

PSF

State Dept. : Sumner Welles

1939 (July-Dec.)

*PF*  
*Summer Welles*  
*(1)*

Letter from Sumner Welles to President  
July 5, 1939

Attaches letter from President of Chile of May 23rd

SEE--Famous People File--Drawer 3--1939

*Chile folder*

July 7, 1939.

MEMORANDUM FOR THE  
UNDER SECRETARY OF STATE:

I have read with interest yours of July 6th, in regard to American Government employees who in the future will be detailed to Governments of the American Republics under the authority of the Act of May 3, 1939.

Here is my cursory reaction:

1 - Salaries.

I cannot agree with the general thought that an addition to the United States salary should be paid at all. It seems to me that a better approach would be to lay down the rule that selection of a Government employee for assignment to temporary duty with another American Republic is an honor, i.e., a special recognition -- and that this recognition and the employee's record on the job would be made a part of his or her official record -- Civil Service or otherwise.

With this basic thought in mind any increase in salary should be predicated on the only other conceivable need, i.e., the employee's obligation to meet certain new demands required by a quasi-representative position. It is my thought that if an additional salary is allotted for this purpose the employee would be required to file a statement covering these extra-curricula expenses.

One other exception can properly be taken into consideration -- the individual case where the employee is obligated on a lease or home-ownership in this country where the employee cannot sublet, give up the lease, or find a tenant for his home. In such a case allowance can properly be made if the actual facts of the individual case are noted on the record.

2 - Monthly allowances.

Your memorandum on page five takes into consideration only those countries where the actual cost of living is greater than in the United States. There are many republics where the cost of living is lower than in the United States. If, for example, the cost of living in nation A is definitely less than it is in the United States, how do you justify a per diem allowance of \$5.00 per diem -- the United States rate?

In other words, the allowance should be based on the comparison between the actual cost of living in the outside country and the United States -- and it should work both ways.

After all, if an employee is sent (travel expenses paid) to nation A for a year's detail, and it is a fact that the cost of living in Nation A will be actually less to the employee than if he or she had stayed in the United States, how can we justify a \$5.00 per diem allowance -- especially if the employee, for example, takes a house or boards in nation A at far less cost than he was paying in Washington?

3 - Reimbursement.

I agree that the question of reimbursement from foreign nations should be kept separate from the salaries and allowances which we give to the people we send to them. We should take into consideration the scale of pay which a given nation gives to its own employees in similar positions and we should charge the foreign nation by way of reimbursement approximately the same amount as they would pay to their own people.

FRANKLIN D. ROOSEVELT.

DEPARTMENT OF STATE  
WASHINGTON

July 6, 1939

My dear Mr. President:

In view of the very helpful suggestions you have made to this Department for the purpose of assisting us in the formulation of policy with respect to details of officers and employees of this Government to governments of the American Republics under the authority of the Act of May 3, 1939, and on the basis of the experience gained from details of this character that have already been made, I feel it is now possible to submit an outline of general policy to be adopted by this Department in handling these matters, subject to your approval and, of course, to any modifications you may desire to make in these recommendations. Details to the governments of the American Republics within the purview of the law cited above have already proved to be a highly important and effective medium of cooperation with these countries. In fact I do not believe

it

The President,

The White House.

it is any exaggeration to say that, on the basis of present indications, this measure may well become the cornerstone on which future cooperative efforts of a practical nature will be built.

It is necessary to reach two decisions with respect to the compensation of each officer or employee detailed under the authority of the Act of May 3, 1939. First, there is for determination the question of whether any increase in the basic salary of the person detailed should be granted under the provision of the law which permits an increase of not to exceed 50 percent. Second, the law provides that monthly allowances determined by the President to be adequate for quarters and subsistence may be granted and the Comptroller General has ruled that such allowances shall be in lieu of all per diem or exchange appreciation usually payable to an officer or employee of this Government detailed temporarily for duty outside the United States. I recommend that the following method be adopted for the determination of each of these questions on its merits.

**SALARY.** The experience of the Department has already indicated the soundness of your recommendation that if any increase in basic salary is granted under

the

the provision authorizing an increase not in excess of 50 percent, it should be based on the officer's financial obligations and limited to an amount commensurate therewith. It should be very gratifying to an officer to be selected for such a detail abroad and he should not expect to profit from it. Therefore, the question of his family status and whether he must maintain a home for his family in the United States while temporarily detailed abroad is an important consideration in determining his remuneration. It also seems equitable to give consideration to the question of whether his regular salary is an appropriate one in the light of the obligations of the position which he is temporarily asked to assume; and in that connection it will probably occur that officers detailed from low salaried positions may justly be entitled to relatively more augmentation in salary than officers detailed from the higher salary brackets of the Government service. Another fact which I believe merits consideration and which may not have been specifically brought out heretofore, is that an officer so detailed is being asked to perform temporarily the duties of a position which may differ very materially from the position for which his regular salary for performing services in the United States has been fixed, and in most cases it will

be

compensation at the rate of \$1,000 per annum he would receive only \$250 in extra salary. If such an increase were to be regarded in part as enabling an officer to respond modestly to the official hospitality he is certain to receive, the experience of the officers thus far detailed indicates the practical necessity of expending as much or more than the amount of the increase for this purpose, as these officers have been uniformly treated by foreign officials with whom they have been associated as having a quasi-representative capacity.

It is therefore recommended as a matter of policy that if an officer is to receive any temporary increase in salary, it should not be a percentage of his basic salary but a definite amount (of course not exceeding 50 percent of his basic salary) which is regarded as giving him for the period of the detail a remuneration adequate to maintain himself in the position to which he is detailed and to meet his actual and necessary financial obligations both in the country where he is assigned and in the United States.

MONTHLY

monthly allowances should be determined after considering the following factors:

1. Any employee of this Government detailed on official business away from his regular duty station is now granted under the Standardized Travel Regulations a per diem of \$5.00 (approximately \$150 a month), or \$6.00 (approximately \$180 a month) when outside the United States. Persons detailed under the Act of May 3, 1939, are not entitled to these regularly authorized subsistence allowances, but it is provided by the Act cited above, that in lieu thereof they may be granted monthly allowances determined by the President to be adequate for the same purpose.

2. If the detail is to a country where the cost of living is notably excessive, it should be borne in mind that the Comptroller General has held that these allowances fixed by the President must be all inclusive and that no exchange appreciation may be paid. In such cases a monthly allowance at a figure consistent with the actual cost of living would appear equitable. (For example, in a recent detail to Venezuela where the cost of living is 70 to 80 percent greater than in Washington, the monthly allowance was increased, though in lesser proportion, to \$8.00 per diem, or \$240 per month.)

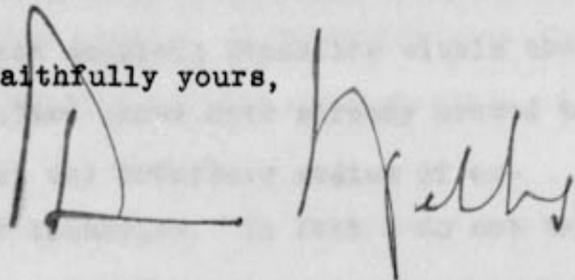
3. Bearing in mind this principle, it would seem logical in other cases to grant \$180 per month (\$6.00 per diem, the regular allowance for Government employees on temporary detail in foreign countries) except in countries where the cost of living is known to be moderate, when an allowance of \$150 per month (\$5.00 a day, the allowance for such a temporary detail in the United States) would be indicated.

REIMBURSEMENTS.

REIMBURSEMENTS. Although the question of what measure of reimbursement this Government may receive from a foreign government on a particular detail may in some instances be the determining factor in considering the practicability of the detail, it is felt that the salaries and allowances of persons detailed should be fixed in accordance with the foregoing considerations, without regard to the question of what reimbursement, if any, this Government will receive.

It would be much appreciated if you would examine the foregoing outline and indicate whether it has your approval. I believe that your decision on the policy involved will enable the Department to put this work on a basis that should prove efficient and should assure the future submission to you of recommendations with respect to these details which will be fair to the persons detailed, and free from any possibility of criticism.

Faithfully yours,

A handwritten signature in dark ink, appearing to be 'D. H. Kelly', written in a cursive style. The signature is positioned to the right of the typed text 'Faithfully yours,'.

*RF*  
*Welles -*  
*1*

Letter to Mrs. Roosevelt  
From Jay Allen  
July 10, 1939

In re-relations with Mexico and our exporting cotton  
to the Franco Government. Comments on Jay Allen's  
letter by Sumner Welles are attached--letter dated  
July 19, 1939.

See--Spain folder-Foreign file-Drawer 1-1939

PSF

Summer Welles  
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**Memo for Watson  
From Summer Welles  
July 11, 1939**

**Attaches conf despatch No 1082-June 7, 1939  
from Amb. Biddle for the President**

**Subject-discussion which took place between  
Biddle and the newly appointed Russian Amb.,  
Sharonov and his observations of the Soviet  
Ambassador in Warsaw on current Anglo-Soviet  
discussions.**

**See Poland folder-Foreign File --Drawer 1--1939**

PSF

Summer Welles  
(1)

Memo for Gen. Watson  
From Summer Welles  
July 12, 1939

attaches conf despatches from Amb Biddle which  
are marked for President

No 1079, dated June 9, 1939 reporting reaction  
of Polish officials to Berlin's present attitude  
toward Poland;

No 1083, dated June 9, 1939 concerning activi-  
ties of German Ambassador at Warsaw.

See Poland File-Foreign file --Drawer 1-1939

PSF

Welles

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Memo to Watson  
From Sumner Welles  
July 19, 1939

Two conf despatches from Biddle

No-1080, dated June 7, 1939 concerning  
official Polish reports on Italo-German  
relations;

No-1126, dated June 28, 1939 concerning  
the propaganda campaigns conducted by the  
German, Japanese, and Italian Embassies  
in Warsaw.

See-Poland folder-Drawer 1-1939

PSF  
Sumner Welles  
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July 20, 1939.

From Sumner Welles--State Dept

Re-Message to Paris on July 21, 1939  
regarding World's Fair at New York and what it symbolizes etc.

See:World's Fair folder-Drawer 2-1939

PSF

Welles  
1

Letter to Gen Watson for the President  
From Sumner Welles  
Attaching Amb. Biddle's conf despatch No 1169 of  
July 22, 1939

in re-reports that a settlement of the Danzig dispute  
might be negotiated.

See-Poland folder-Foreign file-Drawer 1-1939

PSF

Welles  
1

Memo to Watson  
From Sumner Welles  
July 26, 1939

Enc. copy of despatch 1121 from Biddle .  
Subject-refers to despatch No 1120-June 26, 1939  
attachng memo on tour d'Horizon by Polish  
governmental and military circles regarding  
chances of current situation's coming to a war.

See-Poland folder-Foreign file-Drawer 1-1939

*Let  
Person*

THE UNDER SECRETARY OF STATE  
WASHINGTON

*Summer 1939*

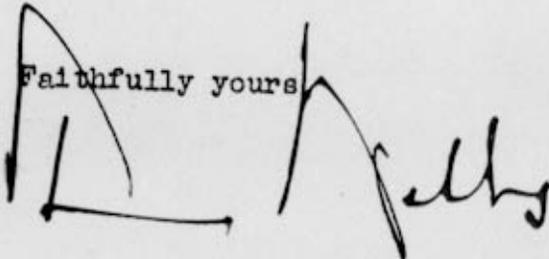
July 31, 1939

My dear Mr. President:

Before the Secretary left today to commence his vacation he gave me the memorandum you had sent him under date of July 22, enclosing a letter you had received from Mr. Ralph Smith. He and I have read the enclosure to your memorandum and in accordance with your request I am returning Mr. Smith's letter for your files.

Believe me

Faithfully yours



Enclosure:  
From Mr. Ralph Smith,  
July 15, 1939.

The President,  
The White House.

THE WHITE HOUSE  
WASHINGTON

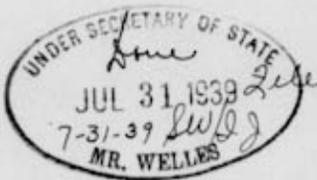
Hyde Park, N. Y.  
July 22, 1939.

MEMORANDUM FOR

THE SECRETARY OF STATE

TO READ AND RETURN FOR  
OUR FILES.

F. D. R.



Cable Mayflower



Telephone District 3000

*The Mayflower*

CONNECTICUT AVE. AND DE SALES ST.

Washington, D.C. July 15, 1939.

Dear Mr. President:-

Concerning my statement after the Press Conference yesterday, research in the Senate Library abundantly justifies the parallel I find between the recent action of the Foreign Relations Committee and the action of the "Twelve Willful" Senators of Woodrow Wilson's day.

I submit the following memorandum:

The fight-- a filibuster--in the spring of 1917 resulted in the defeat of Mr. Wilson's "Armed Neutrality Bill," otherwise the armed merchantmen measure.

The Twelve Willful Senators who declined to permit their colleagues to act on the legislation were:

Democrats--Kirby of Arkansas, Lane of Oregon, O'Gorman of New York, Stone of Missouri (chairman Foreign Relations Committee) Vardaman of Mississippi.

Republicans- Clapp of Minnesota, Cummins of Iowa, Gronna of North Dakota, Kenyon of Iowa, La Follette of Wisconsin, Norris of Nebraska, Works of California.

The filibuster continued until noon, Sunday, March 4, 1917, when the session died by limitation of law.

Success of the filibuster deceived and hearted <sup>en</sup> the Kaiser. Submarine warfare was intensified. We were inevitably drawn into the vortex.

There was another notable filibuster in the Wilson days-- in February, 1915, over the Ship Purchase Bill. Seven Willful Democratic Senators defeated this measure, also-- Clarke of Arkansas, Camden of Kentucky, Bankhead of Alabama, Hardwick of Georgia, Hitchcock of Nebraska, O'Gorman of New York, Vardaman of Mississippi.

I am going to town in Sunday's Atlanta Journal on the parallel above.

Sincerely,

Ralph Smith

July 15, 1939

Dear Mr. President:

Concerning my statement after the Press Conference yesterday, research in the Senate Library abundantly justifies the parallel I find between the recent action of the Foreign Relations Committee and the action of the "Twelve Willful" Senators of Woodrow Wilson's day.

I submit the following memorandum:

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I am going to town in Sunday's Atlanta Journal on the Parallel above.

Sincerely,

RALPH SMITH

PSF  
Welles  
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August 1, 1939

Letter from Sumner Welles in re-gift of Lectern Bible  
Mr. Mallet will write the King and tell him of the  
choice which has been made.

See-King and Queen folder-Drawer 1--1939

BF  
Welles

Letter to President  
From Sumner Welles

August 1, 1939

In re-Diplomatic relations with the Vatican

See-Italy folder-Drawer 1-1939

BF  
Summer Welles  
1

Memo from Sumner Welles  
To the President  
August 2-1939

Encloses letter to Cordell Hull from Congr Emanuel  
Celler in regard to the establishment by the U.S.  
of diplomatic relations with the Holy See.

See Italy folder-Drawer 1--1939

BF  
Welles.

Letter to the President  
From Sumner Welles  
August 3, 1939

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In re-informing all of the American Republics  
of the American expedition to the Antarctic.  
copy of Letter to all American Dip Officers in the  
American Republics attached. Also the President's  
memo to Welles of Aug 5, 1939 attached.

See-Antarctic Expedition folder-Drawer 3-1939

BF  
Welles

Memo from Sumner Welles  
To Gen Watson  
August 4, 1939

Encloses copy of Amb Biddle's conf despatch-No 1097 of  
June 17-1939 reporting reaction among Polish officials  
to recent conciliatory statements of British officials.  
Despatch is marked for the President.

See Poland folder-Foreign file-Drawer 1-1939

See-Palestine folder-Foreign file  
Drawer 1-1939 for memo of  
conversation with Herr  
Wohlthat.

PSF  
Welles

August 5, 1939

My dear Mr. President: .

Myron Taylor has sent under date of July 28 a  
memorandum of a conversation which he had in London  
with Herr Wohlthat who was sent to London ostensibly  
as German delegate to the Whaling Conference. I  
believe you will be interested in this memorandum.

Believe me

Faithfully yours,

Sumner Welles

Enclosure:  
Memorandum of  
conversation.

The President,  
The White House.

*BF  
Welles.  
1*

Letter to Gen. Watson  
From Sumner Welles  
August 9, 1939

Attaches letter from Chinese Embassy  
In re-President's terminating treaty of 1911 between  
the U. S. and Japan. They thank him for giving  
notice and consider it a great step forward in  
the cause of humanity and world peace.

See-China folder-Foreign file-Drawer 1--1939

BF  
Sumner Welles  
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Memo to President  
From Sumner Welles  
August 10, 1939

In re-Welles conversation with Count Jerzy Potocki,  
Polish Ambassador --Memorandum of conversation  
attached.

Subject-General European Situation

PSF  
Welles  
1

Memo for Gen Watson  
From Sumner Welles  
August 15, 1939

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Attaches conf despatches from Biddle for the President

No. 1172, dated July 26, 1939 reporting various observations of Marshal Smiggy-Rydz;

No. 1173, dated July 26, 1939 reporting the views of the Turkish Ambassador at Warsaw on the prospects of War;

No. 1176, dated July 27, 1939 concerning a memorandum on the international situation said to have been prepared by Sir John Simon and Sir Horace Wilson for Prime Minister Chamberlain's consideration;

No 1177, dated July 27, 1939 concerning the Polish reaction to the Hudson-Wohktat conversations.

See-Poland folder-Foreign file-Drawer 1-1939

X

PSF: Welles

~~CONFIDENTIAL~~

August 16, 1939.

TO THE PRESIDENT

AT SEA.

5  
Telegrams from all sources this morning demonstrated a distinct increase in tension and augmented possibilities of an early crisis.

Charveriat, the acting head of the French Foreign Office, informed Bullitt yesterday that information from Rome and Berlin indicated that Hitler was apparently determined on war with Poland whether Mussolini wanted it or not. The French had the impression that Mussolini was reluctant to support Germany in any attack on Poland and although Italy was anxious to bring about a conference for the discussion of all Italo-German demands, it now seemed to doubt its ability to secure Germany's consent to such a conference. The French state that Ciano was so impressed by Hitler's truculent attitude that he returned to Rome immediately to report directly to Mussolini in order to avoid giving an immediate answer to the

German request for Italian support.

The French information from Berlin indicated that the Germans would insist upon the annexation of the Polish Corridor and Upper Silesia in addition to the acquisition of Danzig; and responsible German officials were now talking about the necessity of entering Poland to protect German residents there. From the French point of view any international conference would involve grave decisions and it seemed essential, in view of the lack of confidence in any of Hitler's promises, that France and England should demand prior execution of promises made at Munich, which would include the evacuation of German troops <sup>in</sup> of Czechoslovakia. In conclusion, Charveriat maintained that the only hope of preserving peace would be to convince Germany that any attack against Poland would involve immediate declaration of war by France and England.

The impression prevails in Berlin that Ciano failed to modify Hitler's attitude and it is reported that the Italian Ambassador who had previously considered that

Hitler might be induced to adopt a more moderate attitude ~~has~~ now indicated that no moderation was shown in his meeting with Ciano. While Hitler's intentions are still unknown, diplomats in Berlin have expressed the conviction that the Danzig crisis may be precipitated at any moment unless some approach/<sup>without publicity</sup>may be made to Hitler to induce him to postpone action or unless some compromise can be suggested before some act occurs, which he will regard as a final provocation. There are no indications in Berlin to minimize the gravity of the present situation.

The Consul at Danzig was told by Burekhardt that judging from his interview with Hitler, although the latter had declared that in the event of an ultimatum he would crush Poland, he still desired a détente and was anxious that direct conversations between the Polish and Danzig authorities take place at once.

The Embassy in Warsaw reports regarding Beck's information in regard to the Hitler-Burekhardt conversation

that Hitler had let it be known that he still aimed at an extraterritorial passage across Pomerania and Danzig's incorporation into the Reich. The Polish Foreign Minister was inclined to perceive signs of indecision in Hitler's attitude and his reports from Italy showed the absence of any indications that action would be taken in the near future.

*continued on page 5*

Belgrade reports that following the Prince Regent's talks in London it is not believed that the Danzig question will result in war. A prominent Minister close to the Regent was convinced that Great Britain was prepared to negotiate rather than go to war, and expressed the opinion that possibly Slovakia might be next in the event of a German action against a non-guaranteed state, but vigorously denied that there was any danger to Yugoslavia. The Minister was not convinced by this denial, and considers that there might be no danger to Yugoslavia provided it continued to accede to German and Italian wishes. The Minister is also of the opinion that the Serb politicians and the Army are opposed to making any concessions to the Croats, and feels that the present state of the Prince Regent's health does not augur well for a real solution.

The following military information is reported from Belgrade: Although no general mobilization is taking place at present, there are approximately 250,000 men under arms in Yugoslavia. All reservists have been instructed to remain within fifteen kilometres of their homes, and reserve officers have been ordered to communicate with the

mobilization authorities. A thirty-day reserve supply of food is being ordered to be laid in in all communes.

It is also reported from Tirana that all Italian troops have been withdrawn from the interior <sup>of Albania</sup> and are now concentrated principally along the Greek frontier where it is reported that army maneuvers on a large scale will be held.

Wallis

Acting

Eu:SR:AMR

*[Handwritten signature]*

PST Welles

August 28, 1939  
To the President  
From Sumner Welles

Translation of message from President of Ecuador -  
states he is giving text to the Press for release

See-State Dept folder-Drawer 1-1939

*PSA (M)*  
*See Belgian*  
*for message*

August 30, 1939

My dear Mr. President:

I am enclosing for your information a translation of the note received this morning from the Belgian Ambassador expressing the thanks of the King of the Belgians for the message you sent him.

Believe me

Faithfully yours,

Sumner Welles

Enc.

The President,  
The White House.

PSF  
Welles

(Moffat)  
Sumner Welles  
folder - 1

Sept 5, 1939

Subject--Neutrality Proclamation  
Memo from Moffat  
Conversation between the following:

Count Jerzy Potocki, Ambassador of Poland  
Mr. Witold Wankowicz, Counselor of Polish Embassy  
Mr. Pierrepont Moffat, Chief, Division of  
European Affairs.

See: Poland folder-Drawer 1-1939

*BF  
Welles  
1*

September 5, 1939

Letter to the President

From Sumner Welles

Encloses copy of telegram he sent to Caffery  
in re-german submarines in Atlantic and asking  
him to remind Gen Goes Monteiro of dangers  
which we believed existed in the Island of  
Fernando Noronha.

Also is working on practical way in which  
War Department could make available some old  
guns to the Brazilian Gov.

See--State Dept folder-Drawer 1-1939

PSF: Welles  
1

September 7, 1939

MEMORANDUM FOR SUMNER WELLES

I think your Legal Adviser's office and the Navy Department miss the point about German merchant ships that come into our harbors or were in our harbors at the beginning of the World War. I am not referring to merchant ships converted into cruisers but, for example, to the Crown Princess Cecelie.

The point to tell Mexico about is that this ship, and I think several like her, were taken to a harbor-place where they could be constantly observed. For instance, the Cecelie was brought from Bar Harbor into Boston Harbor against the protest of her Captain. She and similar ships were allowed to keep their officers and crew on board but were limited to enough fuel to run the galley stove and maintain enough heat in the winter to keep the crew warm -- not enough fuel to proceed to sea.

In other words, we were taking no chances on having them slip out to sea to meet by pre-arrangement a vessel with armaments on board and to be converted into raiders.

That procedure should be made clear to all Latin-American Government's which have or may have German merchant ships seek refuge in their harbors.

F. D. R.

fdr/tmb



DEPARTMENT OF STATE  
WASHINGTON

September 5, 1939

My dear Mr. President:

You spoke to me the other day of your desire that we get in touch with the Mexican Government with regard to steps that might be taken by Mexico with regard to the German vessels which have taken or are continuing to take refuge in Mexican ports. You stated that we might point out to Mexico the steps which we ourselves took during the period between the outbreak of war in 1914 and our own entrance into the war in 1917.

At my request our Legal Adviser's office has obtained the following information from the Navy Department:

"These seem to have been the only German vessels which were interned in our harbors during the World War and before we entered it.

"Crown Prince Wilhelm and Eitel Friedrich, originally merchant vessels but which had been converted to cruisers, were interned in Newport, Rhode Island, following their failure to leave the port when so ordered by authorities of the United States pursuant to the neutrality proclamation;

"The Cormorant, a man-of-war, was interned in Guam;

"The Geier, a man-of-war, was interned in Honolulu, and with it also was interned the Lotsun, a merchant

The President,

The White House.

vessel but which had been acting as a tender for the Geier.

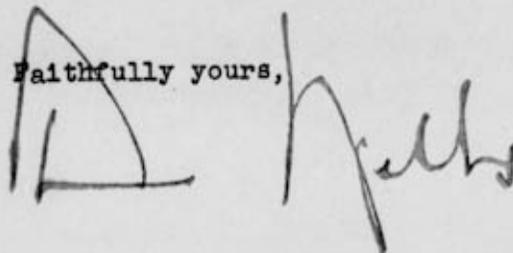
"Respecting the Crown Princess Cecelie, Captain Moore stated that it was a merchant vessel which remained unmolested in a port of the United States until we entered the war when it was taken over.

"Captain Moore promised to send me full data with respect to the foregoing and seemed very sure that there was no other case of internment during our neutrality and that the only vessel interned during this time which might in any way be regarded as a merchant vessel was the above-mentioned Lotsun which as indicated acted as a tender for a German warship."

I have already taken the question up informally with Mexico but in view of the facts set forth in the memorandum above quoted, it would probably be wiser for me to avoid making any reference to steps which this Government took during the period mentioned in as much as none of the precedents cited would seem to be applicable to the situation with which the Mexican Government is now confronted.

Believe me

Faithfully yours,

A handwritten signature in dark ink, appearing to be 'A. H. Kelly', written in a cursive style.

PSF <sup>Wallas</sup>

*file  
confidential*

THE UNDER SECRETARY OF STATE  
WASHINGTON

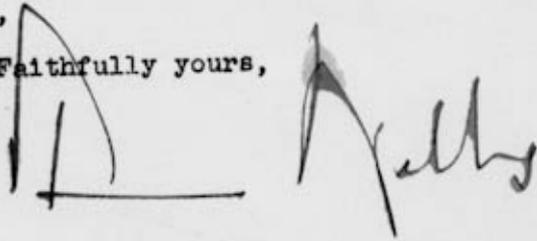
September 7, 1939.

My dear Mr. President:

With reference to our telephone conversation of this morning, I am submitting herewith a memorandum which gives a summary of the official information we have received with regard to the sinking of the Athenia. The reports made to this Government by our officials abroad seem to me to be sufficiently ample and positive to warrant your making reference to them in your press conference tomorrow morning.

Believe me,

Faithfully yours,



Enclosure:  
Memorandum.

The President,  
The White House.

Waller

S. S. ATHENIA

The following summarizes, by diplomatic missions, the information which the Department has received from these missions regarding the sinking of the Athenia.

London. Mr. Kennedy submitted on September 4 Admiralty statements to the effect that a submarine was clearly seen and that they have no doubt that the ship was torpedoed. The Admiralty states that no British mines were laid in the vicinity.

On September 6 Mr. Kennedy telegraphed our Naval Attaché's report of his investigation among survivors at Galway, including officers and crew of Athenia. This report recites consensus of testimony to the effect that the vessel was torpedoed at evening twilight on September 3 and that a submarine was seen to break surface and to fire a gun or explosive signal from the conning tower platform before resubmerging.

Dublin. Mr. Cudahy interviewed the Captain of the Athenia and a number of Americans upon their arrival at Galway. He states: "testimony of officers and a number of American passengers I have interviewed is that ship was struck amidship and that shortly thereafter was struck again by a projectile which wrecked the engine room. One witness stated that he saw the periscope of a submarine."

Summarizing

Summarizing the evidence obtained, Mr. Cudahy said that it had been "established beyond question that the ship was submarined."

Mr. Cudahy telegraphed again on September 7 in response to the Department's request for affidavits from Americans: "My despatch setting forth more detailed statement should reaffirm beyond question that Athenia was torpedoed; this conclusion confirmed by Captain Allen Kirk, Naval Attaché, London, who made independent investigation."

Berlin. The German Foreign Office sent for our Chargé d'Affaires and showed him the report from London regarding the sinking of the Athenia. He asked Kirk to inform his Government immediately that the German naval authorities have declared "that there are no German warships in that area and that furthermore German naval vessels have received strict instruction to treat merchant vessels in accordance with international rules."

Summary. While no passenger apparently essayed to identify the submarine the British Admiralty in a communiqué on September 4 stated that it was German.

The Germans deny not only the act but even the presence of naval vessels or German mines in that area.

THE WHITE HOUSE  
WASHINGTON

September 11, 1939.

MEMORANDUM FOR

THE UNDERSECRETARY OF STATE

In relation to your letter of September eighth regarding disputed sovereignty over the Swan Islands off the coast of Honduras, I approve seeking to settle the matter by negotiation and if such cannot be done, then by submission to arbitration.

At the same time it seems to me that this dispute is in effect making a mountain out of a mole hill. The Islands have practically no commercial value whatsoever, are to all intents and purposes uninhabited, and, as I understand it, are used only occasionally by Honduran fishing boats. I cannot see, therefore, that there is any reason for the raising of a nebulous ultimate sovereignty question.

On the other side of the picture, a lighthouse is maintained by an American company without expense to

THE WHITE HOUSE  
WASHINGTON

-2-

either the United States Government or the Honduran Government.

From the point of view, therefore, of peaceful uses, the problem of sovereignty ought not to raise it.

In the event of a war affecting the Caribbean area, these Islands may have some possible value -- not to Honduras but to the United States Navy in their task of maintaining continental defenses. There is little or no contribution which Honduras could make to this defense for the very good reason that the use of the Islands would, in all probability, be confined to aircraft scouting and patrolling. In such a case the patrol would be based not on the Islands themselves but on a ship which would use the Islands as a lee. It is my belief that in the event of any such war Honduras should receive such protection from American Naval ~~forces~~ as the Islands would afford -- in other words, an off-shore patrol which Honduras itself is not able to undertake because of the size and cost of the equipment.

THE WHITE HOUSE  
WASHINGTON

-3-

For all these reasons, and for the additional reason that Honduras does not seem to have much of a case for sovereignty, it might be suggested that Honduras relinquish her claim to sovereignty with the understanding that she does so in the interest of navigation in time of peace and continental defense in the event of war.

F. D. R.

*PSF: Waller*

DEPARTMENT OF STATE  
WASHINGTON

September 8, 1939

My dear Mr. President:

The Government of Honduras has on a number of occasions addressed communications to this Government asserting a claim to sovereignty over the Swan Islands. The Swan Islands were occupied in 1857 by American citizens for the purpose of extracting guano and on February 11, 1863 a guano certificate was issued by Secretary of State Seward under the Act of August 18, 1856. This certification had the effect of making the islands appertain to the United States, which has since that time maintained effective occupation and has continuously asserted sovereignty over the islands.

The Swan Islands (17° 25' No., 83° 56' W., H.O. Chart 5170) are situated ninety-seven miles from the eastern coast of Honduras. The Honduran claim to the islands rests almost entirely on the fact of their discovery by Spanish navigators. However, no evidence has

The President,  
The White House.

has been advanced that Honduras has ever occupied the islands or exercised sovereignty over them. At the present time the islands are uninhabited except for a lighthouse tender employed by the United Fruit Company. For the past two years a meteorological station has been operated on the islands during the hurricane season by the United States Weather Bureau with the aid of United States Navy personnel.

A careful study of the historical and political aspects of this question has been made in the Office of the Legal Adviser of the Department of State and the conclusion has been reached that Honduras does not have a valid claim to the islands.

In view of the active interest of this Government in the amicable settlement of territorial disputes in this hemisphere I feel that it is highly desirable for us to endeavor to reach a solution of the controversy with the Government of Honduras over the sovereignty to the Swan Islands. The opinion is held in the Department of State that the most desirable method of procedure would be to endeavor by direct negotiation to effect an amicable settlement of the question, and if this effort is not successful, to propose to the Government of Honduras the conclusion of a treaty to

provide

provide for submission of the dispute to arbitration. It is believed that for reasons of broad policy this Government should extend full support to the principle of resort to arbitration wherever usual diplomatic negotiations have not succeeded in resolving controversies between the governments in this hemisphere.

Furthermore, this Government and the Government of Honduras are parties to the Treaty of Inter-American Arbitration signed at Washington on January 5, 1929, which provides that:

"The High Contracting Parties bind themselves to submit to arbitration all differences of an international character which have arisen or may arise between them by virtue of a claim of right made by one against the other under treaty or otherwise, which it has not been possible to adjust by diplomacy and which are juridical in their nature by reason of being susceptible of decision by the application of the principles of law.

"There shall be considered as included among the questions of juridical character:

- "(a) The interpretation of a treaty;
- "(b) Any question of international law;"

Et cetera, et cetera.

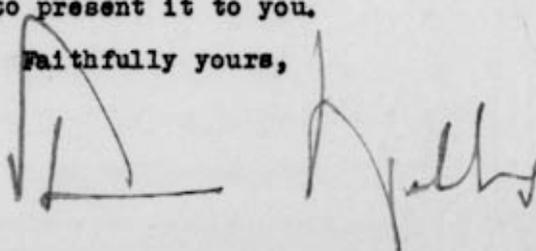
This treaty was ratified on the part of the United States with the understanding, made a part of such ratification, "that the special agreement in each case shall

be

be made only by the President, and then only by and with the advice and consent of the Senate, provided two-thirds of the Senators present concur". Your authorization is therefore respectfully requested to propose, if necessary, to the Government of Honduras, that the Swan Islands controversy be submitted to arbitration.

If there is any additional information with relation to this question which you desire to have, I should be pleased to present it to you.

Faithfully yours,

A handwritten signature in dark ink, appearing to be 'R. Kelly', is written over the typed phrase 'Faithfully yours,'. The signature is fluid and cursive, with a large initial 'R' and a long horizontal stroke at the end.

Sept 18, 1939

The President have been notified that the bible has arrived. The State Dept is sending it over so that the President can take on his next trip to Hyde Park.

See: King and Queen folder - for all correspondence relating to the Bible.

PSF  
Welles

August 1, 1939

My dear Mr. President:

Before he left yesterday on his vacation the Secretary gave me your memorandum to him of July 28 with regard to the suggestion of the King of England that he would like to make a gift to St. James Church at Hyde Park and communicating your desire that the King be informed that you believed it appropriate that the gift be a lectern Bible.

Sir Ronald Lindsay is away from Washington for some days and I consequently asked Mr. Mallet, the Counselor of the Embassy, to call to see me this morning. I read to him your memorandum. Mr. Mallet expressed the deepest appreciation of the message which you had sent and told me that he would communicate it immediately to the King.

Believe me

Faithfully yours,

Sumner Welles

The President,

The White House.

TELEGRAM

SD209Govt

The White House  
Washington

Washington DC October 6 , 1939.

The President

Hyde Park, N.Y.

In response to your request I transmit a memorandum from Moffat about last night's occurrence:

"The error about not transmitting London's telegram to the Navy and the Maritime Commission arose from a misunderstanding with the code room over the telephone. When it was read to me I remarked that fortunately publicity had already been given and the Iroquois warned to search ship.

"I frankly did not appreciate that I was being asked to give instructions about forwarding the message as we have an officer on duty in the secretary's office twenty four hours of the day for the express purpose and I assumed that this would be taken care of automatically and immediately. When I was awakened about 10:20 and was told that the message had not been forwarded I asked that the officer on duty at once read the message to Admiral Land and to the Navy which he did.

"The foregoing explains even though it does not excuse what occurred and I hope the President will accept my assurances that my part was due to a misunderstanding and not to a lapse of judgment.  
Signed-Pierrepont Moffat"

One result of the incident will be to make it impossible for this type of misunderstanding to occur again.

Hull.

1:30pm/d

*PSF  
Welles*

*J  
"Moffat"  
Summer Miller*

For despatch

See: State Dept folder-Drawer 1-1939

*See  
personal  
& confidential  
PSF  
rules  
1*

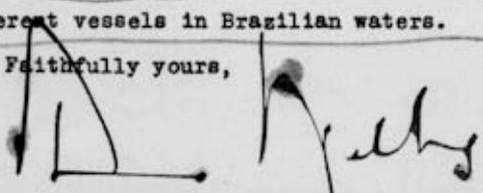
DEPARTMENT OF STATE  
WASHINGTON

October 31, 1939

My dear Mr. President:

I transmit as of possible interest a copy of despatch no. 1921 of October 20, 1939, from the American Embassy at Rio de Janeiro, Brazil, setting forth the difficulties encountered by the Embassy and our consulates in Brazil in obtaining adequate and accurate information with regard to the activities of belligerent vessels in Brazilian waters.

Faithfully yours,



Enclosure:

Despatch no. 1921,  
October 20, 1939,  
from American Embassy,  
Rio de Janeiro.

The President,

The White House.

Box 54

SUMNER WELLES

THE WHITE HOUSE  
WASHINGTON

November 9, 1939.

MEMORANDUM FOR

THE UNDERSECRETARY OF STATE

I have your letter of November fourth in regard to relaxing personal observation by Foreign Service officers at certain Venezuelan ports - Puerto Cabello, Paita and Aruba.

I think it is entirely an administrative question for the State Department to decide itself. The point is that in a number of instances the reporting of movements or suspicious actions of belligerent merchant ships in North, Central and South American waters was greatly delayed and we had to check up on the whole system of reporting. I do not care how the reporting is done -- either by a State Department official or by some private individual or private company with whom adequate arrangements have been made. The point is that the reporting must be made and the responsibility for doing it rests squarely on the shoulders of the State Department.

If a slip-up occurs and we fail to be notified it might be extremely embarrassing. You must, therefore, use your best judgment and at the same time take full responsibility.

F. D. R.

THE WHITE HOUSE  
WASHINGTON

November 9, 1939.

MEMORANDUM FOR  
UNDER  
THE SECRETARY OF STATE

I have your letter of November fourth in regard to relaxing personal observation by Foreign Service officers at certain Venezuelan ports - Puerto Cabello, Paita and Aruba.

I think it is entirely an administrative question for the State Department to decide itself. The point is that in a number of instances the reporting of movements or suspicious actions of belligerent merchant ships in North, Central and South American waters was greatly delayed and we had to check up on the whole system of reporting. I do not care how the reporting is done -- either by a State Department official or by some private individual or private company with whom adequate arrangements have been made. The point is that the reporting must be made and the responsibility for doing it rests squarely on the shoulders of the State Department.

THE WHITE HOUSE  
WASHINGTON

-2-

If a slip-up occurs and we fail to be notified it might be extremely embarrassing. You must, therefore, use your best judgment and at the same time take full responsibility.

F. D. R.

BSF Wells

DEPARTMENT OF STATE  
WASHINGTON

November 4, 1939

My dear Mr. President:

The present administrative arrangements for full surveillance and prompt reporting of any movements of belligerent merchant ships which have taken refuge in the neutral waters and ports of the Western Hemisphere may possibly, in the situation that now obtains, be rendered somewhat more elastic if you approve. Those arrangements were placed in effect by a circular instruction of September 29, 1939, 7 p.m., directing in accord with your expressed wishes the necessary close observation at all points involved with a view to securing full and immediate information regarding the movements of ships and any possible unneutral service by ships. Both this Department and the Navy Department issued such instructions, including the provision that where the need arose reliable government officers or employees should

The President,

The White House.

should be sent to certain ports where normally no officer or employee of the United States Foreign Service is stationed.

It is believed that the observation thus provided has been adequate and effective. There has naturally been a degree of duplication in reporting between officers of this Department and the Navy Department as at Tampico which is not serious, and this is currently being adjusted. The movement of refugee belligerent merchant ships has markedly declined beginning October 21, however, and certain of the ships concerned are reported to be immobilized in port for various reasons.

It is unquestionably necessary and desirable that there be effective surveillance of belligerent merchant ships in the waters or ports of the Western Hemisphere. The opinion has been presented by several reporting officers, however, that some restriction of observation could be made in this surveillance which, without impairment of efficiency, would permit the officers and employees now on special details to observe ships to

return

(3) The special detailed to observe  
Aruba has reported in telegram number 3 of  
November 1

return to their offices where they are in many cases urgently needed. The following are three such reports.

(1) The American Ambassador in Venezuela has reported in telegram no. 132 of October 25 that the ship at Puerto Cabello has been rendered unnavigable by the Venezuelan Government and therefore he recommends that the officer detailed there be ordered to return to duty at Caracas. The Ambassador adds that:

"An American firm, Crandall Dry Dock Engineers of 338 Main Street, Cambridge, Massachusetts, under the direction of J. Stuart Crandall, an ex-army engineer, is engaged in work on the dock alongside which the SESOSTRIS is moored and has promised to keep the vessel under the closest observance and report to the Embassy on its activities."

(2) The vice consul detailed to observation at Paita has reported in a telegram of October 26 that the condition of the only ship under watch in Paita requires only unofficial observation. It is believed that such surveillance could effectively be continued by W. R. Grace and Company, whose cooperation would doubtless be complete if a request were appropriately presented.

(3) The consul detailed to observation at Aruba has reported in telegram number 9 of

November 1

November 1 that he doubts that "much better information . . . will be obtained by my remaining here for a further period". The subsidiary of the Standard Oil Company of New Jersey, Lago, would no doubt be pleased to cooperate effectively if appropriately requested to maintain constant observation.

The Department has no reason to question the soundness of judgment expressed in these three telegrams and it does not believe that reliance in these instances on surveillance by the unofficial means mentioned would prove ineffective.

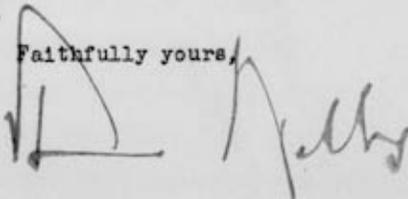
The dislocation of the offices from which the observers have been ordered on detached duty is a matter of some administrative embarrassment where, as in the above instances, the earlier compelling justification no longer appears to exist. For this reason I desire to place the administrative question before you with a view to ascertaining whether the Department might be authorized by you to employ its discretion in regard to continuing surveillance at any given specific places where direct need no longer exists, such action to be conditioned upon the maintenance of watchfulness through utilization of reliable and responsible Americans as

continuing

continuing sources of dependable information. Such satisfactory arrangements can be made in specific places without difficulty or, it is believed, risk of impaired effectiveness. Official surveillance would of course be immediately resumed at any place if need develops through changed circumstances.

If such discretionary authority were made available, it would in addition permit, where possible and justified, a reduction of the considerable expense which will necessarily be involved were the present complete coverage by official observation to be maintained for an indeterminate time.

Faithfully yours,

A handwritten signature in dark ink, appearing to be "H. Kelly", written over the typed phrase "Faithfully yours,".

THE WHITE HOUSE  
WASHINGTON

*BF*  
*Welles*  
*1*

November 11, 1939

MEMORANDUM FOR  
SUMNER WELLES

Please speak to me about  
the Brazil plan to service her  
foreign debt. See Caffery's  
dispatch #392, November 10.

F. D. R.

THE WHITE HOUSE  
WASHINGTON

November 11, 1939

PERSONAL MEMORANDUM FOR  
SUMNER WELLES

Will you please read this and  
suggest a reply?

F. D. R.

Let. to the President 11/2/39 from  
Ambassador Claude Bowers, Santiago,  
Chile re Chilean politics; the high  
regard in which the President is held  
in Chile; the need of Chile for credits  
on account of the terrible losses and  
great cost of reconstruction due to  
her deprivation of \$25,000,000 a year  
in foreign trade, lost by the war, with  
Germany.

*BF*  
*Welles*  
*4*

The President OK'd the telegram  
referred to-See:Bullitt folder-  
Drawer 1-1939

PSF  
11/15/39

November 15, 1939

My dear Mr. President:

In accordance with our conversation today, I  
am submitting to you herewith for your approval a  
suggested telegram to Bill Bullitt. If this is  
satisfactory to you, please return it to me and  
I will have it sent from the Department.

Believe me

Faithfully yours,

(Signed) Sumner Welles

Enc.  
Suggested  
telegram.

S. W.

O.K.

FDR"

The President,  
The White House.

Orig. & telegram returned  
to Mr. Welles 11/15/39  
hob

For list--See:Germany folder-Drawer 1-39

PSF

Welles  
1

November 16 1939

My dear Mr. President:

I enclose as of possible interest a list of German  
merchant vessels in ports in the Americas, reported at  
sea, or reported to have been captured, sunk, or  
scuttled since their departure from ports in the  
American republics.

Faithfully yours,

Sumner Welles

Enclosure:

Memorandum of  
November 14, 1939,  
"German Merchant  
Vessels in the  
Americas".

The President,  
The White House.

PSF:Wallas  
Welles

Copy

November 20, 1939.

CONFIDENTIAL MEMORANDUM FOR  
SUMNER WELLES

The enclosed has just come from Jerome Frank.  
Will you be good enough to talk with him about it?

I think that on any matters involving <sup>new</sup>  
securities or investments in Latin America, SEC ought to be in on it.

F.D.R.

Copy to Jerome Frank.

Enclosure

fd

For original carbon and enclosure--See: Jerome Frank--  
Gen corres-Drawer 2-1939

10-11-39  
November 20, 1939

My dear Mr. President:

I am somewhat at a loss to know how to interpret the memorandum of November 16 sent you by Jerome Frank and enclosed with your memorandum to me of November 20.

As you know, upon the recommendation of Henry Morgenthau, you authorized the creation of a special committee composed of the Secretary of the Treasury, Jesse Jones and myself to determine the policy, subject to your approval, to be adopted with respect to requests received by this Government from the Governments of the other American Republics for credits.

As you will also remember, it was determined that one of the most important questions to be dealt with by this committee in this connection was the question of the debt defaults on the part of some of these governments. At the last meeting of the committee the Secretary of the Treasury requested Jerome Frank personally to take part in the discussions in connection with the

The President,

The White House.

subject of debt defaults. He was present at the meeting and it was requested by the Committee that the S.E.C. cooperate closely with the committee in all matters that had to do with that aspect of the financial problems of our neighbors. Mr. Frank expressed his willingness to cooperate in this way and has subsequently sent a memorandum to the members of the committee with regard to the attitude of the S.E.C. on the general problem.

As you will see from the above, insofar as the policy of our own Government with respect to the general question of Latin American financing is concerned, the S.E.C. has already been requested to cooperate with the committee.

In his memorandum to you, however, Mr. Frank suggests "that the S.E.C. be represented on the intergovernmental committee dealing with the Latin American situation", and adds that he has reason to believe that Secretary Morgenthau would not be at all averse to such participation on the part of the S.E.C.

Under the terms of the resolution unanimously adopted at Panama which created the Inter-American Economic and Financial Advisory Committee which is now in session in Washington, each government was requested to appoint one member upon the committee. I myself, as you know, am representing this Government on the committee. The course which I myself will follow with regard to the questions



am at present occupying that position. Moreover, if you were to appoint a representative of the S.E.C. to serve on the Inter-American Committee, all of the other departments and agencies which I have listed above would very naturally and with far greater reason ask for similar representation, and the representation of our Government on the Inter-American Committee would consequently amount to eight members, although the resolution which created the committee, as I have pointed out, only authorized each government to appoint one representative.

I shall of course talk with Jerome Frank about this matter personally since I am sure he is laboring under some misapprehension of the facts. I hope you will forgive this long exposition, but I wanted to lay the situation before you in full detail so that you would clearly see that the Secretary of the Treasury, Jesse Jones and I had already appreciated the need of having the S.E.C. cooperate with us on the question of Latin American debt defaults and that we were fully aware of the desirability of such cooperation, but that this Government can only legitimately have one representative on the Inter-American Committee, and, finally, that the matters to be taken up by the Inter-American Committee itself are not questions which affect problems under the jurisdiction

of the S. E. C.

Believe me

Faithfully yours,

Sumner Welles

*file*

*PS  
Hellas  
4*

DEPARTMENT OF STATE  
WASHINGTON

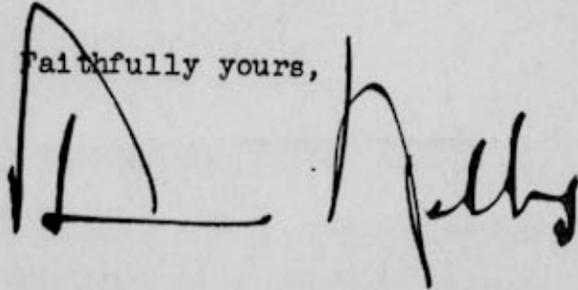
November 20, 1939

My dear Mr. President:

Some days ago you asked me to send you information with regard to the Colombian debt. I am attaching herewith a group of tables and a memorandum which set forth, I believe, the information you desire.

Believe me

Faithfully yours,



The President,  
The White House.

### Government Bonds

For \$60,000,000 face value of bonds of the Republic of Colombia sold to the public for \$56,375,000 (93.95 percent of par), the Government received \$54,718,750 (91.2 percent of par) and the bankers received \$1,656,250 (2.75 percent of par). \$51,223,500 of these bonds are outstanding. Americans own \$26,655,000. There are also outstanding \$2,616,030 of scrip exchanged for coupons, of which \$1,600,000 may be owned by Americans.

### Government-Guaranteed Bonds

For \$16,000,000 face value of Agricultural Mortgage Bank bonds guaranteed by the Republic of Colombia, sold to the public for \$15,027,500 (93.92 percent of par), the Bank received \$14,347,500 (89.67 percent of par) and the bankers received \$680,000 (4.25 percent of par). \$10,288,500 are outstanding, of which Americans own \$4,115,000.

### Bonds of Departments

Americans own \$56,988,000 bonds of six Colombian Departments out of \$59,988,000 outstanding of \$67,300,000 sold to the public for \$63,736,500 (94.7 percent of par). The amounts received by borrowers and bankers respectively are known only in the following cases: For \$12,350,000 of bonds sold to the public for \$11,687,875 (95.37 percent

of par) the Department of Antioquia received \$11,162,875 (91.12 percent of par) and the bankers received \$524,875 (4.25 percent of par). For \$4,000,000 of bonds sold to the public for \$3,897,000 (97.42 percent of par), the Department of Cauca Valley received \$3,347,000 (83.67 percent of par) and the bankers received \$550,000 (13.75 percent of par). For \$12,000,000 of bonds sold to the public for \$11,220,000 (93.5 percent of par), the Department of Cundinamarca received \$10,500,000 (87.5 percent of par) and the bankers received \$720,000 (6 percent of par).

#### Bonds of Municipalities

Americans own \$21,041,000 bonds of four Colombian municipalities out of \$22,149,900 outstanding of \$26,085,000 bonds sold to the public for about \$24,080,000 (92.31% of par). The division of proceeds between borrowers and bankers is known only in the following cases: \$6,000,000 City of Bogotá 8's of 1924 were sold to the public for \$5,880,000 (98% of par), of which the City received \$5,340,000 (89% of par) and the bankers received \$540,000 (9% of par). \$12,000,000 bonds of the Municipality of Medellín were sold to the public for \$11,190,000 (93.25% of par), of which the Municipality received \$10,571,250 (88.1% of par) and the Bankers \$618,750

(5.15%)

(5.15% of par).

Colombian Bank Bonds without Government Guarantee

Americans own \$4,955,000 of unguaranteed bonds of three Colombian banks out of \$12,416,000 outstanding of \$22,050,000 sold to the public for \$20,894,875 (94.76% of par). The distribution of proceeds of \$13,000,000 bonds of the Mortgage Bank of Colombia is not known. For \$3,050,000 of bonds sold to the public for \$2,924,875 (95.9% of par), the Bank of Colombia received \$2,709,000 (7.08% of par). For \$6,000,000 of bonds sold to the public for \$5,640,000 (94% of par), the Mortgage Bank of Bogotá received \$5,302,500 (88.37% of par) and the bankers received \$337,500 (5.63% of par).

Issue Prices of Colombian Dollar Bonds

Gaps in available information do not permit full tabular presentation of the amounts Colombian borrowers and American bankers or bond merchants respectively received from the proceeds of Colombian dollar bond issues. The figures for different classes of bonds follow, and tables showing available information for each issue are attached. Short-term obligations are not included.

Amounts shown as present American holdings are estimates of Mr. Dickens, Department of Commerce specialist in this field, and are based on varying mixtures of knowledge and conjecture.

The total amounts of Colombian dollar bonds outstanding and estimated amounts in American ownership (as of December 31, 1938) are:

|                        | <u>Total Outstanding</u> | <u>American Owned</u> |
|------------------------|--------------------------|-----------------------|
| Government bonds.....  | 51,223,500               | 26,665,000            |
| Government scrip.....  | 2,616,030                | 1,600,000             |
| Government guaranteed  | 10,288,500               | 4,115,000             |
| Departmental .....     | 59,988,000               | 56,988,000            |
| Municipal .....        | 22,149,900               | 21,041,000            |
| Corporate unguaranteed | <u>12,416,000</u>        | <u>4,955,000</u>      |
| Total.....             | 158,681,930              | 115,364,000           |

COLOMBIAN DOLLAR BONDS

I. Federal Government Loans

| Date of Issue                                   | Interest Rate | Amount Originally Issued | Approximate amount outstanding as of December 31, 1938 | Amount in American Ownership so far as can be ascertained | Original Issue Price | Price to Borrower | Total Cost to Public | Amount received by Colombian Government | Bankers' Spread |         |
|-------------------------------------------------|---------------|--------------------------|--------------------------------------------------------|-----------------------------------------------------------|----------------------|-------------------|----------------------|-----------------------------------------|-----------------|---------|
|                                                 |               |                          |                                                        |                                                           |                      |                   |                      |                                         | Amount          | Percent |
| <b>A. <u>Direct Loans of Government</u></b>     |               |                          |                                                        |                                                           |                      |                   |                      |                                         |                 |         |
| Republic of Colombia, 1927                      | 6%            | 25,000,000               | 21,205,000 <sup>1/</sup>                               | 11,000,000                                                | 92 1/2               | 91 1/8            | 23,125,000           | 22,781,250                              | 343,750         | 1 3/8   |
| Republic of Colombia, 1928                      | 6%            | 35,000,000               | 30,018,500 <sup>2/</sup>                               | 15,655,000                                                | 95                   | 91 1/4            | 33,250,000           | 31,937,500                              | 1,312,500       | 3 3/4   |
| Republic of Colombia Funding Certificates, 1934 | 4%            | <u>3,743,145</u>         | <u>2,616,030</u>                                       | <u>3/</u>                                                 |                      |                   |                      |                                         |                 |         |
| Total                                           |               | 63,743,145               | 53,839,530                                             |                                                           |                      |                   |                      |                                         |                 |         |
| <b>B. <u>Government Guaranteed Loans</u></b>    |               |                          |                                                        |                                                           |                      |                   |                      |                                         |                 |         |
| Agricultural Mortgage Bank, 1926                | 7%            | 3,000,000                | 1,796,000                                              | 718,000                                                   | 94                   | 85                | 2,820,000            | 2,550,000                               | 270,000         | 9       |
| Ditto, 1927                                     | 7%            | 3,000,000                | 2,217,500                                              | 887,000                                                   | 97 3/4               | 92                | 2,932,500            | 2,760,000                               | 172,500         | 5 3/4   |
| Ditto, 1927                                     | 6%            | 5,000,000                | 2,997,000                                              | 1,199,000                                                 | 92                   | 89 1/2            | 4,600,000            | 4,475,000                               | 125,000         | 2 1/2   |
| Ditto, 1928                                     | 6%            | <u>5,000,000</u>         | <u>3,278,000</u>                                       | 1,311,000                                                 | 93 1/2               | 91 1/4            | <u>4,675,000</u>     | <u>4,562,500</u>                        | 112,500         | 2 1/4   |
| Total                                           |               | 16,000,000               | 10,288,500                                             |                                                           |                      |                   | 15,027,500           | 14,347,500                              |                 |         |

<sup>1/</sup> It is understood that approximately \$3,000,000 principal amount of these bonds are in the possession of the Colombian national treasury.

<sup>2/</sup> Ditto except \$3,705,000.

<sup>3/</sup> Not available.

COLOMBIAN DOLLAR BONDS

II. Departmental Loans

| Date of Issue                   | Interest Rate | Amount Originally Issued | Approximate amount outstanding as of December 31, 1938 | Amount in American Ownership so far as can be ascertained | Original Issue Price                             | Price to Borrower | Total Cost to Public | Amount received by Borrower | Bankers' Spread |              |
|---------------------------------|---------------|--------------------------|--------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------|-------------------|----------------------|-----------------------------|-----------------|--------------|
|                                 |               |                          |                                                        |                                                           |                                                  |                   |                      |                             | Amount          | Percent      |
| Antioquia, 1925<br>Series A     | 7%            | 6,000,000                | 5,088,100                                              | 4,834,000                                                 | { \$3,000,000<br>at 90<br>\$3,000,000<br>at 98 } | Not               | 5,640,000            |                             |                 |              |
| Series B                        |               | 6,000,000                | 5,042,600                                              | 4,790,000                                                 | 91 1/2                                           | avail-            | 5,490,000            |                             |                 |              |
| Series C                        |               | 2,500,000                | 2,100,800                                              | 1,996,000                                                 | 96 1/2                                           |                   | 2,412,500            |                             |                 |              |
| Series D                        |               | 5,500,000                | 4,940,500                                              | 4,693,000                                                 | { 3,750,000<br>at 95 1/2<br>1,750,000<br>at 93 } | able              | 3,581,250            |                             |                 |              |
|                                 |               |                          |                                                        |                                                           |                                                  |                   | 1,627,500            |                             |                 |              |
| Antioquia, 1927<br>First Series | 7%            | 4,000,000                | 3,716,000                                              | 3,530,000                                                 | 93                                               | 88 3/4            | 3,720,000            | 3,550,000                   | 170,000         | 4 1/4        |
| Second Series                   |               | 4,000,000                | 3,870,000                                              | 3,486,000                                                 | 94 1/4                                           | 90                | 3,770,000            | 3,600,000                   | 170,000         | 4 1/4        |
| Third Series                    |               | 4,350,000                | 4,121,000                                              | 3,915,000                                                 | 96 1/2                                           | 92 1/4            | 4,197,750            | 4,012,875                   | 184,875         | 4 1/4        |
| Caldas, 1926                    | 7 1/2%        | 10,000,000               | 8,595,500                                              | 8,167,000                                                 | { 6,000,000<br>at 95 1/2<br>4,000,000<br>at 98 } |                   | 9,650,000            |                             |                 |              |
| Cauca Valley, 1926              | 7 1/2%        | 4,000,000                | 3,408,500                                              | 3,238,000                                                 | { 2,000,000<br>at 96 1/2<br>2,000,000<br>at 98 } | 83 1/2            | 3,890,000            | 3,340,000                   | 550,000         | 13<br>14 1/2 |
| Cauca Valley, 1928              | 7%            | 4,500,000                | 3,865,000                                              | 3,672,000                                                 | 96                                               |                   | 4,320,000            |                             |                 |              |
| Cundinamarca, 1928              | 6 1/2%        | 12,000,000               | 11,537,000                                             | 10,960,000                                                | 93 1/2                                           | 87 1/2            | 11,220,000           | 10,500,000                  | 720,000         | 6            |
| Santander, 1928                 | 7%            | 2,000,000                | 1,791,000                                              | 1,701,000                                                 | 94                                               |                   | 1,880,000            |                             |                 |              |
| Tolima, 1927                    | 7%            | 2,500,000                | 2,112,000                                              | 2,006,000                                                 | 93 1/2                                           |                   | 2,327,500            |                             |                 |              |
| Total                           |               | 67,350,000               | 59,988,000                                             | 56,988,000                                                |                                                  |                   | 63,736,500           |                             |                 |              |

COLOMBIAN DOLLAR BONDS

III. Municipal Loans

| Date of Issue                  | Interest Rate | Amount Originally Issued | Approximate amount outstanding as of December 31, 1938 | Amount in American Ownership so far as can be ascertained | Original Issue Price                                              | Price to Borrower | Total Cost to Public | Amount received by Borrower | Bankers' Spread |         |
|--------------------------------|---------------|--------------------------|--------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------|-------------------|----------------------|-----------------------------|-----------------|---------|
|                                |               |                          |                                                        |                                                           |                                                                   |                   |                      |                             | Amount          | Percent |
| City of Barranquilla           |               |                          |                                                        |                                                           |                                                                   |                   |                      |                             |                 |         |
| Series A - 1925                | 8%            | 500,000                  | 142,400                                                | 135,000                                                   | 99                                                                |                   | 495,000              |                             |                 |         |
| " B - 1925                     | 8%            | 500,000                  | 292,300                                                | 278,000                                                   | 100                                                               |                   | 500,000              |                             |                 |         |
| " C - 1926                     | 8%            | 500,000                  | 422,600                                                | 401,000                                                   | 101                                                               |                   | 505,000              |                             |                 |         |
| " D - 1928                     | 8%            | 500,000                  | 448,000                                                | 426,000                                                   | 102                                                               |                   | 510,000              |                             |                 |         |
| " E - 1929                     | 8%            | 500,000                  | 475,100                                                | 451,000                                                   | 99                                                                |                   | 495,000              |                             |                 |         |
| Total                          |               | 2,500,000                | 1,780,400                                              | 1,691,000                                                 |                                                                   |                   |                      |                             |                 |         |
| City of Bogotá, 1924           | 8%            | 6,000,000                | 4,682,000                                              | 4,448,000                                                 | 98                                                                | 89                | 5,880,000            | 5,340,000                   | 540,000         | 9       |
| City of Bogotá, 1927           | 6 1/2%        | 2,700,000                | 2,257,500                                              | 2,144,000                                                 | 91                                                                |                   | 2,457,000            |                             |                 |         |
| Municipality of Cali, 1927     | 7%            | 2,885,000                | 2,408,000                                              | 2,287,000                                                 | { 2,000,000<br>at 93<br>635,000<br>at 97<br>250,000 <sup>1/</sup> |                   | 1,860,000<br>615,950 |                             |                 |         |
| Municipality of Medellín, 1926 | 7%            | 3,000,000                | 2,644,000                                              | 2,512,000                                                 | 93 1/4                                                            | 85                | 2,797,500            | 2,550,000                   | 247,500         | 8 1/4   |
| Municipality of Medellín, 1928 | 6 1/2%        | 9,000,000                | 8,378,000                                              | 7,959,000                                                 | 93 1/4                                                            | 89 1/8            | 8,392,500            | 8,021,250                   | 371,250         | 4 1/8   |
| Total                          |               | 26,085,000               | 22,149,900                                             | 21,041,000                                                |                                                                   |                   |                      |                             |                 |         |

<sup>1/</sup> Issue price not available.

COLOMBIAN DOLLAR BONDS

IV. Corporate Bonds without Government Guarantees

| Date of Issue             | Interest Rate | Amount Originally Issued | Approximate amount outstanding as of December 31, 1938 | Amount in American Ownership so far as can be ascertained | Original Issue Price | Price to Borrower | Total Cost to Public | Amount received by Borrower | Bankers' Spread |         |
|---------------------------|---------------|--------------------------|--------------------------------------------------------|-----------------------------------------------------------|----------------------|-------------------|----------------------|-----------------------------|-----------------|---------|
|                           |               |                          |                                                        |                                                           |                      |                   |                      |                             | Amount          | Percent |
| Bank of Colombia          | 7%            | 2,000,000                | 986,500                                                | 394,000                                                   | 96 1/2               | 89 1/4            | 1,930,000            | 1,785,000                   | 145,000         | 7 1/4   |
| Bank of Colombia          | 7%            | 1,050,000                | 811,500                                                | 324,000                                                   | 94 3/4               | 88                | 994,875              | 924,000                     | 70,875          | 6 3/4   |
| Mortgage Bank of Bogota   | 7%            | 3,000,000                | 1,912,000                                              | 765,000                                                   | 95 1/2               | 88 3/4            | 2,865,000            | 2,662,500                   | 202,500         | 6 3/4   |
| Mortgage Bank of Bogota   | 7%            | 3,000,000                | 1,957,000                                              | 783,000                                                   | 92 1/2               | 88                | 2,775,000            | 2,640,000                   | 135,000         | 4 1/2   |
| Mortgage Bank of Colombia | 6 1/2%        | 4,000,000                | 1,985,000                                              | 784,000                                                   | 91 1/2               | Not               | 3,660,000            |                             |                 |         |
| Mortgage Bank of Colombia | 7%            | 6,000,000                | 3,213,000                                              | 1,285,000                                                 | 95 3/4               | avail-            | 5,745,000            |                             |                 |         |
| Mortgage Bank of Colombia | 7%            | <u>3,000,000</u>         | <u>1,551,000</u>                                       | <u>620,000</u>                                            | 97 1/2               | able              | <u>2,925,000</u>     |                             |                 |         |
| Total                     |               | 22,050,000               | 12,416,000                                             | 4,955,000                                                 |                      |                   | 20,894,875           |                             |                 |         |

*PSF Welles*  
1

To the President from Sumner Welles----November 1939

Draft regarding proposed transfer of certain American  
Ships of American registry to a Foreign flag--states  
his conclusions.

See: Neutrality folder-Drawer 2-1939

See: State Dept folder-Drawer 1-1939  
for letter referred to in the  
attached

*Welles*

December 1, 1939

My dear Mr. President:

I am sending you herewith a translation of a cable which the President of Colombia yesterday sent to the President of Finland. It seems to me to be a very accurate reflection of public opinion in Colombia and, I have no doubt, in practically every other republic of this continent. I believe you will be interested in it.

Believe me

Faithfully yours,

SUMNER WELLES

The President,

The White House.

Copy

*PSF  
Welles  
1*

December 1, 1939

Memorandum for

Sumner Welles

To Read and Return

F.D.R.

The President sent with the above a letter from Edward Noble,  
The Under Sec of Commerce, dated Nov 27, 1939 in re-meeting in  
Commerce Dept for discussion of Brazilian financing.

See: Commerce folder-Drawer 1-1939 (Edward Noble)

State Dept. copy

Published in

Foreign Relations of the United States

1939 Vol. II General, The British  
Commonwealth, and Europe

pages 154-156.

PST  
Welles

December 4, 1939.

MEMORANDUM FOR

THE UNDER SECRETARY OF STATE

Mr. van Zeeland's plan is on the whole good but I think misses the psychology which is necessary to success.

No. 5, for instance, suggests that a large number of relatively small settlement projects will be organized separately.

No. 6 suggests the same thing -- that the privileged companies will each organize small communities -- some agricultural, some semi-urban.

In other words the outline does not stimulate my imagination or that of the average individual in the civilized world to picture the huge rounded out project which could affect many millions of our fellow beings. Most people would regard it as a large series of small individual projects and would mentally miss out on the conception of the whole. For example, nothing is said about the possibility of one or two very large areas which would take hundreds of thousands of people through a course of years and develop a wholly new rounded civilization.

This is not the time, for example, to speak of small settlements organized on an agricultural or subsistence basis and other small settlements on a semi-urban industrial basis. The picture should be in terms of a million square miles occupied by a coordinated self-sustaining civilization -- some people on individual farms, others near them in small villages, still others devoting themselves to public works, still others in small manufacturing communities, but all of them an essential part of a complete coordinated picture. I could raise money on that far quicker than if I talked in terms of individual communities. In other words, over-all planning on an enormous scale is essential.

In items 7, 8, 9 and 10 too much emphasis is placed on strictly business basis for financing. Resettlement of large numbers of people cannot be put solely on a business basis. It is my judgment that 50% of the cost can properly be financed on a business basis but that the other 50% would have to be given -- not loaned -- in the form of gifts from governments and individuals.

Taking Mr. Van Zeeland's figure of \$100,000,000, I would, as he does, make the first "tranche" \$20,000,000-- of which \$10,000,000 would be given outright and the other \$10,000,000 subscribed by the capitalist group.

Somebody has to breathe heart and ideals on a large scale into this whole subject if it is to be put into effect on a world-wide basis.

F. D. R.

LOW  
PEAC  
INFLUENCE  
IF  
UNDEVELOPED  
IN

P5F Box 24  
(Welles, 1439)

Welles  
1

THE UNDER SECRETARY OF STATE  
WASHINGTON

December 1, 1939

My dear Mr. President:

Following the recent meeting of the officers of the Intergovernmental Committee on Political Refugees, I have had one long conversation and exchanged correspondence with M. van Zeeland, who, as you know, is the leading spirit in the refugee work at the present time in his capacity as President of the Coordinating Foundation. M. van Zeeland has elaborated a careful plan, has had numerous conferences at New York with persons who might wish to participate in assistance to refugees and is now leaving for Europe where he will confer with the leading personalities.

Before taking further steps or making definite commitments, M. van Zeeland is most anxious that I should obtain from you an indication that his plans meet with your general approval. He is most anxious to accord his plans with your views and intends, when the work is more advanced, to ask you to make a public statement in support of the Foundation's approach to the solution of the refugee problem.

M. van Zeeland's plan may be summarized in the following points:

- (1) The problem should be approached on a non-sectarian, non-racial and non-discriminatory basis

The President,

The White House.

basis and the solution should benefit all refugees, irrespective of the cause of their migration.

(2) Infiltration, that is individual immigration, should be stimulated but it must be supplemented by large-scale settlement.

(3) Without detriment to what has already been accomplished in the way of exploring places of settlement, a fresh effort should be made to survey the existing undeveloped portions of the world with a view to their use for resettlement.

(4) The existing administrative facilities of the private organizations should be continued but brought under the general aegis of the Foundation which shall serve as the management in matters of settlement.

(5) When places have been adjudged feasible for settlement, the projects shall be organized in the form of privileged international companies.

(6) Under the privileged companies, settlement should be organized in part on agricultural, or subsistence, basis and in part on a semi-urban industrial basis.

(7) Financing should be done in the first instance by a central financial corporation which will have subsidiaries in the form of the various chartered companies.

(8) Financing should be done on a strictly business basis, that is, subscribers to the various projects should enter the field as investors not as dispensers of charity.

(9) All formulae to be adopted for raising  
money

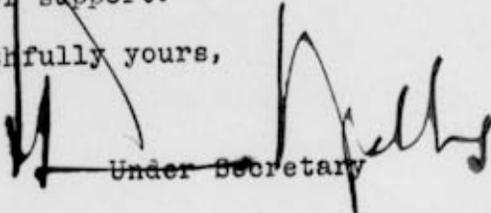
money should be based upon the investment idea.

(10) For purposes of financing a sum of \$100,000,000 should ultimately be subscribed. A first tranche should be subscribed by the capitalist group and should amount to approximately \$20,000,000. When this amount has been subscribed, the President of the Foundation will be in a position to approach governments with regard to settlement projects. When agreement has been reached with governments regarding settlement projects the time will have come to appeal to the general public to complete the \$100,000,000.

These are the broad lines of M. van Zeeland's plan. I shall not bother you with the subordinate details which have been worked out, particularly those of a financial nature, with great care, and discussed with leading financial personalities, both Jewish and non-Jewish, in New York and have met, I understand, with general approval in the financial community.

If you are in agreement that M. van Zeeland is working in the right direction I shall, if you concur, write him in general terms to that effect. He is of the opinion--and I am sure that it is the right one--that you should not be brought into the matter in any direct way whatsoever until the \$20,000,000 has been subscribed by the capitalist group. When the stage has been reached where an appeal to the general public might be useful, M. van Zeeland will doubtless wish to have some public expression of support.

Faithfully yours,

  
Under Secretary

BSF  
Welles

December 8 1939

My dear Mr. President:

In reply to your memorandum of December 1, I take pleasure in enclosing a translation of the letter of November 16 addressed to you by President Vargas of Brazil and flown back from Brazil by the flight of bombers commanded by General Emmons.

Since this letter is merely an acknowledgment of your letter of November 4 to President Vargas carried by General Emmons and delivered personally by him to the President of Brazil on November 16, no further action would seem indicated.

Believe me,

Faithfully yours,

Sumner Welles

Enclosure:

From President of Brazil,  
November 16, 1939,  
with translation.

The President,  
The White House.

See: Famous People Hall - Drawings -  
1939

COPY

December 12, 1939.

*PSF*  
*Sumner Welles*  
*1*

My dear General Watson:

I am enclosing a copy of Ambassador Biddle's strictly confidential despatch no 3 of November 10, 1939 concerning General Sosnkowski, which was marked for the President.

Sincerely yours,

Sumner Welles

Enclosure:

From Paris, November 10, 1939.

Brigadier General Edwin M. Watson,  
Secretary to the President  
The White House

See: Poland folder-Drawer 1-1939

*BF* *Welles.*  
1

December 22, 1939.

THE SECRETARY OF STATE  
MEMORANDUM FOR THE UNDER SECRETARY OF STATE  
FROM THE PRESIDENT

RE\*\*\*Soviet Restrictions against American citizens connected  
with the Diplomatic Corps

See: Russia folder-Drawer 1-1939

*BSF*  
*Wells*  
*1*

Secretary of Service--Rennie Smith  
In re-"Friends of Europe" information Service  
on Critical and scholarly examination  
of Nazi-Germany. Printed in London, England.

See-Cordell Hull folder-Drawer 1-1939