

PSF FOREIGN ECONOMIC ADMINISTRATION

PSF
Subject File
Box 149

PEF; Foreign Economic and Food
2-44

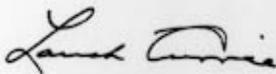
THE WHITE HOUSE
WASHINGTON

*file
personal*

May 10, 1944

MEMORANDUM FOR THE PRESIDENT:

I think you will be interested
in the marked passages in the
attached draft cable to the FEA
representative in Sweden.


Lauchlin Currie

Draft Cable to Stanton Griffis

The following information is for your use in the negotiations with S.K.F. along the lines indicated in this cable. This information should be made available to the Minister, Fagan, and Olsen, Treasury representative who will render any assistance possible. You may convey to Wallenberg as much as you believe desirable.

1. Specific action has been taken in regard to the United States companies as follows: (a) An intensive investigation of the files of S.K.F. subsidiaries was commenced Monday, May first, this investigation also includes files of banks and brokerage houses having dealings with Swedish or American companies; (b) The Swedish S.K.F. has been denied the use of the Swedish general license by the Treasury thereby stopping transfer of company funds from U.S. to Sweden.

2. Information obtained prior to the investigation of the companies indicates a definite tie-up between the German ballbearing trust and S.K.F. of Sweden. This belief is based on financial publications in 1929 at the time of the formation of the German trust which stated that shareholders of the German companies joining the new combine received shares in S.K.F. directly and not shares of the German trust. Because of the economic situation since that time it appears probable that the German trust still has an interest in S.K.F., Sweden. It is further suspected that the ballbearing trust in Germany is now owned by the German munitions Trust as it appears that high Nazi officials, particularly Quandt and Hamel, are active in the management.

3. S.K.F., Sweden, is closely affiliated or connected with many other Swedish companies which in turn have extensive connections with and interests in Germany. These connections are shown by inter-company stock ownership or inter-locking boards of directors. Some of these companies are AB Investors, AB Atlas Diesel, ASEA, etc. Also, as far as we can ascertain, S.K.F. branches act as exclusive representatives of many of these companies in Latin America and Europe. One of the most significant interlocking directorships is that of AB Bofors Swedish munitions manufacturers and S.K.F. Wingquist, chairman of the board of S.K.F., is also chairman of the board of Bofors and it is our understanding that he was placed at the head of Bofors by Axel Wenner-Gren (British Statutory and U.S. Proclaimed List) and a suspected cloak for the Krupp interests in Bofors. Bofors, in which Krupp is said to have a 35 percent interest now held by Wenner-Gren interests on behalf of Krupp, has been shipping substantial amounts of war important manufactures to Germany. Inasmuch as S.K.F. supplies Bofors with ballbearings it would appear that in addition to its direct shipments, it has a large indirect interest in the German war economy.

4. It is possible that you may be able to confirm and obtain further facts on all of the foregoing through Legation sources.

5. While the investigation in the files of the U.S. companies has been under way only a short time, certain significant facts have been developed.

(a) Count Hugo von Rosen representative of S.K.F. Sweden in the U.S., while holding the nominal title of Export Sales Manager, is in actual control of all the Latin American subsidiaries. Letters written by him recommending changes in management, capitalization and other activities of these subsidiaries are apparently acted upon without question.

(b) It appears that he also is an important factor in the policies of the American company as no major activities are undertaken without his approval. All directives from Sweden come through von Rosen.

(c) The Latin American subsidiaries are dealing with firms on the Proclaimed List as evidenced by the sales reports of Peru to S.K.F., Philadelphia, giving as one of their customers a firm on the List. Intercepts indicate dealings with other proclaimed list firms.

(d) It is significant that all foreign general files up to and including 1940 were destroyed in March and April of 1942. This correspondence covers the period of time during which the voting trust was established. It is possible copies might be obtained in S.K.F. files in Sweden..

(e) V.K.F., the German ballbearing trust, in a letter dated March 30, 1940 transferred to S.K.F. Industries in the U.S. all patents in which V.K.F. had an interest for the duration of the war with the understanding that these patents were to be retransferred after the war.

(f) As of interest to the United Nations, S.K.F., through von Rosen and others, in March of this year did all in their power to stop the erection of ballbearing plants in Australia and South Africa.

(g) On October 6, 1941, Wingquist wrote to S.K.F. Philadelphia recommending that no increase in plant facilities be undertaken with or without government aid.

(h) In March 1941 following the death of Uno Forsberg, then managing Director of S.K.F., Sweden, Harald Hamberg was transferred from V.K.F., the German combine, to replace Forsberg.

6. Facts now in hand furnish ample basis for blacklisting all S.K.F. companies and branches if we decide to take such action. Facts also suggest definite possibility of vesting S.K.F. properties in United States by Alien Property Custodian even if blacklisting action is not taken. If these measures are taken and followed up it is probable that all S.K.F. worldwide interests will be seriously and permanently impaired postwar.

7. You may use the foregoing information to bring pressure to obtain our objectives at lowest possible cost to us.

8. Cable any facts you may discover which will assist investigation here.

Mr. President
For your file
Rec'd. Economy

~~SECRET~~

MEMORANDUM ON
CURRENT WALL BEARING NEGOTIATIONS WITH SWEDEN

We are now awaiting a final report from Mr. Griffis on his direct negotiations with SKF. It is probable that the Swedes will make an offer of some kind, but we have no indication yet as to whether it will be satisfactory. If the negotiations are unsuccessful, the U. S. Government should be prepared to take immediate action.

In the opinion of FEA, action should be taken simultaneously on four fronts, as follows:

1. Blacklisting of SKF and other Swedish firms which are trading extensively with the enemy in critical war materials. (Dean Acheson has agreed that the State Department would approve blacklisting of SKF, but has not indicated whether the Department would favor similar action against other firms.) We have urged a general campaign of blacklisting in the event of a breakdown in negotiations.
2. Vesting of SKF-Philadelphia by the Alien Property Custodian. The APC has agreed that evidence of the Swedish SKF trading with the enemy affords ample ground for vesting, even without further evidence of German ownership of the Swedish Company. State is unwilling to approve this action on the ground that, once this step had been taken, it would be difficult to return the Philadelphia property should a settlement be reached in the future. (Oscar Cox is checking on this point with the Attorney General. He is of the opinion that the APC would have legal authority for un-vesting if shipments to the enemy were stopped.) A preliminary step, short of vesting, would be to place SKF-Philadelphia under "supervision" of the APC.
3. Revocation of the Treasury general license for Sweden and a tightening of Treasury controls over all financial transactions by means of special licenses for Swedish nationals. This would constitute a strong economic sanction which could be regulated, tightened or relaxed, at any time by the Treasury. It would affect Swedish commercial transactions in Latin America as well as in the United States. FEA has urged this step and is strongly supported by the Treasury. The State Department has not indicated its approval.
4. Suspension of export licenses and navicerts for all Swedish basic rations. The effect of this measure would be to stop all Swedish exports from the United States and Latin America to Sweden. The State Department has agreed to propose this

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action to the British, provided that there is no objection from the Chiefs of Staff. A letter has been sent from the Secretary of State to the Chiefs of Staff, asking their opinion. The only objection raised in recent meetings with the State Department was that suspension of trade might lead to denunciation of the War Trade Agreement (between U.S.-U.K. and Sweden) under which Sweden has placed ceilings on critical exports to the enemy. Our contention is that, even should the Swedish Government denounce the War Trade Agreement, it would be to her interest to maintain existing ceilings on exports to Germany. Recent cables make it clear that the Swedes believe that Germany will eventually be defeated but that Hitler may still be in a position to retaliate more dangerously than the United Nations. It is equally clear that Sweden does not wish to alienate the Allies and hopes to benefit from Allied favors in the post-war period. Hence, it is our estimate that the risks of a strong Allied policy are not very great.

To be fully effective, the above measures should be taken jointly by the British and American Governments. Hence, we are proposing a telegram to be taken up with the British, seeking their concurrence on the above line of action. In the event of a breakdown of the negotiations, however, we should be prepared to act on this line independently even if the British raise objections. The chances are that the British will support a strong lead from Washington.

DECLASSIFIED
State Dept. Letter, 1-11-78
By R. H. Parks Date JUN 2 1972

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personal*

*PSF: Foreign Economic Admin folder
THE WHITE HOUSE
2-44*

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

MAY 26 10 11 AM '44
RECEIVED

May 25, 1944

MEMORANDUM FOR THE PRESIDENT:

From Leo T. Crowley.

For your information I am attaching a
brief statement on the status of our current
efforts to halt the flow to Germany of
ballbearings from Sweden.

Leo T. Crowley

SWEDEN

The Swedish Government having refused to impose an embargo on exports of bearings, and thrown the responsibility for reaching an agreement with us back on SKF, negotiations are still proceeding in Stockholm with that company. They have not as yet produced a definite result other than an agreement on the part of SKF to withhold exports for the duration of the negotiations. It is probable that the Swedes are sparring for time-- awaiting the opening of a "second front". Since bearings are being momentarily withheld from Germany we have accomplished temporarily our first objective. We expect that some compromise solution will be proposed by SKF. Meanwhile the threat of blacklisting the company is being pushed, strengthened by the announcement on May 23rd of the listing of 38 other Swedish firms. Further pressure on the Swedish Government is under consideration, including the suspension of "basic rations" supplied by the Allies under the 1943 War Trade Agreement. The Government is also being pressed to ban bearing exports under a 1937 neutrality law forbidding exports to belligerents of arms and munitions. The most likely means of settlement still appears, however, to be through SKF.

The British have indicated that they will oppose the suspension of basic rations if the negotiations fail. Recent cables also indicate some Russian concern that their bearing supplies from Sweden should be protected. Investigation is being made of the possibility of supplying their needs from the United States.

hms

PSF; J. E. A. folder 2-44

May 30, 1944

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MEMORANDUM FOR THE ADMINISTRATOR OF THE
FOREIGN ECONOMIC ADMINISTRATION

The Secretary of State with whom I have taken up the relationship of Finland to the Nazi ferro-alloy position, which was discussed in your memorandum of May 19, informs me that for many months past he has been endeavoring to get Finland out of the war in order to bring to an end the very substantial military and economic aid which Germany has been receiving from Finland. This aid includes not only the nickel, cobalt and molybdenum mentioned in your memorandum but also forest products such as timber, newsprint, et cetera.

The political measures to get Finland out of the war having been unsuccessful up to the present time, apparently the only practical way to stop current Finnish exports to Germany would be through military measures. I am sure that our Soviet and British allies who are at war with Finland have this point very much in mind.

The State Department is, however, giving consideration to the early blacklisting of Finnish firms which are engaged in trade with the enemy, and we may hope that this will have some effect.

FRANKLIN B. ROOSEVELT

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



*OK
President out*

DEPARTMENT OF STATE
WASHINGTON

May 27, 1944

MEMORANDUM FOR THE PRESIDENT

Pursuant to your memorandum of May 22, 1944, I return herewith Mr. Crowley's secret memorandum of May 19 together with a suggested reply for your signature regarding the importance of Finland to the Nazi ferro-alloy position.

C J

Enclosures:

1. Memorandum from Mr. Crowley, May 19, 1944.
2. Memorandum to Mr. Crowley.

DECLASSIFIED
State Dept. Letter, 1-11-72
By R. H. Parks Date JUN 2 1972



Mr. Latta instructed me to keep this here
lines

CH
dk
FDR

MAY 27 1944

~~SECRET~~

MEMORANDUM FOR THE PRESIDENT

Pursuant to your memorandum of May 22, 1944, I return herewith Mr. Crowley's secret memorandum of May 19 together with a suggested reply for your signature regarding the importance of Finland to the Nazi ferro-alloy position.

CH

Enclosures:

1. Memorandum from Mr. Crowley, May 19, 1944.
2. Memorandum to Mr. Crowley.

DECLASSIFIED
State Dept. Letter, 1-11-72
By R. H. Parks Date JUN 2 1972

- 2 -

FOREIGN ECONOMIC ADMINISTRATION

OFFICE OF THE ADMINISTRATOR

WASHINGTON 25, D. C.

~~SECRET~~

May 19, 1944

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Finland and the Nazi Ferro-alloy Position

1. In connection with any political or other moves that may be contemplated with reference to Finland you may want to keep in mind the relative importance of Finland to the Nazi ferro-alloy position. Germany now gets about 70% of its nickel supply from Finland, about 50% of its cobalt supply and about 30% of its molybdenum supply. Germany has, to a large extent, shifted her production of alloy steels to a chrome and manganese basis. The loss of Finnish nickel will, therefore, not be decisive. However, the extreme tightness of Germany's position as to the other ferro-alloys makes the nickel from Finland a valuable contribution to its power to wage war. This is also true of Finland's cobalt and molybdenum.

2. As you know, ferro-alloys such as manganese, chrome, tungsten, molybdenum, nickel, cobalt, etc., are necessary for making all alloy steel which goes into munitions, aircraft, ordnance, grinding tools, etc.

DECLASSIFIED

State Dept. Letter, 1-11-72

By R. H. Parks Date JUN 2 1972

Robert C. Casper

3. With the recapture of Nikopol by the Russians the Nazis lost their most important source of manganese. This enhances the relative value of the remaining sources of ferro-alloys.

4. As a result of our economic warfare operations and the improvement in the allied military situation, Turkey has cut off all chrome shipments to Nazi Germany and Spain has cut off most of its tungsten ore shipments. Negotiations are under way to cut down the shipments of tungsten ore from Portugal (the main supplier) to Nazi Germany.

5. The remaining important sources of ferro-alloys available to Nazi Germany are Yugoslavia, Norway and Finland. The first two can probably be cut off only by military operations.

6. It may be asserted that Germany is now experiencing considerable shortages in most ferro-alloys. Should Germany lose the supplies from the Balkans (principally Yugoslavia) and the Iberian Peninsula, her position in these alloys would be immediately affected and within six months after that the Nazi steel position would become critical.

7. While the loss of Finnish supplies cannot be compared in importance to that of the Yugoslavian or Iberian ferro-alloys, it would nevertheless be of considerable help to the Allies.

8. On the basis of present information it is estimated that the sealing of all ferro-alloy sources outside Germany proper would within six months thereafter reduce the German war production by two-thirds of its 1943 output and would thus affect Germany's ability to wage war.

For, [Signature]

Department of State

BUREAU
DIVISION

NOE

ENCLOSURE

TO

Letter drafted 5-26-44

ADDRESSED TO

The President

(2968)

F. E. A. folder 2-44

THE WHITE HOUSE
WASHINGTON

May 22, 1944.

MEMORANDUM FOR
THE SECRETARY OF STATE
FOR PREPARATION OF REPLY
FOR MY SIGNATURE.

F. D. R.

Copy of secret memorandum which the President received from Hon. Leo T. Crowley, 5/19/44, in re Finland and the Nazi Ferro-alloy Position.

~~SECRET~~

May 19, 1944

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Finland and the Nazi Ferro-alloy Position

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2. As you know, ferro-alloys such as manganese, chrome, tungsten, molybdenum, nickel, cobalt, etc., are necessary for making all alloy steel which goes into munitions, aircraft, ordnance, grinding tools, etc.

DECLASSIFIED
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By R. H. Parks Date JUN 2 1972

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(Signed) Leo T. Crowley

PSF: F. E. A. folder 2-44

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

File

May 31, 1944

Memorandum for Mr. Stephen Early:

You more than amaze me:

Your comments on the proposed ferro-alloy press release got back to me almost immediately after I had sent it to you.

As soon as we have finished checking I will, in accordance with your suggestion, send you the final signed copy.

Oscar Lot

ADMINISTRACION DE D. C.
OFFICE OF THE ADMINISTRATOR
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THE WHITE HOUSE
WASHINGTON

May 31, 1944

Secret memorandum of May 31st to Mr. Early from Oscar Cox with attached draft of proposed letter to the President from Mr. Crowley was returned to Mr. Cox with this handwritten note "5/31/44 Dear Oscar: When you have finished checking, send me the final signed letter and I will deliver it, asking about its P. C. use at the same time. Steve".

FOREIGN ECONOMIC ADMINISTRATION

OFFICE OF THE ADMINISTRATOR

WASHINGTON 25, D. C.

May 31, 1944

file →

MEMORANDUM FOR THE PRESIDENT

Subject: Report of the Foreign Economic Administration
on Germany's Ferro-Alloy Position

1. In connection with the negotiations with Portugal about stopping its shipments of tungsten to Germany, I think you will be interested in the Foreign Economic Administration report on the German ferro-alloy position. This report is now under consideration by the Joint Intelligence Committee of the Chiefs of Staff. It has not as yet been finally adopted by that Committee.

2. The conclusions reached in the report have a direct bearing on the Portuguese tungsten question. This question is now up for discussion with the British.

3. The conclusions may be summarized as follows:

(a) With the elimination of supplies of manganese from Nikopol, the stoppage of shipments of chromium from Turkey during this second quarter would result within three months in a serious curtailment of non-armament steels essential to the war effort, particularly serious in the case of special steels for the chemical industry. Within six months it would result in a serious curtailment of ordnance and aircraft

steels and a curtailment of non-armament steels which would prove progressively crippling to the war effort.

(b) The complete stoppage of shipments of chromium and manganese from the Balkans (mainly Yugoslavia) as well as of chromium from Turkey would result in six months in a reduction of such magnitude with respect to steels for the production of ordnance, aircraft and essential non-armament items as to bring about the virtual collapse of war production.

(c) Stoppage of the supplies of tungsten from Spain and Portugal to Germany, unless offset by blockade running, would result in the sharp curtailment of production of ordnance and aircraft components and essential non-armament items in a period of three to six months, and would at once eliminate any possibility of the production of tungsten carbide projectile cores.

4. These conclusions have been thoroughly checked by our Economic Warfare experts and the British, and the statements in paragraph 3 have been approved by the British Ministry of Economic Warfare.

Les. E. E. E.

(3050)

hms

PSF; Foreign Economic Admin
folder 2-44

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

JUN 3 1944

MEMORANDUM FOR THE PRESIDENT

Subject: Proposed Program for Coasting Dry Cargo Vessels
and Tankers for the United Kingdom

I

1. The following proposal is recommended for your approval. Admiral Land agrees that it is a desirable proposal. If you approve, I would appreciate it if you would so indicate at the bottom of this memorandum.

II

The Facts

1. The British Government has recently submitted to the Foreign Economic Administration an urgent schedule of requirements for dry cargo vessels and tankers to be used in coastal work. The estimated cost will be approximately \$120,000,000. The vessels are intended to meet pressing war needs of the British coastal fleets, primarily in European, Indian Ocean and Mediterranean waters. These war needs have been intensified by serious losses from sinkings.

2. In my opinion, there are certain factors involved in this program which make it undesirable to handle it by the usual lend-lease transfer of ships. Most of the vessels in question probably cannot

be constructed before January 1, 1945. We are thus confronted with the possibility that the European phase of the war may terminate within the time necessary to construct some or all of the vessels in question. The fact that the particular types of vessels requested by the British, for the most part, are not of a kind which will be needed by the United States in the post-war period means that the right of recapture which we normally reserve is likely to be of little practical advantage to this country as far as most of the ships are concerned.

3. Thus, we are faced with a request for an outlay of, roughly, \$120,000,000 for capital equipment which will have a significant war use for a period of time of uncertain—but possibly short—duration. As a practical matter, the ships will probably have a valuable post-war use for the British but not for the United States. The Foreign Economic Administration therefore proposes that an arrangement be made with the British Government which will take these special factors into consideration.

III

Proposal

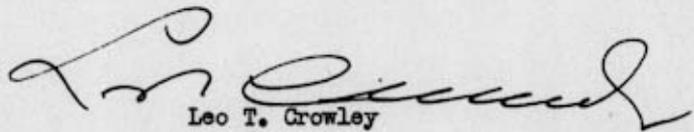
1. I recommend that the vessels be turned over to the British pursuant to an agreement under Sections 3(b) and 3(c) of the Lend-

Lease Act. Although the details are still to be worked out, in general the agreement would provide that the vessels be furnished to the British Government under straight lend-lease for the period of war use and thereafter be sold to the British on a long-term credit basis.

2. In the case of vessels completed and transferred prior to the date of a determination by you that active military operations against the common enemies have ceased, the British would agree to purchase such of the vessels as had not previously been destroyed. Vessels completed and undelivered, and vessels under contract for construction at the date of such determination, would be the subject of a commitment on the part of the United States to transfer as well as a commitment by the British to purchase. In the case of all vessels, the United States would retain the right to recapture those already transferred, or to withhold those not yet delivered, if it should determine that such action is essential to its national security. Title to ships already transferred would pass to the British at the date of termination of hostilities as determined by you, and title to the remainder of the ships would pass to the British upon delivery. Payment for the ships would take place over an agreed period of time.

3. It is contemplated that excessive deterioration occasioned by the rigors of war use of the vessels will be taken into account

by applying an accelerated rate of depreciation for the war use period. The agreed credit price to the British will be the fair value of the ships on the cessation of hostilities. This fair value would take into account factors such as the inflated costs of construction, British construction costs, etc.


Leo T. Crowley

Approved:

(Signed) Franklin D. Roosevelt

Date:

June 5 44

Carbon signed by the
President - returned
to F.S.A. 6/6/44

PSF: F.E.A. folder 2-44

June 5, 1944

MEMORANDUM FOR MR. STEPHEN EARLY

1. Attached is the original and one copy of the letter to the President from Mr. Crowley on the Nazi ferro-alloy situation.

2. The letter has been cleared with the State Department and OWI, as well as by our experts.

3. You may—as you suggested—want to put the letter up for release at tomorrow's Press and Radio Conference.

Oscar Cox

Attachment

FOREIGN ECONOMIC ADMINISTRATION

OFFICE OF THE ADMINISTRATOR

WASHINGTON 25, D. C.

Balkan supplies to Germany are cut off by the United Nations armed forces the last substantial source of chrome and the principal remaining source of manganese will be gone.

June 5, 1944

Tungsten is practically indispensable for the production of armor plates used in aircraft production and for projectile cores.

My dear Mr. President: Germany has stopped a portion of its tungsten exports

In accordance with your request, I am transmitting herewith a summary of the conclusions of the detailed investigations of Germany's ferro-alloy position conducted by the Foreign Economic Administration.

These conclusions are as follows: shutting off these Spanish and

1. One of the most significant developments in Germany's war production is the growing vulnerability of her ferro-alloy position. Germany's supply of these alloys required in the manufacture of special steels essential for her production of shells, tanks, artillery and other finished munitions, as well as for her war plants, is showing signs of deterioration. This situation is developing as one after another the sources of these vital metals are being cut off through United Nations military, political and economic action.

2. Manganese and chrome are used in greater quantities than other alloys. With the Russian recapture of the Nikopol manganese deposits and the action of Turkey in stopping chrome shipments, important Nazi sources of these metals have been eliminated. When the

Balkan supplies to Germany are cut off by the United Nations armed forces the last substantial source of chrome and the principal remaining source of manganese will be gone.

3. Tungsten is practically indispensable for tips on tools used in armament production and for projectile cores.

4. Spain has thus far stopped a portion of its tungsten exports to Germany. Further substantial reductions and absolute control of smuggling are necessary.

5. Considerable quantities of tungsten are being shipped from Portugal to Germany today.

6. The importance of completely shutting off these Spanish and Portuguese shipments to the Nazis can be appreciated when it is kept in mind that during 1943 about 90% of Germany's tungsten supplies came from Spain and Portugal. So highly do the Germans prize this metal that they have even resorted to equipping U-boats as blockade runners in an attempt to bring in small quantities from the Far East.

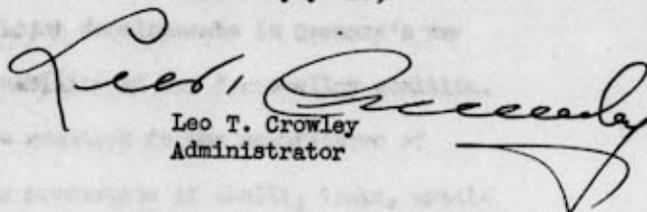
7. A substantial part of Germany's supply of nickel, molybdenum and cobalt is now coming from Finland. Cobalt is almost unique in bonding tungsten carbide in tool steels and shell cores. Nickel and molybdenum can be used to some extent to replace manganese and chrome in some steels. The shortages which the Nazis are experiencing in manganese and chrome have thus increased her dependence on nickel and molybdenum from Finland. The stoppage of these Finnish ferro-alloys from getting to Germany would help the United Nations.

8. Norway is presently a major source of molybdenum for Germany.

9. In the event that the Balkan supplies of chrome and manganese and the Norwegian supplies of molybdenum are cut off by combined military operations--and the Portuguese and Spanish tungsten supplies are eliminated through political and economic action--it is estimated that Germany's war production would be materially affected within six months.

I know that you will agree that this picture should not be permitted to result in any slackening of the country's all-out effort through over-optimism, but rather should be the stimulus for renewed and greater efforts to shorten the conflict.

Sincerely yours,



Leo T. Crowley
Administrator

The President,

The White House.

PSF: 9 E A. folder 2-44

FOREIGN ECONOMIC ADMINISTRATION

OFFICE OF THE ADMINISTRATOR

WASHINGTON 25, D. C.

June 7, 1944

My dear Mr. President:

In accordance with your request, I am transmitting herewith a summary of the conclusions of the detailed investigations of Germany's ferro-alloy position conducted by the Foreign Economic Administration.

These conclusions are as follows:

1. One of the most significant developments in Germany's war production is the growing vulnerability of her ferro-alloy position. Germany's supply of these alloys required in the manufacture of special steels essential for her production of shells, tanks, artillery and other finished munitions, as well as for her war plants, is showing signs of deterioration. This situation is developing as one after another the sources of these vital metals are being cut off through United Nations military, political and economic action.

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3. Tungsten is practically indispensable for tips on tools used in armament production and for projectile cores.

4. Spain has thus far stopped a portion of its tungsten exports to Germany. Further substantial reductions and absolute control of smuggling are necessary.

5. Considerable quantities of tungsten were being shipped from Portugal to Germany, but Portugal has agreed to suspend these shipments.

6. The importance of this suspension of Portuguese shipments and of completely shutting off the remaining Spanish shipments to the Nazis can be appreciated when it is kept in mind that during 1943 about 90% of Germany's tungsten supplies came from Spain and Portugal. So highly do the Germans prize this metal that they have even resorted to equipping U-boats as blockade runners in an attempt to bring in small quantities from the Far East.

7. A substantial part of Germany's supply of nickel, molybdenum and cobalt is now coming from Finland. Cobalt is almost unique in bonding tungsten carbide in tool steels and shell cores. Nickel and molybdenum can be used to some extent to replace manganese and chrome in some steels. The shortages which the Nazis are experiencing in manganese and chrome have thus increased her dependence

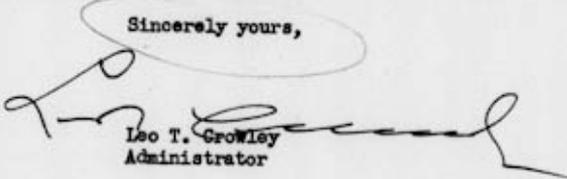
on nickel and molybdenum from Finland. The stoppage of these Finnish ferro-alloys from getting to Germany would help the United States.

8. Norway is presently a major source of molybdenum for Germany.

9. In the event that the Balkan supplies of chrome and manganese and the Norwegian supplies of molybdenum are cut off by combined military operations—and the remaining Spanish tungsten supplies are eliminated through political and economic action—it is estimated that Germany's war production would be materially affected within six months.

I know that you will agree that this picture should not be permitted to result in any slackening of the country's all-out effort through over-optimism, but rather should be the stimulus for renewed and greater efforts to shorten the conflict.

Sincerely yours,


Leo T. Crowley
Administrator

The President,
The White House.

June 13, 1944

The President has received the following summary of the conclusions of the detailed investigations of Germany's ferro-alloy position which have been made by the Foreign Economic Administration:

"1. One of the most significant developments in Germany's war production is the growing vulnerability of her ferro-alloy position. Germany's supply of these alloys required in the manufacture of special steels essential for her production of shells, tanks, artillery and other finished munitions, as well as for her war plants, is showing signs of deterioration. This situation is developing as one after another the sources of these vital metals are being cut off through United Nations military, political and economic action.

"2. Manganese and chrome are used in greater quantities than other alloys. With the Russian recapture of the Nikopol manganese deposits and the action of Turkey in stopping chrome shipments, important Nazi sources of these metals have been eliminated. When the Balkan supplies to Germany are cut off by the United Nations armed forces the last substantial source of chrome and the principal remaining source of manganese will be gone.

"3. Tungsten is practically indispensable for tips on tools used in armament production and for projectile cores.

"4. Spain has thus far stopped a portion of its tungsten exports to Germany. Further substantial reductions and absolute control of smuggling are necessary.

"5. Considerable quantities of tungsten were being shipped from Portugal to Germany, but Portugal has agreed to suspend these shipments.

"6. The importance of this suspension of Portuguese shipments and of completely shutting off the remaining Spanish shipments to the Nazis can be appreciated when it is kept in mind that during 1943 about 90% of Germany's tungsten supplies came from Spain and Portugal. So highly do the Germans prize this metal that they have even resorted to equipping U-boats as blockade runners in an attempt to bring in small quantities from the Far East.

"7. A substantial part of Germany's supply of nickel, molybdenum and cobalt is now coming from Finland. Cobalt is almost unique in bonding tungsten carbide in tool steels and shell cores. Nickel and molybdenum can be used to some extent to replace manganese and chrome in some steels. The shortages which the Nazis are experiencing in manganese and chrome have thus increased her dependence on nickel and molybdenum from Finland. The stoppage of these Finnish ferro-alloys from getting to Germany would help the United States.

"8. Norway is presently a major source of molybdenum for Germany.

"9. In the event that the Balkan supplies of chrome and manganese and the Norwegian supplies of molybdenum are cut off by combined military operations -- and the remaining Spanish tungsten supplies are eliminated through political and economic action -- it is estimated that Germany's war production would be materially affected within six months.

"I know that you will agree that this picture should not be permitted to result in any slackening of the country's all-out effort through over-optimism, but rather should be the stimulus for renewed and greater efforts to shorten the conflict.

"LEO T. CROWLEY
"Administrator"

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PSF; Foreign Economic Admin. folder
2-44

*file
confidential*

THE WHITE HOUSE
WASHINGTON

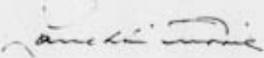
June 10, 1944.

MEMORANDUM FOR THE PRESIDENT:

Knowing of your interest in Swedish ball bearing negotiations, Mr. Crowley asked me if I would inform you that the FEA representative, Stanton Griffis, has succeeded in making an agreement with SKF whereby the latter undertakes to reduce their shipments of bearings to Axis Europe to 30% of the 1944 ceilings, which in turn were set at 50% of 1943 shipments. A further valuable concession is that even within the small remaining shipments, SKF agrees not to permit the Germans to switch existing orders so as to enable them to concentrate on especially critical types.

We are undertaking to purchase the bearings that would otherwise have gone to Germany. We have retained full freedom of action, however, to reopen the question at any time and press for further concessions as our military position improves.

This is a substantial accomplishment which Griffis attributes in part to our press campaign and investigations here. When the details are concluded FEA expects to make an announcement.



Lauchlin Currie

File Personal

PSF F.E.A. folder 2-44

THE WHITE HOUSE
THE WHITE HOUSE
WASHINGTON
WASHINGTON

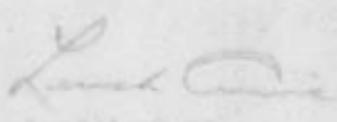
June 13, 1944.

MEMORANDUM FOR

GENERAL WATSON:

The President would like to see Leo Crowley and Colonel William O'Dwyer on Thursday morning.

G.G.T.



George G. Thompson

RECEIVED BY MISS TULLY
JUNE 12 1944

JUNE 12 1944
WASHINGTON
THE WHITE HOUSE

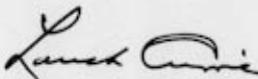
THE WHITE HOUSE
WASHINGTON

June 12, 1944.

MEMORANDUM FOR MISS TULLY:

Re: Colonel O'Dwyer.

With my approval Colonel O'Dwyer has seen Bishop Spellman and Bishop O'Hara, head of the Army chaplains. They were delighted both that O'Dwyer is going to Italy and that he immediately consulted them, as they have various complaints about the way things are going in Italy. He will next see Bishop Malloy of Brooklyn. He tells me that Bishop Spellman has an appointment with the President on Wednesday, so I hope that the President will be able to work in Mr. Crowley and Colonel O'Dwyer as soon after that appointment as possible. O'Dwyer's attitude is grand and I think he will do a bang-up job for us.


Lauchlin Currie

— PSF: 7 E.A. folder 2-04

THE WHITE HOUSE
WASHINGTON

June 17, 1944.

MEMORANDUM FOR
THE SECRETARY OF STATE
FOR PREPARATION OF REPLY
FOR MY SIGNATURE.

F. D. R.

DEPARTMENT OF STATE
RECORDS SECTION
WASHINGTON, D.C.

2000 13 1944
WASHINGTON
THE WHITE HOUSE

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

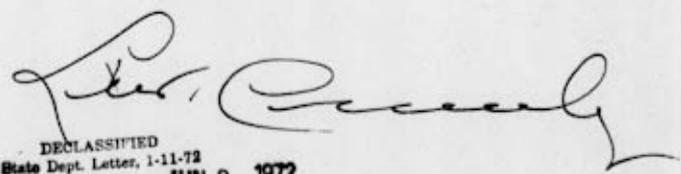
~~SECRET~~

JUN 16 1944

MEMORANDUM FOR THE PRESIDENT

Subject: Finland and the Nazi Ferro-Alloy Position

1. Thank you for your memorandum of May 30th, commenting upon my memorandum to you, dated May 19th, 1944.
2. I was pleased to see that the State Department had blacklisted a group of Finnish firms, and share your hope that this may have some effect.
3. Consideration might be given to stronger political and economic pressure on Finland to get it to stop all shipments of ferro-alloys and other vital war supplies to Nazi Germany.
4. In addition to this, you may wish to consider having our Embassy in Moscow discuss with the Soviet Government the relative importance of Finnish ferro-alloys to the German war effort, and the possible desirability of including, in that Government's military plans, action specifically aimed at cutting off shipments of these metals to Germany.



PSF: F.E.A. folder 2-44

File
personal

July 6, 1944

Dear Mr. Crowley:

The President asks me to thank you ever so much for your report of June thirtieth in re the program adopted by the provisional government in Algiers.

With kindest regards,

Very sincerely yours,

GRACE G. TULLY
Private Secretary

Honorable Leo T. Crowley,
Administrator,
Foreign Economic Administration,
Washington 25, D. C.

ggt/tmb

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

*Grace -
To thank him
for the information*

JUN 30 1944

The President
The White House

Dear Mr. President:

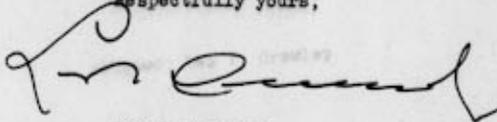
One of my men has heard from two different unofficial sources the following report. One source was Dr. Simon Millner, now a United States citizen and Consultant to FEA, formerly the European manager of the food, yeast, and chemical business of Distillers Company, Limited. The other source for part of the report was Maurice Pregel, the "radium king" who, I understand, has contributed substantially to the de Gaullist movement, but who has taken out his first United States citizenship papers. You may have received this rumor from other sources, but I send it on just in case you haven't. So far as we have learned the State Department has not received it, except as my man told them about it.

The story: The provisional government in Algiers has unanimously adopted a program for France which includes these points:

1. Nationalization and socialization of industries, banks, and mines,
2. Industrialization to be sponsored even at the cost of agriculture,
3. Complete government control of exports and imports,
4. A limit of 5,000 francs (about \$100) per month to be spent by any French citizen,
5. No tourism because tourists spending money would emphasize to French citizens their own poverty.

Again, I pass this on only for what it may be worth. Both the men are apparently close with the New York group of eminent European refugees.

Respectfully yours,



Leo T. Crowley
Administrator

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
NOE 740.00112 EW 1939/10889

July 6, 1944

MEMORANDUM FOR THE PRESIDENT

Reference is made to your memorandum of June 17, 1944 transmitting a secret memorandum from Mr. Crowley on the subject of Finland and the Nazi ferro-alloy position. Mr. Stettinius has in the meantime received a letter from Mr. Crowley in the same sense as his memorandum to you and I am enclosing for your information a copy of the reply made to Mr. Crowley.

Enclosures:

1. Memorandum from Mr. Crowley, June 16, 1944.
2. Letter to Mr. Crowley, June 28, 1944.



PSF: 75.2. folder 2-VV

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COPY

June 28, 1944

My dear Mr. Crowley:

I am in receipt of your letter of June 20, 1944 containing the suggestion that our Ambassador at Moscow bring to the attention of the Soviet authorities the importance of taking every step to put a stop to the shipments of nickel from the Petsamo mine to Germany.

The Department has for a long time been highly conscious of the importance of this question and has reason to believe that both our Ambassador in Moscow and the Soviet authorities already realize the desirability of eliminating the supplies of ferro-alloys to the Germans. The Soviet armies have for more than two weeks been engaged in offensive operations on Finnish fronts. The Department is not of the opinion that this is the appropriate moment to make special representations to the Soviet authorities regarding a matter which may involve a military strategical plan which has already been initiated.

Sincerely yours,

(Signed) Edward R. Stettinius, Jr.
Under Secretary

The Honorable
Leo T. Crowley,
Administrator,
Foreign Economic Administration,
Washington 25, D.C.

6052

Department of State

BUREAU
DIVISION

NOE

ENCLOSURE

TO

Letter drafted **6-28-44**

ADDRESSED TO

PRESIDENT

~~SECRET~~

JUN 16 1944

MEMORANDUM FOR THE PRESIDENT

Subject: Finland and the Nazi Ferro-Alloy Position

1. Thank you for your memorandum of May 30th, commenting upon my memorandum to you, dated May 19th, 1944.
2. I was pleased to see that the State Department had blacklisted a group of Finnish firms, and share your hope that this may have some effect.
3. Consideration might be given to stronger political and economic pressure on Finland to get it to stop all shipments of ferro-alloys and other vital war supplies to Nazi Germany.
4. In addition to this, you may wish to consider having our Embassy in Moscow discuss with the Soviet Government the relative importance of Finnish ferro-alloys to the German war effort, and the possible desirability of including, in that Government's military plans, action specifically aimed at cutting off shipments of these metals to Germany.

(Signed) Lee T. Crowley

PSF: F.S.A. *for*
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2-44
Ph...

THE WHITE HOUSE
WASHINGTON

July 12, 1944

MEMORANDUM FOR THE PRESIDENT:

Leo Crowley called me to say he thinks he can help you a little bit if he can see you for about five minutes. As you know, he saw Mr. Willkie last weekend in New York.

|| Also, you wanted to talk to Leo Crowley about Tommy Corcoran and his trip. Should I have him come in this afternoon or tomorrow?

GGT

Carbon initialed "L.T.C. OK F.D.R." and returned to
Mr. Crowley, 7/18/44.

PSF: 2. G. A. for den 2-47

Box 135

FOREIGN ECONOMIC ADMINISTRATION

OFFICE OF THE ADMINISTRATOR

WASHINGTON 25, D. C.

~~SECRET~~
JUL 14 1944

MEMORANDUM for the President

Subject: Production of P-51-D Fighter Aircraft in Australia

In June, 1943, the Joint Aircraft Committee approved an Australian War Cabinet authorization to manufacture in Australia from materials to be jointly furnished by U.S.A. and Australia, 690 P-51-D fighter aircraft, plus spares, construction to be pursuant to American plans and specifications.

By reason of the limitation of Australian productive facilities, the first delivery of finished aircraft will not be made prior to February, 1945, thereafter deliveries will be at an average rate of less than one plane per day. Consequently, it is unlikely that the program will be completed before January, 1947.

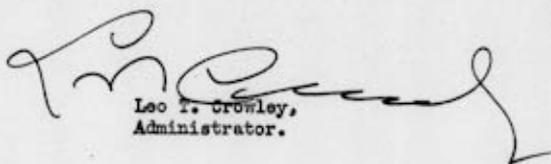
Since we believe that the foregoing program will not sufficiently contribute to the war effort, we are submitting for consideration of the Joint Aircraft Committee a proposed modification which will permit the furnishing of either a proportion as finished aircraft or of a larger percentage of finished parts and assemblies so that the rate of production of finished aircraft in Australia will be speeded up.

The proposed modification has been discussed with the appropriate U. S. Army authorities in Australia and Washington. It has their approval in principle and is now under further study in the War Department.

DECLASSIFIED
State Dept. Letter, 1-11-73
By R. H. Parks Date JUN 2 1972

The cost to the U.S.A. of the present approved program is approximately \$27 million. If the program is modified as suggested, the cost will be greater because the contribution from Australian resources will be less, but a larger contribution on our part will be justified because it will be much more effective in the war effort.

This matter is called to your attention because it is possible that the Australian Government may object to a modification of the program which will tend to confine their activities to assembly rather than manufacturing operations.


Leo T. Crowley,
Administrator.

T-336

PSF: J.E.A. folder 2-44

THE WHITE HOUSE

WASHINGTON

PRIVATE & CONFIDENTIAL & PERSONAL

August 21, 1944.

MEMORANDUM FOR

HON. LEO CROWLEY:

Please let me have your
slant on this?

F.D.R.

Memorandum for Mr. Leo T. Crowley, 8-18-44
from Lauchlin Currie re proposed agreement
supplementary to Russian master lend-lease
agreement.

PSF; J. E. A. folder 2-44

September 9, 1944

Mr. Lee T. Crowley, Administrator,
Foreign Economic Administration,
Washington, D.C.

My dear Mr. Crowleys:

There has been a good deal of discussion within the several Government Departments relative to our Lend Lease policy after the collapse of Germany.

It is my wish that no Department of the Government take unilateral action in regard to any matters that concern Lend Lease, because the implications of any such action are bound to affect other Departments of the Government and, indeed, our whole national policy. I am particularly anxious that any instructions which may have been issued, or are about to be issued regarding Lend Lease material or supplies to our allies after the collapse of Germany, be immediately cancelled and withdrawn.

I intend to give instructions to all Departments relative to the Lend Lease policy of this government at an early date.

Will you be sure, therefore, that your several bureaus and divisions are advised of my position at once?

I am sending identical letters to the Chief of Staff, The Chief of Naval Operations, the Secretary of State, the Secretary of the Treasury and the Administrator of the War Shipping Administration.

Sincerely yours,

FRANKLIN D. ROOSEVELT

(copy filed - Lend-lease folder, dr. 3-44)

PSF; F E A folder 2-44

FOREIGN ECONOMIC ADMINISTRATION
WASHINGTON

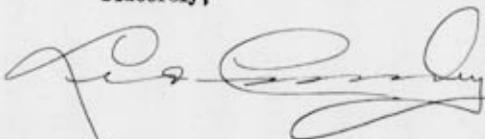
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personal

September 28, 1944.

Dear Miss Tully:

This is just to let you know -
so you may advise the President - that I am
going out to Wisconsin and Minnesota for a few
days and I will be spending my time on something
other than Foreign Economic affairs.

Sincerely,



Miss Grace Tully,
Secretary to the President,
The White House,
Washington, D. C.

T-397

PSF: *F. D. R.*
2-44

THE WHITE HOUSE
WASHINGTON

October 11, 1944

MEMORANDUM FOR

HON. HARRY L. HOPKINS:

Will you speak to me about
this?

F.D.R.

2 ltrs. to Miss Tully from Oscar Cox, dated 9-27-44 and 10-6-44, with attached copy of memo for the President, 9-29-44 from Mr. Leo T. Crowley, F.E.A. re sending Commander John S. Young as Deputy to the Vice President ("General O'Dwyer) of the Allied Control Commission at Rome. To properly perform his duties with the Allied Commission, it is desired that his rank be that of Captain. Also attached is draft of memo to the Secretary of the Navy, for the President's signature.