEN.

Anti-Submarine Operations 29th. 1 U-Boat damaged by aircraft N. of AZORES.

2. MILITARY

Italy 8th Army. In coastal sector Canadian and Indian Divisions reached general line two miles N.W. of GROSNA-ORSOGNA Road.

5th Army. Activity confined to patrolling.

Russia Russians have captured KHOSTEN and made progress in the VITEBSK and ZHITOMIR areas as well as W. of ZAPOROZHE.

2. AIR OPERATIONS

Western Front. 29th/30th. Aircraft despatched:-
BERLIN 712 (20 missing), LUBLERBURG 8,
LEIPZIG 5, W. GERMANY 10, Military objectives N. FRANCE 4,
Sea-mining 28, Leaflets 10, Intruders 2. Preliminary reports on BERLIN indicate thick cloud but results generally good.

Italy 28th. Liberators (B.24) dropped 27 tons on railway centre at VICENZA. 126 escorted heavy bombers dropped 306 tons on railway centre at RAVENNA (58 miles N.W. of ANCONA). 238 escorted medium and light bombers attacked airfields and railway targets in ROE area.

December 31, 1948
9:15 a.m.

Re: BRITISH DOLLAR BALANCES

Present: Mr. White

H.M.JR: Just you and I - nobody else.

MR. WHITE: Anybody is available. I didn't know what you wanted. They haven't been working on this.

We have two documents, one which is a draft of what Crowley's shop did and they just gave me last night. I have called them up several times. This is it. (Draft dated 12/30/48, copy attached, handed to the Secretary.)

They may have something better this morning. This is what they had last night with this simple introduction.

H.M.JR: This is Crowley?

MR. WHITE: Yes.

H.M.JR: (Reading) "We would only be justified on the ground of financial stringency." What does that mean?

MR. WHITE: On the ground - if they badly need the money.

H.M.JR: I love the pickles!

MR. WHITE: Some candy there, isn't there?

- 2 -

H.M.JR: British dollar position is likely to prove still further consequent on increased troop expenditures. Doesn't sound like English to me. "Prove still further consequent on increased troop expenditures."

MR. WHITE: Consequent upon.

H.M.JR: "To" but not "on."

MR. WHITE: "Consequent upon." Consequent to would mean a little different.

I think it is a very clumsy thing. They did that in a hurry. They were working and trying to get the list. Every time I called them he said, "The records are in such terrible shape it is unbelievable."

I don't know what those fellows are doing over in Lend Lease. His difficulty is - they make it out to be - to get ordinary lists of this character.

H.M.JR: They must have thousands of people.

MR. WHITE: Every time the subject comes up, which is not less than a half a dozen times in the last week, Currie has expostulated on the poor records which are available, and the difficulty of getting the kind of information they want.

H.M.JR: The Treasury might be asked to get up an estimate of the likely increase in the rate, and so forth.

MR. WHITE: We have the last estimate which the Army has supplied us. It shows some substantial increase - not as much as I would have assumed, but it is their estimate. The twelfth of November - they may have a later estimate. Going to spend on balance about three hundred million in the British Isles and North Africa alone, next year.

H.M.JR: This is an awfully clumsy piece of work, Harry.

MR. WHITE: Yes.

- 3 -

H.M.JR: The President will never get this thing this way.

(The Secretary asks for Mr. Crowley over the phone.)

MR. WHITE: They are supposed to be coming with a more finished draft. They were working last night.

H.M.JR: I will try to get them over here a little ahead of time.

MR. WHITE: He is coming at ten.

H.M.JR: So are the others.

MR. WHITE: I prefer our draft, which is much better for the record.

H.M.JR: Where is yours?

MR. WHITE: But it is a different approach. That is the data which they are going to supply - we can slip it in and add on. But I think this is better for the record than theirs, if you want to have something for the record. We trimmed it down a bit from the last time you saw it. (Mr. White hands the Secretary "Memorandum for the President," attached.)

(The Secretary had a telephone conversation with Mr. Crowley, as follows:)

December 31, 1943
9:25 a.m.

HMJr: Hello.

Operator: Mr. Crowley.

HMJr: Hello.

Operator: Go ahead.

HMJr: Leo?

Leo
Crowley: Hello. Yes, good morning.

HMJr: Good morning. Could you get over here a little
bit before ten?

C: Yeah. I'll be over about -- when do you want --
about ten minutes of?

HMJr: Well, a quarter....

C: Or a quarter?

HMJr: A quarter would suit me better because I don't --
if you don't mind -- this memorandum which was --
Harry's just handed me, I don't like it.

C: I'll be over at a quarter of ten.

HMJr: Thank you.

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H.M.JR: This thing in "3" - "...but the State Department and Lend Lease Administration were reluctant to recommend such a step--" Well, God damn it! The President issues such a directive. I wouldn't say the State Department and Lend Lease were reluctant to recommend, but reluctant to carry out.

MR. WHITE: They thought they could reach the objective by another approach. That was their idea.

H.M.JR: Well, do you mind making a note?

MR. WHITE: They say we ought to try the other approach first, that they can get it by Lend Lease in Reverse.

H.M.JR: All right. I don't say I want to use this, but if you are going to say "...were reluctant to carry out the President's directive" - I am going to have to sign this, am I not? I want to put it that way. I don't want all these weasel words in here. You can put in the rest - "until" or "in the absence," then go on "...in the absence of exhaustive--" and so forth, you see, Harry?

MR. WHITE: Well--

H.M.JR: It wasn't up to them to recommend. The President's directive--

MR. WHITE: That we obtain a certain objective. It was up to the Committee to decide which would be the way. We said that way wouldn't bring results. They said it would. We wanted them to cut down on the--

H.M.JR: I would say, "In view of the fact that almost a year has passed since you signed this directive, we feel that we would be negligent in our duty if we did not formally bring to your attention the fact that--" then go on. "We are disappointed with progress made to date" - see?

MR. WHITE: That sentence would be all right - the earlier one. We put the British argument in to show the President that we are familiar with what they said, because Churchill will have told him most of that.

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H.M.JR: From the bottom of the page.

MR. WHITE: We thought we would add some more items which I just got last night. In fact, I didn't get them until they sent it about seven o'clock last night.

H.M.JR: I like this much better, except that I would expand that.

MR. WHITE: That is what I thought I would get from that. I told them exactly what you had told me with respect to getting a list of specific items and they said they were working on them, and this is the first thing I have seen.

H.M.JR: You have been living with this and I haven't. Does this carry out the point that I wanted; namely, that we would first exhaust all possibilities of cutting down on certain things? We don't go over the President's head and say it has got to be down to a billion?

MR. WHITE: Then I think you may want to cut out the last sentence. I put that specially on a separate page.

H.M.JR: No, that is all right.

MR. WHITE: That implies if that isn't enough - that implies you are shooting at a dollar mark, because you are saying you are going to cut out the doubtful things, and if that doesn't do the trick you are going to re-examine it. You can leave it off if you like, but for the record, I would very much like to see it in.

H.M.JR: That is all right. As I remember the earlier thing, it gets away.

MR. WHITE: It was the second provision of the earlier draft that you may remember Acheson objected to strenuously. He said he wouldn't mind the first, but he wanted the second provision out. That is out now and replaced with that last sentence. It still implies, however, that the figure is important, and is distinct from Crowley's approach, which is merely one of items.

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I would put it this way: If this is what you are going to do, I don't see any use of bringing it up to the President - go ahead and do it. (Referring to Mr. White's memorandum)

I think it is necessary to re-establish the record and have the President re-examine his own directive and indicate the approach that he wants you to take.

It would seem to me it is necessary to go into that number of items.

H.M.JR: This doesn't say reduce it to a billion, does it?

MR. WHITE: Not specifically. It says we have to bring it down within the range of your directive.

Now, you can even change that one phrase if you feel a little happier about it.

H.M.JR: I think I would leave that last thing out. It sort of sticks out. I would leave off page four.

MR. WHITE: That is simpler.

H.M.JR: That is all right. Just expand this list at the bottom of Page 3.

MR. WHITE: If they don't want something like that, I don't see why you are troubling the President about this - unless the President worries them after they start doing it.

(Over the phone to Fitzgerald)

H.M.JR: Find out from the White House - Miss Barrows. Supposedly we had an appointment with the President this morning. When you hear, let me know, will you?

MR. WHITE: Currie said he didn't think the President would see you today because he has a bad cold.

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H.M.JR: I know; I am trying to find out. If he isn't it makes a difference.

MR. WHITE: It is an interesting thing about this letter to Hull from the Chinese Ambassador that you asked me about.

H.M.JR: I haven't read it yet.

MR. WHITE: Well, it indicates, among other things, that apparently the Ambassador was not informed about the request for a loan and the President's answer. But an equally interesting thing is - I got a letter from Adler - he writes pretty freely - I am having it typed because I think it is of interest to you. In it he says that you may know that the Generalissimo asked the President for a billion-dollar loan and was turned down, and Adler's letter was dated before the Ambassador's letter. The Ambassador is complaining that he isn't informed of anything that is happening.

H.M.JR: It isn't up to us. In the first place, we didn't get the Ambassador's thing until I asked for it. We didn't know it existed. It came out by accident. I have Hull a copy of what I gave the President.

MR. WHITE: May I read this one line? "It is unfortunate that the Embassy is not kept fully advised of the developments recurring between the United States and China."

H.M.JR: Every place you go you hear the same thing, that they don't keep them informed.

MR. WHITE: This letter from Adler is very interesting and quite important, I think.

(The Secretary rings for Miss Chauncey.)

H.M.JR: It did go, didn't it?

MISS CHAUNCEY: Yes, sir; you dictated a letter in Mr. White's absence. Bernstein handled it for you. Here is your letter. (Refers to letter of December 20, 1943, from the Secretary to Mr. Hull.)

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H.M.JR: Wait just one second. Thank you, Miss Chauncey. (Miss Chauncey left the conference.)

I will check up and find out whether that thing went, Harry. I mean, whether the President sent mine and whether there is an answer.

MR. WHITE: The curious thing is that - how could Adler have found out that the President turned the Generalissimo down on a billion-dollar loan at Cairo?

H.M.JR: Well, it is like that other gossip. At Teheran somebody said what they said, and so forth. Maybe the President did. He didn't give me that indication.

MR. WHITE: That is surprising, because Adler said, "I heard it gossiped, or rumored," but then he said, "You probably know that."

H.M.JR: This doesn't check because the President was so keen - he saw me the first day he got back. He said, "I have seen Morgenthau; I will have an answer for you immediately." He had seen me and then he was going to send my message, which would put the onus on me.

DRAFT - 12/30/43

From the beginning of the Lend-Lease program in March, 1941, many items were supplied to the United Kingdom and the British Empire because they were needed for the prosecution of the war and because the British dollar assets were so low the British could not afford to buy for cash.

It was legally permissible to supply these items, but at the present time the supplying of many of them could be justified only on grounds of financial stringency. These questionable items include such things as the procurement under lend lease of fish from Iceland for the United Kingdom, capital equipment and machinery with a relatively long life, sewing machines, automotive equipment for civilians, such items as mixed pickles, brandy, and other controversial civilian items, and civilian supplies to British colonies and Possessions such as Jamaica, Southern Rhodesia and other parts of the Empire far removed from battle areas.

We feel in so far as practicable that questionable items of this character, such as those shown in the attached table, should no longer be supplied under lend lease and that the British should be required to purchase them for cash.

At the present time the British gold and dollar assets are increasing at the rate of at least 700 million dollars a year. From the beginning of the lend lease program up to the present time the British dollar balances rose from 200 million dollars to 1,700 million dollars. In 1944, the British dollar position is likely to improve still further consequent on increased troop expenditures in the British Empire.

copy/sh - 1/1/44

MEMORANDUM FOR THE PRESIDENT

1. In January 1943, you approved the following recommendation of a committee consisting of representatives of the Departments of State, Treasury and War, the Office of Lend-Lease Administration and the Board of Economic Warfare:

"It is recommended in the light of present circumstances, that the United Kingdom's gold and dollar balances should not be permitted to be less than about \$600 million nor above about \$1 billion."

2. Notwithstanding the directive, the British Government's liquid dollar exchange assets have continued to rise and are now over \$1.7 billion, or \$1,350 million more than at the time the Lend-Lease Bill was presented to Congress in January 1941.

In addition to the gold and dollar holdings of the British Government, residents of the United Kingdom hold \$320 million of private dollar balances and about \$1,150 million of long-term investments in the United States. Of the latter assets, \$500 million are pledged with the R.P.C. against the \$350 million loan.

3. When it became clear that the British balances were rising substantially above the ceiling set in your directive, the Treasury and the Board of Economic Warfare pressed for a reduction in civilian lend-lease as a means of implementing your directive, but the State Department and Lend-Lease Administration were reluctant to recommend such a step in the absence of an exhaustive reexamination of our policy of financial assistance to the British and of Britain's overall international financial position. It was finally agreed to request the British for strategic and other materials as reciprocal aid, estimated likely to amount to \$200-\$300 million during the ensuing year. This proposal was immediately placed before the British. Several months elapsed before the latter agreed to the proposal in principle and

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even then only after considerable prodding. Several more months have been spent in an endeavor to arrive at methods of implementing the proposal. We are disappointed with the progress made to date and we think there is little reason at present to be hopeful that this device will in effect yield anything like the amount needed to carry out your directive.

4. The British Government has strongly objected to a policy which prohibits an increase in their gold and dollar assets. They emphasize that the rise in their holdings of these assets--which may be expected to continue at an annual rate of at least a half billion dollars unless steps are taken to interrupt this trend--is only a fraction of the increase in their short-term indebtedness to overseas countries other than the United States.

They assert first that \$365 million of these liabilities represent a specific claim against an equivalent amount of dollars and that that sum must be subtracted from their total holdings in order to obtain the correct figure of their available gold and dollar reserve.

Secondly, they claim that their short-term sterling liabilities to overseas countries are five times the amount of their gold and dollar holdings and that these liabilities are increasing at a rate of \$2.5 billion a year.

The British claim that they should be permitted to accumulate gold and dollars as a necessary reserve against these growing liabilities. They assert that the continued accumulation of gold and dollars is a prerequisite to the continuation of the policy by which they have managed to finance their war expenditures in India, the Near East and other overseas areas.

Finally, the British fear that their mounting liabilities to overseas countries will place them in a very vulnerable position after the war and jeopardize their chances of a speedy post-war recovery.

5. There is merit, of course, in the British position but we feel that neither Britain's international financial position outside the United States nor its post-war needs were among the considerations which prompted Congress to pass the Lend-Lease Act. In our opinion, Lend-Lease aid to Britain was instituted in order to enable her to obtain those goods and services essential to the prosecution of the war for the purchase of which she lacked

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the necessary dollars, and that therefore to administer the Act in such a way as to help underwrite Britain's short-term indebtedness to other countries or to improve her post-war financial position is not in accord with Congressional intent. The British concede that this narrower purpose may have been the original objective, but they believe that our entry into the war alters the situation.

6. Our interpretation of Congressional intent seems to be supported by the report of the Truman Committee entitled "Outlines of Problems of Conversion from War Production" and submitted to Congress on November 5, 1943. To quote from page 13 of this document:

"In the latter connection, we should never forget that lend-lease was originally authorized by the Congress, solely because the English and others whom we desired to assist did not have sufficient American exchange to purchase materials needed by them. Lend-lease was never intended as a device to shift a portion of their war costs to us, but only as a realistic recognition that they did not have the means with which to pay for materials they needed.

"Before authorizing lend-lease, the Congress expressly requested and received assurances that lend-lease assistance would be extended only where the recipient was fully utilizing all of its own resources."

7. In our opinion, nothing has happened during the past year to warrant a change in the policy laid down in your directive. The considerations which prompted the Committee's recommendation last January appear to us to be as valid today as they were then.

Therefore, unless you indicate to the contrary, we propose to discontinue certain types of transactions like the following:

- (a) machinery and capital installations;
- (b) off-shore purchases such as Iceland fish, Caribbean sugar, and oil from outside the U.S.;
- (c) civilian goods to the Middle East;
- (d) all goods to South Africa;
- (e) small requisitions, and
- (f) certain other controversial civilian items.

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Should these steps prove insufficient to reduce the British balances to within the range indicated in your directive, we will reexamine the situation with a view to proposing further measures to obtain this objective.

HDW:TMK:ISP:rl 12/30/43

December 31, 1948
9:45 a.m.

BRITISH DOLLAR BALANCES

Present: Mr. White ✓
Mr. Crowley ✓
Mr. Acheson ✓
Mr. Rostow ✓
Mr. Currie ✓
Mr. Cox ✓

H.M.JR: Good morning.

MR. CROWLEY: Good morning, Mr. Secretary.

Good morning, Mr. White. Nice and warm in here.

H.M.JR: Trying to keep from getting cold feet.
(Laughter)

Leo, to save your time, I think it is much better to be direct, I frankly don't like this preliminary draft, you see? And, as Harry put it, I hope I am not hurting anybody's feelings. If we are going to do that, that isn't worth going to see the President about, you see?

MR. CROWLEY: Yes.

H.M.JR: What he did as an alternative was to use - well, I think the quickest way is to give you that letter. (The Secretary hands Memorandum to the President, prepared by Mr. White, to Mr. Crowley.)

The last page would have to be enlarged with material we get from your organization.

(Mr. Crowley reads memorandum to himself.)

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MR. CROWLEY: Well, I think that Harry's memorandum is a lot better than ours. I only saw this late last night. Knowing the President like we know him, this doesn't have enough force in it to bring the thing directly to him.

H.M.JR: It is too diversified.

MR. CROWLEY: I agree with that. I was with Oscar and Lauch and they said, Harry, that you were working on a memorandum.

MR. WHITE: Yes, I told them we had something. I was depending on them mostly for the history - not so much for the memorandum. We thought we would incorporate your history in this memorandum. (Refers to statement attached.)

MR. CROWLEY: I think this. I am sure that we will have no difficulty in going along with the memorandum such as you have there and putting our history in the thing, Harry, because I want to make it forceful enough that he will grasp it. I think that Oscar, in typical lawyer language, has spread this thing out.

MR. WHITE: I think he is sliding over the difficulties so excellently that the President might wonder - "Well, what are they coming to me for? Everything is going fine."

MR. CROWLEY: Here is what happened on these releases that Oscar has worked out in the job he is doing with the commentators. He has blown this Reverse Lend-Lease in the mind of the commentators and newspapers and the public way beyond what its real actual worth is to us.

Now, unless we get this thing in shape, with this dollar balance thing and everything else the way it is, we are just vulnerable as the dickens on this whole business.

MR. WHITE: We objected to that report on Lend-Lease in Reverse right along, because we said they couldn't deliver.

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MR. CROWLEY: It is a mistake because they haven't delivered. If they ever get onto us now, it will be worse than as though we never said anything at all.

H.M.JR: Is it still any better than twenty-five million dollars?

MR. WHITE: Not that you could count on.

MR. CROWLEY: So little, Harry, that you really can't say you had anything.

H.M.JR: In that couple of sentences which I am fussed with now, that I wasn't satisfied with, you see - I don't think they are strong enough. But what it does is, it just brings this thing to his attention. If we avoid saying we want to bring this down to a billion - you know?

MR. CROWLEY: Yes.

H.M.JR: I should think, to a memorandum like that, he would say, "Go ahead, boys."

MR. CROWLEY: I am willing to go along with this memorandum, Harry. I will ask Lauch and Oscar. I don't think they ought to go away. I think they should stay right with you. If there is any change in the language it should be done this morning. We will both sign it and take care of it that way.

H.M.JR: It has got to be.

MR. CROWLEY: One other thing, too, before they get here. Talking with them this morning, Harry, they said over in the U.S. Commercial that they would be buying some foreign exchange.

MR. WHITE: I called Lauch's attention to the thought, or to the information which we had and which we have had for some time, that we don't think that the U.S.C. is being operated properly by the man who is buying the exchange. We have a couple of instances.

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MR. CROWLEY: Robert Furey, I think.

MR. WHITE: Yes, and I knew that that aspect of it had not yet come to Lauch's attention. I suggested to him that you re-examine and get a report on their activities. Then we would take it up when we have something that needs to be done.

MR. CROWLEY: Let me say this to you, too, that as far as the Treasury is concerned, I think in any activity that U.S. Commercial has on foreign exchange, it should be done, very definitely, with the Treasury's knowledge and guidance. I want them to work with you fellows all the time on it. I don't want them to go out on their own on anything.

MR. WHITE: If they are so instructed - in other words, if they--

MR. CROWLEY: If Furey isn't a fellow you can work with, you give me one of your men to work with.

H.M.JR: I go further - this is the first time I have heard it - but for Crowley's own protection - after all, if the Army lets us operate everywhere, certainly within the Government we shouldn't be competing. I think the Treasury as the Federal reserve - as the fiscal agent - should do this for the Government. We do it for the State Department.

MR. WHITE: Yes, the procedure can easily be worked out, and I am sure with instructions from yourself there will be no difficulty; and that is, that whenever they want any exchange they should first ask us. We will obtain it at the best price available. Where we can't get it, we will suggest other means of getting it. We are in a position to get exchange cheaper. I told Lauch of one instance in which they were paying double what we would.

H.M.JR: Why don't you draw up a tentative directive for Leo Crowley that he can sign or study - the way we would like to have it?

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MR. CROWLEY: Sure, because I don't want to do anything on that foreign exchange thing without operating through the Treasury.

MR. WHITE: I don't think the man has the same facts at his disposal, or instrumentalities.

H.M.JR: Have you taken that over yet?

MR. CROWLEY: Yes, we are taking it over and letting Ducas go. Ducas is the fellow who is bragging about making five million dollars on that. He has been the head of it. We have had a hard time with that U.S. Commercial because of a lot of things involved. But they are taking it over this week end and moving it down to Temporary "T".

H.M.JR: Is Jesse out of town?

MR. CROWLEY: He is down at Houston. We have had a hard time with that. You just don't have any idea as to the amount of conferences I have had to have in trying to work out these things.

H.M.JR: I can imagine it because Henry Wallace told me the troubles he had.

MR. WHITE: Their purchases will bear close investigation. Their purchases in Spain and in Portugal look to me very much like they are dressing up as a victory something there is nothing to boast about, to put it mildly.

The prices they are paying for materials and the way they are buying them, and the surrounding circumstances with respect to the fact that the Germans don't want some of that material, anyway - I think it needs investigation.

I am not sure, but if somebody who is hard-boiled, who had no district to defend, dipped into that, or was sent over there to examine the whole business, it might bring about some interesting developments.

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MR. CROWLEY: You take all the contracts that we are taking over now - all of the money that was spent on the original planning, and things like that - is still charged up against the contracts. I don't care, because we propose in our auditing to show just exactly what we took over, and make our footnotes as to what was spent for planning, and things like that. But Jesse has never taken a loss or charged anything off. He continually carried them on.

But we have so many rows in Government now that it will all be taken care of by our auditors. But it has been a long hard ordeal.

H.M.JR: Do you mind if I interrupt? I mean, I would like to hear more of this if you will stay afterwards.

But where did we stand, you and I, vis-a-vis Ed Stettinius?

MR. CROWLEY: I don't know. He was supposed to be here this morning. I talked with him. I think he will go along on this all right. But I think that is one thing that Oscar was doing a little bit. Oscar is such a good fellow. I think in drafting this thing - remember the other day, Harry, I told him what we wanted, which this (indicating Mr. White's memorandum) pretty well meets. I didn't want some vacillating thing that spreads itself all over the lot. I think that Oscar feels very friendly to Ed, and we can't put this thing up without reflecting on Ed's past performance a little bit. I don't think it makes much difference, now. If Ed doesn't want to go along, O.K.

H.M.JR: I hope he will go along, but I really would like to finish it this year.

MR. CROWLEY: Yes. Do you think we can see the President today?

H.M.JR: I have a call in for Miss Barrows. I told them that the minute they found out, to let me know. I will see what they say.

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(The Secretary is informed over the interphone that they won't have any word until about ten-thirty.)

(Mr. Currie and Mr. Cox enter the conference.)

MR. CROWLEY: Harry, have you a copy of that?

(Mr. White distributed copies of his memorandum.)

MR. CROWLEY: Harry has a substitute memorandum here. Will you fellows look at it a little bit?

MR. CURRIE: I think deflation has hit us, Mr. Secretary.

H.M.JR: It has in the pig and cattle market.

MR. CURRIE: Now is the time really to get a lot of this stuff and stock-pile it for relief purposes in Europe.

H.M.JR: You will have to do a selling job on me on stock piles.

MR. CURRIE: O.K.

MR. CROWLEY: Don't you think when we get the inventories finally taken of the stock piles we will find enormous stock piles of everything?

H.M.JR: I don't know, but the way I feel, with consumer goods so short now, I think everything we can lay our hands on should go into - Mr. Baruch and John Hancock were over here the other day. We were talking about what Procurement in the Treasury would do. They seem to think they want the Treasury to handle surplus consumer goods. I told them I wanted them to know I felt that as rapidly as we got anything, we were going to try to put it right into consumption, because the demand was so terrific, and let the stock piles come later.

Mr. Baruch said he was awfully glad I felt that way, because he felt that way, violently. He didn't use the

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word "violent" but he was emphatic. I think that once this thing is over - now, take pigs - now, my hunch is, in one week you could accumulate all the pork you could find shipping room for - in one week.

(Discussion off the record.)

MR. CROWLEY: Oscar, what do you think of it?
(Referring to Mr. White's memorandum)

MR. COX: It is all right.

MR. CROWLEY: Do you have any suggestions? Do you want to sit down with Harry afterwards and see if there is any particular language you want to change in it?

MR. COX: I think this covers it. He has got representative things, and he has a catch-all. He says, "... certain other controversial--"

MR. WHITE: If you like, you might add some things that would catch the Secretary's eye. For example, in Lauch's preliminary draft he spoke of pickles and jams - "...mixed pickles, jams, marmalade, etc." I think that is a good item to add. I think it takes just one such to give color. (Referring to Mr. Currie's draft, attached.)

H.M.JR: Did you like that?

MR. COX: Yes.

H.M.JR: I liked it.

MR. CROWLEY: Now, you suggested, Harry, that maybe the last page - you wanted to make some changes.

MR. WHITE: That last page four. The Secretary would like that last page out.

(Mr. Acheson and Mr. Rostow enter the conference.)

H.M.JR: Have you copies for Mr. Acheson and Mr. Rostow?

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(Mr. Acheson and Mr. Rostow read memorandum.)

H.M.JR: Whenever you are ready--

MR. ACHESON: I am.

H.M.JR: Are you gentlemen ready? How do you feel about it?

MR. ACHESON: Well, this differs from the one we looked at last week in that the paragraph "2" of recommendations is left off, but we have a paragraph "7" of the discussion here which says that in our opinion nothing has happened during the past year to warrant a change in the policy laid down in your directive. So I don't know whether this means that it is a recommendation that we still attempt to have one billion as the upper limit and take these steps to achieve that purpose, or not. I am not quite clear what the recommendation means.

H.M.JR: Well, inasmuch as it is on Treasury stationery I will try to interpret. What it means is that the directive is there, and we are telling the President that we feel there are certain things that we can do to move in the direction of the directive. Then we list them, and unless he says no, we will proceed to move in that direction.

Is that about right?

MR. CROWLEY: Well, Dean, as I get your point, you say that we say that in our opinion nothing has happened in the past year to warrant a change of the policy laid down by this directive - in number "7". What you are getting at, something in your viewpoint has happened to change that.

MR. ACHESON: That would be my own view. Now, I came over this morning to give you the Secretary's view on the other memorandum. This gets me off base a little bit.

H.M.JR: Good. We hoped it would.

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MR. ACHESON: Because we have a new memorandum. I can go back to my own. I can give you the Dean Acheson view. I don't know what Mr. Hull's view would be on this one, because we have been talking about a different one.

MR. CROWLEY: What is the Secretary's view?

MR. ACHESON: The Secretary recommended in the other memorandum that we should keep the British balances at one billion dollars. Now, as to that, he wanted me to say that first of all, he thought it was most unwise for three high officers of the Government to send the President a memorandum on a hard and fast policy which the President might not want to follow under the dictates of his own judgment, or which he might not be able to follow on account of difficulties of imposing it on the British; inasmuch as that would put the President in a position from which it would be very difficult for him to extricate himself.

And therefore he thought that before making such a final, hard and fast recommendation, the matter ought to be discussed orally with the President, and we ought to get some idea of what he thought the practicality of the situation is, and which way he ought to move.

Secondly, the Secretary thought that if we were going to adopt as a national policy the controlling of resources of the British, even though our reason for doing it was our domestic political necessity growing out of Lend-Lease, we were going to start a very serious international situation with the British, and that therefore they ought to be brought in - the entire thing ought to be thrashed out with them.

They ought to have an opportunity to argue for themselves with the Secretary of the Treasury or with the President, or whatever they wanted to do. They ought to be allowed to get everything off the chest that they had, and in the light of that, the President would have to make up his mind as to whether he wanted to take on that particular method.

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Now, I think those were the principal views about the old proposal. And he did not want to say whether that was the best method of approaching it, or whether another method would evolve out of these discussions, or what.

He didn't think that he was called upon at this time, or was well enough informed, to express a view on it.

MR. CROWLEY: May I say something?

H.M.JR: If you please.

MR. CROWLEY: Dean, I haven't been in this thing long enough to know the history of it, but I do have enough sense, I think, to realize that we are sitting, the three agencies of Government, right on a keg of dynamite.

I think, Dean, that the publicity we got on Reverse Lend-Lease has exposed us to great criticism. You have got great press and editorial comments, and really, truly, nothing has happened. Then, if they ever find out the amount of Reverse Lend-Lease that has been brought here, we are going to be terribly embarrassed.

If they do find out that these balances are where they are now, and gradually growing, we are going to be brought up to the Hill, they are going to criticize us, and we are going to spend all the early part of next year explaining it with a bad press. Now, I don't - I know none of us do - want to do anything that is going to embarrass the President. But at the same time, I think that we ought forcefully to bring to his attention what we think are the dangers in this thing here. I don't think you disagree with me, Dean, about the dangers that we are in here, politically speaking. It might do a great damage to our whole Lend-Lease program. Now, as I view the thing, the Secretary agrees that the thing ought to be presented to the President.

MR. ACHESON: Correct.

MR. CROWLEY: Where he disagrees is that he doesn't want to present it in any memorandum that might embarrass the President, but he does agree that we ought to call the attention of the President.

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Where you split with us on "7" - where State may feel that something has happened - that there may be some way of an increase - in other words, liabilities accrued to England - I don't think that is vital to what we want.

What we want to do is to let the President understand our viewpoint, that we think something must be done and that the only way that we can see to do it now is by the elimination of these items.

You don't disagree with that, do you?

MR. ACHESON: No, I think I said last time that those items that you referred to in the final recommendations either have been started or are now being put into operation.

MR. CROWLEY: Well, could we do this: Let's assume now that the Secretary and all of us feel that for us to sign a memorandum and leave it there - but would you agree that we might read from a memorandum, provided that we took it back, so that we presented our case with some uniformity to the President - and handle it that way?

MR. ACHESON: I should think so.

MR. CROWLEY: In other words, you can't go over there and put this thing up entirely orally. You have got to set the problem of "1", "2", "3", a little bit. And, Dean, I don't know anything about diplomatic relations, but I do know this, from our own standpoint, we are just in a mess, locally, here unless we do something about this thing.

H.M.JR: It is fairly obvious, what we are trying to do, and that is, I think - my guess is that the President would be glad to have us go ahead and do these things, if we did it without putting a billboard up, advertising the fact that we are getting down to the billion dollars. What we are trying to do is to bring this thing to his attention in an orderly manner and say, "Now, if you don't say anything, we will just go ahead and do this; but we feel that

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before starting, you don't even have to say yes. Just don't say anything, and the agencies involved will go ahead and operate." That is all.

And after some of the people here like Oscar Cox think that we can accomplish all of it this way - others don't think so - he would simply say, my guess is, "Fine."

Now, as far as discussing it with the British is concerned, it has been discussed with them up and down hill - in and out - and they are just adamant. They haven't budged an inch in twelve months, and I don't think that they will.

I understand, for instance, on oil well supplies you are not doing it in Lend-Lease any more.

MR. COX: We haven't done that since 1941.

H.M.JR: Something has happened quite recently, because Cliff Mack over in Procurement of the Treasury has gotten notice to be ready, that the amount of goods he is going to buy is greatly reduced.

MR. COX: That is on capital goods. That is machinery.

MR. CURRIE: No new requisitions submitted for a lot of capital goods after November 15.

H.M.JR: From the President's standpoint, I think - opposite the President - if we don't bring this to his attention we are in a bad position. The only thing he is apt to say is, "Why didn't you tell me about this a long time ago?" I don't see how he can possibly take any offense. My guess is, from having worked with him so long, he will say, "Thank you for the information; go ahead and do your job."

MR. ACHESON: Well, I am not sure at all that what I have tried to say is clear. There is no dispute whatever about bringing the matter to the attention of the President. There is no dispute or difference of opinion on that subject.

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The question is whether you make an iron-clad recommendation to the President that the British foreign exchange assets should be brought down to a billion dollars.

H.M.JR: We have changed our position on that.

MR. ACHESON: Yes, except in "7" you say that there has been no change in the situation and that our recommendation"--

MR. WHITE: I ask what change in the situation because the growth of the British balances is the same rate as it was the previous year.

H.M.JR: Harry, if that sentence bothers them, we can just leave out the sentence. The thing that I would like is to have Acheson be just as frank with me today as he was yesterday. God knows, I am being frank enough now. I mean, you are entitled to know everything that is in my mind; as I understand from what you are saying, we have changed, to make it easier for State and to make it easier for the President. We are simply saying - bringing it to his attention in writing. If he doesn't like the memorandum, he can hand it back to us. If he wants it for the record, he can keep it. We are simply saying, "Mr. President, this is what we propose to do. If you don't say anything, we are going to go out of the room and do it."

MR. WHITE: You can delete "7" without disturbing the continuity.

MR. ACHESON: Then I still have not made my point clear. There are two things that you might do: One of them is, without expressing it in words, or anything else, say we still believe that the objective here is to get the British foreign exchange assets down to a billion dollars. And that is what we are going to do.

H.M.JR: You mean, this is what you are recommending?

MR. ACHESON: No, I say this is what your memorandum may mean, or what your purpose may be.

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Let's get at the purpose. Whatever the memorandum means - what is our purpose? What is the job we are going to do? Is it to go out and reduce the British assets to a billion dollars - or another possible objective is to take out of the Lend-Lease transfers to the British, those transfers which we think are politically vulnerable or dangerous or unwise, or anything else.

Now those, I should think, were the ones listed at the end of this memorandum. All right; now, that is a wholly different objective. That is one which does not raise any international difficulties with the British. If we say to them that is what we are going to do, all right, let's go ahead and do it.

MR. WHITE: The old memorandum did it first.

MR. ACHESON: But if either secretly, in our own mind, or any other way, what we are really trying to do is to control the British foreign exchange assets, then I think, whether we put it in the memorandum or have it in the back of our heads, the Secretary's view is that that is going to be a matter of such inflammable nature that the only thing to do is to drag it out, and call in the British. If you are going to do - say you are going to do it with them; let's have the whole group.

MR. WHITE: The other memorandum which Secretary Hull considered very--

MR. ACHESON: That is going to be a mess, if we are going to do it and don't tell them.

MR. WHITE: The memorandum which Secretary Hull considered definitely took the first position. This memorandum does not clearly take it; neither does it clearly take the other. It isn't a black or white - or it isn't an "either, or." It is somewhere in between so as to make it possible to bring the matters to the attention of the President; not from the point of view that there are certain things which are politically indefensible, because if that is all you had in mind, I don't see the reason for

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bothering the President about it. You just don't do it.

It is because you are concerned about the magnitude that you bring it to the President's attention and say, "There are certain items which we think should be cut and we propose to cut them without raising clearly and specifically the other issue - holding it in abeyance.

If, after pursuit of a program outlined here, you find that the dollars still increase, then I think that decision would be a matter for Secretary Morgenthau's determination; I think the decision would be to reopen the case and say, "We have eliminated this type of goods and still the balances are increasing, and we think we ought to do something in addition to prevent them from increasing, and bring it down."

But that is a bridge which you need not cross until you get there. We may never get there and for the suggestion to be made to reopen this with the British is, to me, quite inexplicable. The British have done nothing but discuss this matter. There isn't a single idea they could advance which they haven't already advanced. We have talked with every British representative who has been here, and the only new thing they might bring to bear is, "If you do this, we won't do something else." Well, I think that had better be avoided. The best way to avoid it is to go through with this program; let the British, if they feel that they have legitimate objections against each one of the impacts of these, raise the question.

The other question about dollar balances does not have to be raised. Since when is the proper diplomatic policy to put all your cards on the table with a foreign government as to what you are thinking? That is something quite new. I wouldn't see that policy maintained, but why initiate it with the British on this point?

MR. CROWLEY: Well, Harry, the thing that I get out of all this is that we feel that by eliminating these items it will bring about the result over a period of time that you want to get on this dollar balance thing.

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Now, we are willing, Dean, to try to do that by the elimination of these items. And as I view the thing, Harry, we reserve the right that if this doesn't do it, and with some promptness, that then we feel that we will come back then and say, "Now, we have tried to do this; it hasn't worked," and then we will have to tackle the question of dollar balances.

MR. WHITE: That is as I understand the Secretary's position.

H.M.JR: May I make it a little bit easier, I think, for the State Department to go along? I go a step further than you, I think, just carrying out what Acheson said. Acheson, as I take it, says to us that he is perfectly willing to go along on these items; he said so last time. At this time I wouldn't raise anything else, keeping this in mind, that the President's directive of last January still stands.

MR. ACHESON: You mean, you are not asking him to cancel that?

H.M.JR: I mean that is still there. Speaking for myself, the Lend-Lease people here think this is going to accomplish a lot. To make it easier for the State Department, I say, let's try this. And I think, in the dealings you have had with me over a period of ten years, if you ask me anything about where I stand, I think I have always told you, haven't I, Dean?

MR. ACHESON: Yes, that is absolutely true.

H.M.JR: I simply say, let's proceed on this basis. All we are doing is giving the President a chance to say, "This is a little bit too tough," or "Don't ask me; go ahead."

Let's try this, and go as far as we can without making it a major issue of any kind. Let's just try it out.

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MR. ACHESON: Now, may I say something, personally? Now, I am not speaking for Mr. Hull, because I don't know whether Mr. Hull would agree or not, but this I feel so strongly myself that I should want you gentlemen to have it in mind. This business of the memorandum, and the billion-dollar balance floating, as it is, vaguely in the background, is poisoning our relations with the British at a time in the war when they should not be poisoned - more than any other single thing that has happened. I think nothing would be more healthy than to drag this right out on the table.

If that is going to be the American policy, very well, let it be - the open, declared, American policy, announced to the British. And let's take all the pounding that the British want to give us on it, and it will come right up to the President from the Prime Minister. But if it is going to be our policy, let's say so, and do it. Now it is a lurking danger in the background.

Every minor official in this Government, sooner or later, says something. You don't have a meeting over at your (Crowley's) place at which some clerk doesn't know about this. It slips out that perhaps what we are doing on off-shore oil is to bring the balances down to a billion dollars. The British never approach any question on the merits of that question because they think this thing is in the background.

Now, let's say either that this isn't in the background, but we are approaching these other things because we don't think they are proper in Lend-Lease; maybe because they have got plenty of money. "If you want this thing, go and buy it; but anyway, we are not going to lend this." These aren't all parts of a play, which, if put together end up with a billion-dollar balance. Then you will not have any trouble. These things can be done.

But unless we are perfectly frank and perfectly open with the British and say that this is our program, or this is not our program, then we are going to have a steady poisoning of our relations. That is my personal view.

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MR. CROWLEY: Again, I want to plead ignorance of all these things, but in the short time that I have been in this thing, in dealing with the British, they are very capable people in representing themselves. If we weren't dealing on Lend-Lease, I think they would be that much harder to deal with in the business way, because they are very much for their own country. The thing that I visualize about ourselves is that we are just too timid to stand up once in a while and say, "This is what we think we have got to have."

If we will do that, they may holler, but they will have a greater respect for us. For instance, now as I understand, when it comes to the Argentine, that England doesn't make many bones about saying, "We can't go along with you fellows on that." That is the rumor I get, anyhow.

Well, now, where it gets to a place where it affects them, they seem to take quite a positive stand without feeling it might affect the war effort. We are always so reluctant to take a stand for fear of this or that. And don't we have to consider our own situation here, too, in this thing?

I will go along with the Secretary. I hope this thing works. I don't feel we ought to give any publicity to this thing, or anything like that, because I am never going to get myself out on a limb again like I have gotten myself in this Reverse Lend-Lease with the fine publicity we got, and nothing happened. Whatever we do in trying to get the items off the list, I think it should be done very carefully and quietly.

If it brings about the results, fine; then if it doesn't bring about the results, then you may have to sit down, as you say, and go all the way on the thing.

H.M. JR: I would like to answer what Acheson said of his personal view, when you say that this is the principle source of irritation between the British Government and our own.

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That is the first time I have heard that said. There has been absolutely no indication from either the President or the War Department that that is so - absolutely none. There was none when I had Lord Halifax and Whaley here for lunch one day to discuss this matter. I asked them certain things. I have never even had an answer from them. This is a matter of at least three or four weeks. I asked them to make certain suggestions to me as to how they were proceeding in this matter. They have never even answered me.

So, if this is the number-one source of irritation between our two Governments, I would like to be officially informed of that.

MR. ACHESON: I think, if we would officially inform the British--

H.M.JR: No, I would like to be officially informed of that by either the President or the State Department or the War Department, because nobody, even by inkling, inferred that.

I am going about seventy-five percent of the way to try to meet the State Department on this thing, but frankly, I have been fooling around with this thing now almost twelve months, and if State doesn't want to go along with the Treasury in bringing this to the President's attention in this very much modified form, I will just have to go - excuse me, I think Mr. Crowley is with me - but I am not going to fool around with it any longer. This has been delaying tactics, and delaying.

When Churchill was here he talked to me about it, I think, twice. There was no - naturally he feels his own sterling thing very much. I tell you, the only thing that Halifax has ever shown any interest in this past year was the lend-lease of silver to India. It is the only thing he has ever gotten excited about or pressed us on, but that I did.

As I say, I have been talking about this thing too long and I have come to the end of my rope as far as I am concerned. I think Mr. Crowley and I are in the same boat.

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MR. WHITE: I shouldn't like to let this meeting pass without registering very, very strong objection to the judgment that this is poisoning our relations with the British. Quite understandably, the British want to get as much money as they can. We are not dealing in peanuts, and we are not dealing in ten or fifteen million dollars. We are dealing here with hundreds of millions of dollars, and any British civil servant would naturally at any point bring to bear sufficient pressure if he could, particularly when he is part of the Treasury, in order to increase the gifts, because that is what it amounts to in the sense of something additional for which they don't give anything material. It adds materially to their important assets. I would think much less of the competence and efficiency of the British civil servant if he didn't, wherever the question arose, state their cause fully, and emphatically, and attempt to obtain more.

But to assume from that that that is poisoning our relationship, I think, if I may be permitted to give a personal evaluation, that is almost a pathological statement.

MR. COX: May I try to narrow the issue a little bit? It seems to be the central one in my mind. It is basically a question of whether your primary emphasis and objective is to take these items that are politically questionable and remove them, even though they have an effect on the dollar position, and even though that is one of the reasons in a doubtful case that you now say that you wouldn't have said two years ago, take it off.

Now, in your dealing with the British, you have this problem. You can do some of these things unilaterally; you don't even have to talk to them if you don't want to. Let's take the minor case of mixed pickles. You can say you won't approve the requisition.

On the other hand, in dealing with Cuban sugar you have a contract with the Cuban Government to buy so much sugar. You then have to go to the British and say, "Will you take up, in the same way a private purchaser of sugar does, a certain quota?"

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If they say no to you, then you have to take the sugar anyway, because you are bound with the Cuban Government unless you know some way to get out of that.

Now, the people down the line in talking to the British people as a matter of sheer practical effectiveness-- if they put it primarily on the basis of cutting down the dollar position, then the British will drag their feet much more than if you say, "Of course, we realize it is a real practical matter that will cut your dollar balances, but the primary reason we are concerned is that when Mr. Crowley goes up on the Hill he has to spend a lot of time and can't define it. It may endanger the major program."

Now, as I see this memorandum, the emphasis at this point in the second memorandum is on the objective of removing politically vulnerable items, because you don't face the major issue by saying we ought to come down to the billion limit. These may do nothing but prevent the rate of increase. Nobody knows. If it should merely do that, you have to face at some later time the issue as to whether you want to take head-on the dollar position question in the terms of the January '43 memorandum.

MR. WHITE: None the less, Dean is quite correct in the interpretation of the first two pages, that the driving motive for reexamination of these is the dollar position.

H.M.JR: We are talking as though we were sending a memorandum to the English. This is a memorandum for the President's consideration. If there is anybody in town who knows about what our status is versus the English, he ought to know. He has the whole picture. He has contacts with Churchill practically daily. All we are talking about is something to walk across the street after one year of diddling around and frustration. Should we bring this to the President's attention? I feel most emphatically we should. I feel I would be negligent in my duty if I didn't.

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It was the same thing that time--to go back--who was the man here from Connecticut who looked after the balances in the Treasury? What was his name--a lawyer from Connecticut who was here in 1933?

MR. ACHESON: Tommy Hewes.

H.M.JR: Yes. I will never forget the thing. I was here and refigured the thing. There were two or three billion dollars or more of deficit, and I asked him why he didn't bring it to the President's attention. I was quite excited about it at the time. Earl Bailie and I went over to see the President. He turned absolutely white and didn't say anything for about five or ten minutes. I came back and sent for Tommy Hewes.

I said, "Why didn't you bring this to the President's attention?"

He said, "He never asked me."

So that was a lesson. I am not going to wait until the President asks me.

MR. COX: Isn't there an additional fact? As I understand it, everybody is agreed it should be brought to the President's attention.

MR. ACHESON: There is no argument about that.

MR. COX: The only thing is in presenting the question to the President in terms of coming out with a specific recommendation where he either says yes, or no, or go ahead, as to what your primary objective is in the recommendation.

MR. CROWLEY: Well, Oscar, if the memorandum showed what the dollar balance position, what the directive called for, which, as I understand, is about what it does, and then we say that we can eliminate certain of these items, the net result of eliminating these items, if it works the way we think it will work, it will reduce that dollar position. That is substantially what we are doing

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isn't it? That is the whole answer to the thing. If it doesn't work out, then we have to come back to you. Then you will have to determine whether you want to change that directive or not, if this doesn't bring about the result we think it will bring about.

Now, at that time, if the English position has changed, as you say, Dean, if you want to throw it all out on the English--but this memorandum doesn't go to the English. Why should the English know anything about it?

MR. WHITE: They shouldn't. But the answer is it doesn't take them long to find out.

However, I think it is rather curious for us to assume that the question of what is politically defensible or indefensible is not integrated with or interdependent upon the British balances. If the British balances had disappeared to a hundred million dollars, what we might regard as politically indefensible becomes not only politically defensible but highly desirable.

So to assume the two problems are completely independent, that what is politically indefensible should not be done, I think, is wholly a "fix." It is because the balances are rising that we are examining much more closely those things which were politically on the doubtful line. You are presenting to the President the background and your conclusion.

MR. CURRIE: Can't we get that emphasis you just placed in the memorandum--it isn't now, I think--that if you could hit it more directly, saying that the only justification for many of the things we have been doing under lend-lease is the extreme stringency of the British financial position. This is now passed. Balances have increased from two hundred million to a billion seven. Therefore, many of the items which cannot be justified other than financial stringency should be reexamined.

MR. WHITE: Except we go one step further and say that any lend-lease is dependent upon their financial position, which is implicit in our whole position; and, therefore,

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we say that since their balances are increasing we are going to cut down on these items. And it is implicit.

MR. CURRIE: It is a question of emphasis. I think you might put the emphasis more on these questionable items.

MR. CROWLEY: We hate to have this battle royal when we all pick on you.

MR. ACHESON: That is all right.

H.M.JR: He can take it.

MR. CROWLEY: Let me ask you this: First, if you don't object, the number one thing that is back in your mind is the question of a memorandum. Is that right?

MR. ACHESON: Well, the main thing is the recommendations in the memorandum. The Secretary doesn't object--

MR. CROWLEY: You don't object to calling to the President's attention that these dollar balances are considerably higher than his directive, and you don't object to the recommendations that these items should be eliminated from Lend-Lease?

MR. ACHESON: Not at all.

MR. CROWLEY: And the net result of eliminating these items may have the effect of reducing the dollar balance position. Do you go that far?

MR. ACHESON: Yes. All of that is correct.

MR. CROWLEY: That there is a division, as far as the Treasury and FEA is concerned, that we feel that the dollar position is too high, and if this doesn't reduce it, then we will have to throw the thing out on the table and take some other means of reducing the dollar balances?

H.M.JR: You say there is a difference between us?

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MR. CROWLEY: There is no difference between the Treasury and FEA, but Dean doesn't go quite that far with us.

H.M.JR: You said there was a difference between the Treasury and FEA.

MR. CROWLEY: I meant we were in accord; there is no difference between us. But there is the question in Dean's mind whether the dollar balance position is too high or not. Is that right?

MR. ACHESON: Yes. I want to make it just as clear as I can possibly make it. If you went to the British and said, "We have got in Lend-Lease, we have been over the things that we are doing, and there is an amount of three hundred or five hundred million dollars in here which is going to cause us a lot of trouble on the Hill; we are going to cut that out, and that is the program, and that is all there is to it, and that is the end of it," you can do it. That is perfectly all right. There won't be any crisis about it.

If you go to the British and say, "What we want to achieve here is a reduction of your balances to this particular point," then there will be a lot of commotion about it, and there will be a row, but nevertheless you have stated it. But if it is vague--

MR. CROWLEY: You don't have to do that with the British as long as we have an understanding amongst the three agencies and with the President that we eliminate those items. We don't have to tell the British why we are eliminating those items, do we, until we see the effect? But if it doesn't have the effect we think it will, we will have to bring it to them.

MR. ACHESON: Yes.

MR. WHITE: I don't think you can disguise it from the British that it will have the effect of either preventing their balances from increasing or diminishing.

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How far you want to go along in specifying exactly what is in your mind, I think depends, as it does, on a lot of diplomatic questions you have with the British and every other foreign country.

You say that this is what we are going to do.

"We know it is going to prevent your balances from increasing, or it may even reduce your balances."

H.M.JR: Well, Acheson said something. I would like to repeat it to him. I don't know whether he realizes the full impact of what he said, but he said he saw no objection to going ahead with this and telling the British that this is going to reduce their balances about five hundred million dollars, and that is that. I would just like to repeat what you said.

MR. ACHESON: Well, let me state it over again. A moment ago I said that what we were doing was poisoning the relationships with the British, and you expressed surprise, and Harry said that was pathological.

MR. WHITE: I said "almost."

MR. ACHESON: I don't know whether he meant on my part or on the part of the British. What I mean in poisoning the relations is the vagueness, the uncertainty, the lack of public, so far as the British are concerned, declaration on our part as to what we are trying to do.

Now, if we say to the British, "What we are trying to do is to cut out a group of items--here they are. We will give you a list of them. We find those difficult to defend on the Hill in view of the fact that if you want those items you can come and pay for them. We want to cut those out; that is all we have in mind. That is our whole purpose, and that is the end of the program that we have. Now, if that affects your balances, it doesn't make any difference."

MR. CROWLEY: If they were to say, "Well now, we are willing to do that, but you are not doing that because you want to reduce our dollar balances"--if we said, "No

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we are doing it because we want to get these items off the list," and this didn't work out, then we would be foreclosed from taking up with them the question of dollar balances.

MR. WHITE: It would be a great mistake.

H.M.JR: I couldn't be a party to that.

MR. ACHESON: I didn't say we have to say we are not doing it for this purpose; I say this is our program, this is what we want to do: We want to get rid of these items.

If we have something in our minds which is more than that, and if these items do not achieve another purpose, then we will do something else. I think they ought to know that, because it is the uncertainty, the lack of understanding on their part as to what we are up to which is causing this trouble.

H.M.JR: I don't know why they should lack any understanding. I think everybody in this room has had separate talks with them about it. I don't see--they certainly are not stupid.

MR. WHITE: They could just ask our comment with respect to their proposal to the Portuguese Government to let them withdraw now or to offer their gold for some part--they won't say exactly--but they thought twenty to thirty million pounds, which is a hundred million dollars for the Portuguese to withdraw. The Portuguese have not asked for it. There is no indication that the Portuguese want it, but for the very obvious reason that they feel it would help bring down their balances--the Portuguese have fifty-four million pounds, over two hundred and twenty million dollars of balances in London, and there is presumed to be an agreement covering that which gives Portugal the right to buy gold in London with that amount and withdraw it. They are now going to suggest to the Portuguese that they can draw twenty to thirty million pounds with a view to bringing the balances down. That would bring the balances down, and I don't imagine that

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there would be voiced any objection on our part, though I haven't raised that with you yet.

H.M.JR: I have never heard about it.

MR. WHITE: It just happened yesterday. It indicates that they know the problems.

H.M.JR: Let me just restate it, because I have gotten to a point--Acheson hasn't had a chance. But this is what I would like to proceed on, and I would like you to tell this to Mr. Hull. I would like to state it, and Crowley can state his own if it varies. This discussion of trying to get the British to cooperate with us, the way we have on everything else, has reached an absolute impasse, and it has been a growing sense of irritation with me. As I reminded Lord Halifax, whose succession of Chancellors of the Exchequer have had most friendly relations with me, this has been a source of irritation because I don't feel they have been frank with me.

Now, without having to go over the whole thing, I would like, I hope with the concurrence of Mr. Crowley and with the State Department, to see the President and say, "In the light of your memorandum which stands, and after having exhausted all other possibilities, we would like to proceed to eliminate these items, which in view of the changed financial position of the British, in view of the attitude of Congress, and so forth, and so on, we would like to go ahead and eliminate these." That is all I would like to do. "And I don't want to do it, Mr. President, after having had many, many, conversations with the British--and they are much more aware of this thing than I am, because this is of tremendous importance to them--and this is just one of a dozen items that we have."

MR. WHITE: Do you remember that Halifax said that the Prime Minister either had or was going to discuss that with the President at Teheran or at Cairo. He sent me a note to that effect.

H.M.JR: Leo, are you and I at all apart on that?

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MR. CROWLEY: I want to just add this, that also I understood that on the memorandum that we were willing to eliminate No. 7 and the last page of the memorandum.

H.M.JR: That is right.

MR. CURRIE: I would say the first paragraph of No. 7.

MR. WHITE: The first sentence or first paragraph?

MR. ACHESON: Seven is only one paragraph.

MR. WHITE: The first paragraph is the one Dean took objection to.

H.M.JR: Excuse me one minute. I was just asking Mr. Crowley where he was.

MR. CROWLEY: And with the understanding, which I understand we all agree on, that we will take this to him and read it to him and take it back from him if he wants to give it back.

H.M.JR: Lay it on his desk. If he wants to hand it back, he can hand it back.

MR. CROWLEY: Then it will be destroyed and forgotten about. We won't put him on the spot about the thing. That is agreeable with me. That is what I would like to do.

H.M.JR: Make it less formal; say this is a joint memorandum from those present, and we won't sign it, just a joint memorandum from State, Treasury, and your organization, and not even sign it. Lay a copy on his desk. I have seen them before. If he doesn't like it, he will hand it back to you. If he likes it, it goes into his basket. He knows when he doesn't want to keep something.

MR. CROWLEY: Then if there is a part State doesn't agree on, they would have their own memorandum. It would be nicer if we could be in agreement.

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MR. ACHESON: Yes, it is much better to do it that way. May I get clear on something which is not clear to me now? We were going to cut out the first paragraph of seven; and, nevertheless, you said a moment ago that the original directive would stand.

H.M.JR: I mean, he knows the directive is there. I just won't say anything. I wouldn't say, "Do you want to cancel it?" It is just there, that is all.

MR. CURRIE: As I understand it, Mr. Secretary, you proposed subsequently a briefer statement putting more emphasis on these politically questionable items.

H.M.JR: May I answer that for myself, Harry, please? After Acheson left and stated his case, and everything else, I gave a great deal of thought to it, and I am trying to put myself in the President's place, vis-a-vis Churchill, what would be the easiest thing for the President to do? What would cause the least friction and the least upheaval? It seemed to me the way to do the thing was in the way of this memorandum rather than the previous memorandum. The President may want to exert some pressure on Churchill at this time. He may want to do something to please him. I don't know. But certainly going over there--this is the worst possible time to do anything along this line--or this time is all right--but he knows.

The only financial things that seem to be uppermost in his mind is the question of his relations with China; and on that thing he asked me to come to see him the day he got back. I gave him this memorandum which he liked so well; it was prepared for him.

He said, "I am going to send it as is to the Generalissimo."

And when something is uppermost in his mind, he wants it, and he wanted something right away. That was a question of a loan to China. So I am just citing that to say that if there is something which is uppermost in his mind, when we walk over there he will say, "Now wait a minute--I said to Churchill," or "Churchill said to me;" or "At this time I can't go ahead," or "You can," and so forth,

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and so on. I am just using the Chinese as an example, because certainly that was burning.

I shook hands with him, and he said, "I have got to see you right away about China."

MR. CROWLEY: You remember he said to you in Cabinet-- he had promised to give them some money. He said, "You won't go along with me, but we will give them some anyhow." Aren't we rather assuming this in trying to get the memorandum in shape, that the President doesn't understand a little of the history of this thing. Just as soon as you go over there and start to talk about this matter and these items, immediately will come forth in his mind the dollar balance thing, anyhow. No matter how you tried to keep away from the dollar balances, he is going to raise that question himself.

(Discussion off the record.)

MR. CROWLEY: As I view it here, we are all pretty well in agreement, and we are splitting hairs as to whether we are going to tell him whether we ought to reduce the dollar balances, and State is not sure. That is what it gets back to.

MR. WHITE: I don't think it is a function of Cabinet men to hide what they are thinking about from the President. It is one thing to adopt certain tactics with the British; but as far as the President is concerned, he ought to know we are concerned about these items as well as the balances.

MR. CURRIE: In FEA our concern is a little bit more with the type of items. We are much more politically vulnerable than you on the specific items.

MR. WHITE: I think that is always true, and it is also true that the Treasury has a responsibility that FEA doesn't have, and both responsibilities are reflected in this, and to present it in any other way would be to minimize the responsibility of one or the other organization.

MR. CURRIE: From my point of view it seems to me this memorandum gives overwhelming emphasis to the dollar

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position and very little space, or indication, or consideration to the number of specific items that are really worrying us.

MR. WHITE: Put it "moreover."

H.M.JR: Well, we could do something else. We could start the thing off with the specific items. Put them at the beginning.

MR. CURRIE: That is the paragraph I would like to do a little more work on.

MR. CROWLEY: Let me say this now: I think we could talk and talk, and rewrite and rewrite, and I think we are going on the theory here that this man hasn't any imagination himself. Now, I am not one-tenth as smart as he is, and I wouldn't care whether you had these items on top, down below, or whether it is sandwiched in; it hasn't anything to do with the net result of what you are trying to accomplish. I think all you want is to have a frank discussion with him of this thing.

H.M.JR: And you are going also on the assumption that if this is a bad time to do anything that he doesn't know it. Now, he certainly is more conscious of it than any of us because of his dealings with Churchill on so many fronts.

MR. WHITE: And I think that if there is any misunderstanding, any vagueness about these operations, which constitute a source of the most potent poisoning of relationships, I would be inclined to think personally that you had a responsibility, Dean, to call that to the President's attention, because the relationships between the British Government and the American Government are, we would all agree, a matter of vital importance. If there is something which is happening which is poisoning that relationship, then certainly the matter ought to be called to the attention of the Chief of State, either officially, or through whatever channels are available to him.

H.M.JR: What I would like to do is, I would like to clean this up this year, which is today, and I would

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very much like this memorandum finished today, whether we see the President, or whether we don't.

MR. WHITE: There is just one thought.

H.M.JR: Excuse me, Harry. I have tried terribly hard to meet the objections which Acheson raised last night, to eliminate that paragraph seven which bothers him. Then if they want to put a little more emphasis on the other, that is all right. But as far as I am concerned, before I go home tonight I would like to initial this memorandum.

MR. WHITE: I think we are strongly in favor--as a matter of fact, we also have a commitment to the British that any changes in these items or any other items will first be discussed with them before it is done, and we would like, in so far as we legitimately can, to insist upon that, that you don't take any items off without having discussed them prior with the British.

H.M.JR: Well, listen, you said earlier that there is always plenty to discuss, and I think we all agree that before there is any discussion about this memorandum as between the three departments--I think this should take place with the President first; and then if the President says it is all right--

MR. CROWLEY: If all three of us are in agreement, it is going to make it so much easier for all of us to deal with Great Britain, too.

H.M.JR: But you, Harry, are not changing your position. That is, the discussion between the three departments and the President--that should take place prior.

MR. WHITE: Oh, yes. You don't have to confer with the British before you talk with your own Government, but I think before any action is taken with respect to any particular items that the British should be given an opportunity to present their case.

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MR. CROWLEY: We would agree to that, of course.

H.M.JR: I am not going to let Dean, consciously or unconsciously, put me in a position that I am antagonistic to the British, which I am not, but I am Secretary of the Treasury of the United States. I am not Chancellor of the Exchequer, and I am going to try to carry out my obligations to the President and to the Congress. I want to finish this today. There is nothing more important. I have all the time today that anybody wants for consultation.

MR. CURRIE: I wish you would give us a couple more days, Mr. Secretary. We would do a little bit better job on these individual cases.

MR. WHITE: I am agreed with Mr. Crowley that this is not important. Give the President enough material to let him say, "Go ahead," or, "Be easy," or, "Be tough." He doesn't need more than this.

MR. CROWLEY: In my mind, Lauch, when you have twenty items listed in this thing or fifty items, all you are putting them down there for is to give range of items. He isn't going to discuss sweet and sour pickles or whatever you have on that thing there.

H.M.JR: He likes pigs feet.

MR. CROWLEY: I think we are really arguing about a memorandum here that the chances are when he takes a look at it, sees it, and understands it, that is where he will stop and then he will start to discuss it.

MR. WHITE: I would like to raise two points, Mr. Secretary, and you can indicate whether you want them discussed or not, but it is necessary to tell you about them, because they bear on this. One is that the British have presented a memorandum and have urged for a reply for our agreement that the expenditures by the British and the American Armies for relief goods in third countries, which relates to the purchase of wheat in the Argentine, shall be divided as between those two Governments on the

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same proportion that UNRA contributions are made, namely, in proportion to the national income. Depending on the base year which they use, it would mean to short-cut with the result that they would pay either one-fourth, or one-fifth.

H.M.JR: Now wait a minute, Harry, look here. Don't let's muddy the water on the thing. I don't want to take anything else up until this thing is settled, because if you tell me anything more it is just going to make it that much more difficult.

Now, we have a job to do. I am sorry I can't go along with my friend Currie. You can add any memorandum that you want, but I would like the philosophy settled.

Now, on this list, I don't care whether there are five or ten. If we don't see the President today, then some more can come along. But I would like this to be settled today. Every time you ask for three days it is a week.

MR. CURRIE: If you have no objection, we might prepare a supplementary memorandum we will have to use, if necessary.

H.M.JR: That is all right. But as to what is in this memorandum, I really would like to get it settled today.

MR. ACHESON: There is one thing--

H.M.JR: Somebody from the State Department must have spoken to the President, because he asked to see you and me as of Wednesday.

MR. ACHESON: Mr. Hull--

H.M.JR: Then I asked that it be postponed until today. The reason I am pushing is in case he does see us today it would be awfully nice if we had something, or tomorrow.

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MR. ACHESON: So far as the document--if you want a document agreed upon between us, I do not see the necessity of the argumentation on Congressional intent here, which is in five and six, and on which Harry and I have had a debate for the last year and a half. I respect Harry highly as an economist, but not as a lawyer, and he knows that I do not agree with this interpretation.

MR. WHITE: You mean on referring to the committee? Take that out?

MR. ACHESON: Five and six.

MR. CROWLEY: When you get into that legal business, I will have to sit over here and rest a while. (Laughter)

MR. ACHESON: If you are going to make a recommendation, you can make it at the end of five. "There is merit, of course, in the British position, but we feel that neither Britain's international financial position outside the United States nor its post-war needs require the continuation of certain lend-lease transactions, and, therefore, we propose to do the following:"

MR. ROSTOW: We could take out five and six.

MR. ACHESON: "What I say is that in five--if you say, "There is merit, of course, in the British position but we feel that neither Britain's international position outside the United States nor its post-war needs require the continuation of certain lend-lease transactions. Therefore, unless you indicate to the contrary, we propose to discontinue certain types of transactions like the following." Then list them.

MR. CROWLEY: What about that part that Dean raised about the intent of Congress?

MR. WHITE: On the sixth, I would agree with him at once, that it be deleted. Five, by his suggested change, he altered substantially the tone. Now, that may be all right. It may be something you want to think about.

H.M.JR: You don't want six in there?

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MR. WHITE: I think that six points up in excellent style the point which we are making. I think it is valid, but not essential. The change in five is an essential change.

MR. COX: You don't even have to talk about intent, I mean, in five particularly.

H.M.JR: I can't go along on six. I want six in.

MR. CROWLEY: You mean on the Truman thing? Yes, I think that should be left in.

H.M.JR: I think it should be brought to his attention. It is the whole argument.

MR. WHITE: The others who are outside the range of discussions seem to have that view, and that has some significance.

H.M.JR: I can't go along.

MR. ACHESON: Well, I will put it up to Mr. Hull. I will tell him that I won't agree to those. Mr. Hull is the Secretary. I won't agree to six or five, because I just think it is fundamentally wrong. But Mr. Hull, the Secretary of State--if he agrees--it just isn't Congressional intent; to have three Cabinet officers say it is, I think, is wrong.

MR. WHITE: I concede that on that.

MR. ACHESON: You are a great economist, Harry, but you are not a great lawyer.

MR. WHITE: I would be very willing to accept that criticism.

MR. COX: Mr. Secretary, what I would suggest you do with five and six is, you are in a highly controversial legal field in six.

MR. WHITE: We are in a little difficulty here; we haven't any of our lawyers here.

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MR. COX: Here is your solution: It is one thing to say, "Here is what the Truman Committee said;" it is another thing to say, "The Congressional intent," so and so and so. I would take five and change it at the end the way Dean suggested it, because you get the same end result. It seems to me if you get agreement on the memorandum it is more important.

MR. WHITE: Possibly you make it sound like a very little change, but he is introducing a very substantial change by those few changes. Well, I am willing to examine them.

I think that you could make some change in our interpretation "...seems to be supported," and say, "This is what the Truman Committee says," without that preliminary phrase. Mr. Secretary, Dean is raising what I think is a very justifiable point from a legal point of view. He says that legally we are incorrect. I would say with respect to that that if our Legal Division is in accord you may wish to reexamine. I certainly haven't the authority.

MR. COX: This isn't legal; it is a political question.

MR. WHITE: Excuse me, I thought Dean said it was a legal question.

H.M. JR: It isn't a legal question; it is a political one, with all respect to you (Acheson).

MR. CROWLEY: If I need a good lawyer some time, I want to go to you (Acheson).

MR. WHITE: You are second; I have already gone to him.

MR. CROWLEY: If I had a contract that I wanted to have a lot of things deleted from and finally get the contract and throw it out the window entirely, I would hire Dean, because Dean raises this end that question. He doesn't agree to go along with us anywhere here, and he takes all the insides out of your statement. We won't have anything left but just a couple of sheets of white paper there.

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MR. ACHESON: You might not have anything left but the facts, and that would be terrible.

MR. WHITE: As you would like to present them.

MR. ACHESON: No, you have presented the facts.

MR. WHITE: You will, if we let you make the changes.

MR. CROWLEY: What I mean is, I don't think it is possible for Dean and ourselves to have a meeting of minds, because as I view Dean's position, that may not be the Secretary's, but it is Dean's position. Dean doesn't believe in his own mind that these dollar balances are too high.

Now, while he is willing to go along with the elimination of these items, he goes along with them because we might say they are undesirable items to have in Lend-Lease, but he doesn't go along with them because of the fact of the reduction of the dollar balances. Isn't that right, Dean?

MR. ACHESON: I imagine so, yes. I do not go along with it because I want to reduce the dollar balances; no, I go along with them because they are undesirable politically.

MR. CROWLEY: Now we have two edges. We go along with them because they are undesirable politically, and we go along because they are going to reduce the dollar position. If we don't reduce the dollar balance position, we have back in our mind that we want to do something to reduce the dollar position.

MR. WHITE: Unless the President indicates to the contrary.

MR. CROWLEY: It seems to me that to try to get into an agreement of a memorandum with Dean and ourselves is an impossible thing, whether it is in five, or six, or seven, or whatever it may be, because you have that difference.

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Now, you can go to the President with Dean, and we can state our position on these items and say what we want to do, but we think of the effect in the dollar balance position, and Dean can state his position. Then at least the President is on notice about the thing, and he doesn't need any guardianship from us. He will tell us very quickly what he wants to do. Now, doesn't it get right back to that?

MR. ACHESON: I don't think my position is of any importance in the matter at all.

MR. WHITE: You have spent an awful lot of time over an unimportant matter.

MR. CROWLEY: What do you mean?

MR. ACHESON: The important thing is what Mr. Hull thinks about it. Now, Mr. Hull has his own view on it. I think he would be entirely willing to say that he will stay out of this thing, that you present the memorandum, and he will make no comment on the situation of any sort. If the President asks him, he will say what his view is, and not my view. In no sense of the word am I influencing Mr. Hull in this. Therefore, I would suggest that you go right ahead with your memorandum.

H.M. JR: It seems to me that Stettinius has a double responsibility here. As I say, I don't know where he stands on this thing, but he certainly has a double responsibility, I should think; one as the Under Secretary of State, and one as the former Administrator of Lend-Lease. But that also is within Mr. Hull's bailiwick.

But glancing at this thing--you can take back this word, that I am willing to eliminate the first paragraph of seven, but as to the rest, the spirit in here--I mean words within--O.K. But as to the spirit of the Congressional intent, I want to bring to the President's attention what I think the Congressional intent was at the time I labored with this on the Hill. And I am simply bringing this to his attention. It isn't a public document, and you can't get into an argument with me because this is what is in my mind. You can say that you think Congressional

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intent was something else if you want to say so; that is all right. There won't be any hard feelings.

MR. ACHESON: I don't want to do it, Henry. I have never, in the three years that I have been in the State Department, ever gone to the White House or suggested that anyone should go to the White House, or done anything except advise my chief. He is a very independent gentleman who will do exactly what he thinks is right. I will report this to him.

H.M.JR: Could you do this, in order to save time, if it is at all possible to get it to him today and get some word back?

MR. ACHESON: Surely, I will get word back to you before lunch. That is rather a bold statement, but if not before lunch, then right after.

H.M.JR: Well, say before supper.

MR. ACHESON: I think his view may be that you two had better go ahead and do it, handle it yourselves.

H.M.JR: I think inasmuch as the appointment was suggested by Mr. Hull, he should be there to do his own talking. I got word that the President has no appointments today and no Cabinet, but certainly he ought to be there, either he or his representative. I mean, I am going to insist on it, especially in view of the magnitude of this between the relationships of the British and ourselves.

MR. ACHESON: Well, I believe that to be entirely true.

H.M.JR: Then Mr. Hull certainly should be there. Have you anything else?

MR. CROWLEY: No.

Oscar and Lauch, do you want to talk with Harry a little about that memorandum?

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MR. COX: Yes.

H.M.JR: Couldn't they lock themselves in more or less?

MR. WHITE: Yes. And the understanding is that it doesn't change the spirit.

H.M.JR: Gene, it will be pleasing to me if you would stay behind for whatever constructive suggestions you can give.

MR. ROSTOW: You mean if I could?

H.M.JR: Yes.

MR. ACHESON: Surely.

H.M.JR: Then whatever they settle on it, he will take it over.

MR. CROWLEY: Will you call me before you go home tonight?

H.M.JR: No, I am staying. I have no plans to leave.

In the early days of lend lease a great many items were supplied to the U. K. and the British Empire solely because the British had come near to exhausting their available cash. The period of extreme financial stringency has now passed. British balances have grown from \$200 million to \$1.7 billion and are currently increasing at the rate of \$50 million a month. One important factor in the improving dollar position has been and will increasingly continue to be expenditure by our troops in the British Empire. British dollar balances will continue to grow despite the recent extension of reverse lend-lease to raw materials. The more comfortable dollar position suggests that a review of current lend lease programs to the British Empire is in order. Many questionable items might very well now be shifted from a lend lease to a cash basis. Among these items are the following:

Estimated amounts for 1944

Iceland fish	15,000,000 to 25,000,000
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I.

FACTORS RESULTING IN INCREASE IN
UK GOLD AND DOLLAR ASSETS

1. There is likely to be an increase in the dollar expenditures of the U. S. armed forces in the Sterling area in the next six months. The Treasury might be asked to get up an estimate of the likely increase and the rate of increase.

2. On the basis of presently available experience the present rate of increase is at least 50 million dollars a month. This rate of increase — and the increase resulting from increased troop expenditures — will, of course, be adversely affected by the factors set forth in II and III.

II.

FACTORS ADVERSELY AFFECTING IN-
CREASE IN UK DOLLAR ASSETS

	<u>Estimated Amount</u>
1. Raw materials supplies as reverse lend-lease:	\$200,000,000 <u>to</u> 300,000,000 per annum.
2. Plants and facilities in the U. S. to be taken over under reverse lend-lease:	20,000,000
3. Petroleum products in the Middle East supplied to the U. S. Navy, etc:	_____

III.

(1)

FACTORS LIKELY TO DECREASE UK
DOLLAR ASSETS

The following are very rough estimates for the year 1944 of items, heretofore obtained under lend-lease, which will probably be furnished to the British only for cash (except for Iceland fish, it is difficult to say what the effect of the following changes will be in the dollar position, because of factors such as increased advance requisitioning, lags in procurement, and possible failure of the British to purchase certain items in previous volume):

1. Iceland fish contracts:	\$15,000,000 <u>to</u> 25,000,000
2. Machine tools, presses and wood-working machinery:	30,000,000

	<u>Estimated Amount</u>
3. Petroleum equipment:	\$14,000,000
4. Industrial equipment:	125,000,000
Includes mining, construction, transportation (locos and rolling stock), power generating, rolling mill and foundry equipment; also cranes, hoists and bearings. The mining equipment includes \$17,000,000 for UK coal mining and \$3,000,000 for Empire metal mining, already on order.	
Food Machinery	800,000
Pulp, paper, printing machinery	200,000
Textile and leather machinery	1,000,000
5. Portable electric and pneumatic tools:	7,000,000

III.

(2)

ADDITIONAL ITEMS WHICH MIGHT BE EXCLUDED FROM LEND-LEASE

1. Cuban sugars	\$68,500,000
2. Agricultural machinery:	14,800,000
3. Automotive equipment:	12,700,000
4. Replacement parts for above:	17,500,000
5. Business machines:	11,000,000
6. Tobacco for the armed forces:	<u>65,000,000</u>
Total:	\$189,500,000

III
(3)

FURTHER ADDITIONAL ITEMS WHICH MIGHT
BE EXCLUDED FROM LEND-LEASE

Estimates of dollar value are not presently available for the following:

1. Alloy steels and other supplies for the British West Indies, Southern Rhodesia and other colonies and territories relatively far removed from the battle areas.
2. Items such as mixed pickles, jams, marmalade, etc.
3. Nuts, bolts and other supplies going to Iraq, Palestine and other Middle Eastern areas.
4. Paper and other office supplies.
5. Sewing machines.
6. Oil from outside the U. S.
7. Other controversial civilian items.

December 31, 1943
12:15 p.m.

CHINA LOANS

Present: Mr. Bernstein

H.M.JR: I will lend you my copy, anyway. This is from Mr. Hull, December 29, on China. But the thing I want you to check up on is this question of supplying our troops, the point they make there, you see. Don't we send in all the food? Are they living off China?

MR. BERNSTEIN: They must be living considerably off China, because there are no facilities for bringing in food except by air.

H.M.JR: You haven't seen this thing?

MR. BERNSTEIN: Unless this is the cable you meant that Secretary Hull told you about from Gauss that day.

H.M.JR: This is another one.

MR. BERNSTEIN: I haven't seen it then.

H.M.JR: Aren't you doing China?

MR. BERNSTEIN: No, sir, Friedman does China.

H.M.JR: Well, look, read this thing. I would like when I come back this afternoon--I don't think it is going to take a great deal just to say this matter is in the President's hands. Until he hears or advises me, there isn't anything I can do.

But they raise questions there I want to have answered, you see, categorically for me, like the Chinese living off--the American Army living off China. Generalissimo and

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his wife got pretty dirty in their talk. They say, for instance, they can't sell any gold, and all that kind of business.

Anyway, you read it, and sometime this afternoon you see that you and White get in to see me, will you?

MR. BERNSTEIN: Yes, sir.

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December 31, 1943
3:46 p.m.

HMJr: Hello.

Operator: General Strong is attending a meeting over here in Washington somewhere and she says it will be sometime between five and six before he gets back to his office.

HMJr: Let me talk to one of his assistants.

Operator: Yes, I have his secretary on.

HMJr: All right.

Operator: Go ahead.

HMJr: Hello. Hello.

General Strong's Secretary: Hello.

HMJr: Who is this?

L: This is Mrs. Lochte, secretary to General Strong.

HMJr: Oh. Is one of General Strong's Aides there?

L: Yes, Colonel Towson is here.

HMJr: He'd be fine.

L: All right, sir. Just a moment, please.

Colonel Towson: Colonel Towson, Mr. Secretary.

HMJr: Hello, Towson.

T: Yes, sir. Good afternoon, sir.

HMJr: Towson, look, would you tell General Strong that we're having considerable troubles in China?

T: Yes, sir.

HMJr: And -- about a loan and inflation and all that sort of thing.

T: Yes, sir.

HMJr: And General Somervell is particularly interested.

T: Yes, sir.

HMJr: On account of his troubles in getting the work done, and has appealed to me for help and right now it's -- we're wait -- there's an exchange of information going on between the President and General Chiang Kai-Shek himself, see?

T: Yes, sir.

HMJr: But anything that the Army would have for me on the inflationary situation, or anything they can pick up on -- along our line, you know what it is.

T: Surely.

HMJr: See?

T: That's right.

HMJr: And they -- do you get the State Department cables on that?

T: We have our own liaison officer over there, sir. He picks out cables of military interest. Generally I -- he wouldn't have those, but he has access to them. We can....

HMJr: Well, I think he ought to read Ambassador Gauss' file for the month of December, that has to do with inflation and loans.

T: Yes, sir.

HMJr: If he has access to that.

T: All right, sir.

HMJr: And then he would be brought up to date and then if they could keep me up to date, and as I say, this is of tremendous interest to General Somervell.

T: Yes, sir. I'm sure it is.

HMJr: And so, anything you can do to help me on background and -- and at the military end -- I mean, just how weak-kneed they are just now about fighting -- all that sort of thing.

T: Yes, sir.

HMJr: Do you see what I mean?

T: I'm sure the General will be delighted to do it, sir, and I'll get word to him just as soon as he comes back.

HMJr: I mean, General Somervell thought it was important enough to come over and see me himself about it.

T: Yes, sir.

HMJr: And the President is interested and so forth. And that last letter I got on the Argentine, I told Pehle to contact you.

T: Yes, sir. He's already telephoned me.

HMJr: He said he thought you had written it anyway.

T: (Laughs) Well, I had something to do with it, sir.

HMJr: All right. Well, you know what I want on China?

T: Yes, Mr. Secretary, I'll get after it right away, sir.

HMJr: Thank you.

T: Yes, sir.

HMJr: Bye.

T: Good bye, sir.

December 31, 1943

My dear General Strong:

This will acknowledge receipt of your letter of December 29th transmitting a report on the Argentine situation. Thank you very much for sending me this information.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Major General George V. Strong,
Assistant Chief of Staff,
G-2,
War Department,
Washington, D.C.

P.S. Happy New Year!

CONFIDENTIAL

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WAR DEPARTMENT
WAR DEPARTMENT GENERAL STAFF
MILITARY INTELLIGENCE DIVISION, G-2
WASHINGTON, D. C.

29 December 1943.

The Honorable,

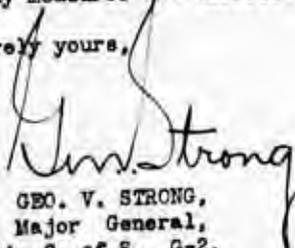
The Secretary of the Treasury.

My dear Mr. Secretary:

In accordance with your request for a weekly report on the Argentine reaction to the freezing of funds, the following is submitted:

It is reported that Argentina has found a way to make the freezing of her dollar assets meaningless, that is by requiring any of the American Republics desiring to make purchases in Argentina to make payment in some exchange other than dollars. This is attributed to a sub-manager of the Banco de la Nacion in charge of exchange and a director of the bank. These men are further quoted as referring to Americans as scoundrels and by even stronger epithets, as saying that Argentina is the only South American nation which refuses to be subdued by the United States and as stating that the two banks recently frozen "resisted American desires that local firms such as the German bank be put on the black list." The Military Attache observes that the Argentines respect and understand toughness, but that half-way measures are ineffectual.

Very sincerely yours,


GEO. V. STRONG,
Major General,
A. C. of S., G-2.



CONFIDENTIAL

December 31, 1943
4:30 p.m.

BRITISH DOLLAR BALANCES

Present: Mr. White
Henry Morgenthau, III

H.M.JR: "Tobacco for the armed forces."

MR. WHITE: No, that is in the new; it wasn't in the other. (Hands the Secretary original and revised drafts of "Memorandum for the President.")

H.M.JR: This is new?

MR. WHITE: The carbon draft is the revised draft. The copy is the one that you saw this morning.

H.M.JR: No, but when you have little brackets around--

MR. WHITE: It means that wasn't in the other draft.

H.M.JR: Now, "What the view in Congress may be is indicated--"

MR. WHITE: That is new; it is in place of the part that is marked in red on the copy.

H.M.JR: This is new.

MR. WHITE: That is right. And that is the old one as you saw it.

H.M.JR: "Our interpretation of Congressional intent seems to be supported--" now that is out?

MR. WHITE: They didn't want the term "Congressional intent." They made a good case, in that it has a legal meaning we would find difficult to sustain. I think we

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are saying all we want to in the way it is phrased now, and it satisfies both Rostow and Cox.

H.M.JR: "What the view in Congress may be is indicated by the report--"that is all right with me.

And you crossed out, "Therefore, unless you indicate to the contrary, we propose to discontinue--"

MR. WHITE: I didn't mean to. Oh, yes.

H.M.JR: What are you afraid of, a cold?

MR. WHITE: Yes, that was rewritten to be that way. It is slightly different.

H.M.JR: Look, Harry old man, you have got it so damned complicated. Tell me what it is.

MR. WHITE: What we have said now is, "In view of the consideration mentioned above, we believe that the various questionable items such as the following, which were initially included because of the earlier shortage of dollars, should be eliminated from the Lend-Lease."

H.M.JR: Now, that isn't in that; where is that, paragraph seven?

MR. WHITE: This paragraph seven is substituted for the sentence there.

H.M.JR: I see.

MR. WHITE: Now, we can add there, "Unless you indicate otherwise," but I didn't think it was necessary.

H.M.JR: I think that is most important.

MR. WHITE: "Unless you indicate otherwise--"

H.M.JR: "Therefore, unless you indicate to the contrary, we propose to discontinue certain types of transactions like the following:"

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MR. WHITE: You prefer that?

H.M.JR: Well, I would have both, Harry.

MR. WHITE: That is easy.

H.M.JR: I want back in this (indicating page), "Therefore, unless you indicate to the contrary, we propose to discontinue." In other words, he doesn't have to say anything.

MR. WHITE: All right. He doesn't in the other, but this highlights it a little more.

H.M.JR: I think that this is important. Look, this is what Roosevelt likes. He doesn't have to do anything. I didn't want to say too much in front of Acheson, but I think if he can put it to Roosevelt that he doesn't have to communicate with Churchill and just by saying nothing we can go ahead, I think that is what he is going to like.

MR. WHITE: Well, I rather objected, as I indicated, to his interpretation, as I know you did, but I certainly thought for the record we ought not for one moment let him get away with the statement that we are responsible for the growing difficulties with Britain. I think he had an awful nerve to make the statement.

H.M.JR: Well, I went after him first. When you said he was a pathological case, he said, "I don't know whether he was referring to the English or myself."

MR. WHITE: I said I would let him guess. I meant him. He knew what I meant. For him to say that, that is poisoning our relations in the light of all the other areas of difficulty.

H.M.JR: I think, between the two of us, he was trying to make the record, and so were we.

But Crowley is good. You have to hand it to him.

MR. WHITE: That is right.

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H.M.JR: And Oscar Cox came in and said this was wonderful, and at the end he turned a complete somersault.

MR. WHITE: Not only complete, but he is a tumbler.

H.M.JR: All Lauch Currie does is nod his head. He doesn't even open his mouth. I thought Crowley was all right.

MR. WHITE: Yes, and he stuck to the main point.

H.M.JR: Now, you cut out--

MR. WHITE: There is an added sentence, the last sentence. Look at the original.

H.M.JR: "Tobacco for the armed forces"--that is in, isn't it?

MR. WHITE: Yes, but the very last sentence is new.

H.M.JR: "Unless something like the above program is adopted, British dollars will continue to rise."

MR. WHITE: They rather insisted, and I saw no objection--Cox and Rostow.

H.M.JR: Why do they want that in?

MR. WHITE: They wanted to point out, well, for different motives--Rostow wanted it in because it suggested that all we are concerned with is preventing it from rising, which is the implication given there.

Cox wanted it in because he said there is no indication that the President would have this to the magnitude of the things we are undertaking, and this will have some suggestions.

H.M.JR: They are not sincere, either of them. This is another source of irritation, and I don't want it in there.

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Now, my philosophy in approaching the President is, I am going to say, "Now look, here is the situation. Unless you say something to the contrary, we are going to go ahead and discontinue lend-lease to the British, machinery, off-shore purchases of Iceland fish, civilian goods, pulp and paper, tobacco for the armed forces, and so forth.

Then at the end, "Unless something like the above is done--" that is just what I don't want.

MR. WHITE: You mean, he will say, "I don't care if it does rise"?

H.M.JR: No, I don't want him to have to make up his mind.

MR. WHITE: You don't want to raise the issue that clearly.

H.M.JR: That is the point. They are throwing it in at the end to irritate the President. He will say, "Well, now, wait a minute, I said this to Churchill and that to Churchill."

I just want them to go in and say, "Now, look, Mr. President, no more Iceland fish, no more tobacco for the British armed forces, no more sour pickles, no more of this and that." O.K.?

MR. WHITE: You are quite right. That makes the issue more clear. That is why I was willing to have it in.

H.M.JR: I don't want it; I don't want to make it clear. Now listen, the man is a smart man. Here he goes to see General Chiang Kai-shek. We get word he told them, "No loan" in Cairo. He comes back and says, "I don't know." He doesn't want to be on the spot that he has to say no to Chiang Kai-shek, but in a spot so he can say, "I didn't say anything to Morgenthau; I didn't say anything to Churchill; I didn't say anything to him. Is Morgenthau doing that? I am amazed. I will have to

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talk to him about it." I know the man. He has got to be able to say, "Well, yes, Morgenthau said something about fish. He said something about stuff to Jamaica and pulp and paper. I just took it for granted the whole question of balances going up or down never was raised. He never said anything. I will talk to him about it."

MR. WHITE: Yes, that prevents the thing from being head-on between Churchill and himself.

H.M.JR: Certainly. That is the whole point. Don't you think I am right, Harry?

MR. WHITE: Yes, I do.

H.M.JR: He gets a snotty cable coming in, "Why, the question of the balances coming up or down never was raised. Morgenthau never raised it."

But look at the memorandum Dean Acheson showed us.

MR. WHITE: But at the same time--

H.M.JR: This was put in, Harry, to kill this thing.

MR. WHITE: Well, maybe; I didn't think so. What they wanted to put in to kill it--what I thought Rostow wanted to put in to kill it was what followed, which I objected to. That was half of the sentence. You may be right. In any case, I think you are right that you don't want the issue raised clearly with the President. That is what that does.

H.M.JR: I don't. Do you get the position I want to put him in? I may be all wrong.

MR. WHITE: Well, I hope that the President gets the issue clearly from the first part, but at least he can take the position that he didn't get it clearly, which is what you want.

H.M.JR: That is what I want.

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MR. WHITE: It gives him an out if he wants to use it.

H.M.JR: He is entitled to an out.

Listen, you know it is very interesting--as we get into this thing, the French are sore at us in Algiers because we stopped lend-lease. We are trying to cut down lend-lease to the British; they get sore. I get a snooty, snooty telegram; Chiang Kai-shek sends for our Ambassadors and gives them hell, and this, and that, and the other thing. Just as soon as we quit being Santa Claus we become unpopular.

HENRY MORGENTHAU, III: We are going to cut out lend-lease to the British?

H.M.JR: Not for the armed forces, but, Henry, the things that they have been giving them--it is just unbelievable. I mean, we have practically--Doctor White can correct me--maintained their entire economy, both military and civilian through lend-lease, almost in whole. Isn't that right?

MR. WHITE: Well, we are certainly making substantial contributions toward it.

H.M.JR: And we here feel that Lend-Lease was never conceived for that purpose, and that we are exceeding the authority of Congress, and maybe endangering the whole of Lend-Lease. The things that they do are just unbelievable on lend-lease.

MR. WHITE: I think I informed you that according to Jack Hickerson everybody in the State Department is opposed to Dean Acheson's view and is in thorough sympathy with our view. They are very much worried about the position which is being taken. They hope that the position that we are representing will be brought to the President's attention.

To go from this to the Chinese situation, a very fulsome cable which we drafted and you signed went to Kung.

- 8 -

H.M.JR: I gave it to your secretary. That was a very good cable.

MR. WHITE: Yes, but we also signed another cable of New Year's greeting to Soong which was just one line, and it troubles me, because there is a major fight in China between Soong and K'ung. If Soong gets that cable and K'ung the other, K'ung will show it around. It will be shepherded around and made so much of that I would like to reexamine Soong's cable and make it a little more fulsome if it is all right with you, particularly since he is in the dog house now which he may not get out of.

H.M.JR: This is T. V.?

MR. WHITE: T. L. Soong, who is a brother, is going back to Chungking. Apparently the family called. He is assuming for them very important proportions. I gave you Adler's letter, which I hope you will read.

Now, I will make these changes and send them in to Crowley and the others.

H.M.JR: Wait a minute until I get Stettinius.

Treasury Department
Division of Monetary Research

130 ✓

Date.....December 31, 1943.19

To: Secretary Morgenthau

Appended is the memorandum as agreed upon by Cox and Currie. Rostow of the State Department liked the changes we made and thought the memorandum on the whole would be satisfactory to the State Department. However, he wanted to add a phrase which he said would definitely assure agreement by the State Department but rest of us objected to the addition.

I want to call your attention to the changes in this draft compared to the draft you read this morning. The changes are indicated in red crayon in both old and revised drafts.

When a final copy of this draft is typed I presume you want to indicate that this is a memorandum for the President from (Secretaries Hull and) ? Morgenthau and Mr. Leo Crowley.

MR. WHITE
Branch 2058 - Room 214½



THE SECRETARY OF THE TREASURY
WASHINGTON 25

MEMORANDUM FOR THE PRESIDENT

from Secretary of State, Secretary of Treasury
and

1. In January 1943, you approved the following recommendation of a committee consisting of representatives of the Departments of State, Treasury and War, the Office of Lend-Lease Administration and the Board of Economic Warfare:

"It is recommended in the light of present circumstances, that the United Kingdom's gold and dollar balances should not be permitted to be less than about 600 million nor above about 1 billion."

2. Notwithstanding the directive, the British Government's liquid dollar exchange assets have continued to rise and are now over 1.7 billion, or 1,350 million more than at the time the Lend-Lease Bill was presented to Congress in January 1941.

In addition to the gold and dollar holdings of the British Government, residents of the United Kingdom hold 520 million of private dollar balances and about 1,150 million of long-term investments in the United States. Of the latter assets, 350 million are pledged with the R.F.C. against the 350 million loan.

3. When it became clear that the British balances were rising substantially above the ceiling set in your directive, the Treasury and the Board of Economic Warfare pressed for a reduction in civilian lend-lease as a means of implementing your directive, but the State Department and Lend-Lease Administration were reluctant to recommend such a step in the absence of an exhaustive reexamination of our policy of financial assistance to the British and of Britain's overall international financial position. It was finally agreed to request the British for strategic and other materials as reciprocal aid, estimated likely to amount to 200-300 million during the ensuing year. This proposal was immediately placed before the British. Several months elapsed before the letter agreed to the proposal in principle and



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even then only after considerable prodding. Several more months have been spent in an endeavor to arrive at methods of implementing the proposal. We are disappointed with the progress made to date and we think there is little reason at present to be hopeful that this device will in effect yield anything like the amount needed to carry out your directive.

4. The British Government has strongly objected to a policy which prohibits an increase in their gold and dollar assets. They emphasize that the rise in their holdings of these assets--which may be expected to continue at an annual rate of at least a half billion dollars unless steps are taken to interrupt this trend--is only a fraction of the increase in their short-term indebtedness to overseas countries other than the United States.

They assert first that \$365 million of these liabilities represent a specific claim against an equivalent amount of dollars and that that sum must be subtracted from their total holdings in order to obtain the correct figure of their available gold and dollar reserve.

Secondly, they claim that their short-term sterling liabilities to overseas countries are five times the amount of their gold and dollar holdings and that these liabilities are increasing at a rate of 2.5 billion a year.

The British claim that they should be permitted to accumulate gold and dollars as a necessary reserve against these growing liabilities. They assert that the continued accumulation of gold and dollars is a prerequisite to the continuation of the policy by which they have managed to finance their war expenditures in India, the Near East and other overseas areas.

Finally, the British fear that their mounting liabilities to overseas countries will place them in a very vulnerable position after the war and jeopardize their chances of a speedy post-war recovery.

5. There is merit, of course, in the British position but we feel that neither Britain's international financial position outside the United States nor its post-war needs were among the considerations which prompted Congress to pass the Lend-Lease Act. In our opinion, (Congress might well feel now) that Lend-Lease aid to Britain was instituted in order to enable her to obtain those goods and services essential to the prosecution of the war for the purchase of

- 3 -

which she lacked the necessary dollars, and that therefore to administer the Act in such a way as to help underwrite Britain's short-term indebtedness to other countries or to improve her post-war financial position might be contrary to the wishes of Congress. The British concede that this narrower purpose may have been the original objective, but they believe that our entry into the war alters the situation.

6. [What the view in Congress may be is indicated] by the report of the Truman Committee entitled "Outlines of Problems of Conversion from War Production" and submitted to Congress on November 5, 1945. To quote from page 15 of this document:

"In the latter connection, we should never forget that lend-lease was originally authorized by the Congress, solely because the English and others whom we desired to assist did not have sufficient American exchange to purchase materials needed by them. Lend-Lease was never intended as a device to shift a portion of their war costs to us, but only as a realistic recognition that they did not have the means with which to pay for materials they needed.

"Before authorizing lend-lease, the Congress expressly requested and received assurances that lend-lease assistance would be extended only where the recipient was fully utilizing all of its own resources."

7. [In view of the considerations mentioned above we believe that various questionable items, ~~such as the following~~, which were initially included because of the earlier shortage of dollars should be eliminated from lend-lease.]

Therefore, unless you indicate to the contrary,

- | | | |
|-----|---|--|
| (a) | machinery and capital installations; | <i>we propose to discontinue certain types of transaction like such as</i> |
| (b) | off-shore purchases such as Iceland fish, Caribbean sugar, and oil from outside the U.S.; | |
| (c) | civilian goods to the Middle East, Jamaica, Southern Rhodesia, etc.; | |
| (d) | pulp and paper; | |
| (e) | to tobacco for the Armed Forces; | |
| (f) | certain other controversial civilian items. | |

~~Unless something like the above program is adopted British dollars and gold balances will continue to rise.~~

as the following!

*Dec. 31, 1943*MEMORANDUM FOR THE PRESIDENT

1. In January 1943, you approved the following recommendation of a committee consisting of representatives of the Departments of State, Treasury and War, the Office of Lend-Lease Administration and the Board of Economic Warfare:

"It is recommended in the light of present circumstances, that the United Kingdom's gold and dollar balances should not be permitted to be less than about \$600 million nor above about \$1 billion."

2. Notwithstanding the directive, the British Government's liquid dollar exchange assets have continued to rise and are now over \$1.7 billion, or \$1,350 million more than at the time the Lend-Lease Bill was presented to Congress in January 1941.

In addition to the gold and dollar holdings of the British Government, residents of the United Kingdom hold \$320 million of private dollar balances and about \$1,150 million of long-term investments in the United States. Of the latter assets, \$500 million are pledged with the R.F.C. against the \$350 million loan.

3. When it became clear that the British balances were rising substantially above the ceiling set in your directive, the Treasury and the Board of Economic Warfare pressed for a reduction in civilian lend-lease as a means of implementing your directive, but the State Department and Lend-Lease Administration were reluctant to recommend such a step in the absence of an exhaustive reexamination of our policy of financial assistance to the British and of Britain's overall international financial position. It was finally agreed to request the British for strategic and other materials as reciprocal aid, estimated likely to amount to \$200-\$300 million during the ensuing year. This proposal was immediately placed before the British. Several months elapsed before the latter agreed to the proposal in principle and

- 2 -

even then only after considerable prodding. Several more months have been spent in an endeavor to arrive at methods of implementing the proposal. We are disappointed with the progress made to date and we think there is little reason at present to be hopeful that this device will in effect yield anything like the amount needed to carry out your directive.

4. The British Government has strongly objected to a policy which prohibits an increase in their gold and dollar assets. They emphasize that the rise in their holdings of these assets--which may be expected to continue at an annual rate of at least a half billion dollars unless steps are taken to interrupt this trend--is only a fraction of the increase in their short-term indebtedness to overseas countries other than the United States.

They assert first that \$365 million of these liabilities represent a specific claim against an equivalent amount of dollars and that that sum must be subtracted from their total holdings in order to obtain the correct figure of their available gold and dollar reserve.

Secondly, they claim that their short-term sterling liabilities to overseas countries are five times the amount of their gold and dollar holdings and that these liabilities are increasing at a rate of \$2.5 billion a year.

The British claim that they should be permitted to accumulate gold and dollars as a necessary reserve against these growing liabilities. They assert that the continued accumulation of gold and dollars is a prerequisite to the continuation of the policy by which they have managed to finance their war expenditures in India, the Near East and other overseas areas.

Finally, the British fear that their mounting liabilities to overseas countries will place them in a very vulnerable position after the war and jeopardize their chances of a speedy post-war recovery.

5. There is merit, of course, in the British position but we feel that neither Britain's international financial position outside the United States nor its post-war needs were among the considerations which prompted Congress to pass the Lend-Lease Act. In our opinion, Lend-Lease aid to Britain was instituted in order to enable her to obtain those goods and services essential to the prosecution of the war for the purchase of which she lacked

- 3 -

the necessary dollars, and that therefore to administer the Act in such a way as to help underwrite Britain's short-term indebtedness to other countries or to improve her post-war financial position is not in accord with Congressional intent. The British concede that this narrower purpose may have been the original objective, but they believe that our entry into the war alters the situation.

6. [Our interpretation of Congressional intent seems to be supported] by the report of the Truman Committee entitled "Outlines of Problems of Conversion from War Production" and submitted to Congress on November 5, 1943. To quote from page 13 of this document:

"In the latter connection, we should never forget that lend-lease was originally authorized by the Congress, solely because the English and others whom we desired to assist did not have sufficient American exchange to purchase materials needed by them. Lend-Lease was never intended as a device to shift a portion of their war costs to us, but only as a realistic recognition that they did not have the means with which to pay for materials they needed.

"Before authorizing lend-lease, the Congress expressly requested and received assurances that lend-lease assistance would be extended only where the recipient was fully utilizing all of its own resources."

7. In our opinion, nothing has happened during the past year to warrant a change in the policy laid down in your directive. The considerations which prompted the Committee's recommendation last January appear to us to be as valid today as they were then.

Therefore, unless you indicate to the contrary, we propose to discontinue certain types of transactions like the following:

- (a) machinery and capital installations;
- (b) off-shore purchases such as Iceland fish, Caribbean sugar, and oil from outside the U.S.;
- (c) civilian goods to the Middle East;
- (d) all goods to South Africa;
- (e) small requisitions, and
- (f) certain other controversial civilian items.

- 4 -

Should these steps prove insufficient to reduce the British balances to within the range indicated in your directive, we will reexamine the situation with a view to proposing further measures to obtain this objective.

HDW:TMK:ISF:rl 12/30/43

December 31, 1943.

MEMORANDUM FOR THE PRESIDENT

Secretary Morgenthau has shown me his Memorandum to you of December 31, 1943, on the subject of the United Kingdom's gold and dollar balances. I share his desire to bring the matter to your attention and generally agree that the facts are as stated in paragraphs 1, 2, 3, and 4 of the Memorandum. I believe that it would be entirely possible in view of the improved British financial position to eliminate from lend-lease transfers goods of the character stated in paragraph 7 of Secretary Morgenthau's Memorandum.

If, in your judgment, it is still practicable and wise to attempt to hold British balances to a fixed amount, I respectfully suggest that this policy should be made clear to the British, in order to avoid possible friction and feeling of a serious nature between the two governments by reason of the great importance which they seem to attach to the need for fullest discussion of their liabilities in connection with any possible policy of limitation of their assets to a fixed amount.

A true copy of
the signed copy
sent
BE

W. H. Hall

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

December 31, 1943

MEMORANDUM

TO: The Honorable Henry Morgenthau

From: Bernhard Knollenberg
Executive Advisor to the Administrator

Subject: Executive Reports

Transmitted herewith, for your information,
are copies of the Executive Reports on lend-lease
operations, as of November 30, 1943.

CONFIDENTIAL
Executive Report No. 1

ALLOCATIONS, OBLIGATIONS AND EXPENDITURES
LEND-LEASE FUNDS APPROPRIATED TO THE PRESIDENT

Report as of November 30, 1943

(Thousands of Dollars)

Appropriation Category	Adjusted Appropriations	Cumulative to November 30, 1943		
		Allocations	Obligations	Expenditures
Ordnance and Ordnance Stores	\$ 1,692,306	\$ 1,684,912	\$ 1,497,751	\$ 1,266,297
Aircraft and Aero. Material	2,679,625	2,676,283	2,494,249	2,032,161
Tanks and Other Vehicles	739,273	692,721	627,130	605,702
Watercraft	3,871,703	2,777,143	2,245,719	2,009,950
Misc. Military Equipment	354,288	354,047	302,903	242,165
Production Facilities	1,104,688	1,102,488	1,056,404	938,038
Agric. and Indust. Commodities	12,608,929	10,417,606	8,307,086	6,807,604
Servicing, Repair of Ships, etc.	790,818	674,112	512,421	496,636
Services and Expenses	800,000	411,583	309,157	243,981
Administrative Expenses	28,999	26,940	23,833	23,546
Total	24,670,629	20,817,835	17,376,653	14,666,080

Procuring Agency	Cumulative to November 30, 1943		
	Allocations	Obligations	Expenditures
War Department	\$ 5,748,395	\$ 5,259,809	\$ 4,635,108
Navy Department	3,248,828	2,586,427	1,988,282
Maritime Commission and War Shipping Admin.	2,710,014	2,087,330	2,068,368
Treasury Department	3,900,160	3,046,149	2,235,989
Department of Agriculture	5,188,086	4,378,022	3,723,671
Other	22,352	18,916	14,662
Total	20,817,835	17,376,653	14,666,080

December 29, 1943

U-0403 P1 OF 3 ARDU-114-11

CONFIDENTIAL
Executive Report No. 2

STATEMENT OF LEND-LEASE AID

Report as of November 30, 1943

(Thousands of Dollars)

Type of Aid	Cumulative to		Month of	
	November 30, 1943	October 31, 1943	November	October
Goods Transferred	\$16,135,849	\$15,164,930	\$ 970,919	\$ 1,028,185
Servicing, Repair of Ships, etc.	400,728	383,033	17,695	23,656
Rental of Ships, Ferrying of Aircraft, etc.	1,382,583	1,297,765	84,818	46,437
Production Facilities in U. S.	604,604	602,615	1,989	1,298
Miscellaneous Expenses	84,789	84,538	251	1,977
Total Services	2,472,704	2,367,951	104,753	73,368
Total Goods and Services	18,608,553	17,532,881	1,075,672	1,101,553

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the War and Navy Departments.

Type of Aid	Cumulative to November 30, 1943				
	Br. Empire	China	U.S.S.R.	Other	Total
Goods Transferred	\$12,428,267	\$162,822	\$3,249,657	\$295,103	\$16,135,849
Servicing, Repair of Ships, etc.	273,781	1,838	62,989	62,120	400,728
Rental of Ships Ferrying of Aircraft, etc.	1,057,029	12,478	190,762	122,314	1,382,583
Production Facilities in U. S.	-	-	-	-	604,604
Miscellaneous Expenses	51,182	1,187	2,464	29,956	84,789
Total Goods and Services	-	-	-	-	18,608,553

December 29, 1943

CONFIDENTIAL
Executive Report No. 3

LEND-LEASE GOODS TRANSFERRED

Report as of November 30, 1943

(Thousands of Dollars)

	Cumulative to November 30, 1943				
	Br. Empire	China	U.S.S.R.	Other	Total
Ordnance (Excl. Ammunition)	\$ 549,051	\$ 15,563	\$ 175,620	\$ 813,020	\$ 753,254
Ammunition and Components	1,178,431	22,188	335,638	26,276	1,562,533
Aircraft	1,255,798	48,098	535,238	66,634	1,905,768
Aircraft Engines, Parts, etc.	992,013	17,626	180,746	18,883	1,209,268
Tanks and Parts	1,485,551	923	300,333	28,275	1,815,082
Motor Vehicles and Parts	390,379	25,535	400,763	16,812	833,489
Watercraft and Parts	1,536,859	4,447	160,969	45,850	1,748,125
Foods	1,668,661	-	272,093	10,948	1,951,702
Other Agric. Products	419,392	41	5,616	48	425,097
Machinery	494,311	4,539	268,582	4,363	771,795
Metals	673,122	10,273	267,776	2,465	953,636
Petroleum Products	686,555	2,566	32,765	302	722,188
Miscellaneous Materials and Manufactures	1,098,144	11,023	313,518	61,227	1,483,912
Total	12,428,267	162,822	3,249,657	295,103	16,135,849

December 29, 1943

DEC 31 1943

My dear Mr. Secretary:

This is to acknowledge receipt of your letter of December 29th enclosing telegram of December 23, 1943 from Ambassador Gauss. I appreciate your sending me this telegram and have found it of considerable interest.

I see that Ambassador Gauss is in agreement with the views expressed in our Memorandum to the President, copy of which I sent to you in letter dated December 20, 1943.

It would seem that no further steps can be taken regarding the Chinese request for a loan until we have received a reply to our Memorandum which, as you probably know, the President said he was going to forward to President Chiang Kai-shek.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

The Secretary of State

P.S. Happy New Year!

ISP/efs 12/31/43

DEPARTMENT OF STATE
WASHINGTON

December 29, 1945

STRICTLY CONFIDENTIAL

My dear Mr. Secretary:

There is enclosed for your confidential information and consideration a paraphrase of a secret telegram of December 23, 1945 from the American Embassy at Chungking in regard to a conversation which Ambassador Gauss had with President Chiang Kai-shek on December 22 on the subject of China's critical economic position.

I shall be glad to receive any comments that you may care to make concerning the contents of the enclosed telegram.

Sincerely yours,



Enclosure:

Paraphrase of telegram.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

PARAPHRASE

Secret telegram of December 29, 1945 from the American Embassy at Chungking reads substantially as follows:

I called last evening in company with Atcheson upon President and Madame Chiang at their request. The only other person present was Wang Chung Hui who had been with them at Cairo. In reply to Chiang's question, which he asked significantly, whether I had received any telegrams recently I said none of importance. The Generalissimo then asked my opinion of the situation in China, especially economic developments, and he observed that he would welcome any advice that I might proffer and hear any plan I might suggest.

In referring to the seriousness of economic conditions, he reiterated his suggestion that I put forward any plan for amelioration. He then went on to say that in his country the coming year would be most crucial and that the faith of the Chinese people in China's national currency had so far prevented an economic collapse. Chiang said that it was essential that there be an early opening of the Burma Road for so long as this road remains unopened the desperate economic situation of China renders it essential to support the value of the currency of China and maintain the rate of exchange.

In reply to Chiang's question as to whether I have studied the problem of the financial difficulties of China, I said that I try to keep up with the financial situation ^{the light of} in whatever information is available and that from the American point of view one aspect

[The main body of the page contains several paragraphs of extremely faint, illegible text. The text is so light that it is difficult to discern any specific words or sentences. It appears to be a standard memorandum or report format.]

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that it is not possible to change the exchange rate and support must be given to the value of Chinese currency. He said I saw Dr. Kung again and just before leaving the room he said that it is his custom requested with a manifestation of cooperation and emphasis that I make it known to our Treasury and military authorities that both the economic and military collapse of China would result from a failure to support the currency of China.

Madame Chiang indicated during the course of the conversation that the President had been made acquainted at Cairo with the Generalissimo's views on the seriousness of the situation. After Chiang had left she expressed herself emphatically in regard to China's economic difficulties and remarked with some bitterness that about 200 Chinese dollars were being paid by China for the maintenance of every American soldier in China. She indicated that as our forces are augmented the cost would become intolerable and added that it is becoming more and more impossible to find sufficient pigs, chickens, and cattle to feed the American troops (needed to supplement the amounts of supplies which we ourselves bring in). She said that it was imperative that sufficient backing be accorded Chinese currency.

Two. It is my belief that last evening's stage was set for eliciting the support of the Department of State for request of additional American loan and that such a request was not put forward because of the diversion made to the subject of our expenditures for military purposes. On December 20 I was informed by [redacted] that a billion dollar loan had been requested by Chiang

and

-4-

by Chiang

that an answer was expected that day. That he told me that I assume that the request was made through military channels and in connection with military talks.

It is unfortunate that the Embassy is not kept fully advised of developments recurring in relations between the United States and China.

In my recent telegram there was hopefully set forth the Embassy's view in regard to a further loan to China at this time. It is my firm opinion that we should take a firm stand in this regard on this question. In regard to military aid for a loan to help facilitate to restore overland transportation to China, military aid by air is to be the only possible measure for relieving the general economic situation, I have no information. I do not believe that although the foreign exchange rate is high, it is due to the success of the people, harvest and production which will themselves of any substantial change in that rate to push prices still further.

Nothing substantial has actually been done by the Chinese Government to find and deal with these speculators and hoarders. Therefore, I am of the opinion that China government intervention in the sale of U.S. currency at this time and heavy sale to the public of reference to exchange rate as such, probably will be the result of the sale of gold and various commodities. It is to cope with the situation affecting the market in China.

Although I do not pretend to pass judgment in advance on

-2-

any character, I should stress what we have repeatedly stated previously, namely, that economic and military conditions in China are deteriorating so fast that, in order to prevent the loss of China in due course, military measures to restore the open land and reopen land transportation to China are imperative at an early date. The economic situation in China will not be helped by a loan from the United States at this juncture, but only benefited by successful military operations on an extensive scale.

Your Excellency:

I appreciate your forwarding to me in your letter of December 15th message from Dr. H. H. Kung dated December 14, 1943.

I would be happy if you would transmit the following reply to Dr. Kung:

"Your message of December 14, 1943 was kindly transmitted to me by Ambassador Wei.

"I am pleased to hear that the recent gold shipments have contributed to the strengthening of Chinese national currency. As you well know, the United States Treasury has always been ready to help China in our common war effort.

"With best wishes for the New Year."

May I take this occasion to extend to you my most cordial greetings for the New Year.

Sincerely yours,

Elizabeth W. Ferguson

Secretary of the Treasury.

His Excellency,
The Ambassador of the Republic of China,
Washington, D. C.

ISF/efa 12/27/43

CHINESE EMBASSY
WASHINGTON

December 15, 1943

My dear Mr. Secretary:

I have the honor to inform you that I have just received for transmission to you the following telegraphic message dated December 14, 1943 from Dr. H. K. Kung:

"It is now four months since arrangements were made for the provision of gold to China through the cooperation of the United States Government.

"You will be pleased to hear that the recent gold shipment is one of the outstanding factors contributing to the strengthening of FAPI, because people believe that the arrival of gold has increased the much needed reserve of our currency, thereby influencing the stability of prices. The action of the United States Government re-affirms to the Chinese people that, despite difficulties arising from the blockade and the cumulative effects of over six years of war against the invasion, China has a powerful friend desirous of strengthening China's economy as conditions permit.

"I wish to take this opportunity to express my deep appreciation for your continued cooperation and to send you cordial greetings of the season."

Ray I

Honorable Henry Morgenthau, Jr.

Secretary of the Treasury.

- 2 -

May I avail myself of this opportunity to extend to you the seasons greetings. I am, my dear Mr. Secretary,

Very sincerely yours,

Wei Pao Ming

SEP 11 1943

Dear Mr. Chen:

This is in reply to your letters of August 17 and August 28, 1943 which were transmitted to me in person by Mr. Chang Kai-ngau. I shall, of course, be glad to do all possible to assist Mr. Chang in the work which he is doing.

I would like to express my deep appreciation for the services you rendered as Chairman of the Stabilization Board of China. We here have always recognized that you have been a constant and vigorous advocate of friendship between our two countries and that you have done much to bring about the mutual good will and spirit of cooperation which distinguish Chinese-American relations.

I do hope that we may soon have the opportunity of seeing each other again.

With best wishes for the New Year, I am

Sincerely yours,

(Signed) W. Worzenhan, Jr.

Secretary of the Treasury.

Mr. K. P. Chen,
Stabilization Board of China,
Chungking, China.

ISF/efs 12/27/43

KWANG PU CHEN

Chungking, August 17th, 1947.

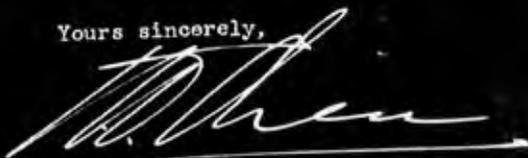
Honorable Henry Morgenthau, Jr.,
Treasury Department,
Washington, D. C.,
U. S. A.

Dear Mr. Morgenthau:

I am giving this letter to Mr. Chang Kia-ngau, a very good friend of mine of long standing. I expect Mr. Chang's name may be known to you. He was, until recently, the Minister of Communications, and he is now an adviser to the Executive Yuan. He comes to America at the request of Generalissimo Chiang Kai-shek to study general economic and industrial conditions for reference in the postwar development and reconstruction of China. He is also bearing a letter to you from the Generalissimo. I have much pleasure in taking this opportunity of introducing him to you, and I shall be grateful if you will be good enough to assist him, in what way you can, during his short sojourn in America.

With kindest personal regards,

Yours sincerely,



K. P. Chen.

Chungking, August 28th, 1943.

Mr. Henry Morgenthau, Jr.,
Treasury Department,
Washington, D. C.,
U. S. A.

Dear Mr. Morgenthau:

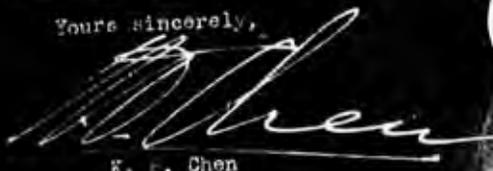
For reason of health, I have recently tendered to Dr. H. H. Kung my resignation from the Chairmanship of the Stabilization Board. Now that negotiations are underway for the revision of the original Stabilization Agreement, I feel you would be glad to know that during the last two most eventful years, the Stabilization Board of China, in the face of the most adverse circumstances, has been able to discharge many functions which have proved to be of great benefit to China. The initiation by your Treasury of measures such as General Licences 75 and 58 under your Freezing Control, resulting in the canalisation of foreign exchange to our government has been of inestimable value as a weapon of economic warfare against the common enemy. At a time when I am about to vacate my seat on the Board it is a personal satisfaction to me to know that China has left no financial obligation under the Stabilization Agreement outstanding to the U. S. Treasury.

It always affords me the greatest pleasure to recall the occasions on which I was privileged to be personally associated with you first in arranging for the purchase by the U. S. government of China's silver and subsequently in setting up the Universal Trading Corporation for the purpose of administering the woodoil and tin loans. The obligations under the woodoil loan agreement have all been duly discharged with a satisfaction which I believe, is entirely mutual. The Universal Trading Corporation is still charged with the task of administering the tin loan, and although the outbreak of the Pacific War has brought in its wake many unforeseen difficulties for the institution, I have every confidence that it will be able to successfully surmount them.

The Universal Trading Corporation owed its inception principally to you, and I sincerely trust that, in the midst of all your many important preoccupations, you will continue to show to the Universal our sympathetic interest, which would mean so much to it.

I need hardly tell you that the government and the people of China are constantly mindful of the friendly spirit which prompts the manifold measures of aid which America is giving to China, I know you will agree with me when I say that this sincere spirit of cooperation will continue to work to the good of our two countries in the future. With my kindest regards and best wishes,

Yours sincerely,



K. F. Chen

DEC 31 1943

Dear Generalissimo Chiang:

This is to acknowledge receipt of your letter of August 6, 1943, introducing Mr. Chang Kia-ngau. I have had the pleasure of meeting Mr. Chang and will, of course, do all possible to be of assistance to him in carrying out the work for which he has come to the United States.

With best wishes for the New Year,
I am

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

Generalissimo Chiang Kai-shek,
Headquarters of the Generalissimo,
Chungking, China.

ISF/efs 12/27/43

HEADQUARTERS OF THE GENERALISSIMO
CHINA

(Translation)

Chungking, August 6, 1943

My dear Mr. Morgenthau,

Mr. Chang Kia Ngau, Advisor to the Executive Yuan and Ex-Minister of Communications, is on a special mission to visit the United States. I ask him to call on you and to convey to you my personal regards. Mr. Chang is well experienced in monetary affairs and has long connection with economic administration in China. I expect him to spend one full year in America and to study thoroughly matters pertaining to economics, banking, international trade and industrial reconstruction. I shall appreciate if you will be good enough to receive him frequently, to render him all assistance, and to introduce him to people prominent in banking and industrial circle so that he may be benefited by personal contact and conference with them.

With kind wishes, I am,
Yours very sincerely,

(Signed) Chiang Kai Shek

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

DEC 31 1941

Honorable Henry Morgenthau, Jr.,

Secretary of the Treasury.

My dear Mr. Secretary:

I have received your letter of 14 December with regard to Canadian gold and U. S. dollar balances, and note with interest that Canada's reserve is almost twice the amount approved by the Cabinet Committee last March.

I am in complete accord with the general principles set forth in your letter. However, I should like to defer replying to any of the specific proposals contained therein until a thorough investigation of the many agencies of the War Department that may have placed contracts in Canada has been completed, except to point out that the proposal to cancel the contract for Algerine mine sweepers is a Navy Department matter. Upon completion of the investigation I will forward to you the information requested in your letter, indicating the War Department contracts in Canada that could be cancelled without hindrance to the war effort, based upon the premise that the contracts recommended for cancellation would be taken over by the Canadian Government.

With regard to the placement of future contracts in Canada by the War Department, I have issued instructions that the War Department shall not place contracts in Canada where the primary purpose for the contract is to provide U. S. dollar exchange to Canada. In other words, all contracts hereafter to be placed in Canada by the War Department shall be because of production considerations alone and not for financial reasons.

Sincerely yours,

(Sgd.) HENRY L. STIMSON

Secretary of War.

1/3/42 - Original sent to Miss Chaucey.

DEC 31 1943

Honorable Henry Morgenthau, Jr.,

Secretary of the Treasury.

My dear Mr. Secretary:

I have received your letter of 14 December with regard to Canadian gold and U. S. dollar balances, and note with interest that Canada's reserve is almost twice the amount approved by the Cabinet Committee last March.

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Sincerely yours,

(Sgd.) HENRY L. STIMSON

Secretary of War.

1/4/44 - Original sent to Miss Chauncey.

December 31, 1943.

Dear Randolph:

Your letter of December 20, which reached me just as I was leaving to spend the Christmas week-end on the farm, gave me a great deal of pleasure. I appreciate immensely what you said about the conduct of the War Loan campaigns, and the success that they have had.

Thank you also for your Christmas greetings. I hope that the New Year will bring you all good things, and look forward to our contacts during the months that are to come.

Sincerely,

(Signed) Henry

Dr. W. Randolph Burgess,
Vice Chairman of the Board,
The National City Bank of New York,
55 Wall Street,
New York, New York.

GEF/dbs

W. RANDOLPH BURGESS
55 WALL STREET
NEW YORK

December 20, 1943.

Dear Henry:

Returning from Beacon I have been so snowed under as hardly to have time to tell you how much I enjoyed the evening with you. I was afraid that you were catching cold, but the boys at the Treasury tell me that you fought it off.

We have been going at top speed, and I think are making rapid progress, though there is still a tremendous amount to be done.

But the main purpose of this letter is to wish you and yours as happy a Christmas as possible. There is at least one thing to be very happy about, and that is the great success of the War Loans. That is something that is securely nailed down as a great achievement of your trusteeship in the Treasury.

With all best wishes,

Sincerely yours,

Randolph

Honorable Henry Morgenthau, Jr.,
2434 Belmont Road,
Washington, D. C.

DEC

Dear Mr. Adams:

I have followed with great interest the Colorado plan of awarding pennants to those counties making their quotas during War Loans.

The records show that 59 out of your 63 counties earned this insignia of patriotic achievement during the Second War Loan, and that all but one county flies the Third War Loan pennant.

While the citizens of Colorado have established an enviable record to date, I am awaiting returns from the Fourth War Loan to see if they can attain the ultimate goal -- "every county over the top."

I deeply appreciate the fine job being done by the Colorado War Finance Committee under your splendid leadership.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Clarence H. Adams, Chairman
Colorado War Finance Committee
Colorado Building
Denver, Colorado

mdt 12-27-43

We, in Washington, have followed with great interest the Colorado plan of awarding pennants to those counties making their quotas during War Loans.

The
Our records show that 59 out of your 63 counties earned this insignia of patriotic achievement during the Second War Loan, when the plan was inaugurated, and that all but one county flies the Third War Loan pennant.

The citizens of Colorado
While your citizens have established an enviable record to date, I am awaiting returns from the Fourth War Loan to see if they can attain the ultimate goal of every state ~~and~~ "every county over the top".

My deep appreciation to everyone associated with you in the vital war finance program,

W. H. C. ... Colorado ...

of Co ...

16.

12/31/43

224

Envelope addressed to:

Mr. M. A. Davey,
341 Massachusetts Ave.,
Detroit, 31, Michigan.

Employees of the Chrysler Corporation:

I understand that through the cooperation of Management, the Labor Management Drive Committee and the UAW-CIO Locals in the Plants, the employees of the Chrysler Corporation did a very fine job in the purchase of War Savings Bonds during the Third War Loan Drive.

I want to express my personal appreciation to you for your efforts and also express my hope that in the Fourth War Loan Drive which begins on January 18 you will again be one of the leading Industrial groups in the country.

In the Fourth War Loan Drive your Government is asking you to purchase \$10,258,000 worth of War Bonds. These quotas are quite substantial, however, I believe that all of you, no matter what your quotas are, will do everything you can to put over the Fourth War Loan Drive in your plant and not only make all the quotas set up for you -- but exceed them. We know that we can count on you to do your best.

With best regards to all,

Sincerely,

(Signed) H. Morgenthau, Jr.

RHO:M:amg
12/28/43

MEMORANDUM FOR THE SECRETARY.

December 31, 1943.

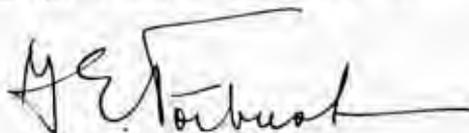
Mail Report

Though a little heavier than it was last week, our mail again indicated that the public mind is not yet turning to Treasury affairs. Those who wrote usually had specific ends to gain, and very few voiced opinions or made suggestions. No new subject was introduced.

There continues to be a complete lull in tax correspondence. Opposition to the Treasury tax program was most often expressed by notes scribbled on the margins of unfavorable editorials or news articles, a number of which were forwarded anonymously. Roughly speaking, disapprovals exceed endorsements by 4 to 1. There was a slight revival of interest in a sales tax, with favorable comments strongly leading the unfavorable ones.

Most of the week's bond mail concerned problems of inscription or redemption. There were a number of questions about the recently called 1944-1946 series. By far the most popular constructive idea continues to be that of a bond in small denomination, usually a \$10.00 one to be sold for \$7.50. Very few letters refer in any way to the Fourth Drive, and there were only 36 bonds submitted for redemption, the smallest figure for several weeks. Complaints about delays are correspondingly low, and of the total of 26, 15 came from personnel of the War Department.

Other mail was so widely scattered over the usual fields that no summary could be made and no quotable comments culled. Even the attached quotations are "run of the mill", and submitted simply to show that the mail is following routine lines in the period before the return of Congress and the start of the next War Loan Drive.



General Comment

Victor R. Wolder, Attorney and Counselor at Law, New York City. * * * I convey to you my deep greetings and heartfelt feelings for the outstanding work you are doing in this era for our great country and those of our allies.

Unfavorable Comments on Bonds

D. Himebaugh, Casper, Wyoming. We are tired of hearing you harp on War Bonds and say nothing about strikes. Let's change your tune to "Keep on Working", "Don't Strike", "Don't Stop Working", "Don't Walk Out", "Stick to Your Work", etc. Plenty could be said here and the people will feel more like buying bonds. Bond buying will take care of itself if you will only harp on the other strings for awhile. It is certainly sickening to read and hear about strike threats, which should be outlawed during the war. It is an awful black mark on our Democracy. What are the soldiers fighting for when they discover the fellows behind them arguing and quitting?

Senator Wagner forwards a letter he has received from Gerard J. Geyden, Brooklyn, N.Y., which reads as follows: I purchased several War Bonds by payroll deductions in 1942, through the Signal Corps Ground Signal Agency. * * * These bonds have never been delivered, and to make matters worse, no receipts were ever given for the money deducted. I have written

- 2 -

several times to the office of the Signal Agency and received no replies. I have also written four times to the Centralized Field Offices, Finance Department, Chicago, Ill. On the last two occasions I have not even had the courtesy of a reply. * * * I do not think it unreasonable, after a full year, to ask for delivery of the bonds, or a receipt for the money, or a cash refund with interest, so that I can buy my bonds elsewhere. It is hardly conducive to further bond sales to continue to delay the delivery of these bonds. I am not alone in my complaint as practically every one who bought bonds in 1942, through this agency, have received the same treatment. (P.S. I have written to Secretary Morgenthau only to be referred again to the Chicago Office of the Finance Department.)

- 3 -

Favorable Comment on Taxation

S. W. Picher, Brooklyn, N.Y. A thousand cheers for your stand against Congress on the matter of the new Revenue Bill. It appears that the special interests are endeavoring to repeat all of the stunts of the last War in creating "War Millionaires". What are we little people getting out of this farce?

- 4 -

Unfavorable Comments on Taxation

W. H. Morgan, Vice President, R. R. Bush Oil Company, Long Beach, Calif. * * * The instructions accompanying the tax return are, no doubt, written by an attorney. The language is obtuse and beyond the comprehension of the average taxpayer. Let me suggest the Revenue Department select some intelligent school teacher who is instructing classes not exceeding fifteen years of age and have your tax attorneys explain to her just what the regulations mean. Then have her reduce it to language which her children of fifteen years can understand. If children of fifteen can understand the rules and regulations, then the average taxpayer can. In many cases the taxpayer could make out his own tax return and not have to go to a tax expert and pay him a fee of \$25 and up in order to make the proper return. Many large corporations are beginning to issue financial statements written in language which the average stockholder can understand. Your Revenue Department might try the same thing, because you are dealing with millions of people, and by using the heavy legal phraseology in your instructions, you are forcing millions of people to pay out their hard-earned money for professional services when the whole thing could be simplified. You might build up a little good will with the taxpayer if it is at all possible to do so.

TELEGRAM SENT

DLL

PLAIN

December 31, 1943

AMEMBASSY,

CHUNGKING.

1879, Thirty-first

FOR ADLER FROM THE SECRETARY OF THE TREASURY.

Please transmit the following message to Dr. Kung:

QUOTE Dear Dr. Kung:

I would like to thank you again for your kind invitation to visit China contained in your letter of December 4, 1943. I am looking forward to the day when I will be able to visit your great country for which I have always had the highest esteem.

May I, at this time, extend my congratulations to the Chinese people and their Government for their continuous successful struggle during the past year against our common enemy and my best wishes that the forthcoming year will bring even greater successes. The American people have appreciated the difficulties under which the Chinese people and their Government have labored and hope that in the coming year it will be possible to take fundamental remedial measures which will overcome these difficulties. The American people are anxious that China be a great, strong and democratic nation and, as such, contribute to the postwar peace and prosperity which we are all striving

-2-#1879, December 31, to Chungking

-2-

to achieve.

I would like to take this occasion to congratulate you on your completing ten years in office as Minister of Finance. China has indeed been fortunate in having in office as Minister of Finance during these years one who has realized the importance of proper financial measures during a period of protracted war.

May I also express my pleasure at having had so many opportunities to work closely together with you and representatives of your Ministry during these many years. I sincerely trust that the mutual good will and confidence which characterizes the relations between your Ministry and my Department will continue during the coming years. Close cooperation between your Ministry and my Department will be a significant contribution towards solving the difficult postwar problems of financial and economic reconstruction and rehabilitation.

Sincerely yours,

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

END QUOTE

FD:FL:PAK
12/31/43

HULL
(FL)

NOT TO BE RE-TRANSMITTEDU.S. SECRETCOPY NO. 12BRITISH MOST SECRETOPTEL No. 427

Information received up to 10 A.M. 31st December, 1943.

1. MILITARY

Italy 8th Army Canadians made slight progress North and West of ORTONA. Patrol activity on whole front.

5th Army Moroccan troops have captured summit of MONTI CASALE as well as another hill feature. On 29th/30th, one of our Commandos landed on the coast two miles North of the GARGLIANO. No details yet received.

Russia Besides continuing their successful advance North West and South of ZHITOMIR the Russians have captured TOLMOVA 20 miles West of ZAPOROZHE.

2. AIR OPERATIONS

Western Front 29th/30th. BERLIN 1,068 tons U.S. and 1,185 tons incendiaries including 380 4,000 lb. bombs were dropped. Thick cloud en route over objective, marker bombs not seen and most crews bombed on sky marker flares. No accurate assessment of results yet possible but numerous fires seen and several crews reported smoke to 16,000 feet. A/A fire heavier than last time but few fighters seen.

30th. 652 U.S. heavy bombers dropped 1,244 tons on LUDWIGSHAFEN through cloud, no results could be seen. Enemy casualties reported by bombers and supporting fighters 23:11:16. Our losses 22 bombers and 12 fighters. Military constructions in the PAS DE CALAIS area were attacked by 250 medium light and fighter bombers, one Typhoon bomber and a Hurricane missing.

30th/31st. Aircraft despatched - Military constructions NORTHWEST FRANCE 16, COLOGNE, DUISBURG and BOCHUM 21, sea-mining 26, leaflets 33. 3 enemy aircraft crossed the South East coast penetrating about 30 miles inland.

Italy 29th. 104 escorted Fortresses dropped total of 273 tons on the railway centres of FERRARA and RIMINI. 102 Marauders and 64 fighter bombers attacked railway communications in CENTRAL ITALY and South East of ROME.