

● PSF Great Britain : Joseph Kennedy July 1939-1940

CONTINUED

PS  
Will you prepare  
a note before to  
Joe

J

PS  
Kennedy

London, November 3, 1939

Dear Mr. President,

I thought you would be interested in getting some of the leaflets that were dropped by the British Air Force in Germany; you might like them for a scrap book. Strangely enough, at the minute they are very scarce in England. I guess they took all they had on their flying expeditions. I suppose you have heard the story about one of the airmen who returned a couple of hours after his colleagues on one of these leaflet-dropping parties and the Commander said to him, "Where have you been all this time?" "Well," said the young airman, "things were so quiet over there, I started tucking them under the doors." The purpose of this being to demonstrate their complete disregard of the German anti-aircraft fire.

Make no mistake, there is a very definite under-current in this country for peace and I think that it is going to make itself felt by pressure on the Government to set forth definitely their war aims, because the group who are anxious for peace feel that when those aims are set forth, it will be apparent to the world, and particularly to the English and French, that they are fighting for something they probably never can attain. It is by no means a popular war and although everybody hates Hitler, they still don't want to be finished economically, financially, politically and socially, which they are beginning to suspect will be their fate if the war goes on very long. My own impression is that if the war stays in the state it is now, this under-current will get stronger and stronger here. Of course, it is impossible to set forth in despatches or in cables just what I sense from my close observation of the Treasury's position and my talks with the top-side people, but perhaps I will have a chance to tell you that personally.

The President,  
The White House.

One of the things I have particularly in mind is your slant on the Churchill situation. Remember, Churchill has in America a couple of very close friends who definitely are not on our team. This is a very important aspect of the situation, if by any chance there is a change of Government in this Country.

There have been a great number of things done for important interests in America during the last two months right here in London, and they will be important to know when we consider what the political criticisms are likely to be over the course of 1940.

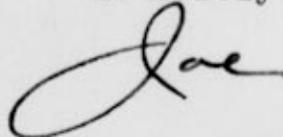
I am enclosing a letter from Lord Beaverbrook and we are sending by the same pouch a couple of pictures that he is sending you. He was terribly impressed by his talks with you and he definitely considers that only one man can save the world, not only in attaining peace, but in planning for the future, and that man is yourself. If he had his way, he would like to turn over the British Empire to you to straighten out. I think I know what your answer would be -- that you have troubles yourself straightening out the one you've got. At any rate, at the minute, you are a combination of the Holy Ghost and Jack Dempsey.

Incidentally, Beaverbrook told me that in his conversations with you, you were most complimentary in discussing me and I am deeply grateful to you for this. One's influence in this Country is primarily dependent on how they think one stands with the President.

There isn't much political news nowadays to be elicited from any of the Cabinet Ministers, because there just isn't any news. Until Germany indicates some new line of action, things will be very dead here.

With my warmest regards to you all, I am,

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Joe".

# Wachtung!

**Deutsche! Vergeßt nicht!**

Deutsches Blut ist im polnischen Krieg in Strömen geflossen.

**Aber:**

1. Aus dem siegreichen Blütkrieg ist nichts geworden. Beweis: — Das englische Kriegskabinett beschloß seine Politik auf einer Kriegsdauer von drei oder mehr Jahren aufzubauen.
2. Die französische Armee überschritt am 6. September die deutsche Grenze, aber erst 4 Tage später gaben es die amtlichen deutschen Stellen zu. Im Westen stehen englische Truppen Schulter an Schulter mit ihren französischen Verbündeten.
3. Vor der englischen und französischen Kriegsflotte ist die deutsche Handelsflagge vom Weltmeer verschwunden. Infolgedessen habt Ihr eine ganze Reihe wesentlicher Kriegsrohstoffe, wie Benzin, Kupfer, Nidel, Baumwolle, Wolle und Fett fast nicht mehr. Auf Einfuhr aus neutralen Ländern könnt Ihr Euch diesmal nicht verlassen, weil Eure Regierung nicht dafür bezahlen kann.
4. Tagtäglich zeigt die englische Luftwaffe ihre Macht durch Flüge weit ins deutsche Land hinein.

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# WARNUNG!

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Weltreiches stehen, sondern auch ein Bündnis mit anderen Großmächten. Es geht um die Rettung der Menschenfreiheit und um das Recht freier Völker, frei zu leben.

Bis zum letzten Augenblick haben der Papst, der Präsident der Vereinigten Staaten, und der König von Belgien im Namen von Belgien, Holland, Luxemburg, Dänemark, Schweden, Norwegen und Finnland, sich vergeblich an eure Nazi-Regierung gewandt, mit dem dringenden Ersuchen, den Verhandlungsweg statt des Krieges zu wählen.

Es bricht über Euch jetzt eine Katastrophe herein, in der das Reich sich von der Gemeinschaft zivilisierter Völker isoliert befindet, ohne jede Unterstützung außer der des kommunistischen Rußland.

Diesen Krieg könnt Ihr nicht gewinnen.

Euch gegenüber stehen viel größere Mittel und Hilfsquellen als Eure eigenen.

Seit Jahren ist Euch durch die schärfste Zensur und durch ein unglaubliches System von Spitzeln und Angebern die Wahrheit vorenthalten worden. Ihr durftet Euch nicht einmal über die in Eurem Namen vollbrachten Grausamkeiten aussprechen.

Euch gegenüber steht die vereinte Kraft freier Völker, die mit offenen Augen bis zum Letzten für die Freiheit kämpfen.

Uns ist der Krieg ebenso widerlich wie Euch, aber vergeßt nicht, daß England, einmal zum Krieg gezwungen, ihn unweigerlich auch zu Ende führt. Englands Nerven sind zäh, seine Hilfsquellen unerschöpflich.

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## England an das deutsche Volk

Die Nazi-Regierung hat, trotz der Bemühungen der führenden Großmächte, die Welt in einen Krieg gestürzt.

Dieser Krieg ist ein Verbrechen. Das deutsche Volk muß zwischen dem Vorwand, den seine Regierung benutzt, um den Krieg vom Zaun zu brechen und den Grundsätzen, die England und Frankreich zur Verteidigung Polens zwingen, ganz klar unterscheiden.

Von Anfang an hat die englische Regierung erklärt, daß an der polnischen Frage nichts ist, was einen europäischen Krieg mit allen seinen tragischen Folgen rechtfertigen kann.

Fünf Monate nach dem Münchener Vertrag wurde die Selbstständigkeit der Tschechoslowakei brutal zertreten. Wenn Polen nicht auch von dem gleichen Schicksal erreicht werden soll, dann müssen wir darauf bestehen, daß friedliche Verhandlungsmethoden nicht durch Gewaltandrohungen unmöglich gemacht werden, daß die zu treffende Abmachung die Lebensrechte Polens gewährleistet und auch ehrlich gehalten wird. Ein Diktat konnten wir weder zulassen noch annehmen.

Wenn Herr Hitler glaubte, die englische Regierung werde aus Angst vor dem Kriege die Polen im Stich lassen, so hat er sich schwer getäuscht. Erstens bricht England sein einmal gegebenes Wort nicht. Außerdem ist es aber Zeit, der brutalen Gewalt, die die Nazi-Regierung der Welt aufzwingen will, ein deutliches Halt zu bieten.

Mit diesem Krieg stellt sich der Reichkanzler gegen den unbeugsamen Willen der englischen Regierung, einen Willen, hinter dem nicht nur die gesamten Hilfsquellen und Mittel des englischen

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Weitergeben

file  
personal

P.S.F. Kennedy

294 PONDFIELD ROAD  
BRONXVILLE, NEW YORK

Dear Mr. President:

I want to thank you for  
the message which I received on Tricky  
about Joe. We are hoping and praying  
that we shall see him for Christmas.  
He is perfectly fine, but he gets restless

when he has not a lot to do. I also  
believe the doctor stopped him eating  
ice cream — a worse aggravation.

My love to Mrs. Roosevelt, and  
again many thanks, dear Mr. President.

Very sincerely,

Joseph Kennedy

November 4-1939

TELEGRAM

The White House  
Washington

28wumc 100 Cable USG 810p

London, Nov.12,1939 110AM

The Honorable  
The President of the United States  
Washington Dc

I have sent the following telegram to Will Hays:

"Have just seen Mr.Smith Goes to Washington. I consider this one of the most disgraceful things I have ever seen done to our country. To permit this film to be shown in foreign countries and to give people the impression that anything like this could happen in the United States Senate is to me nothing short of criminal. I am sending a copy of this wire to the President of the United States."

Joseph P.Kennedy.

PSF: Kennedy

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*file  
personal*

London, November 17, 1939

Dear Mr. President,

As you probably have judged, from the cable I sent you regarding the motion picture "Mr. Smith Goes To Washington", I have been considerably incensed about it. For your information, I am enclosing a copy of a letter I have sent today to Cohn and Capra in answer to their telegram, copy of which is also enclosed.

This whole subject, I think, is terribly important, and I hope to have a chance to talk to you about it when I come home.

Faithfully yours,  
*Joe Kennedy*

The President,  
The White House.

London, November 17, 1939

Dear Mr. Cohn,

Replying to the cablegram which I received from you and Mr. Capra regarding "Mr. Smith", I am afraid that we are looking at this picture through different eyes. I haven't the slightest doubt that the picture will be successful in America and I have no doubt that, financially, it will be successful here and will give great pleasure to people who see it. It is my belief, however, that, besides giving entertainment, it will give an idea of our political life that will do us harm. I have felt it to be my business since I have been Ambassador here to try to correct completely erroneous impressions that the English people have regarding customs and manners in the United States.

I do not question that in "Mr. Smith" you have made a sincere attempt to attack crooked politics, but I am also convinced that the picture will definitely discredit American Government and American civilization in the eyes of the English public. In the United States we are accustomed to violent attacks on public servants and muck-raking exposures of officials, but in England this is not nearly so much the case.

In your picture a Governor, Senators, the Press and Radio are all taking orders from crooks. I disagree that "the picture develops theme of true Americanism showing how under our democratic procedures least experienced of people's representatives could arise in highest legislative halls, expose political chicanery and through existing Senate rules with sympathetic aid of presiding Senatorial officer make justice triumph over one crooked Senator." The mere fact that "Mr.

Harry Cohn, Esquire,  
Columbia Pictures,  
Hollywood, California.

Smith

Smith" talks for twenty-four hours isn't the thing that finally persuades the Senate that they should back him up. It is the moral conscience of an old associate of his father that finally breaks the fillibuster. It is not the strength of our Government that makes this break. It is one man's conscience.

In foreign countries this film must inevitably strengthen the mistaken impression that the United States is full of graft, corruption and lawlessness and contains very little in politics that is creditable. For instance, today I am disgusted, in reading all the English newspapers, to see that Al Capone's release from the penitentiary receives front page notice, while only one paper gives an obituary notice concerning a man who has given many years of his life to service in the Supreme Court of our Land - Mr. Justice Butler. I have been in England long enough to get the feel of the people here and it is amazing, the impression they have about our Country being run by gangsters and crooked politicians.

The technical excellence of the film increases the danger of making our Government seem to be run entirely by dishonest interests. I have a high regard for Mr. Capra and for his sincerity and creative genius. I know of no man in Hollywood whose work has given me greater pleasure or who I think has made a greater contribution to the production of motion pictures, but his fine work makes the indictment of our Government all the more damning to foreign audiences. He makes it appear a vivid, living truth and, to an uninformed public, it becomes a sweeping condemnation of a general condition. I feel that to show this film in foreign countries will do inestimable harm to American prestige all over the world.

I regret exceedingly that I find it necessary to say these things. As one who has been in the business and who has been vitally interested in its success, I am the last one to offer gratuitous criticism, but I do feel that the producers of California must assume their responsibilities much more earnestly than they have to date, in order that the prestige of our country will not suffer. I know they never intend this shall be the case. The fact remains, however, that pictures from the United States

are

are the greatest influence on foreign public opinion of American mode of life. The times are precarious, the future is dark at best. We must be more careful.

Sincerely yours,

JOSEPH P. KENNEDY

Copy for

The President,  
The White House

COPY OF TELEGRAM

Hollywood, California

November 13, 1939.

Joseph P. Kennedy,  
United States Ambassador,  
London

Because we value your good opinion and judgment greatly we are deeply concerned with expressions conveyed in your cable to Hays. Newspaper opinion throughout country editorially as well as in reviews have boldly and enthusiastically stated "Mr. Smith" has great patriotic lift. We do not believe this picture could have been given such vast acclaim as it has received if content or theme were either unpatriotic or constituted attack on our form of Government. We believe and countless newspaper comments agree that picture develops theme of true Americanism showing how under our democratic procedures least experienced of peoples representatives could arise in highest legislative halls, expose political chicanery and through existing Senate rules with sympathetic aid of presiding Senatorial officer make justice triumph over one crooked Senator. Following are actual quotations: NEW YORK TIMES: "Stirring and inspiring testimony of liberty and freedom to simplicity and honesty and to innate  
dignity

dignity of the average man". HERALD TRIBUNE: "Memorable American testament as well as moving and absorbing screen drama". Hearst papers which are constantly campaigning on theme of Americanism found Mr. Smith great and grand and American and vigorous and advised readers to see it. WASHINGTON POST found theme outward symbol of rugged patriotism, lofty ideals and heroic sacrifice. BOSTON TRANSCRIPT: "Film honors Democracy". ATLANTA CONSTITUTION: "Stirring preachment of patriotism. CLEVELAND NEWS declares: "Film stifles cynicism as it goes about demonstrating that no matter how evil may creep into high Governmental places, the forces for good in our Democratic way will win out. CINCINNATI INQUIRER: "Upholds workable principles of our representative Democracy." International Federation of Catholic Alumnae states in its review that this is great screen achievement which only a Democracy could present.

Mailing newspapers containing editorials and reviews.

HARRY COHN, FRANK CAPRA.

THE WHITE HOUSE  
WASHINGTON

PSF: Kennedy  
/

~~CONFIDENTIAL~~

December 11, 1939.

*file* →

MEMORANDUM FOR

THE PRESIDENT

The attached sheets contain compilations in tabular form of the graphic data presented in the books the President gave me on Friday.

The original books will be returned as soon as I have obtained them from O.N.I.

Respectfully,

*D. J. Callaghan*  
D. J. CALLAGHAN

Franklin D. Roosevelt Library  
DECLASSIFIED  
DOD DIR. 5200.9 (9/27/58)

Date- 8-13-69

Signature- *RMP*

M E R C H A N T   M A R I N E   L O S S E S

BRITISH--ALLIED--NEUTRAL

COMPILED FROM OFFICIAL BRITISH GRAPHS

AS REPORTED UP TO 28th NOVEMBER

PREPARED BY THE OFFICE OF NAVAL INTELLIGENCE

*a*

TOTAL NON-ENEMY SHIPPING SUNK  
(Gross Tonnage)

For Week ending :	By Submarine :	By Mine :	By Surf.Craft:	Total
6 Sep	32,500	500	--,---	33,000
13 Sep	63,500	9,500	--,---	73,000
20 Sep	49,000	8,000	--,---	57,000
27 Sep	17,500	--,---	--,---	17,500
4 Oct	17,500	500	5,000	23,000
11 Oct	2,000	6,500	5,000	13,500
18 Oct	82,500	500	2,000	85,000
25 Oct	14,000	16,500	--,---	30,500
1 Nov	27,500	5,000	--,---	32,500
8 Nov	--,---	13,000	--,---	13,000
15 Nov	11,500	11,000	1,500	24,000
22 Nov	19,000	51,000	1,000	71,000
To: 28 Nov	7,500	16,500	--,---	24,000
<b>TOTALS:</b>	<b>344,000</b>	<b>138,500</b>	<b>14,500</b>	<b>497,000</b>

GAINS AND LOSSES OF BRITISH MERCHANT VESSELS

(500 tons Gross and over)  
(Gross Tonnage)

For Week ending	GAINS		LOSSES		NET	
	Transfer from foreign flags, new ships, & captures	Miscellaneous Sunk and seized by Enemy.	NET GAINS	NET LOSSES		
6 Sep	27,500	84,000	--,---	56,500		
13 Sep	10,000	59,000	--,---	49,000		
20 Sep	12,000	15,000	--,---	3,000		
27 Sep	12,500	5,000	7,500	--,---		
4 Oct	39,000	6,000	33,000	--,---		
11 Oct	14,000	19,000	--,---	5,000		
18 Oct	35,000	30,000	5,000	--,---		
25 Oct	34,000	19,500	14,500	--,---		
1 Nov	28,000	11,000	17,000	--,---		
8 Nov	20,000	4,000	16,000	--,---		
15 Nov	7,500	37,500	--,---	30,000		
22 Nov	29,000	20,000	9,000	--,---		
<b>TOTALS:</b>	<b>268,500</b>	<b>310,000</b>	<b>102,000</b>	<b>143,500</b>		

TOTAL NET LOSS: 41,500 Gross Tons.

## BRITISH MERCHANT SHIPPING SUNK

For Week ending	By Submarine		By Mine		By Surface Craft		Total by Week	
	No.	Gross Tonn.	No.	Gross Tonn.	No.	Gross Tonn.	No.	Gross Tonn.
6 Sep	5	32,790	0	---	0	---	5	32,790
13 Sep	11	52,700	2	11,400	0	---	13	64,100
20 Sep	11	45,160	1	1,800	0	---	12	46,960
27 Sep	3	7,900	0	---	0	---	3	7,900
4 Oct	1	1,000	0	---	1	5,000	2	6,000
11 Oct	0	---	0	---	1	5,000	1	5,000
18 Oct	6	42,600	0	---	0	---	6	42,600
25 Oct	4	12,400	2	3,000	0	---	6	15,400
1 Nov	5	19,100	0	---	0	---	5	19,100
8 Nov	0	---	0	---	0	---	0	---
15 Nov	1	270	4	10,700	1	700	6	11,670
22 Nov	9	14,900	4	6,400	0	---	13	21,300
To: 28 Nov	2	7,500	2	10,300	0	---	4	17,800
TOTALS:	58	236,120	15	43,600	3	10,700	76	290,620

## BRITISH - ALLIED - NEUTRAL MERCHANT SHIPPING SUNK BY MINE

For Week ending	British		Allied		Neutral		Total by Week	
	No.	Gross Tonn.	No.	Gross Tonn.	No.	Gross Tonn.	No.	Gross Tonn.
6 Sep	0	---	0	---	1	330	1	330
13 Sep	2	11,250	0	---	3	9,700	5	20,950
20 Sep	0	---	0	---	1	5,900	1	5,900
27 Sep	0	---	0	---	0	---	0	---
4 Oct	0	---	0	---	1	800	1	800
11 Oct	0	---	0	---	1	6,800	1	6,800
18 Oct	0	---	0	---	1	800	1	800
25 Oct	2	2,800	1	3,000	3	10,000	6	15,800
1 Nov	0	---	0	---	2	5,100	2	5,100
8 Nov	0	---	0	---	2	12,600	2	12,600
15 Nov	4	11,000	0	---	1	400	5	11,400
22 Nov	4	6,600	0	---	7	36,200	11	42,800
To: 28 Nov	2	10,300	0	---	0	---	2	10,300
TOTALS:	14	41,950	1	3,000	23	88,630	38	133,580

## BRITISH - ALLIED - NEUTRAL MERCHANT SHIPPING SUNK BY ENEMY ACTION

For Week ending	British		Allied		Neutral		Total by Week	
	No.	Gross Tonn.	No.	Gross Tonn.	No.	Gross Tonn.	No.	Gross Tonn.
6 Sep	5	31,500	0	---	1	500	6	32,000
13 Sep	13	63,000	0	---	3	10,000	16	73,000
20 Sep	13	46,750	0	---	1	6,000	14	52,750
27 Sep	3	8,000	1	2,500	4	6,500	8	17,000
4 Oct	2	6,000	0	---	9	16,500	11	22,500
11 Oct	1	5,000	0	---	2	7,500	3	12,500
18 Oct	6	43,000	4	35,000	3	7,000	13	85,000
25 Oct	6	15,000	1	3,000	4	11,000	11	29,000
1 Nov	5	19,000	1	5,500	3	9,000	9	33,500
8 Nov	0	---	0	---	2	12,500	2	12,500
15 Nov	6	12,000	0	---	3	12,000	9	24,000
23 Nov	12	19,000	3	4,000	10	47,000	25	70,000
To: 28 Nov	3	16,000	0	---	0	---	3	16,000
TOTALS:	75	284,250	10	50,000	45	145,500	130	479,750

PSF: Kennedy  
4

January 24, 1940

Dear Joe:

I was glad to have your letter and am terribly sorry that you have had such a bad time. Missy told me of your call the other evening and I do hope that you are feeling very much better and will not have to have an operation. Do keep me in touch.

My best to you and Rose.

As ever,

Honorable Joseph P. Kennedy,  
Palm Beach,  
Florida.

maltmb

*Prepar a line  
to Joe*

JOSEPH P. KENNEDY  
9 ROCKEFELLER PLAZA  
NEW YORK, N.Y.

January 18, 1940

Dear Mr. President:

I thought you might be interested to know how your Ambassador to Great Britain is getting along. Briefly, I have really had a very rotten time, but I am feeling very much better.

I am having a check up made twice a week and while I have not gained any weight I have not lost any, and the pain I was suffering practically day and night is now intermittent. As it now stands unless there is some extraordinary crisis abroad I am planning to be in Washington around the 15th or 16th of February, and spend two or three days there, and go into the hospital on the 19th. If you plan to get away earlier as Sumner Wells, who called to see me yesterday said, I shall change my plans accordingly. At that time I expect they will either tell me that I have a major operation in sight or be on my way to Europe within a week.

I have been resting about fourteen hours a day and I am pretty well tanned up. Of course, I am glad to see that no crisis has arisen that would make me feel that you were missing something by not having me there. But since I know that during this period I would only be sending you perfunctory messages, I am not as nervous about that as I might be.

The children have all gone home and Rose is staying with me.

All these plans, of course, are contingent upon nothing arising in Europe which will make you feel I should be there, because you know that regardless of what the results might be to me in disregarding doctors orders I would take a plane and get over there.

In the meantime I will keep you advised as to how I feel, and if there should be any definite change one way or the other.

With my deepest respects and warmest regards, I am

Sincerely yours,

*Joe Kennedy*

jpk:s

PSF: Amb Kennedy  
1

For note of Oct 6, 1939 from Amb Kennedy  
transmitting letter from Chamberlain of  
Oct 4, 1939 to the President.

See: Famous People File-Drawer 3-1939

THE WHITE HOUSE  
WASHINGTON

*PSF: Joe Kennedy*

May 9, 1940.

MEMORANDUM FOR

THE SECRETARY OF STATE  
THE UNDER SECRETARY OF STATE

I think this should be seen  
by your eyes only in view of  
Joe Kennedy's special caution  
in his letter to me. Please  
return when you have finished  
with it.

F. D. R.

Report on the German  
Supply Outlook prepared by  
the British Secret Service  
and the Intelligence Branch  
of the Ministry of Economic  
Warfare.

THE WHITE HOUSE  
WASHINGTON

May 9, 1940.

MEMORANDUM FOR

THE SECRETARY OF STATE ✓  
THE UNDER SECRETARY OF STATE ✓

I think this should be seen  
by your eyes only in view of  
Joe Kennedy's special caution  
in his letter to me. Please  
return when you have finished  
with it.

F. D. R.



THE UNDER SECRETARY OF STATE  
WASHINGTON

May 10, 1940

*File  
Shamala  
Confidential*

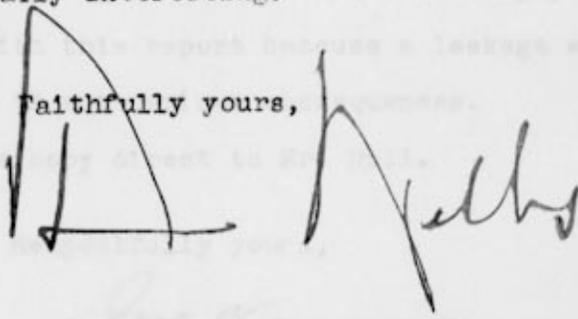
My dear Mr. President:

I am returning herewith the papers which you were good enough to send to the Secretary and myself for our information with your memorandum of May 9.

I found the information contained in these documents particularly interesting.

Believe me

Faithfully yours,



The President,  
The White House.

LONDON, April 19, 1940.

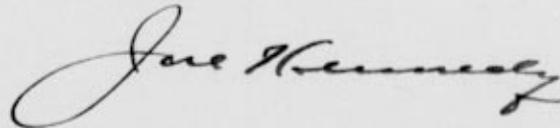
Dear Mr. President:

Through a series of fortunate accidents I obtained a copy of the most recent report on the German Supply Outlook, prepared by the British Secret Service and the Intelligence Branch of the Ministry of Economic Warfare. It contains a great deal of interesting information.

I hope you will be good enough to cause every precaution to be taken with this report because a leakage would produce unpleasant if not serious consequences.

I am sending a copy direct to Mr. Hull.

Respectfully yours,

A handwritten signature in cursive script, appearing to read "Joe Kennedy".

The Honorable

Franklin D. Roosevelt,

The White House,

Washington, D.C.

(THIS DOCUMENT IS THE PROPERTY OF HIS BRITANNIC MAJESTY'S GOVERNMENT).

~~SECRET~~

Ministry of Economic  
Warfare,  
Intelligence Branch.

1.636/1 dated 3.4.40.

THE GERMAN SUPPLY OUTLOOK.

The attached papers are confined, as far as possible, to a statement of facts and have been compiled by the two Departments of the Intelligence in co-operation. The resulting compilation claims to be no more than a preliminary statement, thought likely to be of value to a number of Officers in the Ministry for different purposes. The tentative conclusions suggested are subject to amendment in the light of future events.

The paper cannot be appreciated without a close study of the various Appendices, which are themselves compressed from a very much greater mass of material available, and may, therefore, have suffered somewhat in the process. Further and more detailed information and deductions based thereon, some of which has already been circulated in previous papers by the Intelligence Branch can be provided as required.

(Sgd.) D. MORTON.

Copies to: Ministry of Economic Warfare.

**REGRADED UNCLASSIFIED**

(THIS DOCUMENT IS THE PROPERTY OF HIS BRITANNIC MAJESTY'S GOVERNMENT).

MINISTRY OF ECONOMIC WARFARE,  
INTELLIGENCE BRANCH.

~~SECRET~~  
1.636/1 dated 3.4.40.

THE GERMAN SUPPLY OUTLOOK.

1. OBJECT OF THE PAPER.

The war has now been in progress for seven months, during which time the Allies have taken steps to exert economic pressure upon the enemy and Germany has taken counter-measures to minimise their effect. There is no need to trace the history of events, but it is important to take stock of the situation.

The whole field is still fluid and anyhow so vast, that any readable statement must be confined to broad conclusions and further limited by certain preliminary assumptions. The assumptions are that no fundamental change takes place in the diplomatic or strategic situation or the present degree of the naval control of contraband and enemy exports, while the study must be limited to raw materials commonly known as "Key" commodities (see Appendix II).

Within the above limits this paper attempts to throw some light on Germany's ability to carry on the war in face of Allied economic pressure as at present exercised.

2. GERMAN SUPPLIES FROM ADJACENT NEUTRALS.

The Allies have endeavoured to limit the supplies which Germany may draw from adjacent neutral countries principally by means of War Trade Agreements and, where feasible, by pre-emption.\* Although a number of Agreements have already been signed or are still in negotiation, there remain certain countries, notably the U.S.S.R. and Italy, with whom

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\* Note: The countries regarded as adjacent neutrals for the present purposes are listed at Appendix II.

an agreement satisfying the aims which the Allies have in view is difficult to obtain.

Where an Agreement has been signed or is in active negotiation, a fairly accurate quantitative estimate can be made of the key commodities which Germany should obtain from that country, if the Agreement is rigidly observed. These are tabulated at Appendix III. In order, sufficiently to complete the picture, estimates must be added of what Germany may hope to receive from the domestic products of those adjacent neutrals with whom the Allies have so far not been able to negotiate a War Trade Agreement. However, this is not impossible, even in the case of that permanent enigma the U.S.S.R.

3. GERMAN SUPPLY OUTLOOK ASSUMING NAVAL CONTROL AS AT PRESENT EXERCISED TO BE FULLY EFFICIENT.

A good deal is known about the pre-war German consumption of raw materials. It is, however, impossible to predict the essential minimum rate of consumption under war conditions, where statistics alone, even were they available, would not provide a true picture. The possibilities of substitution, of rationing, the relative importance of the different deficiencies, to mention only a few of the more important factors, are not to be revealed by statistical tables.

Nevertheless, important conclusions can be drawn from a general review of the position for each commodity or group of commodities in turn, introducing the necessary quantitative considerations. Such a review of the principal German "key" commodities is summarised in Appendix IV which takes into account the supplies Germany may hope to obtain from adjacent neutrals as set out in Appendix III\*, but assumes, not only that all War

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\* Note 1. Some allowance is made in Appendix III for the effect of preemptive action by the Allies, though this must perforce remain very uncertain at present.

Trade Agreements will be strictly observed, but also that no significant supplies will reach Germany by sea routes which the Allied Navies should be able to control.\*

The question of the German export trade under war conditions creates further difficulties. In peace time a proportion of her imports of key commodities were consumed in exports. Germany must continue to export in war. The extent, however, to which she will have to consume "key" commodities for this purpose is impossible to estimate concisely. This difficulty is overcome by considering German supply in relation to German demand for domestic consumption only.

This paints too pessimistic a picture from the Allied point of view, but it is reasonably accurate within its limits and at least begins to illuminate the situation.

On this basis the following table has been compiled comparing Germany's current supply with her pre-war demand for domestic consumption only, shewing the percentage of her current supplies which she should be able to obtain from imports under present conditions.

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\* Note. This assumption is necessary in order to prevent the study getting immediately out of control. Any unreality is corrected later in the paper.

Estimate of Germany's current supplies (excluding stocks)  
by imports and domestic production, compared with the  
estimated rate of consumption to meet domestic requirements  
only, excluding exports.

	<u>Current Supply</u> <u>as % of pre-War</u> <u>Consumption.</u>	<u>Current Imports</u> <u>as % of current</u> <u>supplies.</u>
Cereals . . . . .	100% or more	11-17%
Bauxite . . . . .	100% " "	88%
Manganese . . . . .	100%	50%
Asbestos . . . . .	100%	87%
Antimony. . . . .	100%	50%
Sulphur . . . . .	100%	35-38%
Eggs . . . . .	100%	17%
Meat. . . . .	90-100%	12-20%
Petroleum products. .	84-90%	37-41%
Iron and Steel. . . .	80-90%	33-37%
Phosphoric fertilisers	79%	49%
Fats . . . . .	58-62%	28-33%
Lead. . . . .	61%	19%
Textiles. . . . .	61%	25%
Leather . . . . .	52-57%	8-9%
Copper . . . . .	52-57%	25-31%
Rubber . . . . .	35-38%	N11
Tin . . . . .	25%	78%
Cobalt. . . . .	24%	48-58%
Chrome. . . . .	15-20%	100%
Nickel. . . . .	9%	57%
Molybdenum. . . . .	N11	N11
Tungsten. . . . .	N11	N11

4. GERMAN STOCKS.

The picture given in the foregoing table is modified by the fact that, on the one hand, Germany has been exporting in war time and must continue to do so and, on the other, by the existence at the outbreak of war of stocks of "key" materials.

Already Germany demands from her customers, usually before delivery of the order, non-ferrous metals and sometimes other raw materials equivalent to the weight contained in the goods exported, thus preventing any nett reduction in her stocks. She cannot do this for iron and some other materials - Thus, although the above table shews her current rate of iron supply as 80-90% of her pre-war requirements for domestic consumption, it is in fact only 60% of her total pre-war supply, if that proportion consumed in exports be included. Her true position is, therefore, somewhere between the two limits.

Germany has not added to her stocks of raw materials since the outbreak of war, though she has taken extensive measures to conserve them. It has been too hastily assumed that the relative inactivity of the Armed Forces has assisted Germany to this end. Military inactivity has undoubtedly enabled Germany to increase her reserves of finished war stores, which in September last may have been smaller than is generally supposed, but it is the activity of Industry and not of the Armed Forces which governs the size of German stocks of industrial raw materials.

A calculation of the present German stock position is accompanied by great difficulties. Something was known about it at the outbreak of war, but later information suggests that pre-war estimates were inclined to be too liberal to Germany in regard to several important commodities. There is little doubt that in the early days of war, before expenditure had been regulated in the light of current supply, some stocks were being

Although the only great route of supply to Germany was

reduced at a rate which alarmed the German authorities. Now the rate of consumption can, to a considerable extent, be determined by the German authorities themselves.

Nevertheless there is good reason to believe that now, that is in April 1940, the Germans are

(a) finding serious difficulties in meeting demands for:-

certain ferro-alloys  
lubricating oils and greases  
rubber and rubber substitutes  
textiles

(b) using up more rapidly than they can replace their limited stocks of:-

motor spirit, diesel and fuel oil  
fats and animal feeding stuffs  
leather  
certain non-ferrous metals

There is, however, no guarantee that this process will continue, unless pressure is maintained and even tightened.

#### 5. FURTHER SOURCES OF GERMAN SUPPLY.

The above preliminary conclusions may not seem very promising for a rapid decision in favour of the Allies through economic pressure alone as at present exercised. It becomes even less so when recalling that Germany has at present other sources of supply of which no account has yet been taken.

These may be classified as:

- (a) Supplies reaching Germany by routes uncontrolled by the Allies;
- (b) Leaks in the existing control of contraband and enemy exports;
- (c) Breaches of War Trade and other agreements.

It remains to consider these in turn, but the preliminary conclusions reached above shew that the success of our economic campaign may depend to a great extent on the nature and quantity of the supplies which Germany can obtain through these additional channels.

#### 6. ROUTES UNCONTROLLED BY THE ALLIES.

Although the only great route of supply to Germany regarded

in this paper as being uncontrolled by the Allies is that of the Trans-Siberian Railway, supplies of vital importance are also reaching Germany by the Baltic and Black Seas. The supplies which Germany may expect to get by these routes from Russia, Scandinavia and the Near and Middle East have been included in the calculations already made, which show that were it found possible to close either of these seas to German trade, results of far-reaching importance would accrue. It has been estimated, for example, that the total stoppage of Swedish supplies of iron ore should soon reduce Germany to a desperate condition. Again, German supplies of manganese and petroleum from the U.S.S.R. and of cotton, hides and skins, fats and other important commodities from the U.S.S.R., Iran and Turkey depend largely upon transit of the Black Sea to Odessa or Roumanian and Bulgarian ports.

For the present, however, it is the facilities offered to Germany by the Trans-Siberian Railway which are probably of more immediate concern. There is good reason to believe that this railway may carry goods to Germany at a rate of over 300,000 tons a year. By it Germany may obtain, and indeed has already begun to receive, not only the produce of Asia; soya bean oil, cotton, rubber, tin, tungsten and so on; but also that of the Americas, carried first across the Pacific Ocean, including cobalt, molybdenum and copper.

The potentialities of this route have already been summarised in a recent Cabinet Paper (W.P.(g) (40) 72) dated March 11th, 1940, whose conclusions need not be repeated. Suffice to say, however, that the accommodation afforded could relieve the German shortage of ferro-alloys and non-ferrous metals and also permit Germany to import substantial quantities of soya bean oil from Manchuria and whale oil from Japan. This alone would have a really important influence upon two of the weak points in the present German economy - ferro alloys and non-ferrous metals for armaments and edible fats for

the people. There would also be room to transport significant quantities of rubber and cotton.

Attention may also have to be directed to a method of supply, which cannot carry great weights but can transport important quantities of highly valuable goods, namely, neutral air routes. These have already been used for the carriage of industrial diamonds and even concentrates of the more valuable ferro-alloys.

7. GERMAN SUPPLIES THROUGH LEAKS IN THE CONTRABAND CONTROL AND BREACHES OF AGREEMENTS.

The relatively high degree of self-sufficiency attainable by Germany under present conditions and the comparatively small volume of a number of her chief deficiencies, which she must sooner, rather than later, import from overseas, makes it all the more important to prevent leaks in the Blockade, if the war is not to be unduly prolonged.

Moreover, after the outbreak of war most adjacent neutrals set themselves to accumulate stocks of their own deficiency materials, which in most cases are the same as Germany's. This was a natural act, not of itself implying an intention to reexport to Germany; but individual traders, tempted by the prospect of rising prices and the needs of the belligerents, have also accumulated stocks as a speculation.

The existence of these stocks may tempt a desperate Germany to military adventures, though opinions may differ on the ultimate military advantage to the Allies, should she take such a step. What is even more likely, however, is that, so long as loyal Nazis circulate in neutral countries and neutral merchants trade for gain, these stocks are a temptation to the neutral merchant to sell in the best market, where Germany is ready and able to pay high in acceptable value for what she urgently requires. There is a certain risk entailed in allowing adjacent neutrals to wax fat while attempting to keep Germany lean.

Most War Trade Agreements have been so recently signed that the question of their observance hardly yet arises. In any case, the honour of neutral governments is not necessarily in jeopardy. It is rather a question of their ability to enforce their own laws and regulations in face of keen attempts to circumvent them, which are already known to have succeeded. To assume that War Trade Agreements are being observed in the spirit which the Allies would welcome, as well as in their strict letter, so long as there is no concrete evidence to the contrary, would merely serve as further proof of the Pauline definition of "Faith". Before we can rest content, it is essential to prove either that illicit or undesirable trade to Germany through adjacent neutrals is not occurring or, at least, is confined to a volume and nature which is insufficient materially to diminish the effect of Allied economic pressure as a whole.

§ EVIDENCE OF LEAKS.

Evidence of leaks in the contraband or enemy export control and of breaches of War Trade Agreements is of the same sort and is derived from similar sources of information. Circumstances have so far denied to us anything like the full use of the chief and most reliable source of information, namely, material intercepted by the Censorship. It is contended, however, that if, as is at present the case, only 10% of the inward-bound letter mail and none of the outward-bound is subject to examination, what information has been procured is correspondingly of greater significance. Unfortunately for our peace of mind, a considerable amount of information and, in some cases, evidence, is accumulating. This is summarised as far as possible in Appendix V, which leaves little room for doubt that goods of many kinds, which should not be allowed to do so, are reaching Germany despite the control exercised by the Allies under their belligerent rights and sometimes in

contravention of laws and regulations enacted by adjacent neutral countries.

The true significance of the leaks disclosed can finally be determined only in the light of statistical evidence. Some adjacent neutrals have ceased to publish or have altered or delayed their current trade statistics, while the fact that War Trade Agreements with Northern neutrals are based upon export trade and not upon imports, has created new problems for the statistician. Moreover, it is only recently that we have been able to obtain a reasonable proportion of the manifests of ships entering the Mediterranean. Truly, in this war, the lot of the statistician is hard. By painstaking effort he can glean some straws, but the solid clay is denied him.\*

The fact, therefore, that it has been found possible to prepare the considered notes and conclusions forming Appendix V on the relatively meagre information available, is the more disturbing. This Appendix does not shew that War Trade Agreements have failed in their purpose, but it does suggest that a good deal of important material, not allowed for in the calculations in Appendix III and IV has hitherto been getting into Germany, and, to that extent - though the insufficiency of statistical information makes it impossible to say to what extent that is - the German supply outlook has been improved. It remains to be seen if the operation of the War Trade Agreements reduces the leaks.

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\* A statement has been prepared and will be circulated shortly summarising such statistical information as is available which shows definitely the minimum amounts of certain commodities obtained by Germany during the war. The purposes of this statement are three-fold. Firstly, to show clearly that, in spite of the Contraband Control and other methods of economic warfare, Germany is continuing to receive substantial supplies of vitally important deficiency commodities. Secondly, to show that a small proportion of the provable trade of that nature which exists is ascertainable from statistical sources open to us. Thirdly, to show that, in some cases, neutral countries are continuing to export to the enemy commodities which they are importing for their own use through the 'blockade'.

9. CONTROL OF ENEMY EXPORTS.

This paper would be incomplete without reference to the control of enemy exports, since, judged by Allied Standards, Germany's most important single deficiency is her external financial resources. She has spent several years in perfecting a technique for making a little go a long way. German exports to dollar countries have, therefore, a value to her out of all proportion to their market price. They provide that small trickle of new exchange, necessary to sweeten the pre-arranged system of Credit and Clearing Agreements and the power to purchase that distressingly small proportion of essentials, which Germany must still pay for in devisen.

Enemy Export Control has only been in force since January 1st in Home waters and January 10th in the Mediterranean and Red Seas. Furthermore, policy has dictated that the Order be carried out hitherto with "leniency and gradualness". This has been especially so in cases involving Italian ships. Meanwhile there is information and in some cases evidence that the following subterfuges are already employed to send German goods overseas through neutral countries:-

- (a) The disguise of German goods as neutral
- (b) The use of forged certificates of origin
- (c) The substitution of German goods for neutral goods, for which a genuine certificate of origin has already been obtained.
- (d) The use of parcel mails not intercepted by the Censorship.
- (e) The smuggling of goods in passengers' luggage
- (f) The shipping of goods not shewn on the manifest.
- (g) Shipment of goods by uncontrolled routes, e.g. Trans-Siberia and by air from Italy to Spain.

Germany is prepared to offer to neutral accomplices a share in the devisen thus accruing and there is evidence suggesting that the Banca d'Italia has been unable to resist the temptation.

A number of examples which have come to light could be quoted, while others have been revealed by letters and telegrams after the event. Dyes, paper and pharmaceutical products are known to be re-packed in Italy in Italian wrappers; gramophone records are being

labelled in Switzerland and stamped as of Swiss manufacture, machinery and door hinges in Belgium, vacuum flasks in Hungary. German experts have visited Italian factories to photograph and measure packing cases. They have even taken samples of the wood used and copied the signatures of packers.

An aeroplane engine of German origin was discovered, shipped from Italy on a genuine export permit for a milling machine. Agfa films have been shipped on a certificate for cream of tartar; ball-bearings have been found, marked "Made in Germany" in cases labelled "tanning machinery".

Intercepted letters shew that German artificial jewellery, dyes and other small goods are being sent abroad in the parcel post; while there is evidence of arrival in the Far East, via the Trans-Siberian Railway of important quantities of machine tools, chemicals, dyes and other goods of relatively high value compared with their bulk. There is similar evidence of goods reaching Spain and Portugal by airlines touching only neutral territory.

Thus, as in respect of the passage of contraband into Germany, while it is even less possible to estimate the volume of exports which Germany is managing to despatch overseas despite the Reprisals Order in Council, evidence of evasions of the control are not reassuring, especially when account is taken of the small proportion at present tapped of sources likely to provide the information and evidence required.

#### 10. CONCLUSIONS.

From the foregoing paper and the attached Appendices, it is suggested that the following tentative conclusions may be drawn.

- (a) Economic pressure, as hitherto exerted by the Allies upon Germany, has undoubtedly increased the latter's difficulties.
- (b) Nevertheless, counter-measures taken by Germany, in expectation of an Allied "Blockade", have so far confined serious embarrassment only to her supply of certain ferro-alloys, lubricating oils and greases, rubber and textiles.

- (c) At the same time, Germany is using up more rapidly than she can replace, her limited stocks of motor spirit, diesel and fuel oil, fats, and animal feeding stuffs, leather and certain non-ferrous metals.
- (d) German iron supplies will probably suffice, so long as she can continue to import ore from Sweden at a rate commensurate with her pre-war imports from that quarter; while, unless her expenditure of petroleum products increases materially, supplies from Roumania and the U.S.S.R. are likely to tide over her immediate difficulties.
- (e) Under present conditions, Germany may hope not unreasonably, to relieve her shortage of ferro-alloys, tin and copper by importing them via the Trans-Siberian Railway, and also by the same channel to receive important contributions of edible oils and possible other deficiency commodities.
- (f) The U.S.S.R., if willing, should be able to make good from her domestic resources the whole German deficiency of manganese, asbestos and phosphate rock, apart from supplies of petroleum and other materials. In about a year's time supplies from the U.S.S.R. may have increased sufficiently to counteract in large measure Allied pressure exerted elsewhere, supposing that German technicians are permitted to reorganise Soviet transportation and production.
- (g) Should War Trade Agreements not be strictly observed by neutral signatory Powers and only a low degree of efficiency be attained in the control of contraband and enemy exports, the German supply outlook will be correspondingly brighter, and the importance of this factor is emphasised by the relatively high degree of self-sufficiency Germany has already attained together with her apparent opportunities for acquiring additional supplies from sources over which the Allies can only exert a limited control by diplomatic and commercial action.
- (h) War Trade Agreements have been too recently concluded for their observance yet to be called in question or their efficiency judged, but it will be as necessary to prove that they are being strictly observed and are achieving their aim as to demand proof of allegations to the contrary.
- (i) For reasons outside the control of this Ministry, only a very small proportion of the potential information and evidence on the efficiency of the Blockade has hitherto been available; a fact which enhances the importance of information received. While the present lack of sound statistical confirmation makes it impossible to determine the full significance of evasions occurring, such evidence as there is, is not altogether reassuring.

- (j) On the present incomplete evidence, there appear to be less evasions of the Blockade through Scandinavian countries than elsewhere, save the Balkan and Danubian States, whose assistance to Germany's war effort seems chiefly to be confined to the export of domestic produce and, in the case of certain firms, to assisting in evading the export control over German goods.
- (k) In spite of the sincere co-operation of Governments, there have been some important evasions of the Blockade through the Low Countries, which have sometimes involved breaches of the emergency laws and regulations enacted by these countries soon after the outbreak of war.
- (l) Italian help for the evasion of the export control is probably already considerable, and there is reason to believe that although German imports of contraband through Italy from November 1939 to February 1940 may have been small, this traffic has now begun to increase and may soon become of serious significance.

(Init.) D. M.

APPENDIX I

COUNTRIES RECKONED AS  
ADJACENT NEUTRALS

<u>Country</u>	<u>Date of signing or initialling a War Trade Agreement</u>
Norway	Signed 11.3.40
Sweden	" 7.12.39
Finland	
Estonia	
Lithuania	
Latvia	
U.S.S.R.	
Denmark	Initialled 12.3.40
Iceland	Special Agreement
Belgium	Signed 11.12.39 and 1.3.40
Holland	Initialled 21.3.40
Switzerland	In negotiation
Italy	
Hungary	In negotiation
Jugoslavia	
Bulgaria	
Roumania	
Greece	Signed 26.1.40
Turkey	

Note 1. Since goods from Spain and Portugal can only reach the enemy through the contraband control these countries are not classed as adjacent neutrals.

Note 2. Goods from Iran, Afghanistan, China and other Middle and Far Eastern countries can reach the enemy without passing over the sea, but since either their surplus domestic production or transportation facilities overland to the enemy are limited, they are not included here as adjacent neutrals.

APPENDIX II

PRINCIPLE GERMAN DEFICIENCIES

"KEY" COMMODITIES

Various lists of German "Key" commodities have been drawn up. None of these are final or comprehensive. As the war proceeds it will be found, as has already occurred, that Germany will try to import materials on which no shortage has hitherto been suspected. And, since financial stringency will force her to import only what is indispensable to her single aim of prosecuting "total war", the stoppage of any German imports will contribute to her defeat.

Nothing has happened in the present war to upset the view that in practice it is not the absolute lack of any one or two specific things which brings about an economic breakdown, but the ultimate unendurable scarcity of many things. Nevertheless, if Germany be no Achilles with a single vital spot, she is vulnerable and can be made to bleed to death if dealt sufficient wounds.

The following list is a guide. It includes certain materials which under present conditions Germany can apparently expect to obtain from adjacent neutrals in sufficient quantities to meet her requirements. Except where otherwise specified all forms of the material, raw, semi-manufactured or in finished articles are to be understood.

- (a) Iron; chiefly ore, though for so long as the Swedish supply continues this is not likely to become vital.
- (b) Petroleum; especially lubricating oils and greases and perhaps diesel oil.
- (c) Ferro-alloys; especially molybdenum, cobalt tungsten, chrome and nickel; to a lesser degree, since they are potentially available from adjacent neutrals, manganese and silicon; but probably not vanadium

which is available in the slag of ores from the Herman Göring works.

- (d) Non-Ferrous metals; especially tin, copper and to some extent lead, but probably not zinc. Also mercury, but Italy can supply all requirements.
- (e) Edible oils and fats; from which cannot be separated certain feeding stuffs for animals. Not available in sufficient quantities from adjacent neutrals.
- (f) Textile raw materials; especially cotton, wool and jute; but probably not hemp or flax which will be available from adjacent neutrals. Artificial fibres cannot, at present, make good the deficiency.
- (g) Colonial produce; especially rubber and kapok; also such things as coffee and tea in so far as they may be essential.
- (h) Various minerals; especially pyrites, mica, asbestos and phosphate rock. Italy, however, can supply the sulphur and Russia should be able to supply asbestos and apatite.
- (i) Special commodities; not lending themselves to classification above, such as gums and resins, tartrates, hides and skins, carbon black, etc.etc.

THIS OVERSIDE ITEM HAS BEEN  
MICROFILMED IN SECTIONS.

ESTIMATED GERMAN IMPORTS

(In Tons)  
(Where no figures are given the quantities

BY COUNTRIES - 1940.

are nil or negligible)

COMMODITY	(1) BELGIUM	(1) NORWAY	(1) (2) DENMARK	ESTONIA	FINLAND	LATVIA	LITHUANIA	(1) SWEDEN	(1) Holland	ITALY	IRAN	TURKEY	(1) GREECE	BULG.
Wheat . . . . .														
Rye . . . . .							15,000							
Barley . . . . .							2,500							
Oats . . . . .														
Maize . . . . .														
Oilseeds . . . . .									4,500					
Butter . . . . .	1,000		45,000	8,000	3,200	8,000	4,500		12,500					
Pig Fats . . . . .			6,000	1,700		2,500	1,400	400						
Vegetable and Marine Oils . . . . .	1,250	18,000	10,000		500			600	10,000					
Meat . . . . .			40,000	5,500		8,000	6,300	2,300						
Eggs . . . . .	6,000		24,000	2,000	2,000		1,200		30,000					
Basic Slag . . . . .	250,000													
Phosphate Rock . . . . .														
Iron Ore (Iron content) and scrap and steel (a) . . . . .	650,000	400,000	30,000					15,000,000					20,000	10,000
Chrome . . . . .												1,000		
Manganese (metal content) . . . . .														
Cobalt . . . . .	41				50-100									
Nickel . . . . .		600										200		
Petroleum Products . . . . .														
Copper (b) . . . . .	6,000	10,000	2,000		16,500-13,000									
Lead . . . . .	1,200		650											
Bauxite . . . . .										100,000(2)			27,000	
Cotton and cotton waste . . . . .	715			462					295		10-20,000 +75,000 from Afghan- istan.			
Wool . . . . .	3,500										6,000	1-5,000		
Hemp . . . . .										25,000(2)				
Flax . . . . .	5,000			3,000		2,500	6,000		1,000					
Hides and Skins . . . . .	4,000 350 leather	400	3,000 1,700 leather	160	1,500	350	400	600	235+ 200 leather			3-4,000		
Sulphur (c) . . . . .	20,000 (sulphuric acid)	100-120,000								120,000(2)			17,000	
Tin . . . . .	340													
Asbestos . . . . .														
Antimony . . . . .														

(a) In addition at least half a million tons of iron will probably be imported in the form of pyrites.

(b) In all forms i.e. including copper from cupreous pyrites, scrap, etc.

(c) In terms of sulphur - whether in the form of pyrites, zinc ore, sulphuric acid or crude sulphur.

(1) Figures determined under

(2) According to Trade Agreements

are nil or negligible)

TURKEY	(1) GREECE	BULGARIA	ROUMANIA	HUNGARY	YUGOSLAVIA	(1) SWITZERLAND	U. S. S. R	TOTAL
		800,000	-	1,700,000				
		150,000	-	210,000				
		200,000	-	450,000			(2) 1,000,000	2,987,000-4,777,000
		800,000	-	1,400,000				
		270,000	-	290,000				274,500 - 294,500
				3,000				85,200
		18,000	-	72,000				30,000 - 84,000
		40,000	-	80,000				80,350 - 100,350
		25,000	-	45,000				87,100 - 107,100
				30,000				95,200
								250,000
							800,000(2)	800,000
	20,000	10,000			120,000	60,000		6,290,000
1,000					10-15,000			11,000 - 16,000
							225,000(2) (or more)	225,000
								91 - 141
200								800
			1,500,000- 2,000,000				800,000(2)	2,300,000-2,800,000
					12-15,000			36,500 - 49,000
					27,000			28,850
	27,000			820,000(2)	200,000			1,147,000
						3,000	100,000(2)	119,472 - 129,472
1-5,000								10,500 - 14,500
				4,000	9,000			38,000
							20-30,000(2)	37,500 - 47,500
3-4,000			2,000					15,645 - 16,645 (+2,250 leather)
	17,000		8,000		35,000		160-190,000(2)	450,000-500,000
								340
							As much as required	As much as required
					1,200			1,200

(1) Figures determined under War Trade Agreements with the Allies.

(2) According to Trade Agreement with Germany.

REVIEW  
OF GERMAN SUPPLY  
OF PRINCIPAL "KEY" COMMODITIES

The attached notes briefly summarise the more comprehensive studies of the German supply outlook in certain "Key" commodities, upon which the Table in paragraph 3 of the preceding report is based.

For the purpose of these notes it is assumed that all War Trade Agreements are rigidly observed and that there are no "leaks" in the control of contraband over routes where that is at present exercised.

	<u>Page.</u>
FOOD AND FEEDING STUFFS	2
CEREALS	2
FATS AND FAT PRODUCING MATERIALS	4
Butter	4
Lard and other Pig Fats	6
Margarine, Vegetable Oils and Marine Oils	8
All Fats taken together	8
MEAT	10
EGGS	12
OTHER FOODS	13
PHOSPHORUS FERTILISERS	14
IRON AND STEEL	16
FERRO-ALLOY MATERIALS	18
Chrome	19
Manganese	20
Cobalt	21
Nickel, Molybdenum and Tungsten	22
Ferro-Alloy Materials as a whole	23
PETROLEUM PRODUCTS	24
COPPER	25
LEAD	27
ALUMINIUM AND BAUXITE	28
RUBBER AND BUNA	29
TEXTILES	31
LEATHER, HIDES AND SKINS AND TANNING MATERIALS	34
SULPHUR	36
OTHER COMMODITIES	37
Tin	37
Asbestos	38
Antimony	38

FOOD AND FEEDING STUFFS.

CEREALS.

1. In the pre-war period, Germany, including Austria, had a surplus of 900,000 tons per annum in wheat and rye, could just cover her requirements in oats, and was obliged to import  $1\frac{1}{2}$  million tons of barley and  $1\frac{1}{2}$  million tons of maize.
2. While the existing rations for the civilian population correspond roughly to peacetime consumption of bread grains, the additional requirements of the Army are estimated at 2 million tons per annum; there is also likely to be a small increase in the demand for oats.
3. The normal annual export surplus of German occupied Poland and the Protectorates may be put at 400,000 tons of wheat and rye and 300,000 tons of barley and oats. It is, however, extremely unlikely that in the year 1940 there will be any surplus at all from these territories. In maize there was an import deficiency in Poland and Czechoslovakia of about 100,000 tons per annum.
4. The figures of German production and consumption reflect the position since 1937. In that year the Nazi Government prohibited the feeding of bread grains to animals. It is for this reason that a surplus in wheat and rye appears - a surplus which was used for the accumulation of stocks. The same policy also gave rise to the large deficiency in barley, which had to be imported to take the place of bread grains. If the Germans found it convenient, it would be possible for them to reverse this policy and to substitute bread grains for barley for the feeding of livestock.
5. The total import deficiency seems, therefore, likely to amount in the year 1940 to about 1 million tons of wheat and rye,  $1\frac{1}{2}$  million tons of barley and  $1\frac{1}{2}$  to  $1\frac{3}{4}$  million tons of maize.

6. Germany must now obtain her imports of cereals from Russia and the Balkan countries. It is believed that she will obtain from Russia 1 million tons of fodder grains of which 25% may be maize. If Yugoslavia, Hungary and Bulgaria export to Germany 75% of their total pre-war exports and Roumania only the full amount of her pre-war exports to Germany, there will be available from the Balkans 1 million tons of wheat and rye and 200,000 tons of barley. If, however, all the Balkan countries supply their total average pre-war exports to all countries, there will be available 2 million tons of wheat and rye and nearly  $\frac{1}{2}$  million tons of barley. Thus the lower limit of what Germany is likely to obtain in 1940 amounts to some 2 million tons of wheat, rye, barley and oats, while the upper limit is  $3\frac{1}{4}$  million tons.

It seems certain that at present Germany will not need to avail herself of the maximum quantities; the lower figure will be almost sufficient for her needs. Stocks of wheat and rye in Germany at the outbreak of war are claimed by the Nazis to have been as high as 7 million tons and stocks of barley  $1\frac{1}{4}$  million tons. These figures are probably exaggerated; but the existence of substantial stocks cannot for a moment be doubted. It appears, therefore, that even if, as is probable, there occurs in the long run a fall in home production, Germany is not likely to be short of these four cereals for some considerable time. Only bad harvests or some drastic interference with her imports from the East and South-East will alter this situation.

7. Her position in maize is not so favourable. While supplies from Russia may amount to  $\frac{1}{4}$  million tons her

principal source of supply must be the Balkan countries. Their total export surplus is likely to be about 1.6 million tons. Of this the United Kingdom is purchasing 200,000 tons. If Germany obtains the whole export surplus of Roumania she will cover her requirements. If, on the other hand, Hungary takes 200,000 tons from Roumania and the United Kingdom increases its purchases to 600,000 tons, Germany will have to be content with 800,000 tons, which even after allowing for supplies from Russia still leaves a substantial deficiency. This has particular significance because of the importance of maize for fattening pigs and because, as is shown below, the German fats position as a whole is extremely serious. Moreover, in contrast with other cereals, stocks of maize are known to have been extremely low at the outbreak of war.

#### FATS AND FAT PRODUCING MATERIALS

8. An examination of the German fats position must take into account not only the finished commodities, but also the raw materials from which, directly or indirectly, they are produced. The most important ultimate raw materials for butter are, of course, grass in summer and oilcake in winter. While pigs can be maintained on many different types of fodder - particularly potatoes and barley - the most important material used in Central Europe for fattening purposes is maize. Margarine is produced from vegetable oils - themselves, like oilcake, the product of oilseeds - or from marine oils.

9. Butter.

Consumption of butter in Germany and Austria before the war was 600,000 tons per annum. Against this there was an apparent home production of 515,000 tons, but this production figure was only achieved by the import directly or indirectly of nearly 1½ million tons of oilcake. It is estimated that

these imports were responsible for 155,000 tons of butter. The true home production of butter must, therefore, be put at no more than 360,000 tons.

Imports of butter in 1940 are likely to amount to 85,000 tons, of which over half will come from Denmark and the greater part of the remainder from Holland and the Baltic States. Imports of oilcake are much more difficult to assess. They depend partly on the production of oilseeds in the Balkans, partly on the policy of the Balkan countries, and partly on the capacity of the Trans-Siberian Railway. If Germany obtains the whole of the Balkan export surplus of both oilcake and oilseeds and this does not exceed the 1938 figures, the available supplies from this quarter will be some 270-290,000 tons of oilcake. This may be reduced by Allied purchases, but on the other hand, it may be increased if production is stimulated.

Up to the present little or no oilseeds have been transported from Manchuria via Siberia. It has recently been learned, however, that the Russians have undertaken to supply the Germans with facilities for transporting some 300,000 tons of all products from the 1st March to the end of the year. It is clearly impossible to do more than guess how Germany will use this transport which is to be put at her disposal. A considerable part of it, however, will certainly be used for oilseeds and vegetable and marine oils. It may perhaps be assumed that she will attempt to import oilseeds at the rate of 150-200,000 tons per annum and that only the lower figure will be obtained this year. This would provide 120,000 tons of oilcake. Her total imports of oilcake are, therefore, likely to amount to approximately 400,000 tons, which is equivalent to about 40,000 tons of butter. Total imports of butter or butter producing materials should, therefore, amount to 125,000 tons, which leaves a deficiency of 115,000 tons,

approximately 20% of pre-war consumption.

It should be noted here that the production of butter in Germany is at present expanding on account of the policy of providing the civilian population with skimmed milk only. This does not, of course, increase the total amount of fat available but only changes the form in which it is obtained.

10. Lard and other Pig Fats.

Consumption of pig fats in Germany normally amounts to 670,000 tons per annum while apparent home production is 630,000 tons. Here again, however, this output has only been achieved by the importation of barley and maize. These imports, amounting, as we have already seen, to 2 3/4 million tons, account for about 125,000 tons in terms of crude fat. The true import deficiency was, therefore, 165,000 tons.

It has already been pointed out that Germany is likely to obtain her full requirements in barley - chiefly from Russia - and that she may also obtain 800-1,400,000 tons of maize. If she obtains the higher quantity of maize her requirements for feeding stuffs will be covered. If she obtains the lower figure only, she will be deficient to the extent of some 25,000 tons in terms of pig fat.

In addition, her imports of pigs from Denmark and the Baltic States are likely to provide her with a further 12,000 tons of pig fats, while her imports of pigs from the Balkans may provide her with anything from 18-72,000 tons. The higher figure represents the total exports of all Balkan countries while the lower figure assumes that Germany only gets what is left after preemptive purchases of 600,000 pigs by this country. Against a true deficiency of 165,000 tons Germany seems, therefore, likely to obtain at least 130,000 tons and possibly as much as 180,000 tons.

This apparently favorable situation is, however, subject to one vital qualification - that home produced supplies of pig feeding stuffs, especially potatoes and roots, are maintained at the high level of the pre-war years. It cannot be taken for granted that this will be the case. Apart from the danger of frost (which is reported to have caused serious damage in the last few months to stocks of seed potatoes) and the long-run consequences of a shortage of phosphates, there is the difficulty - already acute - of finding sufficient labour. For, of all crops, none are so heavy in their demands on labour as potatoes and roots. Since it will not be possible to economise at the expense of human consumption, any falling off in the potato crop must react severely on the supplies available for pigs. If, for example, the crop declines by only 10% from its high level of 56 million tons for Germany and Austria in 1938, this would be equivalent to a loss of  $1\frac{1}{2}$  million tons of feeding cereals or some 60,000 tons of fat.

The evidence at present available does, in fact, suggest that the supply position in pig fats is not nearly so favourable as the figures given above indicate. This may be partly due to the factors just mentioned. But it is also certain that in the winter of 1939/40 there was a very serious shortage of maize. Stocks on the outbreak of war do not appear to have exceeded 120,000 tons; and the amount of maize which Germany was able to import in the first six months of the war was certainly far less than half the amount per annum allowed for in the above calculations.

11. Margarine, Vegetable Oils and Marine Oils.

Although all three groups of fats are to a very

considerable extent substitutable for one another, the figures of consumption given for butter and pig fats have entirely excluded industrial requirements. These requirements, which are normally satisfied to at least 80% from vegetable and marine oils, amounted in Germany and Austria before the war to 440,000 tons. Requirements of margarine and other vegetable oils for edible purposes amounted to 610,000 tons. Thus, total consumption - if it be assumed that all industrial requirements had to be met from vegetable and marine oils - was just over 1 million tons, while against this home production in 1940 - even allowing for a big expansion - cannot exceed 150,000 tons. Moreover, Poland and Czechoslovakia together had an import deficiency in these materials of 120,000 tons. As compared, therefore, with pre-war requirements the net import deficiency is about 1 million tons.

Imports in 1940 are likely to amount to 150-170,000 tons. Of this 70,000 tons (in the form of oilseeds, soya bean oil and whale oil) may be obtained from Manchuria via Siberia, 40-60,000 tons from the Balkans, and 40,000 tons from Denmark, Norway, and Holland. This leaves a deficiency of some 850,000 tons.

12. All Fats taken together.

The fats position as a whole may be summarised as follows:

- (i) The total consumption in Germany and Austria, including industrial consumption, normally amounted to about 2.3 million tons per annum.
- (ii) Apparent home production amounted to 1.3 million tons. True home production after allowing for import of feeding stuffs amounted to 1 million tons.

(iii) Of the import deficiency of 1.3 million tons for Germany and Austria must be added a further 100,000 tons deficiency for Poland and Czechoslovakia.

(iv) In terms of crude fat imports are likely to be as follows:-

	<u>Tons.</u>
Butter	85,000
Oilcake	40,000
Barley	60,000 to 70,000
Maize	30,000 to 55,000
Pig Fats	30,000 to 34,000
Vegetable Oils	<u>150,000 to 170,000</u>
Total	395,000 to 505,000

(v) Of this total there will be supplied by the Northern Group - Denmark, Holland, Norway and the Baltic States, 130,000 tons, the Balkans 150-250,000 tons, and by the U.S.S.R. and via the Trans-Siberian Railway, 120,000 tons.

(vi) There is thus likely to be a deficiency as compared with the pre-war consumption of 900,000 to 1 million tons compared with 2.4 million tons pre-war consumption, i.e. roughly 40%.

(vii) Rationing, however, has reduced present consumption of edible fats to about 1,300,000 tons. In addition the reduced consumption of soap and the availability of substitute materials has probably reduced industrial consumption to about 250,000 tons. Against a total present consumption of 1,550,000 tons, supplies will probably amount to between 1,400,000 and 1,500,000 tons. It must be emphasised that these figures are based on the assumption that home production in Germany is fully maintained and that imports take place at what is undoubtedly a remarkably high level. It is quite certain that in the first six months of the war German supplies have been well below the rates contemplated here. Very little in the way of feeding stuffs has yet been received from Russia and almost no oilseeds or vegetable oils via

Siberia. Imports from the Balkans of maize have been seriously hampered by transport difficulties. There is, therefore, no doubt that Germany has only been able to maintain her present standards by reducing the stocks which she held at the outbreak of war. It is estimated that these amounted to some 300,000 tons of vegetable and marine oils and 100,000 tons of pig fats and butter.

(viii) The present rations of butter and lard in Germany should be adequately covered by the supplies available. On the other hand supplies of vegetable and marine oils are hopelessly inadequate to satisfy both the requirements for margarine and industrial needs. It is highly probable that Germany will be obliged to use pig fat and even butter fat in place of vegetable oils for industrial purposes as soon as her stocks of vegetable and marine oils are exhausted. It has been reported that this is likely to occur in the spring of 1941.

(ix) Apart from the chance of reduced supplies for climatic reasons, shortage of labour may well reduce the output of home produced feeding stuffs and thus react unfavorably on the fats position.

13. MEAT

The normal consumption of meat in Germany and Austria in the pre-war period was approximately  $3\frac{1}{2}$  million tons per annum, of which only  $\frac{1}{4}$  million tons was imported. Of the apparent home production of 3 million tons, however, from 4-500,000 tons must be regarded as produced from imported feeding stuffs. The true import deficiency is, therefore, 650-750,000 tons, or 20-22% of pre-war consumption.

As Poland and Czechoslovakia together were almost self-sufficient in meat, their inclusion does not affect

this estimate of deficiency.

14. The probable imports of feeding stuffs in 1940 have already been estimated in the sections of this paper dealing with fats. These should provide between 280,000 and 550,000 tons of meat, of which imports from Russia provide 140,000 tons, while imports from the Balkans account for 150-400,000 tons.
15. Imports of cattle may amount to 300,000 head, of which nearly 200,000 will be supplied by Denmark and the greater part of the remainder from the Balkans. Balkan supplies are calculated on the assumption that Germany obtains the whole of the Hungarian and Bulgarian export surplus and half the export surplus of Roumania and Yugoslavia. Assuming that the average weight of a beast is  $\frac{1}{3}$ rd of a ton and that 50% of this live weight is the meat "content", the total quantity of beef and veal imported will thus amount to 50,000 tons.
16. Imports of pigs are estimated at from 700,000 to 1,300,000 head. 450,000 head will be obtained from northern countries of which over 60% comes from the Baltic States. The total export surplus of the Balkan States may amount to 850,000 head and the maximum figure of 1,300,000 is based on the assumption that Germany obtains the whole of this. If, as has been recommended, the Allies purchase 600,000 head in the Balkans, Germany would only obtain 250,000. The assumption of this purchase provides the basis for the minimum figure of 700,000 head. Allowing for the higher average weight but lower meat content of the pigs obtained from the Balkans, total imports of pig meat should amount to 37-57,000 tons and imports of meat in all forms to 87-107,000 tons.
17. After taking into account the supplies of feeding stuffs, total imports of meat may therefore be estimated

at from 370-660,000 tons as compared with a deficiency of 650-750,000 tons. This conclusion, however, does not take into account any fall off in home produced feeding stuffs. That this is possible in the case of roots and potatoes has already been emphasised. It may also be the case with cereals and grasses where apart from shortage of labour and phosphates there may also be difficulty in obtaining certain clover and grass seeds.

18. It is unfortunately not possible to estimate precisely the present rate of consumption in Germany under the rationing system. But although stocks were small, it is practically certain that supplies are adequate for existing rations and even the cutting off of a much larger volume of imports would not involve any very great hardship to the German people.

19. It is at first sight somewhat difficult to understand why, if the facts in the preceding paragraphs are correct, there should appear to be such a serious shortage of meat in Germany at the present time. The explanation of this shortage probably lies, however,

- (a) in the high rate of consumption by the Armed Forces and those sections of the working population who receive abnormally high rations, and
- (b) in the inclination of "self-suppliers" to retain for their own consumption part of the supplies which they are supposed to provide for the market.

EGGS.

20. The normal pre-war annual consumption of eggs in Germany and Austria was 545,000 tons and of these approximately 80% - 450,000 tons - were home produced. The deficiency of 95,000 tons will probably be exactly covered by wartime imports. Germany is likely to

obtain 24,000 tons from Denmark, 30,000 tons from Holland, 30,000 tons from the Balkans, and 12,000 tons from Belgium, the Baltic States, Norway and Sweden.

21. As in the case of meat it is difficult to reconcile what would appear to be a quite satisfactory egg position in Germany with the continued reports from that country of a serious shortage. The official egg ration of one per person per week is only about half the pre-war rate of consumption. Moreover, there can be no doubt that even this meagre quantity is not always forthcoming. The shortage is probably due to the following three factors -

- (a) Shortage of feeding stuffs and particularly maize;
- (b) Increased consumption by the Armed Forces; and
- (c) The development of black markets in eggs which are particularly difficult to control and which would of course lead to a shortage in the number of eggs sold through official channels.

OTHER FOODS.

22. There are, of course, a number of other foods, the supplies of which are partly or wholly cut off by the blockade. Apart from tea and coffee, the absence of which may be of some importance from a psychological point of view, the shortage of cocoa, semi-tropical fruits, spices, and some varieties of vegetables, tends to make the German wartime menu very monotonous, though these items may not be essential for adequate nutrition. Rather more important is the deficiency in fish, the increased consumption of which played a considerable part in Germany's pre-war food policy. By successive stages consumption was raised to a level of 820,000 tons

in 1938, of which roughly 600,000 tons were obtained by Germany's own fishing activities, while 225,000 tons had to be imported. Of Germany's own catch, in-shore fishing and the Baltic provided roughly one-quarter, while the remaining three-quarters were obtained from the North Sea or oceanic fishing grounds which are no longer accessible to Germany. Even if Germany maintains her imports at the pre-war level, her total wartime supplies of fish would be reduced to one-half of her peacetime requirements, a fact which - though, perhaps, not very serious in itself - tends to aggravate the problem of meat supplies. The reduction in fish supplies also involves a fall in the supply of fish meal, and thus of the feeding stuffs available, especially for pigs.

#### PHOSPHORUS FERTILISERS

23. Of the three essential fertiliser materials, potash, nitrogen and phosphates, the first two are likely to be available to Germany in sufficient quantities from her own home production - though it is possible that the output of nitrogen fertilisers may again be limited in the interest of synthetic fuel production. Her position in phosphates, however, will not be so fortunate.
24. The total pre-war annual consumption of phosphate rock in Greater Germany amounted to 1.4 million tons per annum, the whole of which had to be imported. In addition, Germany consumed 2.9 million tons of basic slag of which on balance 2.7 million tons was home produced. Basic slag is of course a by-product of steel production. In the case of Germany it is largely dependent on the importation of Swedish iron ore with its high phosphorus content.

25. Although it is not anticipated that Germany will be able to import any phosphate rock as such in wartime, she will be able to obtain certain quantities of apatite from Northern Russia; it is understood that the Russians have agreed to supply her with 800,000 tons of this commodity. In addition, she will obtain 44,000 tons of superphosphates from Belgium and Holland.

As the total quantity of Swedish iron ore which she is likely to obtain is only about 80% of pre-war supplies, it seems reasonable to assume that the output of basic slag will be reduced proportionately. She will, however, also obtain 250,000 tons of basic slag from Belgium.

26. Her total supplies of phosphorus fertilisers may therefore be estimated as follows:-

Home-produced basic slag	-	2,160,000	tons
Imported basic slag	-	250,000	"
Imported apatite	-	800,000	"
Imported superphosphate	-	44,000	"
			3,254,000 tons

27. The significance of these quantities however can only be properly appreciated when expressed on a  $P_2O_5$  content basis. They then become:-

	Tons	Grade	Est. $P_2O_5$ content
Home-produced basic slag	2,160,000	15% citric soluble $P_2O_5$	325,000
Imported basic slag	250,000	" " "	37,500
Imported apatite	800,000	Assumed 35% concentrates	280,000
Imported super-phosphate	44,000	40% tricalcium phosphate 18% water soluble $P_2O_5$	8,000
			650,500

Thus, in terms of  $P_2O_5$  content, total supplies of phosphorus fertiliser materials amount to about 650,000 tons as compared with pre-war consumption of 840,000 tons.

There will thus be a deficiency of rather more than 20%. These figures, however, probably under-estimate the extent of the deficiency for three reasons -

- (1) Russian spatite is not such a satisfactory material as phosphate rock for the manufacture of superphosphates;
- (2) It is not absolutely certain that the Russians will be able to supply such a large quantity;
- (3) Basic slag is a much slower acting fertiliser than superphosphates which are particularly needed for arable crops.

It must therefore be concluded that shortage of phosphate is likely to react adversely on German agricultural production, but the consequences will not be felt until 1941 nor - as long as Russian supplies are available - are they likely to be so serious as during the last war.

IRON AND STEEL.

28. The consumption of steel in Greater Germany (i.e. production minus net exports) amounted in 1938 to  $21\frac{1}{2}$  million tons. Output rose steadily from 1933 and the output in 1938 was a peak figure.
29. The production of steel from home-produced ores may amount to  $4\frac{1}{5}$  million tons in 1940 and a further  $7\frac{7}{8}$  million tons may be obtained from scrap. Thus, native resources will supply between 50 and 65% of pre-war consumption.
30. From imported ores and pyrites, some  $6\frac{1}{2}$  million tons will probably be produced and of this nearly  $5\frac{5}{8}$ ths will be due to imports from Sweden. Thus, total production may amount to 17-19 million tons, of which just over  $1\frac{1}{3}$ rd will be attributable to imports.
31. Should the Germans wish, however, it would be possible for them to increase output somewhat above this

level if they draw upon their stocks of ore. Considerable uncertainty exists about the size of these stocks; they were estimated at the outbreak of war at about 4 million tons in terms of iron content. More recent evidence, however, suggests that this figure is definitely too high.

32. A number of reports have recently been received which suggest that the output of the steel industry has recently been greatly reduced and is even as low as 50% of the pre-war level. Total production in 1938 amounted to 25 million tons (of which  $3\frac{3}{4}$  million tons were exported). An output of 17-19 million tons in 1940 would, therefore, be 67-75% of the pre-war level. Moreover, output could be raised further by drawing upon stocks. There is no doubt that the recent severe weather interfered seriously with the transport of iron ore; and it may be that local stocks were actually so small as to compel a reduction in output for this reason.

But it is rather more probable, unless the reports of such a low current output are untrue, that production must have been deliberately reduced below the maximum level. Such a policy is by no means unlikely; for demand from certain directions, e.g. merchant shipbuilding, reinforcing concrete for road building and fortifications, structural steel for building purposes, must certainly have fallen substantially. And so long as inactive warfare prevails and consumption of shells is negligible the demand for steel for military purposes will remain a small proportion of the total. It does not necessarily follow that this policy would involve an actual accumulation of stocks of iron ore. For imports during the last few months have been far below the average monthly level and in any case the German authorities might prefer

merely to reduce the rate at which "collected" scrap is used up.

33. Looking further ahead and even assuming that Germany is able to obtain the same imported supplies, there is likely to be a slow decline in steel output. The reason for this is that the quantity of scrap available is certain to be reduced. The very fact of a fall in steel output in 1940 as compared with 1939 must diminish the quantity of scrap available from processing while the very heavy rate of scrap collection introduced in the years preceding the war can hardly be maintained much longer.

34. Nevertheless, so long as Germany continues to obtain supplies from Sweden there is no reason to anticipate any very serious effects. The rate of decline is likely to be slow and, taking into account the stocks of iron ore, output at the end of two or three years may still be at the rate of 14-15 million tons per annum. Should the imports from Sweden be cut off the position would, of course, be an entirely different one. Output would eventually be reduced to below 10 million tons per annum. At such a level the consequences both to the activity of the German industry and the conduct of the war would certainly be extremely serious. Only increased supplies from Russia, which are certainly possible but at present seem remote, could in any way make up for the loss of Swedish supplies.

#### FERRO-ALLOY MATERIALS

35. As the various materials used for steel hardening purposes are to a certain extent substitutes for one another, it is advisable to consider them together. In this section the German position will be examined in

regard to the six most important ferro-alloys - chrome, manganese, cobalt, nickel, tungsten, and molybdenum.

36. The possibility of substitution is by no means the same for all of these materials. Thus, chrome, with its peculiar qualities of corrosion-resistance and hardness is, strictly speaking, irreplaceable. Similarly cobalt has very special advantages both in the production of magnetic steels and as a catalyst in the Fischer Tropsch process. Manganese, although largely used as a de-sulphurising and de-oxidising agent, can, of course, be extensively employed as an alloying element, provided the ore is of a sufficiently high grade, and for certain purposes can be made to take the place of nickel, tungsten and molybdenum. Except that tungsten cannot replace nickel, these three latter materials are to a large extent substitutable for one another.

For these reasons the position in chrome, manganese, and cobalt will be considered individually while nickel, tungsten, and molybdenum will be grouped together.

37. Chrome.

The pre-war annual consumption of chrome ( $\text{Cr}_2\text{O}_3$  content) in Greater Germany amounted to 75,000 tons. The whole of this had to be imported.

Owing to the fact that under the Turkish Agreement exports of chrome to Germany are prohibited, and restricted in the Greek Agreement to 1,000 tons of ore (500 tons  $\text{Cr}_2\text{O}_3$  content) per annum, Germany must rely almost entirely for her supplies of high grade chrome ore on Yugoslavia. How much she will obtain from that country is not at present quite certain. Here, too, there has been much Allied activity and as far as can be seen at present Germany is only likely to obtain from

10-15,000 tons a year. She may also secure a further 500 tons a year from Bulgaria. Russia produces considerable quantities of chrome ore but it is nearly all low grade and for the present there is no indication that she is willing or able to supply Germany. Furthermore, all exports of ferro-chrome from Scandinavia to Germany are forbidden under the war trade agreements. The net deficiency is, therefore, exceedingly great, amounting to no less than 80% of pre-war consumption.

It is probable, however, that only about 60% of the pre-war consumption was for metallurgical purposes. The remaining 40% which was employed in the production of chemicals will probably be cut out almost completely in wartime. On the other hand, the metallurgical demand for chrome is bound to increase. On balance it may be said that wartime consumption is likely to be of the order of 65,000 tons per annum.

To meet this, Germany has 45,000 tons of stocks in addition to the imports already mentioned. Her total supplies are, therefore, hardly sufficient to last till the autumn of 1940. Once her stocks are used up she will have available no more than 25% of her total requirements. The consequence of this is bound to be extremely serious. Chrome is a very vital material indeed for armour plating of all kinds and the lack of it is bound to react severely on the quality of Germany's war equipment.

38. Manganese.

The pre-war annual consumption of manganese (in terms of metal content) in Germany amounted to 450,000 tons. Against this, home production may be estimated at 225,000 tons. The deficiency of 50% can undoubtedly be met by imports from

the U.S.S.R., whose export surplus amounted before the war to about 450,000 tons in terms of metal content. The small quantities which Germany might also obtain from the Balkans are quite insignificant in comparison with the huge Russian supplies.

Three other factors suggest that the true situation is even more favourable to Germany.

- (a) Home production could, if necessary, probably be increased, although the ore mined would be of a low character;
- (b) Consumption for de-sulphurising purposes is likely to be reduced, not only because of some fall in the total production of pig iron, but also because employment of the soda ash process in basic Bessemer production will make it possible to dispense if necessary with a considerable quantity of manganese;
- (c) Stocks of manganese in terms of metal content are believed to be 170,000 tons and the greater part of this is probably high grade ore.

There is, therefore, no doubt that Germany will have ample supplies of manganese ore, not only for de-sulphurising but also, providing she obtains the high grade ore from Russia, for the production of ferro-manganese which she will almost certainly have to use in place of nickel, molybdenum, and tungsten. Should the Russian supplies be cut off, she might still have sufficient for de-sulphurising but, after her stocks were exhausted, she would not be in a position to produce ferro-manganese for which relatively high grade ore is required.

39. Cobalt.

As has already been mentioned, cobalt is especially used for the production of magnetic steels and as a catalyst in the hydrogenation of oil. The consumption in Greater Germany before the war was 800-1,000 tons per annum. Of this only 100 tons was home produced.

Imports in wartime from adjacent neutrals cannot exceed 100-150 tons per annum, of which approximately 2/3rds would come from Finland and the remainder from Belgium, Although the consumption in wartime is likely to be slightly reduced, the net deficiency must amount to at least 600-700 tons or 75% of consumption. To meet this deficiency the German Government had stocks at the outbreak of war of between 600 and 800 tons. After allowing for the imports from Finland and Belgium, Germany should, therefore, have sufficient cobalt to last some 15-18 months from the outbreak of war. Thereafter supplies available would only be a small fraction of her requirements. The consequences of this must be, firstly, to hinder the installation of new hydrogenation plants and possibly even to prevent their satisfactory maintenance and secondly, because of a shortage of magnetic steels for the electrical and instrument industries, to react adversely upon German efficiency.

40. Nickel, Molybdenum and Tungsten.

	:Pre-war :consump- :tion	: Home Pro- :duction : 1940	:Probable :wartime :imports	:Annual :defic- :iency	: Stocks
	: M.Tons	: M.Tons	: M.Tons	: M.Tons	: M.Tons
Nickel	: 15,000	: 600	: 800	: 13,600	: 9,000*
	: lbs.	: lbs.	: lbs.	: lbs.	: lbs.
Molybdenum	: 6½ mill.	: nil	: nil	: 6½ mill.	: 11½ mill.*
Tungsten	: 8 mill.	: nil	: nil	: 8 mill.	: 8 mill.*

\* Recent information is to the effect that these figures may be a good deal too high.

In estimating their significance of the above figures the following points have to be borne in mind.

- (a) The peacetime consumption figure for nickel includes a very substantial quantity not used for steel hardening purposes at all. These other uses can virtually be eliminated altogether in wartime. It is probable that not more than 9,000 tons represents the true pre-war consumption of nickel for ferrous metallurgy. Of the imports in wartime, 600 tons will be obtained from Norway and the remaining 200 tons from Greece.
- (b) The wartime consumption of tungsten may also be slightly lower than in peacetime. On the other hand the demand for molybdenum is certain to be greatly increased.
- (c) Owing to the fact that stocks of nickel and tungsten were sufficient for only one year of war while those of molybdenum were sufficient for two years, it can be taken as certain that Germany will be obliged to use part of her molybdenum stocks to replace nickel and tungsten. Owing to the fact that (very approximately) 1 lb. of molybdenum can replace 3 lbs. of nickel or tungsten, the supplies of molybdenum are likely to last rather longer than appears at first sight. After making the necessary conversion from pounds into tons and allowing for this higher efficiency of molybdenum, it can be concluded that taking the three metals together, Germany's supplies will be sufficient to last about one year more. Thereafter virtually none of these three metals will be available.

41. Ferro-Alloy Materials as a Whole.

There can be no doubt that shortage of ferro-alloys and steel hardening materials constitutes one of the greatest weaknesses in the German economic and military situation. Out of the six materials considered, only manganese will be available to Germany in the long period in sufficient supplies. The chrome situation, thanks to the energetic policy pursued by the Allies, must be regarded as already acute. After about 18 months of war the stocks of the remaining four will be exhausted. Although, as has been pointed out, Germany will no doubt

attempt to use increasing quantities of manganese as a steel alloying element, it can hardly be doubted that the quality of the armaments produced must be seriously affected.

42. To all this, however, there remains one vital qualification - that Germany does not obtain additional supplies of these materials either by evading the blockade or via Siberia. This point must be particularly emphasised because the actual tonnage required is so extremely small. There is, therefore, need for the utmost vigilance on the part of the Allies to prevent any supplies whatever from reaching Germany.

PETROLEUM PRODUCTS.

43. The pre-war annual consumption of petroleum products in Greater Germany amounted to  $7\frac{1}{2}$  millions tons. Home production including domestic crude, synthetic oils, benzol and alcohol is expected to rise to a rate of 4 million tons in 1940. Imports from Roumania will probably not be less than  $1\frac{1}{2}$  million tons, but it is unlikely that they will rise much above this level in the present year. Transport difficulties aggravated by the unusually severe winter have created very heavy arrears in the first three months. Imports from Russia are estimated at 800,000 tons for 1940, a figure which may well be exceeded in 1941. As in the case of so many other commodities, the rate at which imports have been received in the last six months is certainly well below the rates suggested for the year as a whole.
44. As compared, therefore, with the pre-war rate of consumption of  $7\frac{1}{2}$  million tons, current supplies in 1940 will be in the neighbourhood of  $6\frac{1}{2}$  million. It would, however, be unwise to assume that a deficiency of one million tons will actually occur. Apart from the stocks

accumulated at the outbreak of war, there is the vital question of the present as compared with the pre-war rate of consumption.

45. A special study of consumption of petroleum products in Germany has recently been made by the Lloyd Committee. According to their estimates, consumption by the Armed Forces will amount under the present conditions of static warfare to 2,860,000 tons per annum. If static warfare conditions prevail for only six months and active warfare supervenes for the remainder of the year, this figure will rise to 3,670,000.

Civilian consumption was estimated at  $3\frac{1}{2}$  million tons. Thus, total consumption, according to the Lloyd Committee, under the three different sets of circumstances would amount to 6,360,000 tons, 7,170,000 tons and 8,000,000 tons. It appears, therefore, that during the year as a whole supplies will be adequate to cover requirements if the present inactive conditions continue.

COPPER.

46. The pre-war annual consumption of copper in Greater Germany amounted to approximately 280,000 tons. Home production in wartime, including scrap, is not likely to exceed 110,000 tons. Imports of copper in all forms from adjacent neutrals will probably lie between 37 and 50,000 tons. Of this Norway will supply about 10,000 tons, Yugoslavia 12-18,000 tons, Finland 6,500-13,000 tons, Belgium 6,000 and Denmark 2,000 tons. Whether the maximum figure will in fact be reached depends partly on the output of copper in Yugoslavia and partly on the situation in Finland. Consumption in wartime, after

allowing for the highest degree of substitution which is likely to be possible, can scarcely fall short of 300,000 tons. There is thus a total import deficiency of 64%, of which only one quarter or less is likely to be covered by imports from Europe.

47. To meet this deficiency Germany can draw on her stocks. These are believed to have been at the outbreak of war approximately 250,000 tons. By using up 60% of these stocks she will be able to meet her needs for the first year of the war and the remaining 40% will enable her to carry on until about the summer of 1941. Once these stocks are used up, however, her supplies will only amount to about 50% of her requirements.

48. The consequence of this situation when it materialises will be very serious indeed. There will be almost inevitably a deterioration in her war materials and the effects of a shortage of copper wire in industry will be extremely grave.

Faced with this situation, Germany will no doubt attempt to increase her supplies from Yugoslavia and above all to import copper via Siberia. There is considerable evidence that she is already beginning to attempt this, and the transport facilities which are believed to have been placed at her disposal by Russia would make it possible for her to cover at least a part of the deficiency. It is also quite conceivable that the Russian output of copper might be substantially increased. Russia is at present, of course, a net importer to the extent of some 60,000 tons per annum; but here perhaps more than anywhere else production is notoriously inefficient and it is not impossible that German technicians, if they were permitted to, might stimulate output in Russia during the course of the next three years

to such an extent that Germany could herself obtain supplies from this source.

LEAD.

49. The pre-war annual consumption of lead in Germany amounted to 250,000 tons. Production in wartime, including scrap, is not likely to exceed 125,000 tons. The import deficiency of 50% will only be covered to a very small extent by imports. These may be estimated at approximately 29,000 tons, of which 27,000 tons will be obtained from Yugoslavia.
50. To meet this situation Germany can use up her stocks, estimated at 100,000 tons at the outbreak of war; but even so, after taking imports and home production into account, this will only enable her to carry on at the pre-war rate for one year of war. Thereafter, unless additional imports can be obtained, Germany will have to be content with supplies amounting to 60% of her peacetime consumption.
51. The position may be eased somewhat by a reduction in non-essential uses, but in comparison with Great Britain where, for instance, the use of lead for building purposes is exceptionally large, the scope for such economy is small. Apart from building, Germany needs lead to replace tin in bearings and for accumulator plates and cables. Probably about 45% of her total consumption of lead was used for cables and accumulators.
52. It is also possible that she may obtain certain additional quantities from Bulgaria where unworked deposits could be opened up, and she may well attempt to augment her supplies by importing via Siberia. Although the effects of a shortage of lead are not as serious as a shortage of copper from the point of view of armaments and industry, the

fact that a shortage is likely to occur sooner and the high consumption of lead for cables, accumulators and bearings implies that it must certainly be regarded as one of Germany's more serious weaknesses.

ALUMINIUM AND BAUXITE.

53. The output of aluminium in Germany has risen very greatly in recent years. In 1938, when it was 165,000 tons the consumption of bauxite for this purpose amounted to around 700,000 tons. In addition to this at least 150,000 tons of bauxite were probably used for other purposes such as aluminium sulphate. In 1939, when aluminium production is believed to have been 230,000 tons, bauxite consumption for this purpose must have risen to over 900,000 tons. It has been reported that Germany is planning to increase aluminium production in 1940 to 260,000 and perhaps 300,000 tons. This will require 1.2 to 1.3 million tons of bauxite. The consumption of bauxite for other industries may decline to 100,000 tons or perhaps even less.
54. There is only a very small production of bauxite in Germany itself but steps have recently been taken to obtain alumina from clay. It is known that capacity for producing about 48,000 tons of alumina per annum already exists. It may be estimated that taking both the home-produced bauxite and the alumina from clay together, the equivalent of approximately 100-150,000 tons of bauxite will be obtained.
55. Imports of bauxite are at present obtained from Hungary, Yugoslavia, Italy and Greece. Since the outbreak of war, supplies from Yugoslavia have diminished on account of transport difficulties and probably amount to only about 200,000 tons per annum. Supplies from Hungary, on the other hand, have increased sharply and it has recently been reported

that the Hungarians have agreed to supply Germany in 1940 with 820,000 tons. This is nearly twice as much as they were supplying before the war. Germany will also obtain 100,000 tons from Italy and 27,000 tons from Greece.

56. While there may thus be some deficiency between the planned production which requires 1.3 to 1.4 million tons and the probable supplies of bauxite, both imported and home-produced, which may amount to 1.3 million tons, the difference can easily be met from stocks, of which Germany is believed to have had 1.7 million tons at the outbreak of war.

57. It may be concluded, therefore, that Hungary alone is likely to supply about 70% of Germany's requirements and that unless Hungarian supplies can be restricted, no serious shortage of bauxite is likely to occur until the huge stocks accumulated before the war have been exhausted. How fast such exhaustion will take place depends primarily on the rate at which aluminium production is expanded.

#### RUBBER AND BUNA.

58. The pre-war annual consumption of rubber in Greater Germany amounted to 130,000 tons. Only a small fraction of this was derived from reclaimed rubber recovered in Germany, by far the greater part being, of course, imported in the crude form. Imports of rubber in wartime are virtually limited to what Germany can obtain by evasion of the blockade or via Siberia. Apart from this Germany must depend on

- (a) increased Buna production;
- (b) stocks of rubber accumulated before the war;

- (c) the collection of scrap for reclaiming;  
(d) curtailment in non-essential requirements.
59. For the year 1940 Buna production is not likely to exceed 25,000 tons, but in 1941 its output will almost certainly be doubled and, if certain projected expansions are completed in time, production may rise to 75,000 tons.
60. Stocks of rubber at the outbreak of war have been estimated at 40-50,000 tons of which probably not less than 20,000 tons was in the form of scrap. This estimate, however, makes virtually no allowance for military consumption in the years preceding the war. It is quite possible for this reason that stocks were in fact very much lower and may have amounted to little more than 15,000 tons of crude and possibly 30,000 tons of rubber in all forms.
61. There was at the outbreak of the war a very considerable amount of reclaimed rubber in Germany. Apart from the 15-20,000 tons of stocks already mentioned, as much as another 20,000 may have been obtained from the stripping of tyres from cars laid up on account of petrol shortage. Moreover, although for the same reason the rate of current collections must fall heavily, a small amount from this source will also be available. By no means all this reclaimed rubber, however, is likely to be converted for use in 1940. As far as is known at present the regenerating plant capacity does not exceed 20,000 tons per annum.
62. On the information at present available, it is difficult to estimate with any degree of accuracy the rate of consumption of rubber in wartime. It may be taken as virtually certain that despite increased military requirements the reduction in the demand for tyres for civilian purposes would be so great that a fairly substantial net reduction in the

consumption of rubber as a whole is likely to occur. Estimates of consumption vary from 70-120,000 tons. As the following paragraph shows, however, it seems most unlikely that Germany will have available either in the first or the second year of war anything approaching the higher of these two figures.

63. In the first year of war the total supplies may amount to 25,000 tons of Buna, 15-20,000 tons of crude rubber (taken from stocks) and 20,000 tons of reclaimed rubber, amounting in all to 60-65,000 tons. This represents a reduction of 50% on pre-war consumption and even so, it will only be achieved at the cost of using up all the stocks of crude rubber available. Thus the present rubber position in Germany is undoubtedly extremely bad and must remain so unless she can obtain additional supplies via Siberia. Nor is the situation likely to be greatly eased in the second year. For although Buna production will have risen to 50,000 and possibly higher, it is unlikely that more than 25,000 tons of reclaimed rubber can in practice be used. Apart from the shortage of regenerating capacity, there is also the technical difficulty of blending more than a fairly low percentage of reclaimed rubber, at any rate for tyres and tubes for military vehicles. Looking further ahead, however, and assuming that Germany is willing to use the necessary manpower and raw materials for the purpose the position may be relieved by a still greater increase in Buna production, although at the same time supplies of reclaimed rubber will tend to diminish.

TEXTILES.

64. The fact that it is very often possible to substitute one textile fibre for another, and that the so-called

artificial textiles - rayon, and staple fibre - can be used as substitutes for more than one natural fibre, makes it advisable to consider the German situation in textiles as a whole rather than to take each commodity individually.

65. The following table sets out the position in six main fibres:-

	Consumption Pre-war	Production 1940	Probable Imports 1940	Deficiency	Stocks at 3.9.39.
Cotton & cotton waste	520,000	60,000	120-130,000	- 340,000	114,000
Wool	223,000	110,000	10- 15,000	- 100,000	70,000
Jute	167,000	11,000	-	- 156,000	40,000
Hemp, incl. sisal and manila	143,000	26,000	38,000	- 79,000	80,000
Flax	100,000	90,000	37- 47,000	+22-30,000	?
Rayon and staple fibre	235,000	355,000	-	+ 120,000	?
	1,398,000	652,000	206-231,000	499-507,000	304,000

66. It will be seen that the total deficiency to be covered by imports is nearly 750,000 tons or about 55% of pre-war consumption. The supplies which Germany is likely to obtain from abroad cover less than one-third of this deficiency and the final shortage as compared with pre-war consumption amounts to approximately 500,000 tons.

67. The imports of cotton are almost entirely from the U.S.S.R. (100,000 tons) and Iran (10-20,000 tons). Hemp will be supplied by Italy, Yugoslavia and Hungary; flax chiefly from Russia and the Baltic States.

68. The figure for production of cotton refers to cotton waste in the form of rags, while that for wool includes 90-96,000 tons of shoddy. It is doubtful whether the collection of rags and shoddy will be maintained at this rate in wartime and as the war goes on, it is almost certain to decline. The production figure for jute refers to artificial jute.

69. It will be seen that the output of rayon and staple fibre for 1940 exceeds by 120,000 tons the consumption in 1938. This surplus together with the surplus in flax must be used to replace the four other deficient materials. The net deficiency of 500,000 tons has been calculated on the assumption that this replacement occurs.

70. In the first year of the war, Germany will be able to make use of her fairly substantial stocks, particularly in wool and hemp, but once these have been exhausted she must rely on further substitution and reduced consumption. The deficiency in jute, for example, will have to be and is being met by the use of paper bags in place of sacks, while rayon and staple fibre, the production of which has increased enormously in the last few years, must be stimulated still further. The most important raw material for staple fibre, high bleached sulphite pulp, is likely to be available in sufficiently large quantities. The chief obstacles will be lack of capacity - particularly for bleaching - and possibly some shortage of carbon disulphite.

The consumption of cotton and wool has already been severely cut down by the rationing system. How far this is sufficient to bridge the gap it is not possible to say. The lack of demand for ropes for merchant shipping will

automatically curtail, to a considerable extent, the demand for sisal. On the other hand, the necessity of continuing to export cotton and woollen fabrics - nowadays almost always mixed with artificial fibres - must reduce still further the supplies available for home consumption.

71. The effectiveness of the blockade in cutting down German supplies of textile fibres is undoubtedly very great, and the acute shortage at present prevailing in Germany is likely to continue for a considerable time and may well become even more serious. Against the increase in production of artificial substitutes must be set the inevitable reduction of stocks. At the same time, present consumption is undoubtedly already greatly reduced and, in the long run, increased supplies of cotton and flax (and possibly hemp) from Russia and still greater output of staple fibre at home may possibly tend to ease the situation.

LEATHER, HIDES AND SKINS AND TANNING MATERIALS.

72. The leather situation in Greater Germany cannot be satisfactorily examined without taking into account at the same time the supply position of the two essential materials, hides and skins, and tanning materials. While Greater Germany was virtually self-sufficient in leather before the war, there was a very substantial import deficiency both in hides and skins and in tanning materials.

73. The total consumption of hides and skins amounted to 440,000 tons per annum and of these less than half, 210,000 tons were home-produced. The probable imports in 1940 amount to some 20,000 tons, of which - after including leather - 66% will be heavy hides obtained from Denmark,

Belgium, and other northern states, and 34% light skins obtained from the Balkan countries. The deficiency of 53% will therefore only be reduced by these imports to 48%.

74. Owing to the fact that the tanning process takes at least six months, the stock of leather actually in process of production must be considerable and may be estimated at between 100 and 150,000 tons. Moreover, there is reason to believe that in the two years preceding the outbreak of war there was some accumulation of finished leather, of which probably the greater part took the form of military equipment.

75. In terms of tannin content, Greater Germany's pre-war consumption of tanning materials amounted to 142,000 tons. Of these at least 60,000 tons were home produced. Imports of tanning materials in terms of tannin content are not likely to exceed 8-10,000 tons, of which about 70% will be obtained from the Balkans in the form of oak bark and valonea. The remaining supplies will be chestnut extract and sumach from Italy and a small quantity of oak bark from Belgium.

76. It appears, therefore, that the supplies of tanning extracts will be just sufficient to treat the quantities of hides and skins which are likely to be available. Moreover, should it be necessary, it will probably be possible to extend home production, particularly of synthetic materials. At the same time, a comparatively small increase in the rate of slaughtering would make available increased supplies of hides and skins.

77. It may be concluded that once stocks are exhausted the supply of leather in Greater Germany is not likely to amount to more than between 55 and 60% of pre-war

consumption (110-120,000 tons). Judging by British standards, the quantity of leather likely to be required per annum for the needs of the present German Armed Forces would amount to about 45,000 tons for boots and 16,000 tons for other equipment. It is rather unlikely that Germany will, in fact, supply her troops on the same lavish scale; but it will be seen that if she does so, the Army will require at least half the total output of leather. After deducting the leather required for industrial purposes, the quantity available for the civilian population will be very severely reduced. There is no doubt that the shortage of leather for civilians is already acute. A strict form of rationing has been introduced, experiments are being made with pig skins, wooden soles are being supplied and various forms of fibre and reclaimed rubber are being used as substitutes. As stocks in process are used up and household stocks become worn out, the condition of the footwear of the civilian population must inevitably become worse. Apart from this development, however, the supply position is not likely to change at all substantially.

SULPHUR.

78. It is a difficult and complex task to estimate accurately the German position in sulphur and only a bare outline of the position will be attempted here.
79. The pre-war annual rate of supplies of sulphur available in all forms and all sources in Greater Germany is believed to have been 1.3-1.4 million tons. As, however, some of this was almost certainly put to stock, the true rate of consumption was probably from 100-200,000 tons less.
80. Home production in wartime - which is being considerably expanded - is expected to amount to 730,000 tons.

Imports will probably be from 450-500,000 tons. Between 80% and 90% of these will be obtained from imported pyrites of which approximately 50% may be supplied by Russia, 25% by Norway and the remaining 25% by Italy and the Balkan States. In addition, Italy has agreed to supply Germany with 70,000 tons and Norway with 4-500 tons of sulphur, while from Belgium over 20,000 tons will be obtained in the form of sulphuric acid.

81. Total supplies may therefore be calculated at about 1.2 million tons, which should just be sufficient to maintain the pre-war rate of consumption. A careful study of the probable consumption of sulphur in wartime suggests that there will be no great change from the pre-war rate - although there will be substantial changes in the quantities employed in different uses. Difficulties may, however, arise because the proportions in which sulphur as such and pyrites are available are not those which are most suitable.

82. Stocks of sulphur at the outbreak of war - whether in the form of sulphur as such or as pyrites - were of the order of 250,000 tons.

83. It must be concluded therefore that for the present Germany has sufficient sulphur for her requirements. If, as may well be the case, additional imports from Italy and Russia could be obtained, she will have no reason for anxiety about this commodity.

OTHER COMMODITIES.

84. Tin.

German pre-war consumption of tin amounted to 18,000 tons per annum. Of this only 100 tons was produced from natural deposits in Greater Germany, but 4000 tons was obtained from scrap either in the form of metallic tin or

tin alloys or tin chloride. The only imports of tin from adjacent neutrals which Germany is likely to obtain are 340 tons from Belgium. Current supplies will, therefore, be only about 25% of pre-war consumption and even this amount is likely to diminish as the quantity of scrap collected declines. Stocks available at the outbreak of war are believed to have been 2-3,000 tons. Total supplies would, therefore, be sufficient for - at the most - six months of war on the basis of pre-war rates of consumption. There should, it is true, be little difficulty in reducing demand in wartime partly by cutting out non-essential requirements and partly by the use of other metals such as aluminium and of lacquers for canning purposes. The fact remains, however, that Germany's tin situation is extremely bad and can only be relieved by imports via Siberia. There are already indications that Germany is attempting to obtain supplies by this route.

85. Asbestos.

The pre-war consumption of asbestos is estimated to have been 26,000 tons per annum of which only 3,500 tons was home produced. Stocks at the outbreak of war are believed to have been 15,000 tons. Since, however, Germany is likely to obtain as much asbestos as she needs from Russia - at any rate of short staple variety - her position in this commodity is undoubtedly completely secure.

86. Antimony.

Pre-war consumption amounted to 2,500 tons, of which very nearly 50% (1,200 tons) was home produced. Stocks at the outbreak of war are estimated to have been 1,200 tons or very nearly six months' supply. Germany will probably import a further 1,200 tons from German controlled mines

in Yugoslavia. As the output of these mines as well as that of the domestic mines can be increased, supplies are almost certainly adequate. Although in the last war the use of antimony in shrapnel caused the rate of consumption to increase very greatly, it is not anticipated that any substantial increase in demand will occur in the present war.

APPENDIX V

SUMMARY OF INFORMATION

on

EXPORTS FROM ADJACENT NEUTRALS

(in excess of figures in Appendix III)

1. Except in the case of Sweden, War Trade Agreements have been too recently signed for any serious breaches in them to have occurred. There is, however, a good deal of evidence of traffic into Germany on an important scale whereby neutral merchants previously appear to have helped to evade our control of control of contraband, and in some cases the emergency decrees of their own countries. The following notes attempt to give a broad impression gained from a study of the information and evidence available of goods passing recently into Germany from adjacent neutral countries, in excess of the quantities now permitted under agreements with States or groups of manufacturers and in excess of the figures given in Appendix III of this paper.

For this purpose it is convenient to divide adjacent neutral countries into groups :-

- (a) Scandinavia
- (b) Low countries
- (c) Spain and Portugal
- (d) Italy and Switzerland
- (e) Balkans and Danubian countries.

2. Scandinavia.

Less information of any kind is at present being received regarding the Scandinavian group of neutrals than of any others, and the first impression gained on examining what there is, namely, that there may have been less illicit traffic into Germany from Scandinavia than from elsewhere, may prove ill-founded, if and when mere information becomes available. The lack of statistics from these countries and

difficulties in regard to regular ship reporting have made it impossible so far to state with any certainty what is happening to their export trade with Germany.

3. Nevertheless, some disquieting features are revealed. It has not yet been possible to provide a satisfactory explanation for an apparent disappearance of considerable quantities of oil consigned to Denmark in the first four months of the war. Danish as well as Norwegian and Swedish imports of certain other commodities appear to be much in excess of the normal, and explanations received still leave room for doubt.

4. The Norwegian Government have recently advised us confidentially that they are suspicious as to the ultimate destination of Norwegian hides and skins for consumption in Sweden, stating that the Swedish authorities were granting transit terms which the Norwegian Government did not like.

5. A number of telegrams indicate shipments of ferro-chrome, ferro-tungsten and ferro-silicon from Norway and Sweden to Germany. Though some shipments out of pre-war stocks are permitted, those dealt with in the telegrams received seem to be excessive and may involve about 500 tons, mostly of ferro-chrome in March.

6. On the 8th March a Hamburg firm requested a Norwegian firm to forward 100 tons of T.N.T. in language which does not at all suggest that it was merely a pious hope.

7. During January, the Swedes apparently exported 6 tons of tin and 6 tons of copper to Germany. Although the quantities are trifling, the transaction appears to involve a definite breach of the War Trade Agreement.

8. Imports of tin into both Sweden and Norway have been

high and there is evidence that the Bata firm of Zlin, Czechoslovakia, are endeavoring to find means to import 10 tons of tin from Oslo.

9. Low countries.

Although it is difficult to assess the precise extent of leaks into Germany from Belgium and Holland, there is little doubt that they have been fairly considerable in the past. It is also interesting to observe that the evidence of illicit traffic from a country into Germany appears to increase in geometric rather than arithmetical proportions in relation to the quantity of information received. This naturally adds to one's disquiet as to what may be happening in countries about which but little information comes in.

10. There is documentary evidence from records of way-bills that during the four days February 16th - 19th, there passed into Germany from Belgium for German destinations through one line of egress only :-

67 tons of copper and brass  
17 tons of tin  
94 tons of lead  
7 tons of white metal

besides other goods. Other consignments are stated to have proceeded by road during those days.

11. Again, a watch on Rhine barges leaving Antwerp for Germany since the 21st February indicates, if the detailed reports are correct, that in under a month from that date :-

475 tons of copper  
170 tons of lead  
350 tons of tin  
150 tons of Spanish iron ore

ostensibly shipped to Basle or Sweden with expert licences accordingly were in fact intended for and detained in Germany.

12. Finally, a combination of the Belgian official statistics

for the first three months of war, together with subsequent reports and evidence received, make it possible to estimate that, during the first six months of the war Belgium exported to Germany, inter alia, about :-

3,500 tons of wool  
8,000 tons of copper  
10,000 tons of lead  
3,000 tons of zinc  
450 tons of tin  
200 tons of nickel.

Further reports are still coming in of additional consignments.

13. The above notes appear to suggest that Belgium is the chief offender. This is not believed to be the case; but information regarding Holland lends itself less to summarisation and is less complete. It would seem that there are equal grounds for suspicion in regard to Dutch merchants and that, in fact, for illicit export and smuggling purposes the two countries ought to be regarded as one owing to the devices used by Belgian and Dutch traders for bogus transit between the two countries in order to cover their tracks.

14. The chief means now employed to pass goods into Germany appears to be the obtaining of an export licence with the help of a confederate in another adjacent neutral country and the goods exported by rail across Germany. With the connivance of the German authorities the goods do not reach the destination for which the export licence was granted. Whereas the Belgian and Dutch authorities are collaborating to try and stop this trade, it is clear that fairly large consignments have been sent to Germany by this process.

15. Spain and Portugal.

It would appear that Spain and Portugal may usefully be regarded as one unit in the same way as Belgium and Holland in matters concerning illicit trade with Germany, since contraband

from Portugal appears chiefly to be routed across Spain for export through a Mediterranean port and Genoa rather than to the Low Countries or Scandinavia.

16. Portuguese trade with Germany is probably not very great at present but it is well organized and shows some signs of increasing. The contraband traffic chiefly appears to concern Portuguese and Portuguese Colonial products. There is as yet little evidence to show that Portugal is forwarding or transshipping goods from other countries (e.g. America) to Germany.

17. The Portuguese products of which there is evidence of Germany receiving consignments include :

wolfram	fish oils	vegetable fibres
resin	fruits	coffee
turpentine	wines	cocoa
cork	olive oil	Colonial edible oils
sardines	hides and skins	and seeds.

18. Germany are known to be buying Portuguese wolfram ore at a rate of several hundreds of tons a year. From November 1939 onwards German agents were buying quantities of cork and telegrams show that shipments were being made via Holland. They presumably, therefore, passed through our contraband controls on false declarations. An intercepted letter is evidence of arrangements for a large consignment of cork, actually for Germany, to be shipped to Italy and thence nominally by rail to Roumania. The Commercial Secretary, Lisbon, has drawn attention to shipments of sardines, nominally to Greece, but actually to Germany. It had previously been reported that Germany was buying large quantities of sardines in Portugal and that large stocks had been disposed of in this way.

19. Exports to Germany from Spanish ports on the Atlantic appear to be negligible, but there are fairly numerous indications of exports leaving Spanish Mediterranean ports and actually reaching Germany after passing through Italy. Some entrepôt trade through

the Spanish North African port of Melilla also appears to be growing up.

20. The principal goods concerned in this trade include wolfram, tartrates, nuts, citrus fruits, olive oil, sardines, cork, resin and turpentine.

21. It was reliably reported in January that the German organization Hisma in Vigo were warehousing about 30 tons of wolfram a month, which was forwarded to Barcelona and thence to Germany via Italy.

22. H.M.R. Madrid reports that during the last four months of 1939, 184 tons of cream of tartar and 1033 tons of wine lees were despatched to Genoa for Germany. Confirmation of the purchase of these goods by Hisma has been received from commercial sources.

23. H.M.R. Madrid reported early in January that a contract for a shipment of 1,000 tons of nuts from Majorca to Genoa for Germany had been arranged.

24. Intercepted telegrams and letters from Murcia to Hamburg concern a shipment of 2,000 kilos of lavender oil from Alicante or Cartagena to Genoa for Germany, an offer being made for considerably larger quantities. A cable from Leipzig to Barcelona places an order for rosemary oil and offers for eucalyptus.

25. There is some evidence of an interesting merchant trade whereby Germany purchases Spanish goods and exports them in neutral bottoms to other neutral countries, obtaining thereby a balance of devisen. It seems, however, difficult to prevent this.

26. Italy and Switzerland.

Although it is very difficult to reach a clear-cut conclusion on the relative efficacy of our contraband control or the comparative success of German efforts to evade it with Italian assistance, the cumulative effect of secret reports and censored correspondence leaves little doubt that in so far as German imports of contraband through Italy are concerned, the traffic, which died right down after the first two months of the war, has recently begun to revive and shows signs of increase in future. There is equally little doubt that the chief channel for the German export trade overseas is already provided by the good will of Italian merchants.

27. First-hand statements which cannot be disregarded suggest that certificates of origin given by local Italian authorities are absolutely valueless, while the quantity of German dyes arriving in Italian ships in the Americas and reliable reports of other obviously German goods forwarded with Italian labels confirm this.

28. Our Consuls in Italy feel that every conceivable device is employed for contraband running, including :

- (a) the forgery or duplication of bills of lading
- (b) the omission of goods from ships' manifests
- (c) imports under the guise of Swiss and other neutral trade
- (d) transshipment in a Mediterranean port after passing the contraband control post.

29. Information indicates that the contraband control is being evaded both by transit trade across Italy and by imports for Italian account which are really for Germany.

30. False importations on Italian account cannot yet be proved, but certain abnormal Italian imports arouse suspicion. For

example, Italian normal requirements of castor seeds are under 15,000 tons a year. Since December, Italy has imported 10,000 tons and navicert applications are outstanding for a further 15,000 tons. Purchases from India may reach 6,000 tons, whilst over 2,000 tons are to be supplied by Portugal under a recent agreement.

31. Italy normally imports 30,000 tons of olive oil. The 1940 programme is already at least 50% above that figure.

32. Italy normally consumes 600 tons of molybdenum concentrates per annum, but about 500 tons have already been delivered since the outbreak of war and purchases of a further 700 tons are being arranged.

33. As regards the transit trade, apart from imports from Spain and Portugal dealt with above, Censorship material discloses some imports into Germany via Italy of :-

From Greece	-	tanning materials.
From Turkey	-	fish, nuts, olive oil.
From U.S.A.	-	cotton, cedar wood, brush fibres, soap, nickel.
From Argentina	-	greasy wool.
From Brazil	-	cotton and cocoa.
Central America	-	Coffee.
From Far East	-	wood oil, fish oil, soya oil, ground nut oil.
From India	-	jute.

34. Evidence is still conflicting regarding the quantity of petroleum sent to Germany from Italy. Small quantities, probably of lubricating oil, have undoubtedly been sent recently from Italy through Jugoslavia, but wholesale exports have yet to be proved.

35. It is perhaps worth noting that the Italian Government have been obliged to admit a breach of guarantee given against the re-export of petroleum to neutral countries. Although of no great significance in one direction this affords evidence of the

difficulty in the conscientious governmental administration of guarantees.

36. Switzerland lends itself specially to consideration with Italy in the same way as Portugal with Spain and Holland with Belgium, since the principal route by which she imports goods involves Italian ports, especially Genoa and Savona and, to a lesser degree, Trieste.

37. Reports are conflicting as to whether the increased Swiss imports via Italy are remaining in Switzerland or are in part being forwarded to Germany. The Swiss can hardly be blamed for the transit of goods across their country to Germany from Italy, since all wagons so sent are sealed in Italy and no record of their contents is known to the Swiss.

38. The present impression is that with the exception of a contraband export of rubber tyres to Germany in 1939 and probably some additional illicit trade in raw rubber and cotton, there have been no large contraband transactions. Information is quite insufficient to permit estimates of the possible volume of this or other contraband trade.

39. Balkans and Danubian countries.

Up to the present there has been little evidence to show that these countries are re-exporting goods to Germany, though there is some evidence that firms in Hungary and Jugoslavia are ready to make profits where possible by exporting overseas German goods disguised as domestic produce.

40. There is little doubt that several firms in Eastern Europe, particularly in Roumania, are consciously allowing their names to be used in connection with bogus transit trade from Western Europe across Germany. Reliable reports compromise Roumanian armament

factories, who appear to have pretended that the Skoda Werke were to utilise certain non-ferrous metals for the manufacture of Roumanian armaments.

PSF: Kennedy  
4

COPY

May 18, 1940

KENNEDY SECRET FOR THE QUEEN OF THE NETHERLANDS

I need not tell you that I am proud of the splendid resistance put up by your armed forces against impossible odds.

I do not minimize the splendid possibility that the forces of aggression may yet be repelled on the Continent but if because of inhuman bombing of England it becomes advisable for you and your family to come to the United States please do not hesitate to advise me. I think today the best exit is via Ireland and I can send a cruiser or merchant ship with convoy to Irish port but naturally at least a week advance notice is necessary.

We can keep in touch via Ambassador Kennedy in London or Minister David Gray in Dublin, who is my cousin.

Franklin D. Roosevelt

For the Queen's reply of May 20, 1940 to the above memo

See: Famous People folder-Drawer 3-1940

PSF: Kennedy  
4

For telegram from Joe Kennedy of May 20, 1940 to Sec of State

Re: Bantry Bay

See: State Dept folder-Drawer 1-1940 (President's memo to Breckinridge  
Long of May 20, 1940)

May 20, 1940

My dear Mr. President:

I have your memorandum of today about evacuating Americans. We have warned all Americans out of the Balkan countries, as well as Turkey, Palestine, Syria, Egypt, and the North African Coast.

Those in Tunisia and points west have been asked to proceed to Casablanca, which is accessible by motor and rail. One American ship is calling there and one American is awaiting departure from there.

Americans in Switzerland, Yugoslavia, Hungary, and Italy are being requested to proceed to Genoa. The Washington sailed from Genoa yesterday with 1,076 passengers. We are waiting now to hear from Pell at Lisbon how many Americans are there desiring evacuation. The Washington will reach Gibraltar sometime tomorrow and may be diverted to Lisbon if there are as many as 100 passengers awaiting repatriation but it will be too  
expensive

The President

The White House.

expensive to send her there for less.

The Manhattan is on the way east and, in case war breaks in the Mediterranean, she will be diverted to Lisbon to pick up those and perhaps proceed to Bilbao, so that she will not have to enter the prescribed zone, from which point she can collect the Americans we have warned out of England and France and who are collecting in the neighborhood of Bordeaux. If Italy becomes a belligerent, and consequently Genoa is closed to American ships, Americans in that neighborhood are already being warned and may be directed to proceed to the Bordeaux area.

In case Italy enters the war the situation of those in Greece, Bulgaria, Rumania, and Turkey will be difficult but there are a number of American ships always in the Mediterranean and there will be some at that time in the Eastern Mediterranean. These, we hope, might be got out of the Mediterranean through the Suez Canal and they might be used to pick up Americans at Piraeus, Tel Aviv, and Jaffa on the way.

Warnings have been issued to all people in that area and many of them are heeding the warning.

There will always be some who do not heed these warnings. We are seeking information as to the numbers arriving at different points and will route ships to them in so far as possible. It may be that some of them will  
have

have to proceed overland, through Russia and out via Vladivostok. That is the situation with the small number of citizens now in Sweden, for whom that remains the only practical egress.

We have communicated to Kennedy and Gray in Dublin your desires about Bantry Bay. As you know, Kennedy wired that Ireland might be a trouble spot. However, it seems that Bantry Bay would be the best point of departure and it is impractical to get them over from that country into any other country.

I hope I have complied with your request. If not, and you want to ask me further on the telephone, I am always available.

Faithfully yours,

(Breckinridge Long)

PSF: Kennedy  
+

Dispatch received from Amb Kennedy dated May 21st to Secretary of State--gives summary of what "we should not do in our rearmament program if we want to avoid the mistakes which I have seen the British make." Lists five suggestions.

The President sent the above dispatch to Morgenthau to speak to him about on May 21, 1940.

See: Morgenthau-Drawer 1-1940 (For memo)

file  
Pres May

PSF: Kennedy

OFFICE OF THE  
SECRETARY OF THE ARMY

London, May 30, 1940.

Dear Mr. President:

Your letter of May 3rd, containing an envelope addressed to the King, came yesterday, the pouch which carried it having been greatly delayed. I delivered it to the King to-day in person.

Yours sincerely,

Joseph P. Kennedy

The President,  
The White House,  
Washington.

Amb Kennedy  
4

Letter to FDR from Sumner Welles-July 12, 1940

Re: telephone call and telegram from Joe Kennedy re his opinion that Col. Donovan cannot possibly get any information except thru our existing military and naval attaches and that his mission will simply result in creating confusion and misunderstanding on part of British.

The President sent original letter from Welles of July 12th and Kennedy's cable to Secretary Knox on July 13th, asking him to take it up with Hull and to try to straighten it out.

See: Frank Knox-Drawer 1-1940 (July 13, 1940 memo)

RF  
Joe Kennedy  
4

August 8, 1940

My dear Mr. President:

I feel I should bring the attached telegram from Joe Kennedy to your attention. I shall be grateful if you will let me know what reply you wish me to make.

I am somewhat perplexed because it had been my understanding, from what you told me, that the officers now sent to London were to be regarded as attachés of the Embassy.

Believe me

Faithfully yours,

Enclosure

The President

The White House.

In original of this with JAK's reply to Walter of Aug  
12-1940 returning; despatch  
See - Summer dress - Drumer 1 - 1940

COPY

PSF: Kennedy  
4

August 22, 1940.

Dear Joe:-

The President has asked me to send you the enclosed letter for Mr. Churchill. Will you please be good enough to see that he gets it?

We are all thinking of you much these days.

With affectionate regards in which the President joins,

As ever,

Honorable Joseph P. Kennedy,  
American Embassy,  
London,  
England.

(Enclosure)

Re:-enclosed letter to Churchill from the President dated Aug 19, 1940 with copy of Alexander Kirk's letter of July 29, 1940 to the President.

See:Kirk---Germany folder-Drawer 4-1940 for corres

COPY

PS F: G. B.  
Joe Kennedy  
4

Hyde Park, N. Y.,  
August 28, 1940

MEMORANDUM FOR

THE SECRETARY OF STATE

If you approve, will you send the following message to Ambassador Kennedy:

"The destroyer and base matter was handled in part through you and in part through Lothian but the situation developed into a mapping proposition where the Army and Navy are in constant consultation with me here and the daily developments have had to be explained verbally to Lothian.

There is no thought of embarrassing you and only a practical necessity for personal conversations makes it easier to handle details here.

I should be glad to have you explain to former Naval person that I am totally precluded from giving away any Government vessels or equipment and that latest plan covers both angles, British and American.

It is essentially that two of seven bases be donated by free will and accord of Great Britain and that other five bases be transferred by Britain in consideration of simultaneous transfer by us of fifty destroyers.

Don't forget that you are not only not a dummy but are essential to all of us both in the Government and in the Nation.

Franklin D. Roosevelt"

For the original of this  
See: Navy folder-Drawer 1-1940 (Correspondence on the 50 destroyers)

PSF; Kennedy Folder  
4-40

October 4, 1940

Dear Joe:

This letter will be brought to you  
by Ralph Ingersoll who is carrying a message  
to you from me.

Good luck to you.

As ever,

Honorable Joseph P. Kennedy,  
The American Ambassador,  
American Embassy,  
London,  
England.

mal/tmb

File  
Personal

Kennedy  
4

THE WHITE HOUSE  
WASHINGTON

October 25, 1940.

10-25-40

MEMORANDUM FOR THE PRESIDENT:

Sumner Welles phoned that Joe Kennedy's plane is held up and he is not getting here until sometime Sunday.

He is going ahead with arrangements to get Joe Kennedy down here Sunday afternoon, as that would be the only place he could see you before (as Sumner Welles' expresses it) any one else got at him to talk.

He could go up on the train with us .

*E.M.W.*

E.M.W.

P.S. Sumner Welles will call up tomorrow with latest information regarding time of arrival.

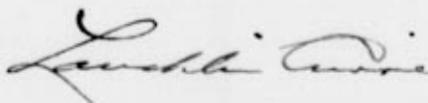
*file  
personal.*

THE WHITE HOUSE  
WASHINGTON

October 25, 1940.

MEMORANDUM FOR MISS LeHAND:

Arthur Goldsmith, a very close personal friend of Joe Kennedy's, called Jerome Frank today and suggested that it would be most helpful if the President were to send Kennedy a little note on his arrival tomorrow and arrange to have him met by somebody important from the State Department.



Lauchlin Currie

PSF: Kennedy  
file  
personal  
confidential  
Fairbanks  
11-26-40

THE UNDER SECRETARY OF STATE  
WASHINGTON

November 26, 1940

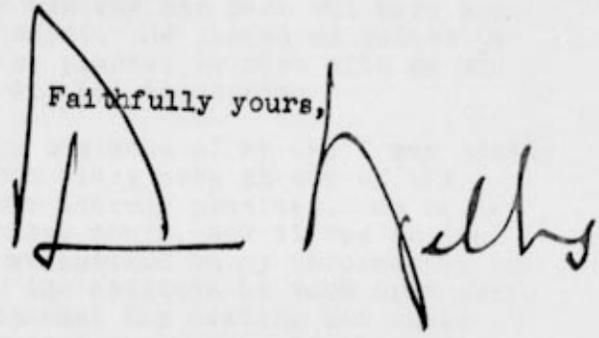
My dear Mr. President:

Secretary Hull and I have read the letter sent to you under date of November 19 by Douglas Fairbanks, Jr., and which you transmitted to us with your memorandum of November 25.

In accordance with your request, I am returning the letter to you herewith.

Believe me

Faithfully yours,



Enclosure.

The President,  
The White House.

WESTRIDGE  
PACIFIC PALISAD&S. CALIFORNIA

November 19, 1940

The President  
White House  
Washington, D. C.

Sir:

I am rushing this off to you because I feel the matter contained in it is urgent. I am also acting in a capacity of a "tattle-tale" about something which you may already have heard but on which, on the other hand, you might not have had a written report. I trust that you will find it possible to keep this communication confidential.

As you know, Ambassador Kennedy has been out here and has been visiting with Mr. Hearst. He phoned me before he went North, telling me that he planned to meet with me on his return. This, however, did not transpire.

Because of some pressing business of my own I was unable to attend a meeting which took place here at one of the studios, over which Ambassador Kennedy presided. He spoke to the gathering for about three hours, and it was another "off the record" talk. I have checked on my information as to the points he covered and the attitude he took from about four different people who attended the meeting and their reports were identical. I therefore have no doubt that their impressions are an accurate picture of His Excellency's attitude. The consensus was that he repeated more or less what he had said in his now famous "off the record" interview in Boston. He stated that although he did not think that Britain would lose the war, still, she had not won it yet. He repeated very forcefully that there was no reason for our ever becoming involved in any way. According to reports, he suggested that the Lindbergh appeasement groups are not so far off the mark when they suggest that this country can reconcile itself to whomever wins the war and adjust our trade and lives accordingly. He did maintain, however, that we should continue aiding Britain, but not at the expense of getting ourselves into trouble.

WESTRIDGE  
PACIFIC PALISADES, CALIFORNIA

He apparently threw the fear of God into many of our producers and executives by telling them that the Jews were on the spot, and that they should stop making anti-Nazi pictures or using the film medium to promote or show sympathy to the cause of the "democracies" versus the "dictators". He said that anti-Semitism was growing in Britain and that the Jews were being blamed for the war.

Speaking for myself, I do not care whether the Ambassador has just returned from Britain or not. I know positively that there is not one half of one percent truth in such a statement, (on the other hand, I have had several reports from friends there that when the bombing started the Ambassador was the most frightened man in the realm, and was the source of many private jokes). He continued to underline the fact that the film business was using its power to influence the public dangerously and that we all, and the Jews in particular, would be in jeopardy, if they continued to abuse that power.

The impression gathered hereabout is that Joe has been violently influenced by strong Catholic appeasement groups, and is in favor of negotiated peace. Somewhat on the order of Lindbergh, he does not want to see Britain destroyed, but he does hope that she will run away before the luftwaffe catches up to her. At the same time he is almost willing to believe that a dictator's promise can be trusted and that we are in no peril whatsoever. He used often the names of appeasement groups such as the Legion of Decency, America First, etc. He went on to state definitely that the Catholic Church wanted peace at any cost as the only means of bringing people back to the churches. The Catholic Church would try every means in its power to promote peace and keep the United States out of war.

Others who attended the meeting and who "sit in high places" in this industry, feel that he is trying to promote a new contract for Will Hays, and is also personally ambitious to take over powers in the film business. He has suggested "clean-ups" and "clean-outs."

There is no doubt whatsoever but that his talk made a very definite impression, and there were many who were susceptible to Joe's undoubted powers of persuasion. He covered himself diplomatically by giving all possible praise

WESTRIDGE  
PACIFIC PALISADES, CALIFORNIA

to the British conduct of the war, and to individuals with whom he was in contact in Britain. Many people are beginning to feel that because he is still accredited by you as Ambassador, that he is voicing new Administration thoughts. On the other hand, there are many of us who do not, can not, and will not believe that that is so. Still, there is a danger of that impression gaining weight throughout the country--unless you once again make the Administration's position clear. This could be done by a further strong declaration by you and by the acceptance of Mr. Kennedy's resignation, which would have the effect of disowning his "off the record" remarks (which somehow gain him more publicity than remarks which are "on the record").

Although I am aware that you have the greatest ability in the nation to know what the nation is thinking, still I feel you won't mind my reminding you again that the recent election returns give indisputable proof as to how enthusiastically the country is against appeasement and in favor of increasing aid to Britain. The latest Gallup poll showed 90% of the people favoring this policy. There are also a great many people, not only business men, but working men too, who feel that, now you have the mandate, you are empowered to clear away some of the basic bottlenecks and difficulties of our program. We should be able to inspire labor to voluntarily relinquish some of its hardwon privileges, for the time being, and that national security and unity demands a sacrifice from them as well as from others. The strike at the Vultee Aircraft here has shocked many working people, including, I may say, some of the strikers themselves. This I know from personal contact. If it is against our national principles forcibly to quiet minority obstructionists, it is surely within our rights to denounce those who would subvert or hinder the rearmament program at a period when time is the most important element.

In these days, when our people are nervous, unsure, anxious and worried, any hint, however small, of appeasement or backtracking will be rapaciously devoured by some. The thought that life might be easy and secure, without stringent sacrifices, is a straw which hysterical and confused people will grab at when they think they may drown. We would all appreciate it if we were told authoritatively that there is

WESTRIDGE  
PACIFIC PALISADES, CALIFORNIA

no golden road to success and that our freedom cannot be taken smugly for granted. It is something, which if we are to maintain it, we must be constantly on the alert, and which, if we want it to grow ever greater, we must be willing, nay anxious, to work for with Spartan determination.

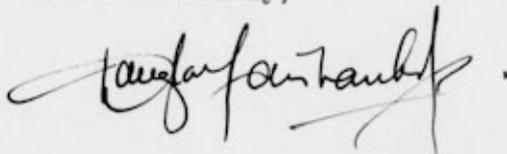
Although our country glories in being a community of resourceful individuals, that should not in itself prevent us from working as one for the benefit of all.

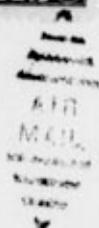
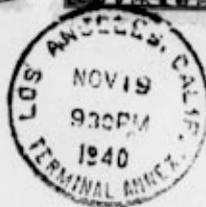
Forgive me, Sir, for writing this hurried and probably too passionate letter. I have done it with the best intentions possible, because I felt that you should have an account of the rather dangerous impressions which may have a tendency to grow, in a community which exercises such a strong but subtle influence over people's minds.

I hope that your cruise has rested you. The next four years will find us more demanding than ever upon your constitution and resources. History will give you its thanks, but the best we can do is to succeed in our objective. Your own realization of a job well done will be your greatest reward.

Believe me to be, Sir,

Yours obediently,

A handwritten signature in cursive script, appearing to read "Douglas Fairbanks". The signature is written in dark ink and is positioned below the typed name "Douglas Fairbanks".



The President  
White House  
Washington, D. C.

Air Mail  
Special Delivery

Personal & Important

THE WHITE HOUSE  
WASHINGTON

November 25, 1940

PERSONAL & CONFIDENTIAL

MEMORANDUM FOR

THE SECRETARY OF STATE  
and  
THE UNDER SECRETARY OF STATE

Please read the enclosed from  
Douglas Fairbanks, Jr., and return  
to me.

F. D. R.

Enclosure

fdr/

Let to the President 11/19/40 from  
Douglas Fairbanks, Jr., Westridge,  
Pacific Palisades, California re-  
porting on Joe Kennedy's visit in  
California. Says in various confer-  
ences he said practically the same  
"off the record" things he gave out  
in newspaper interview in Boston  
which was then repudiated by him.

November 25, 1940

Dear Douglas:

I am glad you wrote me frankly as you did and what you say fits in with the general picture. There is no question that the election did not change certain fundamentals in any particular.

See you soon.

Always sincerely yours,

Douglas Fairbanks, Jr., Esq.,  
Westridge,  
Pacific Palisades,  
California.

fdr/tmb

file  
personal

Kennedy  
4-40

THE UNDER SECRETARY OF STATE  
WASHINGTON

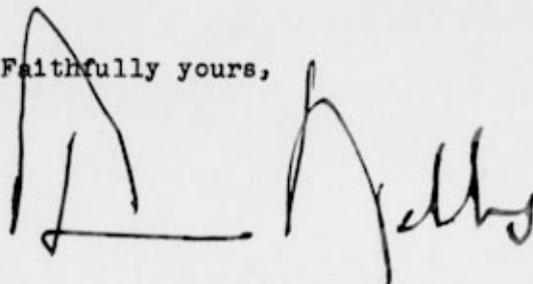
December 2, 1940

My dear Mr. President:

I am transmitting herewith Ambassador Kennedy's  
resignation which he left with me this morning.

Believe me

Faithfully yours,



Enc.

The President,  
The White House.

DEPARTMENT OF STATE  
WASHINGTON

December 2, 1940.

My dear Mr. President:

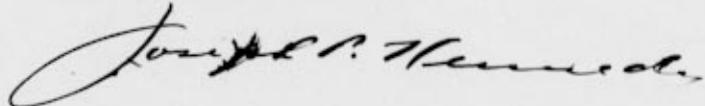
On November 6 I tendered my resignation as your Ambassador to the Court of St. James. At that time you asked me to continue with my duties in that capacity.

In our conversation yesterday I repeated my desire to be relieved of the duties of that post and was deeply gratified by your acquiescence in the request.

May I again express my very deep appreciation for the trust and confidence you have placed in me.

With best wishes,

Very sincerely yours,

A handwritten signature in cursive script, reading "Joseph P. Kennedy".

The President,

The White House.