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THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

July 14, 1944

MEMORANDUM FOR THE FILES

At yesterday's conference in the State Department between representatives of the State, Treasury, and War Departments regarding the memorandum which State had submitted to the President on the French situation and which Mr. Alphand stated the President had read to De Gaulle and both had agreed that this memorandum should be used as a basis for further talks, I was asked to find out through Miss Tully at the White House whether or not the President had actually used this memorandum.

Mr. Glasser has written a memorandum on the conference so I will not cover that in this memorandum.

I stepped out of the room, got Miss Tully on the telephone, and told her the story and immediately sent her a copy of the memorandum so that she could identify it. I asked her if she would ascertain from the President as to whether he had used the memorandum in his discussion with De Gaulle. It was about 11:30 a.m. when I called her. At three o'clock I had not heard so I contacted Miss Tully again. She said that she had not had a chance to get to the President but she had found the original memorandum. There was no indication of the President's approval on it. As a matter of fact, the memorandum was still in a basket where the President holds all of his papers "for action." She said she was sure she would get to the President before he left and would call me then.

At about four-thirty she called me and said she had an opportunity to speak to the President about the matter. He said he did not read the memorandum to De Gaulle and he did not use it. He sent word to me to get in touch with the State Department and



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straighten out the mess.

All of this is beginning to look quite suspicious.

SWB

July 14, 1944

I told Bell that I saw the French Minister of Finance last night and told him that his people seemed to be holding back on taking up the question of a financial arrangement. He said he did not understand that because he talked to Alphand, and Alphand said he was only going to get a description of it today. I said, "Well, I hope that the French will go ahead and do the financial arrangements because the question of Lend-Lease might take weeks or months." He agreed and he said he would call Alphand and tell him to go ahead and conclude the financial arrangements - the currency. Alphand told him yesterday that he was only going to get the memorandum on the currency today.

** *****

When I talked to Tully today, she said the President did not read the memorandum to DeGaulle - the State Department memorandum. I spoke to Dean Acheson, and he said they did send over a memorandum about three weeks ago, with explicit instructions from the President that they should not discuss it with the French.

Bretton Woods
July 14, 1944
9:30 a.m.

LOCATION OF FUND AND BANK -
AMENDMENTS OF AGREEMENT

- | | | |
|----------|------------------|-------------|
| Present: | Mr. Wolcott | Mr. Ness |
| | Dr. Goldenweiser | Mr. Eccles |
| | Mrs. Morgenthau | Mr. Acheson |
| | Mr. Luxford | Mr. Angell |
| | Miss Newcomer | Mr. Smith |
| | Mr. Wagner | |
| | Mr. Bernstein | |
| | Mr. Spence | |
| | Mr. Coe | |
| | Mr. Tobey | |
| | Mr. Pasvolsky | |
| | Mr. White | |
| | Mr. Collado | |
| | Mr. Cox | |
| | Mr. Kelchner | |
| | Mrs. Klotz | |
| | Mr. Vinson | |

H.M.JR: I would like to start this fairly promptly because I have to stop at five minutes of ten - so many of these people want to go to Commission One.

The most important matter that I have to bring to your attention this morning is - well, first may I say that Mr. White reports that he worked up until three o'clock this morning with the Drafting Committee on the Fund and he feels it is in excellent shape, and they are now prepared to bring the matter before Commission One and go forward very rapidly. He said they had a great success last night.

MR. WHITE: I mean, there were a number of people--

MR. LUXFORD: Judge Vinson shared that.

(Judge Vinson enters the conference)

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H.M.JR: I was just reporting that the Committee had a very successful meeting up to three o'clock, and I hear you even worked after that.

MR. VINSON: The crowd around here is a hard taskmaster.

H.M.JR: Congress looks like a cinch after that?

I will try to be as businesslike as I can this morning. The most important thing is, I have a four-page letter from Lord Keynes and I have got an appointment to see him around ten-thirty this morning.

Without reading it to you, because he repeats himself about five times, he reports that his Chancellor of the Exchequer and Mr. Anthony Eden hope that we will not bring up the question of the location of the Fund and the Bank at this meeting but will leave it as a matter between governments.

Well, I just want to present it to you. I know you have expressed your opinion once before and I would like some sort of direction from the Committee so that when I see him - I would like to know whether you people have changed your opinion which, as you remember last time, was that we should let it be settled here. It is a question of New York versus London.

I would like to know whether anybody has changed.

(Mr. Smith enters the conference)

MR. TOBEY: I stand pat.

MR. WAGNER: I haven't changed.

MR. SPENCE: I am unalterably opposed to it and I am not going to change. I think you ought to talk to him as plainly as diplomacy will allow. I don't know how plain that is.

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H.M.JR: Well, I am not a diplomat; I can talk pretty plain.

MR. SPENCE: Profanity wouldn't hurt.

H.M.JR: No, I don't have to use profanity.

MR. WAGNER: Mr. Chairman, I think those of us in the Congressional Delegation, I think, would all say to you that if that is an open question when we get to Congress we might as well give up the idea. I am absolutely certain that it wouldn't pass the House.

MR. WOLCOTT: I feel the same way.

MISS NEWCOMER: I haven't any political opinion. I would be guided by these other people.

MR. BROWN: I don't think there is any chance of its being adopted by Congress if we don't have the office in New York.

H.M.JR: Mr. Vinson?

MR. VINSON: I am for leaving the language as it is.

MR. WHITE: I agree we should go ahead.

H.M.JR: You have no doubts?

MR. WHITE: None after listening to the gentlemen from the Hill.

H.M.JR: You are convinced?

MR. WHITE: I am convinced.

H.M.JR: I want to say for Mr. Acheson, who is not here, that last night he read this letter. Anybody can read it, but it is very long-winded and repeats itself four times. He feels we ought to go kind of slowly inasmuch, as he said, it was a matter between governments.

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I was arguing last night and I said it was only postponing the day and that everybody knows, that is, at the Conference, that we are going to have to vote on it. And if we postpone it, even if it is a matter between governments, everybody would think that we had just given in to the English.

Talking as an individual I told them I didn't see how I could accede to that, but I would once more put it up to you people to see whether you felt differently. But I think this is the time to wave the flag.

Well, that is that. And I have the pleasant task, as President of the Conference, to also ask him this morning would he please go slow and talk louder, and have his paper in better arrangement, because I never heard so many complaints in my life as I did after his meeting yesterday. I mean, Mr. Kelchner and Mr. Acheson felt it was up to me. You haven't seen him yet, have you?

MR. KELCHNER: Not yet.

H.M.JR: You won't feel badly, will you?

MR. KELCHNER: Not at all.

H.M.JR: I don't want any conflict of authority.

MR. KELCHNER: No conflict whatsoever.

H.M.JR: Well, Mr. Acheson sort of thought it was up to me, so I will.

Well, that is that, and I will report back.

(Mr. Eccles enters the conference)

H.M.JR: The only question I have brought up is this question of location. It is the unanimous opinion of those present, Marriner, that we should not accede to Lord Keynes' request that this matter of location be postponed. Have you any different opinion?

MR. ECCLES: No, I feel we shouldn't change our view on that subject.

H.M.JR: Now, the other matter is this: If we don't hear from the Russians by noon - there is a meeting at two o'clock - I would like to have the American Delegation give the authority to this Quota Committee, which is composed of Mr. Wolcott, Mr. Vinson, Mr. Acheson, and myself, to see the Russians and try to come to some understanding.

(Mr. Acheson enters the conference)

H.M.JR: Would that be all right? I mean, we may have to make a decision on the spot. As I say, there will be Mr. Wolcott, Mr. Acheson, Mr. Vinson, and myself - and Mr. White. If we don't hear from them by noon, I am going to ask to see the Russians. We will force the issue. We just can't wait any longer.

Is that all right with the American Delegation that this Committee sees them?

MR. TOBEY: I give you blank power of attorney as far as I am concerned.

H.M.JR: Thank you. I don't know what will come up, so I would like to have the authority for this Committee, plus myself, to come to a decision with them on the spot.

MR. ECCLES: You mean by that to make concessions if need be?

H.M.JR: Do anything. We won't go above twelve hundred, but do whatever is necessary to come to an agreement within the framework of what we have been talking about.

MR. ECCLES: Well, As I understood it the other day, we agreed that if we went to twelve hundred, the two or three other questions, particularly the gold question -

that is, letting them put in less gold. I feel pretty strongly, personally, about making a further concession on that gold question. I don't assume the Committee would do it, but--

H.M.JR: What do you mean on the gold question?

(Mr. Angell enters the conference)

MR. ECCLES: I mean giving them a billion, two hundred million, and at the same time, permitting them to put less gold in the Fund than the other countries, and opening up the question with the other devastated countries.

H.M.JR: No, I don't think you need worry about that - talking for myself.

MR. WHITE: That is the question of the twenty-five percent reduction, which is particularly bad because we would have to extend it to others.

MR. ECCLES: That is right.

MR. WHITE: I know that is the way I feel.

MR. ECCLES: It is all right with me. I will leave it up to the Committee.

MR. TOBEY: The United Kingdom would claim it, wouldn't they?

MR. WHITE: That is right.

MR. VOLCOTT: Of course, we would, also.

H.M.JR: I don't think anybody, Marriner, has that in mind.

Now, in the ten minutes we have left, would any Delegate like to bring up something, please?

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MR. VINSON: Mr. Chairman, the last item on the agenda last night was an amendment offered by the United Kingdom looking toward urgent amendments of the agreement. We took no action on it, and we agreed that we would submit it here. That agreement wasn't made in the Committee, but it is a matter that I think should have rather careful consideration. The provision was that an urgent amendment might be adopted by unanimous vote of the Executive Directors, and a nine-tenth vote of the Board of Governors.

MR. TOBEY: The conjunctions - both together?

MR. VINSON: Yes, sir. Of course, it would start with the Directorate and one member of the Executive Board could kill it.

Now, here is the situation, and it seems to me it is largely political, almost wholly political. You have language that permits of amendments, but this falls without the normal category, designated "urgent amendments," and if they were adopted, why, of course, they would be amendments.

MR. TOBEY: What determines the urgency?

MR. VINSON: The Fund. The situation is this: However perfect we may think this document may be, it is very likely that in the mechanics and the technical part of it, it might be well needed - the amendments might be well needed - and of course the normal process is very slow.

MR. WHITE: What would the normal process be - ratification by all the countries?

MR. LUXFORD: That is right. It might take months.

MR. VINSON: You might have the argument presented by the opposition - anyone opposing it - that here you are setting up this thing, and there is no way to amend it

except by ratification which, as I understand it, takes the assent of the member countries.

MR. WHITE: Why not let them amend it, and have it ratified between "x" months, otherwise it is no longer in force? Would that be possible?

MR. LUXFORD: That is what the Judge - I think we discussed that last night.

MR. VINSON: I was just giving you the suggestion of the U.K. After we left, Luxford and Bernstein, I believe, and I discussed it quite at length and we thought possibly that if the Delegation desired such a provision that you could have unanimous vote on the Directorate.

I suggested, in private conversation with Eady, that we have unanimous vote on the Board of Governors. Of course, there are forty-four members of the Board.

If there are forty-four countries that are members - if you had that unanimous vote, of course, you might have Guatemala and some other country that would vote "No."

Now, we could get it with a unanimous vote of both the Executive Directors and the Board of Governors and then it would be effective. You would have it any number of ways for a period of "x" months, and then if it were rejected it would go out of the picture; or, it seems to me you could say for a period of "x" months unless it was not ratified sooner. There are any number of ways.

But the first thing is a matter of policy as to whether or not you want any language providing for an emergency amendment. Conditions may change when they set it up, or a little later - unfairness or injustice. Of course, some of it might be taken care of by rules and regulations, but certainly the language of the agreement couldn't be taken care of in that process.

MR. LUXFORD: We could even include in there, if you are interested in working it out, certain major principles of the Fund that could not be violated; you couldn't change the quotas - you couldn't change the voting.

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No one could say that would interfere with the operations. And you could pick out the really fundamental part of the Fund and say that these items can't be touched by this emergency technique, and yet leave yourself flexibility to deal with aspects where there might be trouble.

MR. WHITE: Eady says he has been drafting legislation for his government for many, many years. He says he has never drafted as difficult, as complex an instrument as this one on the Fund, nor even approached it. And that is why they would feel that, coupled with the fact that we have been pushed pretty hard, they would like to have some out in case there is a slip somewhere - in case something new develops in the technical field which they would like to be able to provide adequately for.

MR. WOLCOTT: They have never seen any of our agricultural or tax legislation!

H.M.JR: Comrade!

MR. ACHESON: I think there is one thing that we ought to be very careful about in this. It has come up both in connection with UNRRA and with the food and agriculture organizations in our discussions with the Senate Foreign Relations Committee and the House Foreign Affairs Committee. If you have a provision which permits the Board to change things without reference back to the Congress, you are going to get a great deal of opposition purely on that point, based on the fear that people on the Board may do something which the Congress wouldn't authorize if it were consulted about it. On the food and agriculture organization, the subcommittee of the Senate Committee was very firm that there should not be this power.

MR. LUXFORD: We didn't mean that, Dean.

MR. VINSON: What is the unanimous vote of the Executive Directors?

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MR. ACHESON: In that case, as in this one, it has been worked out so that there has to be a four-fifths vote, or something of that sort, but a vote sufficiently large so that the United States can stop it.

MR. LUXFORD: That is it.

MR. ACHESON: With reference back to the governments. Now, that satisfied both Houses of the Congress, that some executive officer on a board would not change the thing.

MR. VINSON: That is very helpful. If that can be developed, that relieves some of my fears very much.

MR. ACHESON: Well, it doesn't do what you have in mind, Luxford.

MR. LUXFORD: Well, if you can say a four-fifths vote of the Directorate must approve it, then you say it has to go through the amending process within one hundred and twenty days, or something like that - and in the meantime the Fund can operate in an emergency on the basis of the amendment unless it is rejected within one hundred and twenty days, or something like that, by your formal amendment process, which would mean the U.S. would still have a veto - I think we could work something out on that basis.

MR. ACHESON: The question is, when you say the U.S. has the veto, who holds that veto?

MR. LUXFORD: We would leave that in Congress.

H.M.JR: Look, really, I promised them--

MR. LUXFORD: This issue will come up, Mr. Secretary.

H.M.JR: We will have to get together. There are so many people who want to go, and I promised to stop, so you people will just have to seek each other out, that is all.

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MR. VINSON: I am not an advocate of this in any sense.

H.M.JR: I am sorry, but I promised these people could go.

MR. WAGNER: May I ask, when is this Board of Directors question coming up?

MR. WHITE: It won't come up until this afternoon, not unless we are very much luckier than I think.

MR. WAGNER: I understand Mr. Acheson had the question up and we decided on two for the South American countries. Well, aren't we standing firm on that?

MR. WHITE: Yes, it will come to a vote. There will be opposition.

MR. WAGNER: Sometime today?

MR. WHITE: Yes, sometime this afternoon.

H.M.JR: I am sorry to cut this short.

MR. VINSON: Then I understand that we take no action - because this is important.

Bretton Woods, N.H.
July 14, 1944
12:15 p.m.

RUSSIAN DELEGATION

Present: Mr. Stepanov
Mr. Arutiunian
Mr. Maletin
Interpreter
Mr. Acheson
Mr. Wolcott
Mr. Vinson
Mrs. Klotz

H.M.JR: I take it that Mr. Stepanov has had no word yet from Moscow.

(Mr. Stepanov)

INTERPRETER: Unfortunately he hasn't received an answer, and he is not sleeping well at night waiting for the answer.

H.M.JR: What I would like to say to Mr. Stepanov, with all courtesy, is that the whole Conference is being held up.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov hopes to get an answer today. Of course, he has reminded them, and yesterday he sent another cable.

H.M.JR: Well, we find ourselves in this position, that as the American Delegation, we are going to have to take a position.

(Mr. Stepanov)

INTERPRETER: Maybe you have received something from Mr. Harriman.

H.M.JR: No, I spoke to Mr. Harriman and I got a cable from Harriman, and Mr. Harriman said that all he

was able to learn was that the Russian Delegation had gotten instructions, but they would not tell him what the instructions were.

(Mr. Stepanov)

INTERPRETER: Those are the same instructions Mr. Stepanov told you about, that is the approval of his decision concerning the demand for increase of from twenty-five to fifty percent, but it was before the conversation. That is the answer to the question which was raised by Mr. Stepanov before.

H.M.JR: Now, following the principle which I discussed with Mr. Stepanov, I am not going to make a series of proposals to him today. I don't know whether you have an expression - I am not going to trade horses. I am going to tell him what we in the American Delegation feel is as far as we can go, and then we feel that we will have to present that - there is some meeting at two o'clock today, so we will have to publicly take a position. But I am not going to say, "Well, we will do this," and then keep another card up my sleeve and pull that out. I am going to tell Mr. Stepanov right straight out.

(Mr. Stepanov)

INTERPRETER: Well, Mr. Stepanov suggests that maybe it is better to present the case as it is, that we have agreed upon that one billion two hundred million - that is agreeable to us - but we have disagreed on the fee of this twenty-five percent, because now Mr. Stepanov has no other instructions. And the rest of the questions, most of them had been agreed upon.

The reason the question concerning the keeping of gold - where to keep it--

H.M.JR: Well, I am not familiar with the question of where to keep the gold. Are we in any disagreement?

MR. VINSON: They wanted to specify certain depositories.

H.M.JR: Are we in disagreement?

MR. VINSON: Yes.

H.M.JR: Well, I am not familiar with that. Tell Mr. Stepanov I am not familiar with that, so I am not going to raise that question now.

MR. VINSON: We are not in agreement about that.

H.M.JR: I feel that by two o'clock this afternoon we must take a public position. That is the only reason I am not waiting. Otherwise, I would wait indefinitely.

Now, this is what we propose as the American position, that we will advocate a quota for the Russians of one billion, two.

Now, I think it has been explained to Mr. Stepanov - I am taking a minute - that in the beginning you only put up twenty-five percent of the one billion, two; and that the twenty-five percent that you were discussing is twenty-five percent of twenty-five percent. I wonder if he understands that? In the first instance you only put up twenty-five percent and so you really only talk of twenty-five percent of three hundred million.

Now, if I was dealing with some other country besides Russia, I would say twelve hundred and then save something back which I could give later on, do you see? I would keep a card up here (indicating). If I was dealing with some other country, that is what I would do. But I explained to you that I don't deal that way with Russia.

Therefore, in addition to the one billion, two - and this other matter which you were talking about, which might amount to a quarter of three hundred million, which is seventy-five - we are prepared to go along with you and support your position on the newly mined gold, that that can be set aside, which should amount to several hundred million dollars.

Now, I am following the procedure that Mr. Molotov said, that we go side by side; and I feel that by supporting the Russian position that you can set aside the newly mined gold, that that is much more important than the twenty-five percent. And I hope that in return for my complete frankness, and again laying all my cards on the table, that Mr. Stepanov, in his turn, will treat me with equal frankness.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov would like to ask you, sir, what are the reasons you want to give up this twenty-five percent, only because of the fact that increasing the quota, the percent is increased, or there is something else?

H.M.JR: No, we had a lot of trouble with the other countries, and as Mr. Vinson says, it would weaken the Fund.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov would like to consult other members of the Delegation on this question, but he thinks that if the contribution is to be made not as twenty-five percent, but as of ten percent of gold holdings, in such case the position of the Fund wouldn't be weakened because that is stable.

MR. VINSON: If it spreads, though, to other countries--

(Mr. Stepanov)

INTERPRETER: What about a provision that this article is applied only to the countries which suffered most from the enemy occupation?

MR. VINSON: Mr. Secretary, I am certain that the Delegation from the U.S.S.R. knows the whole story in regard to the attitude of other countries, and the position that the United Kingdom takes in regard to their wanting to be included, and there might be in our country those who would say that having spent two hundred billion dollars in war expenditures, that we ought to be relieved for this period, to some extent. You see, two hundred billion dollars is some financial loss.

H.M.JR: You see, we figure the position of the Russians as unique on the newly mined gold, and by supporting your position on that, that amounts to considerably more than the twenty-five percent discount which might amount to seventy-five million dollars; and when we support you on that, you don't get into any trouble with the other countries. But if we supported

you on the twenty-five percent discount, because your country has been devastated, then all the other countries who have also been devastated will want the same treatment.

Well, that is the position that we find ourselves in. As I say, I have not traded with Mr. Stepanov. I will not trade. We have given careful consideration and we feel that in view of the importance of your country, that we should go this far.

Now, we feel very sorry that we have to do this thing publicly, and that we can't wait; and we don't want to be discourteous. But we must go forward, and therefore at this two o'clock meeting when this question of the quotas comes up, that will be the position of the American Delegation. And I sincerely hope that when Mr. Stepanov gets word from Moscow that he will be able to concur.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov wants to thank you, sir, sincerely for your very good attitude towards our position.

First of all, it will be one billion two hundred million, and for your support of the position concerning newly mined gold. And Mr. Stepanov says that the question of newly mined gold is connected with a small number of countries - a few countries - the Philippines, and so forth.

Mr. Stepanov doesn't want to go deeper into the discussion of those reasons, or that you don't want to have this allowance of twenty-five percent from the gold contribution.

Mr. Stepanov says that he has to follow the instructions which have been given to him concerning all those provisions which had been already agreed upon in this joint statement, and there were some questions which were not supported by our technical experts, but having such instructions to cooperate, Mr. Stepanov was able to settle some of these questions to our mutual satisfaction. But he says that he is not regarding his own position and your own position as somewhat contrary, because he said you have your own point of view in this parti-

cular question, and Mr. Stepanov has his own point of view in this particular question - unless he receives a definite cable.

H.M.JR: Well, if and when he hears, I would appreciate his letting me know.

(Mr. Stepanov)

INTERPRETER: That is perfectly all right.

Mr. Stepanov would like to tell you something personally, not in the way of official discussion, about one question which had been in existence.

One of the Committees had been discussing the question concerning the retaining of currency by some countries, and the provisions of the Fund, and thus accumulating the foreign currency. And the Delegation thinks there is no restriction of any kind; that is, what kind of currency should be used in transactions. And at discussions which have already convened, our Delegation approved the suggestion which had been made - only a slight alteration of wording - but the representative of the United States at that Commission found it possible to mention as a possible potential violator of such condition, the Soviet Union. That is why Mr. Stepanov says he doesn't think it is consistent.

Mr. Stepanov says there is no foundation.

H.M.JR: Who mentioned that?

(Mr. Stepanov)

INTERPRETER: Well, possibly Mr. Bernstein; he doesn't know exactly.

MR. VINSON: That discussion was going on when - a few minutes before twelve, when Congressman Wolcott and I left the meeting - nothing of that kind had been said before I left.

H.M.JR: Would you look into it, please?

(Mr. Stepanov)

INTERPRETER: Not this Commission, but the preceding Commission. The First Committee of the First Commission.

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H.M.JR: I am not familiar with it, but I will ask Mr. Vinson and Mr. Wolcott to look into the matter, talk to Mr. Bernstein and get in touch with you.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov says that he appreciates the position of Mr. Bernstein, and he regards him as the most objective in many questions, but maybe he simply couldn't find any other example except Russia in exercising state control

H.M.JR: I am sorry. I think it is very unfortunate, and Mr. Wolcott and Mr. Vinson will get in touch with Mr. Bernstein and then will report back to Mr. Stepanov.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov requests - don't be too cross with him, because later he changed his position and he mentioned other countries. But simply Mr. Stepanov wouldn't like to see the question repeated.

There are two questions concerning the wording.

H.M.JR: Will you excuse me? I am very embarrassed but I have a call coming through from the President at a quarter of one.

I am going to have to stop.

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

CONFIDENTIAL

July 14, 1944.

MEMORANDUM

Mr. Bohlen, of the Division of Eastern European Affairs of the Department of State, telephoned this afternoon to report the receipt of a telegram from Ambassador Harriman on the subject discussed in Secretary Morgenthau's telephone conversation with the Ambassador, and covered in a telegram from the Department.

The Ambassador stated that he addressed a letter to Melotov and later communicated with Vyshinsky, who indicated that a cablegram had been received from the Soviet Delegation. According to Vyshinsky, the Delegation has authority to negotiate such matters, but the subject will be discussed further between the Delegation and the Soviet Government.

Vyshinsky expressed the opinion that the size of the quota and the question of credits to countries with devastated areas are separate matters.

Mr. Bohlen cited the following as the important points in the telegram:

1. Apparently no instructions had been sent to the Delegation by the time the Ambassador's telegram was dispatched, at 11 p.m., July 13;
2. The questions of quotas and credits to countries with devastated areas are considered to be separate.

CLW
Secr:CLWillard:fep

Bretton Woods, N.H.
July 14, 1944
3:50 p.m.

FUND QUOTAS

Present: Mr. Vinson
Mr. Wolcott
Mr. White
Mrs. Klotz

H.M.JR: What do you want to do?

MR. VINSON: Here is exactly the score. The score, if South Africa is dropped fifty and that fifty is split between Poland and Czechoslovakia, the Netherlands goes up to two hundred and seventy-five and Mexico goes up twenty, to a hundred.

H.M.JR: That is ninety-five by my figuring. You are increasing them by ninety-five and reducing them by fifty. That is plus forty-five.

MR. VINSON: That is right, but the way I was doing it--

H.M.JR: Is that right?

MR. VINSON: That is right.

H.M.JR: See, Jesse, that is why I am Secretary of the Treasury! I can add and subtract.

MR. VINSON: Now, we are within the limits, and will have a few million that could be added to any place we wanted to.

H.M.JR: Now, may I get in on this political situation?

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There are two places I have trouble with and the Administration has trouble with; one is China and the other is France. They left us a lot of negotiations and contracts to do. For your information, Jesse, for instance, we are asking them to pay for all supplies to their own civilian people and they are kicking like hell. So if we can do a little something here that doesn't come out of the taxpayers, for France and for China, why--

MR. VINSON: Well, you can up China twenty-five, to five-fifty; five-fifty wouldn't affect this at all.

MR. WHITE: We had five-fifty.

H.M.JR: So we agree on China - five-fifty?

MR. WHITE: They expect that.

MR. VOLCOTT: They expected that.

H.M.JR: You couldn't give them five seventy-five?

MR. VINSON: Not if you give Poland and Czechoslovakia twenty-five apiece.

H.M.JR: Why do that?

MR. WHITE: Give them fifteen each.

MR. VINSON: I really believe that the figures show a little above a hundred, each one of them. Now, there are overrun countries where the formula shows a little over a hundred.

H.M.JR: What are they down for?

MR. VINSON: A hundred.

MR. WHITE: Particularly Czechoslovakia deserves a hundred and you have to give Poland the same thing.

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MR. VINSON: In one place it is one hundred and twenty-eight.

MR. WHITE: They claim it is one hundred and sixty-five, but our figures show one hundred and fifteen. But one hundred and twenty-five would be reasonable for them. They were quite disappointed.

MR. VINSON: We have the formula, whether we take it as a basis or not.

And then you have the devastated countries; it has a heart appeal for me and for you, too.

MR. WHITE: You don't think we could squeeze a hundred more off the total and settle all our problems? What the hell - go to eight hundred and fifty.

MR. VINSON: I don't believe we had better up that, gentlemen. You have got your eight and three-quarters. You have only got a billion and a quarter left now for the neutrals.

MR. WHITE: Have one hundred million less for them.

MR. VINSON: Somebody was telling me that Argentina, on the formula, figures three or three-fifty.

H.M. JR: I should worry about Argentina.

MR. WHITE: Five years from now we will up the formula and she can come in.

MR. VINSON: But we have to decide.

H.M. JR: Let's just say tentatively twenty-five for Poland and twenty-five for Czechoslovakia.

MR. VINSON: But that is conditioned upon getting fifty off of South Africa. Now, then, we have to see South Africa.

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H.M. JR: You are going to leave China at five-fifty?

MR. VINSON: That is right.

H.M. JR: And you leave France at four hundred and twenty-five?

MR. VINSON: We will have a few million - we haven't agreed on Luxembourg.

MR. WHITE: They are insisting on ten and they have got quite a case.

MR. VINSON: If they are insisting on ten, we have got Iceland and Ethiopia to close up. But we have fifteen million dollars - practically fifteen million - it might be thirteen or fourteen - to the good on the typewritten page, here.

Now, if we pick up twenty-five from the Netherlands, and we are not going to pick up any twenty from Mexico - we are going to leave Mexico a hundred--

H.M. JR: I think Mexico is important. I would leave that.

MR. VINSON: Now, the Netherlands - you told them two hundred and fifty.

H.M. JR: I would stick to it.

MR. WOLCOTT: Two hundred and twenty-five for the Netherlands was predicated upon a decrease of the total to eighty-five.

MR. VINSON: The Netherlands is two hundred and seventy-five, so we pick up twenty-five, and that twenty-five can be used with France or China.

MR. WHITE: And give France what you can pick up - what is left.

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H.MJR: If you are going to do something for Poland and Czechoslovakia, you have got to do something for France, because those countries talk together and they work together.

MR. WHITE: We cut France's formula more than any other country.

H.M.JR: If you are going to give twenty-five to Poland and twenty-five to Czechoslovakia, then I recommend twenty-five for France.

MR. VINSON: If the Netherlands stands at two hundred and fifty, you can give that to France.

H.M.JR: After all, today is Bastille Day.

MR. WOLCOTT: You have a cocktail party on tonight, too.

MR. WHITE: That is a good time to tell them. I still think, Judge, there is a possibility you can clean this up if you get another hundred million.

H.M.JR: Twenty-five for Poland, twenty-five extra for Czechoslovakia, and twenty-five for France. Does that leave any change in the Fund?

MR. WHITE: No, it leaves about ten or fifteen left which we can give to China.

H.M.JR: I am going to say not to give it to anybody unless somebody comes around and makes a terrific cry. Supposing they put up an awful holler - Greece may ask for ten million--

MR. VINSON: Has Iran been seen?

H.M.JR: Yes, I saw them.

MR. VINSON: This fellow talked about having heard from the President, and went out. I haven't seen him.

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H.M.JR: Well, if you have ten or fifteen million around loose, I would hang onto it. You know, it might be Iran - it might be Greece--

MR. VINSON: That is what we have been doing.

H.M.JR: But White keeps saying, "Give them another hundred million."

MR. WHITE: You wouldn't say another fifty, Judge?

MR. VINSON: I don't think so. We have gone up, starting around eight billion.

MR. WHITE: You have got eighty-seven fifty. Now, if you had eighty-eight, that would give you fifty million to play with. It would make everybody happy.

MR. WOLCOTT: Everybody, did he say?

MR. WHITE: Practically everybody.

MR. WOLCOTT: Why don't you keep that in the back of your head, Harry, in case we have to.

H.M.JR: That is fair. He is always fair.

MR. WHITE: If our back is up against the wall, why--

H.M.JR: We could have another little meeting like this again.

MR. VINSON: Now, we ought to see South Africa, Mr. Secretary.

MR. WHITE: Why not let Keynes deliver that?

H.M.JR: Who will talk to Keynes?

MR. WHITE: Well, the Judge can talk to Keynes about that.

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H.M.JR: Will you?

MR. VINSON: Yes.

H.M.JR: Who is going to tell Czechoslovakia, Poland and France that they each get twenty-five million?

MR. WHITE: England wants the credit for giving Czechoslovakia and Poland that from South Africa. Do we care?

H.M.JR: Let them tell them. What do we care?

MR. VINSON: I don't think--

MR. WOLCOTT: Senator Wagner would like--

MR. VINSON: My notion of the way to handle it is this way: We have been figuring over a whole lot; now, there have been adjustments made up and down and around, and about, and we have got twenty-five million dollars for Poland, twenty-five for Czechoslovakia--

MR. WHITE: If South Africa--

MR. VINSON: "e don't have to tell them that.

H.M.JR: Would you do this? What we have agreed here - do you have time this afternoon to handle the rest of this? Do you have an hour or so?

MR. VINSON: Surely.

MR. WHITE: Yes, I think if he could talk to South Africa--

H.M.JR: Could you take it?

MR. VINSON: Yes, sir.

MR. WHITE: Why don't you get them right now?

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H.M.JR: I will let the Judge do it. I have to do Adler.

MR. VINSON: The Netherlands is two hundred and fifty, as I understand.

H.M.JR: Yes.

MR. WHITE: If you see South Africa and get it down to a hundred, then you can call on Poland and Czechoslovakia.

H.M.JR: As I say, I had forgotten we promised Wagner he could talk to Poland. He can sit with you. I will leave it to you.

MR. WHITE: Let Senator Wagner say he got the twenty-five.

MR. WOLCOTT: I am being magnanimous. I don't even know who is running on the Republican ticket against Senator Wagner!

H.M.JR: You reminded me.

MR. VINSON: That is the truth! Jesse reminded the Secretary.

H.M.JR: Jesse, I will not tell that story to Drew Pearson - I promise.

MR. WHITE: Jesse can tell the Czechs. You must have Czechs in your District.

H.M.JR: You heard what he said. If we are stuck for fifty million, we can meet again.

MR. VINSON: Let's don't get stuck on that.

H.M.JR: You are handling it. Supposing you come back and start to cry on my shoulder--

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MR. VINSON: If I do I will shoot every damned man in the State Department, because these are their figures. They have added them up. If they can't add - I haven't added them.

H.M.JR: All right.

Now, can you (White) give me five minutes on China on the currency?

MR. WHITE: Yes.

Bretton Woods, N.H.
July 14, 1944
4:10 p.m.

ARMY EXPENDITURES IN CHINA

Present: Mr. Adler
Mr. White
Mrs. Morgenthau
Mrs. Klotz

H.M.JR: Do you want to read it out loud?

MR. ADLER: Yes, I think so.

H.M.JR: Can you put your mind on this for five minutes?

MR. WHITE: All I have to do is take my mind off the other.

H.M.JR: You have three or four Commissions waiting?

MR. WHITE: No, China is on the docket. The cards are on the table.

MR. ADLER: (Reading from Memorandum entitled "Negotiations for the Settlement of U.S. Army Expenditures in China," dated July 14, 1944) "1. The Chinese Government advanced 18.6 billion yuan for and on our behalf of the American Army in China from September 1942 to June 30, 1944. Of this sum, 4.4 billion yuan were spent by the Chinese before our Army entered China on airfields they subsequently turned over to us. According to Army and State the only claim the Chinese have against us for this sum is that it should be credited to reverse lend-lease. But Dr. Kung in his letter of April 19 to you makes no differentiation between these and the remaining Chinese expenditures. Presumably, this is one of the points which

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will have to be settled in the negotiations. In addition, the Chinese have agreed to bear all expenditures for Army food and lodging which total 1.9 billion yuan against which we have already paid U.S. \$25 million."

H.M.JR: May I interrupt you? I don't know whether you can do it this way. You see, all the way through this paragraph one you are talking in yuan. Couldn't you talk U.S. dollars, or put it in brackets after each amount?

MR. WHITE: That is the problem. We don't know what exchange rate to use. They want to use a five-cent rate. If we take a cent rate we can do that.

H.M.JR: Now wait a minute, Harry. We paid twenty-five million dollars. You have to figure that in yuan. Then is that the point you haven't settled?

MR. ADLER: Yes, we deliberately made no commitment about how much yuan that was to cover when we paid that twenty-five million dollars.

MR. WHITE: That is the major issue, Mr. Secretary. I thought we had paid more than twenty-five - that we had paid fifty.

MR. ADLER: We got our data from the Treasury.

MR. WHITE: I thought the Army was going to give them, as a result of these discussions, another fifty.

H.M.JR: That is the trouble, is it?

MR. WHITE: The trouble is we don't know how much to call a yuan, or what it is worth. They want to call it five and we say it is worth less than a cent.

H.M.JR: We have advanced twenty-five million dollars; they, in return, have advanced so many yuan. The question is how much are they worth.

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MR. ADLER: (Reading) "2. Any sum in U.S. dollars we are likely to pay the Chinese will involve overpayment in terms of goods received and services rendered. The decision as to how much we should pay depends primarily on political considerations, on how tough we want to be with them. From a military point of view the whole importance of the China Theater has diminished as a result of the tremendous advances of our Navy in the Central Pacific which has already acquired bases for contemplated B-29 operations nearer to Tokyo than Chengtu.

"3. The big stumbling block in the negotiations is the myth of the official exchange rate of 20 yuan to 1 U.S. dollar which China has only been able to preserve because of her economic isolation. The Generalissimo and Dr. Kung have made the maintenance of the official rate of exchange a matter of face and of Chinese sovereignty. For this reason, the most satisfactory approach to the settlement of our past obligations is the one suggested by you, namely, making a lump sum settlement without any reference to exchange rates. In view of the President's commitment in his January message to the Generalissimo that 'our Army expenditures during the next few months can be expected to be somewhere in the neighborhood of 25 million U.S. dollars each month', it is suggested that a lump sum of U.S. \$100 million, would be adequate. As we have already paid U.S. \$25 million, it might be a good idea to include our obligations for July which will amount to approximately 1.9 billion yuan (not including the cost of maintaining our troops) in the liquidation of past expenditures. In other words, we would be paying a total of U.S. \$125 million for 14.2 billion yuan, which works out at a rate of slightly less than 120 to 1."

H.M. JR: What I don't understand is this. I was talking with you about from the first of January to the first of July, which is six months. Now, you said the inference was that the President said twenty-five a month; well, twenty-five times six is one hundred and fifty.

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MR. ADLER: Well, we have paid for January - for our regular expenditures. We paid over twenty-six million dollars in January.

H.M.JR: But you say you want to include July, so that still makes six months.

MR. ADLER: Yes.

H.M.JR: And you are suggesting a total of?

MR. ADLER: One hundred and twenty-five million.

H.M.JR: So you are cutting them down twenty-five.

MR. ADLER: I have a range of bargaining in the next paragraph.

H.M.JR: One hundred and twenty-five would be all right if it was up to the first of July.

MR. ADLER: Well, it depends on how generous we want to be with them. We could give them a hundred and fifty.

H.M.JR: But supposing he comes back and says, "The President said we could count on twenty-five million a month while these expenditures were on"?

MR. ADLER: Actually, the President's language is: "...somewhere in the neighborhood of twenty-five million a month."

H.M.JR: You mustn't mind if I keep smiling when you refer to the President's language. I wrote that cable and then when it comes over with Roosevelt's signature you are all impressed.

MR. ADLER: It says, "...somewhere in the neighborhood of twenty-five million."

H.M.JR: He always has an out, anyway. You feel you want to include July?

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MR. ADLER: That will be easier. We are being pretty lenient with them, anyhow, and we might as well liquidate July while we are at it.

H.M.JR: Now, I am trying to concentrate, but I have the greatest trouble.

MR. ADLER: (Continuing) "Range of bargaining:
a. If we wish to be generous and if Dr. Kung finds himself pressed by the Generalissimo, we might offer an additional U.S. \$50 million to cover the 4.4 billion yuan which Army and State say should be credited to reverse lend-lease and the 2.1 billion yuan advanced by the Chinese for maintenance of our troops. With respect to the latter, the Army has never been anxious to allow the Chinese to pay and has yielded only because firstly the Chinese have been insistent, and secondly, the question of inspecting books, etc. has raised some unpleasantness."

H.M.JR: What do you mean the Army has never been anxious to allow the Chinese to pay for what?

MR. ADLER: Food and lodging.

MR. WHITE: The charges are preposterous.

MR. ADLER: "b. Another bargaining counter is how much should be credited to Chinese account on reverse lend-lease. The Chinese would like to see everything we have received over and above the official rate to be credited to reverse lend-lease at the official rate of 20 yuan to 1 U.S. dollar, as this procedure would be a very powerful political weapon to them in the future should they decide to make further requests for aid."

H.M.JR: Eight hundred million in lend-lease aid.

MR. WHITE: We would give them twice as much if they would pay for it at five cents.

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H.M.JR: Wait a minute. You have compacted a lot of stuff in here which you are so familiar with. Let me ask you this. I have to go back and ask two questions: One, have the Chinese, so far, paid for anything towards our troops?

MR. ADLER: Only the food and maintenance, and the cost of the land.

H.M.JR: They have?

MR. ADLER: Yes.

H.M.JR: And you don't know what that is?

MR. ADLER: I don't know what the cost of land is. I know what the food and maintenance of troops amounted to - two point one billion yuan.

H.M.JR: Do you mention that figure?

MR. ADLER: Yes, up above.

H.M.JR: That is reverse lend-lease.

MR. ADLER: They want to have that credited to Reverse Lend-Lease, but they have advanced it to us.

H.M.JR: You say, "...to cover the 4.4 billion yuan which Army and State say should be credited to reverse lend-lease and the 2.1 billion yuan advanced by the Chinese for maintenance of our troops." Now, do you add those two figures together? Does that make six point five?

MR. WHITE: Yes. That four point four billion is their expenditures.

H.M.JR: So the total that they can claim that they have spent on our behalf is six point five?

MR. ADLER: Yes.

MR. WHITE: Wasn't there something additional?

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MR. ADLER: They have advanced the fourteen point two. We haven't made any arrangement as to how we are going to pay them for it.

H.M.JR: Where is that figure? Oh, I see it - Page 2 the end of the first paragraph. That is the airport. Now, that is fourteen point two; then on top of that you get the six, five.

MR. ADLER: That is right.

H.M.JR: That should be added to the fourteen, two. I tell you what I would like you to do when you rewrite this for me. At the end or the beginning - I think at the beginning - if you just give a little balance sheet, starting out with the claims of the Chinese, just at the beginning. Could you do that? All the claims that the Chinese have for us - you could just add them up together with one sentence saying what they are. You don't have to retype it, just add a loose sheet and put it on the front.

MR. WHITE: A summary balance sheet - that would be very helpful. It would be very easy to do it from the data he has here.

The U.S. Army bought the yuan it needed for soldiers' pay. That is clear, isn't it?

H.M.JR: Where does that appear?

MR. WHITE: That doesn't appear.

MR. ADLER: They sold it in the black market.

H.M.JR: It isn't clear to me.

MR. WHITE: The U.S. soldiers' pay--

H.M.JR: Am I taking too much of your time?

MR. WHITE: That is all right. I put the meeting off.

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The U.S. soldier was not paid in yuan, but he bought that yuan himself with U.S. dollars and he got very fancy rates.

H.M.JR: But in credit and charges, that doesn't appear?

MR. WHITE: No, we bought the yuan with cash.

H.M.JR: And they have it themselves. Well, of course, that is what the President is suggesting the U.S. Army do in Germany.

MR. WHITE: Yes, they could do it in Germany.

H.M.JR: That is the President's suggestion, you know.

MR. WHITE: That is true. It has some disadvantages.

H.M.JR: I am just mentioning it. Rather than settle for the high marks, I would rather go along with the President.

MR. WHITE: Yes, rather than the high mark.

H.M.JR: I mean, if they are going to insist on a twenty-cent mark, or something like that.

Now, where were we, Sol?

MR. ADLER: The last paragraph on Page 2.

MRS. KLOTZ: You went down to the last sentence.

MR. ADLER: "Their total reverse lend-lease contribution would amount to more than U.S. \$800 million, while up-to-date we have given the Chinese about U.S. \$450 million in lend-lease aid."

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MR. WHITE: I think you should pause. The Chinese would like us to say they gave us eight hundred, we gave them four hundred and fifty, so the remainder should cancel the five hundred million dollar debt. We cabled back and told them we don't recognize having received any payment. They are trying to build up a case for large payments to us.

MR. ADLER: "It is suggested perhaps the best solution of this problem would be a reverse lend-lease agreement in which the Chinese would be credited not with any sum in U.S. dollars or yuan, but with the physical goods and services they have rendered us."

MR. WHITE: We credit them with two airfields.

H.M.JR: And again get away from the exchange rate.

Credited - and so what?

MR. WHITE: So they can have them back after the war.
(Laughter)

MR. ADLER: "4. The Army is also anxious that we make provision for settlement of our future obligations in China. In view of the fact that prices are rising at a rate of between 15 and 20 percent per month, it has been suggested that we make settlements at three-monthly intervals. It would be most convenient if we could make the settlement at the end rather than at the beginning of the three months though the Army would prefer the latter. Again the sum of \$25 million a month mentioned by the President should be kept in mind as an outside limit. Our Army expenditures will probably run at between 2 and 3 billion yuan a month for the next three months. The loss of our advanced Eastern air bases will tend to reduce those expenditures, while rising prices will tend to increase them. The above proposals for the settlement of our past obligations and for provision for future expenditures err, if anything, on the side of generosity."

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H.M.JR: Wait just a moment, please. You want to say something?

MR. WHITE: I might say that Adler predicted five months ago that we would lose those advanced air bases, in his letter.

MR. ADLER: Most of our people--

H.M.JR: No wonder his name is Solomon.

MR. WHITE: That isn't the only reason! (Laughter)

H.M.JR: The Monetary Conference is going well.

MR. ADLER: "5. The real trouble in these negotiations is that while Kung might be amenable - though unfortunately he seems to have convinced himself of the validity of the fallacious arguments which he has used to justify an untenable position--"

H.M.JR: This sounds like Murphy in George Haas' shop.

MR. ADLER: "...he dare not make any final decision without reference to the Generalissimo. The Generalissimo is a very obstinate man and is still sore at the Treasury for turning down his request for a \$1 billion loan."

I happened to have heard through a source I have that he is pretty mad at that. He is used to getting his way and he doesn't like it when he doesn't.

MR. WHITE: When he asks for a billion and doesn't get it, he is angry, isn't he?

H.M.JR: When did he ask for the billion?

MR. ADLER: He raised the question at the Cairo Conference, and the President in his reply sent a memo from you, and I was told the Generalissimo was pretty nasty when that was turned down.

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H.M. JR: You see what happened was, much to the chagrin of the State Department, I wrote this memorandum to the President as to how he should consider the thing. He took the memorandum and all he did was delete "My dear Mr. President," then he added, "I hope that you and Madame Chiang are feeling well." The rest was unadulterated Morgenthau - which wasn't too good. But that was a very stiff memorandum.

He didn't like it?

MR. ADLER: They said he didn't.

H.M. JR: Is that the one that Madame Chiang held up in delivery?

MR. ADLER: No.

"The only pressure he is likely to yield to is from the white House which might be reluctant to exert it. The whole history of the negotiations which have gone on for 8 months now has been of a hot potato passed on from one department to another and finally bouncing back to the Treasury. As China's terms of 60 yuan to U.S. \$1 or sale of gold and U.S. currency to raise our yuan requirements are obviously unreasonable, a strong stand will have to be taken sooner or later. As Dr. Kung will have to refer our proposals back to the Generalissimo, it is unlikely that the matter can be settled before the end of the Conference."

H.M. JR: That is very good. Now, the only thing I need is a little balance sheet. Rather than retype the whole thing, just put it on the front.

Now, Harry asked for Mr. Vincent, who has just been in China. He is Chief of the Chinese Division at the State Department. He has been there with Wallace. He is just back and he will be here tomorrow.

MR. WHITE: You knew Vincent while he was out there?

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MR. ADLER: He is a very good friend of mine. He is a first-class man.

MR. WHITE: That twenty-five million was paid a long time ago and we had decided over a month and a half ago to pay an additional fifty.

MR. ADLER: But I remember you decided you wouldn't do it without prior agreement with the Army and they wanted to make a lump sum settlement - a final settlement. I am pretty sure that is the case.

H.M.JR: This is good enough, and I feel I know enough that tomorrow afternoon I can sit down with the Generals - did you make a note to keep the afternoon free?

MRS. KLOTZ: Yes.

H.M.JR: I will keep tomorrow afternoon for the Generals, yourself, and Vincent. If by any chance you are free, Harry, you join us. That is purely up to you. I will let you know when the Generals come.

Now, just so we all understand each other - I asked Danny Bell to have Ted Acheson come up here and Danny Bell reported that to either General Clay or General Carter and they didn't want him to come up.

MR. ADLER: You mentioned it yesterday.

H.M.JR: I wanted Harry to know.

MR. WHITE: That surprises me.

H.M.JR: Bell gave me the idea that the Army just shrugged their shoulders. When I said something to Dr. Kung about having Mr. Acheson here, he was very emphatic - he didn't want him.

MR. WHITE: That makes him popular only with his brother.

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MRS. KLOTZ: That is why they tolerate him, they say.

MR. WHITE: The British like him?

H.M.JR: This Acheson sent me word and I sent word back I wasn't going to take him because I had suggested to General Clay that he send Ted Acheson and I got no reply. So I just thought I would let Dean Acheson know that I had asked.

Did you know what I am telling you?

MR. WHITE: No, I didn't know. It interests me because I didn't think the Army had that much sense.

Well, I think this is enough so that when we go in with these Generals I think a couple of hours will be long enough. We will go into a session with them tomorrow afternoon.

July 14, 1944

To: Secretary Morgenthau
From: S. Adler
Subject: Negotiations for the Settlement of U.S. Army Expenditures in China.

I. Summary and Conclusions.

1. The Chinese Government advanced 18.6 billion yuan for and on our behalf of the American Army in China from September 1942 to June 30, 1944. Of this sum, 4.4 billion yuan were spent by the Chinese before our Army entered China on air-fields they subsequently turned over to us. According to Army and State the only claim the Chinese have against us for this sum is that it should be credited to reverse lend-lease. But Dr. Kung in his letter of April 19 to you makes no differentiation between these and the remaining Chinese expenditures. Presumably, this is one of the points which will have to be settled in the negotiations. In addition, the Chinese have agreed to bear all expenditures for Army food and lodging which total 1.9 billion yuan. This leaves our obligations to the Chinese at 12.3 billion yuan against which we have already paid U.S.\$25 million.

2. Any sum in U.S. dollars we are likely to pay the Chinese will involve overpayment in terms of goods received and services rendered. The decision as to how much we should pay depends primarily on political considerations, on how tough we want to be with them. From a military point of view the whole importance of the China Theater has diminished as a result of the tremendous advances of our Navy in the Central Pacific which has already acquired bases for contemplated B-29 operations nearer to Tokyo than Chengtu.

3. The big stumbling block in the negotiations is the myth of the official exchange rate of 20 yuan to 1 U.S. dollar which China has only been able to preserve because of her economic isolation. The Generalissimo and Dr. Kung have made the maintenance of the official rate of exchange a matter of face and of Chinese sovereignty. For this reason, the most

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satisfactory approach to the settlement of our past obligations is the one suggested by you, namely, making a lump sum settlement without any reference to exchange rates. In view of the President's commitment in his January message to the Generalissimo that "our Army expenditures during the next few months can be expected to be somewhere in the neighborhood of 25 million U.S. dollars each month", it is suggested that a lump sum of U.S.\$100 million would be adequate. As we have already paid U.S.\$25 million, it might be a good idea to include our obligations for July which will amount to approximately 1.9 billion yuan (not including the cost of maintaining our troops) in the liquidation of past expenditures. In other words, we would be paying a total of U.S.\$125 million for 14.2 billion yuan which works out at a rate of slightly less than 120 to 1.

Range of Bargaining

a. If we wish to be generous and if Dr. Kung finds himself pressed by the Generalissimo, we might offer an additional U.S.\$50 million to cover the 4.4 billion yuan which Army and State say should be credited to reverse lend-lease and the 2.1 billion yuan advanced by the Chinese for maintenance of our troops. With respect to the latter, the Army has never been anxious to allow the Chinese to pay and has yielded only because firstly the Chinese have been insistent, and secondly, the question of inspecting books, etc. has raised some unpleasantness.

b. Another bargaining counter is how much should be credited to Chinese account on reverse lend-lease. The Chinese would like to see everything we have received over and above the official rate to be credited to reverse lend-lease at the official rate of 20 yuan to 1 U.S. dollar, as this procedure would be a very powerful political weapon to them in the future should they decide to make further requests for aid. Their total reverse lend-lease contribution would amount to more than U.S.\$800 million, while up-to-date we have given the Chinese about U.S.\$450 million in lend-lease aid. It is suggested perhaps the best solution of this problem would be a reverse lend-lease agreement in which the Chinese would be credited not with any sum in U.S. dollars or yuan, but with the physical goods and services they have rendered us.

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4. The Army is also anxious that we make provision for settlement of our future obligations in China. In view of the fact that prices are rising at a rate of between 15 and 20 percent per month, it has been suggested that we make settlements at three-monthly intervals. It would be most convenient if we could make the settlement at the end rather than at the beginning of the three months though the Army would prefer the latter. Again the sum of \$25 million a month mentioned by the President should be kept in mind as an outside limit. Our Army expenditures will probably run at between 2 and 3 billion yuan a month for the next three months. The loss of our advanced Eastern air bases will tend to reduce those expenditures, while rising prices will tend to increase them. The above proposals for the settlement of our past obligations and for provision for future expenditures ~~are~~, if anything, on the side of generosity.

5. The real trouble in these negotiations is that while Kung might be amenable--though unfortunately he seems to have convinced himself of the validity of the fallacious arguments which he has used to justify an untenable position--he dare not make any final decision without reference to the Generalissimo. The Generalissimo is a very obstinate man and is still sore at the Treasury for turning down his request for a \$1 billion loan. The only pressure he is likely to yield to is from the White House which might be reluctant to exert it. The whole history of the negotiations which have gone on for 8 months now has been of a hot potato passed on from one department to another and finally bouncing back to the Treasury. As China's terms ~~are~~ 60 yuan to U.S.\$1 or sale of gold and U.S. currency to raise our yuan requirements are obviously unreasonable, a strong stand will have to be taken sooner or later. As Dr. Kung will have to refer our proposals back to the Generalissimo, it is unlikely that the matter can be settled before the end of the Conference.

STRICTLY CONFIDENTIAL

Subject: Arguments Used by Dr. Kung in the Financial Negotiations.

Dr. Kung's Arguments

Answers

(1) The official rate of exchange is sacrosanct.

(a) Any decrease in the official yuan-dollar rate will cause prices to rise immediately and in the same proportion.

(b) The official rate of exchange was fixed by the Stabilization Board of China to which the United States appointed an American member.

(a) It is best to avoid the whole question of the official rate. In passing, Dr. Kung's argument is unsound in view of China's economic isolation. Dr. Kung has himself abandoned the principle of the sacrosanctness of the official rate by offering us 60 to 1. Once this principle is abandoned, it is only a question of bargaining whether he gives us 60, 100, 120 or 150 to 1.

(b) The fixing of the rate by the Board became a legal fiction after 1941. The Board merely acted on Dr. Kung's instruction with respect to the rate. The Treasury in its desire to dissociate itself from responsibility for the official rate instructed the American member to resign on August 1943 and ordered him to withdraw his resignation only after Dr. Kung's urgent request that he remain on the Board. The Treasury then wished him to resign before the end of 1943 but kept him on to assist in the winding up of the Board's affairs. The Board granted no foreign exchange after November 30, 1943.

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Dr. Kung's ArgumentsAnswers

(2) China must have adequate reserves behind its currency to maintain confidence, and China cannot go on printing currency for U.S. Army expenditures without correspondingly building up its foreign exchange reserves.

- (a) China's reserves against note issue are already below the legal requirements.
- (b) Expansion of note issue since the beginning of 1944 will amount to about yuan 50 billion by the end of July. U.S. Army expenditures will have accounted for less than one-third of this increase. As the Chinese Government is making no provision to increase reserves against 2/3 of this expansion, there is no reason why it should ask us to provide for reserves against the 1/3 expansion for which our expenditures are responsible.
- (c) It is not the function of the American Army to supply the reserves for China's currency system by buying yuan for its requirements in China at the unrealistic official rate.
- (d) China's foreign exchange position is stronger than it has ever been. She has over \$550 million in government dollar balances and earmarked gold, about half of the \$1/2 billion loan has not yet been used, and Chinese private holdings in the United States total a couple of hundred million dollars.
- (e) There is little internal confidence in China's currency. This lack of confidence is due to the internal economic situation and has nothing to do with China's foreign exchange position.

Dr. Kung's ArgumentsAnswers

- (3) The value of the U.S. dollar is the amount that can be obtained for it by free sale in the open market.
- (a) Owing to China's isolation there is no way of accurately determining the value of the yuan in terms of the U.S. dollar
- (b) The present open market value of the yuan is less than an eighth of its official value; it has been as low as 1/15.
- (c) In terms of purchasing power parity the value of the yuan in April was a fraction of a cent. It has diminished in value since
- (d) In terms of the cross-rate between the price of gold in Chungking and the price of gold in New York, the yuan is worth a fifth of a cent.
- (e) The open market price of U.S. dollars can easily be manipulated by a deliberate sales program.
- (4) The internal purchasing power of the yuan in China and of the dollar in the United States has nothing to do with the rate at which they should be exchanged.
- Since China intends to use her dollars for post-war purchases from the United States, the internal purchasing power of the dollar is obviously relevant.
- (5) The external value of the yuan will appreciate at the end of the war.
- (a) Even if that turned out to be the case, it is no justification for the Army's overpaying at present.

Dr. Kung's ArgumentsAnswers

- (6) The International Stabilization Fund is designed to stabilize exchange rates and facilitate the maintenance of sound money. Therefore China should preserve her present exchange rate and strengthen her reserves.
- (7) U.S. Army expenditures have been a major if not decisive factor in driving up prices in China. Therefore it is only fair that we pay China proportionately.
- (b) It is a most improbable contingency, as the Chinese demand for American dollars with which to pay for imports will rise with the resumption of trade.
- (a) The Fund provides for a transition period for the readjustment of exchange rates in countries whose rate is obviously out of line.
- (b) The Fund would be undertaking impossible task if it underwrote all existing exchange rates, however unrealistic.
- (a) Other countries in which we have made much heavier expenditures have either paid for our requirements under reverse lend-lease or have not asked us to make settlements at unrealistic rates.
- (b) Prices in China had risen about 200 times before the U.S. Army started making its heaviest expenditures.
- (c) As already indicated above, less than a third of the expansion of note issue in 1944 can be attributed to U.S.A.A.F. expenditures.
- (d) The rise in prices in areas where there have been no U.S. Army expenditures has not been strikingly smaller than in areas of U.S. Army activity.

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Dr. Kung's ArgumentsAnswers

- (8) The Chinese Government is willing to allow the U.S. Army to sell gold and the gold to cover its yuan requirements.
- (e) While U.S. Army expenditures in the areas of U.S. Army activity have contributed to the rise in prices in those areas, such expenditures have been neither the major nor the decisive factor.
- (a) This would not help us to liquidate our past obligations.
- (b) The market for gold and U.S. currency is too thin to yield enough yuan to cover our current requirements. Chinese Government sales of gold have yielded only 1 billion yuan over the last nine months. The offer is thus in the nature of an Indian gift.
- (c) A concerted and large-scale sale of U.S. currency would still further imperil the yuan.
- (d) Nevertheless, the sale of gold and U.S. currency might be used as an auxiliary means for securing yuan. Such a program would have to be carried out in cooperation with the Chinese Government. It should be executed with a considerable degree of caution and not too much should be expected from it.

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Dr. Kung's ArgumentsAnswers

- (9) The Chinese Government is willing to negotiate a reverse lend-lease agreement with the United States.
- (10) If China were to publish the facts, they would be most embarrassing to the Administration.
- This subject was broached with the Chinese Government as long ago as the second half of 1942, when the Chinese Government showed no interest in it. The Chinese Government only raised the question again at the beginning of 1944, when the State Department rightly indicated that there was no point in signing a master reverse lend-lease agreement without provisions for its concrete implementation.
- (a) The U.S. Army spent US\$137 millions in China from October 1941 to January 1944 against which it was given yuan at the official rate. Over 80% of these expenditures were made from August 1943 to January 1944. It paid fantastic prices for goods, many of which had been originally imported from the United States. Three examples will suffice: US\$1,000 for a rubber tyre, US\$1,000 for a bicycle, US\$75 for a spark plug. It would be impossible to justify such prices before a Congressional investigation, which would be most damaging to China's prestige and American goodwill towards China.
- (b) After May 1943, foreign diplomats, missionaries, cultural and philanthropic organizations received 30 yuan per US\$1, the Army kept on getting 20. In January 1944 this rate was raised to 40.

Dr. Kung's ArgumentsAnswers

- (c) From the end of November 1943, civilian Government agencies financed their expenditures by sales of U.S. currency on the open market. The Army kept on getting 20 to 1.
- (d) The FEA has arranged to purchase tin from China at the New York market price by paying in gold. The Chinese Government cannot ask for harsher terms from the Army than it does from FEA.
- (e) Nothing could injure China more than our paying her even 60 to 1 for our recent and current Army expenditures. A Congressional investigation would blow the lid off. Army officers returning to the United States are already talking freely, as they resent our playing the role of "Uncle Sugar" so lavishly. (They put it more vulgarly.) China would be sacrificing American friendship and goodwill which is indispensable to her in the long run, for a short-run gain which is picayune by comparison.
- (11) China by refusing to make peace with Japan prevented Japan from attacking Russia and thus saved Russia from collapse. If Russia had collapsed, Germany would have defeated England and the United States would have been completely isolated.
- (a) So what.
- (b) Whatever the reasons why Japan did not invade Siberia in 1941 or 1942, it is doubtful how important was the part played by China in her calculations. She has never had more than 400,000 troops in China since the beginning of the Pacific War. Most of these troops have been either second-class, or raw recruits receiving their first training

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Dr. Kung's ArgumentsAnswers

(12) China has received much less in lend-lease than any other major ally.

or first-line troops getting a rest.

(c) This argument proves too much. It would justify our giving China anything she asked for.

(a) Again this could be used to justify giving China anything she asked for.

(b) Though it is impolitic to point out, China has also done less fighting than any other major ally.

(c) The limitation on our lend-lease supplies has not been our readiness to deliver more or the unavailabilities of supplies, but the transportation problem.

STRICTLY CONFIDENTIAL

March 28, 1944

U. S. Army Disbursements in China, Oct. 1, 1941-Jan. 31, 1944

	Personnel	Others	Total
1941 Oct.	US\$ 1,859.71	US\$ -	US\$ 1,859.71
Nov.	3,201.97	377.02	3,578.99
Dec.	6,184.83	1,006.61	7,191.44
1942 Jan.	35,925.09	6,524.01	42,449.10
Feb.	24,865.03	6,166.96	31,031.99
Mar.	25,658.76	14,732.50	40,391.26
Apr.	27,747.71	12,820.76	40,568.47
May	48,456.80	33,843.00	82,299.80
June	26,761.08	8,992.51	35,753.59
July	35,616.85	21,429.66	57,046.51
Aug.	42,869.67	16,282.98	59,152.65
Sept.	67,349.20	10,488.78	77,837.98
Oct.	108,031.80	275,568.97	383,600.77
Nov.	157,635.15	230,005.91	387,641.06
Dec.	179,550.98	345,914.87	525,465.85
1943 Jan.	166,044.19	243,199.09	409,243.28
Feb.	160,996.85	1,132,080.95	1,293,077.80
Mar.	237,629.70	2,618,680.23	2,856,309.93
Apr.	265,811.93	2,894,415.54	3,160,227.47
May	293,462.50	4,932,274.96	5,225,737.46
June	385,296.61	4,542,833.83	4,928,130.44
July	267,480.72	6,513,680.30	6,781,161.02
Aug.	400,704.03	15,939,992.48	16,340,696.51
Sept.	425,937.95	13,227,231.34	13,653,169.29
Oct.	540,709.46	15,119,652.61	15,660,362.07
Nov.	739,873.50	20,338,136.28	21,078,009.78
Dec.	807,865.39	22,272,930.99	23,080,796.38
1944 Jan.	958,335.14	26,430,544.03	27,388,879.17
Total	6,441,862.60	137,189,807.17	143,631,669.77

Yuan Expenditures for the USAAF in China

	Billion Yuan
(1) September 1942 - June 1944	
(a) For airfields built earlier and turned over to USAAF	4.4
(b) For food and lodging	1.9
(c) For airfields, roads, etc.	<u>12.3</u>
Total	18.6
(2) July 1944 - estimated	
(a) Airfields, etc.	1.9
(b) For food and lodging	<u>.2</u>
Total	2.1
(3) Grand total	<u>20.7</u>

D Against which US\$25 million have been paid with no commitment as to the yuan rate for its conversion.

Franklin D. Roosevelt

7-14-44

Mr. Roosevelt made known his attitude toward his 1940 running mate in the long-expected letter to Senator Samuel Jackson of Indiana, who will be permanent chairman of the 1944 Democratic National Convention:

"Hyde Park, New York
July 14, 1944.

"My dear Senator Jackson:

In the light of the probability that you will be chosen as permanent chairman of the convention, and because I know that many rumors accompany all conventions, I am wholly willing to give you my own personal thought in regard to the selection of a candidate for Vice President. I do this at this time because I expect to be away from Washington for the next few days.

The easiest way of putting it is this: I have been associated with Henry Wallace during his past four years as Vice President, for eight years earlier while he was Secretary of Agriculture, and well before that. I like him and I respect him, and he is my personal friend. For these reasons, I personally would vote for his renomination if I were a delegate to the convention.

At the same time, I do not wish to appear in any way as dictating to the convention. Obviously the convention must do the deciding. And it should -- and I am sure it will -- give great consideration to the pro's and con's of its choice.

Very sincerely yours,

Franklin D. Roosevelt."

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date 7/14/44

TO Secretary Morgenthau
FROM Joseph J. O'Connell, Jr.

For Your Information

My talk with Mr. Markham about the plans of the Office of the Alien Property Custodian for disposing of the large business enterprises it has vested, was not particularly informative, but certain things emerged quite clearly:

1. The APC does not propose actually to dispose of any such properties until (a) legislation now pending has been enacted, and thereafter (b) the President, by Executive Order, has approved the method or methods of sale to be employed. This means, as a practical matter, that no sales will be held before the end of the year.
2. No definite decision has been made as to the methods of sale to be used. Specifically, Markham stated that they have not ruled out the possibility of competitive bidding between groups of investment bankers for the securities to be offered. Various methods are "under study."
3. It has been decided that American Potash and Chemical Company will be disposed of through a group of investment bankers already selected (the group, I understand, is Dillon-Reed, Lehman, Kuhn-Loeb, and Glore-Forgan).

Markham indicated that although this deal will not be consummated for some months, it is, to all intents and purposes, a firm

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arrangement. He also intimated (by way of plea of what we lawyers call "abatement and avoidance") that the arrangement was made before he became Alien Property Custodian and that Crowley cleared it with the President. He insisted, however, that this particular case does not establish a precedent.

4. Markham talked at some length, but vaguely and not very convincingly, of the difficult problems involved under alternative methods of disposition (he emphasized especially the difficulties involved in getting competitive bidding among investment bankers!). I made no serious attempt to argue with him, other than to point out the obvious advantages, from the public interest standpoint, of competitive bidding, and to indicate that in my judgment the disadvantages he suggested did not seem to be substantial.

Frankly, I have little doubt that, although competitive bidding is still "under consideration," the cards are pretty heavily stacked towards a further use of the technique they intend to follow in the American Potash case. There are two hopeful things about the situation:

(a) They are not, apparently, so far committed to what they would call the "selective" method of picking investment bankers that they cannot withdraw, and it may well be that the pressures against it will build up such a backfire as to scare them off; and

(b) They will have to have, by their own theory, Presidential approval of what they propose, at least in general terms. This is not an entirely unmixed

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blessing, since there is little doubt in my mind that they will ask for Presidential approval of alternative methods of disposition, in general terms, and will then pass the buck to him in the event they are subjected to severe criticism.

J. D. Lee

MEMORANDUM FOR THE SECRETARY.

July 14, 1944.

Mail Report

The Secretary's 19¢ sandwich incident quite dominated the general mail this week. The second item announcing that the Merchandise Mart lunch counter was now offering a 10¢ sandwich elicited more comment than the first one telling of the Secretary's protest against the 19¢ charge. Most of the kicks came from war production areas, and the majority from the far West. There were others from coast areas in Virginia, and from Illinois. These letters often itemized at length the inflated prices charged for sandwiches and coffee -- the general price for the former being 25 or 30¢. Washington, Oregon and California seemed the most victimized by these charges.

Other mail was more formal and of the usual variety. A few letters inquired about the disposal of surplus property, and two or three included applications for jobs connected with this work. More mail concerning the International Monetary Conference was forwarded this week from the White House than was received directly in the Treasury, but the entire volume remained surprisingly small. Some half dozen cash contributions to the war effort ranged in value from \$3.75 to \$600. Many out-of-date checks were submitted for re-writing, and there were the usual inquiries about delayed War Department allotment checks. A question now and then about income tax obligations, a goodly number of unfavorable comments on car use stamps, and a dozen demands for refunds made up an exceptionally light tax mail.

Bond mail was heavy, with many questions about procedures, ideas for new issues, particularly the

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Memorandum for the Secretary.

July 14, 1944.

small gift bond, and reports of successful achievements in the Fifth Drive. There were 66 bonds submitted for redemption, while 15 persons returned redemption slips with explanations for the necessity of cashing the bonds. Two writers reported that allotments from their sons in the service are not coming through, two others are without income as they have given up jobs that were too strenuous for them and are prevented by the War Manpower Commission from securing work until the expiration of a certain period. There were 10 letters complaining of failure to receive interest, but other complaints were negligible.

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H. C. Forbush

General Comments

A. Frederick Collins, Congers, New York. I am a highly moral young man of 75, or thereabouts, and will trade in a pair of Eskimo sox for your straw hat, if latter is in good condition. May I hear from you? (Encloses clipping entitled, "Delegates Search for Warm Clothes".)

Grenville Kleiser, (A Canadian), Magnolia, Massachusetts. Your vital and timely words that the enemy's surrender must be real, unconditional, and final, deeply impressive because I still fear a soft attitude on the part of the Allies. The enemy is "tricky" and cunning beyond words. May your words sink deep into the minds of those who make the final terms.

Judge David M. Ralston, District Court Chambers, Trinidad, Colorado. I herewith enclose you my pension check #4,921,868, dated June 30, 1944, which I have endorsed to the Treasurer of the United States for credit to the account, "Donations Fund for War Purposes". The amount of said check being \$600.00, representing the annual period ending June 30th, this year.

Louis F. Knoblock, Attorney at Law, Peoria, Illinois. I am Peoria County Chairman of the Military Affairs Committee of this county. In a number of instances I have had parties in the service send checks made out to themselves back to their relatives. In many of these instances, I have had these service men and women make Powers of Attorney to one of their relatives, which Power of Attorney is broad enough so that they can transact all matters of business in complete detail. However, when the persons have attempted to cash these checks, our local banks claim these checks are not acceptable to the Treasury Department unless the Power of Attorney accompanies the check. * * * These Powers

of Attorney consist of four or five pages of typewritten matter, and as these checks are coming in every month, if this requirement cannot in some way be eliminated, it will require almost a superhuman task to have dozens and dozens of Powers of Attorney drawn up for each individual service man or woman. I have consulted with some of the bankers in this community and it seems that a feasible plan would be to have the bank guarantee the signature of the attorney in fact upon the back of the check, and of course leave the original Power of Attorney with the bank where the checks are cashed. I have several instances where the checks of men overseas cannot be cashed or deposited to their account for the reason that we cannot permit the only copy of the Power of Attorney we have to be sent to your Department, as there are other business transactions that are constantly taking place here. * * *

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Favorable Comments on Bonds

William S. Elliott, Director of Public Relations, Roosevelt Savings Bank, and Volunteer Member of the Speakers Bureau, War Finance Committee, Brooklyn, New York. Conducting a War Bond Drive in a nation of the size of our country must be a tremendous job of organization and administration. As a volunteer worker in all of your supervised Drives, I have been in a position to observe the conduct of one of your offices. The Brooklyn office of the War Finance Committee, 32 Court Street, Brooklyn, New York, Mr. John Rae in charge. These folks, through their spirited and courteous cooperation, have been a stimulation to me in this work. They are progressive and always alert for new and better ways to back the attack with War Bonds. Good luck in your efforts and congratulations on your selection of this administrative group.

Roger W. Clipp, WFIL, Philadelphia, Pennsylvania. (Telegram) You may be interested to know that excerpts from your address July 4 at the Navy Yard celebration will be broadcast over WFIL at 4:00 p.m. Sunday as a highlight of the program "This Week In Philadelphia", which summarizes the important happenings in Philadelphia during the past week.

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Unfavorable Comments on Bonds

Mrs. J. Harry Covington, Washington, D. C. I received the enclosed slip with credit for redemption of my Federal Land Bank Bonds which were called. I have not turned in any of my War Savings Bonds.

Horace R. Bassford, Actuary, Metropolitan Life Insurance Company, New York City. It is my understanding that if the purchaser makes the bond payable to himself, and, in case of death, to a named beneficiary, he cannot change the named beneficiary without the consent of such beneficiary. If the named beneficiary refuses to give consent, then the only method he has of making the funds payable to someone else is to cash in the bond and purchase another one. * * * If the above is true, it seems to me that the Treasury Department should find some way of permitting the purchaser to change the beneficiary without such beneficiary's consent. I have a particular case in point which I think will illustrate very clearly the unfairness of the present method. My nephew is single, but engaged to be married. He has named his sister as beneficiary on bonds he purchased. * * * I am citing this case because this young man is a tail gunner in a bomber, has had 30 missions over Germany, has the Air Medal with three clusters, and the Distinguished Flying Cross. There is no doubt about his patriotism, and yet I do not feel it is fair to ask him to purchase bonds over which he does not have entire control. The same is true of millions of young men who are in the service who are now single and who will later become married and wish to change the beneficiary on their bonds. It is unfair to them to compel them to get the consent of the other beneficiary who might not be friendly. * * * I cannot see any reason why the Treasury Department cannot arrange to sell bonds which would permit the purchaser to change the beneficiary of his own accord. He should not be made to sell a bond and sacrifice a good rate of interest in order to accomplish this. * * *

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Wm. J. Daley, Sr., LaCrosse, Wisconsin. Your letter of commendation to the postal personnel in our postal Bulletin of June 13, 1944, for supporting the War Loan Drive starting June 12, has encouraged me to write you a personal letter for your consideration. In January my only daughter suffered a nervous breakdown. * * * Complications arose within two months that compelled me to cash \$2,500 series G United States War Savings Bonds. The bonds were in my name, with my wife as beneficiary. For the protection of myself and two boys, I could not submit the bonds for her signature, releasing her as beneficiary. My only recourse was to cash the bonds, thereby taking a loss of \$77.50 discount on same. I am enclosing Treasurer of the United States check #1,232,684, dated May 1, 1944, for \$2,422.50, covering bonds issued in November, 1942. Now, Mr. Morgenthau, I would like to know if these bonds could be re-issued without the loss of the discount involved and interest checks issued for any missing periods since cashing same on account of condition mentioned above. The money really has never been out of the Government's possession, and I would like to permit the funds to remain invested in United States Bonds. * * * If you can re-issue bonds without loss of discount and any interest since purchase in November, 1942, I would like same re-issued in the name of William J. Daley, Sr., without a beneficiary for the present. * * *

Thomas Motlow, President, The Farmers Bank, Lynchburg, Tennessee. At least one-half dozen cases have come to our observation during the current Bond Drive in which people have refused to buy bonds saying, IF WE STOP BUYING BONDS THE WAR WILL STOP NOW. This morning three soldiers' messages from the Pacific to their parents forbade them from buying bonds. They have been buying regularly. Whether this is worthy of any special investigation, I do not know, but it is alarming even in a small movement.

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Paul Meltsner, Los Angeles, California. I wish to express my deep appreciation for the considerate note sent to me by Mr. Gamble, dated June 27. The eight paintings which I was happy to be able to present to the Government for the Bond Drive have brought sensational prices in bonds, and are noted in the enclosed catalogue. These works have made Art History of a sort, for a contemporary painter's work, going for higher prices (in bonds) than the Old Masters. * * * However, these works would have brought several additional millions in bonds if it had not been for lack of cooperation here, and petty official stupidity. I came here at the request of the War Finance Committee in New York, and I certainly didn't need any publicity as my work generally receives a good "Press". * * * I did not expect a local ruling to keep the name of I. Magnin out of the papers, as was done. I did not expect a "Censor" of news here, (a Mr. Switzer) that is, of bond news, to keep every feature story on which the success of my show depended, out of the papers. * * * Two art critics who received me warmly covered my exhibition and while they were the "control" of the bond group, the store name wasn't allowed to be mentioned either. I am more concerned about the loss of the extra bond sales involved than this local "Control of the Press". I was under the impression, however, that we were fighting this War over that issue, amongst others, whatever the reason given. * * *

Mary H. Rains, Pomona, California. We were forced to sell our baby's bond, and enclosed with the check was this notice. How do you think we feel now about having to cash a gift to our baby, and will feel ten years from now when other children will have bonds to cash - but not ours. We had to try and keep the wolf from the door in those prosperous war years, due to strict Governmental control of wages but not prices. My husband is what you call a white-collar worker in a frozen job on a frozen salary. Instead of being able to save, we are going deeper and deeper in debt. Quite frankly, could you live on \$165 per month, with

- 7 -

\$20 out for taxes? That is, and support a wife and two children - now? * * * When my husband tried to transfer to work in shipyards, he was told by both his draft board and by U. S. Employment Office that he was essential where he was, and the penalty, if he quit, was immediate draft -- in free America! * * * Should the mainstay of America be sacrificed? We considered ourselves middleclass Americans, but another six months like this, and we will lose our home, our insurance, and our car. Our savings are already gone and our clothes are threadbare. * * * Don't you think we felt badly enough about cashing the bond without getting your snotty little note? I wish you could take a trip around to find clothing, etc., and let me show you how the white-collar worker and his family are being ruined. You fellows don't know what frozen wages are doing to us.

Mrs. F. Erfling, Philadelphia, Pennsylvania. The reason I am writing this letter because last Feb. 2 at the Troc Theater, 10th Arch, Philadelphia, had a bond drive & my husband bought several large bonds. Of coarse kisses from the girls. When you have to sell bonds this way it is not very patriotic. I knew nothing about the buying of bonds until several weeks afterwards when he got a airmail special.

Sunday.

Hello Fred dear -- Am down here in Fla. as broke as all hell, but had to come here, because of a very bad cold I caught. Expect to be back up north in about four weeks, so get ready to do the town with me. Write soon, Lois. 2814 Collins Ave., Apt. 1, Miami Beach, Fla. (On back of the letter -- "Switchboard goes off at 10:30 p.m.")

She is supposed to be 6 ft 4, in show business, and I understand she is entertaining the boys in camp. So when you buy bonds and have your home broken up by it, it is going a little too far. I all so have a son in the navy.

- 7 -

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- 8 -

Charles J. Keys, Chairman, The Girard Bomber Campaign, Philadelphia, Pennsylvania. During the period April 1 to June 15, 1943, a campaign was conducted among the students, staff, faculty and alumni of Girard College in Philadelphia, to encourage the purchase of Series E War Bonds. The objective of the campaign was to secure sufficient credits to obtain the privilege of naming a Flying Fortress. * * * The campaign was officially credited with \$502,312.50 purchase price value of Series E Bonds, which was more than ample. * * * The name selected to be inscribed upon the Flying Fortress was, "Sons of Girard", and at a ceremony in the chapel of the College on June 15, 1943, the results were properly credited by the Deputy Chairman of the War Finance Division. In conjunction with the campaign a model bomber was constructed by the boys and presented to the Treasury Department for their use in other similar campaigns. I have been advised that this model bomber has been very widely used by the local War Finance Committee. * * * We anticipated shortly receiving a photograph of the Flying Fortress with the selected inscription placed thereon. When I inquired as to the status of the matter, I was informed that such matters sometimes entailed six months to complete. After a lapse of more than six months, I again inquired and was again informed that such things take time and that others whose campaigns were previous to ours were still awaiting their picture. After a lapse of a full year from the successful completion of the campaign, I was informed upon inquiry that no intelligent explanation could be furnished as to why the picture had not been released, and it was admitted that other campaigns subsequent to ours had been provided with pictures of the plane their bond purchases had bought. There are a number of factors in this matter that are deserving of special consideration, which accounts for my writing directly to you in the hope the matter may come to your attention. The campaign itself was dedicated for the interest and in behalf of former students of Girard College in our armed forces. These now number more than 1700 and they were advised of our

activity and the hope that they would gain some assurance of our interest in their welfare by virtue of the fact a Fortress bearing the inscription "Sons of Girard" was aloft. * * * I am hopeful that through addressing this communication to you, some remedial action may promptly be taken. * * * May I express the sincere hope that something definite will be done in this matter, and assure you of my very great appreciation for such action as you may find it possible to take, to restore to the minds of these boys their faith in such activities sponsored by our Government.

Donald C. Jacobs, Canton, Ohio. By a super effort I am buying one more War Bond today. The radio announced that yesterday we brought a group of prisoners from Camp Perry to Cleveland to attend the church of their choice. Then they were driven on a tour of the city and taken to Euclid Beach for an afternoon of pleasure. I think this is a swell thing to do. These are not the men who are shooting at my son-in-law and other members of my family in Normandy, in Italy and elsewhere. These are not the men who are killing hostages, or all the men, women and children in whole villages. * * * No, these are the men who have surrendered! Surrendered often in the most cowardly way (see Ernie Pyle articles). These are the kindly men whom we feel should be fed roast beef because they don't like pork. They should not be made to endure the hardship of a day at Camp Perry while Americans have the freedom to stay home and save gas. I am buying one more bond to provide the money (I will not run my car so you can have the gas), so you may take these prisoners on a tour of the war plants in Detroit next week and entertain them at Belle Isle. And if it is desired to take them somewhere else another week, just let me know. I will deprive my family of the food they would eat, if necessary, to buy another bond.

- 10 -

Mrs. Carrie Anderson, Miami, Florida. My husband lay in a dying condition, and we had bought two bonds, (\$18.75), made to both of us. He needed a doctor and medicine so he had me write to the Federal Bank of Atlanta, and have two of the bonds cashed. They sent me checks for the two bonds made payable to King and Carrie Anderson. * * * My husband died two days before I received the checks, and at the First National bank they told me to send the checks back and tell them my husband had died, and for them to make the checks out payable to Carrie Anderson, and send them back to me, and they would cash them. I sent proof of my husband's death, signed by the Judge of the court here, and I am a poor widow with debts to pay, and I have written them twice and still they haven't sent the checks back. I am writing to you to ask you what to do next. A slip of paper came in the checks when they first came with your name signed to it, so I thought I would write you to help me get the checks back. * * *

Jack Furth, New York City. A maid formerly employed by me received a letter this week from her brother, who is in the Engineer Corps of the United States Army stationed in India, in which he mentioned that there was a rumor current in that section that when Germany is defeated the United States Government will freeze War Bonds, and will not permit their sale for a certain period. This soldier asked his sister if she knew anything about it, and whether or not he should sell his bonds. I feel that this matter should be brought at once to your attention, and immediate action taken to counteract any such unfounded reports, which were undoubtedly planted by Axis agents. I wonder how a letter of this kind ever passed by the censor. The overseas letter is being answered today with a very strong statement that these rumors are utterly baseless, and that the soldier should use every means at his command to stamp out any such impression among his comrades.

- 11 -

Unfavorable Comments on Taxation

S. Boree, Chicago, Illinois. I received a notice from your office stating that I had not yet paid my income tax. They have made a mistake, because on March 20th I mailed the full amount. I had cashed three \$25 War Bonds and would have mailed my remittance sooner, but the check for the bonds did not come until that date. I endorsed the check over to you, and, together with a money order for \$17.35, sent it. Together they totalled \$73.60, which was the full amount of my tax, so when I received your notice demanding that I pay it all over again, I was certainly surprised. I hope that with the information given on this card you can check into the matter and put it straight.

Congressman John Taber (New York). I have been waited on by a delegation of fathers of boys in Service. Each one of them advises me that they have bought and paid for a \$5.00 Automobile Stamp as of the first of the month. They have walked along the street and they have found almost no cars with stamps on, and they feel as if there were something the matter. They asked me what the Federal Government proposed to do about it, and I am asking you as it is your particular province to collect this money. I have seen nothing indicating any activity in connection with the sale of these stamps and feel that if the Government means to collect the tax, that the burden should not be placed upon those who go out of the way to obey the law, but should be distributed amongst all who are subject to the tax.
* * *

George A. & Emily M. Strader, International Correspondence School, Elmhurst, Long Island, New York. I attach hereto a carbon copy of a letter which contains all necessary data, which I sent to your Collector

of Internal Revenue at Flushing, Long Island, New York - one Joseph P. Marcelle. I want to call your attention to his extraordinary threat to confiscate \$41.55 of my money without any process of law, in violation of my Constitutional Rights, and wholly contrary to the figures of my income tax return, which this man Marcelle has never heretofore disputed, and does not dispute now in respect to their basic integrity. I owe your Department \$32.19, and I am quite willing to pay it. - He says, wholly at variance with my return, which he has never questioned, that I owe him \$73.74. He threatens, further, that if I do not pay him the \$73.74, he will take it away from me, nevertheless. If this were the first time this arrogant bungling were imposed on me, I would not take your valuable time with this letter, but it is far from the first time. I have been called upon many times during the past two years to correct such errors -- and my figures were invariably right ultimately. * * *

Mr. and Mrs. O. D. Fulton, Tucson, Arizona. Am enclosing the correspondence that I have had with the Phoenix, Arizona, Internal Revenue Office, concerning the overpayment of \$633.96 which we made with our estimation of our 1943 income tax. When I received the statement from the Government, I had just thirteen days to get my money back to them or be penalized. They have now had my money for almost ten months, and I think it no more than right that your office issue me a refund check. As I told the Phoenix office, you may send us War Bonds for this amount if you cannot send us a check.

SECRET BY COURIER

A-339

4:00 PM

AMEMBASSY,

QUITO

July 14, 1944

SECRET

Reference is made to Department's 570 of July 1. A private report from Lisbon states: QUOTE Ecuador Legation declares impossible intervention to prevent deportation these people actually interned since Ecuador Government issued instructions cancelling all passports delivered by Stockholm Consulate. UNQUOTE

Simultaneously with acting upon Department's 570, please endeavor to obtain instruction from Ecuadoran authorities to their legations in Portugal and elsewhere countermanding any previous instructions such as the one reported above, which have had the effect of placing the persons concerned in danger of enemy persecution.

HULL

WRB:MMV:OMH
7/8/44

BOL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMEMBASSY, LONDON
DATED: July 14, 1944
NUMBER: 5629

SECRET

Please refer to your 5104 of June 28.

The War Refugee Board notes with satisfaction that the British Foreign Office is in whole-hearted agreement with the President that the escape of refugees from the Balkans to Italy must in no way be discouraged. Recent action taken in London indicates, however, that other branches of the British Government may not be fully conforming with this Foreign Office policy.

Indicative of such non-conformance is the action taken by the British Military in interposing conditions to the appointment of the War Refugee Board's Special Representative in Italy.

Early in May at the War Refugee Board's request, the War Department sent a cable to the Supreme Allied Commander of the Mediterranean Theater stating that the Board deemed it imperative to have a Special Representative in Italy who would investigate for the Board all possibilities which may exist in areas adjacent to Italy for the rescue and relief of minority groups in enemy occupied territory who are in imminent danger of death. Permission was requested for the Board to designate such a representative who would work closely on refugee problems with the representative of the Intergovernmental Committee on Refugees in Italy.

On May 27, the Supreme Allied Commander of the Mediterranean Theater consented to the appointment of a Special Representative of the War Refugee Board for territories adjacent to Italy subject only to the condition that the Board's Special Representative be attached to ACC headquarters. The War Refugee Board immediately agreed and proposed to designate as its Special Representative in Italy, Mr. Leonard E. Ackermann, who is now attached to the staffs of both Ambassadors Murphy and Wilson as the Board's special representative for the Mediterranean area. The Board understood that the final designation of Ackermann by the Supreme Allied Commander in the Mediterranean Theater awaited only formal notification by the Combined Chiefs of Staff in Washington.

The War

45889, AMEMBASSY, LONDON, July 14, 1944

The War Department has now advised the Board that the British Joint Staff Mission acting on instructions from London has proposed the following additional conditions to the confirmation of Akermann's appointment:

- (1) Akermann's activities in Italy must not increase the flow of refugees to such an extent as to place any additional burden on British Military Authorities.
- (2) Akermann must therefore maintain close liaison with the Displaced Persons Sub-Commission and the Intergovernmental Committee's representative.
- (3) Akermann's activities must be strictly confined to the investigation of all possibilities of rescue and relief of minority groups in imminent danger of death in enemy territory.

Please advise the appropriate British officials that the Board objects to the imposition of additional conditions to Akermann's appointment, for they would seriously interfere with the War Refugee Board's program of rescuing victims of enemy oppression in imminent danger of death. Particularly objectionable is the first condition which is inconsistent not only with the view of the President (our No. 4413 of June 5) but also with the concurring view expressed by the British Foreign Office that in no way should the escape of refugees from the Balkans to Italy be discouraged.

With respect to the second condition, the Board fully intends that Akermann will cooperate to the fullest extent with the Displaced Persons Sub-Commission and the Intergovernmental Committee representative in Italy. It objects to having such cooperation made a condition to his appointment if it is intended thereby to subject or subordinate him to the authority of those agencies.

Although the functions of the Board's Special Representative in Italy will consist primarily of investigation of all possibilities for rescue and relief of minority groups in imminent danger of death in enemy territory, the third condition is objectionable insofar as it contemplates that his activities will be quite strictly confined to investigation. This limitation might well make it impossible for the Board's Special Representative in Italy to take action, not inconsistent with the successful prosecution of the war, necessary to carry out the President's mandate to the Board (our airmail cable 034 of January 25).

In order to

MEMORANDUM, MEMORANDUM, LONDON, July 14, 1944

In order to avoid further delays, the War Refugee Board has consented to Ackermann's appointment notwithstanding the conditions involved. However, it would be appreciated if you would take this matter up with the appropriate British authorities in order that the conditions to which objection is made are promptly rescinded.

hall

MS

July 14, 1944

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

6 p.8.

AMERICAN CONSUL

NAPLES

365

FOR MYRON TAYLOR

New York Times published a story on July 9 from Herbert Matthews in Rome to the effect that half of Rome's Jewish colony of 11,000 have been deported or killed by the Germans during the period of their occupation. Reports from the Joint Distribution Committee indicate, however, that from eight to nine thousand of the Roman Jewish community were found in Rome after its liberation. In view of the size and importance of the Jewish community in Rome, its fate is, of course, of interest to Jewish organizations in this country. It is suggested that you report by airgram or airmail such details as may be available to you.

HULL
(HSF)

SR:JWJ:JFF
7/13/44

WES S/CR

EMBASSY OF THE
UNITED STATES OF AMERICA

Panama, July 14, 1944

AIR MAIL

No. 84

SUBJECT: War Refugee Board

CONFIDENTIAL

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Department's secret circular airgram of June 20, 1:30 p.m., 1944, regarding the President's announcement of the use of the Army Camp Fort Ontario at Oswego, New York, as an emergency refugee shelter to house one thousand refugees who are being brought to the United States from Italy without regard to the regular immigration procedure. The contents of the secret circular airgram were brought to the attention of the Foreign Minister of Panama and there is forwarded attached a copy and office translation of Note D. P. No. 961, July 10, 1944, in reply. It should be noted that in reply above mentioned the Foreign Minister states that it is the policy of the Government of Panama to cooperate to the best of its abilities in this effort to rescue the victims of Nazi oppression. The Foreign Minister also states that the Government of Panama will offer its economic aid in proportion to Panama's capacity.

The Foreign Minister has also requested that the President of the United States be informed of the proposal of the Government of Panama, and should this offer be accepted, that the Government of Panama be so informed in order that the amount which the Panamanian Government will contribute to this great work of salvation may be set aside.

Respectfully yours,

Enclosures:

/s/ (illegible)
A. M. Warren

Copy and translation of Note No. 961
of July 10, 1944.

VIS/ms

Enclosure No. 2 to despatch No. 84
dated July 14, 1944, from Embassy, Panama

TRANSLATION

Ministry of Foreign Affairs
Diplomatic Department

D. P. No. 961

Panama, July 10, 1944

Mr. Ambassador:

I have the honor to advise Your Excellency of the receipt of your Note No. 7 dated June 27, 1944, in which you referred to my Note No. 823 dated June 13, and other communications which have been exchanged between the Embassy and this Ministry in relation to the plans of the War Refugee Board to facilitate the escape of numerous oppressed and persecuted people in the countries occupied by Germany.

Your Excellency informed me in detail regarding the direct intervention of the President of the United States, Franklin Delano Roosevelt, in settling aside the Army Camp at Fort Ontario, at Oswego, New York, as an emergency refugees shelter for one thousand refugees who are being brought immediately to the United States from Italy without regard to the regular immigration procedure. This again reaffirms in a convincing manner the humanitarian spirit of President Roosevelt, which has been shown repeatedly in many ways.

Your Excellency also informed me of the other measures ordered by the President of the United States and being carried out by the War Refugee Board for the purpose of saving the numerous victims of Hitler's inhuman cruelties.

My Government has viewed with sympathy the various examples, reaffirmed by actions, of humanitarianism, charity and aid which the Government of the United States, through the initiative of the President, has offered in these difficult moments for a large part of the European states. It is my Government's intention to cooperate to the best of its abilities in this effort to rescue the victims of Nazi oppression.

Although my Government has the greatest desire to cooperate effectively in this noble cause to free those peoples, it has found the facilities for refugees in the territory of

the Republic, even for a small number of victims, to be non-existent. For this reason, my Government, always willing to cooperate in this undertaking, is disposed to offer its economic aid in accordance with its capacity.

Permit me to request that Your Excellency bring to the attention of the President of the United States the intention of my Government, and should this offer be accepted, that the Government of Panama be so informed in order that the amount which the Panamanian Government will contribute to this great work of salvation may be set aside.

Accept, Excellency, the renewed assurances of my highest and most distinguished consideration.

(Sgd) Samuel Lewis
Samuel Lewis
Minister of Foreign Affairs

His Excellency
Avra M. Warren,
Ambassador Extraordinary and Plenipotentiary
of the United States of America.

Translated:rn

AIR MAIL

No. 736

EMBASSY OF THE
UNITED STATES OF AMERICA

Lisbon, July 14, 1944

RESTRICTED

Subject: Possible Protest against Persecution of
Jews in Hungary

The Honorable
The Secretary of State
Washington

Sir:

I have the honor to transmit herewith certain information which has come to this Embassy regarding possible action of Portugal concerning the persecutions of Jews in Hungary.

On July the 11th Mr. Andre de Wodianer, the former Hungarian Minister to Portugal who resigned at the time that the Germans took over the administration of Hungary, had a conference with Professor Annalak, the President of the Jewish Community of Lisbon. In the course of that conference it was suggested that the Jewish Community should officially approach the Portuguese Government and ask them to join in the protests issued by the Pope, King of Sweden and others against the persecution of the Jews in Hungary. Professor Annalak expressed himself as quite willing to take the necessary steps. It should be added that Annalak is apparently a man of considerable political influence in Portugal.

Mr. Wodianer also approached Mr. Leites, Chief of the Political Section of the Ministry of Foreign Affairs, who promised that if such an approach were made by the Jewish Community to him, he would forward it with the warmest recommendation and without delay to competent authorities.

In the course of these conversations it was also considered whether a declaration could not be made by all the neutral states in Europe in which these states would announce that they would refuse to grant asylum to any known perpetrators of atrocities. This idea is being further explored here and eminent international jurists are being consulted regarding it.

In the same connection Mr. Wodianer had a conversation on the telephone on the 11th of July with Mr. Barosa, the former Hungarian Minister in Berne. Mr. Barosa reported that about two weeks ago he handed a protest against the persecution of Jews in Hungary, in the name of all the Hungarian Ministers who had resigned, to the British and American Ministers in Berne. He was told that the B.B.C. and the American radio would broadcast this protest. Mr. Wodianer has asked this Embassy to find out if the protest has been received in London and in Washington and if so, what use is being made of it.

It is believed that the War Refugee Board would be interested in the contents of this despatch and if the Department perceives no objection, it is requested that a copy be sent to the War Refugee Board.

Respectfully yours,

For the Ambassador:

/s/ Edward S. Crocker,

Edward S. Crocker,
Counselor of Embassy

RCD:ew

CABLE FROM WAR REFUGEE BOARD TO MINISTER NORWEB AND DEWTER, LISBON,
PORTUGAL

Please refer to your 2009 of June 28 concerning failure of
Mexican Legation in Lisbon to receive instructions concerning the 500
residence visas.

The Board has been advised that General Candido Aguilar, the
new Mexican Minister to Portugal who is expected to arrive in Lisbon
the end of this month, has full authority to grant the 500 residence
visas to persons whom he approves. Please confirm this with General
Aguilar as soon as possible after his arrival and make no comment
about it until such confirmation.

THIS IS WAR REFUGEE BOARD CABLE TO LISBON NO. 57

10:15 a.m.
July 14, 1944

Miss Channcey (for the Sec'y) Abrahamson, Cohn, DuBois, Friedman, Hodel,
Laughlin, Lesser, Mann, Stewart, Central Files, Cable Control Files.

NJMarks:ro 7/13/44
Copying

CABLE TO LISBON**From War Refugee Board to Norweb**

Please deliver the following message to Robert Filpel,
c/o American Embassy, from Moses A. Leavitt of the American
Jewish Joint Distribution Committee:

"In connection Balkan evacuation we remitted to
Saly Mayer Swiss frank equivalent \$500,000 according
Schwartz's request Stop Assume you giving Saly Mayer
instructions disposal funds."

THIS IS WEB CABLE TO LISBON 58

3:05 p.m.
July 14, 1944

FH:db 7/14/44

MAB-448
Distribution of true
reading only by special
arrangement. (SECRET-W)

Lieben

Dated July 14, 1944

Rec'd 10:42 a.m.

Secretary of State,

Washington.

2169, July 14, 1 p.m.

FOR PETEE FROM MANN. WEB 102, reference MBS
telegram 1884, WEB 74 of June 17.

Interested parties have now reached agreement
which in my opinion was the only one capable of
settling the fundamental differences and making for
more effective work in this area. Since the details
of the controversy are long and complicated, am not
telegraphing them nor the agreement. Am bringing
agreement and will make detailed report when I arrive
Washington which should be middle of week. Consider
it best to advise interested persons in New York
after arrival.

NORWEB

EB

WEB

MS

This telegram must be paraphrased before being communicated to anyone other than a Government agency. (RESTRICTED)

July 14, 1944

7 p.m.

AMCONSUL,

JOHANNESBURG.

217

The following message is from War Refugee Board.

Commerical cable dated July 7 requesting details our assistance to Rumanian Jews received by Board from Red Cross Johannesburg. Reference made in cable to WR 692. This number unknown to Board.

Kindly ask what specific information desired and reasons for interest in above subject evinced by Red Cross. Suggest reply by pouch unless you believe cabled response desirable.

HULL
(GLW)

MS
Distribution of true
reading only by special
arrangement. (SECRET W)

July 14, 1944
7 p.m.

AMEMBASSY,
MADRID.
1979

The following is from War Refugee Board.

Reference is made to Department's telegrams 992 of April 10, 1181 of April 27, and 1889 of July 4, your 1397 of April 21, and your despatches 2384 of April 24 and 2459 of May 11.

Aembassies at La Paz and Asuncion report that Bolivia and Paraguay, whose interests are protected vis-a-vis Germany by Spain, have requested Spain to take steps for the protection of Jews and other persecuted individuals in German-controlled territory to whom passports of these countries have been issued.

Paraguayan note to Aembassy, of June 6, states in substance:

1. The Paraguayan Government recognizes the validity of the passports granted by Paraguayan consular representatives in favor of Polish and Hebrew citizens and those of other nationalities now in German concentration camps, extending its protection in this manner to the persons holding them.
2. The Paraguayan Government has taken up through the Spanish Government the manner of obtaining the departure of such persons from European territory occupied by Germany.
3. The Paraguayan Government authorizes the United States Government to negotiate an exchange of the persons now detained in German concentration camps who hold Paraguayan passports.

Bolivian note confirms that Bolivia is complying with the following requests made by United States:

1. That Bolivia refrain from withdrawing the passports which have been issued and that if and when the protecting power at the request of the German authorities submits lists of persons with such passports Bolivia shall instruct the protecting power that the passports have been confirmed.
2. That Bolivia give its approval to the Government of the United States approaching the German government through appropriate channels with a view to initiating exchange negotiations in which persons to whom passports have been issued in the name of Bolivia would be eligible.
3. That Bolivia affirmatively approach the German government through

ment through

-2- #1979, July 14, 7 p.m., to Madrid

ment through the protecting power with a demand that the lives of all persons holding passports issued in its name or claiming its citizenship on the basis of consular documents be safeguarded and that they be given all rights, privileges and immunities accorded to civilian internees of enemy nationality to whom the Geneva Convention regarding the treatment of prisoners of war is currently applied by analogy.

In view of the foregoing, please approach Spanish officials and, if you consider it advisable, Bolivian and Paraguayan legations, and represent as strongly as you can the utmost interest which this Government has in speedy and continuing action being taken by the Spanish government along the lines of Department's 992 of April 10 with a view to carrying out the humanitarian objective of saving human lives. The Department and the Board are confident that Spanish foreign office will find a way to secure from the Germans adequate assurances for the safety of all persons to whom passports or other documents have been issued in the name of Bolivia or Paraguay whether such persons are in internment camps or elsewhere or have been in internment camps and removed therefrom.

Please discuss with Spanish officials informally the desirability of construing as liberally as possible, and of acting as speedily as possible upon requests or authorizations reaching them from the United States and other American republics on this subject. Spanish officials certainly understand that the sole object involved is to save people from unprecedented bestiality and that delays in action brought about by a strict adherence to technicalities proper enough under ordinary circumstances merely result, in these extraordinary times, in an additional number of innocent people being ruthlessly done to death.

In view of the situation in Hungary, special efforts should be devoted to obtaining German and Hungarian assurances with regard to the protection, eligibility for exchange, etc., of any persons in Hungary to whom documents in the name of an American republic have been issued. You are authorized to request Spanish authorities, and, if necessary, Bolivian and Paraguayan missions to make all necessary representations to this effect.

In addition to the above, please endeavor through any unofficial channels that may be available to you to convey the sense of the following to appropriate German and satellite officials in foreign offices and foreign police: Foreign Office and other officials who bear any responsibility for the consignment of persons to whom documents have been issued in the name of an American republic to the general treatment accorded to

eastern Jews

-3- #1979, July 14, 7 p.m., to Madrid

eastern Jews or similar treatment must expect personally to bear the consequences. If American republics, horrified by the bestiality and brutality of Nazi mass-slaughter accord to some persons the protection of their passports or other documents, individual officials of the German and satellite foreign offices and foreign police ought to be anxious to avail themselves of such or any other opportunity to save innocent lives. If, instead, they indulge in fine reasoning and take action which is tantamount to sentencing such persons to persecution or death, they thereby assume the responsibility and invite the consequences therefor. Furthermore, their failure to seize every available opportunity to save lives will be considered as strong evidence of their concurrence with the policy of mass-slaughters of Jews and other civilian populations and their participation in such crimes, the consequences for which formed the subject of President Roosevelt's statement of March 24.

HULL
(GLW)

WRB:MMV:EG
7/13/44

WE

ARA

SE

S/CR

CABLE TO MINISTER JOHNSON AT STOCKHOLM AND OLSEN

- (1) Reference Department's _____ of _____ WEB's 42. Board now informed by Amlegation Bern that Swiss Minister at Budapest delivered note to the Hungarian Foreign Office on June 27. Text not yet received.
- (2) Please express to Foreign Office Department's and Board's appreciation for information contained in your 2510 of July 7.
- (3) It is reported that ninth person in Budapest group listed in Department's 1246 of June 23, WEB's 30, may be an avenue of approach to Otto Brann, a German residing in Budapest who is said to be in a position to aid escapes and concealments.

THIS IS WEB STOCKHOLM CABLE NO. 55

2:20 p.m.
July 14, 1944

LSL:essr: tnh 7/13/44

CABLE TO MINISTER AT BERN AND McCLELLAND FROM THE DEPARTMENT AND
THE WAR REFUGEE BOARD

The suggestion has been made to the Board from several sources that the issuance to Hungarian Jews, particularly children and families with children, of Palestine certificates, American and neutral visas in quantity might result in the saving of lives. The Board is considering the practicability of such a program in terms of the remaining balance of available Palestine certificates, 5,000 United States visitors visas, additional United States immigration visas to persons entitled to such quotas or preference status and to persons to whom United States immigration visas now expired were issued after July 1, 1944, and a comparable number of visas of the other American Republics, British dominions and neutrals. The suggested program has not (repeat not) as yet been cleared with the State Department. The Board would appreciate receiving as soon as possible your views and recommendations as to the practicability of the suggested program based upon such information as is available to you. The Board would also appreciate the informal views of informed persons in the Swiss Foreign Office if you consider it appropriate to discuss this matter with them.

In the meantime, and as an experiment to ascertain whether the availability of American visas will facilitate the egress from enemy-occupied areas of members of persecuted groups, American consular officers in Turkey have been authorized to issue visas to the following children now in Rumania upon their arrival in Turkey and application therefor; Alexander Schleifer, age 15; Otto Schleifer, age 13; Judith Schleifer, age 11; and Naomi Schleifer, age 7. The children are under the guardianship of Avram Schleifer, age 29, their father's brother, and Margarete Neulander, age 28, their mother's sister. Last known address of group is No. 11 Strada Tribunal Debrea, Arad, Rumania. Advisory review procedure has been waived in cases of these children and since their parents, David and Ida Schleifer, are in the United States, the public charge provisions of Section 3 of the Act of February 5, 1917 do not apply to them. Palestine Government has issued immigration certificates to the four children and two adults numbers M/438/43 () 1/204, M/438/43 () 1/150.

Please request the appropriate department of the Swiss Government to approach on behalf of the United States competent Rumanian and Bulgarian authorities and to request, in the case of Rumania, that exit permits be issued to the four children and two adults, and in the case of Bulgaria that transit visas be issued to them. In support of such request, the Swiss should advise both the Rumanians and the Bulgarians that the issuance of American visas to the four children has been authorized upon their arrival in Turkey and that the Palestine Government has issued immigration certificates to the two adults who act as their guardians.

-2-

It is not clear whether the group has Turkish transit visas, but Embassy Ankara has been requested to investigate and to request the issuance of such visas to the group if currently valid visas for them are not now outstanding. You will be kept advised. Please keep the Department and Board informed of all developments promptly.

THIS IS WEB BERN CABLE NO. 84.

5:15 P.M.
July 14, 1944

LHesser:tmh 7-14-44

CABLE TO MINISTER HARRISON AND MCGLELLAND, BERN, SWITZERLAND

The War Refugee Board requests that you deliver the following message to Dr. Gerhard Riegner, 37 Quai Wilson, Geneva, Switzerland:

QUOTE Conveyed to Joint Distribution Committee first part your message of June 14 concerning appeal from Filderman through Intercess. Joint notified immediately their representative in Switzerland, and asked him to get in touch with Filderman and to report on the extent of help required over and above the substantial sums they have allotted this far in Rumania.

WORLD JEWISH CONGRESS
LEON KUBOWITZKI UNQUOTE

THIS IS WEB CABLE TO BERN NO. 82

2:20 p.m.
July 14, 1944

BKsin:ar 7/13/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
 TO: Secretary of State, Washington
 DATE: July 14, 1944
 NUMBER: 4502

SECRET

Reference is made herewith to Department's May 23 telegram No. 1786 and Legation's May 31 telegram No. 3467.

From WRB No. 24.

Pursuant to cable under reference from the Department, the Legation, as indicated in its cable under reference, has requested the Swiss to obtain detailed information concerning treatment of Jews in Hungary. At the same time it requested information as to fate of Jews holding Latin American documentation in particular.

July 6 Swiss notice states that since in Hungary Switzerland is charged only with protection of Uruguayan and Chilean interests, it will not be able consequently to seek information desired except as regards Jews possessing documentation from Uruguay or Chile. The following is reported by Swiss Legation at Budapest.

Thus far it appears that Hungarian authorities are disposed at least to accord to foreign nationals under protection of Swiss exceptional treatment foreseen for Jews of foreign countries. Obligation to wear Jewish star and to declare property is thus dispensed with and reduction in food rations avoided also. These persons subjected however to system of protective custody (Schutshaft) which is not to be confused with internment according to the Hungarians.

Swiss Legation in Budapest knows of only two Jewish cases in which protection of Uruguayan and Chilean interests are involved. Of these the first concerns Jew resident in Budapest who only recently received Chilean passport from Chilean Bern Legation. The other known case involves minor female not in possession of a valid passport interned as Uruguayan citizen. Thus far latter's relatives by avoiding foreign control have been able to avoid internment. Uruguayan passports are no longer in their possession. It is belief of the Swiss Legation that Uruguayan nationality of these Jews will be recognized by Hungarians. Moreover it is expected that all Jews able to prove foreign nationality will be spared anti-Semitic action on basis request of their protecting power.

View of

-2- #4502, July 14, 1944 from Bern

View of Swiss Legation that Jews of Latin American origin who are able to prove their nationality will not be exposed to danger of deportation, is stressed by it. In case the U. S. authorities do not decide to validate letters of protection which interested persons hold, such danger exists for all Americans who are affected by rule 6 of 1940 Nationality.

Instructions from you concerning protection by Swiss of persons in whose cases it has already been held by the Department that applicants are not entitled to documentation while living abroad and entitled to documentation for return to U.S. only, would be appreciated in view of the foregoing.

DCR:EBH 7/17/44

HARRISON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEGATION, BERN
TO: Secretary of State, Washington
DATED: July 14, 1944
NUMBER: 4506

CONFIDENTIAL

I called on Mr. Pelet-Golas, as forecast in my 4324, July 6, and conveyed expression of appreciation as directed in your 2221, June 30 and the entire War Refugee problem was reviewed.

1. Stating that he had received from President Huber a copy of the latter's reply to my letter of May 22, my 3144 and 3147, Mr. Pelet felt that any approach to the Germans along the lines indicated in your 1498, April 29, would be resented and might jeopardize ICHRG's present efforts to furnish relief to the persecuted in which he would continue to put forward every assistance possible.

2. In regard to the havens of refugee (my letter of June 16 mentioned in my 3955, June 2), Mr. Pilet recalled the Swiss policy as previously stated respecting acceptance of refugees who are continually arriving. Likewise, Mr. Pilet referred to his efforts which have so far been unsuccessful in obtaining permission for children to come to Switzerland from German occupied territory and Germany. I was informed by Mr. Pilet that the interested services of his government had now under consideration a proposal to the Hungarian Government to take five thousand children and expectant mothers. It was his expectation that suitable arrangements be made so that they would not remain in Switzerland permanently if the proposal was successful.

3. Mr. Pilet stated, in regard to reports of deportation of some 400,000 Jews from Hungary, that to know exactly what had happened to those poor people was difficult. So far 250,000 had been taken as indicated by his reports. It is known that those capable of working had been moved to labor camps but it is not known what happened to the others. In Hungary arrest of Jews was affected by Hungarian authorities who then turned them over to the Gestapo and it is claimed that to this outrageous action 80% of the Hungarians were opposed. In many instances Hungarians had been punished for endeavoring to assist and protect the Jews. It was stated by Mr. Pilet that he had been told there were in Hungary about 800,000 Jews.

4. The interest

- 2 -

4. The interest and concern of the government and people of Switzerland for the fate of the Jews in Hungary was stressed by Mr. Pilet and he gave me in strictest confidence the following information:

(A) In close touch with interested Swiss Jewish organizations the Federal government is facilitating communications between organizations in Switzerland and Jewish organizations in Hungary and in this connection Mr. Saly Mayer's name was mentioned by him.

(B) Close contact is maintained with and assistance rendered to ICRC. A direct appeal has been transmitted by him from President Huber to Regent Horthy.

(C) Now under active consideration is a proposal to obtain permission for 5000 children and expectant mothers (see above).

(D) Instructions have been issued to the Swiss Minister in Budapest to leave the Hungarian Government in no doubt as to the attitude of the Swiss Government and Swiss people with regard to these persecutions and to make it clear to the Hungarian Government that undoubtedly the good relations and high regard which the Swiss Government and people had for Hungary would be adversely affected by continuance of this policy. In similar terms Mr. Pilet has spoken to the Hungarian Charge in Bern.

5. Although the Regent has "washed his hands" of all responsibility, I was told by Mr. Pilet that he professed to be opposed to the persecution of Jews. It is apparent that to be named as one of those responsible is feared by Horthy. I propose to ask the Swiss, unless you perceive some objection, to press the Hungarians for a reply to our note of June 13 and in doing so call their attention to warning to Leaders as well as functionaries and subordinates in the statement of March 24 issued by the President.

HARRISON

DCR:MAS:JC 7/19/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 14, 1944
NUMBER: 4518

SECRET

Department is no doubt giving constant attention (please refer to last paragraph of my message of June 17, No. 3871, to the possibility of having declarations concerning the recognition of Bolivian and Paraguayan papers in hands of individuals residing in German controlled areas and Germany forwarded through Spain as protecting power by Bolivia and Paraguay. Department may also desire to take up with Government of Mexico the subject of forwarding of similar statement through Sweden, as power protecting the interests of Mexico in Germany, in the event such steps have not been taken previously.

With regard to general question of Latin American documentation in German controlled countries, the suggestion that such Latin American Governments as have not previously made arrangements for their interests in Hungary to be taken care of urgently ask Switzerland or other neutral country to assume such representation is made by the Legation for the consideration of the Department. All Latin American countries without direct representation in Hungary except Uruguay, Chile, Brazil and possibly El Salvador, would seem to be concerned in this.

DCR:GFW
7-22-44

HARRISON

SECRET

CABLE TO MINISTER HARRISON, BERN, FOR MCGLELLAND FROM WEB

Please disregard WEB cable No. 51, Department's No. _____ of _____, since Pahle has made special arrangement with Swiss Minister here for Swiss franc equivalent of \$1,500,000 to be made available. The only condition imposed by the Swiss authorities is that the aforementioned Swiss francs be used solely for humanitarian purposes.

The \$1,500,000 is being supplied by JDC here and the Swiss franc equivalent should be turned over to Saly Mayer promptly upon receipt. \$1,000,000 of this amount is for the fund requested by Saly Mayer as reported in your No. 4258 of July 5. The balance of \$500,000 is for expenditure by Saly Mayer in connection with evacuation program from Balkans and as to which he will receive further instructions from Lisbon office of JDC.

Please cable when Swiss francs have been received and turned over to Saly Mayer.

THIS IS WEB CABLE TO BERN NO. 53

3:05 p.m.
July 14, 1944

FH:db 7/14/44

ED-

AIRGRAM

Born via Lisbon

Dated July 14, 1944

Rec'd 8 a.m., 21st

Secretary of State

Washington

424, Fourteenth

LATIN AMERICAN INTERESTS, FRANCE

Foreign Office note July 14 states No. 33

enclosure list transmitted Legation's airmail 8466,

June 12 is Lea Goldstein, born July 9, 1937, Warsaw.

alleged nationality unknown; date of birth No. 32

is January 27, 1909.

HARRISON

JT

EAG-552

PLAIN

Bern

Dated July 14, 1944

Rec'd 5:55 p.m.

Secretary of State,

Washington.

4509, fourteenth

Budapest PESTER LLOYD seventh publishes report
Budapest municipal authorities that by middle June
196,241 Jews, or over one-half pre-April Jewish popula-
tion city had received special ration cards with others
expected to apply therefor. Report adds 2,639 buildings
with 33,294 apartments of 70,197 rooms assigned to Jews
as compulsory residence quarters.

HARRISON

JT

CABLE TO AMEMBASSY, ANKARA, FROM THE DEPARTMENT AND THE WAR REFUGEE BOARD

Reference your 1249 of July 10, your 93 to WEB and Department's 553 of June 20, WRB's 56. As an experimental matter and in an effort to ascertain whether the availability of American visas will be of assistance in securing the release of members of persecuted groups from enemy controlled areas, consular officers in Turkey are authorized to issue visas to the following children now in Rumania upon their arrival in Turkey and application therefor, subject to their meeting the statutory immigration requirements of Section 3 of the Act of February 5, 1917, except that they may be considered to meet the public charge requirements since their parents are in the United States: Alexandre Schleifer, age 15; Otto Schleifer, age 13; Judith Schleifer, age 11; and Noemi Schleifer, age 7. The children are under the guardianship of Avram Schleifer, age 29, their father's brother, and Margarete Neulander, age 28, their mother's sister. For your information, the Palestine Government has issued immigration certificates to the four children and two adults numbers M/438/43 () 1/204, M/438/43 () 1/150. Last known address of group is No. 11 Strada Tribunal Debrea, Arad, Rumania.

On the basis of the foregoing, please request appropriate Turkish officials to arrange for the issuance of Turkish transit visas to this group of six, if such visas have not already been issued.

For your information, Amlegation Berne is being instructed to request Swiss authorities to intervene with Romanian and Bulgarian Governments in an effort to secure necessary exit and transit visas for the four children and two adults.

The advisory opinion procedure is hereby waived in the cases of the four children named.

Please advise Department and Board promptly as to whether group has Turkish transit visas and if not whether and when Turks will issue them.

THIS IS WRB ANKARA CABLE NO. 51.

5:20 p.m.
July 14, 1944

CABLE TO AMERICAN CONSULATE, ISTANBUL, FROM WAR REFUGEE BOARD

Please deliver the following message to Joseph Schwartz,
Istanbul, from Moses A. Leavitt of the American Jewish Joint
Distribution Committee:

"In connection Balkan evacuation remitting to
Saly Mayer Swiss franc equivalent \$500,000 as requested
Stop Assume Saly Mayer will receive instructions for
payment from Lisbon.

3:05 p.m.
July 14, 1944

FH:DB 7/14/44

RA-657

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Istanbul

Dated July 14, 1944

Rec'd 9:50 p.m.

Secretary of State

Washington

414, July 14, 10 a.m.

TO WAR REFUGEE BOARD FOR LEAVITT JOINT DISTRIBUTION COMMITTEE NEW YORK CITY FROM JOSEPH SCHWARTZ.

Steamship KESBEC brought a total of 761 passengers. Sea transportation cost Swiss francs 380,500. The cost of land transportation for the entire group from Istanbul to Haifa plus cost of food furnished to them for the trip will cost approximately \$61,000. I am asking Saly Mayer to pay sea transportation from the 500,000 Swiss francs which we have asked you to send to him and I will send instructions for payment of the transportation and maintenance costs later date.

BERRY

RR:BB

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF ¹⁰⁷
COMMUNICATIONS
AND RECORDS

MJB-664

PLAIN

London

Dated July 14, 1944

Rec'd 10:04 p.m.

Secretary of State,
Washington.

5591, Fourteenth

TO SECRETARIES OF STATE AND TREASURY.

DEPARTMENT OF STATE
DIVISION OF
JUL 17 1944
COMMUNICATIONS
AND RECORDS

The only reports from Bretton Woods in today's paper July 14th morning press in London are those from the FINANCIAL TIMES correspondent there, and one quoted in the FINANCIAL NEWS from Reuter. Mention of the conference appears in Oscar Hobson's financial column in the NEWS CHRONICLE, which discusses the Anglo-American Oil Conference. Hobson begins this article by pointing out that, while "it was not thought necessary to send a single British Minister to attend the International Monetary Conference at Bretton Woods. To the resumed Anglo-American oil talks at Washington Britain, as we now learn, is to send no fewer than four representatives of ministerial rank, namely, Lord Beaverbrook, Mr. Richard Law, Mr. Geoffrey Lloyd and Mr. Ralph

-2-#5591, Fourteenth, from London

Mr. Ralph Assheton". He stated that this is perhaps not a fair measure of the relative importance attached by the British Government to the settlement of the two questions, but he asserts that it is a "clear proof" that very great store is laid on the satisfactory settlement of oil production matters. After discussing these problems, he ends his article by referring to a subsidiary question connected with oil, namely the monetary question, arising from the fact that "a £2 per ton of crude oil an annual sum from 120,000,000 pounds to 200,000,000 pounds would be involved in the sale of the Middle East output. In so far as the oil was marketed in Europe and the Middle East, this sum would mainly accrue in sterling or currencies of the sterling group. In so far as Middle East oil displaced American oil, payment in sterling (or a sterling area currency) would displace payment in dollars. In other words, Middle East oil is a factor in the difficult problem of the British balance of payments. It bears on the problem of 'dollar scarcity'. To that extent the Oil Conference at Washington links up with the Monetary Conference at Bretton Woods".

The FINANCIAL

-3-#5591, Fourteenth, from London

The FINANCIAL TIMES correspondent summarizes statements by "the spokesman" of the Monetary Conference on estimates for outside capital for various nations, and on the role of the bank in stimulating private lending. This correspondent further reports that meanwhile the Russian reply re quota and gold contribution to the fund is awaited, and that it is "officially confirmed" that Russia is seeking to put up less gold than is specified in the formula; that France and other invaded nations are reported to be siding with Russia, but that the British spokesman declares that his delegation opposes any reduction in gold contributions and will state their position officially when the question formally arises. He adds, however, that if the Russian proposal is accepted, the British delegation would then ask for a smaller gold contribution. He states that quotas and gold contributions may be fixed for each nation, and the Russian problem left until later.

The FINANCIAL NEWS in an article based on a Reuter report Bretton Woods, states that "it has been denied that a virtual ultimatum was sent to Moscow" regarding the
Soviet

-4-#5591, Fourteenth, from London

Soviet gold contribution. A United States spokesman declares that difficulties are being ironed out. This report also states that "the United States would have been willing to accept (reduced gold contributions) if applied only to a few European nations with small gold holdings'.

This article deals briefly with the United States spokesman's remarks on the general purposes on the reconstruction bank. It also quotes Mr. Bernstein on the status of silver lend-leased to India.

WINANT

EH WFS

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF 11
COMMUNICATIONS
AND RECORDS

HMK-655

PLAIN

Moscow

Dated July 14, 1944

Rec'd 8:56 p.m.

Secretary of State,
Washington.

2507, Fourteenth



Press for July 14 published following American items
One. A thirteen inch Bretton-Woods despatch by a
Tass special correspondent dated July 10 reporting develop-
ments at the United Nations Monetary and Financial Con-
ference. The item reports preliminary agreement of Cur-
rency Committee regarding administration of currency
fund, possible organization of representation in Currency
Funds Executive Committee, statement by Conference
representative regarding possible late fate of Bank
for International Settlements, and a long paragraph
citing a PM article by Stone regarding attitude of
American banking circles toward Bank for International
Settlements.

Stone is cited to the effect that certain American
bankers not only desire retention of this bank but consider
it as a substitute for the projected currency stabilization
fund and postwar reconstruction bank, American Treasury

officials,

Regraded Unclassified

-2- #2567, Fourteenth, from Moscow

officials, however, have long been hostile to the Bank for International Settlement. The item refers to a statement by Stone attributing to White of the Treasury an accusation that the Bank is under German control and quotes White's reputed statement that Germany hopes to regain her financial power through the bank and his observation that president of the bank, which is dealing with the Germans is the American McKittrick while the Americans are fighting the Germans.

Final paragraph of the item refers to a PM full page editorial hoping that the United States and England will support the resolution regarding investigation of the Bank for International Settlements and its liquidation, and pointing to dangers inherent in continued existence of the bank.

Two. A brief Washington report of Secretary's press conference statements on France and Turkey.

Three. A seven inch Washington despatch reporting Forrestal's statement on results of Saipan campaign. Item gives his figures of American and Japanese losses in men and material on Saipan and Japanese aircraft losses of more than a thousand planes in the Pacific during June, as well as statement regarding inability of Japanese, despite use of large forces, to repulse Saipan invasion. It also refers to Forrestal's statements

attributing

-3- #2567, Fourteenth, from Moscow
attributing success of carrier aircraft to carriers
mobility.

Four. A three inch Washington despatch in PRAVDA
on resumption of Anglo-American oil conversations.

HARRIMAN

HTM

SECRET

Copy No 11

OPTEL 229

Information received up to 10 A.M. 14th July 1944.

1. NAVAL

Home Waters Bassin A Flot and Avant Port, CHERBOURG, clear of mines in addition to Grande Rade already reported clear.

Mediterranean 12th. Convoy from U.S. unsuccessfully attacked by 30 to 35 aircraft off ORAN.

9th. U.S. Minesweeper mined and sunk off ANZIO.

10th. H.M. Submarine torpedoed a 1,200 ton ship in AEGEAN.

Northern Waters Photographic reconnaissance on 12th showed TIRPITZ in usual berth ALTEN FJORD.

2. MILITARY

Northwest France Steady progress maintained on most of first U.S. Army Front. In centre BOIS DU HOMMET cleared of enemy. Local advances East of ST. LO include capture of LA BARRE DE SEMILLY (South of ST. LO-BERIGNY Road)

Italy In Adriatic sector active patrolling by Polish troops continues In central sector Indian troops have repelled several counter attacks and have occupied high ground running south west of SAN MARIA (20 miles W.N.W. GUBBIO). French troops have occupied GIMIGNANO (9 miles N.E. VOLTERRA). In coastal sector U.S. forces have advanced two to three thousand yards.

3. AIR OPERATIONS

Western Front 12th/13th. 1,430 tons dropped on railway centres and 750 on flying bomb launching sites.

13th. Escorted Fortresses and Liberators dropped in cloud, 1,170 tons on MUNICH city and Aero-Engine works and 815 tons on railway centre SAARBRUCKEN. Enemy casualties 13:5:10 for 10 bombers and three fighters missing. Light bombers attacked railway centre south of NAMUR and fuel containers at SENS in LAVAL area.

Italy 12th. 690 aircraft attacked bridges in MILAN and REGGIO EMILIA areas and tactical targets in battle zone. 13th. Escorted Liberators and Fortresses dropped 105 tons at BRESCIA, 190 VERONA, 70 PINZANO, 40 MESTRE, 130 oil installations TRIESTE and 270 oil installations PORTO MAGHERA.

German Activity 6 A.M. 12th to 6 A.M. 13th. 137 flying bombs launched. During 24 hours ending 6 A.M. 14th 73 flying bombs launched.

Bretton Woods, N. H.
July 15, 1944
9:00 a.m.

RUSSIAN DELEGATION

Present:	Mr. Vinson	Mr. Stepanov
	Mr. Wolcott	Mr. Maletin
	Dr. White	Mr. Arutiunian
	Mr. Luxford	Mr. Chechulin
	Mr. Acheson	
	Mrs. Klotz	

H.M.JR: Thank you for the very beautiful flowers.

Did Mr. Stepanov get a copy of yesterday's notes?

MR. ARUTIUNIAN: No.

H.M.JR: He will be furnished with a copy of yesterday's and today's.

MR. STEPANOV: Thank you.

H.M.JR: Okay?

MR. STEPANOV: Okay!

INTERPRETER: Mr. Stepanov has come to talk about questions on which he finds some difficulties. He did not expect them, and in his opinion they are not difficult at all.

H.M.JR: This is Section 5-A, Article 4: "A member of the Fund may change the par value of his currency without the consent of the Fund, if the change does not affect international transactions of the members of the Fund."

(Mr. Stepanov)

INTERPRETER: In the beginning, Mr. Stepanov would like to point out that he has only two questions concerning the Fund and two questions concerning the Bank.

H.M.JR: Yes.

- 2 -

(Mr. Stepanov)

INTERPRETER: On this question of the change of par value, the United States Delegation has somewhat changed their point of view, bringing the two different points of view somewhat nearer together. But still there remains a difference which has a principal character to us.

This is the same paragraph: "The Fund shall also concur in a proposed change under Section Five, B or C, if satisfied that the change does not affect international transactions of the member proposing the change." In substance, there is no disagreement.

MR. WHITE: We adjusted it last night to meet your point satisfactorily, so that it really is just as you have it.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov wants to stress that they are really just the same, and they concern a point which really has no relation to anybody else except the U.S.S.R. We consider it as an internal question of the U.S.S.R., but bearing on our sovereignty. It is a point which is important to us as a principle, and therefore we should like to have it in the wording that we are offering now, not in any other language.

H.M.JR: Just excuse me one minute.

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

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov would like to invite two more members of his Delegation, if you have no objection.

H.M.JR: Oh, no.

(Mr. Arutiunian leave conference temporarily to request attendance of other members of the Russian Delegation)

H.M.JR: (Reading) "The Fund may hold its other assets including gold in such depositaries as it may desire, providing each of the four member countries having the largest quota of the Fund will hold its gold in amount not less than the amounts of respective gold contributions to the Fund."

- 3 -

(Mr. Stepanov)

INTERPRETER: Still Mr. Stepanov would like to have the paragraph in our language.

H.M.JR: Those are two points he has raised. Now, he has some more?

(Mr. Stepanov)

INTERPRETER: Two points referring to the Fund.

This language, it seems to Mr. Stepanov, is more acceptable. We start with the proposition of having forty percent of the remaining gold in the countries that have the largest quotas. Now, we propose a wording that would be as acceptable to the United States Delegation as to us.

On the other hand, the USSR Delegation wants to meet the U. S. Delegation half way, and therefore Mr. Stepanov is going to propose several points referring to the situation.

First of all, Mr. Stepanov is ready to recall a point on which we insisted before--a country buying foreign currency has to pay fifty percent in gold. The difficulty in this point is that maybe other countries may also require that same reduction in gold payment. As we understand it, it makes the situation difficult, and we are ready to recall that point.

H.M.JR: You are ready to recall the point of the twenty-five percent?

(Mr. Wolcott enters conference)

(Mr. Stepanov)

INTERPRETER: We wanted it during the period of reconstruction. That was our idea--not to pay that fifty percent in gold--but now we are ready to recall the point.

As you are well aware, we have been insisting on this point in order to accumulate more gold for our obligations and payments. Still, we are ready to recall it.

(Mr. Meletin and Mr. Chechulin enter conference)

The next point is the question of information. We had a lot of discussion concerning that point, and part of

- 4 -

these discussions has reached the press. It is a very difficult point. We never published too much information concerning our country, and we can foresee many difficulties in getting the corresponding figures. Still, we are ready to recall the point to avoid all these disagreements between our Delegations concerning the point of information. That includes the newly mined gold and the national income and the index of prices. So we are ready to accept a program based on information presented by the Delegation of the United States.

His next wish is the question of rates of interest and commission charges. On that point it was in your agreement reached in discussions between the experts of those countries, and we still feel that the commission charges are pretty high. Still, in order to bring the question to an end, we are ready to agree to those rates that are offered now in the Conference, in order to make things easier in the Conference.

And the last question is the question of the twenty-five percent reduction of the initial gold payment. Taking into consideration the arguments presented by the U. S. Delegation, we are ready to change the language of the point so that the paragraph would be acceptable to both parties. The language as we have it now provides that reduction may be made by all countries who suffered from the consequences of war, and the paragraph provides twenty-five percent reduction for all countries concerned.

We are now ready to present the point in such language that the reduction would be up to twenty-five percent, depending on the degree of devastation or damage caused by war in different countries, bearing in mind that the USSR, as a country which suffered most of the consequence of war, should have the full reduction of twenty-five percent, and that would bring us to the point, it was decided, of the discussions between the experts of both parties.

At the same time, a certain limited number of countries will have a certain reduction, but not as high as twenty-five percent.

Mr. Stepanov is asking Mr. Morgenthau to take into consideration the first two points of those questions of principle. There is the question of the par value and the depositaries. These two questions are of primary importance

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to us, and Mr. Stepanov would ask you to take it into consideration to come to certain definite and final decisions.

H.M.JR: Has he finished?

(Mr. Stepanov)

INTERPRETER: Concerning the Bank we have but a few points, and they are similar to the points concerning the Fund. One is the question of deferring the gold payments during the period of reconstruction from twenty-five to fifty percent. Then, rates of interest, terms and conditions of the loans for reconstruction and rehabilitation; also the question of depositing gold in Moscow as well as in the Fund.

Then we should like to know what is your idea of the size of the subscription of USSR for the capital of the Bank.

H.M.JR: May I say this to Mr. Stepanov. He has brought up enough questions to take us ten hours to discuss, and Mr. White has a Commission at ten o'clock.

What meeting is there now?

MR. VINSON: The Special Committee that was appointed by the Chairman of Commission Number One, which has many items before it, and they have to act and present their report to Commission Number One in order to close.

H.M.JR: That is at nine-thirty.

DR. WHITE: That cannot go on as long as these others.

MR. LUXFORD: That is what that Committee is going to take up.

H.M.JR: Why do they bring up all these things?

DR. WHITE: We can dispose of most of these.

MR. VINSON: Then the Quota Committee meets at ten.

H.M.JR: What do you want to do?

DR. WHITE: The Bank questions can go over, because there is nothing to be done. We can go until this afternoon. We can go over each one of the Fund questions. There are

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only a few about which there are any differences because he has indicated they have withdrawn their proposal on several, and on B-1 I think there is a misunderstanding.

H.M.JR: It is unfortunate having so many questions. I am an early riser. I would have been available at six this morning. I am not talking for my associates, but for me, I would have been ready at six, but they have all of these meetings.

Now, Mr. White says he thinks the Bank questions we will have to let go over, maybe, until this afternoon, but some of the others, well, we will do the best we can to try to come to an agreement now.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov wasn't asleep at all last night. Mr. Stepanov feels there are only three questions of importance concerning the Fund.

H.M.JR: Which is the first?

(Mr. Stepanov)

INTERPRETER: The question of changing the par value is the first question.

MR. LUXFORD: We cleared that last night.

(Mr. Stepanov)

INTERPRETER: The next step is the depositories and the twenty-five percent reduction pertaining to the question, who suffered from the consequences.

MR. WHITE: The rest they have indicated they have withdrawn.

(Mr. Stepanov)

INTERPRETER: And the rest we are agreed with the American Delegation and they don't present any difficulties at all.

H.M.JR: So there are three points. Mr. White, you take them.

MR. WHITE: We will take the first. I think we have

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met you fully on that point in the redrafting that we agreed upon last night. It is almost identical with this, no difference in substance. We made the change which you have before you.

(Mr. Stepanov)

INTERPRETER: Dr. White finds that both languages are identical, then Mr. Stepanov proposes to take our wording.

MR. WHITE: Not identical; I said almost identical. The substance is the same.

(Mr. Stepanov)

INTERPRETER: It is the "almost" we want to liquidate, do you see?

MR. WHITE: May I explain the difference and why it would be difficult to substitute that language?

(Mr. Stepanov)

INTERPRETER: This has no reference to anybody else outside of the U.S.S.R.

MR. WHITE: May I read both and show there is no change in substance?

(Mr. Stepanov)

INTERPRETER: The only point where the consent of the Fund is necessary is when the change in the par value does affect international transactions, but when it does not affect international transactions, it is a question that bears no reference to anybody outside making the change.

H.M.JR: You interpret that as affecting an internal matter inside of Russia?

(Mr. Stepanov)

INTERPRETER: Yes.

MR. WHITE: This is the language, and I wonder whether that doesn't take care of that very point. The issue was who was to decide that, the Fund or the country. That had been the issue in our earlier drafting.

(Mr. Stepanov)

INTERPRETER: The change will be made by the country itself and the Fund has full power to make any recommendations they find necessary.

MR. WHITE: Both your wording and the wording we have - the new wording - avoids that question, and the substance is exactly the same.

May I read the wording we had suggested? "The Fund shall also concur" - that is, agree - "in a proposed change under 5-B or C if such change will not affect the international transactions of the member proposing the change."

(Mr. Stepanov)

INTERPRETER: Still, that wording means that on questions quite internal the Soviet Union has to go to the Fund to ask their agreement.

MR. WHITE: That is right. And the Fund must agree.

(Mr. Stepanov)

INTERPRETER: And in our language all the U.S.S.R. has to do is just inform the Fund concerning the change.

MR. WHITE: There is that difference, but in both wordings the Fund must agree with the proposed change.

(Mr. Stepanov)

INTERPRETER: There is one more point we want to take. We want to ratify that language which means an interference in our internal affairs from our side.

MR. WHITE: May I explain why I think the wording we suggest is more appropriate to the document, and, I think, equally satisfactory to you? May I explain why?

(Mr. Stepanov)

INTERPRETER: We have studied the American propositions concerning this point very carefully and we are sure that they are trying to meet us. Still, we think that our proposition is the one that is feasible and which will be accepted.

MR. WHITE: May I explain why I think there is another?

(Mr. Stepanov)

INTERPRETER: From the point of view of our internal affairs--

MR. WHITE: I don't think there is any intention of opposing that view, but the basis of the International Monetary Fund is that you substitute multilateral action for unilateral action on alterations in exchange rates. If you would translate that - I would like to finish before he answers, please.

Now, any change in exchange rates is prima facie, a matter of concern of the Fund in the first instance. However, if the change does not affect international transactions, then it is no longer, according to this provision, a matter for the Fund and it becomes a purely domestic matter over which you have sovereignty.

Therefore there is no thought or intention or grounds for assuming that there is any interference in the domestic affairs. It becomes the jurisdiction of the Fund only if it does interfere with international transactions.

But in order for that determination to be made, the change is proposed, the Fund is informed of the change, and the Fund says, "In our view this does not affect international transactions; this is a domestic matter."

If, on the other hand, the Fund says, "This is a matter which does affect international transactions," it becomes a problem for the Fund and the country, just the same as any other alteration in exchange rate.

Now, as we had it drafted at first, we said if, "in the opinion of the Fund" - the Soviet Union Delegates objected to that - we therefore eliminated "in the opinion of the Fund," and left it just the same as you have left it.

So we feel we have completely met your point in the desire not to have your domestic matters a subject of discussion by an international body.

If we were to take this position and say that the country can make a change and just inform the Fund, it would be substituting unilateral action for multilateral action before there was obvious justification for it.

We do not believe there is any change in substance, but anybody reading the whole document would be much disturbed by the inclusion of a unilateral action of that character without justification.

(Mr. Stepanov)

INTERPRETER: Could you suggest any wording by the means of which all the U.S.S.R. could have that right excluding all other countries?

MR. WHITE: If we did, it might be clear to the technicians, but it would create a storm of protest and suspicion on the part of people who do not understand - in Congress and with the public.

(Mr. Stepanov)

INTERPRETER: Well, if you have neither suggestion, then Mr. Stepanov has to bring forward his primary proposition, bearing in mind that it has no relation to any

other country and is primarily a domestic affair for the U.S.S.R.

MR. WHITE: If it were said that the U.S.S.R. can do this, as I said before, instead of promoting - helping to promote what seems to be cooperative action, which the Soviet Union has gone so far to undertake - has cooperated fully - I think it would be more disturbing to the Soviet Union than it is the world.

H.M.JR: Will you gentlemen just relax a minute while I ask my associates? We will go in the other room just a minute and you just relax. (Temporary recess)

MR. WHITE: Now, we think we have a suggestion that will meet you, and probably please you. We will go back to Section Five.

MR. LUXFORD: (Reading) "A change in the par value of a member's currency affecting the international transactions of members may be" - you don't have to propose it; it doesn't affect it.

MR. WHITE: That is identical with yours.

(Mr. Stepanov)

INTERPRETER: And what about changes that do not affect those transactions?

MR. WHITE: Don't raise them. That is identical. The reason why we have a little preference for that is because it doesn't highlight the change, do you see? But you don't raise the question.

MR. LUXFORD: You don't have to raise it.

MR. WHITE: Probably that is equally good, or better from your point of view; but it is better from ours, because it doesn't stand out.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov is very thankful for the work that has been done to meet our proposals to bring them together, but still, in the new language, Mr. Stepanov would like to consider it in order to come to a certain decision because the question is so very important.

H.M.JR: How much time?

MR. WHITE: Can we throw that in the Drafting Committee?

MR. LUXFORD: You can't do that. It has to go to a special Committee and it is meeting right now just for this purpose. We are holding it to let this thing get through.

(Mr. Stepanov)

INTERPRETER: As far as Mr. Stepanov can see, the disagreement does not exist any more in a substance. It is agreed. But still, the question is of great importance and has to be agreed upon by our Government. Therefore, we can't go back without having another agreement of our Government.

Therefore we should like to insist on the wording that we proposed at the start of our conversation, if there is no difference in substance.

H.M.JR: Mr. Stepanov has said two different things. First he said he would like time to consider the language of Mr. Luxford; then in the next breath he has changed his mind and has gone back to his own language.

(Mr. Stepanov)

INTERPRETER: It isn't he has changed his mind, but he would like to bring forward the point that in order to avoid further consideration, and the necessity to report it to Moscow and to have the agreement of the Government, that it will be easier for all of us to take our language of the paragraph, because there is no difference in substance.

H.M.JR: I still don't understand what Mr. Stepanov said just a minute ago. He would like a little time to consider, but he doesn't want to consider this last proposal?

(Mr. Stepanov)

INTERPRETER: In Mr. Stepanov's opinion there is no difference between the two points of view as expressed now. Mr. Stepanov is willing to consider it, but still he will have to get the agreement of the Government.

H.M.JR: You mean you have to cable?

(Mr. Stepanov)

INTERPRETER: Cable.

Mr. Stepanov says to avoid loss of time, he is offering his proposal.

H.M.JR: I am laughing because he knows when he says "Cable" to me, I go like this! (Gestures)

(Mr. Stepanov)

INTERPRETER: Same reaction on our side.

It is a point of primary importance concerning our domestic affairs. There is no disagreement about the substance.

MR. WHITE: What is the use?

H.M.JR: Well, look, on this particular issue, I think it will be easier for the Conference to accept the language Mr. Luxford suggested, but we also like to be reasonable and therefore we will accept your language.

(Mr. Stepanov)

INTERPRETER: Thank you very much.

H.M.JR: You tell Mr. Stepanov I am afraid it is the last time he is going to say thank you at this Conference! (Laughter) So I will remind him of his very gracious thank you in a few minutes.

Now, the next point is the question of the location of the gold. Shall we take that next?

(Mr. Stepanov)

INTERPRETER: Yes.

H.M.JR: I would like to make a little statement. I would like to say that, after all, as I understand this Conference, it is for all the nations to gain confidence in each other so that we can do business together

in a peaceful manner. And we Americans have complete confidence in the Russian Government. Therefore, we have a new suggestion to make as to how this gold shall be handled which should appeal to Mr. Stepanov as a businessman, because this is a business suggestion.

MR. LUXFORD: The statement will simply say that the Fund shall decide where to hold the gold - no more.

MR. WHITE: There are some additional phrases that are important.

MR. LUXFORD: Well, that is the substance of it.

H.M.JR: May I put it in my own language? As I interpret the thing, the gold will be located wherever the demand requires it to be. In other words, if Mr. Stepanov and I were going into business - let's say we were going in the oil business - gasoline. We would have gasoline storage where we needed the gasoline, and we wouldn't put all the gasoline in one place where we didn't need it. But if we had airplanes and were going around the world we would put the gasoline where we needed it.

So the thought we have in mind is that we would put the gold where the business requirements call for it to be; in other words, where they had a use for it. And the Fund would decide. If you need gold there, all right; deposit gold there. If we were running an airplane company, Russia and the U.S. around the world, we would put the gasoline where we need it, and my proposal is that we put the gold where the need should be for gold.

(Mr. Stepanov)

INTERPRETER: From a business point of view, if you deposit the gold according to business considerations, the first thing you have to do is to bring the gold to those places where you just consider it will be necessary. Therefore, our idea is that the gold contributions, until any demand arises, should be placed there where they belong, where they were contributed. There is no use to spend anything in determining the transportation of it until then. It should remain where it belongs until any demand arises. There Mr. Stepanov's suggestion may also be a business suggestion.

There are two considerations: First, it shouldn't be transported before any demand arises; and the second consideration is that the place where the gold is deposited is a question of recognizing the place as a safe place for the holding of gold.

H.M.JR: May I speak at this point, now? You see, what we have done here is this: In the first place, up until this morning the position of the American Delegation was we must have at least half the gold.

Now, we receded from that position in order to meet Russia half-way. I will stop there, and then I would like to talk some more, if I may.

I feel that the gold in Moscow is a lot safer than some other places that have been suggested, but there are a lot of other members of the Conference who don't agree with me. Therefore, don't let's raise the question of which is the safest place, because we can't get agreement on that.

Therefore, we can meet Mr. Stepanov's suggestion that the gold should stay in the countries that furnish the gold up to the time it is needed, then it should be shipped to where it is needed.

MR. WHITE: I wanted to indicate that the gold would be in Moscow a very long time because the use of the gold would only be to buy scarce currency. The only scarce currency would be, probably, American dollars. The currency would not be scarce - perhaps never. We hope never. But it can't be scarce before a few years, and even then it would not come from Moscow, because if they are buying dollars, the easiest place would be the gold that is in New York. That would be transferred from the Fund to the Government. There is a clause here which provides that protection. That is what I would like to read, to show them that it will be a long time.

(Mr. Stepanov)

INTERPRETER: We would like to see it in writing.

MR. WHITE: I was going to show it to him. This is the British proposal and it is ~~this~~ sentence here. (Reads from Alternative B, Section 2, Article 12, Depositories)

(Mr. Stepanov)

INTERPRETER: This is the second important point and, therefore, Mr. Stepanov says if the American Delegation is ready to support this alternative, he is ready to consider it, and to let Moscow know as soon as possible on this new proposal and come to a decision. But Mr. Stepanov, personally, can't go back on a point that was agreed on before, which said that Moscow will be one of the centers for the holdings of the gold.

H.M.JR: But that would be, under this language, self-understood.

MR. WHITE: If they want us to go back to that, that is satisfactory with us. That is more than half for us and naming depositories. That is the agreement we had at Atlantic City. If they want to accept that, that would be preferable to us, and we think we can put that over.

(Mr. Stepanov)

INTERPRETER: We are going to support the proposition Alternative A, Section 6, which says that one half of the holdings shall be held in the United States if you add to it forty percent for the rest of the members having the largest quotas.

MR. WHITE: That is what we can't do. It was in recognition of the reasonableness of your request that if we specified, then you ought to be able to specify. We thought that was reasonable, but we know we can't get it by. Therefore, the Secretary said he would be willing to withdraw the special amount for the United States so that it would be acceptable to you and the Conference.

(Mr. Stepanov)

INTERPRETER: We are agreeable to the first proposition and let you have one half of the holdings of gold, but then - it will make the situation more definite if you have one half the holding in the U.S. But, still, we would like to have that figure of forty percent for the remaining countries.

H.M.JR: We will give up the fifty percent.

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(Mr. Stepanov)

INTERPRETER: But we don't want you to give it up.

MR. LUXFORD: We can't do it, Harry.

H.M.JR: We have no objection, but we don't think we can get it through the Conference - the forty percent.

(Mr. Stepanov)

INTERPRETER: Let us try it.

MR. WHITE: All right.

(Mr. Stepanov)

INTERPRETER: We are sure it will go through the Conference.

H.M.JR: I am satisfied; we will try it. But we will end up - let me make up a little prophecy. We will end up with Proposal B.

(Mr. Stepanov)

INTERPRETER: If the first proposal is declined, then we will end with the second.

H.M.JR: We will try this, and we will make an honest effort, and then if we can't get that, let's take B.

(Mr. Stepanov)

INTERPRETER: But still, if we have to come, maybe, to the agreement expressed in B, Mr. Stepanov has to get an agreement of his Government, because the Alternative B means we have to go back from the first position when Moscow was one of the centers where the gold has to be deposited. The point expressed in Alternative A will mention the U.S. as having half of the deposits of gold. Then Mr. Stepanov wants to be sure the rest will also go through the Conference.

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H.M.JR: Just so there is no misunderstanding. We will try the first where it says fifty percent for the U.S. and forty percent for the other countries - for the four leading countries. Is it three?

MR. WHITE: Yes, but four would make it a little easier - France, Belgium, and Holland on our side.

H.M.JR: If you made it four it would include France?

MR. WHITE: And if we made it four we might get the vote of France, Holland, the Netherlands, and Luxembourg. France will be the spearhead of the opposition.

(Mr. Stepanov)

INTERPRETER: We can make it four countries. We will just add the amount of deposit - it shouldn't be less than the contribution of the country to the Fund.

MR. WHITE: That is impossible. We can't freeze it.

H.M.JR: No.

(Mr. Stepanov)

INTERPRETER: In Mr. Stepanov's opinion it would rather quiet down France and the rest.

MR. WHITE: No, it would make our position wholly untenable because you cannot freeze the location of gold for the next fifty years in certain quarters. It is impossible. I will explain why. Suppose in four years the Fund is all out of dollars - it needs to buy more dollars. It has to pay for them with gold. The gold will have to leave wherever it is - the Fund gold - and come to the United States. It is an impossible situation.

(Mr. Stepanov)

INTERPRETER: There is no doubt about it that the gold will have to go to the United States, and the amount of gold deposited in certain points should be decreased proportionately.

MR. WHITE: As a matter of fact, according to B it would come from Moscow last.

(Mr. Stepanov)

INTERPRETER: Why is it?

MR. WHITE: Because it is most expensive to move gold from Moscow to New York.

We will make it four countries without specifying, and then the gold will remain there until it is needed. Moscow will probably have the gold longest.

(Mr. Stepanov)

INTERPRETER: Alternative A does not say anything referring to transportation of gold, therefore the Fund will have to decide that?

MR. WHITE: That is right. And the Fund always decides it on the basis of the principles which are enumerated in Alternative B, but it is necessary to enumerate because that is the way the Fund uses gold. It should transfer where it is cheapest. If, for example, the Fund were to transfer gold from Moscow to New York, when there was gold in the Fund that could be transferred more cheaply - do you see? Then the U.S.S.R. representative could have a very strong case to make very strong presentations. The only time that would be done might be if the gold were going back to London and therefore they said, "Leave it in London."

But ordinarily the Fund will operate not on a political basis, but upon where is the cheapest place to send gold. The last place gold would move from would probably be Shanghai, or maybe Moscow, because Shanghai is a water route and it is cheaper to send gold from Shanghai to New York than it is, probably, from Moscow to New York.

So the first gold would come from the earmarking of gold right in New York. It wouldn't move from any country. It secondly would come from London; thirdly, it would probably come from Shanghai; and the last gold would come from Moscow. If anything, Moscow would have the gold of the Fund longest.

MR. LUXFORD: If they want to put all these bugs in it, it wouldn't pass, that is all.

H.M.JR: I think they ought to all know that, that if we are going to do anything - this Committee is sitting now, waiting - we have just got a note.

MR. WHITE: It is the last one.

H.M.JR: If we are going to do anything, I think some of the Russian Delegates should go down with somebody from the American Delegation and make this proposal. But the Committee is right now waiting.

MR. WHITE: Is Professor Smirnov down there?

(Mr. Stepanov)

INTERPRETER: That we don't know.

H.M.JR: Now, we can go down and make this proposal and make it four countries instead of three. We will do it any way that you want. We don't care - we will make it three countries or four countries, or we will make the Proposal B.

MR. WHITE: Or what we agreed on in Atlantic City, so you have got three things. We will go along with the three-countries proposal, or make it four countries, or whatever the Atlantic City proposal was. That says the gold shall be held at least fifty percent in the U.S. and in the depositories of the next three countries having the larger quotas, and in other countries. That is what we agreed on, but they didn't accept.

(Mr. Stepanov)

INTERPRETER: What if we make it this way, that we say half of the gold in the U.S., forty percent in the remaining four countries, adding that the Fund, when moving the gold, has to take into consideration the cost of transportation and issuance?

MR. WHITE: And other pertinent factors - there are some other ones. For example, there is no sense of moving gold from, let's say, London to New York if six months from now you have to move it back from New York to London. The chances are that the cost of transportation is the appropriate one. What you are suggesting is to take the language from the British B and add it onto the forty percent, which is perfectly all right.

(Mr. Stepanov)

INTERPRETER: Might we make a certain combination of these proposals, including our points and taking the language of the first Alternative and the British proposal?

MR. WHITE: That is right. You go downstairs and we will support whatever you propose.

(Mr. Stepanov)

INTERPRETER: It is agreed.

H.M.JR: The Committee is waiting. If you gentlemen will go downstairs, and make this proposal, the American Delegation will support you.

MR. WHITE: And we will try to get support from other countries for it.

(Mr. Stepanov)

INTERPRETER: That is quite agreeable, but in order to prepare our statement to the Committee, we have to have some time, because not knowing the language well enough, it is very hard to prepare a certain alternative.

MR. WHITE: Mr. Luxford will help you. It will take ten minutes.

MR. LUXFORD: You can't go down unless you go down and talk a principle; you have to talk a principle, now. You get them to agree on that and we will draft it later.

MR. WHITE: You see, we postponed that Commission meeting.

(Mr. Stepanov)

INTERPRETER: We can take a position of principle at the Committee right away, but who will word it?

MR. LUXFORD: When we get the Conference to agree to the principle, then it goes to the Drafting Committee on which you are represented, and we write it there.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov has it in mind that somebody has to state the principle.

MR. LUXFORD: You can state it down there the way you stated it to us.

(Mr. Stepanov)

INTERPRETER: It is more difficult for us to make the position.

MR. WHITE: We will state it.

MR. LUXFORD: If we don't state it right, you correct us.

(Mr. Stepanov)

INTERPRETER: Of course.

H.M.JR: O.K.?

(Mr. Stepanov)

INTERPRETER: That is O.K.

MR. WHITE: I have had two notes from that Committee saying they are waiting.

H.M.JR: Who goes down?

MR. WHITE: Luxford better go down - Luxford and one of those men.

(Mr. Stepanov)

INTERPRETER: Mr. Maletin will go with Mr. Luxford.

MR. WHITE: Has he sent a representative to the Quota Committee? Judge Vinson was the Chairman and it began at ten o'clock.

(Mr. Stepanov)

INTERPRETER: That is the first time Mr. Stepanov hears about it.

(Mr. Maletin and Mr. Luxford leave office)

MR. WHITE: We told them to telephone you.

(Mr. Stepanov)

INTERPRETER: Mr. Smirnov was attending the meeting.

H.M.JR: Now, what comes next?

(Mr. Stepanov)

INTERPRETER: Next comes the question of the twenty-five percent.

H.M.JR: May I just say, before we start this argument, we will have to go down at eleven twenty-five, so I just want to say now, I don't want Mr. Stepanov to misunderstand me if at eleven twenty-five we have to stop. I don't want him to think I am discourteous. I will be available again this afternoon.

(Mr. Stepanov)

INTERPRETER: If you just want to postpone the discussion, it is just as you like it.

H.M.JR: No, we will keep working up until eleven twenty-five.

MR. WHITE: We can't postpone it because this matter is coming up. I will have to talk to you from now until eleven twenty-five.

H.M.JR: Now, on this twenty-five percent, I listened very closely to what Mr. Stepanov said, that the devastated countries should be allowed to deduct the twenty-five percent, and those countries which had the greatest devastation should be allowed the greatest percentage.

(Mr. Stepanov)

INTERPRETER: You mean, twenty-five percent was the highest reduction?

H.M.JR ; Yes, from zero. Well, we had a message from Mr. Harriman in which I understand that the position of Mr. Rozinsky is that the question of quotas and the question of the twenty-five percent have no relation to each other.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov has never connected these two questions.

H.M.JR: He hasn't? Well, good. The American Delegation is very sorry, but we cannot go along on this question of the deduction - the twenty-five percent deduction. We cannot go along that the countries that are devastated should be permitted to deduct from zero to twenty-five percent.

(Mr. Stepanov)

INTERPRETER: If I understand you correctly, you can't agree to that. You can't get a decision on that point. You can't support it?

H.M.JR: No, no. We go back to our original position, and I made what I considered a very handsome offer to Mr. Stepanov, which he hasn't mentioned today, and that was that we would agree to the Russians' position that you can at the beginning keep your newly mined gold. And we relate these two together. And we offered what we considered was far more important a concession to Russia, that you can keep the newly mined gold, but we cannot - we are very sorry, but we cannot - accede to this proposal that the devastated countries can make a deduction.

Those two, in our mind, we connect them up together, but Mr. Stepanov didn't mention them.

(Mr. Stepanov)

INTERPRETER: The question of the twenty-five percent reduction has been raised by Mr. Stepanov today only to make the situation easier by making the reduction up to twenty-five percent, beginning with zero; and Mr. Stepanov is well aware of the contents of the discussion yesterday.

H.M.JR: We will just have to leave it to the Conference to decide, but the American Delegation cannot go along with any proposal that the devastated areas make a deduction of their gold contribution. We are very sorry.

(Mr. Stepanov)

INTERPRETER: Mr. Stepanov said, besides that, and I omitted to translate, that if we can't agree on this point, then we will have to present at the Conference two different points of view.

H.M.JR: That is right. We are sorry, but we understand that. It will be a friendly difference, but that is the way it will have to be.

MR. WHITE: We will have to argue against it.

(Mr. Stepanov)

INTERPRETER: Not only will you not support it, but you are against it?

MR. WHITE: It won't be necessary. We will try not to oppose it. There are plenty of other countries who may, but if there are not, then we will have to oppose it and the reason is as follows: You say from zero to twenty-five--

H.M.JR: Let's drink to the life of a soldier; it is much easier.

Mr. White is imploring that he has a few minutes' time to prepare for his meeting, so if Mr. Stepanov doesn't mind, we will adjourn, and any time this afternoon or tonight, or six o'clock tomorrow morning, I am at his service.

(Mr. Stepanov)

INTERPRETER: When shall we get the document concerning the agreement on the Fund, in the whole?

MR. WHITE: If the Fund passes all the matters of principle today, the Drafting Committee will have a complete copy by either tonight or tomorrow morning.

(Mr. Stepanov)

INTERPRETER: It is very hard to orientate one's self. We have to translate it into Russian.

MR. WHITE: We will have them work all night, but you can get some things - we will give you some parts more quickly than others if you don't want the whole document at once.

Bretton Woods, N.H.
July 15, 1944
3:30 p.m.

STEERING COMMITTEE

Present: Mr. Acheson
Mr. Bernstein
Mr. Luxford
Mr. Vinson
Mr. White
Mr. Wolcott

MR. WHITE: We changed this statement and cleared it with the Russians and cleared it with a couple of others. There couldn't be much objection to this. The Russians said we tried our best and if this is the best we can do, they will accept it.

H.M.JR: (Reading) "The Fund may hold other assets, including gold, in designated depositories in the five members having the largest quotas and in such other depositories as the Fund may select. Initially at least one-half of the holdings of the Fund shall be held in the designated depository in the member in which the Fund has its principal office and at least 40 percent of the holdings shall be held in the other principal four depositories. However, all transfers of gold by the Fund shall be made with due regard to the costs of transport and expected requirements of the Fund. In an emergency the Executive Directors may transfer all or any part of the Fund's holdings of gold to any place where it can be adequately protected."

MR. WHITE: That's quite new. "Initially" is the only word that has been inserted.

MR. LUXFORD: Two things: You have that word and then you show the Fund can use its business judgment.

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H.M.JR: But in an emergency--

MR. LUXFORD: The Russians wanted it out.

H.M.JR: But I have never seen it before. We didn't discuss that this morning. It wasn't discussed this morning.

MR. VINSON: What is the reason for taking it out?

MR. LUXFORD: The Russians wanted it out. I will explain why. They were shooting at always having forty percent of the gold in those four countries. Now, they thought that this provision might be used in order to negotiate that, but now that they have realized the fight we were up against, they are willing to compromise back to "initially" and the "however" and this emergency provision.

MR. VINSON: With the emergency provision in. I am for that.

MR. WHITE: We got their agreement on this as is.

MR. LUXFORD: That fight had a real effect on them, Mr. Secretary.

MR. WHITE: They said they felt that we tried very hard.

H.M.JR: The thing that bothered me was that the rest of the Delegates got the impression that we were fighting wholly for that amendment, and when they left that last sentence out, "all transfers of gold shall be made with due regard"--I mean as far as I was concerned, I just couldn't go along.

MR. WHITE: We were just discussing the other part. The last sentence was their addition which would have come

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up for separate discussion. We were defending the first part. The last sentence was something that the Delegate from Russia took out at the last minute.

MR. LUXFORD: They wanted it out.

H.M.JR: Will the English support this?

MR. WHITE: Yes, I don't see how they can oppose it.

MR. LUXFORD: I think they will. We haven't talked to them about it, have we?

MR. WHITE: It doesn't make any sense to oppose this, because all it says is there will be that amount and from then on--

H.M.JR: How about seeing Professor Robertson?

MR. LUXFORD: They said Bolton will have to clear it.

MR. WHITE: You gave them a copy, didn't you?

MR. LUXFORD: Not this way.

H.M.JR: Professor who?

MR. VINSON: Robbins.

MR. WHITE: Robertson also did some talking.

H.M.JR: The tall, rather handsome fellow.

MR. LUXFORD: Robertson. How do you feel about it?

MR. ACHESON: I think it is all right.

MR. VINSON: Tell the Secretary about the other angle.

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MR. WHITE: Yes, Robbins wanted to know whether--

H.M.JR: I think it would be a nice thing to do.

MR. WOLCOTT: I don't like the language very well, but--

MR. LUXFORD: We will clean the language up, Judge. In the Drafting Committee you will clean the language up to make it clearer, but as far as the principle, it will be this principle.

H.M.JR: Now wait a minute. Has Mr. Wolcott any objection?

MR. WOLCOTT: It isn't material at all. This language strikes me as not being good.

MR. LUXFORD: It isn't good and we can clear it up. That language was rough and we will have to clean it up.

MR. WOLCOTT: Should read something like this: "Initially, at least one-half of the holdings of the Fund shall be held in a designated depository in the country of the member--"

H.M.JR: Luxford, before you go, I would like to say something. I want to say it as quietly as I know how. I think this Steering Committee and those of us who are represented on different Committees--the next one or two meetings we have all got to be just as careful as we can, because we are now right at the critical point, where the Conference can be made or broken, and I think we have to see as much of each other as we can and confer as much as possible. And I wasn't very happy the way the thing went this morning, and I am glad that White adjourned. If I may, in the room here, be a little frank, Judge, can't you sit in your seat this afternoon?

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MR. VINSON: Surely.

MR. WHITE: He always does.

MR. VINSON: I was working on this quota thing.

H.M.JR: Can't you be there so it isn't quite so much play between Harry and Bernstein and Harry and Luxford? I mean, you are supposed to be the leader and that you can play your part a little bit this afternoon.

MR. VINSON: I would be very happy to.

H.M.JR: I am just--it is just my impression.

MR. WHITE: Most of the discussion which took place-- the reason why we had to participate in it so much is because the United States is the reporting Delegate from the Special Committee and therefore he has to explain all the things that come to the Committee. That is, not as an American Delegate, but as a Conference Appointee.

H.M.JR: What is Luxford's position here?

MR. LUXFORD: Just one of the boys.

MR. WHITE: Luxford's position is to help when necessary.

H.M.JR: I think if the Judge could take his seat this afternoon, if you are available, I think it would be good.

MR. WHITE: We have everything we want, with the exception of this.

H.M.JR: The things we have were more or less easy things.

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MR. VINSON: It may be a little more stormy this afternoon when the quota report comes in.

H.M.JR: This is the first really controversial thing.

MR. LUXFORD: They were all controversial, Mr. Secretary.

MR. WHITE: Every one was. In fact, there was one thing we put--

MR. VINSON: Well I think it is important for the Secretary to have that story about Robbins.

MR. WHITE: Yes. Robbins asked whether the question of the location of the Head Office was going to be brought up. I said it was on the agenda and we were finishing up this afternoon and expected it would be brought up. He very strongly urged it not be brought up today, that we wait until Monday, until they have had an opportunity to have received a reply from London. He said that if it is brought up today, they will have to object, and it would create--I don't know the exact words he used--

MR. VINSON: He said, "We know we will be beaten and we hope to avoid being humiliated."

H.M.JR: Well, what happens to the Conference if you wait until Monday?

MR. WHITE: We can wait.

H.M.JR: Then I think I would. Are you starting fairly promptly?

MR. WHITE: That is our plan, but--

H.M.JR: I am not going to hold you up.

MR. WOLCOTT: I have a number Two Committee meeting.

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MR. ACHESON: That is off. They are meeting tomorrow morning because they didn't know how long this would last.

MR. BERNSTEIN: I don't think it would take you more than five minutes on the Special Committee and the rest is the quotas.

H.M.JR: What are you going to do?

MR. VINSON: Pass the question of definitions and location of office until the next meeting of the Commission.

H.M.JR: That will be when?

MR. WHITE: Tomorrow morning. Say a half-hour-- I mean, Monday.

H.M.JR: You are not going to to work Sunday?

MR. BERNSTEIN: Clean this up on Sunday.

MR. WHITE: He wants us to postpone it until Monday.

H.M.JR: Lord Keynes said he would have to send a message and that he would recommend that he be permitted to make a mild protest. That would be his recommendation, but he said to me he hoped we would let it go until Monday, but his recommendation would be a mild protest.

MR. WHITE: We will postpone that until Monday and postpone the other along with it.

MR. VINSON: Definitions, technical, and we need more time on definitions.

H.M.JR: Are you going to do quotas this afternoon.

MR. WHITE: Quotas will be--I mean this will be the first on the agenda and then quotas.

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MR. VINSON: The question of whether or not a statement should be made by me after the report is presented and read and motions made for adoption, or whether we ought to see just how much smoke there is from the countries who have made their reservations. Now, the situation is this: China makes her reservation and says she can't accept it, she has to take it up with her Government. I mean, it has to be satisfactory with the Government. India doesn't quarrel with the amount, but it is her position on the list. Egypt has been increased five million that Uruguay didn't want, and I don't know whether she will be vocal or not. New Zealand, I imagine Mr. Nash would make a statement but there certainly won't be much heat. And the other country is, France.

Now I just want to do what you gentlemen determine as to whether you make a statement. If a statement is made, it has to be a fairly full statement, as I see it, in respect to the history. I have got to anticipate the arguments that are made that lists came out in which six hundred million was on it and five hundred and then there have been cuts. I just don't know.

H.M.JR: Would you like to know what I think? I think that you should make a full statement.

MR. VINSON: At first?

H.M.JR: Yes, because that will answer most of the arguments. Otherwise, everybody is going to go haywire. If anybody disagrees with me, I wish they would say so.

MR. ACHESON: What sort of a statement?

H.M.JR: Be just as frank as you can and explain what has happened, and so on and so forth. Otherwise, we will say this is the quota and he just sits down. Then let the objectors present theirs, but let him get in his argument first. Wouldn't that be good court procedure?

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MR. ACHESON: Oh, yes, surely. I was just wondering what kind of a statement you had in mind. I think if he brings out how difficult and tough a proposition this is and that everybody has sweat and struggled over it for weeks, that we can be here until Christmas talking about it. Broadly speaking it is as fair as anything human can be and that we have already gone farther than we thought we could go. That's what you have in mind?

H.M.JR: Yes.

MR. VINSON: Shall there be any attempt to go into the statements that the different countries have had and claim their cut? For instance, France said that she had the figures of five hundred million, China says six hundred, and has to go off the formula. A lot of Delegates at the Committee meeting wanted to know what the formula was, and a statement was made to them in regard to that, but always saying that the formula couldn't be applied uniformly because of the loss of factors in different countries, and different factors in other countries.

H.M.JR: It is too late today. You have been informed and you have sat on the bench. Make as good a case as you can. I will leave it to you.

MR. VINSON: All right, sir.

H.M.JR: I am not going to advise you. I don't know how to advise you.

MR. VINSON: The only thought I had in my mind is whether or not there had been any particular discussion, and even then it might be well to have the statement.

MR. WHITE: You don't think it is possible to arrange some to have fifty million dollars in the Fund to be disposed of by three-quarters approval, or something like that?

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MR. LUXFORD: It is easy enough to put it in.

MR. BERNSTEIN: You don't have to put it in at all, it is there already.

MR. LUXFORD: You can change the quota of any country at any time by a four-fifths vote. It is in there.

MR. BERNSTEIN: You don't have to reserve fifty million dollars for the purpose.

MR. WHITE: How could you get a larger quota?

MR. LUXFORD: You vote it.

MR. WHITE: From the particular country, you mean, not ours? All right. I can make that clear.

MR. VINSON: Is that the Board of Governors?

H.M.JR: Say that again, Luxford.

MR. LUXFORD: Under the provisions of this Fund, on a four-fifths vote you can increase or decrease the quota of any country at any time.

MR. WHITE: Providing the country accepts.

MR. LUXFORD: Yes, so you don't need to put that in there.

MR. WHITE: So I think there is still a hope for the various countries that explain, if they can make a good enough case to convince four-fifths. This doesn't close the issue.

MR. VINSON: It doesn't close the door.

MR. WHITE: That's right. I think that is important to begin with.

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H.M.JR: Who brought that point up, Bernstein?

MR. BERNSTEIN: I don't know. White asked a question. It has always been there.

H.M.JR: It is a good thing to remind us. I don't know--I never knew it.

MR. VINSON: I knew there were provisions for the change, but I had forgotten the voting.

MR. WHITE: The thought in my mind was that we would give the additional amount, but barring that--

MR. BERNSTEIN: After years of experience with the Fund, it will be more evident where an adjustment is needed.

MR. WHITE: Yes, we can always increase our quota later.

H.M.JR: What is the total of the Fund now?

MR. VINSON: Eight, eight.

MR. LUXFORD: If you have fifty left over, it is eight seventy-five?

MR. VINSON: It is eight, eight. We gave twenty-five to the Netherlands and twenty-five to Belgium.

MR. WHITE: Have a hundred to play with and we got away with fifty.

H.M.JR: Is there anything else?

MR. LUXFORD: Bolton said he thought that U.K. would go along with this, that this actually took care of all the technical problems and he would check with them but he felt they would go along.

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MR. ACHESON: Did the twenty-five percent business get disposed of this morning?

H.M.JR: No.

MR. WHITE: That will never come up. It is through.

H.M.JR: The twenty-five percent reduction?

MR. WHITE: Yes, we didn't bring it in. Killed it before it came in--the Liberated Area Committee.

MR. WOLCOTT: Is Russia going to bring it up?

MR. WHITE: No, I don't think so. She may.

H.M.JR: Where was it killed?

MR. WHITE: We didn't bring it up. If Russia wants to raise it on the floor, she probably will and can.

H.M.JR: Was it killed in some Committee?

MR. WHITE: We never called for a report of the Committee.

MR. LUXFORD: They convened.

MR. BERNSTEIN: They wrote a report and handed it to Stinebower.

H.M.JR: Harry, I will make you a little bet, that the Russians bring it up.

MR. WHITE: Oh, but they will bring it up and we are under no commitments to support them.

H.M.JR: We told them we wouldn't, this morning.

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MR. WOLCOTT: I thought as we left them this morning it was quite generally thought that they were going to bring it up knowing they were going to get beaten on it, to save their faces so they can report to the Government they brought it up and it was voted down.

MR. WHITE: We wouldn't oppose it unless necessary.

H.M.JR: They asked twice, but we said we would oppose it.

MR. WHITE: I said we would do it, if necessary. Otherwise we would keep out.

H.M.JR: Any other questions?

MR. WOLCOTT: Is it in order to put in your procedures for the Judge to stop the debate and end it up?

MR. WHITE: We would like to clean up this thing first.

(Refers to initial statement)

When he gets rid of the quotas, we will adjourn.

MR. WOLCOTT: He makes a general statement of the time to bring up the quotas and I should think he should keep himself in readiness to coordinate all of the objections and make the closing argument.

MR. VINSON: I figured on doing that thing.

MR. LUXFORD: Did you decide on the location of offices--to hold off on it today?

H.M.JR: Until Monday.

MR. WHITE: We will tell the British that and they will be pleased.

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MR. ACHESON: Will you and Eddie meet with a group of us on the gold clause of the Bank, at nine o'clock?

MR. WHITE: Yes.

Bretton Woods, N. H.
July 15, 1944
8:30 p.m.

BANK - FRENCH PARTICIPATION

Present: Mr. White
Mr. Acheson ✓
Mr. Luxford
Mr. Vinson ✓
Mr. Wolcott ✓
Mrs. Klotz
Mrs. Morgenthau

MR. WHITE: The last couple of days he has had this perfectly cockeyed notion that Belgium and Holland are combined together. The only way they can be combined together is if they form one union, and it is a Monetary Union.

MR. ACHESON: Before he came, he was talking about France combining Luxembourg and Holland. Not combining, but being with them so they had a bloc.

H.M.JR: Jesse, you got the impression, too, that they were upset?

MR. WOLCOTT: Not upset, but of course, you can visualize any combining of nations.

H.M.JR: Fred, the purpose of this meeting is that Mr. Mendes-France has seen me and in a very sincere manner is terribly upset about two or three things and I promised to see him before I went to bed tonight. We have invited him to come up here and tell his story. Our attitude-- he can only draw one conclusion--that we are unfriendly to his Government. They didn't threaten withdrawal, and--

MR. WOLCOTT: They are not going to withdraw.

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H.M.JR: So I thought when you can't do something for somebody, at least you can give them a hearing. That is what I would like to do.

MR. WOLCOTT: France is in no position to withdraw.

H.M.JR: I know, but I want Dean to decide the situation, opposite political situation. I don't know if there is anything we can do to them.

MR. WHITE: He probably was also disturbed, I suppose, by the quota. He should never have made the statement he did about that quota at that Conference, that they may not participate because of the quota. I think it was inexcusable for a country like France to make that statement.

H.M.JR: They changed it at the end. They had it retranslated. The change they said his Government would consider--

MR. VINSON: My reaction to it was that he felt that he had to make a strong statement because, as I saw it, there is hostility in his group, and if he didn't put a strong speech in, why, it might be others around that might replace him. I didn't take his statement seriously.

H.M.JR: Well, he came to see me afterwards.

MR. VINSON: And I think he is a pretty fair poker-player.

H.M.JR: As I said before you came in, I feel that this is a political and military question. I want Dean particularly to listen. Again I am repeating, before you came in, the President and Mr. Hull--we in the Treasury have spent all last week getting ready, two weeks before General DeGaulle, we sent him away in a good humor and now this man feels he has been treated shabbily.

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MR. VINSON: Well, Mr. Secretary, you had a conference with them this morning and you called a spade a spade and you had the chance--

H.M.JR: Well, I know.

MR. VINSON: I am not disturbed about their withdrawing.

H.M.JR: No, no, he didn't threaten me.

MR. VINSON: He made this statement in the Committee meeting this morning, Mr. Secretary. I stated that every country had been contacted, and he held up his hand and said he hadn't been contacted. And for the time being, I had forgotten that you saw him yourself, and told him four hundred and twenty-five.

H.M.JR: That's right.

MR. VINSON: And then it was up to four hundred and fifty.

MR. WHITE: Not only that. Before he came Istel came in to discuss the matter and we told him it was four hundred but we tried to get him more. But I asked him when Mendes-France was coming. He said Monday. He said he could comment on it now. He thought if they could get a little more he thought it would be all right. I said, "Let's wait until Mendes-France comes and it will be all right." But Istel must have told him before.

MR. VINSON: There wasn't any question in my mind, because we had the four hundred and twenty-five figure. It is in my pocket that France gets the kitty. That is the memorandum I had, and France got twenty-five million dollars.

MR. WHITE: Another matter is this, that Istel was very happy on the way France has been treated. He told

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me several times to that effect.

MR. ACHESON: What have they been on, so we can run over this?

MR. VINSON: Been on? Why, Istel is on the Steering Committee.

MR. ACHESON: He is the Reporting Delegate for the Committee One.

MR. WHITE: The one thing he was really disturbed about was they we made him Reporting Delegate for Commission One. He said he was a little unhappy that he wasn't made Chairman. I explained to him that it was a tribute to him, that we wanted a very excellent man to report on that Committee. He was very satisfied and said he was glad we told him. He asked for another Committee appointment and we gave him--if there is any Committee here that has less to complain about, it is Mendes-France. We even referred to him as France. Another thing is that this figure of five hundred that he refers to in the table, they know that table has no status whatsoever. They know that perfectly well. I don't even know who distributed it. Belgium had one. They probably picked it up at one of the Conferences when we were guessing as to how they formed a reply to various countries.

MR. ACHESON: Well on the basis that he has been talking to you, he would be asking for either five hundred and ten or five hundred and sixty. He wants five hundred and ten to have the same as three of them together, or five hundred and sixty to have the same votes. Five hundred and sixty would put him ten above China.

H.M.JR: We figured one hundred and sixty million dollars and we told him that. He said he wasn't interested in the votes. For some reason or other he was only more interested in having more money in the quota.

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MR. VINSON: More money in the quota than the Netherlands, Belgium and Luxembourg, for no reason at all?

MR. WHITE: Because he thinks they might unite some day. It is a very special reason.

MR. VINSON: If they did unite, they would have more votes because twenty-five for each country--

MR. WHITE: You think two governments would unite?

MR. ACHESON: If they united, they would lose fifty votes.

MR. VINSON: Two hundred and twenty-five plus five hundred, and if they united, don't they get twenty-five votes apiece?

MR. ACHESON: Not if they unite. If they become one country.

MR. VINSON: I mean in voting power. They would have five hundred and sixty votes. Now four hundred and fifty is one hundred and sixty less than--

MR. ACHESON: But he has four hundred and seventy-five which is less than five hundred and sixty.

H.M.JR: My friend, you made a beautiful speech there. I would give a million dollars if I could get up and make an extemporaneous speech. It was a wonder.

MR. VINSON: I'll sell that to you for the million dollars, Mr. Secretary.

H.M.JR: I haven't the million, but it is worth a million.

MR. VINSON: That is awfully sweet.

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MR. ACHESON: It was wonderful. The thing that amused me was when we got through, the Chinese fellow got up and said after that moving speech, he would hesitate a long time to make a sour note.

MR. VINSON: Henry, I wonder about our strategy. You know, the closing argument from the lawyer's viewpoint is generally the best argument, but back when I used to be trying cases in the Court House, I used to think that a statement of facts in the opening of a trial was just about as effective or a little more than the closing argument. According to the closing argument, you generally can get the temperature a little warmer and you might get a little bigger verdict. But actually to get a verdict an opening statement is very effective--you kind of wanted to listen to them. And as an old prosecutor of the closing argument--but I deferred to your judgment.

H.M.JR: Do you think I was wrong?

MR. VINSON: Well, from what I saw, you were right.

H.M.JR: Certainly your speech was right. It was magnificent, and I think--I don't really see where you could have made that speech at the end.

MR. ACHESON: No, I think he had to say that at the beginning and all these fellows were really in the wrong.

H.M.JR: Dean has put it right. Everyone of them were terribly sorry to disagree with the American Delegate, but--

MR. VINSON: Wanted two cents more.

MR. WOLCOTT: There isn't any dispute about the quotas, is there?

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H.M.JR: Just this one man that asked us. That is the only man I wanted to see. They didn't find him?

MR. WHITE: I didn't inquire.

MR. VINSON: Mr. Secretary, actually it may be that I am not a good judge, but--

MR. WHITE: They haven't found him, Mr. Secretary.

MRS. MORGENTHAU: He lives at Crawford House?

MR. VINSON: But some things--

MRS. MORGENTHAU: Are you sure he lives there?

H.M.JR: We will wait another five minutes.

MRS. KLOTZ: I rang the--

H.M.JR: Whom did you get?

MRS. KLOTZ: I called the French Delegation and asked them to find him, because they would be more apt to know.

H.M.JR: Was somebody there?

MRS. KLOTZ: Yes.

MR. VINSON: As I see it, so many things have happened in regard to France, so many things are happening and so many things are desired to happen, that I haven't got any grave concern about their action. I may be wrong, but I can't think that it is a serious proposition.

MR. WHITE: There is something wrong with that fellow.

MR. WOLCOTT: Mr. Secretary--

H.M.JR: I don't want to tie up all you people. We have made the effort. Where will you be if I want to find you?

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MR. WHITE: I'll be around. I will be a little difficult to find.

MR. ACHESON: You will not. You will be right with me, unless you can run faster than I can.

H.M.JR: Do you have something on the Bank?

MRS. MORGENTHAU: Is the Commission meeting?

MR. VINSON: I am going to be able to enjoy my sojourn here now for the next two or three days, Henry. I am wanting some of the others of the gang to take over all subscriptions. (Laughter)

MR. LUXFORD: We have a trained man, we can't do that.

MR. WHITE: Are you going to begin on the Bank subscriptions tonight?

MR. ACHESON: I think we must get some kind of a meeting or list out tomorrow at the latest. I think in the first place you haven't time to fool around with this.

MR. VINSON: There might a lot of fun in it for me to be in on that end of it, when they will be backing off of the larger amounts.

MR. ACHESON: If you get these things right in--

MR. WHITE: Couldn't give me any larger quota on the Fund but you could in the Bank.

MR. VINSON: Your economic potential is such and such!

H.M.JR: Where are the French?

MRS. KLOTZ: Can't find them yet.

MR. ACHESON: Who will work on these Bank quotas?

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MR. VINSON: What? I nominate Dean Acheson.

MR. WHITE: Dean Acheson has had more experience than anybody I know of, in quotas.

MR. VINSON: Listen, I was down there by myself this morning.

MR. WHITE: You made a wonderful speech this morning.

MR. VINSON: Well, good, but I was talking about Committee meeting. I was down there and was a country boy in the lion's den.

MR. WOLCOTT: That is what we have had to contend with for years on the Floor.

MR. ACHESON: I suggest that somebody moves in Commission One to add--they never will do this, but we ought to get it out--that you have a provision that you have to be a member of the Bank before you are a member of the Fund.

MR. LUXFORD: In the Bank you have to stipulate that no member of the Bank can be a member unless he is a member of the Fund.

MR. ACHESON: I understand all that. This is a different idea.

MR. WHITE: The idea may be good or bad, depending on the idea behind it.

MR. ACHESON: But let's suppose it is crazy.

The purpose of that is not that we think it will happen. But in the first place, I think all your reservations will disappear over night if you have that. They will be so anxious to fight that one down, that they will forget.

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MR. WHITE: What is the effect of the reservation?

MR. ACHESON: Also it will make some of these fellow a little more reasonable about subscribing to the Bank.

Bretton Woods, N. H.
July 15, 1944
9:00 p.m.

FUND: FRENCH STATUS

Present: Mr. Mendes-France ✓
Mr. White ✓
Mr. Wolcott ✓
Mr. Luxford ✓
Mr. Vinson ✓
Mr. Istel ✓
Mrs. Morgenthau -
Mrs. Klotz -

H.M.JR: Mr. Mendes-France, I told these gentlemen of the conversation that we had on the stairs, and I thought if you would care to sort of review what you have in your mind, we would be very glad to listen.

MR. MENDES-FRANCE: What I tried to explain is this. When I came to Algiers--when I was in Algiers before coming here, I made a general review of all the questions we had to settle here, and I made a general review of all we had to do here and all we hoped, and there were a few questions we knew we couldn't succeed in. We knew it because you told us or Mr. White told us before coming here last month, and we have thought over these questions and we are willing to accept it.

For example, you explained to us that for political reasons it was necessary that China has place number four and we only place number five, and we accepted it, of course, because there were political reasons we understood very well. From other questions, we were hoping to have more success, and as we are here, I must tell you sincerely, because I understand you want me to be sincere.

H.M.JR: Please.

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MR. MENDES-FRANCE: Since we are here, on all the questions we were interested in, we were refused. For example, there was a very important question for us and for other people too, which was discussed this afternoon, about what happened in countries which were devastated by the war. In your previous statement, in April, you said that these people only have to pay seventy-five percent. It was a special position for the devastated countries, and of course we didn't find it was very good and we didn't find it was enough. We hoped to have more, because it was a good thing to have even seventy-five only, instead of a hundred. Then this thing was wiped out and we didn't receive it.

H.M.JR: Just a minute. Do you understand this thing?

MR. ACHESON: Yes, that is the twenty-five percent reduction.

MR. MENDES-FRANCE: Yes, for the devastated countries.

H.M.JR: Which we decided against.

MR. ACHESON: Yes.

MR. MENDES-FRANCE: Yes, but in April, it was done, and now you refused it.

MR. ISTEEL: The Russians have even requested between fifty and seventy-five percent reduction more than we asked for.

H.M.JR: You mean twenty-five percent reduction in your contribution?

MR. MENDES-FRANCE: For all the countries which were liberated, and it was refused.

H.M.JR: But it wasn't refused to France. France wasn't singled out.

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MR. MENDES-FRANCE: No, but what I want to explain is that in this question we understand that you are not against France, we know it, of course.

H.M.JR: But that is what I want you to be sure about. Let me be also frank. What you said to me on the stairs which upset me so, was that you were going back to Algiers saying that we here were against France.

MR. MENDES-FRANCE: No, I didn't say that. I will repeat in a few minutes what I said.

H.M.JR: That is what I understood you to say.

MR. MENDES-FRANCE: I didn't say you were against France, because I didn't think it. If I thought it, it wasn't necessary to speak with you so sincerely as I do. But what I said was, that taking a few steps in many years, I want to enumerate to you, taking such steps, you have taken key positions which are in fact without your willing it, which are in fact against us, and I give you this first example, which is a very important force.

H.M.JR: That is the twenty-five percent reduction.

MR. ISTEEL: May I state one fact about it? The Russians had asked more than that. They had asked that the reduction be between twenty-five and fifty percent according to the amount of the devastation, and they retired that day and agreed that it would be a uniform twenty-five percent, but they did not insist on it, because they got the special privilege through that newly-mined gold clause which made that if they did not get what they asked, and which was for all the devastated regions, they didn't mind it as far as they were concerned, because they had the special clause of the newly-mined gold, and we helped you on that, so they did not insist on the thing which would have been good for all countries together.

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MR. VINSON: Of course, Mr. Istel, they offered the alternative and pressed it in the meeting this afternoon and they voted it down.

MR. MENDES-FRANCE: But when I saw you, Mr. Secretary, we spoke about this newly-mined gold, and which we didn't think one minute is that backing this proposal, as you asked us to do and we did it, backing this question we were against. We didn't know we were against our own interest, because--yes, because in fact what happened, when the Russians got this newly-mined gold they were no more interested with the other one and when the other one came, they weren't so energetic to get it.

H.M.JR: Wait a minute, Mr. Mendes-France. I spent three hours with the Russians this morning, see, and you will have to take my word for it, that up to the minute that they left this room, they were still interested in the reduction in the gold.

MR. VINSON: And were this afternoon when they offered the amendment, and were voted down in the Commission.

H.M.JR: They couldn't even get a second.

MR. MENDES-FRANCE: But I don't want to discuss again all this question. What I wanted to tell you is that, that I wanted to give you a few examples, and it is bad, but I could give you a lot of them. I wanted to give you a few examples to show you that a very important decision was taken since we are here, and all this decision is without you willing it and without you and of course an enemy of my country, but these questions are always settled against our interest, and I give you the first example, which was this question about devastated countries. A second example is the example about quota. I am sure, and I don't say it to be polite, because I am sure you think it, I am sure you like my country and you want to be good with it, and I saw this morning when I spoke with you, that of course you were willing to find a solution and

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I am grateful to you, having made what you could, but in fact what happened, that in this situation, we didn't get what we hoped for and why--because when we started this question two or three days ago with Mr. White, we thought we would have a talk between us and he would have an agreement and this morning we were put before an accomplished fact and when I spoke with you this morning you told me it is too late.

H.M.JR: May I interrupt you there--I don't know--may I just get our timing right. I happened to look at my watch when I spoke to you and said it was twenty minutes past twelve--but didn't the French have a chance in your quota Committee prior to that?

MR. VINSON: Yes, surely, they were there.

H.M.JR: Well, then the matter wasn't settled yet.

MR. MENDES-FRANCE: No, because what happened, I went to this Committee this morning and we were suddenly given a list and we saw on this list we had four hundred and fifty and I spoke and said we don't accept it. Then Lord Keynes said it is too late. "You can not change these things, it is a total which is eight and seven fifty and if somebody gets more, then it is necessary to take it to another man, because the total must not be changed." Then what was to do at this moment--I understood it was very difficult. Then I came to you and I saw you were willing to find something, but the direct difficulty, you told me, is that you have given a promise to the Chinese they must always be a hundred more than us and if you give us, for example, fifty, you have to give fifty to the Chinese, and the result is instead of having increased the fifty, you have increases of a hundred. But this promise you make to the Chinese, and if you made this promise, I have nothing to say against it, but this promise you made has a result that you give to the Chinese of course more than they have to receive, because you know, as well as we all know, that wasn't correct calculation

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with the correct quota, with the formula. We all know if China will not get so much than she has, then we have not to be a victim of this situation and when you told us, not you, but Mr. White, one month ago, that we will have five hundred, we thought it will be so, and now we only have four hundred and fifty.

H.M.JR: Wait a minute. Mr. White is not here. Let's say--

MR. MENDES-FRANCE: It was no commitment.

H.M.JR: It couldn't be, because the technical groups couldn't make any commitments, but when you saw me the first day you came--I don't know what day it was--whatever day it was I told you four hundred, I found I had made a mistake. I called your Secretary and told her it was four hundred and twenty-five.

MR. MENDES-FRANCE: That's right.

H.M.JR: So you then knew, as far as the American Delegation was concerned, either Monday or Tuesday, that it was four hundred and twenty-five.

MR. MENDES-FRANCE: That's right.

H.M.JR: So at that time you knew it was no longer five hundred.

MR. MENDES-FRANCE: Then I went to Mr. White and I told him we were not pleased with this sum, and he said, "What do you want?" I said, "We were promised five hundred. We think the opposition with the Chinese and the others--if we have five hundred--" He said, "I will speak with Mr. Secretary and will speak about it together later". Then I was waiting. I thought Mr. White will call me and speak about it, and I didn't receive any news. Then yesterday I saw Mr. Dean Acheson and I told him I wanted to speak with him. I saw Mr. White was very busy. I didn't want to come to you, and I thought I wanted to

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speak with Mr. Dean Acheson about this.

MR. ACHESON: You didn't tell me it was about this.

MR. MENDES-FRANCE: No, no, but I wanted to speak with you about it. And this morning when we received this sheet it was too late, but I wanted only you to understand what the opposition is, that all these questions we didn't have what we hoped. That is another example.

H.M.JR: But may I say to you, when I was seeing you between twelve-twenty and twelve-forty, the only reason I looked at my watch was--I asked you whether twenty-five million dollars would do you any more good. You said no.

MR. MENDES-FRANCE: You see, I am not a bargaining man.

H.M.JR: I am not either, but I asked you if it would help any and you said it would be of no use.

MR. VINSON: Might I make this suggestion? There may be a misunderstanding about what twenty-five million or fifty million added to the quota actually means, and I would like for the Minister to have a clear understanding of what a fifty million dollar increase in the quota would mean and if you would permit, I would like for Mr. Luxford just simply to paint the picture of what a fifty million dollar increase in the quota would mean in a period of four or five years.

MR. MENDES-FRANCE: We know it. Six million each year.

MR. VINSON: Now I say this in the friendliest feeling. In this country we have a saying for that. You know, they say the Greeks have a saying for it. Now, it seems to me in all friendliness that you are making a mountain out of a molehill.

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MR. MENDES-FRANCE: No, we are not asking to have one or two or five million more.

H.M.JR: May I interrupt? You realize all we can do tonight--you have listed three things. We can't change our quota tonight and you don't expect it.

MR. MENDES-FRANCE: Yes, but you don't need to explain.

H.M.JR: How it looks to you--

MR. MENDES-FRANCE: And how it will look when I come back to my people and explain to them, "I went some months ago to Bretton Woods, and explained our position. I told them we want to ask this, this, and this, and in all these questions I have to tell you I come with zero." That is the fact. Then comes another example. Yes, it is very bad, as you know it is. Now, we have spoken with the Fund. Now we speak with the Bank. You have a council of Executive Directors in the Bank, the same kind as the Fund. That is to say, a council in which five permanent countries will be represented. And as our quota is the fifth, we thought that, like in the Fund, we will have the fifth seat. Now what happened today? We heard for the first time that only three permanent seats would be given.

MR. VINSON: That hasn't been determined, has it?

MR. ACHESON: No as far as I know.

MR. VINSON: I heard that for the first time tonight. It is merely a suggestion.

MR. MENDES-FRANCE: Yes, but you heard that for the first time.

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MR. LUXFORD: I say very definite there are many countries not including the United States that are urging we only name three, very responsible countries doing it for a very definite reason.

MR. MENDES-FRANCE: Not including United States?

MR. LUXFORD: I don't think we have taken an official position.

MR. MENDES-FRANCE: I think in the Commission this morning--

MR. VINSON: It has not been presented to the Delegates of the United States of America. We have not taken a position.

H.M.JR: Look, Mr. Mendes-France, you believe me as a truthful person. I promise you when you spoke to me on the steps I didn't know what you were talking about and you are the first person who has raised it with me. I never heard of it before. You have to believe me that when you went there I didn't know what you were talking about.

MR. MENDES-FRANCE: But please, but sometimes I come too early and sometimes I come too late. Then I prefer to come now too early as too late, because it is very expensive in these last days when I come too late. The only thing I said about this question of the Bank is-- it was raised this morning in the Commission, and as far as I know the American Delegation, like others, Canada, and so forth, have asked that only three permanent seats-- and as far as I know, your Delegation has backed it.

MR. LUXFORD: I don't think the Delegation has taken a position.

H.M.JR: May I ask a question so I can educate myself? If there were five members of the Executive Committee, see, would France have a seat?

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MR. LUXFORD: If there were five appointed members and France subscribed the fifth quota, she would have a seat.

MR. ISTELE: It is understood, Mr. Secretary, that the quota should be the same in the Bank and in the Fund.

H.M.JR: Which are you talking about?

MR. MENDES-FRANCE: The Bank.

MR. ISTELE: The quota would be the same.

MR. MENDES-FRANCE: But I don't want to speak about technical questions. I want you to understand this. I must tell you frankly, I have not an easy position in Algiers. I understand why you are laughing now, and you of course know all the difficulties we have in these last weeks, or months, and when I come back from this first International Conference, which is to be held to organize the peace because this is the same as an experimental test--it will be very bad for my country. Then when I go back to Algiers and have to explain all these things, my colleague will say, "You have lost on the quota, you have lost on the devastated countries, you have lost on these, and these, and these--then what do you bring back to us? What is the good news you bring back? What do I have to understand?" Then what I said this afternoon to the Commission--and I said it because it is true--it is not that I am leaving the Conference, but what I said--and it is worse--that if there are those I am describing now, my Government will not accept it, and I don't want to be in such a position.

H.M.JR: If you don't mind my saying so, I think your statement is a little bit too strong.

MR. MENDES-FRANCE: It is strong like the truth.

H.M.JR: Now, is this the last one? I mean, this one about the Executive Committee?

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MR. MENDES-FRANCE: It is the last one I wanted to give you, but if you want to have some others, I can give you--

H.M.JR: It is enough. Let me please ask this--

MR. MENDES-FRANCE: But I don't want to give you so many examples.

H.M.JR: Let me ask this. I think that, Mr. Mendes-France, about the Government and the little threat there which I don't like--

MR. MENDES-FRANCE: It isn't a threat. You must not think so. I give you my word it isn't a threat. It is an exact position. I have explained this morning about Belgium and Holland and Luxembourg.

H.M.JR: I have learned all about the custom union. I have learned my lesson.

MR. ISTEEL: That was really the new fact which changed the position.

MR. VINSON: What is the position of Belgium, the Netherlands and Luxembourg in respect of France having a seat among the mighty?

MR. ISTEEL: It is very simple.

MR. MENDES-FRANCE: Don't speak.

MR. ISTEEL: I will speak to you afterwards. You know the position of Luxembourg.

H.M.JR: Now let me ask this--

MR. MENDES-FRANCE: But please take my word, it is not a threat.

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H.M.JR: I told these gentlemen that your approach was sincere and lacking any threat and that was one of the reasons I wanted to see you. I could see from your standpoint that it is hard to explain things here, but we have forty-four nations to juggle and put together into a picture-puzzle. Do you see? And in making that picture-puzzle and trying to get the thing so that we could get a majority to agree, it is a little difficult to explain, but the thing that bothered me which you have now corrected, you realize it is not intentional, it is not directed at France?

MR. MENDES-FRANCE: Yes, yes, I am sure.

H.M.JR: Now, if there is any chance, I mean, of having five Directors on the Bank, in the Executive Committee, I would like the American Delegation to back five Directors, so France did have a position.

MR. LUXFORD: I don't believe there has been an official-- as you know, the Delegation has never decided that question.

H.M.JR: Don't you think so? If we could do this for them, I would like very much to do it, see?

MR. MENDES-FRANCE: I thank you very much.

H.M.JR: Then, at least, I don't want to leave a stone unturned to let them know. After all, for weeks we have prepared now for General deGaulle coming to America, and it was a very successful meeting, and I don't want something to happen here, which in any way would give you the slightest impression that the American Delegation isn't a friend of France.

MR. MENDES-FRANCE: I don't have that impression at all.

H.M.JR: You have no reason to.

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MR. MENDES-FRANCE: I haven't.

H.M.JR: I don't know who is handling this thing, but let's throw our weight to five Directors.

MR. LUXFORD: Did you mention about putting five depositories so France would get one?

H.M.JR: He knows about that.

MR. MENDES-FRANCE: Yes, but I think--Mr. Secretary, I must tell you, you spoke with me about this, and I thank you very much having put five countries, and I told you, of course I would back it and I told you I am grateful. But, please, you must understand that taking this position was not so easy with us, because on issues with Belgium and Holland it was not quite easy, but as I had promised you, I did it and I thank you for the idea you had for us.

MR. LUXFORD: That was asked for in Atlantic City, isn't that right? You asked in Atlantic City?

MR. ISTEEL: Yes, and we thank you for it.

MR. MENDES-FRANCE: And I thank you for it.

H.M.JR: Once is enough.

MR. MENDES-FRANCE: But you had the feeling I had some bad idea.

H.M.JR: No, now look, Mr. Mendes-France, I only had one worry. I got the impression there, on the stairway, that you said to me that you felt the American Delegation and the Conference were unfriendly to France, and that I told you I would not go to bed until I tried to correct that impression. Now you say you have not got that impression and I can go to bed.

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MR. MENDES-FRANCE: No, I haven't. You must not think that I had this idea at any moment and not that I had the idea about a threat in any case, but I told you what I thought.

H.M.JR: And I appreciate it. I can understand that.

(Mr. Mendes-France and Mr. Istel leave the conference)

MR. ACHESON: I think these fellows have two legitimate claims.

MRS. MORGENTHAU: Did you get anywhere?

MR. ACHESON: I'll say so.

He has two legitimate claims, Henry. One of them is that we went back on this twenty-five percent which he thought was sewed up. Now that is legitimate and nobody could talk their way out.

MR. LUXFORD: That promise was only made to the Russians, though, as I recall.

MR. ACHESON: Do you think I am right?

H.M.JR: Absolutely! No question about it!

MR. WOLCOTT: Apparently substituted France for Russia.

MR. ACHESON: The other one was that he was brushed off on his quota.

MR. VINSON: How do you mean, brushed off?

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MR. ACHESON: This is a Minister of Finance who is very unstable in his own country.

MR. VINSON: We figured what they had was four hundred million dollars and the Secretary talked to him about four hundred million dollars, and the Secretary increased it to four hundred and twenty-five million dollars, and then the Secretary impressed upon all of us that he wanted France to get more, and he got four hundred and fifty million dollars. And he made a statement down there at the Committee meeting this morning, which I thought of when you misunderstood him on the stairway.

H.M.JR: I didn't misunderstand him.

MR. VINSON: Of course you didn't, but he made the statement in the Committee this morning that nobody had conferred with him.

MRS. MORGENTHAU: Does he feel happier?

H.M.JR: Yes, he said tonight that he did not feel that the American Delegation and the Conference were opposed to France. Now I understood him to say this. That is the only thing that bothered him and the man is a very smart, intelligent fellow and I think, a very sincere fellow. And I certainly didn't know it, because you can't know all these things, but it never occurred to me that when we were fighting the Russians on the twenty-five percent that France was one of the most devastated countries and that they were affected. It never occurred to me.

MR. LUXFORD: There were eleven countries that were affected.

MR. ACHESON: When he talked about it, that was right.

MRS. MORGENTHAU: You mean they got it extra.

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MR. VINSON: I don't believe there is a devastated country that didn't have the quota upped. There are forty-four nations here, eighteen nations that secured increases above the figures which we started working with. There were fifteen countries that were decreased, either at their own insistence or agreement, and eleven countries whose quota remained the same as they were when we started working here in Bretton Woods. Now, that is the picture in regard to increases and decreases, and there is not a devastated country, with the possible exception of Yugoslavia, that didn't get a material increase which in dollars probably was worth more than the reduction in gold.

MR. LUXFORD: That's right, perfectly right.

H.M.JR: Well, let's call it a night.

MR. ACHESON: But here is the whole point. His position was made made difficult by not having an opportunity to cable back and forth and say, "I am doing this and that".

H.M.JR: He has two things. We increased the depositories by a fifth so that France comes in. He has heard there are only going to be three members of the Executive Directors of the Committee and we told him we would stand by five which gives France a position. That's what he wanted.

MR. LUXFORD: You told him we would give him the five depositories to give him support, didn't you?

H.M.JR: I don't know we told him quite so boldly as that.



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

July 15, 1944

TO THE SECRETARY:

Attached is the memorandum submitted to the President on July 6 by the State Department without clearance with War or Treasury, which sets forth proposed principles for a financial and Lend-Lease agreement with the French.

This is the memorandum which got into the hands of Alphand of the French Mission, before it had been seen by Treasury or War, and which Alphand asserted was read to deGaulle by the President.

duFB



MEMORANDUM FOR THE PRESIDENT

P
Y Subject: Summary of Proposed French Lend-Lease Arrangements

The following arrangements, approved by the State Department and the Foreign Economic Administration, are designed to establish a foundation for the supply programs now being planned for France, in the event that the French Committee is called upon to act in France.

It is proposed that aid be made available to the French as follows:

A. All civilian supplies would be paid for currently in cash, including those made available by the Army during the military period.

B. Industrial supplies which can reasonably be expected to have a post-war usefulness or a substantial post-war value, together with consumable industrial supplies not required for military production, would not be furnished on straight lend-lease but would instead be sold to the French on a long-term basis of payment as provided in the draft Lend-Lease Liquidation Agreement (under Section 3(c) of the Lend-Lease Act) recently proposed to the Russians. The broad principles of this agreement were approved by you on March 7.

C. Supplies required by the French forces and consumable industrial supplies and equipment required for such French military production as may be desirable would be transferred to the French as straight lend-lease during hostilities. After the cessation of hostilities, however, such supplies and equipment, to the extent that we had agreed to make them available and had them either in inventory or under contract, would be delivered and paid for on the same basis as item in B above.

On their part the French would make aid available to us as follows:

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A. Supplies, services, and facilities required by our forces either in French territories or elsewhere (to the extent that French territories are the most practical source of supply) would be furnished as reverse lend-lease aid.

B. Strategic materials from French Colonies required by our war industries would also be made available on reverse lend-lease.

C. French currency, in amounts judged necessary by appropriate American officials to provide reverse lend-lease aid by means of cash purchase whenever official methods of requisitioning are inadequate, would also be provided by the French under provisions similar to the franc deposit account set up under the terms of the Modus Vivendi in French North Africa. If desirable, liability for all currency expended in France to procure items qualifying as reverse lend-lease, including currency issued under the authority of the Supreme Allied Commander, would be assumed by the French Committee as a part of the currency and deposits to be made available as reciprocal aid.

If you approve these arrangements, discussions with the French Committee in regard to the agreements necessary to put them into effect could start in the near future.



TREASURY DEPARTMENT
WASHINGTON 25



AIR MAIL

London, July 15, 1944

Personal and Confidential

AIR POUCH

No. 30

Dear Mr. White:

The French and the British financial officials are jubilant over the news that has come out of Washington in the last couple of days. They feel that they have won, as one of the papers here expresses it, a "personal triumph in the American capital". Interest now centers upon the details of the agreements that will be entered into.

Since the arrival of Buz Aarons we have been able to divide our time between the Embassy and Shaef and our contacts with both have improved as a result. Civil Affairs personnel on the financial side number about 200 on the U.S. side. A good many of these are accountants, or people with former banking or brokerage experience. The British have not to date filled their table of organization but even as in the French North African and Italian fields they are placing high-ranking officers in key spots in the obvious attempt to dominate in the field. This is true from the top to the bottom of the ladder. Grasett is over Holmes; Babington-Smith outranks Bernstein; Rabino, a British Brigadier will hold a top-ranking position in the French country mission and will have as one of his assistants a Major Stewart Smith, formerly of Barclays, France. The deputy American officer to Rabino on the French team will be Major John Harriman from Dartmouth, reputed to be able and astute but in an academic sort of way. The British have not yet designated their top man for the German team. The leading American officer is Col. Gilchrist who currently is in charge of a study group surveying the German scene and wondering, in view of conflicting directives, what to do about it all. Captain Ecker-Ratz, and Lt. Fisher of Coast Guard, both formerly in Treasury, are doing good work on anti-inflation and freezing-control programs. We have talked

to

Mr. Harry D. White,
Assistant to the
Secretary of the Treasury,
Washington, D.C.

to a number of American officers from the Italian theater who were engaged on Civil Affairs work there. All have spoken highly of Kamarck and Willis.

In the past two months there have been two meetings of the CCAC(L). The first of these dealt at length with the dangers of venereal disease and the preservation of monuments, statues, and works of art in Europe. The second meeting was a little more significant in that CCAC(L) expressed its approval of the Treasury's memorandum on basic accounting guides for Belgium, Norway, Netherlands, France and Denmark. The question of accounting for civilian supplies is still under discussion. The latest development on this score is the British cable from Washington, RELIEF 262, which indicates that dollar and sterling settlements with the liberated areas will take place on a quarterly basis. This cable seems to envisage the continuance of the Anglo-American pool of civilian supplies for the liberated areas, although it is our view that the pool should be brought to a close at the earliest possible date and direct shipments instituted from the U.S. This is also the view of MEA. Such a procedure could be followed in one area while the pool was still functioning in another.

Ambassador Phillips told Buz yesterday that he thought CCAC(L) was dying a natural death and that nothing should be done to disturb its demise.

The FAC is still operating, although the amount of agreement that has been achieved to date is pitifully small. The Russians have adopted the policy of sending only observers. These observers then transmit the various documents back to Moscow with their comments and emendations. This really amounts to fiat on every side, whether in the FAC, the CCAC, STAFF, MEA, OSS, State, and amongst the various British agencies, two basic assumptions in regard to Germany: (a) It is desirable that the Allied Military should cause minimum disturbance to German economy, and (b) the rehabilitation and reconstruction of German industry is vital in order that Germany might become the industrial supplier to the devastated areas of Europe. Along with these assumptions goes on all sides an express concern lest the dangers of inflation should be visited upon Germany, thereby causing dislocation of German economy and inability to use her productive capacity to the full for the benefit of the other peoples of Europe. Such a

view

view of the situation we must confess leaves us absolutely cold.

The News Chronicle got so noisy on the French currency situation and its articles were so obviously inspired that I decided to do a little sleuthing on the side. I have ascertained that the Vice-Chairman of the News Chronicle is Mr. Lawrence Cadbury, a director of The Bank of England and managing director, Cadbury Bros., Ltd. & associated companies (cocoa and chocolate). Two other Cadburys, Edward and Henry Tylor, are directors of the Daily News, Ltd. which owns and controls the News Chronicle. Incidentally, it may interest you also to know that of the four trustees of the Economist, two are Bank of England directors - Sir Charles Hambro (Head of British Raw Materials Mission, Washington, since 1943) and Sir Alan Anderson (also director of Suez Canal Co.). The trustees exercise great power over this weekly journal and its policies.

The other day we had lunch with some British Treasury officials and ~~was~~ asking them about their present representation in Washington. I was informed that the reason Mr. Brand had been chosen to head the Treasury delegation in Washington was that everyone here hoped that he would be able to fill the shoes left vacant by Sir Frederick Phillips. Mr. Brand had been in Washington for some years with the combined boards and was adjudged to be well liked and respected. It was stated that his association as a managing director with Lazard Bros. & Co. Ltd. was not as a money maker but rather in a professional capacity as statistical and financial adviser! For intervals during the past 14 years, I was informed, Mr. Brand has been a civil servant of F.M. Government, having been called in for consultation on various matters.

Just a word about Lazard Bros. & Co. Ltd. Prior to the outbreak of war it was a leading influence in the Anglo-German Fellowship, organized in 1935. It became a "corporate member" of the Fellowship along with two other banking firms - J. Henry Schroeder & Co. and Guinness, Mahon & Co.

Frank Lee was chosen for the U.K. Treasury Delegation at Washington because he is a "crackerjack". He has been with the Treasury for four years; prior to that time he was with the Colonial Office. Lee, it is stated, is assured of a "bright career" with the Treasury as

he

he is now only about 35 and is said to be on a par with Eddy Playfair as regards keenness and ability.

While we were at the British Treasury the other day we asked for reactions to De Gaulle's stated intention to occupy the Rhineland and take part in the management of a defeated Germany. The British (Messrs. Fraser and Penton of the Treasury and Lithiby of the Bank of England) were spontaneous in their reply. They asked us to remember the geography of the situation. They stated that England needs a strong France, a strong Belgium and a strong Holland and will go far to see that these needs are fulfilled. They stated that the French could make out a very strong case for the occupation of the Rhineland - one was reminded of Stanley Baldwin's assertion of years gone by, "England's frontier is on the Rhine".

The other evening Lt. Henry Morgenthau, Jr. was the guest of honor at a dinner party at the Senior Officers' Club. Also present were Col. Bernstein, Capt. Ecker-Ratz, Lt. Fisher, and the two of us. Lt. Morgenthau made an excellent impression upon all of us.

Much has been said and written about flying bombs - V-1 and V-2. The greatest population exodus of the war from London is under way. Casualties have been about half those caused daily during the "big blitz" in 1940-41. The blast effect of the flying "doodle-bugs", as they are known here, is terrific but fortunately they are not incendiary. The other day we had an opportunity to question a director of an English bank about damage to their property. This bank has 400 branches in the Metropolitan London area - of these over 230 have sustained damage. Four bank employees have lost their lives and many other injured.

Very truly yours,


Wm. H. Taylor


L. C. Harons

U.S. Treasury Representatives

P.S. Enclosed are 3 specimen copies of the 1,000 franc notes printed in the U.S. for the Conite. The 5,000 franc notes are not yet in production, but we will send specimens of those as soon as they are obtained.



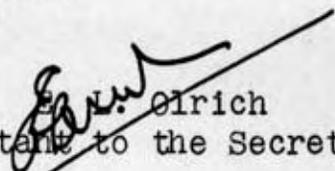
TREASURY DEPARTMENT

WASHINGTON

July 15, 1944

MEMORANDUM TO THE SECRETARY

There is attached a memorandum relative to a matter which I thought should be brought to your attention. This is being vigorously prosecuted.


E. L. Olrich
Assistant to the Secretary

Attachment



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



OFFICE OF THE DIRECTOR

July 15, 1944

PERSONAL AND CONFIDENTIAL

MEMORANDUM TO MR. OLRICH:

With further reference to alleged irregularities concerning the warehousing of Lend-Lease materials, there have been certain significant developments.

There is a specific charge concerning Mr. Joseph Mann, an employee of our Lend-Lease Transportation and Storage Section, which in substance relates to his attempt to collect \$400.00 and \$10.00 per freight car placed in storage with the Bank Street Trucking and Storage Company, 38 Pearl Street, New York, New York. This will be developed further through the calling of witnesses before the Federal Grand Jury at New York, New York on Thursday, July 20, 1944, to determine whether Mr. Mann has other employees working in collusion with him, because he assured the placing of business with the Bank Street Trucking and Storage Company when, as a matter of fact, he individually does not have that authority.

I am advised that there are certain indicated irregularities relating to the Saw Mill Supply, Inc. warehouse at Yonkers, New York because of the high rates paid for the handling and storage of materials at this location as compared to other similar facilities. It is alleged that Mr. Basil Weiss, Chief of the Transportation and Storage Section, and Mr. Mann's superior, has shown favoritism in doing business with this company. It is claimed that Mr. Weiss has shown an undue interest in favoring the Saw Mill Supply, Inc. and I have requested that the matter be inquired into further.

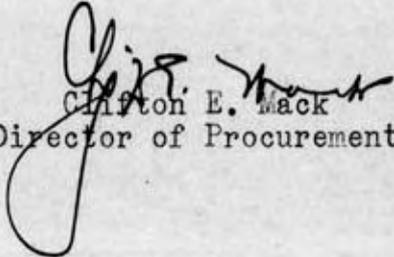
There is a further allegation that Mr. Weiss went on a vacation trip to Maine recently with one of the officers of the Saw Mill Supply, Inc., which I have also requested verified. Because of the seriousness of the allegations, I have asked Mr. Sam Snyder to make a thorough administrative survey of the Lend-Lease stores operations apart from the matters which I have referred to the Intelligence Unit for investigation.

Mr. Olrich

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July 15, 1944

The investigation relative to Mr. H. J. Kenyon apparently is developing satisfactorily according to most recent reports, and it is possible that it may be drawn to a close within the next few days. I will keep you advised.


Clifton E. Mack
Director of Procurement

ORSON WELLES

July 15, 1944

Dear Mr. Morgenthau:

I just got back in Hollywood and found your wonderfully gracious letter waiting for me. This is to thank you for it and to tell you that the opportunity to work with you was a rare and rewarding experience. Please call on me whenever there is a job you feel I can do.

My thanks and warmest regards.



EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.



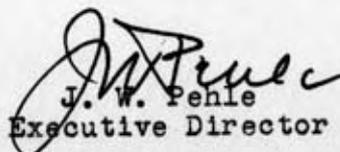
OFFICE OF THE
EXECUTIVE DIRECTOR

JUL 15 1944

My dear Mr. Secretary:

I am enclosing herewith a copy of the report of the War Refugee Board for the week of July 3, to July 8, 1944.

Sincerely yours,


J. W. Penle
Executive Director

The Honorable,
The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the Week of July 3 - July 8, 1944

TEMPORARY HAVENS FOR REFUGEES IN THE UNITED STATES

Attorney General Francis Biddle has furnished for our information copies of an exchange of correspondence between his office and Senator Robert Reynolds. In a letter dated June 14 Senator Reynolds inquired "as to just what ground the President based his authority . . . permitting refugees or anyone else to enter this country outside of our quotas or in violation of our present immigration statutes."

In response, Attorney General Biddle pointed out that the 1,000 refugees to be brought to this country from Italy are not to be entered under the immigration laws and therefore do not obtain any rights to be at liberty in the United States or to remain here. A number of instances were cited to substantiate the propriety of temporarily detaining aliens in this country outside of the requirements of the immigration laws. The Attorney General's reply reiterated the fact that the particular group of persons involved are now a burden to our military forces in an active theatre of war and that military necessity requires some temporary disposition of them. It was also pointed out that as an emergency matter these persons might be permitted to enter the United States under the immigration laws by waivers of documents by the Secretary of State and, if necessary, by waiver of grounds of inadmissibility by the Attorney General. It was believed more desirable, however, the reply concluded, not to apply the immigration laws, which create various rights and privileges, but to deal with this group as with the prisoners of war and other Axis nationals who are admitted to this country temporarily and detained here outside, but not in violation of, the immigration laws.

Report from Italy

Board Representative Ackermann has reported having completed the tentative selection of 775 refugees to be evacuated to this country. It was indicated that the balance of the 1,000 persons who are to be brought here will come from the Rome area. Ackermann stated his intention of proceeding to Rome within a few days to complete the selection process already begun there, at our request, by the representative in Italy of the Intergovernmental Committee.

- 2 -

COOPERATION WITH GREAT BRITAIN

Despite the statement of the British Foreign Office to the effect that it is in wholehearted agreement with the President that the escape of refugees from the Balkans to Italy must in no way be discouraged, recent action in London with respect to the confirmation of Leonard Ackermann's appointment as the Board's Special Representative in Italy indicates that other branches of the British Government are not fully conforming with this Foreign Office policy. While the Supreme Allied Commander of the Mediterranean Theatre consented late in May to the appointment of such a representative, subject only to the condition that he be attached to Allied Control Commission headquarters, the British Joint Staff Mission, acting on instructions from London, subsequently proposed several objectionable additional conditions to the appointment.

In order to avoid further delays we are cabling Ambassador Winant in London that we have consented to Ackermann's appointment despite the conditions involved. We are asking, however, that Winant take this matter up with the appropriate British authorities in order that the conditions in question may be promptly rescinded. The British are to be advised that we strongly object to the condition that Ackermann's activities in Italy must not increase the flow of refugees to such an extent as to place any additional burden on the British military authorities.

While it is intended that Ackermann will cooperate to the fullest extent with the Displaced Persons Sub-Commission and with the representative in Italy of the Intergovernmental Committee we are indicating that we likewise object to having such cooperation made a condition to his appointment if it is intended to subject or subordinate him in this way to the authority of these agencies.

Objection is also to be raised to the proposal that Ackermann's activities be strictly confined to the investigation of possible means of rescue and relief, since this limitation might well make it impossible for Ackermann to take action not inconsistent with the successful prosecution of the war, but necessary to carry out the President's mandate to the Board.

Relief through the Blockade to Cooperating Neutrals

In furtherance of our joint policy to use every available means consistent with the successful prosecution of the war to bring about the rescue of victims of Nazi oppression in

- 3 -

imminent danger of death, the British have now agreed to appeal with us to the humanitarianism of various neutral European governments in behalf of these persecuted persons, in the hope that they will find it possible to liberalize to an even greater extent their policies with respect to the reception and temporary care of refugees from German-controlled Europe.

In cables to our Missions in Turkey, Sweden, Spain, Portugal, and Switzerland we have asked that assurances be conveyed to the governments of these countries to the effect that the United States and Great Britain will be glad to arrange for the provision of such additional food and other supplies as may be required to meet the added burden resulting from the temporary care of refugees, as well as funds if needed. The governments of these countries are also to be assured that the United States and Great Britain will make every effort to arrange for the onward movement to other havens of refuge of such refugees as may be received.

Similar instructions are understood to be going forward to British Missions in these various countries, calling for British support in these negotiations.

FOOD PARCELS TO UNASSIMILATED CIVILIANS

Board Representative McClelland has reported that the joint British-American approach to the International Red Cross has now been made in connection with our experimental program of transblockade relief to persons in concentration and refugee camps in enemy Europe. McClelland indicated that Intercross is now studying the matter of the distribution guarantees requested. A preliminary reply was expected within a few days.

Cooperation of Holy See Solicited

In a letter dated June 26 the Apostolic Delegate in Washington advised Under Secretary of State Stettinius that he has communicated to the Holy See the substance of this Government's message regarding the plight of Jews and other persons detained in camps in German-controlled territory because of race, religion, or political belief. Assurances were extended that the Holy See "will do everything in its power to obtain for these unfortunates a treatment similar to that accorded civilian internees." A further response is anticipated from the Holy See itself with respect to the steps we proposed to insure such treatment.

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Decision on "Christina" Food Parcels Obtained

In connection with the salvaging of food packages on board the "S.S. Christina", Ambassador Winant has advised us that the Belgian Government-in-Exile has indicated that it prefers to forward to Geneva, for ultimate allocation to Belgium war prisoners as originally planned, any supplies that can still withstand such shipment. The Belgian Foreign Office indicated its willingness to sell the balance of the salvageable materials, however, to the International Red Cross for allocation to French concentration and refugee camps.

BOARD ACTS TO OBTAIN MEDICAL PERSONNEL FOR CAMPS IN NEAR EAST

For the past two months we have received repeated warnings that there is a shortage of medical personnel for existing and contemplated refugee camps in the Near East. It has been emphasized that this shortage may seriously reduce the absorptive capacity of these camps and may accordingly prevent the movement of refugees from Italy and elsewhere. This threatened shortage has been the subject of several discussions with the United Nations Relief and Rehabilitation Administration and with Army authorities.

Because failure to meet this need might actually result in the unwillingness of the military to receive refugees in Italy, the Board conveyed word of this situation to the National Committee for Resettlement of Foreign Physicians, an American organization. This committee has been concerned with the problems of professional adjustment of the estimated 6,500 refugee physicians who have come to this country in the past decade.

It developed that the Committee, faced both with difficulties of immediate adjustment and with anticipated post-war problems of the emigre physicians, was just completing a detailed study of the composition of a group of 4,143 physicians and dentists registered with it. This study contains details as to age, sex, length of residence in the United States, citizenship status, country of last citizenship, country of graduation from medical school, fields of medicine, United States licensure, and present occupations.

The results of this study have been made available to Civil Affairs Division of the Army, a meeting between representatives of the Committee and UNRRA has been arranged, and there is reason to believe that, as a result, medical personnel will be obtained for the camps in question.

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CONDITIONS IN THE SATELLITE COUNTRIES

According to a cable from Minister Johnson, the Chief Rabbi of Sweden has been informed, by what he considers to be reliable sources, of German orders to complete the deportation to Germany of all Hungarian Jews by July 15 or thereabouts. Jewish groups in Sweden have addressed a petition to the King, asking him to appeal directly to the Hungarian Government against the carrying out of these orders. This petition is being forwarded to the King by the Swedish Foreign Office, with the recommendation that he accede to the request for intervention in the matter.

Official Report on Conditions in Hungary

In another communication from Minister Johnson there was transmitted a summarized translation of the strictly confidential memorandum furnished by the Swedish Foreign Office with respect to the condition of Jews in Hungary. The discriminatory regulations reported fall into three general categories relating to professions and occupations, to housing and financial status, and to other living conditions. It was stated that these regulations apply to all Jews regardless of whether they are Jewish or Christian by religion. (In this connection it was estimated that 35% of the Jews in Budapest are Christian.) Pressure from the clergy, however, is said to have resulted in relief being granted to Christian clergymen of the Jewish race and to certain other Christians of Jewish extraction.

According to this report, one significant regulation exempts from the obligations imposed on Jews in Hungary all foreign citizens for whom certificates of citizenship issued by various legations have been submitted to the Alien Control Commission.

Inasmuch as these regulations have in most cases been issued without detailed instructions concerning enforcement, it was said that they are subject to very arbitrary interpretation, particularly in the provinces.

The Foreign Office memorandum stated unequivocally that the lives of the bulk of Hungarian Jews are in danger. Hungary was reported to have obtained permission from German authorities to retain 150,000 male Jews between the ages of 21 and 50 for compulsory military labor in the country's defense; the remaining 900,000 Jews are to be transferred to German territory. It was said that this transfer goes on daily in sealed freight cars holding 70 persons each, without sanitary arrangements and with only whatever food each person carries. Estimates of the number of persons already sent to Germany in this

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manner vary between 20,000 and 100,000. The purpose of this transportation, it was stated, appears to be partly to furnish labor for Germany and partly, in the case of children and the aged, to furnish hostages of a sort or protection against bombing if they are quartered near war industries.

Later Report Indicates Situation Beggars Description

Shortly after transmitting to us the substance of the Swedish Foreign Office memorandum, Minister Johnson was advised by a spokesman of the Foreign Office that information just received from Budapest concerning the treatment of Jews is so terrible "that there are no words to qualify its description." It was said that of the total number of Jews in Hungary originally, not more than 400,000 remain and these are mostly in Budapest. The others - of whom there were, conservatively, well over 600,000 - were said either to have been deported to Germany to uncertain destinations or killed.

According to evidence reaching the Swedish Foreign Office, these people are now being killed en masse, many of them by means of a gas chamber across the Hungarian frontier in Poland. Johnson's cable continues:

"It is said by . . . [the Foreign Office spokesman] that these people of all ages, children, women and men, are transported to this isolated spot in box cars packed in like sardines and that upon arrival many are already dead. Those who have survived the trip are stripped naked, given a small square object which resembles a piece of soap and told that at the bath house they must bathe themselves. The 'bath house' does in fact look like a big bathing establishment, being a large building which has been built by the Germans. Into a large room with a total capacity of two thousand packed together closely the victims are pushed. No regard is given to sex or age and all are completely naked. When the atmosphere of the hall has been heated by this mass of bodies a fine powder is let down over the whole area by opening a contraption in the ceiling. When the heated atmosphere comes in contact with this powder a poisonous gas is formed which kills all occupants of the room. Trucks then take out the bodies, and burning follows."

At the same time the Foreign Office spokesman reported to Johnson that the proposed appeal through the King had just been sent to the Hungarian Government appealing to it

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"in Humanity's name" to do what it can to stop the massacre of defenseless persons. It was indicated that in the event the Swedish Minister at Budapest is not given an opportunity to deliver this message to Hungarian Regent Horthy himself, the message will be delivered to the Hungarian Foreign Office. It was also reported that as soon as the Government of Sweden has received confirmation of its delivery in any form, the text of the message will be publicly released.

Johnson referred again to the sincerity and ability of the newly appointed Special Attache who is soon to proceed to the Swedish Legation in Budapest.

Arrangements have already been made by Johnson and Board Representative Olsen to communicate through the Swedish Foreign Office with this Attache when he reaches Budapest. It should thus be possible for us to keep currently informed on the further developments in Hungary.

Details with respect to programs approved or contemplated by the Board in connection with the rescue and relief of refugees from Hungary have been cabled to Johnson and Olsen for transmission to the new Attache, for his information.

Unfavorable Swiss Reply Anticipated

Minister Harrison has indicated that, while no formal reply has been received from the Swiss Foreign Office in response to our proposal that Switzerland enlarge its diplomatic and consular representation in Hungary, a Foreign Office official has indicated that the reply will probably be unfavorable.

Rumania Facilitating Escape of Hungarian Jews

Harrison has also advised us of the identity of the "reliable source" through which it was learned that the Rumanian Government has issued confidential instructions to border control authorities to facilitate the admission of Jewish refugees from Hungary for transit through Rumanian territory. A message in code, received by air on June 2 from the Prime Minister in Rumania, was the basis for the information. The Rumanian delegate to the International Red Cross is said to have stated that he was able to give formal assurance, presumably for the ears of the Allies, that Jews coming from Hungary to Rumania would not only be allowed to cross the border secretly, but that their safety would be looked out for by the Rumanians. We were further advised that word received from Jewish sources in Budapest would appear to substantiate previous reports to the effect that the Rumanians are not making things difficult for the few

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Jews who have been able to reach the Rumanian frontiers.

EVACUATIONS TO AND THROUGH TURKEY

In view of the recent report from Jerusalem with respect to the 26 Jews who presumably still remain under arrest in Bucharest, we are asking Board Representative Hirschmann in Ankara to let us know what steps have been taken in this matter. We are relaying to Hirschmann the belief of the refugee who recently arrived in Jerusalem from Rumania that intervention regarding the fate of the arrested Jews might produce results. According to this refugee, it is not out of the question that, in view of the current military situation and as a result of such intervention, the proceedings might be wholly suspended and the persons released.

Large-Scale Evacuations from Balkans Begin

Reports received from Ankara indicate that operations have now begun in connection with the project being underwritten by the American Jewish Joint Distribution Committee to the extent of \$3,000,000, to evacuate some 8,000 persons from the Balkans. Small boats operating without safe-conducts are being used in these operations.

Coordinating Committee Established in Turkey

We have been advised by Board Representative Hirschmann that as the result of a conference arranged by Ambassador Steinhardt in Ankara on July 2 and attended by representatives of various interested rescue and relief organizations, an agreement was reached to form an over-all coordinating committee including all effective agencies now represented in Turkey. This committee is to be directed by Hirschmann and his assistant, Herbert Katzki.

Additional Rescue Projects Licensed

Upon our recommendation, the Treasury has issued a license to The Emergency Committee To Save the Jewish People of Europe, permitting the remittance of \$5,000 to the Committee's representative in Istanbul. These funds are to be used only as authorized by Ambassador Steinhardt and/or Board Representative Hirschmann, for the rescue of threatened persons in enemy territory.

Another license has been issued, upon our recommendation, to the International Rescue and Relief Committee permitting it

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to remit \$5,000 to its representative in Turkey. This license likewise provides that the funds may be utilized only as authorized by Steinhardt and/or Hirschmann in effecting rescues from enemy territory.

EVACUATION OF SPANISH REFUGEES FROM PORTUGAL TO MEXICO

A cable has now been sent by the State Department to our Embassy in Lisbon asking for certain detailed information with respect to the Spanish refugees for whom Mexican visas and U. S. transit certificates are to be made available. The State Department indicated that, upon receipt of this information, an effort will be made to process the cases within one week. If no objections are made, our Embassy in Lisbon will be authorized to grant transit certificates, provided that no objection develops on security grounds and provided the applicants first secure Mexican visas.

In case the submission of photographs is impracticable, State indicated that this requirement may be waived subject to the submission of photographs after the issuance of transit certificates and subject to the furnishing of fingerprints. Certain other requirements usually made of applicants for transit certificates were also waived by State, in view of the dangers involved in the regular application procedure for refugees who must remain in hiding until visas and transit certificates are actually in their possession.

EVACUATIONS TO AND THROUGH SWEDEN

Upon our recommendation, the Treasury has issued a license to the World Jewish Congress permitting the remittance of \$10,000 to its representative from Sweden, to be used in connection with the rescue and relief of Jews in Bulgaria, Hungary, and Rumania. This license provides that the funds transmitted may be utilized only as authorized by Board Representative Olsen.

EVACUATION TO AND THROUGH SWITZERLAND

We have now worked out with the National CIO War Relief Committee and the United Nations Relief, AFL, three rescue and relief projects to be carried out from Switzerland. Special appropriations from the National War Fund have been arranged to the extent of \$90,000 for the Belgian War Relief Society, \$90,000 for the Queen Wilhelmena Fund, and \$20,000 for the Friends of Luxembourg, and appropriate Treasury licenses covering the proposed operations have been issued to the organizations named.

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RECOGNITION OF LATIN AMERICAN PASSPORTS

We have now received by way of Naples a delayed communication from Harold Tittmann with respect to our request that the Holy See cooperate by supporting in Latin America and in Spain the steps we have taken to protect holders of Latin American passports and travel documents. It was stated that the Holy See, in response, indicated that while it does not wish to be identified as actually collaborating with any government, it would take independent, parallel action.

Continual efforts have been made by the Holy See since last December to prevent the transfer elsewhere of these internees, it was said. Since the Apostolic Delegate in Washington has been kept informed of the status of these efforts, it was suggested that we obtain directly from the Delegation details of the various approaches inspired by the Vatican, as well as the replies received.

Inquiry Made Re Spanish Action

We have cabled Ambassador Hayes in Madrid for information as to whether, subsequent to his dispatch of May 11, Spanish authorities have made any effort to protect Latin American passport holders or to secure the return of any such persons previously removed from Vittel or Compiegne.

Bolivian Reply Received

According to a communication from our Embassy in Bolivia, the Bolivian Minister of Foreign Affairs has stated that he will comply with our requests concerning the protection and proposed exchange of holders of Latin American passports. The Foreign Minister is said to have stated that he would immediately communicate with the local representative of the Bolivian protecting power in order to add Bolivian support to the representations already made by this Government and other American republics.

Clarification of Nicaraguan Action Requested

Despite the report from Managua that the Nicaraguan Foreign Office cabled the Swiss Foreign Office on April 22 asking that Switzerland as the Nicaraguan protecting power safeguard from enemy persecution persons in enemy territory holding documents issued in the name of Nicaragua, the Swiss Foreign Office on June 13 informed Minister Harrison that no such request had been received by it. In cables to Bern and to Nicaragua we have asked that the apparent contradiction be investigated. In the event that the request previously

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reported has not actually gone out, we have urged our Embassy in Nicaragua to press appropriate authorities there for an immediate dispatch of the suggested request.

REPLACEMENT OF EXPIRED U. S. VISAS

In a letter to the State Department dated July 4, we have suggested certain additional measures which may help to save the lives of a number of persons in enemy-controlled areas who hold American immigration visas expired only by lapse of time.

In a previous letter from State it had been suggested, in connection with our efforts to safeguard the lives of persons in enemy territory holding expired American visas, that the German authorities simply be informed that visas will be issued to such persons provided they are found by the American consular officer to whom they apply, to qualify under the immigration laws.

Since the German authorities, no less than ourselves, would perceive in such a statement only the truism that visas will be issued to any applicant provided he is found to qualify under the immigration laws, Mr. Pehle in his letter of July 4 proposed instead that American consular officers be authorized to issue a new immigration visa to any person to whom an American immigration visa was issued after July 1, 1941, with no more formality and no other requirements than are incidental to the issuance of a replace visa, provided, first, such person present himself to an American consular officer and is not found to have become disqualified for a visa since the date his original visa was issued, and provided, second, such person has been in territory controlled by Germany or any of its satellites continuously since December 8, 1941. It was further proposed that the German Government be informed through proper channels that this Government has so authorized its consular officers.

With respect to another category of persons previously discussed with State, namely, successful applicants for immigration visas who have been in enemy territory continuously since December 8, 1941, and whose visas were not actually issued solely because they failed to appear for them in person, it was proposed that exactly the same technique be employed.

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COOPERATION WITH THE INTERGOVERNMENTAL COMMITTEE

Our Embassy in London has forwarded to us a letter from the Director of the Intergovernmental Committee announcing a plenary session of the Committee for August 15, 1944. It was explained that this date is contingent on war conditions and that it may be necessary to postpone it owing to difficulties of communications and transportation.

This Government was requested to appoint a delegate and, if it so desires, a substitute delegate for the plenary session.


J. W. Pehle
Executive Director

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.



OFFICE OF THE
EXECUTIVE DIRECTOR

JUL 15 1944

MEMORANDUM FOR THE MEMBERS
OF THE WAR REFUGEE BOARD

COPY FOR
SECRETARY MORGENTHAU

In view of the understandably widespread concern with the plight of the Jews in Hungary, I feel it appropriate to inform you of the known facts of the situation and the steps we have taken in our efforts to meet it.

Ever since the occupation of Hungary by the Germans and the establishment of a puppet government there we have been urgently concerned with the situation of the Jews in that country. Some indication of the unspeakably tragic plight of these people is furnished by the Board's representatives in Sweden and Switzerland in recent cables, copies of several of which are attached.

From many sources we have received heartbreaking pleas and proposals for action. Each of these proposals has been carefully weighed and, where practicable, immediately acted upon. The attached memorandum summarizes our more significant activities with respect to this problem.

In spite of all our concern and our activities there has been no noticeable lessening in the program of persecution and extermination of Jews in Hungary.

We shall, of course, continue to push forward in all our efforts.


J. W. Penle
Executive Director

Attachments

SUMMARY OF STEPS TAKEN BY WAR REFUGEE BOARD
WITH RESPECT TO THE JEWS OF HUNGARY

Immediately upon the German occupation of Hungary with its indication of increased brutality to Jews and other minorities in that country, the programs of the War Refugee Board were geared to the urgency of the situation and our efforts have been unstinting to forestall deportations and executions and to rescue as many as possible of these victims. Every suggestion, from private as well as public sources, has been carefully analyzed and studied by the Board and every possible project to save these people has been vigorously pursued. The full power of the Board has been utilized with respect to the Hungarian situation in the effort to carry out this Government's determined policy to save these Nazi-oppressed peoples.

Our first step was an attempt to get the facts of the situation and urgent cables were immediately despatched to our missions in the neutral countries as well as to the Vatican requesting detailed information on the treatment of Jews in Hungary.

Efforts to Increase Protection to Jews of Hungary

With the receipt of reports that the Germans with the eager assistance of the puppet Hungarian Government were pursuing a program similar to those already undertaken in Poland and elsewhere, we commenced a series of measures designed to obtain some measure of protection for these people in Hungary. We instructed our representatives in the neutral countries to request the Governments to which they are accredited to increase to the largest possible extent the number of their diplomatic and consular personnel in Hungary in the hope that such representatives would use all means available to persuade individuals and officials in Hungary to desist in the persecution of Jews. Turkey, Portugal, Spain and Switzerland did not respond favorably to this appeal. Sweden, in view of the humanitarian considerations, agreed wholeheartedly and immediately arranged for extra diplomatic personnel in Hungary.

- 2 -

The International Red Cross was also urged to increase its representation in Hungary in order to protect the well-being of the groups in that country facing persecution. While the reaction to this request was unfavorable at first, upon our repeated urging the International Red Cross now appears to be attempting to arrange for additional personnel in Hungary and they are cooperating with our representative in Switzerland in his efforts to help the Jews of Hungary.

At the urgent request of the Board, a cable was sent to the Vatican in the name of the Government of the United States calling the attention of the Holy See to the reports of persecution in Hungary and calling upon the Pope to express himself on the subject to the authorities and people of Hungary personally by radio and through the clergy in Hungary. The cable also urged that His Holiness might find it possible to remind the people of Hungary of the spiritual consequences of the acts being perpetrated in Hungary and that the Vatican send extra representation into Hungary. The Apostolic Delegate has just advised us that on June 25th the Pope addressed a personal appeal to Regent Horthy to do everything possible in favor of these unfortunate persons suffering because of their race or nationality. Horthy responded that he would do everything in his power to cause the demands of humanitarian and Christian principles to prevail. In addition, the Apostolic Delegate advises that the Apostolic Nunciature in Budapest has been carrying on intense activity in behalf of the non-Aryan Hungarians and in every way is seeking to aid and protect them.

At the urgent request of the Board, Minister Harrison was asked to request the Swiss Government to address an inquiry in the name of the United States Government to the appropriate Hungarian authorities asking them to state their intentions with respect to the future treatment to be accorded Jews and to remind such authorities of the grave view this Government takes concerning the persecution of Jews and other minorities. The note containing this message was delivered to the Hungarian Foreign Office by the Swiss on June 27th.

- 3 -

Intensification of Psychological Warfare Program

In cooperation with OWI, arrangements have been made to beam messages continually to Hungary warning her people and officials to desist in persecuting the Jews and informing them of our determination to punish the perpetrators of such cruelties. OWI coverage has been very widespread from overseas as well as from the United States. The British and Russian Governments were immediately urged to cooperate in this psychological program by increased broadcasts to the Satellites.

The President's statement of March 24th on Nazi atrocities was repeatedly used in broadcasts from this country. Through our efforts the members of the Senate Foreign Relations Committee signed a strong statement condemning the brutal treatment of Jews in Hungary and the House Foreign Affairs Committee followed suit by unanimously approving a resolution condemning the German persecution of minorities and, in particular, the barbarous acts being pursued in Hungary. These two statements have been used over and over again in OWI programs to occupied Europe. Through War Refugee Board representatives abroad the texts of these statements were made available to the press and radio of neutral countries. A statement decrying the Nazi atrocities signed by Governor Alfred E. Smith and 70 other prominent American Christians has been given similar coverage throughout the world.

Recently, at our request, Archbishop Spellman of New York, in an unprecedented move, issued a stirring spiritual appeal to the people of Hungary to desist in submitting to the lust and tyranny of the Nazi extermination program. This statement has been hailed by people all over the world and has been radioed repeatedly to Hungary and the other satellite countries from the United States and the neutral countries. Pamphlets containing the Archbishop's statement and the other statements mentioned above have been dropped by planes over Hungary in an attempt to reach as many people as possible.

- 4 -

Operations from Sweden

The Swedish Foreign Office has cooperated closely with our representative and has made available to him various official reports received from Swedish diplomatic personnel in Hungary. In addition, the Swedish Foreign Office has arranged to send Mr. Wallenberg, a prominent Swedish business man, to Budapest as attache in refugee matters with the express purpose of saving as many lives as possible. The Swedish Foreign Office has gone so far as to indicate that Wallenberg would be available for any work the War Refugee Board might wish to assign to him. We have, of course, cabled that, while Wallenberg could not act as the Board's representative nor in its name, he is free to communicate with our representative in Stockholm and to lay before him any specific proposals to aid the Jews of Hungary. Our representative has been instructed to lend every assistance possible to this mission.

In the hope that rescue operations might be increased and developed from Sweden, we have sent a detailed program to Olsen suggesting the names of persons in Hungary who might be helpful in arranging rescues and we have indicated various escape routes which might be available from Hungary. We have arranged for private funds to be sent to Olsen to be used expressly for rescue operations from Hungary and we have indicated our willingness and eagerness to discuss any suggestion or program designed to help the persecuted people of Hungary.

Operations from Switzerland

Board representative McClelland has received instructions similar to those sent to Olsen and he has been requested to coordinate the activities of American organizations in Switzerland in an effort to ensure the most effective rescue operations for Hungarian Jews. Names of individuals in Hungary who may be of assistance and possible escape routes have been sent to him. In response to McClelland's urgent request for funds to finance the rescue of Nazi victims from Hungary, the Board arranged for remittances of \$1,125,000 of private

- 5 -

funds, to Switzerland. Through a special appeal to the Swiss Minister, arrangements were made for the Swiss authorities to make the necessary Swiss francs available for these activities. McClelland has reported to the Board that numerous operations are now under way and that all reports and appeals from the Jews of Hungary are given careful consideration in an attempt to leave no stone unturned.

Attempts to Increase Flow of Refugees from the Balkans Through Yugoslavia and Turkey

With the tragic turn of events in Hungary, the Board has intensified its efforts to develop a flow of refugees in two general directions. It has, in the first place, been devoting itself to opening channels through Yugoslavia and Italy. Funds have been sent in order to facilitate the rescue operations across the Adriatic and it is hoped that some refugees in Hungary will seep through this avenue of escape. In the second place, the Board has been involved in developing plans for substantial rescue operations through Rumania and thence by sea to Turkey and Palestine. The latter plan has been the more productive. The Rumanian authorities have set up a new bureau to facilitate emigration and five small ships have been made available for rescue work from Constanza to Turkey. One of these ships has already landed in Turkey with 739 refugees including 239 orphan children. As a result of Ambassador Steinhardt's efforts, transportation across Turkey has been facilitated. The Board is making every effort to coordinate the activities of private agencies, to send increased remittances to Turkey, and to take every other possible step to maintain and increase this flow.

Military Operations

As the situation in Hungary has become increasingly desperate, the Board has received several proposals that certain military operations might take place with the possible purpose of forestalling or hindering German extermination operations. One of these was a suggestion that the railways leading from the points of deportation to the camps be bombed. This particular suggestion was discussed with Assistant Secretary of War McCloy. After careful consideration of the matter, the War Department ruled that the suggested air operation was impracticable.

- 6 -

The Board has also received a variety of other suggestions in this category. It has been suggested that the concentration and extermination centers be bombed in order that in the resultant confusion some of the unfortunate people might be able to escape and hide. It has also been suggested that weapons be dropped by parachute simultaneously with such bombings. Finally, it has been proposed that some parachute troops be dropped to bring about disorganization and escape of the unfortunate people.

Arrangements are under way for the examination of these proposals by the competent military authorities.

Consideration of German-Inspired Proposals to Save the Jews of Hungary

Various large-scale and somewhat fantastic proposals are now being received through neutral countries suggesting certain concessions by the Allied Governments in return for the Germans' ceasing to kill and deport the Jews of Hungary. Most, if not all, of these propositions are of dubious reliability. Nevertheless, the policy which we are following is to avoid the outright rejection of any one of these in the hope that some valid and acceptable proposal might be received.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: June 24, 1944
NUMBER: 4041

CONFIDENTIAL

McClelland sends the following for the War Refugee Board.

Reference is made herewith to Legation's message dated June 17, No. 3867, paragraph three.

Now there is no doubt that the majority of the Jewish population east of the Danube especially in eastern, northern, and north eastern Hungary has been deported to Poland. Further reliable information confirming this fact has come in in the course of the past two weeks from the following independent sources: (a) Swiss official employee just returned from Budapest, (b) Railway workers in Czech resistance movement, (c) other reliable secret source regard information as to sources as absolutely confidential since any publicity regarding them would endanger lives.

Prior to the deportations, there were two weeks to a month of brutal concentration during which thousands of Jews were crowded together in primitive quarters with insufficient food, clothing and water, regardless of state of health, sex or age. The Hungarian gendarmerie on Laszlo Andre's orders largely carried out this action.

Apparently the actual large scale deportations began about May 15 and lasted until the middle of June. The movement involved 12,000 persons per day. About 7,000 through sub-Carpatho-Russia and 5,000 through Slovakia. Characteristic of such actions, people were deported 60 to 70 per sealed freight wagon for a trip of two to three days without adequate water or food probably resulting in many deaths en route.

Particularly used were the following stretches of railroad:

(1) Csap-Kaschau-Presov-Lubotin-Nowysacz in direction of Cszwiesim; (2) Satoraljaiuhaly-Leginamich Wlany-

- 2 -

Michaloves-Medzilaborce. Also many thousand troops to and from the Polish front were transported daily over this line; (3) Munkacs-Lavoczne; (4) Galanta-Sered-Leopoldstadt-Novemesto-Trencin; (5) Vrusky-Zilina.

It is urged by all sources of this information in Slovakia and Hungary that vital sections of these lines especially bridges along ONE be bombed as the only possible means of slowing down or stopping future deportations. (This is submitted by me as a proposal of these agencies and I can venture no opinion on its utility).

At least 335,000 Jews already have been deported from the following regions according to figures received.

Approximately 130,000 in sub-Carpathia and Ruthenia mainly from the towns of Beregezsacs, Felsővisó, Huest, Nagyvezollos, Maramarossigot, Munkacs, Tecar and Ungvar.

Approximately 90,000 in Transylvania from Boztorce, Des, Koloszvar, Nares Vasarbely, Nagybanya, Nagyvarad, Ssaseregan and Szilagy, Somlyo.

In northern Lakaschau, Gyongyos, Sator Aljauhely and Sarospatak.

Approximately 75,000 in the Tisz region from: Kisvarda, Matcazalka, Nagykaroly, Myiregyhaza and, Szatmar Nemeti.

It is also reported by one source that deportations of approximately 20,000 have taken place from certain towns in southern Hungary such as Bacz (*)ya, Baja, Nagykanieza, Ujvidak and Szabadka and further exi(*)tions also being made deport Jews from towns of Dunazzerdahely, Cyoer, Komarom, Mikele, Peca and Szombathely where persons are already concentrated.

Some 350,000 Jews have already been concentrated in Budapest and environs. This began around June 16 and on the 21st it was to be finished. In the city proper they have been settled in requisitioned blocks of houses in a chess board pattern so that they will not escape bombardment.

Some 15,000 Jews have been crowded into a ghetto in the factory zone along the Danube in Ujpezt near Budapest.

- 3 -

The principal individuals in the Sstfjay Government responsible for this persecution of Jews are as follows; Laszlo Enire, former subprefect of country of Pest now in Ministry of Interior; Laszlo Baky, also Interior and Andre Faroos, Minister of Interior.

In an effort to check such continued deportations Termanoezov (*) from the United States, we recommend British and Soviet (*) broadcasts and especially leaflets. If it is possible, the Vatican should be prevailed upon to associate itself with such protest.

There is little doubt that many of these Hungarian Jews are being sent to the extermination camps of Anachitz (Oswiecin) and Birke Nau (Rajaka) in western upper Silesia where according to recent reports, since early summer 1942 at least 1,500,000 Jews have been killed. There is evidence that already in January 1944 preparations were being made to receive and exterminate Hungarian Jews in these camps. Soon a detailed report on these camps will be cabled.

HARRISON

(*) apparent omissions

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Legation, Stockholm
TO: The Secretary of State, Washington
DATE: July 1, 1944
NUMBER: 2412 (SECTION ONE)

SECRET

Boheman has advised me that information just received from Budapest concerning treatment of Jews is so terrible that it is hard to believe and that there are no words to qualify its description. He said that of the total number of Jews in Hungary originally not more than four hundred thousand remain now and these are mostly in Budapest. He also said that the others of whom there were well over six hundred thousand (this is a conservative estimate) have been either deported to Germany to uncertain destinations or killed. According to the evidence, these people are now being killed en masse by the Germans and large numbers are being taken to a place across the Hungarian frontier in Poland where there is an establishment at which gas is used for killing people. It is said by Boheman that these people of all ages, children, women and men, are transported to this isolated spot in box cars packed in like sardines and that upon arrival many are already dead. Those who have survived the trip are stripped naked, given a small square object which resembles a piece of soap and told that at the bath house they must bathe themselves. The "bath house" does in fact look like a big bathing establishment being a large building which has been built by the Germans. Into a large room with a total capacity of two thousand packed together closely the victims are pushed. No regard is given to sex or age and all are completely naked. When the atmosphere of the hall has been heated by this mass of bodies a fine powder is let down over the whole area by opening a contraption in the ceiling. When the heated atmosphere comes in contact with this powder a poisonous gas is formed which kills all occupants of the room. Trucks then take out the bodies, and burning follows. Jews in Hungary have been successful in getting an appeal through the King of Sweden and I am advised by Boheman that under the signature of the King a telegram has been sent through their Legation to Horthy appealing to him in Humanity's name to do what he can to stop this horrible massacre of a defenseless people and to save the lives of those who

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are left. It is not known by Boheman whether an opportunity to see Horthy to deliver this message will be given to the Swedish Minister at Budapest. The message will be delivered to the Foreign Office if he is not permitted to see the Regent and it will be published here as soon as the Government of Sweden has received confirmation of its delivery in any form.

JOHNSON

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Legation, Stockholm
TO: The Secretary of State, Washington
DATE: July 1, 1944
NUMBER: 2412 (SECTION TWO)

SECRET

The Hungarian Jews, in spite of all their difficulties, have collected money to the equivalent of 2,000,000 Swedish crowns to be used in aiding the Jews and this has been turned over to the Swedish Legation in Budapest. Wallenberg who is going to the Swedish Legation at Budapest as an attache to handle refugee matters, was highly praised by Boheman who said that if our War Refugee Board could formulate some form of directive for him which the Foreign Office will be glad to transmit, it would be of great help to Wallenberg. There is no doubt in my mind as to the sincerity of Wallenberg's purpose because I have talked to him myself. I was told by Wallenberg that he wanted to be able to help effectively and to save lives and that he was not interested in going to Budapest merely to write reports to be sent to the Foreign Office. He himself is half Jewish, incidentally. I refer in this connection to my number 2360 dated June 28 (number 40 for the War Refugee Board) and to the suggested desirability of the formulation by WRB of some directives for Wallenberg at the earliest possible moment. My number 2271 dated June 23 is referred to also. Provided the source is not (repeat not) revealed there is no objection on the part of Boheman to any publicity use we may desire to make of that portion of the foregoing which deals with the treatment of Jews in Hungary.

I have been advised by Boheman that he is now having copies made of the last reports from Budapest to which reference has been made above and that as soon as they are ready he will turn them over to me. Copies will be forwarded by air pouch and a summary will be given by cable.

JOHNSON

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Legation, Stockholm
TO: The Secretary of State, Washington
DATE: July 7, 1944
NUMBER: 2511 (SECTION 1)

SECRET

My number 2510 dated July 7 summarized the first part of report and second part is summarized in substance as follows. This is not suitable for publication since the contents would reveal the Swedish source of information.

SUMMARY: The Swedish Legation in Budapest, to the extent of its ability with the small staff available, has attempted first of all to aid persons who have Swedish connections and by telegraphing for increased authority, to create possibility for more effective intervention. The experience of the Swedish Legation in Budapest could not have been worse. Communication with the Swedish Legation by a majority of persons who were holding "protective papers issued by the Legation, was not possible later. As undeliverable, letters to them were returned sometimes. Of course only in a very few cases could personal visits by the Legation staff be undertaken and these proved to be ineffective or not feasible. Letters and notes addressed to military officials or to the Hungarian Foreign Ministry by the Swedes were often kindly received and replies promised but practically never forthcoming were these replies. Naturally the difficulty of the Swedish Legation in achieving any important success has been enhanced by the evident annoyance of the present regime at Sweden's breach of trade relations and there is in fact in Stockholm no normal Hungarian Legation. Therefore there has been no compliance with even the most reasonable demands. As an example, if at least those Jews who have been given Swedish passports could enjoy a status equal to that of the subjects of Sweden and were left at liberty until they could be sent to Sweden, it would not seem unreasonable. However the authorities of Hungary, instead of agreeing to this, have declared that after the first of July they would intern all alien Jews. To oral inquiries it has not been possible to obtain from the Foreign Ministry anything but vague replies.

JOHNSON

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Legation, Stockholm
TO: The Secretary of State, Washington
DATE: July 7, 1944
NUMBER: 2511 (SECTION 2)

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SECRET

To oral inquiries regarding the internment of these persons in special camps under the care and protection of neutral Sweden, it has not been possible to obtain from the Foreign Ministry anything but vague replies.

Two fresh experiences will serve to illustrate the manner in which German and Hungarian officials place the blame on each other: Recently a member of the staff of the Legation was told in greatest confidence by a German officer who had been an eye witness of his repugnance to the unnatural cruelty with which the Hungarian deportations were connected. German Red Cross nurses were on hand to serve refreshments when the sealed box cars (the small vents in these cars had been closed) were opened at the frontier and for onward transportation passenger cars were ready but it was found that the Hungarian cars contained a great many corpses among which were squeezed humans, white haired, emaciated and desperate. During a conversation with a journalist close to the present regime it was suggested that if they wanted to get rid of the Jews in Hungary, instead of tormenting and exterminating them it would be more humane to let them use emigration permits when available. What the Government of Hungary does with its subjects does not concern any outsider and all peoples have the natural right to retaliate, was the journalist's reply. That the two persons talking clearly did not understand each other, which indeed was the case, was the rejoinder when it was brought out that little children could not have been able to sin against the nation. THE SUMMARY ENDS HERE.

As soon as they can be copied four enclosures to the report given above are promised by the Foreign Ministry. Aforementioned enclosures relate to (1) Jewish Council of Budapest's report on deportations and arrests; (2) report by two Slovakian Jews who escaped from an Auschwitz annihilation camp; (3) summary of item (2); (4) report

- 2 -

by women who escaped from Auschwitz camp. When received these items will be summarized by cable and by despatch translations will be sent.

By pouch closing the 11th of July a full translation of the report, without enclosures, is being sent.

JOHNSON

MS
Distribution of true
reading only by special
arrangement. (SECRET W)

July 15, 1944

4 p.m.

AMREP,

ALGIERS.

2203

The following WRB cable no. 33 is for Saxon.

Please refer to your 1790 of May 30 repeated to
Madrid as 102 and our 1795 of June 6.

USCC advises us that it has disbursed 50,000
pesetas for port dues in Spain and inquires whether
it should continue to hold open 50,000 peseta balance.
Please advise whether you desire 50,000 peseta balance
to remain at our disposal.

Repeated to Madrid for Blickenstaff as 1984.

HULL
(GLW)

HULL
#1984

CODE ROOM: Please repeat to Madrid/ and insert above
number of Madrid cable.

WRB:MMV:KG
7/14/44

WE

SWP

S/CR

CABLE TO AMBASSADOR BRADEN, HABANA, CUBA

Department and Board highly gratified by results reported in your A-1294 of June 16. Please convey this Government's appreciation to Cuban authorities. Substance of your communication being transmitted to Amembassy Madrid with request to support Cuban requests.

The only question in connection with your message arises from fact that Cuba's protecting power vis-a-vis Germany is Switzerland whereas instructions are being sent to Cuban embassy in Madrid. Please clarify and advise. Would also appreciate learning dates when promised instructions were actually sent.

10:15 a.m.
July 15, 1944

BAksin:ar 7/14/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: July 15, 1944
NUMBER: 5597

SECRET

A message in paraphrase, from Emerson, IGC, for Pehle, WRB, is as follows:

"A message has been received recently from our representative in Italy which states, in effect, that there have been discovered records which are now available in Italy and which give complete lists of names of more than 15,000 individual refugees -- Yugoslavs who are now Jews, Jews, and other people -- who have been, at one time or another since the start of the war, in Italy. To trace many of them now is impossible. Other data is available which gives the names of refugees at free detention places and those held at certain camps at certain times. Our representative suggests that notification be given the Axis authorities that this information is in the possession of the Allies and that due punishment will be inflicted upon those responsible for the ill treatment or death of these people. I am referring this matter to you, since agreement has been reached with Washington that the field of action of the Intergovernmental Committee does not cover psychological action of this kind. Since it would possibly be of special interest to the War Crimes Commission, the information has also been sent to the British Foreign Office."

WINANT.

DCR:LCW
7/17/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: July 15, 1944
NUMBER: 5598

SECRET

Following is for the attention of the War Refugee Board.

Today Mr. Koziebrodzki and Dr. Lachs, officials of the Polish Foreign Office and members of its sub-committee on war crimes, visited the Embassy. It was stated by them that they have evidence that many refugees holding South American passports who have been removed from the camp at Vittel are citizens of Poland. It is suggested that the respective South American countries be requested to notify the German Government, through the appropriate channels, that they will take retaliatory action against Germans residing in their territories if ill treatment is accorded by the Germans to the holders of the South American passports.

WIMANT

AIRGRAM

FROM: Port-au-Prince, Haiti.
DATE: July 15, 11 a.m., 1944
Rec'd: July 19, 8 am

SECRET

The Secretary of State,

Washington, D. C.

A-375, July 15, 11:00 a.m., 1944

In reference to my secret airgram No. A-369 of July 12, 11: a.m., 1944 and previous correspondence concerning assistance to refugees under German control bearing Haitian passports, and to confidential despatch no. 43 of June 21, 1944 concerning fraudulent Haitian passports issued by Mr. Pazo (Pazo) Cano, the Department's attention is invited to three censorship intercepts cited below:

The intercepts in question are: No. SJ FIN 14425; SJ FIN 15096; and SJ FIN 15356, two of which were forwarded by the Visa Division and one by the Division of Foreign Activity Correlation.

The communications are from Dr. Herzberg, Tucuman 413, Buenos Aires, (or Maipu 429), Buenos Aires, and alternatively Raul del Pazo Cano, Haitian Consulate, Asuncion, Paraguay, all addressed to Dr. A. Silberschein (c/o "Relico"), 37 Quai Wilson, Geneva, Switzerland. These communications were all condemned, and presumably the passports enclosed therewith seized by the Office of Censorship. A review of these intercepts shows that they relate to a total of 103 different fraudulent Haitian passports issued by Mr. Pazo Cano covering 223 persons, all of whom appear to have Jewish names and seem to be resident in territory under German control. The individuals names are all given in the intercepts referred to above.

No action is being taken on the matter here.

WILSON

File: 801.2
GCJr/ab

LC - 76

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Naples

Dated July 15, 1944

Rec'd 9:42 a.m., 16th

Secretary of State,
Washington.

July 15, 3 p.m.

FOR WAR REFUGEE BOARD FROM ACKERMANN FROM
STAUBER.

Advise Dillon Myer Stauber arrived Aversa July 13. Processing and lists complete. Starting inoculation for typhoid, typhus, smallpox, tetanus to be completed on ship and camp Ontario.

Clothing, health, and general condition fair to good. No cripples, or serious chronic cases. Possibly few stretcher cases. Also special diets for a few diabetics. All known active TB cases excluded. A few pregnancies with early delivery. Several young infants.

Group moderately resourceful and with careful guidance and training should be able do much of routine camp work. Many have modest funds. Number interpreters adequate also some physicians.

Male adults are mostly over military age but are in moderate health and able-bodied. Vast majority refugees are Jewish. National origin Yugoslav, Austrian, Polish, German, Czech.

Most can converse in one of Yugoslav, Italian, or German.

Find Budget Bureau form 47 RO40 being used contrary to earlier information. Copy for every family already completed. Hope to send statistical data shortly. No serious cultural conflicts evident as yet but refugee psychology will present special problems and require close observation for initial period. Understand many hope strongly remain in States although all adults have signed statement they understand are to return Europe after war. This situation will require diligence and alertness to avoid complications.

Captain Korn

-2- #July 15, 3 p.m., from Naples

Captain Korn expected accompany group. Doctor Gruber has not arrived.

Preliminary intelligency screening has been accomplished. Some pressure developing for quarters assignment by national groups but officials here strongly (repeat strongly) recommend against same and favor no (repeat no) segregation on national, racial or religious basis. Kosher food so far not serious problem. Perhaps fifty individuals will desire same at camp.

BRANDT

HTM

CABLE TO AMERICAN CONSUL, TANGIERS, MOROCCO

The War Refugee Board requests that you deliver the following message to Samuel Reichman, 25 Rue Moliere, Tangiers:

QUOTE Referring your message to Stephen Klein our organization ready support any project rescue children from Hungary Please advise us all details through American Legation.

VAAD HAHATZALA EMERGENCY COMMITTEE
RABBIS ARON KOTLER ABRAHAMAM KALMANOWITZ

UNQUOTE

1:00 p.m.
July 15, 1944

FHodel; dnb 7/15/44

CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM, PALESTINE

The War Refugee Board requests that you deliver the following message to Mr. David Remez, 115 Allenby Street, Tel Aviv, Palestine, from Israel Mereminski, 510 W. 112th Street, New York:

QUOTE Press published today Hungary's refusal recognize neutral passport visas received Hungarian non Hungarian Jews after July 1. Above raises doubts among certain interested circles whether your July 2 practicable feasible. Cable immediately same way your opinion above also why you think Switzerland can fulfill your suggestion including all Istanbul information useful here.

ISRAEL MEREMINSKI

UNQUOTE

5:00 p.m.
July 15, 1944

BAksin:ar 7/15/44

CABLE TO LISBON

From War Refugee Board to Norweb for Dr. Robert Dexter.

Please deliver following message from International
Rescue and Relief Committee to Mrs. Elizabeth Dexter:

"Contact Miss Sarra Ginsburg Madrid Velasquez 28
for address Andree Fleury Larsonneau born August
23 1907 inform us through War Refugee Board."

THIS IS WRB CABLE TO LISBON NO. 59

9:30 a.m.
July 15, 1944

EBTowler:agr 7-14-44

CABLE TO LISBON**From War Refugee Board to Horweb**

Please deliver the following message to Robert Pilpel,
c/o American Embassy, from Moses A. Leavitt of the American Jewish
Joint Distribution Committee:

"Avram Goldstein recently arrived Palestine from
Rumania submitted claim on us for attention Saly Mayer
through Manufacturers Trust Company New York Stop
Before applying license can you verify claim also
have Saly Mayer arrange send us list of claimants
and amounts if possible using pouch or other means."

THIS IS WRB CABLE TO LISBON NO. 60

4:20 p.m.
July 15, 1944

FH:db 7/15/44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Embassy, Madrid
 DATED: July 15, 1944
 NUMBER: 1996

CONFIDENTIAL

Reference is made herewith to your A-268 of June 21.

The Department is informed that its cables of May 16, no. 1384 and of May 17 no. 1398, were not delivered to the Department's principal representative on the GRIPSHOLM until 2:30 p.m. on May 19, one and one half hours before the departure of the vessel from Barcelona.

It is intended by the Department to proceed with the idea of effecting exchanges on Spanish territory of German nationals from South America and of refugees from German-controlled territory. It is planned that these individuals shall go to the Fedhala camp. In the course of other exchange operations, additional such individuals may also be received. It is deemed necessary by the Department that a practical means be found of preventing a prolonged stay of such individuals on Spanish territory, the objections to which you have so ably outlined in your reference cable. It appears to the Department that arrangements might be made at Madrid and Algiers with the Spanish, French authorities and the military whereby special treatment might be given refugees included in official exchanges whose bona fides possible is less open to question than that of refugees who appear on Spanish territory as a result of their own efforts. It might be possible to transport these individuals to Gibraltar and some arrangements might be made for their transportation thence to Fedhala. If the number were large enough, it might also be possible to arrange for passage for these individuals on a Spanish trans-Atlantic vessel from a Spanish port to Casablanca. The Department is not particularly interested in the actual means devised but it is concerned that this Government's program to rescue these unfortunates should not be imperiled by the lack of material arrangements in Spanish territory for their reception and onward transportation. It is hoped by the Department that Blickenstaff and you will be able to formulate a method of dealing with this matter which will give assurance that the Department's forthcoming negotiations with the German Government will lead to substantial success. Very definite indications have been received by the Department through trusted channels that the German Government is presently disposed to effect this type of exchange, for your confidential information.

HULL

HM-43
Distribution of true
reading only by special
arrangement. (SECRET W)

Madrid

Dated July 15, 1944

rec'd. 11:57 p.m.

Secretary of State

Washington

2479, July 15, 5 p.m.

As consequence of Embassy's representations Spanish Government has authorized issuance of visas to 500 Jewish children in Hungary whom Jewish organizations in Tangier hope to transfer to temporary refuge in Spanish Morocco (Tangier's 157, June 2 to Department and Embassy's 2389, July 9). Spanish Legation Budapest has been instructed to do everything possible to facilitate travel of this group to Spain and it is understood that Vatican has requested papal representatives in Berlin and Budapest to use their good offices to same end.

Sent to Tangier in pouch.

BUTTERWORTH

WSB
MPI

MS
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
agency. (RESTRICTED)

July 15, 1944
11 p.m.

AMLEGATION,

STOCKHOLM.

CIRCULAR

QUOTE We solemnly declare that the Hungarian people in their
immense majority condemn with horror and disgust the abominable
crimes perpetrated by Hungarian Quislings and their subordinates
against the Jews and other people in Hungary.

QUOTE We emphasize that these crimes are committed in flagrant
violation of the Christian, humanitarian and liberty loving spirit
and tradition of true Hungarians.

QUOTE Consequently, we have felt it our duty to give a solemn
warning to all Hungarians from the highest to the lowest and remind
hereby every Hungarian who may be a perpetrator of or an accessory
to these crimes, that he will have to bear full responsibility for
his acts and will not be permitted to invoke as an extenuating cir-
cumstance the fact that he has only carried out orders of a superior
authority.

QUOTE We address ourselves to all true Hungarians who condemn
these ignominious cruelties and request them to extend all possible
assistance to their persecuted and tortured fellow-countrymen. END
QUOTE

HULL
(HSF)

Code Room: Please repeat to Amembassies, Lisbon and Madrid,
Amembark, Cairo, and Amlegation, Naples, for Tittmann.

SE:OWC:LLM

7/14/44

WEB

S/OR

GEM
Distribution of
true reading only by
special arrangement.
(SECRET W)

TO BE SENT IN SECRET "W"

July 15, 1944

11 p.m.

AMLEGATION,

STOCKHOLM.

1418

The WRB cable 53 below is for Olsen.

The War Refugee Board requests that you deliver the following message to Mr. Hilel Storch, Furusundsgatan 10, Stockholm:

QUOTE Understand Amalie Posse, Rindalgathan 44, Stockholm informed Theresienstadt situation and in possession Theresienstadt lists. Please check recent news concerning deportations from Theresienstadt for extermination in Birkenau and send to us through War Refugee Board full reports as well as lists of Theresienstadt inmates. World Jewish Congress. Leon Kubowitzki UNQUOTE.

HULL
(GLW)

HULL

WRB:MMV:KG
7/15/44

NOE

S/CR

CABLE TO MINISTER JOHNSON IN STOCKHOLM, SWEDEN, FROM WAR REFUGEE BOARD.

Please refer to your 2538 of July 9 concerning the proposal to sell the BESSARABIA and TRANSYLVANIA.

We are communicating eh Rumanian proposal to the embassy in Ankara for comment.

THIS IS WRB CABLE TO STOCKHOLM NO. 56.

1:50 p.m.
July 15, 1944

MJMarks:ro 7/15/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMLEGATION, BERN
DATED: July 15, 1944
NUMBER: 2417

SECRET

Cable to Minister Harrison, Bern, for McClelland from WRB.

Please disregard WRB cable no. 81, Department's no. 2387 of July 12, since Pehle has made special arrangement with Swiss Minister here for Swiss franc equivalent of \$1,500,000 to be made available. The only condition imposed by the Swiss authorities is that the aforementioned Swiss francs be used solely for humanitarian purposes.

The \$1,500,000 is being supplied by JDC here and the Swiss franc equivalent should be turned over to Saly Mayer promptly upon receipt. \$1,000 of this amount is for the fund requested by Saly Mayer as reported in your no. 4258 of July 5. The balance of \$500,000 is for expenditure by Saly Mayer in connection with evacuation program from Balkans and as to which he will receive further instructions from Lisbon office of JDC.

Please cable when Swiss francs have been received and turned over to Saly Mayer.

THIS IS WRB CABLE TO BERN NO. 83.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMLEGATION, BERN
DATED: July 15, 1944
NUMBER: 2418

CONFIDENTIAL

Please advise Isaac Sternbuch, St. Gall, representative in Switzerland of the Union of Orthodox Rabbis, New York City, that the Treasury Department has amended Section 2 of license no. W-2117, as amended, to read as follows:

"The total amount of funds paid out or set up in blocked accounts or otherwise obligated under the terms of this license shall not exceed the amount of dollars (or the foreign currency equivalent thereof) authorized by specific Treasury license to be used under this license."

This amendment is in connection with a specific Treasury license issued to the Vaad Hahatzala, the Emergency Committee for the Union of Orthodox Rabbis, to remit to Mr. Sternbuch the Swiss franc equivalent of \$100,000 to be used under license no. W-2117, in addition to remittances previously licensed. Such amendment has the approval of the Department, the War Refugee Board, and the Treasury. Please refer to the Department's telegram no. 1906 of June 3, 1944, relative to an identical amendment to license no. W-2106 issued to the J.D.Ce

HULL

MS
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
agency. (RESTRICTED)

July 15, 1944

9 p.m.

AMLEGATION,

BERN.

2424

All messages sent on behalf of representatives of
the War Refugee Board and messages relating to the
operations of the Board should be taken up in your
regular accounts for reimbursement by the War Refugee
Board in accordance with Section V-45 of the Foreign
Service Regulations.

Please submit complete list of all
messages which you have sent in the Board's interest,
as stated above, giving number and date.

HULL
(EPT)

FA:EPT:FE 7/6/44

BF S/CR

WRB

A-S/3

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 15, 1944
NUMBER: 4624

CONFIDENTIAL

McClelland transmits the following for the War Refugee Board.
Reference is made herewith to Department's cable of June 29,
no. 2215.

We have made available to the clandestine press and to church
groups in Hungary the text of Monsignor Spellman's statement.
Also it was carried in all important Swiss papers. At the re-
quest of the head of the Catholic Church in Switzerland the
statement was further read all over the country from
Catholic pulpits.

HARRISON

LFG-949
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Bern

Dated July 15, 1944

Rec'd 7:25 p.m.

Secretary of State,

Washington.

4530, July 15, noon.

Census of refugee children at present in Switzerland for whom overseas emigration is desirable after the war including those will have arrived both before and since January 1, 1944 now complete. Organizations entrusted with children are beginning second stage involving careful selection children based on various countries of destination. Understandable opposition is being encountered however among older children many of whom do not wish to leave Europe until in possession more precise information fate their deported parents. Expected that within two months organizations will start presenting children to our Consulates for special United States immigration visas. Total number will probably not exceed 500. Unfortunately availability these visas has been able influence only slightly arrival more children from France for reasons previously outlined.

HARRISON

WFS WMB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 15, 1944
NUMBER: 4533

CONFIDENTIAL

McClelland sends the following for WRB and Visa Division.

Legation's message of July 6, Number 4297 and Department's message of July 1, Number 2236, are the subject of reference in Legation's message of July 15, Number 4530.

HARRISON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN LEGATION, BERN
TO: Secretary of State, Washington
DATED: July 15, 1944, 7 p.m.
NUMBER: 4541

SECRET

This message is from McClelland for WRB.

See message 2198 from the Department of the twenty eighth of June.

Below is given the introductory memorandum dated tenth of July, submitted by ICRC, on clothing requirements of civilian prisoners located in Germany in concentration camps.

Our Berlin delegation in January of this year drew our attention to the needs of clothing of civil detainees in camp of Sachsenhausen--Oranienburg saying that the prisoners were in critical need of underclothing. The prisoners were not permitted to sleep in their wearing apparel and that in the winter the barracks were but slightly heated. Conversely, they were allowed to sleep in their underclothing which took the place of covers. In particular three clothing items were requested: sturdy gloves long enough to give wrist protection, underwear and pullovers.

In addition we were informed by our delegate that most of the individuals in this camp not having socks wrapped their feet in rags to make up for this deficiency.

On the twenty fifth of May this year we received a note from our delegate saying that prisoners in camp of Buchenwald bei Weimer especially were in need of socks, pullovers, and shirts.

To the present time ICRC has not sent clothing to civilian prisoners in concentration camps and, therefore, has no information based on practical experience with this type of consignment. For instance, it is not known to us whether old underwear would be taken from detainees should they receive new wearing apparel of this kind at a later date. Our only statement can be that the need brought to our attention by our representative in such that in certain instances prisoners have no underclothing.

The possibility of such distributions of clothing will be investigated further by ICRC and as soon as possible they will report to us.

This information has been supplied MEW by the British Legation.

HARRISON

DCR:MLG
7-17-44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 15, 1944
NUMBER: 4544

CONFIDENTIAL

McClelland sends the following for WRB for Frank Kingdom International Rescue and Relief Committee.

The question of distribution of IRRCS monies for relief of Spaniards in France entirely through Ferris committee was broached during recent talks with the Spanish Commite du National's representative in Switzerland. This representative has splendid contacts with Spanish orgainzations in France and we have been cooperating with him in removing endangered refugees from France over the Pyrenees. The possibilities of Service Socials d'aide aux Emigres in France are well known to me, as I worked with their Paris, Marseille and Lyon agents during 1942-1943 and believed as principal outlet his organization limited to some degree. Within limits its semi-official standing with prefectures, SSAE is competent, and this is no reflection on it. However, would it be possible to disburse on a broader basis, inasmuch as this is sole funds available for Spaniards in France at this time? I presume to make the suggestion that distribution be made partially through Spanish Cun (especially for endangered political refugees in prisons and hiding camps), partially through American Friends Service Committee which has widespread contacts with Spanish refugees in Montauban, Perpignan and Toulouse, and through Ferrier in part. I would appreciate a statement as to your opinion regarding this suggestion.

HARRISON

CABLE TO AMBASSADOR STEINHARDT AND HIRSCHMANN, ANKARA, TURKEY, FROM WAR REFUGEE BOARD.

We have been advised by Minister Johnson that Mr. Aurel Theodoru Director of Service Maritime Roumaine (a government enterprise) has been in Stockholm and has mentioned 12,000,000 kroner as a preliminary figure for the sale of the Bessarabia and the Transylvania, the above price apparently covering both ships. Theodoru suggested that these vessels be purchased for refugee evacuation from Constanza. He asserted that if the vessels were purchased by Intercross or the Swedish Red Cross, as a condition of the sale the Rumanian Government would guarantee to grant safe-conduct and would further guarantee to obtain a German safe-conduct. Theodoru proposed that the purchase price of the two vessels be deposited in Sweden with a guarantee that the funds would be made available for purchases of goods for delivery in Rumania after the war. According to the proposal these goods could be held blocked in Sweden in the name of the group or organization purchasing or chartering the ships.

The Board is cognizant of the information concerning these ships furnished in your report of February 20 and your 1063 of June 14 and also that certain small vessels apparently have now been obtained for refugee evacuation from Rumania. However we would appreciate your reaction to the above proposal.

THIS IS WRE CABLE TO ANKARA NO. 82

1:50 p.m.
July 15, 1944

MJMarks:ro 7/15/44

RP-45
 Distribution of true
 reading by special
 arrangement. (SECRET W)

Ankara

Dated July 15, 1944

Rec'd 12:24 a.m., 16th

Secretary of State

Washington

1286, July 15, 2 p.m.

FOR WAR REFUGEE BOARD FROM HIRSCHMANN

Ankara No. 97

We are informed here that in May 1944 instructions were sent to the Turkish border by the Turkish authorities for the admission into Turkish territory of refugees attempting to cross the border illegally from Bulgaria (reference Department's telegram 594). These instructions were issued after assurances had been given that Palestine immigration certificates would be issued to those arriving in this way. Consequently 11 or 12 refugees who presented themselves during May and early June at the Turkish border were permitted to enter Turkey, after being detained and investigated by the police.

We are informed by Barlas of the Jewish Agency that subsequently in June seven additional people tried to cross the border. They were detained there for a brief period during which efforts were made in Ankara to have instructions sent to the border authorities to admit these seven. Before the instructions arrived the refugees were sent back from the frontier. At the present time no persons are entering Turkey illegally by this route.

The attitude of the Turkish officials regarding the foregoing is that it is dangerous from the point of view of Turkish security to open the borders indiscriminately as they are unable to distinguish between genuine refugees seeking a new haven and political agents. The above was amplified in an earlier report from me to the Board and Ambassador Steinhardt would be glad, I am confident, to discuss the situation with you if you should so desire.

It should be emphasized that the situation above described differs from that obtaining with regard to the entrance of refugees from the Balkans arriving by water. Refugees so arriving are not permitted to set foot on Turkish soil except under strict police control and are escorted by the police from the gessel to the train

which

-2- #1286, July 15, 2 p.m., from Ankara

which takes the refugees directly to the Syrian border.

It is my intention to press the Turkish authorities to see to it that the Turkish frontier authorities permit the entry of refugees seeking to cross the Turkish frontier from Bulgaria and facilitate their onward journey to Istanbul. In the event that a refugee, or a group of refugees, should have any difficulty in crossing the frontier I shall bring the facts immediately to Mr. Kelleys attention in order that he may take the matter up with the Minister for Foreign Affairs.

KELLEY

JT
CSB

PARAPHRASE OF TELEGRAM RECEIVED

247

FROM: American Embassy, Ankara

TO: Secretary of State, Washington

DATED: July 15, 1944

NUMBER: 1287

CONFIDENTIAL

The joint approach to the Turkish Government, as outlined in the Department's 602, July 2, has been discussed with my British colleague and we are of the opinion that in the situation now obtaining in Turkey in the matter of facilitating the escape of refugees from exile Europe, joint action of the nature suggested would not achieve the desired purpose and might in fact tend to bring about the adoption of a less liberal policy than is now being pursued by the Turks. It is believed by my British colleague and me that it would be preferable to refrain from making a joint approach at the present time and instead to take advantage of the first favorable opportunity to emphasize the readiness of the American and British Governments to assist the Turkish Government, whenever it may become necessary, by arranging the onward movement of refugees to other havens and by making available food and other supplies and funds.

In view of the fact that the factor which has tended most to act as a restraint on Turkish cooperation has been the fear of the Turks that Turkey will be inundated by a mass influx of refugees, we feel that the approach in question might have a harmful effect. Gradually this fear is being dissipated, and in consequence Turkish cooperation has been increasing steadily. At present the Turkish Government is making a number of Turkish vessels available to bring refugees to Turkey from Constantinople, and when 750 refugees reached Istanbul last Sunday, the largest group ever to arrive in Turkey at one time, the Turkish Government arranged a special train so that within twenty-four hours after their arrival the refugees could depart from Istanbul en route to Palestine. My British colleague and I consider that it would be unfortunate in these circumstances to take any action which might lead the Turks to believe that a mass influx of refugees into Turkey was imminent and in frightening the Turks and inducing them to embark on a more cautious policy would be the only result of such action.

On numerous occasions the two Ambassadors have emphasized to the highest Turkish officials the desire of the American and British Governments that the Turkish Government make a greater contribution to the rescue of Jews from German-controlled Europe and the readiness of the two Governments to assist the

Turkish Government

Turkish Government to the maximum extent possible in respect to added burdens devolving upon Turkey as a result of assistance rendered to refugees, and it is our feeling that in view of this fact the joint approach is not necessary at the present time.

Ambassador

Along these lines Steinhardt has repeatedly spoken to Turkish officials. I am told by the British Ambassador that, under authority from London, he recently assured the Prime Minister in writing that the competent British authorities in Istanbul will immediately, on application, grant Palestinian entry visas to all Jewish refugees who may reach Turkey and expressed the hope that in view of this formal assurance the Turkish Government would authorize its representatives in Europe to issue, without prior reference to Ankara, Turkish transit visas to any Jewish refugees who may apply for them and instruct the competent authorities at Turkish ports and frontier posts to permit the Jewish refugees arriving at Turkish frontiers without Turkish visas entry and journey to Istanbul.

In view of the written assurance given by the British Ambassador that Palestinian entrance visas will be granted immediately to all Jewish refugees who reach Turkey, I am requesting the Minister for Foreign Affairs, with a view to keeping before the Turks the interest of the Government of the United States in the rescue of Jews from German persecution in Axis Europe, to instruct the Turkish Consuls in Bulgaria, Rumania, and Hungary to issue without prior reference to Ankara individual or collective Turkish transit visas to any Jewish refugees who may apply for Turkish visas and also to instruct the competent authorities at Turkish frontier posts to permit Jewish refugees, irrespective of the means by which they arrive at the frontier, to enter Turkey and proceed to Istanbul even though they arrive at the frontier without Turkish visas.

The information contained in the foregoing message is concurred in by Mr. Hirschmann.

KELLEY

DCR:MAS:FB 7/19/44

KRM-52
Distribution of true
reading only by special
arrangement. (SECRET W)

Ankara

Dated July 15, 1944

Rec'd 1:10 p.m.

Secretary of State,
Washington.

1285, July 15, 1 p.m.

FOR WRB FROM HIRSCHMAN

Referring to the successful trip of SS KAZBEK, it would appear that the Rumanian authorities - and by authorities I refer to both Micael and Marshal Antonescu - have undergone a change of heart in their attitude towards the Jewish problem in Rumania. All reports indicate that they are being most helpful in (*) ring the emigration of Jews from Rumania via Turkey to Palestine. Unless the Germans decide and are permitted to take Jewish matters into their own hands, it would seem most unlikely that the Rumanian Government will put any obstacles in the way of Jewish emigration from that country at this time. I am reliably informed that Rumanian authorities are hopeful that their change in attitude towards the Jews will result in leniency towards them on the part of the peace makers.

KELLEY

(*) Apparent omission.
WRB HDA

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Consulate General, Istanbul
DATED: July 15, 1944
NUMBER: 326

CONFIDENTIAL

Please deliver the following message to Joseph Schwartz, from Moses A. Leavitt of the Joint Distribution Committee:

"Understand twelve hundred Jewish internees in Camp Jassenovac Croatia to whom food parcels could be sent by International Red Cross from Turkey advise whether this camp included in Simond's program. Can you ascertain discreetly and cable through Consulate whether in what amounts and in what form refugees from Rumania and Balkans are bringing currency or other liquid resources to Turkey. We cabled Herbert Emerson view heavy demands being made on us for rescue operations we request Intergovernmental Committee to consider taking over for last six months this year our credit authorizations as follows \$40,000 monthly Rumania \$25,000 Hungary, \$100,000 France and \$10,000 Italy total one million fifty thousand. Also asked that Rumania and Hungary authorization be increased for account Intergovernmental Committee. We will keep you advised. Regarding export of shoes from Palestine question of blockade involved and we exploring possibilities. Please send soonest if possible through pouch list of people arrived Turkey through exchange happy Van Tijn among them."

HULL

UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

July 15, 1944

AMEMBASSY, LONDON

US URGENT

STRICTLY CONFIDENTIAL

FOR THE AMBASSADOR FROM THE SECRETARY OF THE TREASURY AND ACHESON

During the course of the Bretton Woods Conference the most controversial point which we have had with the British concerns the location of the head office of the Fund. We have consistently taken the position that the head office must be located in the country having the largest quota, and in a conversation with the Secretary of the Treasury yesterday President Roosevelt instructed the United States Delegation to insist on this point.

The matter has ~~now~~ been fully reviewed with Lord Keynes, who is now prepared, after ^{making} a purely formal statement for the record, to desist from insisting on the British position. The United States Delegation has agreed, however, to postpone a decision on this point by the Conference until Monday, July 17, so as to afford the British Delegation an opportunity of consulting London.

The foregoing is ^{sent} to you for your information in the event that the matter should be discussed with you by the British.

Sedr:EGM:fep

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, London
DATED: July 15, 1944
NUMBER: 5564

SECRET

For the attention of the Ambassador from Acheson and the Secretary of the Treasury.

The most controversial point which we have had with the British during the course of the Bretton Woods Conference has been the location of the head office of the Fund. We have taken the position all along that the head office must be located in the country which has the largest quota. In a conversation yesterday with Mr. Morgenthau the President instructed our Delegation to insist on this point.

This matter has been reviewed fully by us with Lord Keynes, and he is now ready to give up his insistence on the British position after he has made a purely formal statement for the record. In order that the British may have a chance to consult London, our Delegation, for its part, has agreed to postpone decision by the Conference on this point until Monday, July 17.

We are sending you the foregoing for your information should the matter be discussed with you by the British.

HULL

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

253
DIVISION OF
COMMUNICATIONS
AND RECORDS

LFG-930

PLAIN

London

Dated July 15, 1944

Secretary of State,
Washington.

DEPARTMENT OF STATE
DIVISION OF
JUL 17 1944
COMMUNICATIONS
AND RECORDS

5612, fifteenth.

FOR SECRETARIES OF STATE AND TREASURY.

The Bretton Woods conference is reported in the London press of July 15 as follows:

THE DAILY EXPRESS quotes a Reuter report that a spokesman said that after staying up to 3 a.m. the committee working on the fund had reached agreement on all outstanding questions except distribution of executive directorships, quotas, voting power and the location of the fund's headquarters.

THE TIMES special correspondent states that "late last night after a meeting of the full commission which is dealing with the monetary fund, it had been hoped that a settlement could be announced, but this proved illusory. Yet as matters stand, it seems likely that agreement will be reached upon the fund by Monday at the latest, and upon the bank for reconstruction

by Wednesday."

-2- #5612, fifteenth, from London

by Wednesday." He calls attention to number of the unresolved problems but adds, "the general feeling is that whatever bargains at (*) inevitable will be made without much more delay". He notes the presence of one or two neutral observers at Bretton Woods to whom the "most interesting aspect of the conference lies in the confrontation of the world's only great creditor nation by its present or prospective debtors".

THE DAILY TELEGRAPH correspondent, Denys Smith, states that the "general view of the delegates" is that the conference will end in a "part success" within five days. Broad agreement on both the currency fund and the reconstruction bank is expected. "Delegates also expect that there will be some loose ends to the conference, which will have to be tied together at a subsequent meeting or by negotiations conducted through normal diplomatic channels." Smith calls attention to the following factors as having been amongst the greatest difficulties confronting the delegates' work on the fund: First, a totally unexpected struggle for national prestige; second, demand by the Russian delegation that nations devastated by war should be

allowed to

-3- #5612, fifteenth, from London

allowed to pay a smaller proportion of their quota in gold; third, pressure from the Latin American countries to secure a place for silver; fourth, the difficulty of fixed parities for the currency of occupied countries; fifth, the difficulty of determining the length of the transitional period during which countries will be allowed to gradually reduce their wartime controls.

THE FINANCIAL NEWS captions its news item "Money Talks-Slow Down" and states that failure to agree over the quota question has caused slowing down of progress; "smaller nations are somewhat disgruntled at the prospect of their quotas being reduced to enable a larger quota to be given to Russia". This article also mentions the criteria to be applied for determining quotas, and "sanctions" to be applied against countries not submitting, after the transition period of 3 to 5 years, exchange control restrictions for the fund's approval.

THE FINANCIAL TIMES deals with the question of the maximum credit to be extended by the world bank. The article also points out that "the stabilization fund commission awaits a statement from Moscow of the size of the Russian quota and of the gold distribution.

Every

-4- #5612, fifteenth, from London

Every day's delay makes it less likely that any final action will be taken at Bretton Woods."

The article mentions the Mexican disapproval of the formula, according to which it is stated that the gold parities of all currencies can be effected by the decision of the United States, Britain and Russia.

THE FINANCIAL TIMES also carries another item to the effect that Britain has the best exchange control in the world and would have no difficulty in establishing sterling "par value" in postwar years. Reference is also made to the fact that some 35 countries would have little difficulty in determining the par value of their currencies but some occupied countries present complex problems at the present time.

WIMANT

JT

(*) apparent omission

NOT TO BE RE TRANSMITTED

Copy No. 11

SECRET

OPTEL No. 230

Information received up to 10 A.M. 15th July 1944.

1. NAVAL

Home Waters 13th/14th. MTB's sank an escort vessel off IJMUIDEN. 14th/15th. One British Destroyer and one Canadian Destroyer and a Polish Destroyer sank an enemy ship and a trawler and seriously damaged another ship off BREST.

2. MILITARY

N.W. France U.S. troops have advanced from 1,000 to 2,000 yards southwards along the whole base of COTENTIN PENINSULA. They are closing in on LESSAY, have occupied GORGES (five miles North of PERIBERS) and captured LACRETERIE (four miles NW. ST. LO). British sector quiet except for heavy shelling of CAEN.

Italy Italian troops have taken CINGOLI (25 miles SW ANCONA) French troops have taken POGGIBONSI (15 miles NW SIENA, U.S. troops have taken PECCIOLI (20 miles W. LEGHORN) and further west are now less than eight miles from LEGHORN.

Russia Good progress reported by Russians in northern and central sectors where they are now 27 miles from KOVNO and 8 miles from GRODNO. In PRIPET MARSHES they have captured PINSK.

3. AIR OPERATIONS

Western Front 14th. Liberators dropped 202 tons on MONTDIDIER and PERONNE airfields: 320 Fortresses dropped supplies to French patriots. Bomber command aircraft dropped 75 tons on flying bomb launching site in PAS DE CALAIS. Operations of ABAF curtailed by weather but medium bombers dropped 88 tons on three railway centres behind battle area and 627 fighters operated against railway centres, troop concentrations, etc. and on defensive patrols. Enemy casualties 18/0/2 for ten Allied fighters missing.

14th/15th. Aircraft despatched: two railway centres 250 (8 missing), two flying bomb launching sites 114, HANOVER 42, Sea mining 8, bomber support, diversionary sweeps etc. 213 (one missing). Bombing of railway centre at VILLENEUVE ST. GEORGES concentrated but other railway centre not identified and attack abandoned.

Italy 13th. 784 medium, light and fighter bombers attacked bridges in PO VALLEY and targets in Battle area.

14th. Liberators dropped 171 tons on MANTUA railway centre.

Hungary 14th. U.S. heavy bombers dropped 429 tons on three oil refineries and 234 tons on railway centre BUDAPEST. Enemy casualties 10/3/1 for seven heavy bombers and three fighters missing.

German Activity During 24 hours to 6 A.M. 14th. Flying bombs launched 73. During 24 hours ended 6 AM 15th, 56 flying bombs launched.