

Puleston Reports

	Book	Page
Colony:		
Transportation system: Developments in - 6/29/40.....	300	75,140,150
See also Book 311, page 70		
Food: Situation in Europe - 6/21/40.....		130
France:		
Dunkirk: Evacuation of - 6/4/40.....		15
Note to the Ops: See German offensive started -		
6/5/40.....		17
Situation: Disturbing - 6/2/40.....		31,38
Meynaud's appeal to Vichy Government - 6/17/40.....		20
Overtones for peace - 6/17/40.....		83,110,124,130
a) Effects of German acquisition of Spanish fleet.....		90,97
See also Book 311, pages 7,17,18, and 32		
De Gaulle: Leads: Correspondence with - 6/13/40.....		99
a) King Leopold's pro-Germans condemnation		
b) Analysis of report: DIARY Half.....		113
Gasoline (Aviation): Godlar (Standard Oil) reports on		
tests of gasoline used by German airplanes - 6/7/40....		37
Germany: Mass courts: Book 300 (Puleston Reports)		24,117
Italy: Entrance in the war: Symposium: Situation		
Essential - 6/10/40.....		10,24
Japan: Situation reversed: June, 1940: German advances -		
6/11/40.....		24
Norway: Supply situation - 6/25/40.....		143
U.S.S.R.: German attack prophesied - 6/14/40.....		27
United Front: Conversations with Bailie (President) -		
6/7/40.....		30
a) Corps of reporters in Europe increased		
Westinghouse Company: Conversation with White (J.R.) -		
6/7/40.....		35
a) Sources opinion on difficulties which would		
follow German victory		

Puleston Reports

	Book	Page
China:		
Transportation system: Developments in - 6/19/40.....	300	95,140,154
See also Book 301, page 70		
Food: Situation in Europe - 6/24/40.....		138
France:		
Dunkirk: Evacuation of - 6/4/40.....		15
Aisne to the Sea: New German offensive started -		
6/5/40.....		17
Situation disturbing - 6/7/40.....		34,38
Reynaud's appeal to FDR discussed - 6/13/40.....		69
Overtures for peace - 6/17/40.....		88,110,113,123
a) Effect of German acquisition of French fleet.....		90,93
See also Book 301, pages 9,13,16, and 52		
De Chambrun, René: Conference with - 6/19/40.....		99
a) King Leopold's pro-German tendencies		
b) Analysis of report given to HMJr.....		112
Gasoline (Aviation): Sadler (Standard Oil) reports on		
tests of gasoline used by German airplanes - 6/7/40....		37
Germany: News sources evaluated - 6/7/40.....		24,131
Italy: Entrance in the war and reasons animating		
Mussolini - 6/10/40.....		49,66
Japan: Situation reviewed in light of German advances -		
6/11/40.....		58
Norway: Supply situation - 6/25/40.....		143
U.S.S.R.: German attack prophesied - 6/14/40.....		83
United Press: Conversations with Baillie (President) -		
6/7/40.....		20
a) Corps of reporters in Europe increased		
Westinghouse Company: Conversation with White (J.W.) -		
6/7/40.....		22
a) Reverses opinion on difficulties which would		
follow German victory		

Puleston Reports

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Transportation system: Developments in - 6/19/40.....	300	95,140,154
See also Book 301, page 70		
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France:		
Dunkirk: Evacuation of - 6/4/40.....		15
Aisne to the Sea: New German offensive started -		
6/5/40.....		17
Situation disturbing - 6/7/40.....		34,38
Reynaud's appeal to FDR discussed - 6/13/40.....		69
Overtures for peace - 6/17/40.....		88,110,113,123
a) Effect of German acquisition of French fleet.....		90,93
See also Book 301, pages 9,13,16, and 52		
De Chambrun, René: Conference with - 6/19/40.....		99
a) King Leopold's pro-German tendencies		
b) Analysis of report given to HMJr.....		112
Gasoline (Aviation): Sadler (Standard Oil) reports on		
tests of gasoline used by German airplanes - 6/7/40....		37
Germany: News sources evaluated - 6/7/40.....		24,131
Italy: Entrance in the war and reasons animating		
Mussolini - 6/10/40.....		49,66
Japan: Situation reviewed in light of German advances -		
6/11/40.....		58
Norway: Supply situation - 6/25/40.....		143
U.S.S.R.: German attack prophesied - 6/14/40.....		83
United Press: Conversations with Baillie (President) -		
6/7/40.....		20
a) Corps of reporters in Europe increased		
Westinghouse Company: Conversation with White (J.W.) -		
6/7/40.....		22
a) Reverses opinion on difficulties which would		
follow German victory		

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 1, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Future Course of the United States

1. American opinion is overwhelmingly in favor of giving all possible aid to the Allies short of sending troops abroad. Simultaneously, there is a wave of pessimism in this country concerning the ability of France and Britain to resist the Germans. I think these extreme apprehensions may do considerable harm, and for that reason I venture to make the following observations:

2. It will be much easier for the United States to meet the menace of Germany by keeping the British and French in the field and fighting than to assume that, as is already being done in some official circles, England and France are already defeated and the United States must concentrate its efforts on hemisphere defense and its own continental security.

I heard the same sort of pessimistic observations in 1917, and if we now take counsel of these fears and do not assist England and France, we can create the very situation we dread.

3. Assuming the most dangerous situation that can arise, namely, the immediate participation of Italy and a German march through Switzerland, the German Army will encounter considerable resistance and will have to support the Italian Army. It will take time, even for Germany and Italy, to destroy the French Army reinforced by the British.

The most important military advantage that Germany and Italy possess is in the air, and if we let the Allies have all the planes we can possibly spare, they can increase the resisting power of the Allied troops in France to an almost unbelievable extent. More even than the direct assistance would be the assurance that the French and British people would have of an eventual victory.

In this connection, there has not been a continental European country that has not been repeatedly invaded by successful enemies, but over a long period of time the frontiers of Europe have not changed extensively. Time and space will absorb the military power of Germany just as they have absorbed the military power of other conquering nations.

4. If in 1917, when we learned the full extent of the precarious position of England and France, we had taken the defensive attitude now proposed, we would have let England lose the war and have had to fight Germany alone. It is simply common sense to give every immediate aid to England and France that is in our power. And at the earliest moment that American opinion will permit we should send destroyers and cruisers equipped with anti-aircraft guns to help keep the sea lanes of the English Channel open. With these should go all the military and naval aviation that we can spare.

Secretary Morgenthau - 3

5. I am sure the foregoing views are not in accord with some naval and army opinion, but I hold them after considerable reflection, both on the war of 1914-1918 and the circumstances existing today. And in support of them I offer this thought: That the correct military judgment of General Pershing in insisting upon creating an independent American Army was one of the contributing factors in the German break through in March and April, 1918. Admiral Sims took the position that he could put American naval units in with British naval units. If Admiral Sims had taken the attitude of General Pershing and held out to create an American fleet before going to war, we would have lost the last European war.

*W. D. Puleston*  
 W. D. Puleston,  
 Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 1, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in Europe

1. Apparently the Allies have been able to evacuate between one-half and three-fourths of the British Expeditionary Force and a substantial number, about twenty thousand, of the French. They may succeed in evacuating more French who are attempting to cut their way to the sea.

2. Almost as important as the saving of these troops is the fact that the Allied naval and air power was sufficient to hold the bridgehead of Dunkirk and permit an orderly evacuation. This indicates that naval vessels can stand with bearable losses in the presence of a greatly superior air force, which would further indicate that any invasion of England would be fraught with great hazards to the Germans.

Next in importance is the fact that both the British and French armies have behaved with extraordinary intrepidity in the face of an appalling situation. None can now question the discipline, morale, and cohesion of British or French units. The question now remaining is whether the French and British people can stand the burdens of a long war. Information we have from France indicates that, at present at least, French morale is high. The same is true of the United Kingdom.

3. Indications are that the Germans will have to re-form and re-group their Army before undertaking the next blow. It is also indicated that they will attempt to destroy the French Army before attempting an invasion of Great Britain. This is the wiser procedure for the German High Command.

4. The attitude of Italy is more and more threatening, and all reports we get indicate that she is on the verge of joining Germany. There are several courses of action open to Italy acting as an ally of Germany. I think the most dangerous to France and England would be a direct attack on France in conjunction with a German invasion of Switzerland, with a view to turning the southern flank of the Maginot Line. This would present the most direct threat to the whole French Army. It would also involve the Italian Army and the industrial north of Italy in the gravest burdens of the war. I do not think Mussolini will attempt this unless he is given direct assistance from Germany in aviation and German divisions to act as shock troops in front of his army.

Italy could launch an attack on Malta, Egypt, or Tunis. Neither Malta nor Tunis is vital. Egypt is strongly held, and it would be a difficult campaign for the Italians.

Italy might be able to get Franco to participate in a campaign against Gibraltar. Gibraltar is not as strong as it was before the advent of aviation and long range artillery, but

I still believe it would be a hard nut to crack. If Franco should join Italy and Germany against the Allies, it would be possible for France to unloose the Nationalist troops that were interned in southern France after the civil war to wage guerrilla war against Franco's army.

If Italy moves towards the Balkans or into Yugoslavia, she will excite the jealousy of both Turkey and Russia, and it would be possible to create a Slavic bloc that would thoroughly complicate the entire Balkan situation with utterly unpredictable results.

5. Stalin must be doing some serious thinking now. He knows a triumphant Germany, relieved of all fear of France or England, would seize the Ukraine and assess its own terms of trade with Russia. At the same time, Russia is in no military condition to resist Germany unless France and England continue to keep Germany busy on the Western Front.

6. Hitler has been able to utilize both Stalin and Mussolini as potential allies, although Mussolini and Stalin each are jealous of the other and have conflicting interests. Hitler has been able to accomplish this difficult feat as much by the success of his armies as by the skill of his diplomats. So it is not unlikely that both Stalin and Mussolini will be guided by military events on the Western Front in the near future.

Secretary Morgenthau - 4

NAVY DEPARTMENT

7. The dispositions for war of the Italian troops, ships and planes are nearing completion. We can expect no further signs of war. The fact that the Allies succeeded in evacuating such a large part of their troops from Flanders will have more to do with Mussolini's decision than any amount of talking. He may even now join Germany; he certainly would have joined Germany had they succeeded in preventing the evacuation of the British Expeditionary Force.

*W. D. Puleston*  
 W. D. Puleston,  
 Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 3, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France and Belgium  
(3:00 P.M.)

1. Berlin announces that the Germans have bombed air fields and airbases in the vicinity of Paris. Yesterday German airplanes dropped leaflets over Paris saying that it would be the last quiet Sunday Paris would enjoy. The bombings in Marseille and Lyon are believed to have been efforts to reach aircraft factories known to be in that area.

2. Taken together these bombings can be regarded as preliminary to an offensive in France. The French High Command have reported identifying two German concentrations, one to the east of Rethel and another considerably to the west of Rethel.

3. Our Army estimates that about eighty percent of the German motor transport still available is in need of urgent repairs. Some believe it will be ten days before the motorized transport can be ready for an offensive. It is known that mechanics have been sent from Germany to facilitate these repairs, and there is no one who can estimate precisely when the German attack will come nor where it will fall.

4. In the meanwhile, the prolonged resistance at Dunkirk has compelled the Germans to divert increased forces there and

keep them there longer than anticipated. Our Army accepts the figures given by Anthony Eden as correct and believes that since his statement was made additional troops, mainly French, have been brought out. As Eden estimated that they had recovered eighty percent of their forces and only mentioned nine British divisions, it would indicate that one British division had not participated in the advance and would be somewhere in France. In addition to evacuating the British troops, at least forty thousand French troops have been evacuated.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

-10

Confidential

INTER OFFICE COMMUNICATION

DATE June 3, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in France and Belgium

1. The Allies still hold Dunkirk and are evacuating soldiers who are now reported to be predominantly French. The holding of Dunkirk is not only valuable for getting out additional Allied soldiers, but it inflicts further losses on the Germans and gives Weygand valuable time to increase his defenses of France.

2. In the political field, the longer Dunkirk holds, the longer Mussolini will hesitate to enter on the side of Hitler.

3. The Germans are reported to be preparing for a mass attack along the Oise-Aisne-Argonne front. Weygand is making the necessary dispositions to meet this attack.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 3, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: Visit to New York

Unless you have some special work for me here, I propose to go to New York on Tuesday, June 4, after office hours, and return either late Thursday night or sometime Friday morning.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

Confidential

DATE June 4, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in France

1. The British and French still hold Dunkirk and are evacuating more troops. Apparently they are near the end, as they report that their rear guard lines are thinly held. Also the Germans claim unofficially to have entered the outskirts of Dunkirk.

The British announced that in the evacuation they lost six destroyers and twenty-four smaller vessels, mainly mine-sweepers and trawlers.

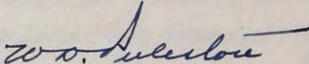
2. Interest now centers around the probable German offensive in France. The two weakest points in the French line are between the Somme and the Oise rivers in the west of France and between the Oise and the Aisne in north central France. My own conjecture is that the next German offensive will be in this area. However, the Germans have concentrated eastward of Rethel and may elect to attack in this more difficult country.

3. Last night the Germans bombed Havre, the port of Paris, obviously with a view to making it difficult for British reinforcements to reach that area. However, the Allies are prepared to

Secretary Morgenthau - 2

forward troops from England to France via Brest, St. Nazaire, or even Bordeaux.

4. On May 19 Weygand said that if France would hold out for thirty days Germany would be beaten. Sixteen of these thirty days have already elapsed.

  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 4, 1940

TO Mrs. Klotz  
 FROM Catherine Rippey

All of Captain Puleston's memoranda were returned to us (up to those of May 23) except these five:

- Shipments of heavy machinery from the U.S. to Japan and Russia (February 18) *no record*
- Peculiar Method of waging war (February 20) *" "*
- Surplus articles available (Navy Ordnance) (February 19 and 26) *" "*
- ✓ Cable regarding Chinese Ambassador (May 16) *attached*
- ✓ European Situation - conversation with Colonel Magruder (May 16) *attached*

In order to keep the file completely straight, I made copies of these memoranda, marked them "duplicate" and put them in the proper place in the notebooks.

I thought you might be confused if you found there were two copies of the same memorandum in your office, hence this explanation.

*Catherine Rippey*

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 4, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The European Situation at Noon

1. The evacuation of Dunkirk is practically over. Churchill announced that 335,000 French and British personnel were evacuated in 1,000 ships. Preceding and during the evacuation Churchill said the British lost 30,000 killed, wounded and missing and lost a thousand guns. The most important loss is that Hitler now holds all the Channel ports and is in a position to attack either England or France.

2. The loss of 30,000 killed, wounded and missing out of 180,000 British soldiers is  $16\frac{2}{3}$  per cent of the total.

3. Colonel Behn of the International Telephone and Telegraph Company, who is still in France and who saw Field Marshal Petain recently, told his vice-president, Mr. Frank Page, that better news might come out of France very soon. There is a suggestion from one newspaper writer in France that Weygand might be able to take the offensive. I am skeptical of this possibility. The British Expeditionary Force can be re-fitted and refreshed very quickly, but until it is again in France I doubt the ability of the French Army to take the offensive. In fact, if the French can keep the Germans from engaging in a

TREASURY DEPARTMENT

major operation for another two weeks, I think it would be to the advantage of the Allies.

4. A report from Rome indicates that the tension eased in Italy after the meeting of the Grand Council of the Fascists, and opinion now in Rome is that there will be no immediate entry of Italy into the war.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 5, 1940

TO Secretary Morgenthau

FROM A. M. Kamarck

Subject: The Situation on the Western Front  
(Based on a conversation with Captain Puleston)

1. The new German offensive on the front from the Aisne to the sea has begun. The Allied armies in Flanders, whose evacuation was completed yesterday, gave the French armies on the Somme and Aisne two weeks to prepare for this new thrust.

2. It will probably be several days before it will be possible to judge whether the offensive is intended to capture Paris or to take the Maginot Line in the rear. At present, Paris appears to be the most probable goal. Both are highly important objectives. The location of this offensive (taking place where Captain Puleston expected it would) gives the Germans the choice of either objective.

3. Local penetrations by tanks through the Allied lines can be expected. The crucial question will be whether the French reserves will be able to plug up the gaps again.

4. The Germans are making use of every means in their power to strike terror in the Allied forces; for example, they are using sirens on their dive bombers, dropping siren bombs, building up some of their tanks to make them appear as large as possible.

Secretary Morgenthau - 2

In spite of all this, the Germans are not irresistible and can be stopped if the morale and the willingness to die of the French is maintained.

A. M. Kamarek

A. M. Kamarek,  
Assistant to Captain Puleston.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 6, 1940

TO Secretary Morgenthau

FROM A. M. Kamarck

Subject: Situation at 9:00 A.M.  
(Based on conversations with Captain Puleston  
and Military Intelligence)

1. The German Army has made some local penetrations across the Somme and along the Aisne, as was expected.
2. The lack of more definite information on the progress of the German drive is a little encouraging since it is a case of "No news is good news".
3. The battle is still in its initial stages and it would be premature to draw any definite conclusions now. This is true even as to deciding what the objectives of the present German drive are. The intensive bombing of Havre and other ports tends to indicate that the German goal is now the isolation and destruction of France.

*A. M. Kamarck*

A. M. Kamarck,  
Assistant to Captain Puleston.

TREASURY DEPARTMENT

-20

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: Conversation with Mr. Hugh Baillie,  
President of United Press.

1. I discussed the war situation with Mr. Hugh Baillie. Mr. Baillie has increased his corps of correspondents in all European states and promised to try to bring some of them home from time to time so we could get their real views unscreened by the censorship. He said he could not do that now, because he was reinforcing his staff abroad rather than reducing it.

2. His reporters in Germany have had some little difficulty with the German authorities, as they have not been what the Germans call "cooperative". I believe the United Press reporters as a whole have been more detached in their viewpoint than some of the Associated Press reporters, for example, Louis Lochner, who has succumbed to some of the favors accorded him by the German Government and is certainly giving a German account of the operations in Belgium. For doing this Mr. Lochner would get a little break on the news. When the United Press learned that the Associated Press in Berlin was getting this break, they protested, and the German Ministry of Propaganda reverted to the old practice of giving the news out simultaneously.

3. There is, of course, considerable rivalry between the United Press and the Associated Press, and we can not depend entirely upon what the United Press says of Associated Press. But I read them both, and my own judgment was formed before my conversation with Mr. Baillie. This belief of mine is borne out by a letter we have access to from a correspondent of the Christian Science Monitor in Germany.

4. Mr. Baillie promised to give us any flashes of immediate interest that we would not get on the ticker.

*W. D. Puleston*

W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 7, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Conversation with Mr. J. W. White,  
International Westinghouse Company.

1. I had a long conversation with Mr. White, who in the early days of the war, you may remember, was the only one of the industrialists I talked with who viewed the possibility of a German victory with equanimity. He was basing his views entirely on economic considerations at that time, and his opinion was formed, as he frankly said, by the thought that it would be easier to meet German competition for foreign trade than British and French, or British or French, competition.

2. The whole conversation may be summarized thus: Mr. White had entirely changed his views. He thinks a German victory would force this country to adopt similar methods to the German barter system to maintain any foreign trade. He is further convinced that this would be such a disadvantage to the United States that we should use all our means to prevent a German victory. He favored breaking off relations with Germany at once, making no further pretense of neutrality, and going to war with them if necessary.

3. Mr. White has given much thought to the question of world politics and foreign trade and their effects on peace and war. After the war, he is convinced, we will have to find some way of meeting foreign trade competitors, among whom he places Japan, regardless of who wins the war. In other words, his conception of modern life is: competition for trade in time of peace, in which nationals are supported by their governments; competition in arms during war, at which time governments fight to protect their territory and trade.

4. I frequently disagree with Mr. White, but I always find him stimulating, and I do believe he is realistic in his approach to the problems of competition for power, territory, and trade in the modern world. He is also very patriotic and devoted to the interests of our country. If he erred at all, he takes a little too exclusive view of our interests.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

24

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO 2. Secretary Morgenthau

FROM 1. Captain Puleston

Subject: The Character of American News Sources in Berlin

The German Government endeavors, by means of favors and penalties, to influence the American news representatives in Berlin to transmit Nazi propaganda to America. In some instances, the Propaganda Ministry has been very successful as several flagrant instances have shown.

This memorandum is accompanied by excerpts from an uncensored letter from the Christian Science Monitor correspondent to his managing editor. It is highly informative. I would recommend reading it, if possible.

The following lists classify the Berlin news sources according to this letter.

American Organizations in Berlin Who Cooperate with the Nazis

1. Associated Press: Louis Lochner
2. International News Service: Peter Huss
3. New York Times: Guido Enderis
4. National Broadcasting Company: Max Jordan, Kirker  
(a Nazi, possibly a member of the S.S.)

Americans in Berlin Who Try to Present an Honest Story

1. United Press: Fred Oerschner
2. Herald Tribune: Ralph Barnes
3. Chicago Tribune: Sigrid Schultze
4. Christian Science Monitor: Joseph C. Harsch
5. Chicago Daily News: Wally Deuell
6. Columbia Broadcasting System: William Shirer

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: Conversation with Mr. Gray and Mr. Turnbull

1. I talked briefly to Mr. Gray, President, and Mr. Turnbull, Vice-President, Central Hanover Bank and Trust Company. We discussed the situation in Europe, and they were both outspokenly in favor of breaking off relations with Germany and giving all possible help to the Allies. They could not see this country living in peace with a Europe dominated by Hitler. They were 100 percent in favor of the President's program of immediate help for the Allies and hoped the President would make our assistance more effective.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

27

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Visit to New York

1. Before giving specific reports of individuals, I want to summarize the general impression I received from all the people I saw in New York:

- a. We must not let the Allies lose.
- b. Give them all aid possible now and if necessary send men-of-war and aviation.

2. This was a big advance over the position taken by these same gentlemen prior to the invasion of Norway, Holland and Belgium. About half of the gentlemen I saw advocate an immediate break-off of diplomatic relations with Germany. One or two were willing to declare war on Germany. All were willing to give every aid to the Allies.

3. The most interesting change of view was that of Mr. J. W. White who formerly thought the United States could meet German post-war competition as easily as it could that of France and England. He said if Germany won we would have to resort to barter trade in order to compete with Germany's technique in foreign trade. Mr. White (President of International Westinghouse) has been in charge of Westinghouse foreign trade for years.

4. Some of these gentlemen were very pessimistic about the possibility of France resisting Germany, but they all believed

that England would hold out, and they were all convinced we should aid the Allies as much as possible.

5. If public opinion west of the Hudson has crystallized as rapidly as it has in New York, the American people are already willing to go to the assistance of the Allies.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

Confidential  
Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Conversation with Mr. Wilbur Forrest, Editor of the New York Herald Tribune

1. His reports from Europe indicated that the situation in France was touch-and-go. He himself still believed there was a chance that Weygand would work another miracle of the Marne and save France.

2. He offered the following information: The Herald Tribune carried a strong editorial advocating our intervention in the war. It was a carefully written editorial in which the whole editorial staff took part. They expected at least five hundred letters of protest from isolationists and non-interventionists. They have received only one letter protesting the attitude taken, and have received numerous letters supporting their position.

3. Mr. Forrest has always passed on any advance information he gets to me, and he will continue to do so.

*W. D. Puleston*

W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

Confidential

DATE June 7, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in France at Noon

1. The following is based on conversation with Military Intelligence.
2. The advices from Paris indicate that the French High Command do not think that this is the main German effort. The attack is being carried out mainly with infantry. The most formidable advance made by the Germans is in the region of Chemin Des Dames, where the French are now counter-attacking. This is a very commanding position. The advance on the west flank across the Somme River was through a British division which was holding that position.
3. Our Army do not regard the situation as too bad. They believe the Germans were not ready to make a well-prepared attack and decided that they had better make a preliminary attack before the French could further strengthen their position.
4. Comment: The fact that the French High Command has not identified the main bulk of the German Army will make them careful about committing themselves to a full-out counter-attack,

Secretary Morgenthau - 2

for if the French get fully committed along the present lines, the Germans might divert their forces farther east in an effort to cut in behind the Maginot Line.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau  
FROM Captain Puleston

Subject: The Situation in France at 4:00 P.M.

1. Reports from the military spokesman in Paris say that the German forces have been trebled in strength since the start of the assault, but their attacks are being controlled for the third successive day. All available German reserves have been thrown into the battle.

If this is correct, it is very important. Our Army has no information either to confirm or disprove it.

2. The French military spokesman continued that the destruction of German tanks is terrific and estimated that since the invasion of Belgium Germany has lost 2,500 tanks.

3. The German "Stuka" attacks (dive bombing) practically ceased today.

Comment: A dive bomber is very vulnerable to attack by fighters when he pulls out of his dive, as he is going at a slow speed with no altitude and gets speed slowly. It is possible that French fighters have taken considerable toll of these Stukas.

Secretary Morgenthau - 2

4. The French say the greatest German advance has reached a point seven miles north of Soissons.

5. Our Army has a report from Berlin claiming that the Germans have crossed the Aisne on both sides of Soissons. They consider this the most disquieting information they have received since the attack began, because it would mean that the strong position of the Chemin Des Dames was probably in the hands of the Germans.

6. London reports that, as far as can be seen, the Germans have not made any appreciable gap in the Somme-Aisne line. The British air force are continuing their attacks on German troop concentrations and railway junctions. There is a hint that there are British army reinforcements leaving England to join the French.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The European Situation

1. The battle of France enters its third day with the main German effort being made on the extreme west flank near Abbeville and in the Chemin Des Dames area. Strong German attacks have also been made on both sides of Amiens.

2. The French line has given but not broken. Weygand has issued another call to his army to resist where they stand. Weygand also expressed himself as satisfied with the way the battle had begun and the manner in which his orders to resist had been executed.

3. It is too early to form any judgments on the situation. Apparently Germany is putting all she has into this attack, and Weygand is putting all the French effort into the defense. Under these circumstances, a decision should be reached rapidly. If the French line holds, it will be equivalent to a French victory. If the French can sell territory to the Germans for a sufficiently high price in German lives and materials, the French could even contemplate the abandonment of Havre and Paris.

4. There was a report over a British broadcasting station that Hitler was about to offer a separate peace to France. President Le Brun has called a meeting of the Superior Council this

morning. I believe Reynaud is the most courageous Frenchman in public life, and I believe he will reject any offer by Germany.

5. On the tactical side, the most encouraging factor is the ability of the French to slow the motorized divisions of the German army. Apparently five of these divisions were used in the Abbeville sector alone. The most disturbing tactical sign is the inability of French counter-attacks to regain territory.

6. On the political side, Italy has completed all preparations for war but has made no move. In this connection, I had the following interesting information from Mr. Sadler, in New York. About two weeks before the Germans went into Holland, some Italian officials informed the Vatican confidentially that Italy would go to war with England within two weeks. England withdrew her merchant ships and reinforced her Mediterranean combat fleet. Germany went through Holland; Italy's part was to draw off some of the English and French fleet in the North Sea and English Channel.

7. Mr. Sadler had definite information from Germany in the past week that the Government had jailed so many dissatisfied Germans who had violated various orders, such as not listening in on foreign broadcasts, that literally there is no more space in German jails. He had learned further that the German killed and wounded have actually been higher than the Allies' and that they do not dare to bring their wounded back to Germany

proper but put them in hospitals in German occupied territory. He stated that Hitler realizes he must win this war.

8. Mr. Sadler further added that when they went into Holland and Belgium they had the definite intention of invading England. The delay in Flanders and successful evacuation forced them to abandon any attempt to invade England immediately. Their present intention is to penetrate as deep into France as they can and then offer favorable terms of peace to France.

Germany's peace offer to France will not require any cession of territory. In fact, Hitler may even offer France a part of Belgium. The real demand will be that the French Army must be so reduced that it can be no military menace to Germany. Mr. Sadler was positive that the foregoing information about the German intentions was dependable, as it came from a source that had just left Germany and come over to the United States by clipper. I am ready to accept practically all of Mr. Sadler's statements, because they check with other information that we have had and are in accord with the events since the Norwegian campaign began.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: Conversation with Mr. Sadler

1. The following information, in addition to that contained in my memorandum of this morning, was obtained from Mr. Sadler during my recent visit to New York.

2. Mr. Sadler's company has had samples of gasoline taken from practically every German airplane brought down in England. This gasoline has been tested in their English laboratories. Eighty-seven octane is the highest performance gasoline used in any of these German planes. This would indicate that the Germans do not have higher octane gasoline, because an increase from eighty-seven octane to one hundred octane would increase the efficiency of performance about twenty percent.

3. The change in the Rumanian Government indicates that Rumania is less francophile, rather than more pro-German. Rumania's main concern is the fear that Hungary will attempt to retake Transylvania. For that reason she will endeavor to buy German support by giving her fuel.

Rumania is doing her best to play off Russia against Germany, because she realizes that the Allies can not give her much immediate assistance. The plan would be for Russia to go

via Czechoslovakia, with whom she has a common frontier, to the aid of Yugoslavia in case Italy attacked Yugoslavia. Stalin and Hitler have no confidence in one another, so Russia will render to Germany as little assistance as it is necessary for her to give. The Soviet Army is much impressed with the German Army, and if by some military coup Stalin should be overthrown, they might draw nearer to Germany.

4. Turkey is solidly on the side of the Allies and would move the instant Italy invaded the Balkans.

5. Mr. Sadler is not at all sure Italy will enter the war and is convinced she will not enter unless and until the French Army is crushed.

6. This emphasized to me what is the most immediate and important factor in the war today. All the diplomatic ramifications will straighten out if France can resist Germany. Italy will delay action, Russia will draw away from Germany, England and France will gain time to increase their own forces. For this overwhelming reason, I am more of the opinion than ever that we should give all the immediate assistance we can to the French and English. The best news of the war was the decision of our Government to let the Allies have some naval planes and surplus munitions of war.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 7, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: No Further Information about Vladivostok

1. Some time ago Mr. Stettinius assigned Mr. George Wolfe, President of United States Steel Exports (a United States Steel subsidiary that transports steel products abroad), the task of getting information about Vladivostok. I saw Mr. Wolfe in New York, and to date he has nothing to add to what we already have. He has hopes of getting information, but he told me his source, and I think he is too optimistic. We have already had access to that source, and they had nothing to offer. He is going to try in another direction, and we may get information, but it will be sometime in the future.

2. In the course of the conversation, Mr. Wolfe volunteered the statement that the President had picked a very strong group of industrialists to coordinate our war industries program. He said Mr. Knudsen knows more about the machine tool industry and quantity production than any man in the United States. Of course, he had a very high opinion of Mr. Stettinius, who is his boss, but he also said he thought Mr. Budd was the best man to handle transportation problems.

DEFENSE DEPARTMENT  
WITH OFFICE COMMUNICATION

3. He expects to provide the ships to transport supplies to the Allies and has them already earmarked. He thinks they can put the supplies in England and France very promptly after the supplies reach the seaboard. He was inclined to be pessimistic about the situation in France but thought England would hold out to the end. He was a strong advocate of doing everything possible now. He is a former naval officer who resigned from the Navy and went into the shipping business after the war. He knows Europe well.

4. Incidentally, he reported that every department of United States Steel was ready to work <sup>an</sup> overtime program, and he thought Mr. Stettinius' successor, Mr. Olds, would do a good job.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

Confidential

DATE June 8, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France, 11:00 A.M.

1. The following is based on newspaper accounts and conversations with Military Intelligence and Naval Intelligence.

2. The most serious situation along the Western Front occurred with a break through by German motorized divisions across the Bresle River and reaching Forges-les-Eaux. The French report that only the heavy tanks got through, that motorized infantry and light tanks were stopped. If the Allies can isolate this force before it builds up, the situation can be restored. Otherwise, this fine line may widen. I will keep in contact with Military Intelligence over the week-end.

3. At other parts of the line the French Army held very well, and our Army officers think the French Army has done as well as could be expected. Our Army has no way of verifying the French reports that the Germans are employing the bulk of their forces in this western attack.

The report from England that they are sending reinforcements to France is perfectly possible, for they had divisions under training in England that were about ready to be sent abroad.

Secretary Morgenthau - 2

4. Naval Intelligence had a report from Rome that Ciano had said Italy will enter the war next week. Admiral Anderson said he accepted this report with a grain of salt. He added that it was reported that Italy would not strike at France directly but aim at Corsica and Africa.

(Comment: I think it would be a good thing for the Allies to have Italy undertake operations against minor objectives like Corsica and Tunisia. All the force that is wasted in these areas reduces the force available in the main theater of France.)

5. Reports indicate that Russia is taking more interest in the Balkans. Our Army is inclined to accept this view; although militarily very weak, if Germany is fully engaged on the Western Front, Russia is relieved from her greatest apprehension. I believe Russia would give assistance to Yugoslavia if Yugoslavia were attacked by Italy.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

Confidential

43

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

TO Secretary Morgenthau  
FROM Captain Puleston

DATE June 10, 1940

I have just received a report from Mr. Page, Vice President of International Telephone and Telegraph, that they are transferring their cable landing from Havre, and that Havre has been ordered evacuated.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

44

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 10, 1940

TO Secretary Morgenthau

FROM Captain Puleston

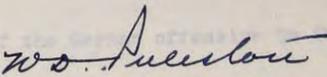
Subject: The Battle of France at 4:00 P.M. today.

1. The Germans have made further progress and have reached Rouen, Beauvais and Soissons. From these last two cities columns are advancing southward. They claim to have crossed the River Ourcq at Fere en Tardenois. They claim to have crossed the Aisne from Compiegne to Attigny. They report that the French resistance in the Rethel area is weakening. This is the part of the French line that has held solidly since the attack began.

All of the foregoing is from German accounts. Our Army has had no official word from Paris today.

2. There are indications that some of the French Government departments are evacuating their papers and some of their officials from Paris.

3. London reports that they have already sent considerable reinforcements and are rushing more reinforcements of new troops. The British air force in France has been increased and the British fleet is shelling German troops on the French coast.

  
W. D. Puleston,  
Captain, U.S.N., Retired.

# TREASURY DEPARTMENT

45

Confidential

INTER OFFICE COMMUNICATION

DATE June 10, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in France

1. The official communiques from the French and Germans are in substantial accord. Apparently there is diminishing pressure on the west flank near the Bresle River and increased pressure in the center and east of the line. Units of the German motorized divisions reached the outskirts of Rouen and Gisors. Apparently there are some motorized infantry with these organizations, otherwise they could not continue their action. Between Montdidier and Noyon the German pressure lessened, and the French claim that they inflicted considerable losses on the Germans in this area and set them back.

On the extreme eastern part of the line, the French line held entirely, but in the region of Rheims there were two German penetrations, both east and west. In regard to the penetration east of Rheims, the French claim, and our Army accepts as a fact, that they inflicted very heavy losses on the Germans in this area.

The expected extension of the German offensive to the Maginot Line did not develop.

2. This morning the battle was renewed with the same intensity as yesterday. General Weygand referred to this present phase as "the last quarter-hour", and it is perfectly true that an offensive such as the Germans are now undertaking must succeed entirely or result in a deadlock.

3. To date there is no indication from the battlefield that the Germans can not maintain this attack for some time further. On the other hand, it is plain that the Germans are consuming their military supplies and their man power at a huge rate. The Allied air forces are attacking their line of supplies, and particularly their fuel supply, which is essential to the motorized unit.

4. The most important factor, from the French point of view, is that so far their army is in hand, undemoralized, and carrying out the most difficult of all operations: maneuvering to prevent a break through by a numerically superior and better equipped army.

5. The refugees from Belgium and northern France who were temporarily sheltered in the Paris area are being evacuated, also many civilians and some government records. The Germans have bombed the suburbs north and west of Paris, claiming that they were attacking airdromes and railway centers.

Secretary Morgenthau - 3

6. Prime Minister Churchill announced that British reinforcements had been forwarded to France in the last two or three days. The units of the French army that were evacuated from Dunkirk will be forwarded to France soon, as will further formations from the British Isles.

7. In 1914 Joffre did not hesitate to abandon Paris to the Germans. If Weygand is forced to abandon Paris, I believe his Army will still endure, and, I hope, so shall the morale of the French people. If so, even the evacuation of Paris would not mean the end of this battle.

8. Concentrations of German troops are reported from Switzerland to be in the Black Forest and adjacent to the German-Swiss frontier. The French bombarded this area with their heavy artillery in the southern extremity of the Maginot Line.

9. On the diplomatic side, the development that is outstanding is the exchange of ambassadors between Rome and Moscow. This would indicate that Hitler is succeeding in drawing Rome and Russia together.

Tokyo reports, at the same time, that the Japanese and Russians have settled their frontier dispute in Manchukuo and will proceed to negotiate other differences. Italy is reported to have refused the last offer of France.

As ominous as all of these diplomatic incidents are, they will never get out of the preliminary stages if the French Army can resist the German advance, for all Europe knows that Hitler must win the war this summer, and they will not commit themselves to an attack on the Allies until they are convinced that Hitler will win.

The surrender of the Norwegian Army was a necessary consequence of the decision of the Allies to evacuate Narvik. This will be a temporary blow to the prestige of the Allies, but I believe it is a sound military decision. If the Allies can win in France, they win the war; if they lose in France, they may lose the war. Successes in minor theaters will not influence the big decision.

10. The best news today is the report that twenty to forty naval planes left Buffalo for Holton, Maine, to be turned over to the Canadians. If anything can keep the French army going, it will be the knowledge that the United States is going to give all assistance short of entering the war and give it immediately.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 10, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Effect of Italian Entrance into the War

1. There are two reasons, I think, that animated Mussolini. They are (a) he had done so much damage to Great Britain and France that he must have realized that, if they emerged successful from the war, a day of reckoning would come for Italy, (b), and this is the more important reason, I believe he is convinced that the German Army and Air Force had achieved such success in France that it was safe for him to enter.

2. Mussolini is a very acute observer and has made few mistakes in estimating diplomatic and military situations in the past decade. For that reason, the fact that he considered it safe to enter the war on the side of Germany is almost as important as the weight he will add to the German machine.

3. In spite of his previous record of successful diagnoses, I think Mussolini has made an error. The situation in France is critical. It is difficult to see how the French Army can withstand the German Army. Still, Marshal Weygand is one of the half-dozen best generals in the world. He fought under Foch and Joffre in the darkest part of the World War. It is not likely that he will quit before the French Army is actually defeated

very thoroughly. If he can keep his army together, even for another week, some of the driving power of the German Army must be absorbed. And even if Paris were evacuated, it would not necessarily entail the capitulation of the French Army. The Italian-French frontier favors France, and I doubt very much whether the Italian Army, unless it is furnished with a covering force of German divisions, will attempt to invade France. Even if Germany comes through Switzerland, time will be required before the French-Italian frontier would be uncovered for the Italian Army.

4. Italy can do considerable damage to the Allies with her air force and her submarines. Her cruisers, if they reach the Atlantic and Indian Oceans, can cause the Allies some more losses of merchant ships. It is quite possible that Italy can invade Corsica or Tunis, and they may even make an attempt on Egypt. To do so they will have to encounter a superior naval force in the Mediterranean.

5. In Mussolini's speech he stated that he would make no effort against neutral neighbors, mentioning Yugoslavia by name. I think this means that, for the present at any rate, Mussolini does not wish to stir up the suspicions of Russia.

6. Now that Italy has finally made her decision, the Allies should concentrate their efforts on detaching Russia from

Secretary Morgenthau - 3

the Rome-Berlin Axis. This will be difficult, but it is not impossible.

Turkey is committed to the Allies, and if she joins, she could be an intermediary between Russia and the Allies. The Turkish-Russian relations have been very cordial in the decade preceding this war, and it was only the extreme demands made on Turkey by Russia in September and October of 1939 that caused Turkey to desert Russia and join France and England when they guaranteed her territories from aggression.

7. Incidentally, the United States could probably assist in detaching Russia from Germany; and we could do this without any risk, provided we got some assurance that the Soviet Government would abandon its previous efforts to spread communism in the United States. Actually, by taking the necessary precautions in this country, the United States could suppress all efforts to spread communism here, with or without the cooperation of Russia.

Regarded simply as a national entity, the United States has no quarrel with Russia, nor do our interests conflict in any part of the world. On the contrary, in the Far East the United States and Russia could cooperate to advantage in restraining aggressions by Japan. With the present temper of the American people, all the propaganda in the world would not add many converts to communism. Therefore, I think we can adopt, without

Secretary Morgenthau - 4

SECRETARY DEPARTMENT

INTERNATIONAL COOPERATION

any risk, a policy of drawing closer to Russia in order to detach her from Germany. Such a policy would enable us to checkmate Japan's ambitions in the Dutch East Indies and China.

8. While on this subject of our policy in the Far East, which is intimately connected with our policy in Europe, I would like to add the following. We should keep our fleet in the Pacific until we are determined to use it in European waters. The Allies do not need battleships or cruisers in the Atlantic, and the removal of our fleet from the Pacific to the Atlantic, unless the Allies were in dire need of a naval force, would be an invitation to Japan to occupy the Dutch East Indies. It is a much simpler problem to prevent the Japanese from getting into those islands than to get them out if they ever are established there.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 11, 1940

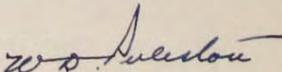
TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in France at 4:00 P.M.

1. A late report from the Naval Attache in Paris gives the line in France as follows: Commencing on the Channel at Dieppe, south to the Seine at Rouen, thence along the Seine to the mouth of the Oise, into the suburbs of Paris, then following the line of the Oise through Beaumont, Creil, and through Senlis to La Ferte-Milon and to Fere-En-Tardenois, thence to Fismes, thence to the Aisne, making a big bend around Reims to Rethel. In the neighborhood of Rethel the French are mounting a counter-attack, apparently of some proportions.

2. The British planes attacked Libya and Italian East Africa, bombing troop concentrations and fuel depots. Italian planes bombed Malta, Aden, and French Somaliland.

3. The Italians also report that their troops advanced into British and French Somaliland.

4. The British Air Force report that their bombers have damaged railways, roads, and bridges and important crossings of the Meuse, and that they also bombed military objectives in western Germany.

  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Information obtained from Mr. Frank Page,  
Vice-President, International Telephone and Telegraph

1. About 11:30 A.M. the Italian cable from Gibraltar to the Mediterranean went out. It is believed to have been cut near Gibraltar. International Telephone and Telegraph has cable communications with Spain via England and communications with the eastern Mediterranean, including Italy, by radio. International Telephone and Telegraph was unable to get its own line from Madrid to Paris. The French authorities would not give it a private line.

2. The International Telephone and Telegraph has moved its largest factory and its laboratory from Paris to the south of France and expects to move its only remaining factory, which is smaller. This would indicate that the evacuation of essential factories from Paris is taking place in a fairly orderly manner.

3. Mr. Page had no further information to contribute except what was already on the ticker.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

Confidential

DATE June 11, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in France

1. The Germans concentrated their efforts in the lower reaches of the Seine between Rouen and Vernon, and the French admit they have crossed the Seine at some points, adding that the Germans were being vigorously counter-attacked.

2. The next most important German thrust was from Soissons in the direction of the Ourcq River, which gained more ground to the northeastward of Paris. In the sector north of Paris the German infantry pressure was light, but the air attacks were severe. In the neighborhood of Rheims the Germans made some progress both to the eastward and westward as far as Attigny. To the eastward of Attigny the French line was unshaken.

3. The battle of France continues more and more violently. The Germans claim that the French reserves are being exhausted. So far the Germans have been able to bring in fresh divisions. The French claim that they are contesting the ground foot by foot and selling it to the Germans dearly.

4. Paris is preparing for a siege. Most of the government departments have departed for Tours and vicinity in the central part of France.

5. So far the entrance of Italy has not changed any of the dispositions of the French Army. The French simply announced that their troops were in position on the Italian-French frontier.

Rome reports that Italian armed forces went into action today, but the points at which attacks were made were kept a military secret. There have been no other official reports of Italian military, naval, or air activities. Gibraltar reports all quiet.

6. The British admit the loss of the aircraft carrier "Glorious", one transport, and two destroyers. Their loss was caused by a spirited attack by the two German battleships "Scharnhorst" and "Gneisenau". This loss, although unpleasant, will not affect the naval situation seriously, and it was obviously a wise move to concentrate all of the Allied effort in France and England for the present period.

7. Apparently Mussolini has decided to keep out of the Balkans and the eastern Mediterranean. (Comment: This is probably to avoid chances of friction with Russia.) This limits his objectives to Tunis, Malta, Corsica, Gibraltar, Algeria, and Morocco, unless he decides to attack the French frontier, which I doubt.

8. The Italian submarines will undoubtedly make themselves felt in the Mediterranean, and some of them may get into the

Atlantic. Incidentally, the German submarines are now operating farther off shore than they did in the early part of the war, indicating that their larger submarines are being put in commission. The British anti-submarine measures are increasingly effective, and I do not think the German submarines, even reinforced by the Italian, will be more than a thorn in the side of the Allied merchant marine.

The one bright spot for the Allies is the considerable accession of merchant ships from the merchant marines of Norway, Denmark, Holland, and Belgium.

9. On the political side, Turkey has not yet made her decision. I think the chances are about even that she will remain neutral.

10. In the London broadcasts and in the reports from France, it was apparent that President Roosevelt's speech at Charlottesville had been of the greatest assistance to the morale of the Allies.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: Our Relations with Japan

1. The Japanese at present are fully engaged in China; their internal economy is strained almost to the breaking point. Any action by our Government which eases this situation for the Japanese increases Japan's ability to threaten the United States.

Concessions to Japan could be justified only if time helped the United States. This is not the case, for concessions to Japan now would extricate her from her difficult situation in China, and strengthen her position to dispute the western Pacific with the United States a few years from now.

A wise policy demands that we support China, with whom we have no conflict of interests, rather than Japan, who is already a dangerous commercial competitor and is always a potential military menace.

2. American concessions to Japan would probably be misunderstood. They would be attributed to our fear of her military power. In 1914 when we evacuated Vera Cruz, the Japanese attributed it to our almost negligible losses in seizing that Mexican port. They have considerable respect for American soldiers and sailors, but they believe that the people of the United States are unwilling to support their interests in the Far East.

Evidence of their reaction to any overture by us can be found in the contempt with which they have treated overtures from Great Britain and France during the past eighteen months. The Japanese ruling class is imbued with the ideas of Berlin and Rome. They would inevitably interpret any olive branches extended by the United States as a sign that we were afraid of them.

3. Finally, the price we would have to pay for Japanese friendship is too high. She demands the hegemony of China, a free hand in Malaysia, and if Germany wins this war she would seek to dominate Australia and New Zealand.

Japan is already extending her markets in South America. I am told by reliable authority that she can build turbo-generators and similar heavy machinery needed in South America and is already supplying Brazil and Peru. If her interests in South America are built up and her position in the western Pacific assured, her ambitions would extend even to the Hawaiian Islands, which are already predominantly Japanese in population.

The situation in Europe is the more urgent, but there is perhaps more potential danger to the United States from Japan than from Germany, for we will confront Japan alone. The simplest and easiest way for us to safeguard our interests in the Far East is to keep Japan busy in China. Chiang Kai-shek states that the Chinese war against Japan is seven-tenths economic, and

the most urgent need for China is a loan to stabilize her currency. Twenty or thirty million dollars lent to China would be a small outlay to make for our national defense, and it has the additional advantage that it would not divert any of our factories from producing arms.

In addition, when the general situation permits, our Government could place some sort of handicaps on Japanese trade to the United States, either in the form of increased duties or an embargo.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

June 13, 1940

Since the foregoing was written, press accounts state (a) that Japan has come to an understanding with England about the Tientsin dispute over Chinese money and the Japanese blockade of the British concession in Tientsin; (b) Japan states that she will investigate the report that two thousand British soldiers have been landed in the Dutch East Indies; (c) Japan insists that France

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

prohibit the shipment of munitions through Hanoi; (d) Japan has recently signed a non-aggression pact with Siam.

These apparently disconnected actions indicate that Japan is alert and prepared to take advantage to the full of events in Europe. The only restraint on Japan today is the presence of the United States Fleet in the Hawaiian Islands.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

62

## INTER OFFICE COMMUNICATION

Confidential

DATE June 12, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France at 8:00 A.M.

1. On the lower Seine the Germans are attempting to cross between Rouen and Vernon. The French report is not definite but simply states that the French are counter-attacking in this area. I believe the Germans probably have crossed that river in several points. From Vernon the line follows the Seine to La Pontoise, where the Oise empties into the Seine. From there the line runs through Chantilly, Senlis, and in a rough semi-circular form until it strikes the Marne, almost east of Paris. The French have retreated to the south bank of the Marne in this area.

Farther eastward the Germans claim to have captured Reims. The French do not deny it, only claiming that "the French line held intact in most points; at others were retiring to prepared positions in face of superior German numbers and materials."

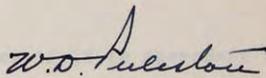
Still farther eastward in the neighborhood of Reims and Attigny, French counter-attacks have prevented progress by the Germans.

2. The Germans claim that the French resistance is visibly weakening. Weygand reminded his soldiers that the Germans must be consuming their reserves and that their violent effort could

not long endure. Obviously, both sides must be consuming men and materials at a rapid rate.

The French General commanding the city of Paris announced that the defense of the city would not be an isolated operation but would be part of the whole battle of France. Around Paris are many strong points, and it will be of considerable help to the French Army in making a stand against the Germans. Further, if the French people elect to expose Paris to destruction in order to help the Army, it shows a high morale on the part of the French Government and French people which should be reflected in their Army.

3. The Italian Air Force bombed Malta, Aden, and French Somaliland, and their troops advanced into British and French Somaliland. British planes attacked Libya, Italian East Africa, and some of the military objectives in northern Italy, notably Milan.



W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 12, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France at 4:00 P.M.

1. The Allied supreme leaders, including both Prime Ministers, Field Marshal Weygand, and General Sir John Dill, met in France to plan measures to stem the German attack. The French counter-attacked the Germans wherever they had been able to establish lines. In the meanwhile the Germans advanced along the Seine, Oise, and Marne rivers. To the eastward of Paris, the Germans have now reached the Marne as far eastward as Chalons. The position beyond Chalons is not reported by the French, but they are resisting stiffly from Attigny eastward to Montmedy, probably with a view to protecting the west flank of the Maginot Line. On the extreme west flank the Germans captured some twenty thousand soldiers, mostly French, at St. Valery-en-Caux. It is reported that two British divisions are trying to evacuate from Dieppe.

2. Colonel Magruder believes that if it is necessary to abandon Paris the French will confine their resistance to the suburbs in order to avoid actual fighting in Paris itself, which might involve the destruction of the city. Colonel Magruder

said that, although this situation was very critical, the French Army was still holding together and so far the Italian Army had made no move to attack the French Army along the Italian-French frontier.

3. The French military spokesman states that "the enemy had not yet achieved decisive results, but it is apparent that the moment was critical". I think this was a very accurate description of the situation.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

Confidential

DATE June 12, 1940

TO Secretary Morgenthau  
FROM Captain Puleston

A flash from New York states  
that the outskirts of Turin are being bombed  
and that there were airraid alarms at Milan.

Comment: Italian airplane fac-  
tories are located in these cities.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 13, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France at 3:00 P.M.  
(Based on conversation with Colonel Magruder)

1. There has been little actual change along the French front. The Germans have not reached Havre. They have widened the bridgehead a little south of the Seine, west of Paris, in the region of Evreux and Pacy-sur-Eure. They have not made any progress north of Paris. In the east the French line has stiffly held and runs from Chalons through Vouziers, thence to Montmedy, where it connects with the Maginot Line.

2. There is some evidence in Norway that the Germans are contemplating an attack on England. Admiral von Raeder is still there and is supposed to be collecting transports for this purpose. I still think that it would be the best thing that could happen for the Allies to have Germany attempt an overseas invasion of England. Certainly, if they can defeat the Germans at all, it will be on the water.

It would be quite a different proposition if this invasion is aimed at southern Ireland. I think they could probably make a lodgement in southern Ireland with the aid of the Irish Republican Army.



## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 13, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Reynaud's Reported Appeal to President Roosevelt

1. One feature of Reynaud's appeal impressed me very favorably. He was paraphrasing the words that Foch used at the front of Amiens in 1918: "I will fight them in front of Amiens, I will fight them in Amiens, I will fight them behind Amiens". If Reynaud can communicate some of this spirit to the French Army and the French people, they can take such toll of the Germans that before the Germans finish with France they will be unable to attack any other country. It will be a tremendous sacrifice for France to make, but France has no alternative to this except an abject surrender to Hitler, and nothing that Hitler's army can do to France would harm her as much as the terms of a peace that Hitler would impose on that country.

2. We know too well the difficult position that France is in. We do not know the difficulties that the Germans are laboring under. If we could look down behind the German lines and along the Rhinish cities that have been bombarded and into the semi-starved people of Germany, we could take greater hope than if we keep our eyes only on their apparently irresistible armies as they go through France. It was Napoleon, a very practical soldier, who said that the moral was to the physical as three to one. I think President Roosevelt's speech not only increased  
*at Charlottesville*  
^

the morale of the French and British, but by the same measure decreased the assurance of Hitler and his colleague Mussolini.

In addition, every plane, every pound of powder, every gun we send to the Allies now will be a visible token that we are going to give them our material aid, as well as our moral support.

*W. D. Puleston*

W. D. Puleston,  
Captain, U.S.N., Retired.

TREASURY DEPARTMENT

71

Confidential

INTER OFFICE COMMUNICATION

DATE June 13, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Aircraft Production Program

1. Superiority in the air is an enormous advantage to either an army or a fleet. Yet it is a very precarious form of power. For example, for several years after the World War France was the dominant air power in the world. She attained this position by standardizing her planes and going into mass production. In a few years all of her machines were obsolete.

2. In order to accomplish quantity production, it is necessary to reduce the types of planes and go into quantity production. It is also necessary to insist that no changes be made in the designs of engines of planes. Otherwise, the program will be delayed indefinitely.

3. But while we are going into quantity production, we should keep our research divisions busy and improve both engines and designs of planes as much as possible. Then when we have attained a certain number of "present performance planes", if our research division has produced a better type, we should make preparations to re-tool quickly and shift over to the new type of engine. I am told that our machine tool industry can make quick shifts of machine tools. In this way we could have the advantage of quantity production and standardization without freezing the performance value of our planes.

4. You have probably thought of this already, but I thought I would just make sure that this feature had been considered.

*W. D. Puleston*

W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

## INTER OFFICE COMMUNICATION

DATE June 13, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France at 9:00 A.M. and Its Effect on the World Situation.

1. The French report that the battle continues with the same violence on the whole front. There was a report by the British broadcasting station of a counter-attack by the French in the Beaumont-Senlis area that netted an advance of five miles. The only importance of this is the fact that it would indicate that the French Army was still in good shape, otherwise they could not organize and launch such an operation. On the western flank the Germans apparently are increasing their pressure south of the Seine in the direction of Evreux and Pacy-sur-Eure. The French claim to be holding in that area.

2. The French High Command have announced that Paris is an "open city". This means that they have decided not to defend the city of Paris street by street. At the same time the High Command announced its determination to defend the suburbs of Paris. These suburbs were formerly forts which enclosed Paris in all directions.

3. Eastward of Paris the French have had to give ground slowly south of the Marne. Eastward of Rethel they had to withdraw beyond the Suippes River, probably to conform to the German advance farther to the westward.

Secretary Morgenthau - 2

4. Even more important than the fate of Paris is the fighting on the eastern flank of the line from Chalons northeastward towards Montmedy. The French must hold in this area long enough to pull their army out of the Maginot Line or to establish a new line running from Chalons in a generally easterly direction to Thionville, where it could again connect with the Maginot Line. A possible new line would be in the direction of Verdun, Etain, and thence to Thionville.

5. The British admit the surrender of about six thousand of their troops and that another division is being surrounded in Normandy. They succeeded in evacuating about a half of one division, disembarked it in a French port, and returned it to the battle. The British Government announces that it will give all possible aid to France. British air forces attacked Genoa, Milan, and Turin, as well as Italian air fields in Libya, and laid mine fields in Italian waters.

The Italians again bombed Malta and laid mine fields in the channel between Sicily and Pantellaria. They also bombed the French naval base at Bizerte, in Tunis.

6. On the diplomatic front the most significant development was the delay of Turkey to join the Allies. Turkey is querying Soviet Russia. It would be folly for Turkey to enter the war

Secretary Morgenthau - 3

if the Soviet Government is prepared to attack Turkey simultaneously with Italy. The attitude of Soviet Russia will be determined by the extent of her apprehensions of Germany. She distrusts Italy and would like to assert herself in the Balkans but hesitates on account of the fear that Germany will turn upon her. If the Allies can hold in France, it is not impossible that a guarantee will be given Turkey by the Soviet Government against attack if Turkey attacks Italy. The Turks want very much to regain the Dodecanese Islands, which the Italians seized after the World War. I believe they would make the effort to retake these islands if they could be assured that the Soviet Government would not attack them in the rear.

In the Far East Japan has taken advantage of the critical situation in France to make peremptory demands that the French stop shipments of munitions to China through French Indo-China. The Japanese assert that most of these munitions are of American origin. Simultaneously, the Japanese and the British have come to an agreement in regard to the blockade of British concessions in Tientsin.

I think the whole confused diplomatic picture will be governed by the battle in France. If the French succeed in holding the Germans and keep them fully occupied, the predatory instincts of Italy, Russia, and Japan will be slowed down. On the other

Secretary Morgenthau - 4

hand, if there is any collapse of the French Army, we can expect to see each of these powers seeking to grab all that it can.

*W. D. Puleston*  
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 Captain, U.S.N., Retired.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 13, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Destruction of an Important Chinese Ammunition Dump

1. An important Chinese ammunition dump was totally destroyed in an explosion on April 12. Definite information has just reached this country. The storehouses were located at Chefang just within the Chinese border from Burma. They contained seven thousand tons of ammunition, dynamite and gasoline worth four million U. S. dollars. Most of these supplies originated in the Soviet Union.

2. While the cause of the explosion has not been definitely ascertained, there is evidence leading to two alternative explanations.

a. It has been suggested that the dump was bombed by Japanese bombers operating from bases in Siam. Japan's influence in Siam has been strong and Dr. Buck reported some time ago that new air bases were being constructed close to the Chinese and Burmese border.

b. The second possibility is sabotage by Japanese agents.

3. An American military observer in China is of the opinion that it is impossible to judge what the true origin of the explosion was.

*W. D. Puleston*  
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 Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 14, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in France

1. The Germans have occupied Havre and pushed southward from Evreux and Pacy. They have occupied Paris, evacuated by the French Army. All of this was anticipated yesterday. A more serious matter is that the Germans have been able to advance to the eastward of Paris from Chalons in the direction of St. Dizier and southward from Montmedy. This threatens to compromise the Maginot Line immediately.

The Germans are reported to be attacking the Maginot Line in the Saarbruecken area. This would be a natural development of their movement from Chalons. It is essential for the French Army to evacuate the northern part of the Maginot Line quickly if it is to escape envelopment. There are numerous strong points in the rear of this Maginot Line, Verdun, Metz, Nancy, Sarrebourg, so that if the French Army is still cohesive, Weygand may effect this movement. If he should succeed in doing this, it probably still would be necessary for him eventually to withdraw from the southern half of the Maginot Line, because his army is already over-extended in attempting to hold the Maginot Line and a continuous line across France to the Atlantic Ocean.

Incidentally, in the recent operations the French have lost many prisoners and much equipment. As the Germans have now crossed the Seine east of Paris in strong force, it is very likely that they will cut off some more French prisoners.

2. Premier Reynaud made an appeal to the United States for immediate aid. I fear that his dramatic words and the quick response by some American commentators that we did not have planes to send will be immediately cabled to Berlin and will encourage the Germans to even greater efforts.

3. The British Government, through King George, has assured France that it will send all possible assistance, even semi-trained and ill-equipped troops.

The French Government has left Tours for Bordeaux. It still is possible for the French to reestablish themselves in the western part of France. A wide semi-circle extending from the coast of Brittany along the Loire River and from there swinging southwestward into the sea at Bayonne could be established. However, this will require not only superb discipline and control by the French Army but a stout-hearted government and people.

4. If the British come quickly and the French morale is preserved, part of France may yet be preserved and the French

Secretary Morgenthau - 3

DEFENSE DEPARTMENT  
INTER-OFFICE COMMUNICATION

Army kept in being. This is about the best that can be looked for from the present situation.

5. There is a report that some of the Cabinet wish to make separate peace with Germany. It would be remarkable if, among all of those members, there were not some faint hearts. It will be a question now of whether or not Weygand can head the Government and the Army and keep the French people together.

6. The Italian Army reports that it is making contact with the French Army along the Alpine border. However, the military picture has not been affected by the Italians as belligerents. They held about as many troops as a non-belligerent.

7. The Spanish Government announced that they have taken over the policing of Tangier, an international port opposite Gibraltar.

*W. D. Puleston*

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Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 14, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in France

1. I discussed the situation in France at some length with Colonel Magruder. The Army feel that the military situation of General Weygand's Army is practically hopeless. Colonel Magruder said there had been a rumor that Reynaud had informed President Roosevelt that, unless the United States declared war against Germany, France would have to abandon the contest. You probably have better information on this subject than Colonel Magruder; I pass it along for what it is worth.

2. The French communique is more hopeful. It states: "The retirements ordered, particularly by the army of Paris, have been carried out conforming to plans. Our troops counter-attacked several times. A Nazi frontal attack on the Maginot Line was repulsed with heavy losses".

3. Air attacks on Italy included fuel reservoirs in the region of Venice. In addition, the railway line along the Italian coast was bombed.

Comment: I understand that the Italian railway lines are very vulnerable to air attacks, as they lie close to the coast.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

Confidential

DATE June 14, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Situation in France at Noon.

1. A French radio station broadcast that the French Government had agreed with the military authorities to continue the struggle with Germany to the end.

2. The British Admiralty stated that the German battle-ship "Scharnhorst" had been hit once and probably twice by British fleet bombing planes on the Norwegian coast Thursday.

3. In an interview with an American newspaper man, Karl Von Wiegand (incidentally, Wiegand was a very pro-German American reporter in the last war), Hitler stated that he had no intention to destroy the British world empire -- but he was convinced that the capitalistic clique (in the British empire) will be destroyed, not by Germans but by the British people.

Comment: I think this is a significant statement. Nothing would suit Hitler better than to stir up civil strife in the United Kingdom and Great Britain. I doubt whether he can do this.

4. Ambassador Grew protested to the Japanese Foreign Office against the intensive Japanese bombardment of Chungking.

*W. D. Puleston*

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 14, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Position of Soviet Russia in this War

1. There is a rumor from Finland that in a short time Germany will attack Soviet Russia, and Finland will regain what she lost to the Soviet. This rumor may simply be wishful thinking on the part of Finland, but the best opinion that I can get in Washington is that Germany will attack Russia as soon as she is relieved of any apprehensions of England and France.

2. I think the Soviet Government is aware of this, and I believe that, if the United States took some positive action in the European war and thoroughly committed our country, the Soviet Government would feel strong enough to detach herself from Germany.

3. During the Napoleonic wars, Russia was first on the side of England, then on the side of France, and finally on the side of England. In the Seven Years War, she also changed sides. During the World War, she made a separate peace with Germany. I believe she can be detached from Germany, and if she could be detached, she could take Bulgaria and Turkey and perhaps Yugoslavia in on the side of the Allies.

4. The fact that Germany has shown herself to be more powerful than was anticipated will make Russia more uneasy about

Secretary Morgenthau - 2 SURVEY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: June 15, 1940

her position in the future in Europe with a triumphant Germany. If she knew that the United States was definitely committed to stopping Hitler, I think she would join on the first favorable opportunity.

*W. D. Puleston*  
 W. D. Puleston,  
 Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

Confidential

DATE June 15, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in France

1. The French report that there were lulls in certain parts of the line and that their retreat was in good order and to designated positions. An American reporter, broadcasting from somewhere in France after having left Tours, stated that the reports from America were more "jittery" than the atmosphere in France.

The German High Command claim to have reached Vitry Le Francois, to have shattered the Maginot Line at Montmedy, and to have occupied Dead Man's Hill in the Verdun area.

The French claim to have repulsed a frontal attack on the Maginot Line along the Sarre.

2. It is essential for the French to evacuate the north-eastern part of the Maginot Line from Montmedy as far east as Sarralbreth and abandon the eastern most salient northward of Strasbourg.

3. The measure of the coherence of the French Army will be its success in this operation of evacuation.

4. The Germans bombed Belfort, Nancy, and Metz, and probably kept pressure on the whole Maginot Line. It is still possible

8. The French Navy felt strong enough to bombard Genoa, and it is reported that in other places along the coast French ships bombarded the Italian coastal railway line.

9. On the diplomatic front, the Turks are showing a reluctance to fulfill their obligation to the Allies, and the Spaniards have shown a willingness to change from a neutral to a non-belligerent attitude favoring Italy and Germany. It is only to be expected that these weaker countries will be guided by the results in France. That is one of the main reasons for protracting the resistance of France to the bitter end.

10. The attitude of the British Government and the British people, outwardly, at any rate, is to continue the war even if France is forced to capitulate. I believe that is at least the present attitude of the British people, and for that reason I am still convinced that the best thing we could do in our own self defense is to give all immediate aid possible to England and France. In order to be perfectly sure that none of our equipment should fall into German hands, it might be advisable to route our supplies for France via England, or at least to be prepared to divert ships carrying equipment bound for France to England in an emergency.

*W. D. Puleston*  
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Captain, U.S.N., Retired.

that they will violate the Swiss neutrality in an effort to get around the southeastern end of the Maginot Line.

5. The terrain favors the French in the Vosges region, and they should be able to evacuate the Maginot Line without any military disaster. In fact, it would be quite possible for them to inflict heavy casualties on the Germans in this operation if the Germans are too eager in the pursuit.

6. It is reported from both London and Paris that the Government of France will decide today whether to continue the war or to make a separate peace with Germany. This may be correct, and we should know very soon whether or not it is.

If the French do not make a separate peace within the next twenty-four hours, we can expect them to evacuate north and eastern France, and the success of this operation will depend on preventing a further break through to the west of Paris while they are withdrawing their forces in the Rhine-Moselle sector. Accordingly, it would not be bad news to learn that the French were successively evacuating strong positions in the Maginot Line, provided there was no sudden, deep penetration by the Germans.

7. The Italians claim that they have some of their soldiers on French territory along the frontier. It is quite possible that at certain points they are on French soil, but their advance is not important at present. In at least one position the French were on the offensive, and the Italians only claim to have repulsed the attack.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 17, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: French Overtures for Peace with Germany

1. Marshal Petain has taken over the French Government and made overtures for peace with Hitler. The important question now is what terms will be exacted. From a military point of view, the disposition of the French fleet is of first importance, and, second, whether the French will hold long enough to permit the evacuation of British soldiers and supplies still in France.

It is useless to conjecture, as the event will develop very quickly.

2. If the Germans obtain the French Fleet, with the Italian Fleet and the remnants of the German Fleet, it will be a formidable naval force and make the defense of the United Kingdom against invasion more difficult. Again, it is almost useless to speculate, for even if orders were given to surrender, it is quite possible that some units of the French Navy would scuttle themselves or even join the British Fleet.

3. So far as our course of action is concerned, we should

- (a) divert any supplies intended for France to Great Britain,
- (b) be ready to occupy the French colonies in the West Indies and

Secretary Morgenthau - 2

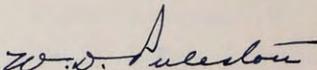
DEFENSE DEPARTMENT

OFFICE OF THE SECRETARY

DATE: 1945

South America, (c) redouble our efforts to speed up preparations for war, and (d) adopt the principle of universal service.

We can expect Japan to take advantage of the present situation in the Far East. Until public opinion is ready to allow our fleet to take an active part in the war, I think we should keep it where it is, as it has some quieting effect on the Japanese.



W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 17, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Effect of German Accession of the French Fleet

1. Fleets of the Belligerent Nations (Based on Naval Intelligence data and believed to be substantially correct.)

	<u>German</u>	<u>Italian</u>	<u>French</u>	<u>Total</u>	<u>British</u>
<u>Capital Ships</u>					
In Service	5 *	6	8	19	16 **
Launched	1	1	-	2	2
Building	2	1	3	6	4
<u>Pocket Battleships</u>					
In Service	2	-	-	2	-
<u>Aircraft Carriers</u>					
In Service	-	1	2 ***	3	8 ****
Launched	1	-	-	1	4
Building	1	-	2	3	2
<u>Heavy Cruisers</u>					
In Service	2	7	7	16	15
Launched	2	-	-	2	-
Building	-	-	-	-	-
<u>Light Cruisers</u>					
In Service	5	14	11	30	48
Launched	-	-	-	-	12
Building	4	14	3	21	11

\* Two outmoded.

\*\* Includes two of the King George class recently commissioned.

\*\*\* One aviation transport

\*\*\*\* Includes two seaplane carriers.

	<u>German</u>	<u>Italian</u>	<u>French</u>	<u>Total</u>	<u>British</u>
<u>Destroyers</u>					
In Service	36	126	67	229	170
Launched	-	-	-	-	?
Building	6	22	13	41	32
<u>Submarines</u>					
In Service	100	111	77	288	56
Launched	?	-	-	-	?
Building	?	9	12	21	10

2. The foregoing table indicates the seriousness of the situation in the event that the French fleet is added to the Italian and German. The more it is considered, the more precarious the position of the United Kingdom is seen to be in case Hitler succeeds in obtaining the French fleet. While a coalition fleet could not possibly operate with the same coherence as one national fleet, and while some time would be necessary for the Germans to man French ships, the danger would be acute and imminent.

3. With naval forces as nearly equal as these would be and with air superiority, an invasion of England could be undertaken with less risk than the Germans have taken in their other operations.

4. The Germans certainly would be able to raise the blockade by attacking the blockading vessels on the line between Iceland and the Faeroe Islands from their Norwegian bases. Even more dangerous to Great Britain than the invasion would be the

submarine warfare that could be waged with the combined submarine fleets, which would total 288 submarine vessels.

5. If the accession of the French fleet should enable Germany to starve or invade England, or both, Germany could then demand the British fleet. If England should be obliged to submit to this condition in order to avoid destruction, Hitler would then be in a position to occupy the Azores and Canary Islands and move against either North or South America.

The foregoing is based on two big "ifs"; possibly neither of them will happen. But the potentialities of the ultimate situation are so serious to the United States that, if the French fleet is turned over to Germany, our own position should be carefully reconsidered.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 18, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in Europe

1. Mussolini and Hitler are meeting in Munich to consult upon the terms to be given France. In the meanwhile, the Berlin press indicates that the terms will be very severe. The French might have known they could expect no mercy from Germany. It is idle to speculate on what the terms will be, as we will know them very soon.
2. The important question is the disposition of the French Fleet. Next in importance is the disposition of the French armies overseas and their aviation that is left. There are suggestions that Japan will go into French Indo-China. The territorial adjustments involved in the French surrender include French possessions in the Mediterranean, Africa, and Asia, as well as Europe. Many of these lie at present beyond the reach of Germany or Italy, and while it is hard to visualize the Germans making peace with the French while the French Navy joins England, it is easy to visualize the French Navy continuing to fight for French possessions in Africa or Syria.
3. As far as we are concerned, our course of action is even plainer now than it was before the downfall of France,

Secretary Morgenthau - 2

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 19, 1940

We must (a) prepare ourselves as rapidly as possible, and  
(b) help Great Britain as much as possible.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

Confidential

DATE June 19, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Some Developments in the Chinese Transportation Problem

The present situation in Europe renders the future use of the Indo-China route into Free China precarious. The Burma route has become temporarily more important. Japan already is bringing pressure on Great Britain to prohibit the use of the Burma route to Free China, and unless the British position in Europe improves, Britain may have to yield to the Japanese threats. Nevertheless, the following information about the Burmese road is interesting and will become very important if Britain is able to resist the Japanese demands.

1. The Burmese are constructing a new road from the head of navigation on the Irrawaddy River to the Chinese border.

2. More interest is being shown by Burma in the construction of the Yunnan-Burma railroad. A survey is being made looking towards improvement of the highway from Lashio to the Chinese border which would greatly facilitate construction of the new railroad and would be the link between the new railroad and the Burmese railroads. Supposedly because of an unsettled boundary dispute, Burma has shown no interest in making this link a railroad instead of a highway. Lack of interest has been due to the feeling of the British Government that "wider considerations" did not justify such an extension of the Burma railway.

3. The Yunnan-Chungking (Suifu) Railroad

The French were to provide credits for the construction of this highly important railroad. With the present situation, construction of this railroad will probably have to cease.

Burma Routes

1. A new road between the head of navigation on the Irrawaddy River in Burma, Bhamo, and the Chinese Burma-Yunnan Road is under construction. No estimate has been made as to when it will be finished. Work was begun before March 30 by several thousand men. This road will facilitate the utilization of the large potential carrying capacity of the Irrawaddy River as a route into China, should it become necessary.

2. The proposed Burma-China railroad. There has been some progress along this line.

A. The Burmese are making a survey looking to the improvement of the road from the Burmese rail head, Lashio, to Kunlong, near the Chinese border, along the line extended of the Yunnan-Burma railroad now being built by the Chinese. An improved highway would enable the Chinese to obtain materials for the new railroad through Burma and thus construct it from both ends.

This road would serve as the link between the Burmese and Chinese rail heads if the Burmese Government did not build the rail link from Lashio to the frontier.

The Chinese Government has offered to donate the labor necessary for this work.

B. No encouragement has been shown the Chinese by the Burmese Government in their attempts to interest Burma in the construction of an extension of the Burma Railroad from Lashio to the Chinese frontier. This is supposed to be due to the existence of an unsettled boundary dispute, which is of importance because of the reported existence of mineral deposits in the doubtful zone.

C. The Chinese have in England 130 miles of rails purchased two years ago which they are now willing to make available to Burma for the construction of the Burma link of the Yunnan-Burma Railroad.

D. The construction of the Burma rail link depends on the will of the British Government. Up to the present time, "wider considerations" have not justified it.

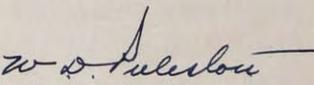
E. There are contradictory reports as to the importance attached by China to this railroad in construction. One report has it that Chungking considers that the railroad would not be completed in time to be of use in the present war. The officials in charge of the construction, however, have orders to complete the line in two-and-one-half years. To meet this schedule, material must be transported through Burma.

The Yunnan-Chungking (Suifu) Railroad

Construction of the Yunnan-Chungking (Suifu) railroad, which is already under way, was to be assisted by a credit of ten million dollars by the French Government. The British were

to be asked also to participate in granting credits. The construction of this railroad, together with the Yunnan-Burma railroad and the extension of the Burma railroad to the border, would connect the Indian Ocean with the Yangtze River by rail. The existence of such a road would be of utmost strategic value in the war against Japan.

The downfall of France, of necessity will seriously cripple these plans. If Indo-China is eliminated as an entrance for material into China, the construction of this railroad will have to stop until the Yunnan-Burma railroad is completed.

  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 19, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Conversation of Count de Chambrun

1. Mr. James Dunn gave a small dinner for about six of us at which Count de Chambrun was present. The Count told me that he had already talked with you, so you may know much of what follows, which is based upon his statements.

2. King Leopold was known to be pro-German before the war started. The French High Command were supposed to be informed of certain German movements by the Belgian Intelligence. This information not only was withheld, but instead of giving correct information, the Belgian Intelligence gave false information. Consequently, in the initial dispositions of the French Army the Seventh Army, the best French army, was placed well on the flank. Nine of the eleven German Panzer divisions were massed in the center and came through the Ardennes province of Belgium.

The Belgians had promised that this area would be <sup>1</sup>locked and mined, instead of which it was entirely open, and the German motorized divisions were able to use the main roads without any serious opposition.

The Count also stated that on the Belgian-German frontier one Belgian commander not only failed to destroy the bridges but

ordered his whole command to withdraw. The Count stated that this particular officer probably was in the pay of the German Army.

Again and again the Count asserted that it was the action of German fifth columnists in Belgium that caused the debacle of the Allied Armies. In practically every small town in Belgium there was at least one group of fifth columnists whose role was to incite panic among the villagers; they spread the word that the Germans were coming and that they must evacuate. In many of the villages there were already small groups of Germans, with their weapons concealed, who travelled along in horse-drawn carts with the refugees, increasing their panic. When these groups came to filling stations, they would be ready to seize the supplies and hold them for the advancing German motorized equipment. The Count asserted that much of the gasoline for the German trucks was obtained from Belgian gasoline filling stations.

He said that three French generals had been assassinated by these fifth columnists who surreptitiously entered their headquarters.

Comment: Making due allowances for a French officer's desire to explain such a mortifying defeat, I was impressed with the Count's statements, as they confirm and amplify others that we have had of similar tenor.

3. Another important statement he made and reaffirmed was that since the battle of Flanders there has been no real fighting in France. The so-called Weygand Line existed mainly in fancy, because the French Army had already been destroyed. This seems an extreme statement, but this much appears to be true: the Seventh Army, under General Giraud was the French army of maneuver, into which had gone the best divisions and all of the modern mobile equipment. When that was destroyed, it was impossible for the French Army to mount a real counter-attack.

4. The Count gave a clear, and I think an accurate, picture of the paralyzing effect on the army movements of the congestion of Belgian roads by Belgian refugees. It was not merely mercy that prevented the French from clearing these roads, it was a physical impossibility. The refugees had blocked the roads with their vehicles, and they could not be cleared out in time to facilitate the maneuver of the French Army. The only criticism he made of the British Army was that when this situation became apparent the French High Command suggested that three British divisions on the northwestern flank, whose rear communications were clear, should return to France and attempt to fill the breach in the Ardennes area; the British High Command did not see fit to comply.

5. The Count was liaison officer between the British and French Armies in Belgium and as such was in and out of the headquarters of French and British generals, getting a very comprehensive picture of the situation at the front. I doubt whether he realized the crippling effect of the German bombing attacks on the railway centers in northern France, which prevented the movement of reserve divisions into the line after the battle began.

The Count said that one of his tasks was to interview the German airmen taken prisoner. He made the flat statement that the Germans were already running short of trained airplane crews; he stated positively, and repeated the assertion when questioned as to its accuracy, that there was a decided difference in the calibre of the German bombers in the later phase of the campaign in Flanders. He estimated that the Germans commenced the campaign with only five thousand crews for their planes.

He stated that there could be no question that the British had the better quality planes and better quality airmen. He made no claims for the French planes or the French airmen. He said that he did not believe the Germans would have much success in bombing England, because the British air defenses were good and their fighting planes were really formidable, particularly the last type developed, the Defiant. He stated that he saw twenty German

bombers brought down by six of these fighters in a very short time. In support of the statement that under certain conditions the British could command the air temporarily, he pointed to the evacuation of Dunkirk. He does not believe that the Germans will attempt an overseas invasion of England and said it would be some time before they could establish airfields in Holland and Belgium suitable for the use of their bombing planes. He was confident that England would not only be able to resist the Germans but could defeat them. He was questioned closely about this point. He replied that the British still had enough bombers left to bomb the Rhineland cities of Germany, which are the industrial centers (this is true -- the German heavy industry is concentrated between Hanover and Switzerland, mainly along the Rhine). The German people have been fed with nothing but victory, and when they find that the British still can bomb their cities and no immediate peace is in prospect, they will again feel the hunger that caused them to succumb in the last war and which depressed them very much during the past winter. He thought there would be a continuous deterioration of the morale of the German people and said that the question of administering and controlling the populations of the occupied states would absorb much of the German effort.

While the German people, particularly the German Army, would get the first installment of food, it would not be easy to

control semi-starved mobs in occupied territories.

6. He stated that, in addition to supplying munitions, he thought one of the best things we could do for the Allies was to insure a food supply for England and France.

*W. D. Puleston*

W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 19, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: Miscellaneous Events in the World Situation

1. The Canadian Government announces that Canadian troops have occupied Iceland.
2. There is a report that Mexico will adopt compulsory military service.
3. In Tientsin the Japanese and British and reportedly the Chinese Governments have agreed on a settlement of the dispute over the possession of Chinese Government silver in Tientsin banks in the British concession.
4. In Japan an organization of retired army officers has demanded that Japan occupy Indo-China.
5. British air bombers attacked the German synthetic gas plant in Hanover. It was reported to have been badly damaged. This is a very vulnerable plant and I have often wondered why it was not attacked sooner. In addition, military objectives at Wanne, Gelsenkirchen, Homburg, Eickel, Essen, Dollbergen, Hamburg, Aachen, Duisturg, Rheydt, Cologne and Coblenz were attacked.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 19, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: German Attacks on England

1. Yesterday the Germans inaugurated their first air attacks on inland English cities. Apparently they are looking for the airplane factories, as well as for the port facilities of London. It is easy to understand why the Germans selected these objectives and we can expect continuous German attacks as German planes become available.

2. The Germans will probably intensify their submarine attacks on merchantmen in the Atlantic, while Italy will resort to submarine warfare in the Mediterranean (the British have already ordered their merchant ships out of the Mediterranean). In conjunction with these submarine attacks on British merchant ships, German bombers will again try to attack merchant ships in convoy. Captain Kirk, our attache in England, reported that German bomb attacks on vessels under way had been very unsuccessful, the percentage of hits made ranging from one to two per cent. With bases on the French, Belgian and Dutch coasts, German air bombers might be able to attack more successfully. But with the accession of tonnage from Norway, Denmark, Holland, Belgium and France, the British merchant marine should be able to accept many heavy losses without being vitally hurt.

TREASURY DEPARTMENT

3. The additional Italian submarine menace will put a considerable strain on British destroyers and anti-submarine vessels. Now that there is only one belligerent fighting against the totalitarian powers in Europe, it might be in order for the nations of the western hemisphere to request the United States to escort all belligerent vessels trading in the western hemisphere to a line east of the fiftieth meridian of longitude in order to prevent the spread of hostilities to the western hemisphere. This would not only keep war out of the western hemisphere, but would reduce by, roughly, half the ocean escort necessary for British convoys. Our naval vessels now doing neutrality patrol along the coast could be used for this purpose, for there would no longer be any reason for their patrol in coastal waters.

*W. D. Puleston*  
 W. D. Puleston,  
 Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 19, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: Winston Churchill's Speech

1. I listened to the broadcast and really felt I was listening to a man who meant what he said. They were not only brave words, but they were words that seemed sincerely brave and not mere bravado. Regardless of what he felt, Churchill would have made just such a speech because he realizes the necessity of putting up a bold front and he is an accomplished speaker who could, if necessary, impose upon a listener. So it is entirely possible that deep in his heart Churchill does not believe what he said, but I believe that he does.

2. A London correspondent who heard the speech in Parliament stated that the cheers evoked by Churchill seemed to him to be the cheers for Churchill's courage, rather than cheers of people who believed in the prospect of the predicted successful defense of the United Kingdom. I think this is a correct observation. Many members of Parliament are probably uncertain of the future.

3. Churchill gave his reasons for his courage: (1) 1,250,000 men under arms with local defense volunteers numbering 500,000; (2) the British fleet; (3) the British air force. Certainly, if the British fleet can maintain itself in or near the English

TREASURY DEPARTMENT

Channel it should be able to break up any overseas expeditionary force. Even if considerable forces of Germans eluded the navy, the British army should be able to defeat them before they became formidable. The British are apparently on guard against German fifth columnists. It will be more difficult for them to operate in England than it was in Holland, Belgium and northern France.

4. General Miles reported on his return from England just before the invasion of Holland that the British air defense was efficient and getting more so. We have positive evidence that the British fighters are capable of dealing with German bombers, provided they are in the air when the bombers arrive. So I think there is considerable reason to believe that Churchill's assertions are not mere bravado.

*W. D. Puleston*

W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 19, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The European Situation

1. France received last night the German terms for peace. There is no indication yet of their nature, or whether France will accept them. It is reported that French bombers are flying to Morocco and that French ships are joining the British in the eastern Mediterranean.

2. The diplomatic effects of the German victory in France are becoming more and more apparent. It is reported that Turkey has abandoned her alliance with the Allies and is looking towards Soviet Russia for protection. The Balkan States, likewise, are either looking towards Russia or Germany. But the most immediately interesting development is the movement of Soviet troops into the Baltic States of Lithuania, Latvia and Esthonia. It is known that the Soviet army has been busily strengthening its position in western Russia, and there is a rumor that the Soviet will demand the Aaland Islands from Finland. Stalin must realize that Germany will deal with him very realistically as soon as the danger from France is removed.

3. The map of Europe with France under German control and Italy and the Soviet as allies, with the Scandinavian countries, except Sweden, overrun, is strikingly like the map of Europe in

1812, only it centers in Berlin and not Paris. Events in this war have moved with much greater rapidity than in the war of 1914-1918. I think the situation will continue to develop with more speed than in 1914-1918 and that moved with much greater speed than the war of 1793-1815. If England can hold out until winter, we could expect to see the same economic difficulties arise between Soviet Russia and Nazi Germany that arose between Napoleon and the Czar Alexander in 1811-12.

4. As far as the immediate future is concerned, the pressing question is the disposition of the French fleet. It is idle to conjecture about this when we shall probably know very soon. Fortunately, the course of action for the United States becomes clearer the more desperate the situation in Europe becomes. That is, we should make every effort possible to increase our aviation, navy and army, and in the order named.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 20, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: An Analysis of the Undated Report, Written Yesterday,  
of Count de Chambrun to You.

On May 10 The Germans were estimated to have,  
(excluding fighters and reconnaissance) . . . 9,000 bombers

They attacked objectives in Holland,  
Belgium and France with . . . . . 5,000 bombers

Their losses were . . . . . 342 planes  
or . . . . . 6.8%

Kept in reserve were. . . . . 4,000 planes  
(Germany did not, however, have  
reserve crews for 4,000 planes)

By May 20 Germans were using reserve planes of  
1936-1937 model and not completely equipped  
with flight instruments. Some of these  
crews had flight training of only . . . . . 50 - 80 hours

Relative losses during fighting begin-  
ning on May 10 were . . . . . 2 German  
planes to 1 British

During the evacuation of Dunkirk, when  
Defiants were used, British fighters  
brought down. . . . . 4 - 5 German  
planes to 1 British

Comment: I think this estimate of 4 or 5 German  
planes to one British is excessive. Churchill  
claimed 3 to 1 in this operation.

During the Dunkirk operation the Germans  
had sufficient bombers to attack Boulogne, Calais,  
and Dunkirk, but could not simultaneously attack  
Dover and Folkstone. (I believe this is substan-  
tially correct. One ship evacuating soldiers from

Dunkirk reported that German bombers followed it to an English port. This would indicate that, generally speaking, German bombers could not follow the withdrawing ships.)

On June 2 - 3 Germany attacked Paris with . . . . . 155 bombers  
 Lost . . . . . 27  
 or . . . . . 17%

By the last of May the British reported that they had brought down, behind Allied lines . . . . . 1487 bombers

The estimated total loss when D.C. left was . . . . . 3000 planes

Goering is reported to have requested his bombing crews to continue a few days longer, in spite of their severe losses.

#### British Aviation

The morale of the Royal Air Force Fighters is extraordinary. They enjoy their duty and are confident that they have the best equipment.

Their fighters, on account of their armament, can only stay in the air a short while and will be more effective in protecting objectives in Great Britain than in France.

The output of fighters is increasing in Great Britain.

The experience at Dunkirk, where practically the entire German bombing strength was employed, demonstrates that it will be difficult for the German air force to bottle up British sea-ports. For five days and five nights, despite continuous

bombing raids, ships came with food and munitions and left with 335,000 men. The British fighters, which made this possible, were based on the British side of the Channel and brought down an average of seventy-five to one hundred bombers a day over Dunkirk (a total of 375 to 500 planes).

2. To destroy British commerce and industry, German bombers will have to destroy the British ports and industrial centers that are scattered from Glasgow to London, whereas German heavy industry and twenty million inhabitants making war materials are concentrated in the Ruhr, in a seventy square mile area. These Rhinelanders do not have the morale of the Prussians, and the small raids already made over this district have lowered the morale of the inhabitants. Local German radio stations were appealing to the sivil populations of the Ruhr to remain calm and confident. Continuous raids on the Ruhr might prove decisive.

3. Summary. Hitler possesses one-half of Europe; Napoleon controlled the whole of it and was incapable of defeating Great Britain.

Great Britain is not tired like Germany by a campaign of several years of production on a severe war-time basis. The British war industries are just coming into production.

While France fought and fatigued the German war machine, Great Britain was getting ready. To date Great Britain has sustained only minor losses:

Secretary Morgenthau - 4

35,000 men wounded, killed or missing, including  
1,200 men in Norway.

The Navy has lost:

1 battleship  
2 airplane carriers  
several cruisers  
about 30 destroyers  
10 submarines

To attack the British Empire successfully, the Germans would need a great air force, which they no longer have, and a considerable fleet.

De C. does not believe Italy will bring her Navy into the Atlantic but will only use it in the Mediterranean.

(Comment: I incline to this belief, although Mussolini might employ some of his submarines in the Atlantic.)

Great Britain and the French colonies can offer great resistance to Italy in the Mediterranean. They will be assisted by the Arabs, who hate the Italians. The Axis powers will have to take into consideration the strength and ambitions of Turkey and Russia.

Finally, if the conquered European people, particularly the French, get the feeling that, assisted by the United States, Great Britain will not yield to Germany, by their active or passive resistance to the seventy-five million Nazis, they will have a large part in the struggle to prevent Germany from dominating the world.

In my judgment there is a great deal to support Count de Chambrun's thesis that there is not sufficient air strength left in Germany to force the United Kingdom to surrender. The unknown factor is the number of reserve airplanes, particularly bombers, and crews.

There is unquestionably considerable strength left in the United Kingdom to put up a stiff resistance, and in my opinion there can be no question about the wisdom of our continuing to give all assistance possible, not only on account of our natural sympathy for the cause of democracy, but for the plain selfish reason that the greater resistance Great Britain can put up the less the burden on us will be to meet the Nazi threat.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 20, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The European Situation

1. It is reported that the German and French plenipotentiaries are negotiating terms of an armistice. It is also announced that France has asked Italy for her conditions of peace. Still another report states that French ships have been ordered to report to either French continental or French colonial ports. None of these reports could be confirmed.

2. The French Government is reported to have moved from Bordeaux to a town near Biarritz.

3. There is no further indication of the disposition of the French fleet except that the "Joan of Arc" either was taken into Halifax or voluntarily accompanied a British ship into Halifax. Probably some of the French fleet will be surrendered to the Germans, but I believe many individual units will refuse and will either join the British or be scuttled.

4. The Germans have occupied Brest. This is the best port in France and commands the southern entrance to the English Channel. Probably the port facilities fell into the hands of the Germans in perfect condition.

5. For the second night air raids over England took place and the Germans went deep into western England and Wales. They

## TREASURY DEPARTMENT

BUREAU OF ECONOMIC WARFARE

also bombarded oil tanks on the Thames.

The British bombarded oil supply centers, railway junctions and power stations near Hamburg, Bremen, Frankfurt, Essen and Hanover and report doing much damage to oil depots and petroleum refineries. The British Air Ministry claims that the German air bombing attacks did little damage. Germans report eighteen civilians killed by British bombs; the British report twelve killed and thirty injured. The Germans also bombed Bordeaux with heavy loss of life.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 20, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Situation in Europe

1. The French and German plenipotentiaries met at Compiègne in the same car that was used by the German and French plenipotentiaries in November, 1918. In the preamble to the treaty the Germans announced that the conditions are designed to (1) prevent the resumption of fighting, (2) provide Germany with all security for continuation of the war against Great Britain, (3) establish prerequisites for a new peace.

The French plenipotentiaries were General Charles Huntziger, of the Army, Vice-Admiral Le Luc, of the Navy, General Bergeret, of the Air Force, and Leon Noel. The names of the German plenipotentiaries were not mentioned, except that it was reported that Adolph Hitler met the French emissaries.

2. France is also negotiating with Italy for peace terms. Pétain was said to have been assured of parliamentary support in any armistice his plenipotentiaries were able to negotiate.

3. In capturing Brest, the Germans captured two 35,000-ton French battleships, the Clemenceau and Richeleu, under construction in that port.

4. So far there is no definite word about the fate of the French Fleet. There are many conflicting reports.

Secretary Morgenthau - 2

5. The German news agency denies reports of German troop movements in East Prussia and that any food shortage is imminent in Germany. It claims that Russia is delivering grain according to schedule and that larger supplies of butter, eggs, and meat will be had at the beginning of next winter than when the war started.

6. The British Air Force carried out attacks on German objectives in France, Holland, and Germany. Fighter planes and Navy planes took part in attacks on German military stores in Holland and the German airdrome in Borkum; they carried out an attack on German planes on a French airfield.

The Italians claim to have inflicted heavy damage in air raids on Malta and Bizerte. They also carried out raids on the British air based in Egypt. During the first twenty-four hours of Italy's participation in the war, two heavy bombers successfully attacked the Ansaldo works at Genoa and the Fiat factory of Turin.

7. It is reported from Rome that the Italians are going to demand Nice, Tunisia, Corsica, and Djibouti. Rome emphasizes that complete harmony will prevail in the German and Italian armistice with France.

8. Reports from both Egypt and Madrid say that the French Fleet has decided to continue fighting with the British Navy.

9. The Japanese Foreign Office spokesman sarcastically announced that, since Stimson had been appointed to the Cabinet, he would be too busy to participate in the work of a committee urging a boycott of armaments to Japan. It is also reported that Japan has demanded that Britain stop the transfer of munitions to China via the Burma-Yunnan railway. The French Indo-China Government has already acquiesced in a demand that shipments of munitions be prohibited on the Haiphong railway to Indo-China.

10. <sup>x</sup> Military Intelligence had reports indicating that some units of the French Navy have already arrived in England. Also, they have reports that both the French Army and Navy contingents in the Near East state that they are not interested in the armistice terms with either Germany or Italy; they will continue to fight.

Military Intelligence also believes that there may be more in the concentration of Soviet troops along the German border than appears on the surface.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

*Confirmed by naval intelligence - including  
two battleships*

TREASURY DEPARTMENT

122

INTER OFFICE COMMUNICATION

Confidential

DATE June 22, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The French Fleet

Confirming my telephone message about the French Fleet, Naval Intelligence received information that:

Two of the older battleships, of the Courbet class, are in England.

Two of the most recently completed battleships, the Richelieu and Jean Bart evacuated to Dakar and Casablanca.

There remain five battleships in commission, whose whereabouts are unknown, and two building, one at Brest, one at the mouth of the Loire; they are to be completed in 1942-1943.

In addition to the two battleships in England, there are numerous French patrol boats that are useful but have little military value.

There is no information about French cruisers, destroyers, or submarines.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 22, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The European Situation

1. The German and Italian terms to the French have not yet been officially announced, and it is idle to speculate upon them.

The attitude of Hitler and his aides at Compiègne was strictly correct; and although designed to depress the French, a resolute Frenchman could say to himself, "They beat us in 1870; we beat them in 1918; they beat us in 1940. Therefore, we will beat them in 19--."

2. A German report that they had captured two French battle-ships in Brest is incorrect. One of these has been evacuated to Africa; the second is not due to be completed until 1942-1943. (A separate report on the French Navy is submitted herewith.)

In spite of the obvious hopelessness of the military situation, French soldiers are reported fighting both along the Italian-French frontier and further north to the westward of the Maginot Line.

3. The British continued their air raids into Germany, reaching the suburbs of Berlin. In addition, it is reported that the British air force demolished the emplacements for German long-range rifles near Calais and Dunkirk. These were being built

Secretary Morgenthau - 2

to house long-range guns to cover an invasion of England. Also, it is reported that the British have bombed the port facilities and sunk block ships in French harbors, such as Havre, that might be used as ports of invasion.

The Germans carried out air raids on the southeast, east, and northeast coast of England. Neither these raids nor the British raids were in great force. It will be several days before the Germans make a mass air attack on England comparable to that launched on Bordeaux a few nights ago. When the Germans make these mass attacks, we will get the first measure of the resisting power of British anti-aircraft batteries and fighters and the first indication of the British ability to resist these air attacks.

4. The diplomatic repercussions of events in France are literally running around the world. Japanese troops have landed north of Hong Kong. After forcing the French to prohibit shipments to China via Indo-China, the Japanese have made similar demands that England seize shipments to China via Burma.

King Carol, of Rumania, has organized one party for Rumania, with himself as the leader. Simultaneously, he has released the last of the Iron Guards (the Rumanian equivalent of Nazis).

Secretary Morgenthau - 3

Russia has taken over completely Lithuania, Latvia, and Esthonia, and has reinforced her recently acquired possessions in Poland.

The Swedish Parliament has been called in session by the King to meet an unexpected diplomatic situation, probably pressure from Russia or Germany.

It is reported from Turkey that Russia has demanded a base in the Dardanelles to ensure free passage of her ships from the Black Sea to the Aegean.

Hungary has definitely joined Germany. If Hitler and von Ribbentrop can find a formula that will satisfy both Russia and Italy in the Near East, the Balkan states can be carved up to suit the triumvirate. If they can not, there is still a chance of a break between Russia and Italy that may involve Germany.

Most of the stores going to China via Burma have come from Russia and the United States. If the Burma road is shut off, the only route to China will be over land from Russia via Mongolia. Russia can not view with any satisfaction the further progress of Japan in China. Still, she is so thoroughly involved in the European situation that she may be obliged to acquiesce for the time being in the developments in the Far East.

5. Viewed superficially the Axis powers plus Russia seem to be absolutely dominant in Europe and Asia and to have become

an ominous threat to North Africa. All of their position is built around the German Army and Air Force. This, in turn, is dependent upon German industry and supply. If Germany's war machine falters a kaleidoscopic change in the world situation would result, and it is known that there are weak points in that war machine and in the German home front. In every battle and every war between powerful antagonists, there comes a time when it is not only a question of the material factors but a question of the will power to resist. I thought the French people had more endurance than they displayed, and I may be over-estimating the British powers of endurance, but I still believe that the British can hold out long enough to put a greatly increased pressure on the German home front. If they can, they may yet win the war. Even if they do not succeed in winning the war for themselves, every attack they make on the German industrial establishment gives the United States more time to get ready for the new situation that we will face in case Germany and Italy finally defeat the British Empire. So it still seems to me that the only course of action open to us is to help Britain resist Germany to the utmost, even if to do this we have to supply some weapons that would be useful to our own Army and Navy.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

127

Confidential

INTER OFFICE COMMUNICATION

DATE June 24, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in Europe

1. The terms imposed upon France by Germany are just what the French might have expected. It is possible that the Germans have actually overreached themselves by making the terms so drastic that French people out of the reach of Hitler's army may be inspired to refuse to comply. This, however, is problematic. (According to G.H. Archambault, the French newspapers have not been allowed to give the terms of the armistice to the French people.)

2. Recriminations have broken out between the British and French Governments, the British claiming that the French violated their promises not to make a separate peace, Petain replying that he knew the interests of France better than Churchill. The big question is whether the French Fleet and the French armies in the French colonies will continue their resistance. No faith can be put in the promises of Hitler not to employ the French Fleet against Britain, but it would be some time before these French ships could be taken over and manned by German crews, and some of these French units, we know, are at present beyond the reach of the German Army.

Secretary Morgenthau - 2

3. The terms imposed on the French delegates by Italy are not yet known, but it is easy to see that they will be harsh in the extreme and probably more revolting to the French than the German terms, for the French have a real contempt for Italian military prowess.

4. The most critical situation is that confronted by the United Kingdom itself. If it can withstand the German air attacks and the German efforts at blockade and invasion, it can yet emerge victorious. England has been driven out of the Mediterranean at various times during her many wars without permanent defeat. She still holds both entrances to the Mediterranean Sea, and it will take a major effort on the part of Italy to dislodge her from Egypt. Just how much resistance Gibraltar can put up against a combined land and air attack by Italy and Germany is questionable, but any effort made here by the Axis powers will divert some of the pressure from the United Kingdom.

5. In the Far East it looks as if Japan is getting ready to take advantage of the French weakness by going into Indo-China. While important, this is not vital to the main fight between Germany and England. It will pose a big problem for the United States, however, as it will bring Japan much closer to Manila and Singapore.

6. Anything can happen in the Near East, but if the report is true that the French commander of the Allied Army has refused to accept the German armistice terms, that army could protect the Suez Canal from almost any effort made by Italy.

Tolischus, one of the best American foreign correspondents, attaches considerable importance to the movement of the Soviet Army into Latvia, Esthonia, Lithuania, and the concentration of Soviet troops in Soviet Poland.

Under these circumstances, when literally anything can happen in the Near East, it is almost futile to speculate.

7. Amid all the confusion, it seems to me that the course which our Government should pursue is still very clear. We should continue to give every bit of assistance we can to Great Britain. Even if we can not give her enough assistance to hold out, we can at least delay her fall, and the delay will be very useful to our preparations for war.

It would be perfectly silly for us to attempt to conciliate Hitler now; we have done and said too much to expect to find any basis for an understanding between Hitler, dominant in Europe, and our country. Even if such a formula could be found, I am convinced the American people are so disgusted with Hitler's methods that they would have none of it.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

copy 6/24/40

THE WHITE HOUSE  
WASHINGTON

130

*Said back  
D.N.M.*

131

Return to Mrs. Klotz for Secretary Morgenthau

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permitted to come back. But they feel Tolischus has done them too  
much damage already and refused despite their complete trust in  
Guido and their fervent desire to do everything possible for the  
Times.

Berlin, May 8

131

*Send back  
to N.Y.*

The whole subject of the American press here is the greatest story which could be written but obviously can't for two reasons. One, it would bring instant expulsion, and, two, the code of American journalism would make it impossible for you to print it since it reflects to the discredit of our colleagues.

The best approach to the subject is the new technique evolved here for the treatment of correspondents who meet with disapproval. They shun the step of formal and public expulsion because it causes a sensation and reflects badly on them. We can assume that there will be no formal expulsions except in such drastic cases as that of Beach Conger where they have no choice. The new technique is to wait until the offending correspondent is out of the country and then refuse re-entry. This has now happened to Bill White and Warren Irvin.

The Tolischus affair is slightly different and very much to the discredit of the New York Times. The Times vies with the government here in its efforts to avoid an open break. They compromised to save their face and withdrew Tolischus. He is to be permitted to return for a few days to collect his belongings but is forbidden to write anything. In a last desperate effort to patch things up Guido Enderis proposed that he would personally censor Tolischus copy and guarantee to sterilize it if he would be permitted to come back. But they feel Tolischus has done them too much damage already and refused despite their complete trust in Guido and their fervent desire to do everything possible for the Times.

Coupled with the above-mentioned type of pressure are other internal policies towards the American press which has resulted in a demoralization of the American corps here. Trips, interviews, advance notice of news breaks are all used as bait or reward. The sad thing is that certain members of the group have decided to play the game this way, destroying any possibility of a common front of the group which alone could preserve the professional integrity and service of the group.

The most glaring single instance of how the system works is a special private press conference held one hour before the general press conference. The special conference is an invitation affair. At it, all the news given out an hour later is given to the favored few giving them an hour beat. This particular device was arranged primarily to handicap the UP. The AP and INS are invited, also the New York Times and Chicago Daily News. Those who accept put themselves under obligation to the regime here for the sake of the advantage it gives them over their competitors.

There have been specific attempts at bribery. Wally Deuell, of the Daily News, was told some time ago that he could have an interview with Hitler any time he cared to change his attitude. On another occasion it was intimated to him that he would need to have no further financial worries if he would change. I do not necessarily conclude that from the fact that one American was offered money, that others have accepted it. But it is interesting how faithfully some of them play the game.

The technique is analogous to the general foreign policy technique of the government. By offering rewards at one end of the line and penalties at the other they succeed in breaking up the unity of the group and are able to pick off one at a time -- the famous Canham "Leaves of the artichoke" simile. At any one moment the majority are lulled into a sense of security and assured that there is only one "bad boy" and that as soon as he is taken care of all will be peaceful and harmonious. Thus there is never any rallying around one in danger at the moment.

The amusing aspect of "the private press conference"-press association situation is that despite all efforts Fred Oerschner and his UP staff manage to make an extremely good showing for themselves. They know they can count on no favors. The entire staff of the Propaganda Ministry is under formal instructions to see to it that the AP and INS get all the news well in advance of the UP. Knowing they have only themselves, Fred's staff goes to work diligently and so successfully that they have of late run up quite a score on news beats. The climax came yesterday when the AP and INS submitted a five-page letter of complaint to the Propaganda Ministry citing ten instances where the UP got "beats" and demanding more favorable treatment. The fact that the AP and INS would complain to the Propaganda Ministry is both a tribute of exceptional character to their competitor and also an illuminating instance of how these two bureaus here will not only accept but even request what are, unquestionably, improper favors for which they, of course, expect to pay. If one

were to probe behind the predicament you would probably discover in the background the demoralizing effect of Kent Cooper's attitude toward his subordinates which I have encountered in several places in Europe. They are hounded, bullied and badgered in a way which seems almost sadistic, sapping the morale of the organization and driving some of them to such devices as the pitiful plea here to the Propaganda Ministry for even more favors than the very substantial ones already arranged for them.

The specific result in news is to be found in such things as the Sylt story and the Copenhagen stories when the two favored organizations did yeoman service for the German cause here. When they went to Denmark they didn't attempt to write the real story but took a motor trip along the shore of the Island of Seeland and accepted a pre-arranged telephone call to a local official farther north and on the basis of such evidence wrote that no battle was going on in the Skagerrak.

Another device practiced almost flagrantly is to intrigue within an organization. For example, Sigrid Schultze has been a spirited thorn in their side for some time. Recently an excessively stupid protege of Colonel McCormick's arrived. They tested him out and found him to be amenable to suggestion. So they promptly offered him personally all kinds of special favors in the way of trips which were and still are denied to the rest of the Tribune staff. The hope obviously was to build him up to the point where the Tribune might recall Schultze and give the new man her job. The same thing was attempted when a woman named Breckenridge arrived for Columbia. They worked hard on her in the hope she might be given Bill Shirer's job.

These two efforts failed but they have been more successful with NBC. Warren Irvin was particularly distasteful to them. They threw across Max Jordan's path a young half-American living here. Once when Irvin was away for a time they proceeded to build him up with every assistance they could contrive, at the same time letting Jordan know that more favors would be going to NBC if Kirker (the new man) would take Irvin's place. Jordan took the bait and would have fired Irvin had the New York office not stepped in. But they now refuse to let Irvin back which suits Jordan, because their pet Kirker takes over. Kirker, although an American citizen, has lived here most of his life, is secretly a Nazi and there is some reason for suspecting that he is actually an S. S. member. When he doesn't know Americans are watching he gives the Nazi salute with great proficiency.

After watching this process in action it is possible to divide the Americans into two groups, those who play the game and write as favorably as they can, and those who respect their integrity and write as honestly as they can. In the first group are Guido Enderis and his Times staff (now that Tolischus is gone), Louis Lochner and the AP, Pete Huss and the INS and Max Jordan of NBC. On the other side are Sigröd Schultze of the Chicago Tribune, Ralph Barnes of the Herald Tribune and Bill Shirer of Columbia. Wally Deuell of the Daily News is the only one who manages somehow to retain his integrity while accepting some of the favors. Some of his writing has been excellent and thoroughly honest. Yet he is invited to the special press conferences. This is the only

questionable favor he accepts regularly. What he does is write honestly when he has occasion to and then taking pains to say things in their favor whenever he feels he honestly can. He manages to remain on friendly terms personally with them while refusing to accept the more improper type of favors.

This leads me to the question of my own position here. I recognize that a correspondent in a country at war should, and rightly does, respect the military necessities of a belligerent. Under no circumstance would I either attempt to secure or transmit information of military importance. I accept that limitation without question. But I do not feel that I can, or that you would want me to, lend myself to the propaganda cause of this country, or any country, for that matter. It becomes important for me to know, therefore, just how vital you deem it to have a correspondent in Germany. The issue is not immediate. I am not the next on the list of objectionable correspondents. Both Sigrid Schultze and Bill Shirer are likely to be forced out before they come to me. But the time is almost certain to come when we will have to decide between compromise as Louis Lochner and Pete Huss and Max Jordan and Guido Enderis understand it, and honest journalism. I can defer that time for quite a while and will defer it as long as I can without damaging my own self-respect. But the question arises as to how much importance you attach to having a correspondent here when he is no longer able to write things like that Copenhagen story. As a matter of fact, I shall be very surprised indeed if

- 7 -

if I get another chance to do anything like that. And after all it is only stories like that that compensate you for the long weeks when I produce nothing of real merit for you. It is costing you a lot of money to keep me here and the return you get in terms of copy are certain to be a diminishing quantity.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

Confidential

DATE June 24, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: Preliminary Memorandum on the Food Situation  
in Europe. (Data from Department of Agriculture)1. Germany

According to estimates which can be made at this time, Germany will have a short crop of wheat and rye this coming harvest (about twenty-five percent smaller than in 1939). In feed grains, the harvest will be average or better, but the German deficit in these grains is so large that it can not be made up from the rest of Europe unless Russia makes deliveries many times larger than she has been doing. It is too early to estimate what the yield of root crops will be. The Germans admit that, in spite of the large crop of 1939 and their rationing measures, they were unable to add to their reserves of grain. With smaller crops in Germany and all over the Balkans, in order to maintain her present rations Germany would have to exhaust her bread grain reserves this coming winter. If the war continues, therefore, Germany will both have to dip into her grain reserves and tighten her ration regulations.

2. German-occupied Western Europe

Norway, Holland, Belgium, France, and probably to a lesser degree, Denmark, will face a famine this coming winter.

These countries, with the exception of France, are normally dependent for a very large portion of their requirements of bread grains on imports -- which will now be cut off. In addition, the domestic crop of all of these countries will be much smaller this year. The wheat crops of Holland and Belgium will be around fifty and forty percent, respectively, below 1939. France, which has been almost self-sufficient in bread grains, faces a reduction of at least one-third in her yield compared to the average.

### 3. The Danubian Basin

The Danubian basin, the one wheat surplus producing area of Europe outside of Russia, will this year scarcely cover its own requirements, leaving only a small margin for exports.

### 4. Russia

Russia is, somewhat surprisingly, expected to have a better crop than last year, though an exact estimate can not be made. While certain eastern districts and the Volga region will be worse off, the greater yield anticipated in the Ukraine and the other Black Sea areas is expected to more than compensate for this. Whether this surplus will be available for the rest of Europe is somewhat doubtful in the light of the disappointment experienced by Germany with Russian deliveries in the past year. A surplus in Ukraine will tempt Germany to invade that country if Russia fails to deliver the promised amount to Germany.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

Confidential

DATE June 24, 1940

TO Secretary Morgenthau

FROM Captain Puleston

Subject: The Effects of the Closing of Indo-China as a  
Chinese Supply Route

1. French Indo-China agreed on Monday, June 17, to ban export of trucks and gasoline to China. On Thursday, June 20, this prohibition was extended to practically all commodities and the French agreed to admit Japanese inspectors to supervise the execution of this order.

This is a severe blow to Free China. It eliminates routes which have been transporting recently about 20,000 tons monthly. The action also immobilizes in Indo-China about 100,000 tons of Chinese cargo, including around five hundred trucks.

2. The only way China can still secure supplies from the outside world is by the Burma routes and by blockade evasion via Hong Kong. The greatest amount which can be secured through Burma at the present time is about 18,000 tons a month, the maximum capacity of the Burma-Yunnan highway. At the present time probably not more than 6,000 tons a month is being transported into China by way of this highway. Therefore, it would be possible to increase transport by this route an additional 12,000 tons a month.

TREASURY DEPARTMENT

UNITED STATES GOVERNMENT

While no accurate estimate can be made as to the amount of cargo the Chinese Government can secure through their blockade evasion, it probably is not more than 5,000 tons a month. This blockade running has been using Hong Kong as a base.

Both routes still open to China (outside of the Russian road), therefore, are dependent upon British cooperation. Japan has now demanded that England follow the Indo-Chinese precedent, and prohibit the forwarding of supplies to China over the Burma road.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 24, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: Situation in Europe, Afternoon, June 24

1. The Bordeaux Government directed the French plenipotentiaries to sign the agreement for an armistice between France and Italy. The terms were not announced. Fighting will cease within six hours after the signing both between France and Italy and between France and Germany.

2. Conflicting reports come from England in regard to the relations between the British and Bordeaux Governments. After announcing a suspension of these relations, apparently the British Government has resumed them.

3. There is no indication as yet what the attitude of the French Armies in the colonies and the French commanders of the naval units will be.

4. The British report the sinking of another Italian submarine east of the Suez. The Admiralty claims to have sunk a total of seven Italian submarines.

5. The British Air Ministry announces the bombing of air-dromes and railway stations in German-occupied Holland and Germany.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 25, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: Supply Situation in Norway  
(Summary of a Report from American  
Embassy, Stockholm)

1. Food

Norway has sufficient stocks of most essential foods to last for a year or more at rations sufficient for normal consumption. This favorable situation depends, however, upon the Germans living up to their recent promise not to transfer any of these reserves to Germany and upon reasonable requisitions of food by the German garrison of approximately 150,000 men.

Because of small stocks of feed stuffs, a large reduction in dairy products and meat supplies is anticipated.

Crop planting was not directly affected by hostilities because of the late spring.

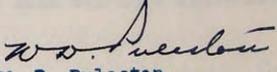
2. Petroleum Products

British bombings destroyed 30,000 tons of oil at Bergen. Norway had relatively large stocks of oil and gasoline on hand at the time of the invasion. While Germany has been consuming these for her army of occupation, because of strict rationing, there is sufficient gasoline and oil left to last for four to five months more.

Secretary Morgenthau - 2

3. Merchant marine

As near as it can be ascertained, the Germans captured 540,000 gross tons of the Norwegian merchant marine, or slightly less than ten percent. (This estimate agrees with ours made on April 12.) One-third of this amount, or 180,000 tons, cannot be utilized by the Germans as it is oil-burning.

  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 25, 1940

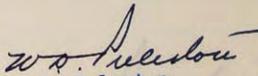
TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The World Situation

1. Land operations in western Europe have come to a halt. Air operations continue between England and Germany.

2. On the sea the Germans claim that their speed boats have ventured into the neighborhood of Dungenes on the Strait of Dover and sunk two British steamers.

Another British steamer was sunk off Cape Finisterre by a German submarine.

In the Indian Ocean a small escort vessel of the Royal Indian Navy was sunk, possibly by an Italian submarine operating from Italian Somaliland.

  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

Confidential

DATE June 25, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in French Indo-China

1. We learn from the Consul at Hanoi that Japanese troops are reported advancing from Nanning towards Indo-China. It is reported in the press that units of the Japanese battle fleet are on the way to Saigon. This is probably true, because the Indo-China authorities have agreed to allow Japanese officials to inspect shipments from Indo-China to Free China.
2. Oil companies in Saigon have been directed to ship their oil reserves into the interior, and supplies of oil there bought by the Chinese Government under the United States loan have been requisitioned.
3. Saigon authorities have advised persons who have homes in the interior to go to them.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 25, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The Situation in Europe

1. Prime Minister Churchill made a speech in the House of Commons today, in which he charged that the French had not lived up to their agreement in proposing to surrender the French Fleet to the Germans. Afterwards a member of the Government in the House of Lords stated that the British Government would see that the French Fleet continued the task which it had undertaken. This sounded like a veiled threat to seize the French Navy.

2. A broadcast announcement stated that the Hood and other units of the Mediterranean Fleet had arrived at Gibraltar from Alexandria. It is possible that this move was designed to prevent the transfer of French units in the Mediterranean to German or German-occupied French ports.

3. Information received by Naval Intelligence up to the present time does not change the situation from that reported to you last Saturday.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

Confidential

INTER OFFICE COMMUNICATION

DATE June 26, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: Hitler's Diplomacy

1. Undoubtedly much of the success of the German arms has been due to numerically superior aviation, mechanized transport, and close coordination between aviation, mechanized units, and infantry.

2. Equally as important, I believe, has been Hitler's success in keeping two such natural enemies as Stalin and Mussolini working for him all the time.

When the Soviet invaded Finland, the Italian people and Mussolini both were indignant, also some sections of the East Prussians who had fought with the Finns against the Soviet after the last World War.

Hitler succeeded in stopping the advance of the Soviets into Finland and, by invading Denmark and Norway, while leaving Sweden intact, avoided an immediate conflict with Stalin's Army.

During the Russo-Finnish campaign the relations between Berlin and Rome were strained. As soon as that campaign was over, Hitler turned his attentions to Mussolini and brought him back into the Rome-Berlin Axis.

Secretary Morgenthau - 2

3. Naturally, it is easier to negotiate when armies are successful. But in 1914-1918 the German Army was successful on the continent, and the German diplomacy was not equal to garnering all of the advantages gained by the German arms. Finally they made the irreparable mistake of involving the United States in the War.

4. A study of the Armistice terms of Italy and Germany to France shows that the Wilhelmstrasse is still clever. The Germans knew the French had promised not to surrender their Fleet while Great Britain was at war, so they have agreed not to use this weapon against Great Britain. They thus persuaded Petain that he could honorably violate his previously given pledges.

5. The German diplomacy is not only aimed at reconciling France to her defeat but is also cleverly designed to convince the United States that Germany and Italy have no trans-Atlantic ambitions, for such ambitions would require a fleet. Further indications of the German desire to placate United States opinion is revealed in (a) von Weigand's recent interview with Hitler, (b) the absence of any protests in the German press against the strong denunciations of German actions by the administration, (c) the presence of German business representatives in the United States who say they are ready to begin business with the United States and South America in the autumn.

Secretary Morgenthau - 3

These moves on the part of the German Foreign Office fit neatly into the argument already being advanced by some Americans that it makes no difference to the United States whether Germany dominates Europe. This thesis has already been elaborated in some isolationist quarters and needs no further elaboration. The important fact is that Ribbentrop and Hitler are clever enough to play up to this segment of American public opinion.

*W. D. Puleston*

W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 26, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The European Situation

1. The matters of most immediate interest are still (a) the disposition of the French Fleet, and (b) the future course of the Anglo-French Army in the Near East. The French army commander will find it difficult to deliberately disobey the order of a government headed by Field Marshal Petain to demobilize. Units of the fleet are stationed in widely separated ports; some are in company with British squadrons. Some of them will probably carry out the terms of the armistice; others may be sabotaged rather than delivered to the Germans. As a last resort, Winston Churchill hinted that force might be used to prevent their transfer to Germany.

2. The Germans are reported to have used over a hundred planes in last night's raid on England, ranging from Scotland through the midlands into the southeastern part of England. The British state that these attacks are apparently aimed at military objectives, mainly airfields and airdromes in the United Kingdom. This indicates that the Germans are trying to make it difficult for the British fighters to use their air fields in England to oppose the German bombers.

The British Air Force are pursuing the same tactics, attacking German airfields in occupied Holland and German aircraft

factories in the Ruhr district. The British report successes and that all of their planes returned.

London also reports officially that British troops and naval units landed at various points on the enemy coast line, made contact with German troops and inflicted some casualties. Some of the Germans were taken prisoner. The British forces suffered no casualties. This raid indicates that the British are not going to remain on the passive defensive, awaiting a possible invasion. That is a very encouraging sign. Information of the enemy's movements is more necessary when awaiting an attack than when acting on the offensive, and if the British can continue their raids across the Channel, it will not only give them information but absorb some of the enemy effort that might be employed in attacking England.

The Germans report shooting down one British plane that attempted to attack Stavanger airfield in Norway. This was probably a reconnaissance plane seeking to obtain information of the number of planes Germany has in Stavanger.

3. According to the terms of the Italian-French armistice, the Italians occupy a zone along the Italian-French continental frontier, Corsica, Tunisia, and Djibouti. The Italians now boast they will fight to the end with Germany to defeat Great Britain.

The British Air Force in the Mediterranean continued its attacks on Italy and Italian possessions.

Secretary Morgenthau - 3

4. The situation in the Balkans and Near East has not clarified. The collapse of the French Empire and the extremity of the British Empire provides actual and prospective spoils so immense that for the time being Russia, Japan, Italy, and Germany should find them sufficient. One of the radio broadcasts stated that Stalin, Hitler, and Mussolini had agreed upon their spheres of interest in the Near East, and the first country to be carved up would be Rumania; Bessarabia would go to Russia, Transylvania to Hungary, the southern part of Dobruja to Bulgaria. If these three partners can work together, it will be a simple matter to dispose of the Balkans under the present conditions. Also, Japan can work her will in Indo-China and perhaps in Shanghai and Hong Kong.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 27, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: Transportation to China via Hong Kong

1. The Government of Hong Kong has from June 22, 1940 banned the transportation to China of many commodities (specifically, motor trucks, gasoline and kerosene).

This action of the British may also foreshadow the closing of the Burma route.

2. The action of the authorities at Hong Kong will make more difficult the smuggling that has been going on into Free China from that port. However, the Chinese are the most efficient smugglers in the world, and I believe they will be able to keep a large supply of goods going into Free China. We have had evidence that the Japanese authorities are open to bribes and that the Japanese actually need Chinese products and wink at trade with Free China.

3. Nevertheless, the closure of Hong Kong, Burma, and Indo-China will make it increasingly difficult to supply Free China. There is every reason to believe that the Soviet Government will continue to supply China, as they want to support the Chiang Kai-shek government in its opposition to Japan.

TREASURY DEPARTMENT

INTER OFFICE CORRESPONDENCE

A newspaper report indicates that merchant ships previously operating to Burma and Hong Kong will be diverted to Vladivostok, where freight for China can be transferred via the Trans-Siberian railway.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 27, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The World Situation

1. Germany made another series of attacks on the northeast, the southeast, and the southwest parts of the United Kingdom. The Germans announce and the British admit that the German objectives are air fields, airdromes, air factories, and port facilities. All of these are proper military targets.

The British Air Force has made attacks on similar objectives in the Ruhr district and report that they made attacks on cities east of the Rhine and had considerable success. The British Air Ministry claim that nine of their Spitfires brought down three and probably destroyed three more of a group of seventeen Messerschmitts. (I am inclined to believe this, because the Spitfires have shown themselves superior in performance to the Messerschmitts.)

The Italian Air Force attacked Malta and other British possessions in the Mediterranean. The British retaliated by raiding Naples and other Italian objectives.

2. There is no further definite news of the disposition of the French Fleet.

Coast Guard Intelligence reports that two French merchant ships arrived at New York on 25 June from Halifax, and a third on

Secretary Morgenthau - 2

23 June from the high seas. This indicates that the French, having in mind what happened to the Norwegian and Dutch ships are at present unwilling to turn themselves over to the British authorities at Halifax.

3. Simultaneously there are coming from London and Berlin rumors of a peace offensive. London denies these reports.

4. In the Balkans, the Rumanian crisis with Russia appears to be reaching a decision. Official circles in Germany announce that they have no interest in the matter, that it is a question solely between Russia and Rumania. Russia is reported to have demanded not only Bessarabia but also the northern part of Bukovina, formerly a part of Austria, on the ground that the inhabitants of these areas are preponderantly Ukrainian. The Soviet Government also demanded Constanza, the Rumanian Black Sea port, and Tulcea, the Rumanian Danubian port. The cession of these two ports would give Russia command of the mouth of the Danube River and bring her much closer to the Bosphorus.

Rumanian sources deny that the Soviet Government has made the foregoing demands. Foreign diplomatic and military observers at Bucharest believe that King Carol will yield to Russian demands, since they are believed to be supported by Germany and Italy. The price for their cooperation with Russia is Soviet economic aid to the Axis powers and pressure to keep Turkey out of the Allied camp.

Secretary Morgenthau - 3

5. In the Far East, Japan has occupied Mire Bay, thus encircling Hong Kong. The British are reported to have blown up the bridges between Hong Kong and the mainland and to have moved their archives to Singapore.

The Governor General in Indo-China is negotiating directly with Japan. It is reported that the French Army Commander has stated that he will resist a Japanese invasion. He has only ten thousand French soldiers, the remainder being natives (Annamese). It is doubtful whether they would resist the Japanese Army, for Japan has been using Fifth Column tactics and the slogan "Asia for Asiatics".

*W. D. Puleston*

W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Confidential

DATE June 28, 1940

TO Secretary Morgenthau  
FROM Captain Puleston

For some time I have wanted to go to Newport to confer with Admiral Yarnell, who is an old and intimate friend, and with Admiral Kalbfus, President of the War College. If you have no objections, I would like to go the afternoon of Monday, July 1, and spend Tuesday and Wednesday in Newport. If conditions warranted, I would like to spend the remainder of the week in and around New Haven, returning here Sunday night.

If the situation should change, I could get back here within twelve hours, and I will be in telephone communication during my absence.

*W. D. Puleston*  
W. D. Puleston,  
Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

160

Confidential

## INTER OFFICE COMMUNICATION

DATE June 28, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: British-French-German Relations

1. Messages received in the State and War Departments subsequent to my oral report to you yesterday indicate a growing inclination on the part of French colonial authorities, civil and military, to comply with the conditions already accepted by the Petain Government. This attitude would not only involve the French colonies, but it would cause the crews of French ships, already apprehensive about their families in metropolitan France, to hesitate to join the British Fleet. In fact, Admiral Darlan's order not to surrender was conditioned on the presumed resistance by French colonial authorities.

Probably General Mittelhauser, commander of the Allied army in the Middle East, will have to make the first decision, and his attitude will influence other colonial commanders.

The junior officers of the French Navy are reported willing to resist the demobilization of their fleet; the senior officers are hesitant and the crews are uneasy. If the British Navy should attempt forcible seizure of French naval units, it might cause a flare-up in the French Army as well as in the naval units.

The whole French and British naval situation is confused, but the Army, Navy, and State Departments are watching, and I will keep in communication with them.

2. There is increasing evidence that Germany is really preparing to invade England. Concentration of units of her Army, Navy, and Air Force, particularly in the Low Countries and northern France, indicate that Germany is preparing to risk this undertaking in the near future.

Information from the United Kingdom indicates that the determination of the British people to resist is increasing rather than decreasing.

*W. D. Puleston*

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Captain, U.S.N., Retired.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

Confidential

DATE

June 29, 1940

TO Secretary Morgenthau  
FROM Captain Puleston  
Subject: The World Situation

1. Germany and Italy announce their determination to invade England. And the British Government announce measures taken to defend the British Isles; they have extended the defense areas in which no unauthorized person will be permitted to a belt twenty miles wide all along the east coast of England and Scotland and swinging westward along the southern coast. In addition, they have evacuated the Channel islands, which were commanded by the German possession of Brittany and Normandy. More and more the United Kingdom takes the shape of a beleaguered fortress.

The German air operations against England are aimed primarily at air fields, airdromes, and air factories, in an effort to hamper and disrupt the British Air Force, which will be essential to the defense of the United Kingdom.

The British Air Force are operating against the German-occupied ports in Holland, Belgium, and northern France, and for the same military purpose; that is, to disrupt the German preparations for the invasion. In addition, British bombers continue their attacks on the German industrial towns along the Rhine and in the Hanover area, and also attack the oil supply and oil refineries.

Secretary Morgenthau - 2

2. In addition to guarding the United Kingdom, the British Fleet is preoccupied with measures designed to impede the return of the French Fleet to French ports, where it would be placed under the control of the German Government. The task of the British Fleet has been made more difficult by the action of General Mittelhauser, who is reported to have ordered the demobilization of the French contingent of the Allied Army in Syria. It is also reported that General Henri Gouraud,<sup>(?)</sup> former Military Governor of Paris, has flown to Tangier en route to Morocco with a view to facilitating the execution of the armistice terms in that French colony.

The relations between the British and French Governments is very confused; the British Government has recognized the French committee to carry on the war, headed by De Gaulle, in London, but it has not severed relations with the Petain government in occupied France. It will require an exceedingly nice mixture of diplomacy and force to prevent the transfer of French ships to French ports, where they would be under the control of Germany and Italy.

3. In the Balkans, the Russian occupation of Bessarabia and northern Bukovina was unopposed by Rumania. The timing of this move by Stalin was perfect. Had he done it before the invasion of Holland and Belgium, the Germans could have easily blocked his

Secretary Morgenthau - 3

effort. Now that Germany is preparing for the big attack on England, she does not dare take exception to Russia's move.

That Russia's move into the Balkans surprised Germany is indicated by reports that the German settlers in Bessarabia who were cultivating soya beans for shipment to Germany were engulfed in the Russian wave and were among the other refugees taking shelter in Rumania. Berlin asserted that she was indifferent to the occupation and that it was a matter solely between Russia and Rumania. Obviously, she would have to make this statement whether it were true or not, in order to preserve an outward front.

Hungary and Bulgaria are making demands upon Rumania, one for Transylvania, the other for Dobruja. Italy and Germany are trying to keep these countries quiet for fear that any outbreak in the Balkans will spread.

The most important military factor of the Russian occupation of Bessarabia and northern Bukovina is the further approach of Russia to Yugoslavia, with whom the Soviet has recently become more friendly. It is reported and denied that Stalin also occupied Constanza and Tulcea. If he did, he controls the mouth of the Danube.

Hitler has so far succeeded in keeping Russia and Italy, whose ideologies and national interests clash, working for him. The advance of Russia into Rumania and her increased power in the Black Sea will make Hitler's problem more difficult. Some commentators assert that the British Ambassador to Moscow, Cripps,

Secretary Morgenthau - 4

prevailed upon Stalin to take this move. It is quite possible that Cripps might have suggested it, but it is more probable that Stalin was shrewd enough to see that the time for him to strike had arrived.

4. The success of Hitler has encouraged Japan to declare a Monroe Doctrine of the Far East, and she seems determined to implement this so-called Monroe Doctrine by the occupation of Indo-China and perhaps the Dutch East Indies. Already she has made increased demands upon both Indo-China and the Dutch East Indies. This is not the first time the Japanese have announced a Monroe Doctrine for the Far East, but the Japanese conception of a Monroe Doctrine differs widely from the American Monroe Doctrine. In the one hundred and twenty years that the American Monroe Doctrine has existed, the United States has at no time used it as a pretext to secure either territory or commercial advantages in Central or South America. The Japanese idea of a Monroe Doctrine is to secure both increases in territory and exclusive trade rights in the Far East.

*W. D. Puleston*  
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