

12 for Chancery.

With: 646/8/40

W. 16/226

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(Received from Mr. Ballantyne, May 8, 1940)

- 1 copy for C.C.
 - 1 " " Mr. Helm
 - 1 " " Chancery - Mr. Pinsent to see. ✓
- 11/5

FROM ~~British-Consulate-General, New-York,~~
 Lord Lothian

TO Foreign Office

d. April 26, 1940

PURCO NO. 98.

Important

Following for Monnet from Purvis.

Wolfram.

Referring your Purco No. 37. After consultation with Gwatkin and Rise it was decided to endeavour to obtain Mr. Morgenthau's assistance in influencing a war reserve purchase out of 1940 Chinese production.

Mr. Pinsent to see.
14/5.

2. Mr. Morgenthau is a member of the Army and Navy Munitions Board which deals with what are known as "Strategic" materials of which Tungsten is one. In addition the Procurement Division which would make such a reserve purchase is a Treasury Department.

3. Therefore I suggested on April 17th that a special purchase be made of 5,000 tons as part of a cooperative effort to remove the 1940 Chinese production from the market. This would be over and above U. S. Peace time requirements.

4. The proposal was pressed again on April 25th and in the interim at Mr. Morgenthau's suggestion Bloch-Laine and I saw Mr. Chen, President of Universal Trading Company, in whom he has great confidence, in the hope that Chen would be able to throw light on the quantities liable to become available from China in 1940. This he could not do but at the interview it was suggested that the problem is probably one of transport out of China rather than of production.

5. Mr. Morgenthau has expressed himself as definitely unfavourable to the inclusion of Wolfram as security for the new loan for a reason which Plevin, who was present at the April 25th meeting, will explain on his return.

6. He is however sympathetic to a direct purchase as a measure of cooperation with the Allies and while it is understood the Army is unfavourable to such a purchase he has undertaken to explore the possibilities of changing their stand.

7. Any such war reserve purchase would be predicated on the understanding that the existing Indo China stock has been removed from the market. Mr. Morgenthau would appreciate information as to

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whether the negotiations for this purchase have been concluded pointing out that it is four months since it was first mooted to him.

8. It is too early to predict the result of the effort but it is quite evident that it will be sympathetically followed up as far as Mr. Morgenthau is concerned. A further discussion will take place next week.

HOC:R