

approved by the Assistant Secretary of War, dated April 20th, reporting a conversation between these two representatives of our Government and Mr. Sol Rosenblatt on the subject of the proposed company to manufacture Amiot planes in the United States. In that memorandum our Government representatives expressed the opinion that they "did not believe that it would be opportune for the proposed company to incorporate and begin operations at this time."

The purport of the memorandum was that the project as described by Rosenblatt differed materially from the project described previously; and it was intimated that at a later date, the Department of State and the War Department might look upon it with approval.

In view of Guy La Chambre's remarks to me, I wonder if it might not be possible for you to have either the War Department or the Department of State take up the matter again with the aforementioned Rosenblatt.

Yours affectionately,

Will. C. Bullitt

Enclosure:
Report.

**WAR DEPARTMENT,
OFFICE OF THE ASSISTANT SECRETARY.**

Report retained by the
Assistant Secretary of War

Assistant Secretary of War
Robert Latham Hays

OFFICE OF THE ASSISTANT SECRETARY
WAR DEPARTMENT

THE WHITE HOUSE
WASHINGTON

May 23, 1939.

MEMORANDUM FOR THE PRESIDENT:

Attached is a letter prepared by The Assistant Secretary of War for the President's signature to Ambassador Bullitt.

E.M.W.

E.M.W.

Send by pouch

PSF: France: Bullitt

THE WHITE HOUSE
WASHINGTON

*file
personal*

May 24, 1939.

MEMORANDUM FOR
AMBASSADOR BULLITT

TO READ AND RETURN

F. D. R.

*Thanks.
S.P.B.*

The essence of Mr. McDaniel's two memoranda is that the United States act promptly to extend trade and credit opportunities to Portugal and Spain.

PORTUGAL

1. The Export-Import Bank has recently taken a commitment to finance up to five million dollars for railway equipment for Portugal. These credits may have been the consideration which led to the Portuguese decision that American offers were more favorable than the German and Italian, despite substantial price disadvantages.

2. In the trade field, Portugal has expressed interest in a trade agreement with the United States for some time. A TA memorandum summarizes the present state of discussions between the two Governments as follows:

"On December 20, 1938, an informal memorandum was handed to the Portuguese Minister stating that it was thought that a basis for negotiations existed and that the United States expected an agreement to include most-favored-nation treatment (including most-favored-foreign-nation treatment in the Portuguese colonies, as well as most-favored-nation treatment for shipping) and reductions and bindings in existing Portuguese customs treatment of United States products. Included in the memorandum was a tentative Schedule II list. The Minister stated that he did not foresee any difficulties on any of the points in the memorandum

and requested a list of products on which the United States might be interested in obtaining concessions, as well as a tentative draft of general provisions. He said he was sending the memorandum to his Government.

"On February 17, 1939, a memorandum was handed to the Portuguese Minister, containing a list of products of which the United States has been a principal source of Portuguese imports. At that time the Minister stated that the Portuguese Government did not have the power to reduce customs duties except through reclassifications, and in general could only reduce the customs surtax of 20 percent on these duties. The Minister was told that this raised a serious problem which would require careful consideration. In reply, he said he would ask his Government to examine this question and would inform the Department of State of its comments on our memoranda of December 20, 1938 and February 17, 1939.

"A tentative draft of general provisions has been prepared for presentation to the Portuguese Minister, but has not yet been approved."

The possible scope of an agreement depends in part on whether Portugal is prepared to reduce its basic duties. Subject, of course, to public hearings, there seem to be only three items of any importance on which reductions by the United States appear to be definitely feasible, namely, (1) sardines in oil, (2) embroidered linen articles, and (3) fortified wines. Imports of these three items amounted to \$1,772,000 in 1936 and \$1,411,000 in 1937 or 24 percent and 15 percent, respectively, of our total imports from Portugal. It follows that an agreement with Portugal would not rank among

our major agreements; neither would it be of outstanding importance to Portugal, which finds in the United States a market for between 6 percent and 8 percent of its total exports, as compared to 20-25 percent with the United Kingdom, and 10-13 percent with Germany, and about 10 percent with France.

SPAIN

In connection with the suggestion of American loans to Spain for cotton and tobacco, note may be taken of the fact that there is actively before the Export-Import Bank the question of possible credits for the export of American cotton. Numerous questions have arisen and no final decision has yet been reached.

With reference to Mr. McDaniel's memorandum one or two comments seem indicated.

1. It is difficult to see the alleged relation between an American loan to enable Spain to buy American tobacco and cotton and the development and sale to the United States of Spanish potash. Apparently it is not contemplated that the loan would be used to develop these resources. In addition, fertilizers and various potash salts, etc., are on the free list (certain other potash products are dutiable). There are, therefore, no obstacles in the way of selling potash

to the United States, providing other buyers (including German) do not out-bid American purchasers.

Domestic production of potash (K_2O) in this country has greatly increased as shown below:

	(short tons)
1920	41,444
1925	25,802
1930	56,610
1935	224,721
1936	222,810
1937	266,938

Imports of potash fertilizers averaged 788,000 long tons per year, 1926-1930, and were 423,000 long tons in 1936 and 703,000 in 1937. It appears, therefore, that despite the increase in domestic production a substantial market for foreign potash still exists in this country.

2. A loan to Spain for American tobacco and cotton does not in itself improve the market for Spanish products in the United States and does not free Spain from the necessity of finding markets in which it can get free exchange if it is to repay the loan and continue buying from this country. Except as Spain finds such markets, or continues to pile up indebtedness for imports, it does not escape from the pressure of those countries which do

offer a market for Spanish goods, even though on a blocked-currency, compensation basis. It may be doubted, in view of the pre-Civil War experience, whether Spain will be able to get free exchange from its normally positive balance with Great Britain until all British creditors and holders of frozen balances have been paid off.

Long-term credits might tide Spain over until a time when trade may become less subject to bilateralistic requirements, but the ability of short-term credits to accomplish much in this direction would appear doubtful.

*file
confidential*

PSF: France
Bullitt

Paris, June 1, 1939.

PERSONAL AND ~~SECRET~~

Dear Mr. President:

You had better keep this one for your own eye and ear and for yours alone.

Daladier told me in great confidence a few days ago that a French inventor had brought to him a bag of pellets about half the size of confetti with the statement that the stuff, strewn on crops or forests, would set a fire which could not be put out. The inventor claimed, moreover, that he had the stuff in three forms: one to start an immediate fire; another to start a fire after a week; and a third to start a fire in two weeks. The French Army tried out the invention under most secret conditions and found out that his claims were true!

Daladier naturally is, to put it mildly, somewhat
reluctant

The Honorable

Franklin D. Roosevelt,

President of the United States of America,

The White House,

Washington, D. C.

reluctant to consider using the stuff. I thought you would be interested, however, to know it exists. The Germans must have inventions that are equally diabolical, and contemplation of the possibilities gives one some idea of what the next war will be like.

Daladier also said that another French inventor had developed a very fine dust to be sprayed in the air from airplanes which would stop instantly any airplane motor that attempted to fly through the area containing it.

Monnet let me know that you had talked with him about the matter of attempting to talk to the German people in order to separate them, if possible, from their leaders. I asked Daladier if he had been thinking of doing anything on this line. He said that he had and that he was contemplating setting up a private radio station in Alsace to broadcast in German for this purpose.

You will remember that during the last war, it was my job to prepare the memoranda for the propaganda designed to destroy the confidence of the German people in their government. I forget if I ever told you the method I used which proved to be most effective. I used to have telegraphed to me every day - by Hugh Wilson

and

and Allen Dulles in Bern, by John Wiley and Aleck Kirk in The Hague, and by Lithgow Osborne in Copenhagen - every criticism of the Kaiser's regime that appeared in Germany. At that time, there were about a dozen German and Austrian Socialist and Radical papers that were permitted to criticize by the relatively liberal regime that existed in Germany and Austria-Hungary. The result was that the Left in Germany heard its own words coming back from President Wilson's mouth or other sources within a week.

Unfortunately, there is no longer any free press in Germany or Italy; but much information is smuggled out. Furthermore, Hitler's answer to a repetition of this maneuver by the United States would be too easy. He can kill anything that you or any American may say by merely repeating to the German people, "Here is the old Wilson tactic again." That is enough to nullify the effect of anything from American sources. I feel, therefore, that both the British and the French are in a much better position to pursue such tactics than we are.

When I went to London for Joe Kennedy's dinner for the King and Queen, I saw Van Sittart who is in charge of British propaganda and put him in touch with the one German who can handle such propaganda

most

most effectively. I hope that may produce some action from the British end, and I will do what I can to see that the French get on the job.

Much as I dislike to refrain from trying my own hand at the job once more, I feel that it would be folly for us to try to repeat.

I am enclosing herewith a letter which I received a few minutes ago from Ambassador Bowers. When I telephoned to Bowers your offer of the post in Chile, he did not emit one note of pleasure. I don't see why you had to offer anything to a man who, whatever his service may have been in the 1932 campaign, disgraced himself and his country by running away in fear from the seat of a government which he pretended to admire.

While we are on Embassies, I think I ought to tell you that Joe Kennedy phones several times a week to say that he is about to resign. I don't believe for one minute that he will. If he does, for Gawd's sake, don't appoint Mrs. Davies Ambassador to the Court of St. James's. That would break the bull's neck!

I had several pleasant talks with Weddell while he was in Paris. Incidentally, he said that Tuck was doing a splendid job in Buenos Aires and that he liked and admired both Tuck and his wife very much. I don't know where you got your information on them but it sounds cockeyed to me.

Brother

- 5 -

Brother Hitler and the Gauleiter of Italy seem not to be contemplating starting a war in June so that I am hopeful that I may see you on the 12th. I shall leave again for Paris on the 21st.

Love and good luck.

Bill

Enclosure.

San Jean de Luz, May 25, 1935

Dear Ambassador:-

I have decided to accept the Embassy in Santiago since I am convinced that under existing international conditions there is work to do in South America. Because each summer during my first three years in Spain there was a possibility of trouble, I did not take but a months leave during those three years, and of course I was unable to leave my post during the war for more than two days, two or three times. Those days were passed in Paris and in every case but one I went officially to receive a personal communication from the Spanish Minister of Foreign Affairs. Thus in six years I have had but one month home leave, and I really must have two months ~~in~~ this summer.

There are some matters I must attend to in Paris and I plan to leave here about Wednesday next for Paris and to sail on the Manhattan, I think it is the Manhattan, not the Washington, on the 15th. In the States there are numerous personal and business matters to attend to and I hope to get a short time away from New York, and to sail for Chili about the middle of August. I hope this will be satisfactory to the President. I assume that my salary does not begin until I take the oath in Washington after my return.

Will you please put all this to the President when you talk to him and let me know how he feels about it. An interval between appointment and my arrival in Chili will be of slight consequence.

In Paris I want to be as unobtrusive and quiet as possible and

this will be especially true of my wife and daughter who have some shopping to do .As soon as I get settled there I shall get in touch with you. I think we shall go on the day train Wednesday or Thursday.

I am afraid we shall have some difficulties in Spain .I have reported for more than a year that the Telephone Company 's interests would be best served through a republican victory,and Colonel Behn wasx prone to scoff at the idea. Well,he is still out,and from many quarters across the border I hear that the intense "nationalist" tone of the new regime does not bode well for the continuance of what they call the "foreign monopoly". Much depends,I think,on whether the Falangist element dominates ;and if its domination is challenged there is almost certain to be an acceptance of the challenge.

Several people who witnessed the parade in Madrid tell me that the Italian army which lead the procession took almost an hour and a half in passing .If it took that long for that few men ^{10,000} to pass, the sprinting capacity of the legions of Caesar has diminished since Guadajara. And 5000 Germans in line! All this is gall and wormwood to the proud Spaniard ,though the Germans did get a very enthusiastic reception.

My daughter just returned from Madrid .The old aristocracy is back or was back for the occasion and she had a hectic time with old friends and heard sour expressions about the Falangists--for these were mostly monarchists. Ho-hum,we shall see what we shall see.

Sincerely,

Claude G. Bowers

Hon. William C. Bullitt.
American Embassy,
Paris.

PSF: France
Bullitt

DEPARTMENT OF STATE
DIVISION OF EUROPEAN AFFAIRS

June 2, 1939.

U
Mr. Welles:

I spoke to the Secretary about this, who suggested (a) that I get Mr. Burke's opinion as to Mr. Bullitt's request, and (b) that as Mr. Bullitt spoke directly to the President of his desire to return home, you clear Bill Bullitt's request with the President.

PM
Pierrepont Moffat

(see Mr. Burke's memo)
Eu:PM:CMS attach PM

PSF: France
Bullitt

DEPARTMENT OF STATE
DIVISION OF
INTERNATIONAL COMMUNICATIONS

June 2, 1939

U

Mr. Welles:

I, too, had the matter in question placed before me this morning by Mr. Trippe. Incidentally, I refrained from passing an opinion and referred the problem to Mr. Moffat.

In response to Mr. Moffat's desire for my thoughts on the subject, I call attention to the following:

1. That the Pan American Airways is not yet authorized to carry regular passengers. Therefore, a special dispensation would have to be granted Ambassador Bullitt by the Authority, and as compensation could not be accepted by Pan American Airways, the Ambassador would have to be carried as an "observer".

2. That the departure of Ambassador Bullitt from a point in Europe (under the circumstances hereinbefore described) might give vent to wide speculation as to the state of urgency that impelled the United States Government to have the Ambassador ship aboard the Yankee Clipper.

3.

3. That the relationship between Pan American Airways and the American Export Air Lines (its competitor in the transatlantic service) is extremely tense. In my opinion, the American Export Air Lines would misconstrue Ambassador Bullitt's use of Pan American Airways service under such unusual circumstances.

4. That in view of the general circumstances surrounding the recent indication of favoritism for the Pan American Airways by both the French and the Portuguese Air Ministries, I am sure that the American Export Air Lines would object to the suggested procedure as tending to confirm the prejudice which already exists.



Thomas Burke

IN:TB:DKL

DEPARTMENT OF STATE
DIVISION OF EUROPEAN AFFAIRS

June 2, 1939.

S - Mr. Secretary ✓

U - Mr. Welles

Mr. Juan Trippe, President of Pan American Airways, came in to see me this morning. He showed me a letter from Mr. Bullitt telling him that he must be in this country on Monday, June 19th; that he could not sail by steamer, though he could return by steamer on June 21st. He accordingly applied for permission to come by the Clipper as a passenger. Mr. Trippe had replied that, according to the ruling of the C.A.A., he could not take passengers.

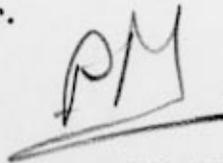
Mr. Bullitt then came back and said that it was most urgent that he come on the date specified and asked if an exception could not be made. Mr. Trippe had discussed the matter with the C.A.A., who said that he could be signed on as an observer if the State Department would write requesting them to do so.

Mr. Trippe said that he was not enamoured with the idea, but nonetheless Mr. Bullitt had done so much for them that they would like to oblige him.

If

If the State Department wishes to ask for this permission, Mr. Trippe hopes that it can be done before tomorrow by telephone to Mr. Harllee Branch (later to be confirmed in writing) as the decision would require a vote of the full Commission, which will probably not meet after tomorrow for some time.

If the request is made Mr. Trippe hopes that no publicity will be given the matter until Mr. Bullitt actually sets off on the Clipper.

A handwritten signature in dark ink, consisting of the letters 'PM' in a stylized, cursive font. The signature is written above a horizontal line that serves as a baseline.

Pierrepont Moffat