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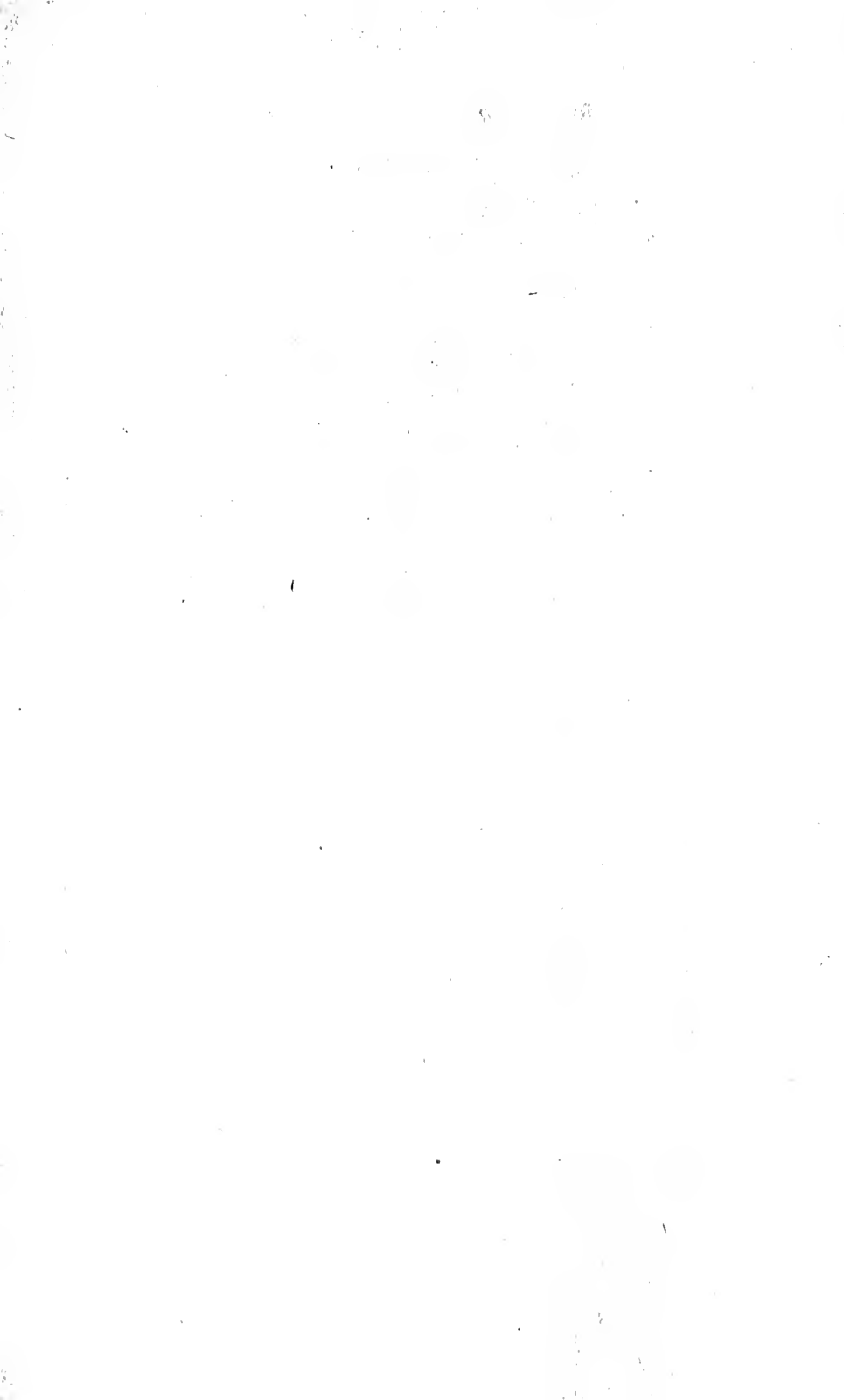
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MUNITIONS INDUSTRY

HEARINGS

BEFORE THE

SPECIAL COMMITTEE

INVESTIGATING THE MUNITIONS INDUSTRY

UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

PURSUANT TO

S. Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 4

SEPTEMBER 10, 11, AND 12, 1934

CURTISS-WRIGHT EXPORT CORPORATION

Printed for the use of the
Special Committee Investigating the Munitions Industry



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U.S. Congress, 1934

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UNITED STATES
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WASHINGTON : 1934

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SPECIAL COMMITTEE INVESTIGATING THE MUNITIONS INDUSTRY

GERALD P. NYE, North Dakota, *Chairman*

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INVESTIGATION OF MUNITIONS INDUSTRY

MONDAY, SEPTEMBER 10, 1934

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE MUNITIONS INDUSTRY.

Washington, D. C.

The hearing was resumed at 10 a. m. in the caucus room, Senate Office Building, pursuant to taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), George, Clark, Bone, Pope, and Vandenberg.

Also present: Alger Hiss, investigator.

TESTIMONY OF JOHN S. ALLARD

(The witness was duly sworn by the Chairman.)

The CHAIRMAN. Your full name, please.

Mr. ALLARD. John S. Allard.

The CHAIRMAN. What is your connection with the Curtiss-Wright Export Corporation?

Mr. ALLARD. I am president.

The CHAIRMAN. For the information of those present, Mr. Hiss, one of the committee's staff, will proceed with the examination of Mr. Allard. Proceed, Mr. Hiss.

CORPORATE ORGANIZATION OF CURTISS-WRIGHT COMPANIES

Mr. Hiss. Mr. Allard, as I understand it, the Curtiss-Wright Export Corporation, of which you are president, is the selling agent for foreign sales of the Curtiss-Wright Companies, engaged in the manufacture of airplanes and airplane engines, is that correct?

Mr. ALLARD. That is correct.

Mr. Hiss. The principal subsidiaries of the Curtiss-Wright Corporation, which is the parent of your company, are the Curtiss Airplane & Motor Co. of Buffalo, which manufactures planes, is that correct?

Mr. ALLARD. That is correct.

Mr. Hiss. The Wright Aeronautical Corporation of Paterson, New Jersey, which manufactures engines?

Mr. ALLARD. That is correct.

Mr. Hiss. The Curtiss-Wright Airplane Co., of St. Louis, which manufactures planes?

Mr. ALLARD. That is correct.

Mr. HISS. The Curtiss-Wright Airports Corporation which owns a series of airports and runs subsidiary corporations?

Mr. ALLARD. That is correct.

Mr. HISS. The Curtiss-Caproni Corporation which has a plant in Baltimore which has been rented to the General Aviation Corporation at the present time?

Mr. ALLARD. It has been up to the present time. I think they are through now.

Mr. HISS. Then, in addition, the Keystone Aircraft Corporation of Bristol, Pa., which is at present shut down; is that correct?

Mr. ALLARD. That is correct.

Mr. HISS. What interest does your company consider, or do the Curtiss-Wright Companies consider, as the major stockholder of the parent corporation, the Curtiss-Wright Corporation?

Mr. ALLARD. I have no idea who the major stockholders are.

Mr. HISS. The committee was furnished with a list of the Curtiss-Wright Co.'s stockholders, that is of those having over 5,000 shares, the majority of whom are brokerage houses carrying stock for customers.

Mr. ALLARD. That is right.

Mr. HISS. We made inquiries of those brokerage houses, asking for whom they held stock and we found that Mr. Richard F. Hoyt, who is chairman of the board of the parent corporation, the Curtiss-Wright Corporation—?

Mr. ALLARD. That is right.

Mr. HISS. Holds some 28,000 of the class A stock. Will you explain to the committee which of the two classes of stock of the parent corporation is the voting stock, the common or the class A?

Mr. ALLARD. I honestly don't know. I think class A, but I will have to check that and furnish the information.

Mr. HISS. Is there someone here who can furnish that information?

Mr. ALLARD. I think, Mr. Hotchkiss.

Mr. HOTCHKISS. I will be glad to furnish you the certificates on that. It is common and class A stock.

The CHAIRMAN. Why don't you sit right here, Mr. Hotchkiss, and if Mr. Allard cannot give the information, you may be prepared to give it for him.

TESTIMONY OF HENRY G. HOTCHKISS

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Give the reporter your full name, please.

Mr. HOTCHKISS. My full name is Henry G. Hotchkiss.

The CHAIRMAN. And your connection with the Curtiss-Wright Co.?

Mr. HOTCHKISS. Counsel.

Mr. HISS. Mr. Hotchkiss, you say that both class A and the common stock of the Curtiss-Wright Co., the parent corporation, have voting rights?

Mr. HOTCHKISS. Yes, sir.

Senator BONE. Do they have equal voting rights?

Mr. HOTCHKISS. Yes; one vote to each share.

Mr. HISS. Mr. Allard, if this statement is correct, that Richard F. Hoyt owns 28,107 shares of class A stock; that Mr. Hugh D. Auchincloss owns 20,000 shares of common stock and 5,000 shares of class A stock; that Mr. Donald R. McLennan holds 25,204 shares of common stock and 5,601 shares of class A stock; that there is one additional shareholder holding approximately 25,000 shares, and that is Mr. H. Harrison Smith, who holds 24,611 shares of the class A stock; that the other shareholders all hold 15,000 or less shares, and the great majority hold considerably less, with the exception of one shareholder, Mr. John Sanderson, who holds, on behalf of the Sperry Corporation, 365,951 shares of the common stock and 98,132 shares of class A stock; then that is the largest block of stock, and seems, in view of the wide-spread holdings of the rest of the stock, to represent a controlling interest. Do you consider that the Sperry Corporation's holdings in the Curtiss-Wright Co. are a controlling interest?¹

Mr. ALLARD. No; I should say not, not in any sense of the word.

Mr. HISS. I would like to call your attention to some of the directors who are on the Curtiss-Wright Corporation board and also on the Sperry Corporation board. Mr. G. N. Armsby, who is chairman of the board of directors of the Sperry Corporation, is a member of the board of directors of the Curtiss-Wright Corporation and all of the subsidiaries.

Mr. ALLARD. I know he is of most of the subsidiaries of the parent corporation, but I do not know whether he is on all of them or not.

Mr. HISS. Mr. T. A. Morgan, who is president of the parent corporation, is also president of the Sperry Corporation, is he not?

Mr. ALLARD. That is correct.

Mr. HISS. I have a chart, Mr. Chairman, I think may be helpful on this question of control, which I would like to ask the witness a few questions about. I think probably it is wisest to set it there. That chart, Mr. Allard, is supposed to represent the interest of the General Motors Corporation in various airplane manufacturing companies.

The CHAIRMAN. Mr. HISS, before you start in on that, I would suggest that the exhibit be offered for the record.

Mr. HISS. I would like to have this chart offered as an Exhibit for the record.

(The chart referred to was marked "Exhibit No. 268", and appears in the appendix facing p. 859.)

Mr. HISS. You will notice, Mr. Allard, that the du Pont Co., through a wholly owned subsidiary of the du Pont Co., has a 28 percent interest in the General Motors Co. stock. That appears in the 1933 annual report of the du Pont Co. The General Motors Corporation, in turn, has 48 percent of the stock of the General Aviation Corporation. General Aviation Corporation and General Motors Corporation together own 52 percent of the stock of North American Aviation. All of the stock of the Sperry Corporation has been distributed to trustees under a voting-trust agreement and the certificates of the voting-trust agreement have been distributed to the stockholders of the North American Co., which means that

¹ The list of stockholders in Curtiss-Wright was marked "Exhibit No. 268-A" and is on file with the committee.

the stockholders of North American Aviation control the Sperry Corporation through the voting trust. Is that correct?

Mr. ALLARD. As you stated it; yes.

Mr. HISS. The Sperry Corporation, as I stated before, owns 365,951 shares of the Curtiss-Wright parent corporation, which is shown to the right of this chart, which has been made an exhibit.

Mr. ALLARD. Yes.

Senator BONE. Is that control?

Mr. ALLARD. No, sir.

Mr. HISS. Mr. Allard thinks that is not a controlling interest, and I pointed out that the president of the Sperry Corporation, T. A. Morgan, is also the president of the Curtiss-Wright Corporation, and that G. N. Armsby, the chairman of the Sperry board, is also on the Curtiss-Wright board.

Now, Mr. Allard, Mr. Armsby, who is on the board of the Curtiss-Wright parent corporation, has been or is now a director of the North American Aviation. Mr. J. C. Cowdin, who is a member of the board of directors of the Curtiss-Wright Corporation and many of its subsidiaries, has also at one time or another been on the board of the North American Aviation.

Mr. E. A. Pierce, who is a member of the Curtiss-Wright parent corporation board, is on the board of directors of the North American Co.

Mr. ALLARD. No, sir.

Mr. HISS. He has been until recently?

Mr. ALLARD. Not to my knowledge.

Mr. HISS. Mr. J. C. Willson is a member of the board of the Curtiss-Wright Corporation?

Mr. ALLARD. Yes.

Mr. HISS. He has, according to the Black committee, at one time or other been a member of the board of directors of the North American Aviation also?

Mr. ALLARD. Yes, sir.

Mr. HISS. I would like to call the attention of the committee to the Douglas Aircraft Co., which also makes planes—25 percent of its stock is held by North American Corporation. The Douglas Aircraft Company you consider one of your competitors, Mr. Allard?

Mr. ALLARD. Yes, sir.

Mr. HISS. Mr. J. C. Cowdin is also a member of the board of directors of the Douglas Corporation, according to Moody's, and he is a director of the Curtiss-Wright Corporation.

Mr. HOTCHKISS. Mr. Chairman, might I say with reference to the Exhibit which has been offered as No. 268, if you do not mind, it appears from the outline there that the North American Aviation, Inc., as such owns stock in the parent corporation as such. I simply want that understood, and I want the examiner, Mr. Hiss, to understand that the stock of the Sperry Corporation has been distributed by certificates to the stockholders of North American Corporation.

Mr. HISS. To the stockholders of North American, which controls the Sperry Corporation through a trust arrangement?

Mr. HOTCHKISS. That is correct.

Mr. HISS. Of the stock of the North American Corporation, 52 percent is owned by General Motors and General Aircraft.

Mr. HOTCHKISS. I have no knowledge of that.

SALES OF MILITARY MATERIAL

Mr. HISS. Mr. Allard, as to the Curtiss-Wright Co's sales through your companies of airplane engines and equipment, they are all primarily for military purposes, are they not?

Mr. ALLARD. The majority of them; yes.

Mr. HISS. For example, from figures furnished the committee by your company, it appears that during the period 1932 to April 30, 1934, out of a total number of planes sold by your company, numbering 179, only 8 are listed by your company as commercial planes. Two of those are listed as being sold in 1933 to Germany and they are described as Hawks. What type of plane is the Hawk?

Mr. ALLARD. That is a single-seat plane that can be used for acrobatic purposes, stunting, and is probably the best plane in the world for that purpose, used by Al Williams and Jimmy Doolittle, and people like that, for acrobatic purposes.

Mr. HISS. You sell it primarily to governments as a pursuit plane?

Mr. ALLARD. Not with the same type of equipment and construction, as a pursuit plane.

Mr. HISS. In what way do the two planes your company has referred to as Hawks differ in construction from the Hawk planes you sell as pursuit planes?

Mr. ALLARD. The absolute lack of any military equipment or arrangement for military equipment.

Mr. HISS. Could that be added, or was there any fundamental difference in the underlying structure?

Mr. ALLARD. Considerable difference. It could be, after a great deal of expense in sending it back to the factory here, added if necessary, but it could not be done in the field.

Mr. HISS. Is it not true that a great many commercial planes are convertible into military-purpose planes?

Mr. ALLARD. I believe any commercial plane can be used for military purposes, but not as efficiently, necessarily.

Mr. HISS. I should like to call your attention to a letter dated March 23, 1934, from your company's agents in Mexico—Watson, Phillips & Cia. You will see in the third paragraph there that the letter says:

We note that we are allowed the agency solely for military airplanes and engines, and that no mention is made of civil machines. Although it is scarcely likely that we may obtain an order for civil airplanes, we presume you will have no objection to our soliciting same, should opportunity offer.

That is correct as far as your company is concerned that your agencies abroad are primarily interested in making sales of military planes and that the market is primarily a military market?

Mr. ALLARD. I state this, that the market is primarily a military market but our agencies have both the right where it is possible to give the right to one outfit, to sell both commercial and military. In this particular instance we had another man selling commercial planes in Mexico.

Mr. HISS. I offer this letter as "Exhibit No. 269."

(The letter referred to was marked "Exhibit No. 269", and is included in the appendix on p. 859.)

The CHAIRMAN. Would an inquiry of Mr. Allard at this time be out of order?

Mr. HISS. Certainly not.

The CHAIRMAN. Mr. Allard, you spoke of planes being potentially for war use.

Mr. ALLARD. Yes, sir.

The CHAIRMAN. We are to understand from that, are we, that to some degree, however great or however small, but to some degree nevertheless, all of these planes that are engaged in air-mail service could be utilized in time of war for war purposes?

Mr. ALLARD. Yes; that is purely an opinion of mine that they could.

The CHAIRMAN. Are there divergent opinions in the industry on that subject?

Mr. ALLARD. I do not know, I am sure.

Mr. HISS. I would like also to call attention to a letter written last February, 1934, addressed to you, from Mr. Bruce Leighton, signed "Bruce", I judge that is Mr. Bruce Leighton?

Mr. ALLARD. That is right.

Mr. HISS. Mr. Leighton is vice president of your company?

Mr. ALLARD. That is correct.

Mr. HISS. And is your European sales representative?

Mr. ALLARD. Yes; at the present time.

Mr. HISS. On the second page of this letter, which refers to sales of European planes in general, that is, planes in Europe, Mr. Leighton says:

When you sell airplanes in Europe you deal with governments. You are dealing in military equipment, which is invariably and popularly looked upon as vital to the personal safety of every individual.

Then he adds:

Remember that in Europe civil air transports are usually looked upon as military planes in disguise.

Then he repeats at a later part of the letter bringing out the same point, where he says:

What are the sales arguments to keep Condors there?

They are one of the largest planes your company builds?

Mr. ALLARD. That is right.

Mr. HISS. And they are used for large bombers, as well as transport planes?

Mr. ALLARD. Yes.

Mr. HISS. Continuing, the letter says:

What are the sales arguments to keep Condors in the picture in the face of certain Douglas competition and existing United competition?

That is United Aircraft Co.?

Mr. ALLARD. Yes, sir.

Mr. HISS. And then he continues:

Both of which have materially higher specifications to offer and hence appeal to the military elements strongly. (Don't forget that European transport planes are in reality considered merely as bombers in disguise).

The CHAIRMAN. I suggest we would expedite matters considerably if you would make it clear that each letter you introduce is to be an exhibit and whether it is to be made a part of the record or not.

Mr. HISS. It has been my intention in all of these copies handed to the witness, that they shall actually go in the record unless the committee decides otherwise.

The CHAIRMAN. Very well, the reporter will understand that.

Mr. HISS. I offer the letter referred to as "Exhibit No. 270."

(The letter referred to was marked "Exhibit No. 270", and is included in the appendix on p. 860.)

Mr. HISS. Mr. Allard, your company has, I believe, one employee referred to as an "armament engineer": is that correct?

Mr. ALLARD. No; that is not correct.

Mr. HISS. I show you a letter dated May 29, 1934, from Mr. Hewlett to Mr. Escobar, which letter I offer in evidence.

(The letter referred to was marked "Exhibit No. 271", and is included in the appendix on p. 865.)

Mr. HISS. Is the Mr. Hewlett who signed that letter an officer of the corporation?

Mr. ALLARD. No; he is an employee.

Mr. HISS. The letter is addressed to Mr. Roberto Escobar, and he is, I believe, Consul General of Colombia, in New York.

Mr. ALLARD. I think he is. I am not sure of the country, but I believe that is it.

Mr. HISS. You will notice that in the first paragraph it refers to the installation of the Driggs 37 mm airplane gun on a Hawk plane, and Mr. Trimbach, your armament engineer has submitted a report.

Mr. ALLARD. Mr. Trimbach is an employee of the Curtiss Airplane & Motor Co. and not of the Export Co. I misunderstood your question when I answered the Export Co. has no such officer.

Mr. HISS. May I call attention to a letter dated March 31, 1934, which I offer in evidence.

(The letter referred to was marked "Exhibit No. 272", and is included in the appendix on p. 866.)

Mr. HISS. This letter, "Exhibit No. 272", appears to be from William J. Crosswell; he is an employee of your company?

Mr. ALLARD. No; he is an employee of the Curtiss Airplane & Motor Co.

Mr. HISS. The letter is written to Mr. Hewlett who is an employee of your company, I believe?

Mr. ALLARD. Yes.

Mr. HISS. In the course of the letter Mr. Crosswell refers to a discussion with Lt. Comdr. Hugh Sease—he is an officer of the United States Navy?

Mr. ALLARD. I do not know Commander Sease, whether he is an active officer or retired.

Mr. HISS. In this letter he refers to a new light machine gun which has been developed and Mr. Crosswell says to Mr. Hewlett in this letter addressed to "Dear Parm" the following [reading]:

While he was talking it occurred to me that perhaps it would be good to have the dope on this gun in case we should ever wish to build a flying arsenal for export sale with say six guns forward which we could do more readily with a smaller gun.

Your company is continually experimenting with new types of military planes?

Mr. ALLARD. No; I would not say our company was.

Mr. HISS. I beg your pardon, the Curtiss-Wright operating companies, the manufacturing companies.

Mr. ALLARD. The manufacturing companies, undoubtedly; yes.

Mr. HISS. I show you a letter dated February 25, 1932, from Mr. Goulding who signed himself as vice president of the Curtiss-Wright Export Corporation.

Mr. ALLARD. That is correct.

Mr. HISS. I offer this letter in evidence.

(The letter referred to was marked "Exhibit No. 273", and is included in the appendix on p. 867.)

Mr. HISS. In this letter Mr. Goulding made this statement with reference to a Keystone bomber—the Keystone bomber was a large bomber which you made in those days?

Mr. ALLARD. Yes, sir; at the Keystone plant in Bristol.

Mr. HISS. The statement is as follows [reading]:

This plane powered with a Cyclone engine is used extensively by the United States Army Air Corps, and we are just completing at our factory at Bristol, Pa., a large contract of these planes for the United States Army. This plane can carry over two thousand pounds of bombs and is, therefore, a formidable offensive weapon.

The CHAIRMAN. We suggest, Mr. Hiss, as you go along, for the benefit of the record that you identify the exhibit before quoting any of it to the witness.

Mr. HISS. In addition to making planes you sold equipment or armament for many of the planes; that is correct, is it not?

Mr. ALLARD. That is correct.

Mr. HISS. Does your company not also sell munitions, as agent for other companies, which munitions are not an actual part of the planes you sell?

Mr. ALLARD. Well, yes; we sell bombs and machine-gun bullets as a part of the equipment. The gun is no good without the ammunition and the bomb racks in the airplane are no good without the bombs.

Mr. HISS. The Intercontinent Co. referred to in this correspondence has what relation to your company or the parent company?

Mr. ALLARD. The only connection it has with the Export Co. is our agent for sales in China.

Mr. HISS. It is your agent for sales in China?

Mr. ALLARD. Yes.

Mr. HISS. Seventy-four percent of its stock is held by the Sperry Corporation?

Mr. ALLARD. I do not know that to be a fact.

Mr. HISS. That is the statement from Moody's Manual.

Mr. ALLARD. Yes.

Mr. HISS. Your company, according to a letter in your files, has since January 6, 1933, been the agent for the Remington Co.

Mr. ALLARD. I do not know that to be a fact.

Mr. HISS. I show you a letter dated March 4, 1933, written by Curtiss-Wright Export Corporation, by Owen Shannon, which letter I offer as an exhibit.

(The letter referred to was marked "Exhibit No. 274", and is included in the appendix on p. 868.)

Mr. HISS. Was Mr. Shannon at that time an official of the corporation?

Mr. ALLARD. No; an employee.

Mr. HISS. The letter is written to Mr. E. J. Faucett. Was Mr. Faucett your company's representative in Peru at that time?

Mr. ALLARD. I do not recall whether he was an actual representative, but he may have been at that time. Mr. Faucett has been a representative for us.

Mr. HISS. In this letter you tell Mr. Faucett you will send him by the next air mail complete prices on all sizes of loaded and unloaded bombs, cartridges, and so forth, and that perhaps he could get the Peru Government to place a substantial order for such equipment to be sent on such special sailing. That would be in addition to any complement of bombs you sold?

Mr. ALLARD. Yes; I do not mean to imply that we sell bombs as part of the complement of the airplanes, but they are airplane bombs and airplane cartridges.

Mr. HISS. I call your attention to this letter dated January 6, 1933, taken from the files of your company, signed by F. J. Monaghan of the Remington Arms Co. to Mr. Pawley who was then with the Curtiss-Wright Corporation, and I believe he is the president of the Intercontinent Aviation Corporation?

Mr. ALLARD. Yes.

Mr. HISS. I offer this letter in evidence.

(The letter referred to was marked "Exhibit No. 275", and appears in the appendix on p. 868.)

Mr. HISS. You will see that letter says [reading]:

We confirm our conversation with you today in respect to the ideas you discussed on behalf of your company to represent us in the sale of our military rifles and ammunition to the Chinese Government.

Mr. ALLARD. That is right.

Mr. HISS. Military rifles are not a part of a plane equipment?

Mr. ALLARD. Not at all.

Mr. HISS. In January your company was representing the Remington Co. for material not used as equipment for planes?

Mr. ALLARD. That is right.

Mr. HISS. Now, your company has purchased bombs from the Federal Laboratories Co. and from the Lake Erie Chemical Co.; has it not?

Mr. ALLARD. Yes.

Mr. HISS. On August 6, 1932, the Federal Laboratories Co. notified your company that if you bought muzzle-loaded rifled mortars from the Lake Erie Co. you would be violating the patents of the Federal Laboratories Co., if you sold rifled mortars.

Mr. ALLARD. I do not know.

Mr. HISS. Have you carried out negotiations looking to their sale?

Mr. ALLARD. We may have been requested to make quotations; but referring back to your previous question, you asked whether we had sold any other than aviation equipment. I should say we have made quotations on other equipment, but have not consummated sales.

Mr. HISS. I am pretty sure that you have made sales.

I show you a letter dated August 13, 1932, Mr. Allard, from the Federal Laboratories, Inc., to Mr. Shannon, whom you have

identified as an employee of your company, which gives your company the exclusive representation on smoke-screen and gas attachments for airplanes and on aerial bombs in Argentina, Colombia, Chile, Ecuador, Panama, and Turkey; that is, the products of the Federal Laboratories.

(The letter referred to was marked "Exhibit No. 276" and is included in the appendix on p. 869.)

Mr. HISS. This "Exhibit No. 276", which I have called to your attention, came from the files of the Federal Laboratories Co., did it not?

Mr. ALLARD. Yes, sir.

Mr. HISS. And was sent to your company?

Mr. ALLARD. Yes, sir.

Mr. HISS. Is that agreement in force?

Mr. ALLARD. I do not know. I frankly do not know.

Mr. HISS. Can you find out?

Mr. HOTCHKISS. Suppose we check our records and find out. Do you want that produced?

Mr. HISS. Yes, sir.¹

Has your company ever made any sales or any negotiations for flame throwers; that is, liquid fire?

Mr. ALLARD. Not to my knowledge; no.

Mr. HISS. Here is a letter under date of March 9, 1932, from the Federal Laboratories, Inc., signed apparently by the president, bearing the initials J.W.Y., which I believe refers to Mr. John W. Young, of the Federal Laboratories Co., addressed to the Curtiss-Wright Export Corporation, attention of Mr. Shannon.

Mr. ALLARD. That is right.

Mr. HISS. That letter will be "Exhibit No. 277."

(The letter referred to was marked "Exhibit No. 277" and is included in the appendix on p. 869.)

Mr. HISS. That letter, exhibit no. 277, reads as follows:

Replying to your letter of February 23 relative to flamethrower, please be advised that inasmuch as we have only had one inquiry for this from Turkey, we prefer making flame throwers only on request. We do not believe there would be a popular demand for the product sufficient to warrant our developing it and pushing it as we have our other products.

Mr. ALLARD. I should think not.

Senator BONE. Is there a popular demand, Mr. Allard, for war products? Of any kind?

Mr. ALLARD. I would not say that there was for any kind of war products.

Senator BONE. How could you throw flames from an airplane?

Mr. ALLARD. I have not any idea. I never heard of a flame thrower from an airplane. The only flame thrower I heard of was in the last World War.

Mr. HISS. Has your firm had quotations on tanks?

Mr. ALLARD. I do not know. The records would show that.

¹ In response to the above request, Mr. Allard informed the committee on Nov. 3, 1934, as follows: "The Export Co. did not sign the agreement from Federal Laboratories dated Aug. 13, 1932 (Exhibit No. 276), or a subsequent agreement submitted to the Export Co. However, the Export Co. did have an understanding with Federal Laboratories in 1932 that the Export Co. was to handle Federal Laboratories' smoke-screen equipment in Argentina. The Export Co. sold two of these to the Argentine Government for experimental purposes.

Mr. HISS. Just to refresh your memory, here is a letter of October 1, 1932, written to Mr. J. W. Young of the Federal Laboratories, Inc., Pittsburgh, Pa., signed by Curtiss-Wright Export Corporation, by Mr. Owen Shannon, which I will offer as "Exhibit No. 278."

(The letter referred to was marked "Exhibit No. 278.")

Mr. HISS. That letter, "Exhibit No. 278", reads as follows:

DEAR MR. YOUNG: I was very much surprised when I telephoned your office this morning to find that you had returned to Pittsburgh without leaving a message for me regarding the tank.

I was even more surprised when I talked with the Bolivian consul and he told me confidentially he had already been quoted a price of \$34,000 on this particular tank.

I would appreciate your telephoning me Monday morning just what we can do about offering this or any other tanks to Bolivia.

Mr. ALLARD. The letter speaks for itself.

Mr. HISS. Does your company represent the Colt Fire Arms Co. for the sale of any firearms as a part of planes or not as a component part of planes sold by yourself?

Mr. ALLARD. No; I do not think so.

Mr. HISS. To refresh your memory, I call your attention to a letter of February 23, 1933, from Mr. Goulding, of your company, to Mr. F. C. Nichols, who I believe is a vice president of the Colt Patent Fire Arms Manufacturing Co. [handing paper to witness].

Mr. ALLARD. Yes, sir.

(The letter referred to was marked "Exhibit No. 279" and is included in the appendix on p. 870.)

Mr. HISS. That letter reads in part as follows:

We have been actively, through our China representative, pushing the sale of our equipment in the Canton section, with the result that we now have, and are holding subject to the issuance of export license, an order for ten of your guns. This would, I think, convince you of the active steps we are taking to develop sales for your products in China.

Mr. ALLARD. I think that refers to airplane guns, ten guns.

Mr. HISS (reading).

You appreciate, I believe, the letter goes on to state,

the disadvantage of several people offering the same customer the same article. It always leads to confusion on the part of the customer, with the result that some one else usually gets the business. We hope, therefore, that you will in the future work through us exclusively in China.

Mr. ALLARD. Correct; on airplane equipment.

Senator POPE. What position does Mr. Goulding hold?

Mr. ALLARD. Vice president of the Export Co.

Senator BONE. Do you know what concern owns the Colt Patent Fire Arms Manufacturing Co.

Mr. ALLARD. No; I do not.

Senator BONE. The stock control is vested in some one of the bigger companies, is it not?

Mr. ALLARD. Not to my knowledge. I do not know anything about it.

The CHAIRMAN. Do we have any information, Mr. Hiss, as to the ownership of the Colt Co.

Mr. HISS. No, we have not. As to the Remington Co., as to which a prior letter was put in, the record shows that the Curtiss-Wright Export Co. is their agent in China, and we do have information that they are one of the subsidiaries of the du Pont Co.

The CHAIRMAN. It is the view or impression of those here around the table that the DuPonts are very heavy owners of Colt.

Mr. HISS. I have no information at the present time.

Also on this question of your relations with the Colt Co. I introduce a letter of October 21, 1932, from Mr. Nichols, who signs himself as a vice president of the Colt's Patent Fire Arms Manufacturing Co., addressed to the Curtiss-Wright Export Corporation, attention of Mr. O. A. Shannon. That will be "Exhibit No. 280."

(The letter referred to was marked "Exhibit No. 280" and is included in the appendix on p. 870.)

Mr. HISS. That letter reads in part as follows:

As to your offering the arms referred to, you are at liberty to negotiate in Peru and Bolivia, Turkey after Jan. 15, 1933, and regarding China and Japan, we cannot at this writing include these markets, but should anything transpire whereby our joint interests would be served through your offering quotations, if you will duly notify us in advance we will endeavor to afford you every assistance and protection possible.

Then the next paragraph, you will note, particularly, reads as follows:

On any business you might obtain from the governments named, we would allow you a confidential commission of 5 percent; this of course does not include aircraft guns to be mounted on your planes; regarding which you already enjoy a confidential arrangement.

Mr. ALLARD. Yes, sir.

Mr. HISS. I judge from that that your company represents the Colt Co. or has a commission understanding.

Mr. ALLARD. That is correct. It is not an agency agreement, as I understood your question.

Mr. HISS. But you have a commission understanding?

Mr. ALLARD. That is correct.

Mr. HISS. That you may represent them?

Mr. ALLARD. Yes, sir.

Mr. HISS. And if you do sell any of their equipment, other than for planes, you receive a confidential commission?

Mr. ALLARD. That is correct.

Senator POPE. Just what is the position of Mr. Shannon in your company? Just what does he do?

Mr. ALLARD. Formerly he was office manager, general clerk in the office with the Export Co., up until he left the Export Co.

Senator POPE. Apparently all these letters relating to military matters are addressed to Mr. Shannon. Why is that?

Mr. ALLARD. Because most of the correspondence cleared through him. He made a great many of the contacts; the people saw him, who would come in to try to get some information, and possibly when I might not be in the office or anyone else.

Mr. HISS. On the same subject, there is a letter of October 27, 1932, from Mr. Goulding, addressed to the Automobile Tire & Tractor Co. at Istanbul, Turkey. Are they your representatives in Turkey?

Mr. ALLARD. They are.

Mr. HISS. It is directed "Attention: Ahmet Emin Bey." Is he an official of that firm?

Mr. ALLARD. He is.

Mr. HISS. Mr. Ahmet Emin Bey's name was mentioned in Mr. Driggs' testimony the other day, and was identified as being in one of the photographs taken on board the cruiser *Raleigh*, and there was testimony that the Automobile Tire & Tractor Co. has represented munition concerns in general. Do you know anything about their representation of other companies than yours?

Mr. ALLARD. I know they represent the Goodyear Tire & Rubber Co., and I think Chrysler and Dodge products, motor cars, and they have a store in Turkey which I have been in, with radios and all sorts of automobile accessories.

Mr. HISS. You do not know of any other munition firms which they represent?

Mr. ALLARD. No, I do not believe I do. They represent Colt.

Mr. HISS. Do you know Mr. Ahmet Emin Bey when you see him [handing photograph to witness]?

Mr. ALLARD. Very well.

Mr. HISS. Will you see if you can identify him there?

Mr. ALLARD. Yes, sir.

Mr. HISS. Which one is he?

Mr. ALLARD. This one right here [indicating on photograph].

Mr. HISS. That was taken in 1928, at which time he was representing the Driggs Co.

The CHAIRMAN. That is what we were talking to Mr. Driggs about.

Mr. HISS. This letter to Mr. Ahmet Emin Bey will be "Exhibit No. 281."

(The letter referred to was marked "Exhibit No. 281" and is included in the appendix on p. 871.)

Mr. HISS. That letter in the fourth paragraph reads as follows [reading]:

Turkey is being released from Vickers arrangements with Colt as of January 1, 1933, so that we will be free to quote you on any inquiries for their equipment which you can develop on and after that date.

Mr. ALLARD. Right.

Mr. HISS. That is the arrangement, I assume, which is referred to in Mr. Nichols' letter, in the preceding exhibit.

Mr. ALLARD. That is right.

Mr. HISS. That you could get in Turkey after a certain date in January 1933.

Mr. ALLARD. Yes, sir.

Mr. HISS. In other words, your company took the place of the Vickers Co. as the Colt representative in Turkey?

Mr. ALLARD. I do not know that Vickers was the Colt representative in Turkey at any time. My recollection is that Vickers sold their own goods and had an exclusive territory down there. I do not know whether they represented Colt.

Mr. HISS. This particular paragraph which I have read before. Mr. Allard, says:

Turkey is being released from Vickers arrangements with Colt as of January 1, 1933, so that we will be free to quote * * * after that date.

Mr. ALLARD. That is correct, but, as I said, I think the arrangement was that Vickers were selling their own guns under an arrangement with Colt, and Colt kept out of the territory. I do not think Vickers ever sold Colt guns.

Mr. HISS. Has your company ever sold any police equipment, tear gas, and things of that sort?

Mr. ALLARD. It is possible that we have sold police equipment, tear gas. I do not know.

Mr. HISS. I show you a letter dated November 3, 1933, signed by "Owen", which I judge is Mr. Shannon. [Handing paper to witness.]

Mr. ALLARD. Yes, sir.

Mr. HISS. Addressed to Mr. C. W. Webster, who at that time represented your company in South America. Is not that correct?

Mr. ALLARD. That is right.

Mr. HISS. That will be "Exhibit No. 282."

(The letter referred to was marked "Exhibit No. 282" and is included in the appendix on p. 872.)

Mr. HISS. On the second page of that letter Mr. Webster says:

Cable me what you do with Gandara and I can start sending them data and prices on some of the miscellaneous equipment.

Gandara was a firm representing your company in Argentina?

Mr. ALLARD. No, I never heard the name "Gandara" before. I do not know it. I would like to retract that statement. I have heard the name, but I can not identify Gandara.

Mr. HISS. I wonder if we can not ask Mr. Webster if he knows.

Mr. ALLARD. Mr. Webster is here, if he knows.

The CHAIRMAN. Mr. Webster, will you come forward and take the oath?

Mr. WEBSTER. Yes, sir.

The CHAIRMAN. Mr. Webster, pull up one of the chairs and give the reporter your full name.

Mr. WEBSTER. Clarence W. Webster.

TESTIMONY OF CLARENCE W. WEBSTER

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What is your connection with the Export Corporation?

Mr. WEBSTER. Distributor for Latin America.

Mr. HISS. Mr. Webster, the question was whether Gandara, who is referred to in a letter written Mr. Shannon to you on November 3, 1933, is a representative of the Export Co. in South America, and, if so, would you please identify the country?

Mr. WEBSTER. That is Argentina.

Mr. HISS. And they did at one time represent the Export Co. in Argentina?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Mr. Webster, Mr. Shannon in that letter goes on to state [reading]:

My idea would be, if they are to purchase from us and resell to the government—

That is Gandara to purchase from the Curtiss-Wright Export Co.—

to give them prices that would net you ten percent at least, and wherever possible, as much more as I find it will stand in comparison to prices they could get direct from manufacturers or others such as Air Associates, etc.

Find out just what they are doing on bombs and police gas equipment and, perhaps, we can chisel in on it here as I understand the Argentine police have bought large quantities of that kind of stuff.

Was there any sale of any police gas?

Mr. WEBSTER. No, sir, we never attempted to sell anything of that nature.

Mr. HISS. Does your company represent the Sperry Gyroscope Co. in any foreign territories, Mr. Allard?

Mr. ALLARD. I believe we do.

Mr. HISS. Is it correct that you represent them in Brazil, Uruguay, Paraguay, Ecuador, Colombia, Venezuela, Mexico, Siam, Peru, Chile, Bolivia, and Central America?

Mr. ALLARD. May I ask Mr. Webster to answer the question? I cannot answer it, Mr. Hiss, accurately, without checking in the files. We have at some time or other represented them. Whether we are representing them in all of those countries now is another thing.

Senator BONE. The Sperry Co. makes fire-control apparatus do they not?

Mr. ALLARD. Yes, sir; and also they make aeronautical instruments, directorial gyros, and instruments used in aviation, airplanes.

Senator BONE. They manufacture blind-flying apparatus?

Mr. ALLARD. Yes, sir; they are the originators of that.

Mr. HISS. Your company does represent them in several countries?

Mr. ALLARD. Yes, sir.

Mr. HISS. The Sperry Co. has also developed and marketed a fire-control apparatus for antiaircraft equipment?

Mr. ALLARD. Yes, sir.

Mr. HISS. As well as for naval batteries and so forth?

Mr. ALLARD. Yes, sir.

Mr. HISS. Does that mean, therefore, that your company would be interested in the promotion and sale of antiaircraft equipment as well as of aircraft?

Mr. ALLARD. I would have to refresh my memory again from the records as to what the Sperry Gyroscope Co. allows us to sell. I think it is all aeronautical instruments and not antiaircraft or fire-control equipment.

Mr. HISS. I call your attention to a letter dated December 8, 1933, written to Mr. Joaquin Samper H. at Bogota, Colombia, and signed by Mr. Goulding. That will be "Exhibit No. 283."

(The letter referred to was marked "Exhibit No. 283" and is included in the appendix on p. 873.)

Mr. HISS. Does Mr. Samper represent, or did he on December 8, 1933, represent the Export Co. in Bogota?

Mr. ALLARD. His company, Urueta & Samper, did and do.

Mr. HISS. On page 2 of the letter you will note the following [reading]:

Yesterday I had the opportunity of meeting General Angel, Chief of Staff, who was here briefly following a trip to Europe. With him was General Cortes who, I understand, is the ranking Colombian general, stationed tem-

porarily in the legation in Washington as military advisor. General Angel seems interested only in aviation in a general way so that we did not discuss any of the more technical or detailed features at present involved. He was, however, very interested in antiaircraft defense, and Mr. Miranda, together with Commander Strong, explained the Sperry fire control and the necessity for this defense, which he readily admitted and it is probable that following his return to Colombia he will push for several antiaircraft batteries complete with Sperry fire control to make them effective. These are, of course, expensive installations, but in my opinion there is no question but that Colombia, in the event of hostilities, should have this protection, particularly at the port of Buenaventura. We would, of course, like to see this business developed in view of our connections with the Sperry Co. and look to you to further this business.

Mr. ALLARD. Yes, sir.

Senator POPE. Who wrote that letter?

Mr. HISS. It was written by Mr. Goulding, the vice president of the Curtiss-Wright Export Corporation, in connection with your company's connection with Sperry, which is referred to by Mr. Goulding in this letter by simply stating: "In view of our connections with the Sperry Co.", which company in certain countries you represent as agent.

Mr. ALLARD. That is right.

Mr. HISS. I would like to call your attention to a telegram dated May 2, 1933, from Mr. T. A. Morgan, the president of the parent company, to Mr. Pawley in Shanghai, which will be "Exhibit No. 284."

(The telegram referred to was marked "Exhibit No. 284" and is included in the appendix on p. 875.)

Mr. HISS. The latter states [reading]:

New company has been formed, Sperry Corporation, T. A. Morgan president, John Sanderson vice president, which holds Sperry Gyroscope Co., Ford Instrument Co., Intercontinent Aviation, Inc., Curtiss-Wright Corporation shares formerly owned by North American Aviation.

SEVERITY AND NATURE OF COMPETITION FACED IN FOREIGN MARKETS

Mr. Webster, you were formerly president and a director of the Curtiss-Wright Export Corporation. Is that correct?

Mr. WEBSTER. Yes, sir.

Mr. HISS. And you resigned in June 1933?

Mr. WEBSTER. Yes, sir.

Mr. HISS. At which time your relationship with the company was what?

Mr. WEBSTER. Distributor for Latin America.

Mr. HISS. You have the exclusive sales representation of the Latin American Curtiss-Wright products?

Mr. WEBSTER. That is right.

Mr. HISS. Will you please explain to the committee just how you function with respect to the Curtiss-Wright companies? Do you purchase from them?

Mr. WEBSTER. I purchase from Export at a definite price and then deal with agents in Latin America.

Mr. HISS. Does the Export Co. make advances to you for your expenses?

Mr. WEBSTER. When necessary, up to a certain amount.

Mr. HISS. And those are to cover the expenses of your sales organization?

Mr. WEBSTER. Yes, sir.

Mr. HISS. How large an organization do you have, Mr. Webster?

Mr. WEBSTER. In addition to myself there are, I believe, five.

Mr. HISS. Could you just give their names so that we will have them identified later?

Mr. WEBSTER. Mr. Owen Shannon—

Mr. HISS. He is no longer a member of the Export Co.?

Mr. WEBSTER. No; he is an employee of mine.

Mr. HISS. He was formerly an employee of the Export Co.?

Mr. WEBSTER. He was formerly an employee of the Export Co. This is the New York office organization. There is Mr. Owen Shannon, Mr. John Shannon, Albert Mulady, and then in South America there is Mr. Richard Pierrot in Argentina.

Senator BONE. What is his official position down there?

Mr. WEBSTER. Prior to his connection with me?

Senator BONE. Did he have any connection with the Government?

Mr. WEBSTER. Yes; prior to that he was American trade commissioner in Rio, in Brazil.

Then we have another man by the name of Travis, Clifton Travis.

Mr. HISS. Was he formerly an employee of the Export Co. before he became associated with you?

Mr. WEBSTER. No, sir; he did not go out as such.

Mr. HISS. Did he not go out as a sales representative for the Export Co. and as a pilot?

Mr. ALLARD. He did at times. He was on our pay roll from time to time on special missions.

Mr. WEBSTER. At the present time he is on the west coast of South America, I believe in Lima.

Mr. HISS. Are the selling costs of your organization rather large, Mr. Webster?

Mr. WEBSTER. I should not say they are unusually large.

Mr. HISS. Just what do those expenses consist of?

Mr. WEBSTER. Salaries, traveling expenses.

Mr. HISS. Could you state the salaries of the five men which you have named as your assistants?

Mr. WEBSTER. I could not. I could check up on it and let you know. I could not tell you exactly, now.

Mr. HISS. I would like to state for the record here, for your information, that the Export Co. has furnished the committee a statement that for the 7 months ending December 31, 1933, the advances of the Export Co. to your organization for expenses totalled \$55,599.66, and that your own personal drawings during that period of time were an additional \$11,221.32.

The CHAIRMAN. Was that on an expense account or was the \$11,000 plus inclusive of salary?

Mr. WEBSTER. I could not say, sir. Whatever the record shows.

Mr. HISS. It was advances for expenses and his personal drawing account. Do you have a fixed salary from the Export Co.?

Mr. WEBSTER. No.

Mr. ALLARD. May I say something there, Mr. Hiss?

Mr. HISS. Certainly.

Mr. ALLARD. That information for the 7 months furnished the committee is all the money advanced to Mr. Webster for his organization. It is not just traveling expenses and that, but it is salaries and office expenses, et cetera.

Mr. HISS. The expenses of your organization are supposed to be met by the difference between the price at which you buy from the Export Co. and the price at which you resell?

Mr. WEBSTER. That is correct.

Mr. HISS. Prior to your becoming a distributor for the company, and while you were president, were you in general familiar with the foreign sales of the Export Co.?

Mr. WEBSTER. In a general way. I devoted most of my time to Latin America.

Mr. HISS. So that for some time you have been engaged in the Latin American export field?

Mr. WEBSTER. Yes, sir.

Mr. HISS. In that field have you found that in selling military planes and whatever munitions your company may have sold, as was indicated by Mr. Allard's testimony, the Export Co. was and still is faced with competition from such people as Vickers in Great Britain, Junkers in Germany, Schneider in France, and Skoda in Czechoslovakia, and other armament and airplane manufacturers?

Mr. WEBSTER. Other aircraft manufacturers. I would not say armament. I do not believe we have ever encountered any competition from Skoda. We have not dealt in a similar line of material that Skoda sells. Ours is strictly aircraft equipment and accessories that go with aircraft.

Mr. HISS. In December of 1933 a letter written to your company refers to the fact that the Curtiss prices in Peru for bombs were still higher than the Vickers prices. Would that refer to bombs sold for general use?

Mr. WEBSTER. No. That is aircraft bombs.

Mr. HISS. But bombs sold apart from specific units of planes sold by your company?

Mr. WEBSTER. Yes; it might possibly be.

Mr. HISS. You would say in general that the competition in South America and in the world field is severe in the aircraft business, would you?

Mr. WEBSTER. Yes, sir; I would.

Mr. HISS. Have you found that your competitors, because of the severity of that competition, are sometimes forced to resort to what you might consider unfair tactics.

Mr. WEBSTER. We believe that that has been done. Just what would you refer to as unfair tactics?

Mr. HISS. May I call your attention to a letter of July 25, 1933, signed by Jerry Clark? I will offer this letter in evidence as "Exhibit No. 285."

(The letter referred to was marked "Exhibit No. 285" and is included in the appendix on p. 876.)

Mr. HISS. Can you identify Mr. Jerry Clark? This is on the letterhead of the Intercontinent Aviation, Inc.?

Mr. WEBSTER. I believe Jerry Clark at one time was an employee of Export. He is now in China.

Mr. HISS. It is on the letterhead of the Intercontinent Aviation Co., which we have discussed before, which is controlled by the Sperry Corporation, in Shanghai and is addressed to Mr. Goulding.

Mr. WEBSTER. This is in connection with China, is it not?

Mr. HISS. Yes.

Mr. WEBSTER. That is after I left the Export organization. This letter is July 25, 1933. I was no longer an officer of the Export Corporation at the time this letter was written.

Mr. HISS. If Mr. Allard wishes to answer this particular question, on page 2 of this letter I refer you to the first complete paragraph which reads as follows:

I just found out yesterday that Dr. H. H. Kung, the present no. 1, was informed by the Italian air attaché that the Curtiss Hawk was an old discarded Caproni design. I understand that this perturbed Dr. Kung to quite an extent. This is an illustration of one of the various difficulties encountered by agents here. The whole thing is dirty business and intrigue.

The reference to Dr. H. H. Kung, the present no. 1, is a reference to Chinese aviation circles.

Mr. ALLARD. That is right.

Mr. HISS. The reference to the Caproni design is a reference to the Caproni Italian plane?

Mr. ALLARD. That is true.

Mr. HISS. Then in the third complete paragraph, referring to a Fiat pursuit ship he says:

I am hoping that we will get a chance to have a competitive demonstration between this ship and the Hawk, but I don't think the Italians will want to play. They are a dirty cut-throat bunch of business people and do not hesitate to knock our equipment at every possible opportunity.

Have you found, Mr. Allard or Mr. Webster, that your competition is cut-throat and that the matter of selling airplanes is dirty business and intrigue?

Mr. ALLARD. I do not think I would describe the competition in those words.

Mr. HISS. May I call your attention also to the next sentence which says:

I am glad to say that it has not been necessary for us to resort to this practice as the statement of facts is all that is necessary in regard to the Italian equipment now on hand.

If the competition had been severer, do you think it would have been necessary for your company to resort to that kind of competition?

Mr. ALLARD. We never have and never will as long as I am president of the company.

Senator POPE. Who wrote that letter?

Mr. HISS. Jerry Clark, who is identified as a former employee of the company. Is he still an employee of the Curtiss Co.?

Mr. ALLARD. No, sir; he is not.

Mr. HISS. Was he on July 25, 1933?

Mr. ALLARD. No, sir.

Mr. HISS. He was not?

Mr. ALLARD. No, sir.

Mr. HISS. Why was he so interested in the sale of the Hawk, if he was not an employee at that time?

Mr. ALLARD. Being an American, and a member of the American Aviation Mission that was employed by the Chinese Government to instruct the Chinese in the air operations and aviation in general, naturally he was trying to have American products sold in preference to Italian.

Mr. HISS. Even though he was not an employee of your company?

Mr. ALLARD. That is right; having at one time been an employee.

Senator BONE. What were his connections with the Government at that time?

Mr. ALLARD. Do you mean the Chinese Government?

Senator BONE. No; our Government.

Mr. ALLARD. None whatsoever; none that I know of.

Senator BONE. What was this mission to which you refer?

Mr. ALLARD. The Chinese Government asked, I believe, the Department of Commerce here, to select a group of American aviation people to come over to China on the Chinese Government's pay roll at their expense, to organize a Chinese Air Force. That is the National Government, the Nanking Government. Clark was a member of that. There were five or six Americans chosen; not service people.

Senator BONE. Did this man come out of civilian walks of life?

Mr. ALLARD. He had been in the Navy. I do not know what his history background is. He had at one time been in the Navy, I know that.

Senator POPE. What Navy?

Mr. ALLARD. The United States Navy. He was a naval aviator.

Mr. HISS. At the time that he wrote this letter he was then in the employ of the Chinese Government?

Mr. ALLARD. I believe that is correct; yes, according to the date.

Mr. HISS. Mr. Webster, I show you a letter dated October 19, 1933, addressed to Mr. Allard. It seems to be an interoffice communication and I will offer it as "Exhibit No. 286."

(The communication referred to was marked "Exhibit No. 286" and is included in the appendix on p. 877.)

Mr. HISS. This refers to a report received from you regarding the situation in Peru. The report is signed by Mr. Shannon. The first paragraph quoted from your report refers to the situation in Peru and is as follows:

The British have been very active and have a very clever man on the job here, who has managed to grease certain officials in order to put across sales. They have sold 6 Fairey Gordons with Panther engines and 6 Fairey Fox single seaters with Rolls-Kestrel engines.

Who produces the Fairey plane?

Mr. Webster. That is the Fairey Co. in England.

The CHAIRMAN. Who is the writer of this?

Mr. HISS. This is Mr. Webster's report being quoted by Mr. Shannon in an interoffice memorandum to Allard.

Senator BONE. What company did this clever gentleman represent?

Mr. WEBSTER. The Fairey Co. in England. I might say, Mr. Chairman, that I have no actual proof of such a thing, but it was my opinion that that is what happened.

The CHAIRMAN. You are not reciting anything that is new to us, because I think we have not yet laid our hands on any transaction

in certain countries that have not had somewhere in it a mentioned necessity of having to grease the way.

Senator POPE. From Sir Basil on down or up.

The CHAIRMAN. Yes; or up.

Senator BONE. I would be constrained to believe it would be "up", from now on.

Mr. HISS. Continuing with this same communication, further on, it says:

The officers who put through the first 12 British planes have been sent to England to take care of inspection, etc.

That means the Peruvian officers?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing):

* * * have been sent to England to take care of the inspection, etc., and all went over well heeled with "commission" money.

You mean those officers had received commissions?

Mr. WEBSTER. That was my impression.

Mr. HISS. From the Fairey Co.?

Mr. WEBSTER. Evidently from the Fairey Co.

Mr. HISS. I show you a letter of October 20, 1933, which I will ask to have marked "Exhibit No. 287."

(The letter referred to was marked "Exhibit No. 287" and is included in the appendix on p. 878.)

Mr. HISS. This letter is addressed "Dear Dan."

That refers probably to Mr. Tobin, who was then in Peru?

Mr. WEBSTER. Yes, sir.

Mr. HISS. This letter does not bear a signature. I wonder if you will read it and see if you can identify it. I am under the impression that it was probably written by you.

Senator POPE. If I may refer to the last previous letter, with reference to "commission" and the officers being well heeled, I notice that you put quotation marks around "commission".

Mr. WEBSTER. Yes, that meant commissions to the officers.

Mr. HISS. Can you identify the writer of that letter, Mr. Webster?

Mr. WEBSTER. I believe I wrote that letter. I am quite sure I did.

Mr. HISS. I call your attention to the last paragraph. The prior letter was in October, October 19, the one referring to the Fairey Co. This is dated October 20. This says:

For your information we had a long talk with Romano this afternoon * * *

Who is Romano?

Mr. WEBSTER. Romano was the material officer of the Peruvian Naval Air corps.

Mr. HISS (continuing reading):

* * * and looked over the contract for the six Fairey, 2-place observation jobs, which is the last contract signed. We were under the impression that they ordered single-seat pursuit planes but this is not correct. It was six 2-place jobs. The contract price in dollars was \$33,000 each and a little more than \$7,000 per set for pontoons. This makes the entire job about \$10,000 more per unit than our Falcon. It would do no harm to mention figures to the Minister, but of course do not say where you got your information from.
* * *

Was the Falcon a 2-place observation machine?

Mr. WEBSTER. Yes.

Mr. HISS. Which was competitive with these Fairey planes?

Mr. WEBSTER. Yes.

Mr. HISS. Was there any reason why the Peruvian Government would have preferred the Fairey at \$7,000 more per plane.

Mr. WEBSTER. Unless they were better satisfied with it than with our ship.

Mr. HISS. On a comparison of performance, how did the two ships show up?

Mr. WEBSTER. Our performance I would say—the performance of the Falcon was superior to the Fairey job.

Mr. HISS. This letter goes on,

It would do no harm to mention figures to the Minister—

That is the Minister of Peru in Charge of Aviation?

Mr. WEBSTER. The Minister of Marine.

Mr. HISS (continuing):

* * * but of course do not say where you got your information from. It sounds like highway robbery to me and someone collected at least \$100,000 on the contract as "commission."

Can you explain the kind of commission they are referring to there?

Mr. WEBSTER. I am afraid it was a sort of underhanded commission, paying a commission to officers being not the usual kind of commission.

Mr. HISS. This letter also puts "commission" in quotation marks.

Mr. WEBSTER. Yes, sir.

Mr. HISS. You mean an officer's commission rather than an ordinary agent's commission?

Mr. WEBSTER. Yes.

Senator POPE. Were these officers in active service at the time?

Mr. WEBSTER. I believe they were.

Mr. HISS. As another example of the kind of competition your companies face, I show you a letter of September 17, 1932, which I will ask to be marked as "Exhibit No. 288."

(The letter referred to was marked "Exhibit No. 288", and is included in the appendix on p. 878.)

Mr. HISS. This letter is from Ahmet Emin. That is the Ahmet Emin Bey whom Mr. Allard has identified. The letter is addressed to Mr. T. Morgan, president of the Curtiss-Wright Corporation. He is the president of the Parent Corporation is he not?

Mr. WEBSTER. Yes.

Mr. HISS. In this letter the statement is made that—

From such distance, a delay may easily be attributed to lack of means. You may rest assured that for any financial engagement taken for aviation matters, the money does not only exist theoretically in the budget, but is actually deposited in cash at the bank. Statements to the contrary are only spread by competitors who hope to scare away American competitors from the Turkish market. A clear example of this was recently delivered by Vickers Armstrong.

The latter persuaded the Colt people that it would be unsafe for them to do business in Turkey, and that themselves did not care to arrange for a Browning demonstration in Turkey, because they did not care to solicit business there, having a great deal of money outstanding. The business mentioned in this connection was the sale of 48 machine guns, making a total of about

\$25,000. Within a few weeks of this statement, Vickers Armstrong obtained after most strenuous efforts, an order of eight Supermarine seaplanes of \$600,000 to be paid half in pounds sterling, half in Turkish pounds. * * *

These supermarine airplanes are made by the Vickers Company, Mr. WEBSTER. They are made by Armstrong, I think.

Mr. HISS. Which is affiliated with the Vickers interests?

Mr. WEBSTER. I am not sure. It is a British firm.

Mr. HISS. This letter says:

This proves that Vickers-Armstrong which has a permanent factory branch in Ankara and has an exact knowledge * * *.

That is a city in Turkey?

Mr. ALLARD. Yes. That is the capital.

Mr. HISS (continuing):

* * * and has an exact knowledge of local conditions considers safe to do business for its own account, but does not hesitate to use unclean methods to deceive American competitors and keep them away from the market.

Have you had severe competition from American competitors also?

Mr. WEBSTER. I think Mr. Allard can answer that better than I can. He was handling that particular territory at the time.

Mr. ALLARD. You mean as a general thing, Mr. Hiss?

Mr. HISS. Yes.

Mr. ALLARD. A general practice throughout the world?

Mr. HISS. Yes.

Mr. ALLARD. We have had severe competition; yes.

Mr. HISS. Who is your strongest American competitor?

Mr. ALLARD. I would say United Aircraft were.

Mr. HISS. In size, how does that company compare with Curtiss-Wright Corporation?

Mr. ALLARD. I do not know. Do you mean in capital set-up?

Mr. HISS. In actual turn-over of products.

Mr. ALLARD. I think we run along pretty closely together. They probably sell a little more than we do one year and we a little more than they do in the other.

Mr. HISS. How do these two companies, the Curtiss companies considered as one unit and the United companies considered as another unit, compare in bulk with European countries?

Mr. ALLARD. With European companies in the export field, you mean?

Mr. HISS. Yes.

Mr. ALLARD. I think we are much larger than any other European manufacturer at the present time, but it has taken us some 10 or 12 years to get up to that point.

Mr. HISS. Your two companies or these two companies constitute the largest aviation companies in the export field, you would say?

Mr. ALLARD. Throughout the world?

Mr. HISS. Those two groups of companies; yes?

Mr. ALLARD. Yes.

Mr. HISS. The two American companies?

Mr. ALLARD. That is right.

Mr. HISS. I have here a letter dated February 5, 1931, from Mr. Allard to Mr. Burdette S. Wright, which I will offer as "Exhibit No. 289."

(The letter referred to was marked "Exhibit No. 289" and is included in the appendix on p. 880.)

Mr. HISS. Mr. Burdette S. Wright was vice president of the parent company?

Mr. ALLARD. That is right.

Mr. HISS. And a director of the Export Co.?

Mr. ALLARD. I do not think he is now. He may have been at that time—just a minute. He is not a director of the Export Co. now.

Mr. HISS. This letter says in part:

Thanks for yours of the 3d with attached copy of letter to Leighton Rogers on the subject of the cable to be sent to Osborn Watson about Cyclone tests. Also thanks for the dope about Love's reaction to whatever statements Major Hall is making.

Can you identify Mr. Love?

Mr. ALLARD. Mr. Love was the president of the United Aircraft Export.

Mr. HISS. Corresponding to your position with the Curtiss Co.?

Mr. ALLARD. Correct.

Mr. HISS (repeating):

Love's reaction to whatever statements Major Hall is making.

Who is Major Hall?

Mr. ALLARD. He was the European representative of the Export Co. at that time.

Mr. HISS. Curtiss Export?

Mr. ALLARD. Yes, sir.

Mr. HISS (continuing reading):

Needless to say, I do not believe Hall's statements are at all radical or unethical, as all cables and correspondence that he has had with the Finnish officials in which he had discussed 1820-E's have been based entirely upon information furnished direct from the Wright Co. or from this office. Love has been made to stop his unethical tactics of running down competitive products, and I think this is just a sample of a method he is pursuing to meet real competition.

What unethical tactics did Mr. Love adopt?

Mr. ALLARD. As I recall it at that time that I wrote this letter to Burdette S. Wright, Mr. Love was making statements that were not true about the financial condition of the Curtiss-Wright Export Co. and about the products themselves, making statements that they were not used by various large users of aeronautical engines throughout the world.

Mr. HISS. Will you look at this next document, which is dated March 30, 1932, and which I will ask to have marked "Exhibit No. 290."

(The document referred to was marked "Exhibit No. 290" and is included in the appendix on p. 880.)

Mr. HISS. This is a telegram addressed to Aeroexco. That is the cable address of the Export Co.?

Mr. ALLARD. Yes.

Mr. HISS. It is from Melvin Hall, whom you have already identified, and says on the second page that Turkey has acted in good faith on our—that is, the Export Co.'s—behalf and are accepting our—that is, the Export Co.'s—statement regarding Curtiss Hawk one-place Cyclone engine ignoring official information United States Government to the contrary in addition to foul intrigue of our competitors and especially United Aircraft & Transport.

Now, at one time, I think in the year 1930, your company sent a tour of planes for exhibition purposes throughout Europe; is that correct?

Mr. ALLARD. Yes, sir.

Mr. HISS. Do you know whether Mr. Love was present at or soon after these exhibitions that your company put on?

Mr. ALLARD. I understand that he was. I was not present on that tour.

Mr. HISS. Do you know why Mr. Love followed your tour?

Mr. ALLARD. No; I do not know why.

Mr. HISS. Did you get any reports of what Mr. Love did or said while following that tour?

Mr. ALLARD. Possibly, but they would be in the files if there were any reports.

Mr. HISS. Do you remember any reports?

Mr. ALLARD. I do not remember any written report on it.

Mr. HISS. May I just refresh your recollection with a telegram from the files of your company dated June 3, 1930, signed Melvin Hall, which I will offer as "Exhibit No. 291."

(The telegram referred to was marked "Exhibit No. 291" and is included in the appendix on p. 881.)

Mr. HISS. This says:

Love tactics following us with insidious derogatory comment obsolete equipment impossible dispose of in America—

Does that mean that Mr. Love was following the Curtiss tour and saying that the planes displayed were obsolete?

Mr. ALLARD. Apparently.

Mr. HISS. What kind of planes were being shown on that tour?

Mr. ALLARD. Hawk and Falcon and Fledgling.

Mr. HISS. What model in point of time? Were they up-to-date models?

Mr. ALLARD. Yes. They were the latest models released by the Government, the United States Government, the Army and Navy, for export sales.

Mr. HISS. Were they obsolete in any commercial sense?

Mr. ALLARD. No.

Mr. HISS. They were the best products available that you then had?

Mr. ALLARD. Absolutely.

Senator BONE. Could they be said to have been obsolete in any degree in a military sense?

Mr. ALLARD. They could be as far as our Army and Navy were concerned, because those products are not released for export until something better has been developed and adopted by our Army and Navy.

Senator BONE. What form would this obsolescence take—the element of speed?

Mr. ALLARD. Oh, yes; speed, weight, general characteristics, rate of climb, altitude, ceilings, and military performance in general.

Senator POPE. In all those respects you felt that these planes were the best that there were?

Mr. ALLARD. They were the best that we could offer at the time; yes, sir.

Mr. HISS. I have a letter here dated October 16, 1933, signed W. D. Pawley, from Shanghai, addressed to Mr. Morgan, which I will offer as "Exhibit No. 292."

(The letter referred to was marked "Exhibit No. 292" and is included in the appendix on p. 881.)

Mr. HISS. This encloses a statement which can be marked separately as "Exhibit No. 293."

(The statement referred to was marked "Exhibit No. 293", and is included in the appendix on p. 882.)

Mr. HISS. The statement reads:

Today Bill Brookes stopped in to see if I had heard from you; he told me the Chinese in Chinatown had a lot of cash they were going to send to China, but when the treaty with Japan was signed they got peeved and didn't send it. He also told me that the Curtiss planes Jimmy Doolittle went over there with were the same old crates they tried to sell China last year. The only difference was a coat of paint and other motors and they are another year old. If you run into them, watch out. They are supposed to be awful

That is enclosed in the letter from Mr. Pawley to Mr. Morgan and Mr. Pawley explains that by saying that this was received by a Mr. Keavney who is an ex-aviator and that he received a letter from his wife making the statements just read and that the contents of this letter were immediately transmitted to Carl Nahmmacher, United's agent. That is the United Aircraft?

Mr. ALLARD. Yes.

Mr. HISS. And this "Exhibit No. 292" says that he has passed it around to everyone in Shanghai interested in aircraft with the story that the man who received the letter was stopping at the Metropole Hotel and could furnish definite proof that the ships sold to the Chinese were old equipment.

Do you remember the planes that were sent at this time with Major Doolittle?

Mr. ALLARD. Very well.

Mr. HISS. What model were they?

Mr. ALLARD. They were the type, what we called the Type-1 Hawk, which is the Cyclone Hawk as released by the Army and Navy at that time for export sale.

Mr. HISS. A pursuit plane?

Mr. ALLARD. A pursuit plane.

Mr. HISS. Were they, as the letter to Mr. Keavney said, "Planes that you tried to sell to China the year before"?

Mr. ALLARD. Absolutely not. The planes were built on this order.

Mr. HISS. Did the United representatives make any inquiry so far as you know of your company to find out whether this letter which Mr. Pawley says they spread around Shanghai was correct or not?

Mr. ALLARD. Not to my knowledge; no.

Senator POPE. So far as you know, did they do anything about correcting that impression?

Mr. ALLARD. So far as I know they did not; no. Unfortunately, Carl Nahmmacher is now dead. He was killed in an aviation accident out there.

Mr. HISS. Did your company attempt to approach United and ask them to stop spreading such stories?

Mr. ALLARD. Yes.

Mr. HISS. Did you have any success?

Mr. ALLARD. I do not know; it is hard to tell.

Senator BONE. When developing some new principle in aerial navigation that can be applied to an airplane, how do you protect yourselves to keep other companies from using it?

Mr. ALLARD. A new principle of aviation?

Senator BONE. Some new principle in the ship itself that can be incorporated in the structure of the ship or its engine; how do you protect yourselves against others using it?

Mr. ALLARD. May I ask Mr. Hotchkiss about that? I think there is an organization into which all patents are pooled for manufacturers.

Mr. HOTCHKISS. Aircraft patents; yes.

Senator BONE. Then, after the manner of the automobile companies, you pool the patents?

Mr. HOTCHKISS. Aircraft patents, Senator.

Senator BONE. Yes.

Mr. HOTCHKISS. Patents are also taken out on engines, but they do not fall in this cross-license agreement.

Senator BONE. So that in reality, in this country the aircraft companies have a policy whereby they pool all their patents on airplane construction and all are free to use that new device, if they wish.

Mr. HOTCHKISS. All those who are members of the Manufacturers' Aircraft Association.

Senator BONE. Would that include all the major companies?

Mr. HOTCHKISS. I think it does, substantially all.

Senator BONE. Those patents are protected by filing in the United States Patent Office?

Mr. HOTCHKISS. That is so.

Senator BONE. They are matters of public records.

Mr. HOTCHKISS. That is so.

Senator BONE. Is there anything to prevent me as a private citizen from going down there and looking over those records?

Mr. HOTCHKISS. The patents, themselves?

Senator BONE. Yes.

Mr. HOTCHKISS. None whatever.

Senator BONE. So that as a practical proposition there is no concealment possible in a patent, is there?

Mr. HOTCHKISS. Not in a patent, certainly not.

Senator BONE. That is what I mean. So that if any foreign power wanted to see what was new in the way of airplane construction, all in the world they would have to do would be to have some American attorney or draftsman go down there and look over the particular design.

Mr. WEBSTER. Or buy an airplane.

Senator BONE. Yes; or buy one of the late planes.

Mr. HISS. Mr. Allard, Mr. T. A. Morgan, the president of the Curtiss-Wright Co. is also president of the Aeronautical Chamber of Commerce.

Mr. ALLARD. That is correct; yes.

Mr. HISS. And he is also on the executive committee of the St. Louis Post of the Army Ordnance Association.

Mr. ALLARD. I do not know that to be a fact.

Mr. HISS. That is so stated in the Army ordnance record.

Mr. ALLARD. I did not know that.

Mr. HISS. I have had placed before you a document, which I will offer as "Exhibit No. 294."

(The document referred to was marked "Exhibit No. 294" and is included in the appendix on p. 882.)

Mr. HISS. The document is headed "Situation Summary—Turkey" and is dated February 27, 1933. Referring to a Mr. Selahetin Bey, an official of the Turkish Government, Mr. Hall says:

It is quite evident that he receives his anti-C.W. information—

That is Curtiss Wright?

Mr. ALLARD. Yes.

Mr. HISS (reading):

information from Hamilton of United—

Mr. Hamilton is the European representative of the United Aircraft.

Mr. ALLARD. He has been in Europe. I do not know that he is the European representative.

Mr. HISS (reading):

and it was told Emen Bey a few days ago by Hamdi that Selahetin had a definite "arrangement" with United. This ties in with the statement to Gillespie—

Can you identify Gillespie?

Mr. ALLARD. Gillespie is the American commercial attaché at Istanbul.

Mr. HISS (reading):

by the United mechanic Butterfield that though they hadn't been able to do much for themselves in Turkey they at least had queered C.W.'s game here permanently.

Have you had any reason to believe that United, when they could not make a sale, were interested in preventing your company from making the sale?

Mr. ALLARD. I think that speaks for itself, Mr. HISS.

Mr. HISS. Have you any information indicating that what this says is incorrect?

Mr. ALLARD. No.

Mr. HISS (continuing reading):

What the "arrangement" may be is problematical—

That is the arrangement with Selahetin and Mr. Hamilton is problematical.

possibly promise of a good commission on all United engines sold to power Selahetin's ships—

That means United engines sold to the Turkish Government?

Mr. ALLARD. Yes, sir.

Mr. HISS. Then Mr. Selahetin Bey, a Turkish official, would be receiving a commission, according to this.

Mr. ALLARD. Yes. I do not think Selahetin Bey was a Turkish official. I think he was an engineer, as I recall it.

Mr. HISS. He was not a Turkish official?

Mr. ALLARD. No; I do not think he was; a government employee, an engineer.

Mr. Hiss (continuing reading) :

But at all events it would appear from this letter that United are persisting with their destructive policy of endeavoring to turn C-W business in Europe when they, themselves, cannot get it, to the hands of the French, Poles, or, indeed, anyone else.

Senator BONE. May I ask one other question?

I am referring now to this question of patents. Do you file these patents, or do these companies that pool their patents file them in all foreign countries to protect their patent rights?

Mr. HOTCHKISS. I cannot answer that definitely. I think under the cross-license agreement there is no such obligation. In certain instances, of course, I know the patents are also filed in the foreign country.

Senator BONE. If you did not file your patents there and claim protection of the laws of those nations any firm over there might very readily manufacture your plane without any interference from you?

Mr. HOTCHKISS. That is true. I say I do not know as to what the practice of all the companies is. I know in one case one company that I am most familiar with filed them in all the important countries for their protection.

Senator BONE. That is the general practice, not confined to airplane companies because naturally any concern that wants to protect its product will claim a patent in a foreign country.

Mr. HOTCHKISS. That is correct.

Mr. HISS. Mr. Allard, I want to refer you to one more document, a letter of June 4, 1930, which I will ask to have marked "Exhibit No. 295."

(The letter referred to was marked "Exhibit No. 295" and is included in the appendix on p. 885.)

Mr. HISS. This is a letter from Randolph Cautley and is a report marked "confidential."

Can you identify Randolph Cautley?

Mr. ALLARD. He was an employee of Wright Aeronautical Co. at one time. I do not know what position he held, I think it was in sales or advertising.

Mr. HISS. The subject is Wright-engines business in Jugoslavia and in the fifth paragraph Mr. Cautley says:

The immediate order for 180 Whirlwinds has—

Whirlwinds are Wright aeronautical engines?

Mr. ALLARD. Yes.

Mr. HISS (reading) :

The immediate order for 180 Whirlwinds has evaporated into thin, hot air. Jugoslavia will insist on going through the motions at least of taking a manufacturing license before ordering any such quantity. This does not mean that the 180 cannot eventually be resuscitated. Conditions change, depending upon who gets the graft and how much. For example, Lorraine and Potez, Salmson and Hauriot—

Are they all French companies?

Mr. ALLARD. Yes.

Mr. HISS (reading) :

were first in the field here and cleaned up for a while. Now it is Gnome Rhone and Breguet sitting on top, with Renault coming up and Lorraine going down.

Those are all French companies?

Mr. ALLARD. Yes.

Mr. HISS. The reference to conditions, it depending on who gets the graft and how much, plus the reference that it does not mean that the order for 180 Whirlwinds cannot eventually be resuscitated—those two follow each other, does that mean that Mr. Cautley thought that by the use of graft he could secure a contract for 180 Wright engines?

Mr. ALLARD. I do not know what Mr. Cautley thought of this. It was his idea.

Mr. HISS. Did your company approve any such method of doing business?

Mr. ALLARD. No.

Mr. HISS. That is all, Mr. Chairman.

The CHAIRMAN. Gentlemen, we will ask you to return here at 10 o'clock in the morning, to which time we will stand in recess.

(Whereupon at 5 p.m., the committee took a recess until Tuesday, September 11, 1934, at 10 a.m.)

INVESTIGATION OF MUNITIONS INDUSTRY

TUESDAY, SEPTEMBER 11, 1934

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE MUNITIONS INDUSTRY.

Washington, D.C.

The hearing was resumed at 10 a.m., pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), Pope, George.

Also present: Alger Hiss, investigator.

The CHAIRMAN. The committee will be in order. Mr. Hiss, you may proceed.

FURTHER TESTIMONY OF J. S. ALLARD, HENRY G. HOTCHKISS, AND CLARENCE W. WEBSTER

Mr. HOTCHKISS. Mr. Chairman, I wonder if I may at this point refer to the chart which we spoke about yesterday, and certain of the testimony which I have examined and which I think does not give a correct picture as I understand it. If I may, I would like to clear that up.

The CHAIRMAN. Surely.

Mr. HOTCHKISS. The Sperry Corporation was formed in April 1933. All of its stock was delivered to North American Aviation, Inc., shown on that chart above, in exchange for the stock of Sperry Gyroscope Co., Ford Instrument Co., and approximately 5 percent of the Curtiss-Wright stock owned by the North American and the stock of Intercontinent Aviation.

Now at the time when that exchange was made General Motors had no stock interest whatever in North American, neither General Motors nor General Aviation Corporation.

The CHAIRMAN. Prior to that time?

Mr. HOTCHKISS. At the time when this exchange which I am speaking of was made. Following that, North American Aviation delivered to its some 25,000 stockholders voting-trust certificates representing all of the stock of the Sperry Corporation. Now, none of the 25,000 stockholders at that time included either General Motors Corporation or General Aviation Corporation.

The result was, then, that Sperry Corporation owned the companies that I have mentioned—Sperry Gyroscope Co., Ford Instrument Co., Intercontinent Aviation, and approximately 5 percent of stock interest in Curtiss-Wright.

Subsequent to that transaction it is my information that General Aviation Corporation and General Motors Corporation acquired a stock interest in North American Aviation.

Senator POPE. How long subsequently?

Mr. HOTCHKISS. I do not know how long after that, but North American Aviation, in which the General Motors and the General Aviation Corporation acquired an interest, was one which had transportation interests which they had retained. Eastern Air Transport was one of the principal ones, I think, not shown there.

Mr. HISS. Mr. Hotchkiss, are you saying that the North American stockholders represented as holding 52 percent of its stock, i.e., General Aviation and General Motors, do not hold any of the voting trust certificates of the Sperry Corporation?

Mr. HOTCHKISS. Let me make this clear: They issued out the voting trust certificates of the Sperry Co., I believe, in the nature of a stock dividend to the stockholders. That was a certificate of Sperry and a certificate of North American. Now, at that time General Motors and General Aviation were not, as I am informed, stockholders of North American, and therefore did not receive the stock dividend of the Sperry Corporation.

Now, subsequently, when General Motors acquired a stock interest in North American it was after the stock dividend to which I have referred, and did not, therefore, carry with it, in the nature of things, the voting trust certificate of the Sperry Corporation.

Mr. HISS. In other words, you are saying that General Motors Corporation and General Aviation Corporation have not acquired any of the voting trust certificates of the Sperry Corporation?

Mr. HOTCHKISS. I do not know whether they have acquired any voting trust certificates in the open market. I simply want to point out that they did not acquire them in connection with the formation of the Sperry Corporation in the major reorganization at that time.

Mr. HISS. I should like again to call the committee's attention, Mr. Chairman, to the directors of the Curtiss-Wright Corporation and of the Sperry Corporation, who are also on the General Aviation or the North American Aviation. Mr. Hoyt, who is on the board of directors of the Curtiss-Wright, parent corporation, and of several of the subsidiaries, is also a director of the Bendix Aviation, which is shown over there on the chart, in which General Motors has a 25-percent interest.

The CHAIRMAN. The point, Mr. Hiss, is that the control exercised here is as largely through interlocking directorates as it is through stock ownership.

Mr. HISS. That is correct.

Senator POPE. One question here. It appears that whatever may have been the condition at the time to which you refer, the General Aviation Corporation owns 43 percent plus and General Motors 8 percent plus, making a total of 52 percent. Now is it the condition that this stock now owned by General Aviation and General Motors does not possess voting power so that they can control the affairs?

Mr. HOTCHKISS. No; I am afraid I have not made that clear. That stock, to which you refer, under the North American Aviation block, is, as I understand it, North American stock having full voting rights.

Senator POPE. Yes.

Mr. HOTCHKISS. But it does not include and does not so state any of the voting trust certificates of the Sperry Corporation.

Mr. HISS. I think the way to clear that up is to ask General Aviation Corporation and General Motors Corporation specifically whether, when they acquired stock in North American, they also acquired any of the voting trust certificates of the North American Aviation. "Exhibit No. 296" is a letter dated April 6, 1934, bearing the initials J. S. A., Mr. Allard's initials.

Mr. ALLARD. That is right.

Mr. HISS (continuing). Addressed to Mr. Leighton.

(The letter referred to was marked "Exhibit No. 296", and is included in the appendix on p. 886.)

Mr. HISS. You will recall that yesterday the witnesses stated that the Curtiss-Wright Export Co., which is the foreign selling agency for the Curtiss-Wright group, sold military planes and also sold munitions apart from various planes which they sold. The statement was made that the munitions sold to date all were connected with aviation, although the testimony showed that the Curtiss-Wright Export Co. has received quotations and has negotiated for various munition products not usable in connection with aviation. For example, there was a bid for tanks and various other articles of munitions.

This letter of April 6, 1934, reads as follows [reading]:

To: Mr. B. G. Leighton.

DEAR BRUCE: Mr. B. C. Goss, who is president of the U.S. Ordnance Engineers, Inc., who manufacture chemical warfare munitions, has been approached by an individual in Istanbul in connection with the possible sale of chemical munitions to the Turkish Government and, more recently, with a plan which this Turk has submitted to Mr. Goss for U.S. Ordnance Engineers, Inc., to build a chemical munitions plant in Turkey.

Mr. Goss is very much interested in the proposition, and, incidentally, he tells me it is the only way that Turkey can have successful chemical warfare equipment—by building a factory.

Mr. Goss is planning on going to Turkey in the very near future, probably sailing within the next week or two, and may, possibly, sail with me. However, in the event that we do not arrive together, I am writing him a letter of introduction to you and have suggested that he get in touch with you before he gets in touch with anyone else in Turkey, so that you can give him the benefit of your experience and advice, and see if there is any way in which Curtiss-Wright can participate on a commission basis in his projected business with Turkey. Obviously, we do not want to be involved in any financing or anything else, but merely to get a commission for the assistance which you will give him.

It is true, is it not, Mr. Allard, that the Curtiss-Wright Export Corporation, having a widely flung world selling organization which deals with the military departments of various governments, is available for the sale of munitions on a commission basis, whenever it is profitable to the company?

Mr. ALLARD. That is correct.

COMMISSIONS PAID IN CONNECTION WITH FOREIGN SALES

Mr. HISS. Yesterday it was also developed that, for instance, Curtiss competes both with European companies and the United Aircraft group, an American group of companies which resorted to what was characterized yesterday as "unfair tactics", and the Curtiss competitors indulge in what Mr. Webster referred to in quotations as

“commissions” to various agents, and Mr. Allard stated that his company, so long as he was president and so long as he had been connected with it—which is 6 years, Mr. Allard?

Mr. ALLARD. Correct.

Mr. HISS (continuing). Had not engaged in any such practices.

Mr. Allard, do you remember a Mr. Gordon B. Enders?

Mr. ALLARD. In China?

Mr. HISS. In connection with China; yes, sir.

Mr. ALLARD. Yes; I do.

Mr. HISS. Did Mr. Enders approach your company for some kind of business?

Mr. ALLARD. I do not remember. I would have to refresh my memory, if you have something there.

Mr. HISS. This will be “Exhibit No. 297.” It is a letter of July 21, 1930, signed “Jack.” That is you, Mr. Allard?

Mr. ALLARD. That is right.

Mr. HISS. It is addressed to Mr. Burdette S. Wright, who is a vice president of the parent corporation in Washington.

(The letter referred to was marked “Exhibit No. 297” and is included in the appendix on p. 886.)

Mr. HISS. That letter reads as follows [reading]:

Thanks for yours of the 17th regarding Mr. Gordon B. Enders and E. F. Basky. The information is most interesting, and, while I realize that the ethics of the transaction are very questionable, from all I gather most Chinese business is unethical, and I still think that I would like to have had a chance at the Chinese business that Enders apparently had in his hand.

This, of course, is not official, but it is confidential between you and me. I do think that if Enders had come in here with cash to buy a lot of aviation equipment to be sent to China and the State Department gave us approval, I would not care much who Enders was as long as I got the cash, and the State Department approved the shipment of the aeroplanes. Under present conditions we did not get a chance to contact with him; therefore, we can stick up our noses in the air and say that we prefer not to associate with men of his calibre, but the truth of the matter is, I wish we had gotten the order.

Do you remember what that business was?

Mr. ALLARD. I have not any idea what the details of the business were. We did not get the business, obviously.

Mr. HISS. Mr. Webster, you were engaged in selling in South America and are, I assume, familiar with the business transactions which your company has carried on in Bolivia.

Mr. WEBSTER. Yes, sir.

Mr. HISS. Do you remember a Mr. Cueto Pozo?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Was he an agent of the Export Co.?

Mr. WEBSTER. Yes, sir; he was, for a short time.

Mr. HISS. Did the Export Co. pay him any commissions?

Mr. WEBSTER. Yes; they did.

Mr. HISS. Was he at the same time an employee of the Bolivian Government?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Was he discharged by the Bolivian Government when they discovered that he was receiving commissions from the Curtiss-Wright Co.?

Mr. WEBSTER. I believe that he was either asked to resign or did resign when we were advised that the Government did not wish to

have anyone in their employ act as agents for any manufacturing company.

Mr. HISS. What was his position with the Bolivian Government, Mr. Webster?

Mr. WEBSTER. I am not exactly sure. I could not tell you exactly what his position was. It was a minor position.

Mr. HISS. Was he in the Foreign Office of the Bolivian Government?

Mr. WEBSTER. I believe it was some connection with the Foreign Office.

Mr. HISS. "Exhibit No. 298" is a letter of March 24, 1933, to Mr. Webster, signed "Cliff." Is that Mr. Travis?

Mr. WEBSTER. That is Mr. Travis.

Mr. HISS. Who at that time was an employee of the Export Co.?

Mr. WEBSTER. Yes; he was an employee of the Export Corporation.

(The letter referred to was marked "Exhibit No. 298" and is included in the appendix on p. 887.)

Mr. HISS. This letter contains the following statement by Mr. Travis with reference to Cueto Pozo:

I got a look at some documents yesterday that bear authority, and although they were confidential, I took some notes, Cueto files the following information regarding himself and his business:

Importer of manufactured articles; exporter of national articles; agent of foreign manufacturers; languages—English, Spanish, French. * * *; organization—private; business done on own account on commission basis.

* * * Commercial references—Bell & Howell, Chicago; Curtiss-Wright Export; Mack Motor Truck Corporation, N.Y.; * * * Bellanca Aircraft, New Castle, Del.

There was no references from any of the commercial firms mentioned, but the two banks here were requested to send in their recommendations and we find the following:

Banco Central—Feb. 25, 1933: "Mr. Cueto Pozo has an agency to act occasionally for Curtiss Airplanes on a commission basis. At the time of taking this agency Mr. Cueto Pozo was in the Ministry of Foreign Affairs. In order to safeguard Government money he was discharged from the position in the Ministry of Foreign Affairs. As a private person he does not own any real estate, nor does he have any money. At present there is a commission appointed by the Government to investigate concerning the sales of airplanes and trucks to the Government and establish whether Mr. Cueto Pozo and others have been unduly zealous in their private dealings with the Government."

Mr. WEBSTER. Have you finished with that, Mr. Hiss?

Mr. HISS. That is all. Do you want to make a statement on it?

Mr. WEBSTER. I would like to explain that at the time we made a connection with Mr. Cueto Pozo it was with the knowledge of the Government, and in conversation after I arrived in La Paz—we engaged Mr. Cueto Pozo before we had met him. We engaged him more or less by mail or cable. He said that he was in a position to represent us there and we made a temporary arrangement with him. Later, when I arrived in Bolivia, I found, in talking with Government officials, that it was not their desire to have an employee of the Government act as an agent for manufacturers. Therefore, we severed our connections with Mr. Cueto Pozo. He was paid a certain commission because we had an agreement with him, and then his services were terminated.

Mr. HISS. At the time that you had this arrangement with him, did you know that he was an employee of the Bolivian Government?

Mr. WEBSTER. Oh, yes; and it was more or less with the approval of, that is, the Government knew he was acting for us because he handled the representatives there.

Mr. HISS. Did the Export Corporation also employ an agent in Bolivia whose name was Pancho Echenique?

Mr. WEBSTER. We did not employ Mr. Echenique. Mr. Echenique, who was a Chilean national and who was well known in Bolivia, went to Bolivia at his own expense, and after arriving in Bolivia cabled us that he was in a position to handle certain business, which was apparently pending, and we told Mr. Echenique if he was responsible for handling any business there for us, that we would take care of him on a commission basis. He was not an employee of the company.

Mr. HISS. Was he an employee of the Bolivian Government at the time?

Mr. WEBSTER. No, sir.

Mr. HISS. May I call your attention to "Exhibit No. 299", being a letter dated February 9, 1933, from yourself, Mr. Webster, to Mr. Echenique?

Mr. WEBSTER. Do you know where that was written from?

Mr. HISS. No; I am afraid I do not. That is all that appears in your files. Probably from South America.

Mr. WEBSTER. I think so; yes, sir.

(The letter referred to was marked "Exhibit No. 299" and is included in the appendix on p. 888.)

Mr. HISS. That letter reads as follows, in part [reading]:

The Bolivian Government business has been handled and controlled entirely by Mr. Lopez, comptroller general, * * *

Was he comptroller general of Bolivia?

Mr. WEBSTER. Yes, sir.

Mr. HISS. And in charge of the purchases?

Mr. WEBSTER. No; he was not in charge of purchases. He was comptroller general, and in that way all contracts passed through his hands and payment was authorized through the comptroller's office.

Mr. HISS. He had charge of certifying to payment on Government contracts?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading):

and when I was in La Paz, he was very much upset and concerned because of the fact that we had been dealing through an agent and paying a commission on the business. He insisted that all business be handled directly between the Government and ourselves, and that no commissions would be permitted by the Government. He took immediate steps to discharge from Government service Mr. Cueto Pozo, and deducted from our bills the commissions which were supposed to have been paid. * * *

I told you when I was in Santiago that I would do the best I could for you but that it was impossible for me to name a definite amount and this arrangement will have to stand until we have concluded our business dealings with the Government.

The reason for your not being able to pay Mr. Echenique; that is, to enter into an agreement with Mr. Echenique as to commissions, was because Mr. Lopez was opposed to the Bolivian Government dealing through an agent?

Mr. WEBSTER. Not necessarily. It was because we had not yet terminated, or rather arranged, a settlement with Mr. Cueto Pozo. We did not know what expense we would be forced to pay in order to terminate our contract or arrangement with Mr. Cueto Pozo.

Mr. HISS. You wrote this letter in 1933, Mr. Webster, and you state that "he", Mr. Lopez, "insisted that all business be handled directly between the Government and ourselves, and that no commissions would be permitted by the Government."

Mr. WEBSTER. That is correct.

Mr. HISS. Is that the reason?

Mr. WEBSTER. That is partially the reason; yes, sir. The fact that the situation was somewhat unsettled and we could not make an arrangement with the agent for the commissions.

Mr. HISS. What is the name of the firm in Bolivia that represents the export company, the permanent agent in Bolivia?

Mr. WEBSTER. Webster & Ashton.

Mr. HISS. Do you pay them a commission? Does the export company pay them a commission on sales?

Mr. WEBSTER. Either a commission or a definite set amount on certain contracts; not always on a commission basis.

Mr. HISS. I offer as "Exhibit No. 300" a letter of March 29, 1933, signed "Cliff." That is Mr. Travis. The letter is to Mr. Webster.

(The letter referred to was marked "Exhibit No. 300", and is included in the appendix on p. 888.)

Mr. HISS (reading):

There is a firm here in La Paz, Webster & Ashton, formerly Webster & Finnigan, Casilla 144, that is a local business outfit with a branch in Oruro. They have the agency for International Harvester Export and have done considerable business with the Bolivian Government in trucks. They carry on national business as well. They want the agency for us in Bolivia and I have thoroughly looked up the standing of the firm, find it O.K., have talked with the American Minister, Feely, and have known both Webster and Ashton personally since my first arrival here. Lopez called me in to talk it over and informed me that the Government was willing to do business with an accredited firm but not with an individual, and that they were willing to pay a reasonable commission on business with us for the convenience of having some one here at all times.

Did Mr. Lopez have any interest in the firm of Webster & Ashton, which he recommended?

Mr. WEBSTER. To my knowledge he has no interest. I have heard it said that he was a partner with Webster & Ashton on possibly not their entire business, but in a small manufacturing company which they had there; and I believe this was even prior to the trouble, or the war then between Bolivia and Paraguay. To my personal knowledge I do not know whether he is a partner of Webster & Ashton. I have heard it said that he is.

Mr. HISS. May I call your attention to a further part of this letter which says:

There is one thing that comes to my attention with regard to this, although I believe everything is above board and on the level. Lopez is in with Webster & Ashton on a hat factory and a retail clothing and furniture business here and it is extremely difficult in view of the control board to get dollars for the necessary imports for their business. Having an agency for American goods would enable them to carry their commission in dollars in New York. There may be some kind of a combination between the parties but the thing as put up to me sounds O.K. and on the level.

Mr. WEBSTER. Also in the next sentence he says, "Feely thinks it is square." Feely was the American Minister.

Mr. HISS. That is correct. The next sentence is, "Feely thinks it is square."

I will offer as "Exhibit No. 301" a letter from Mr. Travis, signed "Cliff", to Mr. Webster, from Bolivia, dated September 21, 1933.

(The letter referred to was marked "Exhibit No. 301" and is included in the appendix on p. 890.)

Mr. HISS (reading):

Regarding the commission to be paid Activos, * * *

Is that the cable name of Webster & Ashton?

Mr. WEBSTER. That is correct.

Mr. HISS (continues reading):

* * * I cabled that my recommendation was 5 percent of the total amount of the last order. That would be 5 percent of \$97,180.00, or nearly \$5,000.00. As you know, that order was put through by me some time ago but Activos were darned helpful on the final details of the deal and were entirely responsible for getting the money in cash; something that no one else without their contacts and influence could have done so easily, if at all. For your own information, Lopez is, and has been for some time, a silent partner of Activos, and is interested to quite an extent in the agency and their textile and hat factories. That is not common knowledge but it makes it necessary to play ball with the tall friend. * * *

By the "tall friend" he had reference to Mr. Lopez?

Mr. WEBSTER. Yes.

Mr. HISS (reading):

* * * as he is the deciding factor in all purchases—more so than the President himself. Do not mistake me—Lopez is one of the few honest men in this country, and although he has a personal interest in the sale of Curtiss planes and equipment, he would not let the order go through unless the stuff was entirely satisfactory. Let me give you some extremely confidential dope that I picked up, no matter where, but it was in writing:

1. Jorge Zalles, vice pres. of Grace & Co., used the Cueto affair as a lever to try to influence Lopez through the New York consul to eliminate Curtiss and take up United Aircraft through Grace. They told Lopez that they could supply Hawks at \$23,000 and Ospreys at \$17,000.

2. When the last three planes (that have just been delivered) were on order the purchase was nearly cancelled because of interference of the Kundt-Bilbao combination * * *."

Were they Germans connected with the Bolivian Government?

Mr. WEBSTER. Kundt was General Kundt, in command of the Bolivian Army.

Mr. HISS. Was he a German?

Mr. WEBSTER. And Bilbao is a native Bolivian pilot who was recently killed—about 3 weeks ago.

Mr. HISS (continues reading):

* * * through the Minister of War, Hertzog, to the President. Except for Lopez and the pilots (as well as my visit here at the time to straighten out the complaints), the order would have been cancelled and the business given to United Aircraft and Fokker.

3. Due to Lopez and Activos we were able to arrange full payment on the last order through irrevocable credit. The President's instructions were to make payment in the same form as before—35 percent only after planes were tested and delivered.

4. Lopez has been offered 10 percent on planes and 20 percent on spares if he will help swing the business to Fokker. Vickers made him the same offer. (I have told Activos that we cannot pay more than a flat 5 percent on all Curtiss business at the present quotations.)

5. Lopez and Activos have practically assured our future by combatting the competition, although they could have cleaned up by putting in United or Vickers.

6. Colonel Williams, American fiscal agent for Bolivia, has told the Government that United is much bigger than Curtiss. I can't quite see where that comes in nor where it fits into the picture.

Colonel Williams was an American representative in Bolivia?

Mr. WEBSTER. Yes, sir.

Mr. HISS. And an officer employed by Bolivia?

Mr. WEBSTER. An officer, I believe, employed in Bolivia. I do not know just what the arrangements were.

Senator POPE. Was he also employed by the United States Government?

Mr. WEBSTER. I do not believe so, Senator. I think he was an American employed by the Bolivian Government as a fiscal agent—to assist them in their financial affairs.

The CHAIRMAN. Was it a case of a loan of this agent by our Government to Bolivia?

Mr. WEBSTER. I do not know, sir.

Mr. HISS. Had he formerly been in the State Department of the United States?

Mr. WEBSTER. I do not know. I have never met Colonel Williams; I do not know who he is.

The CHAIRMAN. Mr. Hiss, has the full name of Mr. Lopez been given, or does the record just carry him as Lopez?

Mr. HISS. Just as Lopez. Can you give his full name, Mr. Webster?

Mr. WEBSTER. I do not know his full name. It is very easily obtained, but I could not tell you off hand.

Mr. HISS (continuing with this letter):

So in view of the strong combination working in our behalf, I think we should allow the 5 percent on the last order in order to keep the machinery well oiled. Our prices can stand it, although our selling costs have been rather high. Spare parts selling at list should make a fair margin for us, and I understand that the Osprey carries a fair margin at \$18,000 with 10 percent allowed for commission. (I should know more about the internal workings of that side of the game if I am to be of maximum value to the company.) We have never had a chance to get together for a good old instructive critique in the year that I have been with the company, and I am looking forward with much enthusiasm to our meeting in Lima next month. Naturally, I want to put out everything I've got for you and there are a few dark corners—dark as far as I am concerned—that I would like to get an inside glimpse of.

I don't know whether I have mentioned it before, but be careful what dope you put out to Decker.

Who is Decker?

Mr. WEBSTER. Decker is the consul general in New York.

Mr. HISS (continuing reading):

Contact Activos before quoting any prices to anyone and get together with them. They are on the up and up, but I know the situation here well enough to tell you to do this. There is a hell of a lot of intrigue down here, and an unwise word to Decker might start a lot of unpleasantness for us. You know the game, so you understand the situation.

I offer as "Exhibit No. 302" a letter dated May 23, 1933, from Owen Shannon to Captain Travis in Bolivia.

(The letter referred to was marked "Exhibit No. 302" and is included in the appendix on p. 892.)

Mr. Hiss (reading):

The Consul General here—a good old scout named Decker * * *

That is the Consul General of Bolivia in New York?

Mr. WEBSTER. Yes.

Mr. HISS (continues reading):

* * * keeps on asking us what they are doing with the Hawks and Ospreys—we keep telling him we don't know, as you never discuss their activities in your letters, which is just as well because I am sure anything we told him would be cabled down to La Paz promptly. He seems to have a mania for saving the Government money and passing everything he hears on to them.

Did Mr. Lopez also have a mania for saving the Bolivian Government money, Mr. Webster?

Mr. WEBSTER. I believe he did; yes.

Mr. HISS. Would you say that the desire on the part of a government official to save his government money was a mania?

Mr. WEBSTER. Pardon me, what is that question?

Mr. HISS. Would you say the desire on the part of a government official to save the government money was a mania?

Mr. WEBSTER. I would not exactly call it a mania; no, sir.

Mr. HISS. Mr. Shannon did.

Mr. WEBSTER. I do not believe I would express it that way.

Mr. HISS. I offer as "Exhibit No. 303" a letter dated May 30, 1933, signed by "Cliff", that is Mr. Travis, to "Dear Web." That is yourself, Mr. Webster?

Mr. WEBSTER. Yes, sir.

(The letter referred to was marked "Exhibit No. 303", and is included in the appendix on p. 892.)

Mr. HISS (reading):

I have already informed Ashton that, in view of the fact that the present pending order was negotiated by myself and that no commission was included in the quotations, he will not be entitled to much, if anything, on the deal. Naturally, he will have to be given something as well as a couple of others.
* * *

Did others have to receive commissions besides your regular agent? Was that the situation in Bolivia, Mr. Webster?

Mr. WEBSTER. I am not sure, but I assume possibly that Webster & Ashton took care of other people. I do not know of my personal knowledge, but I assume that they did take care of other people.

Mr. HISS. What kind of other people, Mr. Webster?

Mr. WEBSTER. Well, possibly people with a greater technical knowledge than they had of aviation. Webster & Ashton were not entirely familiar—in fact, they were not familiar at all, you might say, with the technical part of airplanes; and I believe it would be necessary at times for them to employ others who could discuss the technical parts of airplanes.

The CHAIRMAN. Might they, by any chance, have been agents of the Government, officials of the Government?

Mr. WEBSTER. They could have, sir. But I could not state for sure.

The CHAIRMAN. I think it has been said here repeatedly that your company did not approve?

Mr. WEBSTER. We do not approve of that, sir; no. But we cannot very well control the acts of our agents at all times. They may do something we do not know of.

The CHAIRMAN. Is there of record, any place, a scolding by your company officials of agents who have been known to employ these methods?

Mr. WEBSTER. I do not know that there is any record, Senator; but I know that in many of our conversations we have made it plain that we do not like to do that thing, if it is possible. It involves unpleasantness sometimes.

The CHAIRMAN. Your policy is one of employing, in many instances, men who have connections with the Government. Can that be said to be true?

Mr. WEBSTER. Yes, sir; that is correct. That is, men employed by the Government, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. WEBSTER. There are very few instances where we have employed or taken anybody on, who are employed by governments.

The CHAIRMAN. How can we put two and two together and say that while you employ, in instances, this kind of help, yet you do not approve?

Mr. WEBSTER. Sometimes it is necessary to employ people who know the country and the customs to handle our affairs there.

The CHAIRMAN. If you were to employ an admiral, or if you were to pay commissions to an admiral, or to a general, or to someone connected with the War or Navy Departments to help persuade the Government to enter into a contract, that would be helpful to your company, would you call that a commission?

Mr. WEBSTER. That would be a very polite word for it, Mr. Chairman.

The CHAIRMAN. In fact, it would be bribery, would it not?

Mr. WEBSTER. It would. It is a rather harsh word, but it would be, strictly speaking.

The CHAIRMAN. Why do you call it by any other name than that, when you resort to that method in other countries?

Mr. WEBSTER. It is a nicer way of putting it, Senator.

Senator POPE. In the statement made by Mr. Travis in the letter which has been referred to, he puts it this way:

I think we should allow the 5 percent on the last order in order to keep the machinery well oiled.

Mr. WEBSTER. That is expressing it a different way.

Senator POPE. That was a letter received by you from him?

Mr. WEBSTER. Yes.

Senator POPE. Do you recall in your reply that you made any reference to that statement?

Mr. WEBSTER. I do not believe so. I do not recollect it.

I might state in connection with Mr. Lopez, it is my understanding that Mr. Lopez, for several years, a number of years, had been interested in commercial line of business with Webster & Ashton and possibly before he assumed his official position with the Government. My experience has been that Mr. Lopez is a very fine type of man.

Mr. HISS. You, at the time of this correspondence, were president of the Export Co., were you not, Mr. Webster?

Mr. WEBSTER. At this time; yes.

Mr. HISS. Prior to June 1933?

Mr. WEBSTER. Yes.

Mr. HISS. And Mr. Travis recommended Webster & Ashton be made your agents, in part at least on the ground that Mr. Lopez favored that particular firm.

Mr. WEBSTER. Yes, sir. It is quite logical, if they were purchasing from us, that we should have somebody there at all times to represent our interests and form a closer contact. In fact, the connection with Webster & Ashton was discussed with the American Minister there and the American Minister recommended Webster & Ashton.

Mr. HISS. Mr. Lopez also specifically recommended Webster & Ashton, did he not?

Mr. WEBSTER. I think so; I am not sure. I think Mr. Travis refers to it in one of his letters.

Mr. HISS. That is correct—in an exhibit that has been introduced. In the postscript to "Exhibit No. 303", from which we were reading, the letter of May 30, 1933, Mr. Travis says:

Just got notice from the President through Lopez that the Bolivian Consul in N.Y. cabled that Hawks and Ospreys be secured for 23,000 and 17,000, respectively. I cabled the office today about it. Sure threw a wrench in the machinery and raised Hell in general. May spoil our business but will do all I can to save the situation and our prices.

Does that mean that the consul general had gotten the direct quotation in New York from the Curtiss group?

Mr. WEBSTER. No, sir. Apparently somebody had told him that he could purchase at a cheaper price, which was not so.

Mr. HISS. If the Bolivian Government had dealt directly with your company, could they have secured Hawks and Ospreys at a cheaper price than they did secure them through Webster & Ashton?

Mr. WEBSTER. I do not believe they could, sir, because it would have been necessary then to maintain our own people in Bolivia to handle our business.

Mr. HISS. I offer as "Exhibit No. 304" a letter dated November 6, 1933, from Mr. Shannon to J. A. B. Smith and Mr. J. S. Allard.

Mr. Smith is an officer of the Export Co.?

Mr. ALLARD. No.

Mr. HISS. Is he a director of the Export Co.?

Mr. ALLARD. Yes; he is treasurer of the parent company.

Mr. HISS. This letter quotes a letter received from Mr. Webster in regard to Bolivia.

(The letter referred to was marked "Exhibit No. 304" and is included in the appendix on p. 894.)

Mr. HISS. This letter says in regard to Bolivia as follows:

Here the situation is also very interesting. I have had one long joint session with the Minister of Finance, Lopez, the Minister of War, and the Minister of Transportation, and another one is scheduled for 6 o'clock tonight. My one great job is to sell from three to 10 Condors. The matter has been talked over with the President, and it looks very favorable. The Minister of War and the Chief of Staff is leaving tomorrow for the Chaco, to be gone a week or two, and they are taking down all the specifications, photographs, and drawings to discuss with General Kundt. The one big problem will be the financing, and we are to go into that this evening. The order may be split up to satisfy Gen. Kundt and the Lloyd Boliviano Company, and possibly three out of the 10 ships may have to go to Junkers, although our performance, etc., is better.

Any price I quote will include 5% for Ashton & Webster, and in this connection we will allow them the 5% on past sales. It seems highly advisable as Lopez who is the President's right arm, is a silent partner of the company. His

attitude now is entirely different than it was a year ago and he is sure pushing our stuff.

Mr. WEBSTER. I might say in that connection that the inference I believe you are drawing is that Mr. Lopez was favoring us because of his connection with Webster & Ashton. In this connection I might say that I am quite convinced that Mr. Lopez was favoring us because of the service and the performance that we were able to give with that material. We kept two of our men down there—a service man and a pilot—representatives of ours, in order to see that our material did give good service. They were entirely satisfied with the performance of our planes. They had had some very unsatisfactory experiences with other types and I think they were entirely satisfied with ours. I think that is the reason Mr. Lopez was in favor of our equipment.

Senator POPE. I should like to refer back to exhibit 301, at the top of the first page where it says:

Shorty is going to the Chaco next Friday to look things over to give some much needed instructions to the mechanics.

Who was Shorty?

Mr. WEBSTER. That is a mechanic, Mr. Harry Berger, a service mechanic of ours, in South America.

Senator POPE. That was during the time of the hostilities between Paraguay and Bolivia?

Mr. WEBSTER. Yes, sir. It says instructions, but what he refers to there is how to take care properly of those engines and not to burn them up. It was necessary to use very high-test gasoline and they had had some engine trouble due to overheating, etc. They had not been using the proper gasoline. It was in our own protection, to see that our own equipment was operating properly. You know, you can burn an engine up very quickly if you do not take care of it.

Senator POPE. You did not consider the element of neutrality there at that time?

Mr. WEBSTER. No, sir. I really do not think that is involved there. This is one of our mechanics, on our own payroll, simply correcting a possible fault in one of our engines.

Mr. HISS. Mr. Allard, your company has sold planes to the Swissair, a Swiss commercial transport company?

Mr. ALLARD. That is correct.

Mr. HISS. Do you know Mr. Zimmermann of that company?

Mr. ALLARD. I have met him in this country.

Mr. HISS. What is his connection with that company?

Mr. ALLARD. I understand he is managing director of Swissair.

Mr. HISS. Has your company ever paid Mr. Zimmermann, managing director of Swissair, a commission on sales?

Mr. ALLARD. I believe we have; commercial sales.

Mr. HISS. I offer as "Exhibits No. 305 and No. 306" two letters, one of January 4, 1932, and one of January 26, 1933.

(The letter of Jan. 4, 1932, was marked "Exhibit No. 305", and is included in the appendix on p. 894.)

(The letter of Jan. 26, 1933, was marked "Exhibit No. 306", and is included in the appendix on p. 895.)

Mr. HISS. We can take up both these exhibits at the same time. In "Exhibit No. 305", a letter from Philip Shepley, dated January

4, 1932—Mr. Shepley was an employee of the Curtiss-Wright Export Co., stationed in Europe at that time?

Mr. ALLARD. No; in New York.

Mr. HISS. This is to Mr. Allard, and it says:

I understand verbally from Mr. Goulding that * * *

He was an official of the Export Co.?

Mr. ALLARD. Yes.

Mr. HISS (reading):

* * * that from now on we are to reserve a 5-percent commission for Mr. Zimmermann on all purchases by Swissair both for their own use as well as for resale.

To whom did the Swissair Co. resell?

Mr. ALLARD. Possibly to other transport companies.

Mr. HISS. To transport companies in Switzerland?

Mr. ALLARD. Or individuals; I imagine so.

Mr. HISS. Do you know of any other Swiss transport companies?

Mr. WEBSTER. I do not know offhand; no.

Mr. HISS (continuing reading):

I am not sure, however, how Mr. Zimmermann wants this handled—whether confidentially or otherwise. When you find this out in your conversations with him, please let me know.

Do you know how it was handled?

Mr. ALLARD. No; I do not. I think it is a matter of record on our books.

Mr. HISS. "Exhibit No. 306", which is dated January 26, 1933, is from Mr. Goulding to Mr. Woodling.

Who is Mr. Woodling?

Mr. ALLARD. He was an employee of the Export Co., a book-keeper.

Mr. HISS. It is headed "Switzerland—Commissions." It reads:

A special, confidential arrangement has been made with Mr. B. Zimmermann to pay him a commission of five percent of the list price on all Curtiss-Wright engines or spart parts sold in Switzerland.

That means to any company in Switzerland; any purchaser?

Mr. ALLARD. Yes, sir.

Mr. HISS (continuing reading):

This commission is to be five percent on the list price on such sales.

While I am paying Mr. Zimmerman, in cash, commission to which he is entitled on sales order no. 1902, invoice #2946, namely, \$76.99, because he happens to be in this country at the present time, the regular procedure which I have arranged with him is to send bankers drafts drawn to the order of B. Zimmerman, and addressed to him at his home address. * * *

Mr. ALLARD. That is correct.

Mr. HISS. Not to his official address?

Mr. ALLARD. That is correct.

Mr. HISS. Do you approve paying commissions to directors of companies purchasing from you, Mr. Allard?

Mr. ALLARD. Under certain circumstances; yes.

Mr. HISS. Do you not consider that it is a director's duty to disclose all commissions to his company?

Mr. ALLARD. I do not know what the laws or business practices are as to firms in foreign countries.

Mr. HISS. Did you inquire before you entered into a confidential arrangement with Mr. Zimmermann?

Mr. ALLARD. No. Mr. Zimmermann was the top man in his company and requested that. It seemed perfectly in order.

Mr. HISS. Has your company done business in Greece, Mr. Allard?

Mr. ALLARD. I do not recall any orders—possibly one airplane, one commercial airplane; maybe some odds and ends of smaller things.

Mr. HISS. Have you a permanent agency in Greece?

Mr. ALLARD. I believe we have.

Mr. HISS. Do you remember the name of it?

Mr. ALLARD. No; but I would recognize it if I heard it.

Mr. HISS. Is it the Societe Financiere at Technique de Grece.

Mr. ALLARD. I believe that is it.

Mr. HISS. And is Mr. Artemis Denaxas an official of that company?

Mr. ALLARD. I believe he is.

Mr. HISS. I offer as "Exhibit No. 307" a letter of August 22, 1933, by Mr. Artemis Denaxas to Mr. Goulding, vice president of the Curtiss-Wright Export Corporation.

(The letter referred to was marked "Exhibit No. 307".)

Mr. HISS. That letter reads:

Referring to the copies of correspondence we have sent you and by which we tried to give you an idea of the possibilities of doing some business here, I am happy today to be able to communicate to you a very important but strictly confidential information.

I have succeeded to persuade the Air Minister through a common friend to give his preference to your material.

As, however, he did not like to commit himself with a corporation like ours we decided the following:

You should address by return of mail a letter to the Societe Financiere et Technique de Grece 10, Metropole Street and write them that on all orders of your material you will allow a commission of 5 percent.

At the same time you write to me a private letter saying that on all orders of your material either through the Societe Financiere et Technique de Grece or direct by the Greek Government you will allow me a commission of 5 percent.

I shall transfer this letter to the friend of the Minister in order to guarantee him that he shall get his profits without this transaction being disclosed to thirds.

Please therefore be kind enough to let us have by return of mail the above two letters.

Was any such agreement ever entered into with your agent in Greece?

Mr. ALLARD. I do not know. The files would show it if there were.

Mr. HISS. They are still your agents at the present time, the Societe Financiere et Technique de Grece?

Mr. ALLARD. I believe they are; yes.

Mr. HISS. To refresh your memory, I might call your attention to a letter of November 14, 1933, in which you are quoted by Mr. Emory Flynn—an employee of the Export Co.

Mr. ALLARD. Yes.

Senator POPE. Does that mean, Mr. Hiss, that this secret commission was to be paid to the Air Minister of Greece?

Mr. HISS. Either to him or to his friend. It is not clear from the letter.

Mr. ALLARD. It is not quite clear. It is not known to us, as a matter of fact. It probably was paid to the friend or would have been had we made a sale. We never made any sale.

Mr. HISS. You have made no sale?

Mr. ALLARD. No.

Mr. HISS. Did your company inquire whether this commission would go to the Minister or to a friend?

Mr. ALLARD. Not to my knowledge; no.

Mr. HISS. Has your company done business in San Salvador, Central America?

Mr. ALLARD. I think so.

Mr. HISS. Do you know who your resident agents are there?

Mr. ALLARD. I could not tell you, offhand; no.

Mr. HISS. I offer as "Exhibit No. 308" a letter dated May 6, 1933, from Dada-Dada & Co. to Curtiss-Wright Export Corporation; and I offer as "Exhibit No. 309" a letter dated May 13, 1933, signed "Dada-Dada & Co.," addressed to Curtiss-Wright Export Corporation.

(The letter dated May 6, 1933, was marked "Exhibit No. 308"; and the letter dated May 13, 1933, was marked "Exhibit No. 309"; both letters are included in the appendix on pp. 895, 896.)

Mr. HISS. In the letter, "Exhibit No. 308", Mr. George M. Dada, the writer of the letter, says:

In answer to your cablegram of May 3rd, we have cabled you on May 4th as follows: "Quote nineteen thousand f.o.b. factory—full payment New York. Writing."

And then the letter proceeds:

Due to so many offers from other manufacturers, we are working hard, and we offered commission to different intermediaries in this business. This is why we asked you to quote the price given above, as more than 70% of our own commission and discount will be distributed to intermediaries.

And in "Exhibit No. 309", the letter dated May 13, 1933, and directed to the kind attention of Mr. Owen Shannon, the writer says:

Confidential: To get such order we had to use many intermediaries and ——— friends to whom we are to pay a commission, consequently about 75% of our commission will be paid out to intermediaries, but we do not care for that if we get the order. We know that this first order will bring us many more orders in the near future.

What intermediaries were Dada-Dada & Co. having to pay to secure business in San Salvador?

Mr. WEBSTER. We assume in this particular case, inasmuch as Dada-Dada & Co. were not familiar with aircraft, they would have to employ someone of technical training or experience in order to handle that business intelligently.

Mr. HISS. Is that what an intermediary is, a technical adviser?

Mr. WEBSTER. It could be.

Mr. HISS. Do you think in this letter an intermediary means a technical adviser?

Mr. WEBSTER. I think it would be in this case, because I know Dada-Dada & Co. were not at all familiar with aircraft.

Mr. HISS. You referred earlier to the commissions which Webster & Ashton, your agents in Bolivia, said they would have to pay. Do you also think the commissions they had to pay were for technical advisers rather than to governmental employees?

Mr. WEBSTER. I know that they must have paid something for technical advice. Whether they paid it to others or not, I do not know, but I know they must have paid for technical assistance.

Mr. HISS. Would you think if they were paying for technical assistance there would be any reason for them to fail to disclose or attempt to keep confidential the names of persons who were giving the technical advice?

Mr. WEBSTER. I should not think it would be necessary.

Mr. HISS. Senator Pope suggests that from the letter of May 13, 1933, which I believe is "Exhibit No. 309", the following extract should also be read into the record, to wit:

As you see, we have to pay all charges for freight, insurance, etcetera; the commission left will not even cover our efforts, as we have to pay so much for intermediaries.

I offer as Exhibits 310, 311, and 312 the following letters and cablegrams; as "Exhibit No. 310", cablegram from La Paz dated September 26, 1933, sent by Activos to the Export Co.; as "Exhibit No. 311" a letter signed Webster & Ashton dated September 27, 1933, addressed to Curtiss-Wright Export Corporation; and as "Exhibit No. 312" a cablegram from the Export Corporation addressed to Activos, La Paz, dated September 29, 1933.

(The documents referred to were, respectively, marked "Exhibit No. 310", "Exhibit No. 311", and "Exhibit No. 312", and are included in the appendix on pp. 896, 897.)

Mr. HISS. "Exhibit No. 310", the cablegram dated September 26, 1933, reads as follows:

Please deposit Anglo South American Trust Company order of Luis Yver Vergara four thousand five hundred dollars without mentioning our name. Confirm.

"Exhibit No. 311", the letter dated September 27, 1933, confirming the cable, is signed by Webster & Ashton, I take it, as it is signed "W. & A."

Mr. WEBSTER. Yes, sir.

Mr. ALLARD. Yes, sir.

Mr. HISS. In this letter, "Exhibit No. 311", appears the following statement:

This sum of \$4,500—USC. will go against our commission of 5% on the 2 Hawks and 1 Osprey, plus \$31,180.04 worth of spares, as per arrangement with Captain Travis.

You will no doubt have noted that we do not wish to appear, and it would also be a good thing if you do not appear either.

Why did you think, Mr. Webster, it would be a good thing if the company's name and your name should not appear in any payment to a technical adviser?

Mr. WEBSTER. I have not the slightest idea. I know at the time they requested us to deposit this amount, and apparently there are a cable or two missing in between the one of September 26 and the one of September 29, in which we told them that we did not wish to make any such transaction without their written authority, and I think that is the reason they confirmed it in writing. I believe the reason for paying this deposit was on account of some of their business. It is very difficult at times in South American countries to get dollar exchange, and business people are very anxious in those countries to be able to get dollar exchange.

Mr. HISS. Does your company frequently make payments to your agents under such circumstances as these, without knowing where the commissions will have to go?

Mr. WEBSTER. Yes, sir. They were entitled to this money, the money belonged to them, and if they cabled us and told us to pay it to some bank or some person, there is no reason why we should not pay it, because the funds belonged to them.

Mr. HISS. Faucett and Tobin in Peru represented your company on a commission basis?

Mr. WEBSTER. Yes, sir.

Mr. HISS. I offer as "Exhibit No. 313" a letter dated October 27, 1933, from Mr. Shannon to Mr. Allard.

(The letter referred to was marked "Exhibit No. 313" and is included in the appendix on p. 897.)

Mr. HISS. In this letter, "Exhibit No. 313", the writer quotes a report from Web; that is Mr. Webster?

Mr. WEBSTER. Yes, sir.

Mr. HISS. I read from the report which is quoted in this letter, as follows:

Have given them a price of \$26,400 without armament, f.o.b. New York—for the standard landplane, \$28,500 each for the same ship with armament c.i.f. Callao—for the Falcon attack without armament, \$26,900 f.o.b. New York and \$30,000 with armament c.i.f. Callao. These prices include 5 percent for Faucett and Tobin.

Tobin has been interested in handling your sales?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Reading further, the letter says:

I deliberately increased the price of pontoons to \$4,900 per set f.o.b. New York and \$5,400 c.i.f. Callao, as they will require them, and it will provide funds to pay additional "commissions" which will undoubtedly be necessary. This is the way the Fairey Company handled their last business. They held the complete ship down in price and raised the price of floats, it is not so noticeable.

You stated yesterday that the Fairey Co., "has managed to grease" certain gentlemen. In this letter, which is quoting a report from you, Mr. Webster, you say that you needed additional money for additional commissions, and you quote the word "commissions", which will undoubtedly be necessary.

Mr. WEBSTER. Tobin and Faucett told me they would have to go to considerable expense in setting up and assembling the planes, and they also had to pay commissions to others on that job.

RELATIONS WITH FOREIGN OFFICIALS

Mr. HISS. In addition to the commissions which your company had to pay, has your company found it advisable to establish friendly relations with officials of foreign governments with which you do business?

Mr. WEBSTER. How do you mean, "friendly relations"?

Mr. HISS. Have you had officials of foreign governments visit your plant, and have you entertained them, and have you made it a point for your agents to be on personal and friendly relations with them?

Mr. WEBSTER. Naturally they do that in any line of business. I know we have been entertained very well in their country, and if they come up here, I would naturally expect to return the courtesy.

Mr. HISS. Do you also have your friendships primarily with those who are most influential in procuring orders?

Mr. WEBSTER. Not necessarily, but they are mostly my friends, engaged in airship work.

Mr. HISS. Rather business than personal friends?

Mr. WEBSTER. Yes; most of my friends in South America have originated with business people.

Mr. HISS. I offer as "Exhibit No. 314" a letter dated April 16, 1934, addressed by "P. A. H." to Mr. Crosswell.

(The letter referred to was marked "Exhibit No. 314", and is included in the appendix on p. 898.)

Mr. HISS. This letter, "Exhibit No. 314", is written by "P. A. H.", that is Mr. Hewlett?

Mr. ALLARD. That is correct.

Mr. HISS. I read from this letter, "Exhibit No. 314", the following paragraph:

I was very pleased to note that you had such an interesting discussion with Olano at Pensacola and that he was so friendly to you, as I feel that Olano will at a later date be a real asset to us in securing business from the Colombian Government.

Mr. Olano was formerly Consul General of Colombia in New York?

Mr. ALLARD. That is my understanding.

Mr. HISS. He was trained at Pensacola as a flyer?

Mr. ALLARD. I believe so.

Mr. HISS. Your company was influential in getting him trained there?

Mr. ALLARD. I do not know whether we were asked to render any assistance. If we had been asked to help get him trained there, we would have done what we could.

Mr. HISS. He is now director of aviation in Colombia?

Mr. WEBSTER. I do not know whether he is or not, now.

Mr. HISS. He was so appointed in August 1934.

Mr. WEBSTER. Then he is.

Mr. HISS. I offer "Exhibit No. 315", a letter dated May 29, 1934, from Philip Shepley to Mr. William A. Reeks.

(The letter referred to was marked "Exhibit No. 315" and is included in the appendix on p. 899.)

Mr. HISS. Mr. William Reeks is in the employ of the Export Co.?

Mr. ALLARD. No; Reeks is in the employ of the Wright Aeronautical.

Mr. HISS. That is the engine company?

Mr. ALLARD. That is right.

Mr. HISS. I read from this letter as follows:

Referring to your letter of May 23rd, introducing young Lt. Rodriguez.
* * * I had quite a long talk with him last Friday, in the course of which he told me that he had been up here about six months and had been through the Curtiss Flying School Course at Valley Stream.

Did the Curtiss Co. maintain a flying course for training pilots?

Mr. ALLARD. We did at one time, but not at this date. He had been there previously when that school was running.

Mr. HISS. Reading further from the letter, it says:

His uncle at present holds an important position on the Colombian air force staff and is a close friend of the man who is slated to be the next President of Colombia. If things work out as expected, his uncle will be the next

Minister of War, and young Rodriguez as a result of his instruction and knowledge of aviation secured during his present visit should hold a fairly important position. I don't know, naturally, how true this all is, but I pass it on to you for what it is worth and suggest that it would be worth while to show this fellow some special consideration while he is at the Wright factory.

Senator POPE. Do you know whether that was done?

Mr. ALLARD. I believe he visited the Wright factory and looked at it. Special consideration in that connection, if I might say, would be courtesy in seeing he was properly taken around.

Mr. HISS. I offer as "Exhibit No. 316" a letter from Mr. Webster to Capt. C. K. Travis, dated July 25, 1933.

(The letter referred to is marked "Exhibit No. 316", and is included in the appendix on p. 899.)

Mr. HISS. I read from this letter, "Exhibit No. 316", as follows:

I am sorry that Melgar did not take over the job of inspector general of aviation of Peru, but, possibly, as military attaché in Chile he can still be of considerable service.

Mr. Melgar was an employée of the Peruvian Government?

Mr. WEBSTER. Yes; Captain Melgar at this particular time, I think, was an attaché there in Bolivia or Chile, I am not sure. He was formerly chief of the Peruvian army air corps, and he was one of the few really efficient aircraft officers.

Mr. HISS. I read further from this same letter as follows:

If the government intends to put in a foreigner, and possibly, an American, in charge of aviation, who do they have in mind. I certainly hope that Grove does not go back in Peru. Why not apply for the job yourself and see if we cannot work out a situation whereby we could all profit by it.

What did you have in mind, Mr. Webster, by that sentence?

Mr. WEBSTER. In an advisory way I thought an intelligent American could accomplish a great deal down there in giving them efficient aircraft data. The Peruvian Government had in service about 16 or 18 different kinds of aircraft, and standardization of service would help their upkeep and efficiency.

Mr. HISS. And your company would have profited by this?

Mr. WEBSTER. We may have sold more equipment, and at the same time Peru would have profited by having a standardized air corps.

Mr. HISS. How would Captain Travis profit?

Mr. WEBSTER. He had formerly been employed as chief pilot for the Peruvian Government.

Mr. HISS. I say how could he have profited by this arrangement, by becoming the Peruvian chief of aviation?

Mr. WEBSTER. His salary probably would have been more than we could have paid him.

Mr. HISS. That was your only interest in Mr. Travis taking that particular job?

Mr. WEBSTER. Yes; because at the time it looked as if we would have to let Travis go, as business seemed to be rather poor.

Mr. HISS. He is still one of the men on your staff?

Mr. WEBSTER. He is still employed by us; yes.

Mr. HISS. Now, reading further in this letter, you say, Mr. Webster:

On second thought, however, perhaps this would not be such a good idea; but think it over and let me have your suggestions. The ideal situation, of course, would be to start and steer such a selection in the right direction, and,

with your connections and friendships in Peru, you might suggest one or two men when you return there.

Does your company attempt to select people for foreign positions who will be favorably inclined toward your products?

Mr. WEBSTER. If we could get a combination of an efficient man who would serve, for instance, the Peruvian Government in an efficient way and at the same time select equipment, and providing our equipment was up to specifications and better than the others, it would make a good business combination.

Mr. HISS. Your company is interested in seeing those officials properly serve the foreign government?

Mr. WEBSTER. Yes; because it serves us also. If you purchase intelligently, naturally you are going to be well satisfied with the equipment you get.

Senator POPE. Mr. Hiss just read this sentence:

On second thought, however, perhaps this would not be such a good idea, but think it over and let me have your suggestions.

What raised the question in your mind at that time?

Mr. WEBSTER. I probably had some idea at that time, but I do not recall it now. That was more than a year ago.

Senator POPE. However, he could be disclosed as your agent?

Mr. WEBSTER. Everybody knew Travis had been employed by us, and had been previously employed by the Peruvian Government, and he was well known. There would be no attempt in concealing anything, he is too well known, and his opinions well known.

Senator POPE. The reaction to the fact he was your representative might not reflect to your credit. Is that your thought?

Mr. WEBSTER. No; I thought possibly he would not wish to stay in Peru any longer. He had been there a good many years and I did not know what he might want to do. I do not know what idea I had at that time.

Mr. HISS. I offer as "Exhibit No. 317" a letter dated January 19, 1934, signed "Jerry", addressed to Mr. C. W. Webster.

(The letter referred to was marked "Exhibit No. 317", and is included in the appendix on p. 901.)

Mr. HISS. This letter, "Exhibit No. 317", signed by Jerry; that is Mr. Van Wagner, in charge of your factory at Chile?

Mr. ALLARD. Yes, sir.

Mr. HISS. I read from this letter as follows:

Complying with your wishes to keep you in touch with things at this end, I thought much could be gained from Marcial Arredondo, so invited him and his wife (nee Matilda, Merino's old secretary) out to the place for dinner last evening.

Merino was formerly chief of the air corps in Chile?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Reading further from this letter, it says:

We had a long talk over everything in general, and especially on the possibility and probability of the Government purchasing new equipment. Marcial confirmed Alessandri's public statement that the Government intends raising funds in the near future for this object, but stated he could not tell when this would be.

Is the Alessandri there referred to the President?

Mr. WEBSTER. Yes, sir.

Mr. Hiss. I read further from the letter as follows:

Marcial told me quite frankly that Aracena has his eyes set first of all on training planes, and he has it in his head to buy Avros.

What position did Aracena hold?

Mr. WEBSTER. Aracena at that time was, and is, chief of the air corps. He replaced Merino.

Mr. Hiss. The letter further says:

With regard to the purchase of other equipment, Marcial said he will do everything in his power to see we are taken into consideration. Marcial has a very big say in the matter so long as he is sitting next to the President and is the right-hand man of Aracena. He promised to let us know in plenty of time or sidetrack the prospective purchase of other planes.

Yesterday there was some testimony of the United Aircraft Co. attempting to sidetrack the purchase of Curtiss planes, and it now appears that your company might have been interested in sidetracking the purchase of other planes.

Mr. WEBSTER. No, sir; you did not finish that sentence, which would explain that statement.

Mr. Hiss. Let me finish it. It says:

or sidetrack the prospective purchase of other planes, if possible, and if necessary suggest an open competition, such as in 1929, before placing any orders.

Mr. WEBSTER. In that connection, what he apparently had in mind was to more or less postpone the purchase until we were able to get down there and compete with the others in the event of a competition.

Mr. Hiss. You will notice he just says—

If necessary suggest an open competition.

Mr. WEBSTER. He knew I was familiar with the situation and did not go into the details. As a matter of fact that has developed and there is a demonstration plane being shipped down there now for competition. In fact, a great many of those countries, including Chile, purchase on performance, and in order to satisfy themselves they ask the manufacturers to send a demonstration plane to those countries to be demonstrated before they make a selection.

Mr. Hiss. Then, this letter continues as follows:

With Marcial watching out for us on the inside, I think it best not to rush Aracena too much, as Marcial claims he is the go-between for Aracena and the President and he has to be consulted first so will be able to talk with Aracena about our equipment and lead him right.

Has your company also done business in the Argentine?

Mr. WEBSTER. Have you finished with this one here?

Mr. Hiss. Yes. Has your company also done business in the Argentine?

Mr. WEBSTER. Yes, sir.

Mr. Hiss. Can you identify for the record Captain Zar, of the Argentine?

Mr. WEBSTER. Yes; Captain Zar is chief of naval aviation of Argentina.

Mr. Hiss. Can you identify Colonel Zuloaga?

Mr. WEBSTER. Yes; he is chief of army aviation of Argentina.

Mr. Hiss. Has your company's relations with those two officers been very friendly?

Mr. WEBSTER. Yes, sir.

Mr. HISS. They are boosters of Curtiss products, would you say?

Mr. WEBSTER. Yes; Captain Zar was trained in the American Navy and Colonel Zuloaga was military attaché in Washington for some time, and they are thoroughly familiar with American products, and in that way they possibly leaned toward American products, with which they are familiar.

Senator POPE. How long, about, was he with the American Navy?

Mr. WEBSTER. He received his training at Pensacola, I think it was, during the war, but I am not sure.

Senator POPE. Do you know whether he served in the Navy after the war?

Mr. WEBSTER. You mean the American Navy?

Senator POPE. Yes.

Mr. WEBSTER. No; he simply went to Pensacola as a student and received the regular course in aviation that the American officers receive at Pensacola.

Mr. HISS. I offer now as "Exhibit No. 318" a letter of date March 21, 1932, from C. W. Webster to Mr. B. S. Wright.

(The letter referred to is marked "Exhibit No. 318" and is included in the appendix on p. 901.)

Mr. HISS. Mr. Webster, I read from this letter as follows:

I still feel that Zar will not recommend that a mission be sent to the States, although it is advisable to watch this possibility very closely. Zar is a very intimate friend of ours and wishes to purchase only Curtiss-Wright equipment and is playing his cards accordingly. He feels that if he sends a mission to the States possibly complications might develop through the recommendations of any officers he sends, and his desire is to control things himself as much as possible.

Mr. Webster, you said a few minutes ago that the purchase of aviation equipment was on the basis of performance?

Mr. WEBSTER. Yes, sir.

Mr. HISS. If so, why would Captain Zar be worried about the recommendations of any mission sent to this country?

Mr. WEBSTER. Possibly he felt he was better qualified to judge of equipment than other officers.

Mr. HISS. Even though they were watching the performance in this country and he was not?

Mr. WEBSTER. It might be.

Mr. HISS. I offer as "Exhibit No. 319" a letter dated February 23, 1932, also from Mr. Webster to Mr. B. S. Wright.

(The letter referred to was marked "Exhibit No. 319" and is included in the appendix on p. 902.)

Mr. HISS. I now read from this letter, "Exhibit No. 319", as follows:

I now have a more complete and accurate picture of the proposed Argentine Naval Mission and I am inclined to believe that the entire agitation was started by Commander Jordan, U. S. Naval attaché in Buenos Aires, in misinterpreting a conversation with Captain Zar, chief of Argentine Naval Aviation.

It seems that some time ago Captain Zar and Commander Jordan met and Zar mentioned that his budget for 1932 would permit him to buy a certain number of new ships and that they would be of U. S. make. Jordan asked which make and, as Captain Zar didn't wish to tell him he was negotiating directly with us and, on the other hand, didn't care to say he didn't know what he wanted, he told Jordan he planned to ask the U. S. Navy to give him advice when the proper time came. It seems Commander Jordan immediately communicated with the U. S. Navy in Washington informing them that the Argentine Navy would send some of its men to the U. S. to solicit the advice of the

U. S. Navy in the matter of purchases. Captain Zar, in discussing the situation with us, claims that he now realizes he made a mistake in mentioning the matter to Jordan because if Washington gives the matter any publicity our British competitors will possibly get busy and make it a little harder for us on account of their lower prices. Captain Zar is one of our most intimate friends and when the time comes to purchase equipment he will buy from Curtiss-Wright insofar as he is able to do so. His budget this year allows him only about \$250,000 for new equipment which he figures is about enough for eight Heldivers or similar ships, but the cash will not be available for 4 or 5 months.

We will receive an order for two engines and spares and possibly three sets of smoke-screen apparatus, but the complete airplanes will not be ordered for some little time.

I am giving you this picture of the situation for your confidential information and I believe we should let the matter drop insofar as Washington is concerned. Our contacts with Zar are of such an intimate nature that we have nothing to fear from other competitors, unless something very radical happens. It was Zar's intention to keep the entire matter quiet and get his purchase through for us before any other manufacturer heard of it but unfortunately he made a chance remark to Jordan which opened up the entire subject.

Does that letter seem to you consistent with your statement that aircraft is sold only on a performance basis?

Mr. WEBSTER. Absolutely, sir. We have a demonstration of it right in Argentina.

Mr. HISS. Does this letter not say that Captain Zar was anxious not to have a competitor know about the proposed purchases so that they would be unable to demonstrate?

Mr. WEBSTER. They have been demonstrated down there. The manufacturers are demonstrating in Argentina, both European and American manufacturers. There is no secret about that, and that is the only way you can sell aircraft these days.

Mr. HISS. "Exhibit No. 320" is a letter dated July 18, 1933—

The CHAIRMAN. Before you leave that, I would like to have my own mind a little clearer than it is with respect to the exhibit which was just offered. Referring to the matter of representatives of the Argentine Navy being sent to the United States where they would solicit the advice of the United States Navy in the matter of purchase, is that a policy which is pretty generally pursued?

Mr. WEBSTER. Yes, sir.

The CHAIRMAN. That South American naval authorities do have access to the American Navy and their advice as respects purchase of planes and other material?

Mr. WEBSTER. That has been done, sir; yes, sir.

The CHAIRMAN. There was nothing unusual, then, about that particular proposal?

Mr. WEBSTER. No, sir; none whatever.

The CHAIRMAN. All right.

Mr. HISS. "Exhibit No. 320" is a letter dated July 18, 1933, from Mr. Webster to Capt. C. K. Travis in Bolivia.

(The letter referred to was marked "Exhibit No. 320" and is included in the appendix on p. 903.)

Mr. HISS. That letter reads in part as follows [reading]:

Immediately upon your arrival you should contact Colonel Zuloaga and Captain Zar.

That means his arrival in the Argentine?

Mr. WEBSTER. Yes, sir.

Mr. Hiss (continuing reading) :

Colonel Zuloaga is Director General of Aeronautics and Chief of the Army Airport, and Captain Zar is Chief of Naval Aviation.

Mr. WEBSTER. Pardon me, that is a typographical error; Chief of the Army Air Corps.

Mr. HISS. Correct the exhibit, please.

(The exhibit was accordingly corrected.)

Mr. HISS (continuing reading) :

Arrange if possible to dispatch the ship to El Palamar, the Army Air Station.

The arrangement is in connection with the Argentine Falcon for which your company is negotiating?

Mr. WEBSTER. Yes, sir.

Mr. HISS (reading) :

Work through Zuloaga and Zar and follow their suggestions. In a recent letter from Zar he suggested that we first get the plane to Palamar and possibly later transferring over to Puerto Indio, the Naval Landing Station.

Mr. WEBSTER. Naval Land Station.

Mr. HISS. You might correct that, too.

(Exhibit corrected.)

Mr. HISS (reading) :

* * * Our object, naturally, is to sell the Falcon to the Argentine Government and, in due course, arrange a contract for them to purchase the manufacturing rights to construct this plane for the Government at Cordoba. All of these arrangements will be handled by Leon—

Will you identify Mr. Leon?

Mr. WEBSTER. Mr. Leon is a former employee of the Export Co. and a former employee of mine. He is no longer with us. He left because of ill health. He represented us in Argentina for a great many years as resident manager there.

Mr. HISS. Was he discharged by your company?

Mr. WEBSTER. No, sir.

Mr. HISS. Left because of ill health?

Mr. WEBSTER. Left because of ill health.

Mr. HISS. He was in good standing at the time he left?

Mr. WEBSTER. Oh, yes.

Mr. HISS (continuing reading) :

when he arrived there, probably around the 15th of September. His relations with Zuloaga and Zar are very intimate, so do not attempt to sell but merely handle the plane for the time being and put on your show and the necessary demonstration. When Leon arrives he will probably take you into his confidence and give you a line on our set-up, so do nothing that will interfere with the negotiations which Leon and myself have already started.

Did Mr. Leon ever take you into his confidence about the Argentine negotiations?

Mr. WEBSTER. Yes, sir.

Mr. HISS. What did you have in mind when you stated that he would take him "into his confidence", referring to Leon? What did you expect him to try to do when he arrived with regard to your relations with Zuloaga and Zar?

Mr. WEBSTER. It was not entirely with relation to Zuloaga and Zar, but the Army Air Corps in Argentina is a very large organization. Many of its personnel have been trained in European coun-

tries, and they are more or less pro-European in their ideas, and at times a little prejudice will creep into it. So that I presume Leon wished to steer Mr. Travis and let him know who were pro-European and who were more or less open-minded on the subject.

Mr. HISS. In this letter, Mr. Webster, you also said:

In selling this Falcon to Peru, please handle this, if possible, in the same manner as the other Falcon and Hawk we sold. The payment to be made to me personally and not to the company, as I have certain commissions that will have to be paid.

Do you remember what commissions they were?

Mr. WEBSTER. I believe it was to Mr. Dan Tobin. In fact, it was Dan Tobin.

Mr. HISS. Your negotiations in the Argentine were very complicated, were they? It was a delicate matter?

Mr. WEBSTER. No; I would not say they were delicate or complicated. It was a hard selling job, but it was not complicated. There was a lot of hard work to it.

Mr. HISS. At the top of the third page of this letter you state [reading]:

In asking you to lay off all sales negotiations, please do not feel that we do not believe you capable of handling them, but Leon has spent so much time in Argentina and knows his contacts so well and intimately, that I believe we should not upset them in any way. I know that you will appreciate this situation.

Mr. WEBSTER. Mr. Leon had been in Argentina as our resident manager there for 14 or 15 years and was naturally very well acquainted. Mr. Travis, I believe, had never been to the Argentine before. Mr. Leon was planning to return to Argentina in order to pick up that work, but unfortunately his health would not permit it and he did not go back, and for that reason I wished Travis to wait for Leon to get back.

Mr. HISS. I now introduce "Exhibits No. 321 and No. 322", the first being a letter dated January 19, 1934, from Mr. Owen Shannon, of the Curtiss-Wright Export Corporation, to Mr. C. W. Webster, and it encloses an unsigned memorandum dated January 17, 1934, which Mr. Shannon says is a copy of a letter from Lawrence. That is Mr. Leon?

Mr. WEBSTER. Mr. Leon.

(The letter and memorandum referred to were marked "Exhibits No. 321 and No. 322" and are included in the appendix on p. 905.)

Mr. HISS. The enclosed memorandum states (reading):

Your letter came a couple of hours after our telephone conversation. By all means do your best to get Mason to go down at once.

Mason was an employee of the company?

Mr. WEBSTER. Mason was an employe of the Wright Aeronautical Co. whom we were thinking of sending to South America as my own representative.

Mr. HISS (continuing reading):

Hewlett may be a better man, but if this boy is a salesman and is loyal, his knowledge of Spanish will take him farther. He will not have much to do for a few months, but that will give him a chance to get acquainted, and Zu—

That is Zuloaga?

Mr. WEBSTER. That is Zuloaga.

Mr. HISS (continuing reading):

is happier when somebody from the office is near at hand. Somebody has to be there to be on the inside of things, or the business goes elsewhere. Those fellows detest writing me, with good reasons * * *.

Why did they detest writing?

Mr. WEBSTER. I do not know. I did not write this letter. I do not know what Leon had in mind. I presume they did not wish to go to the trouble of writing.

Mr. HISS. You do not think it was because they did not wish to put themselves down on record?

Mr. WEBSTER. I do not know what the reason would be.

Mr. HISS (continuing reading):

and are getting tired of being told that I'll soon be back, with the result that I am gradually getting out of touch with the real situation. Men in the various departments are changed periodically and new friends must be constantly made. I feel pretty bad about all this, but as explained in another letter I can not leave the family in the shape it is, and to go for a few weeks now and come back would be just a waste of money.

Trouble from W. was to be expected.

Can you identify Mr. W?

Mr. WEBSTER. Mr. Lee Wade.

Mr. HISS. Whom did he represent at that time?

Mr. WEBSTER. Mr. Wade is more or less a free lance aeronautical salesman. I believe he represents the Consolidated Co. in Buffalo among others. I do not know. I believe he is selling second-hand airplanes down there, more or less free lance.

Mr. HISS (continuing reading):

He is paying L's expenses and L does all he can for him.

Can you identify L.?

Mr. WEBSTER. That is an Argentine officer up here, and I cannot recall his name, but I think it begins with "L", and I think that is what he refers to—

Mr. HISS. Can it be Captain Leporace?

Mr. WEBSTER. Yes; it could be. I think that is the name.

Mr. HISS. Artemis Denaxas is with the Societe Financiere et Technique de Grece S.A., your agents in Greece. Is that correct, Mr. Allard?

Mr. ALLARD. Yes, sir.

Mr. HISS. He has no connection with the Government of Greece?

Mr. ALLARD. None that I know of at all, sir. He is a commercial man.

Mr. HISS (continuing reading):

Trouble from W. was to be expected.

"W" was a salesman on his own account for airplane equipment?

Mr. WEBSTER. Yes; and I think represented the Consolidated Aircraft Co.

Mr. HISS. Represented the Consolidated Aircraft Co.?

Mr. WEBSTER. I think so.

Mr. HISS (continuing reading):

He is paying L's expenses.

which you think means Captain Leporace?

Mr. WEBSTER. Yes, sir.

Mr. Hiss (continuing reading) :

and L. does all he can for him. L. has done a lot for Za——

That refers to Captain Zar, does it not?

Mr. WEBSTER. Yes, sir.

Mr. Hiss (continuing reading) :

on one occasion and Za arranged this spree for L. and is giving him free hand.

Then it continues :

Very likely this man will be in Za's place three or four years from now when both are due for promotion. He and his brother owe me a few favors of more than ten years' standing and I am in position to make any arrangements with him to counteract W's influence——

Wade's——

once we are all together. Just now he is not answering my letters, which I suspect, fell in W's hands.

That means Wade's.

With your letter also came the one I was expecting from Ta.

Can you identify "Ta"?

Mr. WEBSTER. I think that is Taravella.

Mr. HISS. Who is he?

Mr. WEBSTER. Mr. Taravella is a civilian engineer, employed by the Argentine Government in a Government factory at Cordoba, Argentine.

Mr. HISS. Has he been in this country also?

Mr. WEBSTER. Yes, sir; he was stationed at our factory for about 2 years.

Mr. HISS. As an inspector?

Mr. WEBSTER. As an inspector and engineer in the selection of certain factory equipment for the Government factory for the production of Wright engines in Argentina.

Mr. Hiss (reading) :

I had asked him to write the real reason for changing their minds about the Falcon and Hawk license. He says that while Travis' demonstration was pretty good, it was not good enough to convince everybody. That is one reason. The others are curtailment of appropriations and the necessity of the engineering staff to get busy and do something of their own or explain what they were doing in Europe when they were sent there to study for five years. He says that neither my presence nor Web's——

that is you, Mr. Webster?

Mr. WEBSTER. Yes, sir.

Mr. Hiss (continuing reading) .

can for the moment rush orders, and that the only thing which could overcome all these obstacles at once would be for the "Jingos" advocating preparedness to get the upper hand or for me to resort to the "old maneuver."

Do you know what he means when he says to resort to the "old maneuver"?

Mr. WEBSTER. No, sir; I have been trying to think what it could be, and the only thing I can think of is to go over the heads of some people who had more say in the matter. That is the only interpretation I could put on that.

Mr. Hiss (continuing reading) :

He means the trick we turned in 1931 when we sold the engine license.

Do you remember the circumstances of the trick you turned in 1931 when you sold the engine license?

Mr. WEBSTER. Yes, sir. At that time we even went to the President there in order to have our engine receive proper or sincere attention. At that time they were manufacturing in Argentina, in the government factory, the French engine, and that contract with the French was canceled and a contract was made with us for the manufacture of our engines in Argentina.

Mr. HISS. Perhaps this will help, Mr. Webster; that is, the next sentence of the memorandum, which states:

Unfortunately, this is not possible with the present set-up in the War Department, the key man being one of the very few not amenable to anything of that kind.

What does that mean in relation to going over somebody's head, Mr. Webster?

Mr. WEBSTER. I would say that would bear it out. I should think going over somebody's head would naturally cause some ill feeling down there.

Mr. HISS. You do not think it is a reference to the "commissions" which you have referred to before?

Mr. WEBSTER. In this case, I do not think it is, sir.

Mr. HISS (reading):

But he is due for retirement this year. * * * Web already knows who the men are, and should be the only one to handle commissions when the time comes.

You were expecting that some commissions would be necessary?

Mr. WEBSTER. Yes, sir; you see when Mr. Leon left down there, it left us more or less without a representative, without a contact there. We were later forced to make a local contact with Gandara & Co., and I made that contract last winter when I went down there, and arranged to pay them a commission in order to handle our local contracts.

Mr. HISS (reading):

Mason, if he goes down there, should not be entrusted with anything of this kind until he has been there six months at least and has proven that he can handle the business. It would be a mighty good idea if you went through the files and took out all letters mentioning names and commissions.

The CHAIRMAN. Who was that letter from?

Mr. HISS. From Mr. Lawrence Leon, at that time a representative of the Export Co., which Mr. Shannon encloses in a letter to Mr. Webster.

Mr. ALLARD. Pardon me, Mr. HISS. He was not a representative of the Export Co., but with Mr. Webster.

Mr. HISS. On Mr. Webster's staff, selling?

Mr. ALLARD. Yes, sir.

Mr. HISS. He had formerly been a representative of the Export Co.?

Mr. ALLARD. Yes, sir.

Mr. HISS. Mr. Shannon sent this to you, as he stated in his letter, "Exhibit No. 322", thinking to be of help to you. What do you think Leon meant by stating:

It would be a mighty good idea if you went through the files and took out all letters mentioning names and commissions.

Mr. WEBSTER. At times the government wishes to deal directly with manufacturers, and our particular predicament in the Argentine at the time was that we had to have somebody down there, and we did not have anybody down there, and the reason for making a contact is that the Argentine Government has always preferred to deal direct with the factories. In fact, for a number of years they maintained a permanent Argentine Naval Mission—commission—here in the United States, quite a large staff, in order to deal directly for purchases.

The CHAIRMAN. How much of the material relating to names and commissions has been taken from the files?

Mr. WEBSTER. To my knowledge there has been none taken out. I did not exactly feel that it was necessary. It was his suggestion, but I did not feel it was necessary.

Mr. HISS. "Exhibit No. 323" is a letter from Mr. Owen Shannon to Mr. J. S. Allard under date of September 25, 1933, regarding the Brazilian Mission.

(The letter referred to was marked "Exhibit No. 323" and is included in the appendix on p. 906.)

Mr. HISS. The mission is where?

Mr. ALLARD. Brazil Mission.

Mr. HISS. To where was it addressed?

Mr. ALLARD. Aeronautical Co.

Mr. HISS. The engine company?

Mr. ALLARD. Yes, sir.

Mr. HISS. That letter reads as follows:

You will be interested in the following quotation from a letter received from our Brazil agents today:

"We are pleased to say that we have had occasion to talk at length with Major Oliveira and Captain Mello since their return from the United States, * * *"

Were they members of a mission sent by Brazil to the United States?

Mr. WEBSTER. Yes, sir.

Mr. ALLARD. They were.

Mr. HISS (continuing reading):

"and that they are highly gratified with all they saw and very much appreciated all the courtesies lavished upon them by your company.

"We may confidentially advise you that the reports which have been submitted by the mission to the Minister of War are highly satisfactory to your organization and likely therefore to yield good results."

Do you think, Mr. Allard, or Mr. Webster, that the "courtesies lavished" upon foreign missions in this country have anything to do with the reports which they later render being "highly satisfactory" to your organization?

Mr. ALLARD. I do not approve the word "lavished", because we have not lavished any attention. That is a Latin-American way of making a statement. I think unquestionably that the attention that we paid to them, the things which we showed them, the demonstrations of ships, certainly had been a contributing factor in their selection and recommendations which they made.

Senator POPE. And the entertainment?

Mr. ALLARD. Yes. It is quite a natural thing to be courteous to visitors here.

Senator POPE. Yes, sir.

Mr. Hiss. I am reading now from "Exhibit No. 294", put in evidence yesterday, and which is a report by Melvin Hall, at that time a representative of the Export Co., on conditions in Turkey, dated February 27, 1933. [Reading:]

Hikmet Bey, a young engineer educated in America, has only moderate influence as yet, but is clever enough to assist us fully to build him up to take over Kayseri eventually, and is undoubtedly a strong asset in his present capacity.

Does that refer to a factory in Turkey operated under a license from your company?

Mr. ALLARD. No, sir; it was the Turkish national factory.

Mr. HISS. Did the Wright Aeronautical Co. give them a license?

Mr. ALLARD. No, sir; our planes only.

Mr. HISS. That is what I wanted to bring out.

"Exhibit No. 324" is a memorandum to Mr. Cramer from Mr. Allard. Is that correct, Mr. Allard?

Mr. ALLARD. Yes, sir.

(The memorandum referred to was marked "Exhibit No. 324" and is included in the appendix on p. 906.)

Mr. HISS. Is Mr. Pawley a director of the Export Co.?

Mr. ALLARD. That is right.

Mr. HISS. And is also president of the Intercontinent Aviation, which is a selling agency in China?

Mr. ALLARD. That is right.

Mr. HISS (reading):

Mr. Pawley stated in a recent letter, or cable, that he had a fund of about \$2,000 to take care of the entertainment of General Wong and his party from Canton.

They were touring this country in the last few months; that is, as of May 10, 1934?

Mr. ALLARD. Yes, sir; just about that time.

Mr. HISS. They were seeking to buy aviation equipment?

Mr. ALLARD. No; I do not think so; they were inspecting all aviation, commercial airlines, and factories.

Mr. HISS (continuing reading):

During their visit to this country they were entertained by the following: Mr. Buchanan in San Francisco—

Do you know who Mr. Buchanan is?

Mr. ALLARD. Mr. Buchanan is the manager of the airport outside San Francisco, the Alameda Airport.

Mr. HISS (reading):

Mr. Moseley in Los Angeles—

Who is he?

Mr. ALLARD. Manager of our airport at Los Angeles, Grand Central.

Mr. HISS. Does he manage that?

Mr. ALLARD. I think he, Mr. Buchanan, was a port accountant and the airport was closed and he was more or less a watchman.

Mr. HISS. But an employee of the Curtiss group?

Mr. ALLARD. Yes, sir; at that time he was.

Mr. HISS (reading):

Ralph Damon in St. Louis * * *

Who is he?

Mr. ALLARD. President of the Curtiss-Wright Airplane Co., in St. Louis.

Mr. HISS (reading):

Buffalo * * *

The plane company in Buffalo is the Curtis Airplane & Motor?

Mr. ALLARD. Yes, sir.

Mr. HISS. Patterson is the Wright Aeronautical Engine Corporation?

Mr. ALLARD. Yes, sir.

Mr. HISS (reading):

and the New York office group, mainly Mr. Dooley.

Who is Mr. Dooley?

Mr. ALLARD. Mr. Dooley was an employee for this group, who was later taken over by Export and is now in China, and happened to be here at that time and had the job of entertaining these people.

Mr. HISS (reading):

I wish you would get together the expense accounts from these various organizations and submit them to Mr. Sanderson of Intercontinent so that we can be reimbursed for these expenses.

Mr. ALLARD. Correct.

Mr. HISS. The expenses of entertaining foreign visitors are sometimes rather large, are they?

Mr. ALLARD. It depends on what you mean by "large." I think the total expenses of these five or six men were over \$2,000. That is for a couple of months' time here and paying air transportation and railroad transportation.

Mr. HISS. Mr. Webster, there are a considerable number of former American officers who are now with foreign governments, are there not? Is not that correct?

Mr. WEBSTER. I do not know how many former officers are with foreign governments, Mr. HISS.

Mr. HISS. Do you know a Commander Jordan in Bolivia?

Mr. WEBSTER. No. It is pronounced in English "Jordan."

Mr. HISS. He is not a former American officer?

Mr. WEBSTER. No, sir; he is a Bolivian. It is an English name, but there are a great many English and Irish down there, but it is pronounced differently. He is a native Bolivian.

Mr. HISS. Commander Strong is an American?

Mr. WEBSTER. I believe so.

Mr. HISS. I think his name was mentioned previously in the committee hearings.

Mr. WEBSTER. Yes, sir; he is an American.

Mr. HISS. Commander Strong used to inspect, or used to be a United States Navy inspector at the Keystone factory, did he not?

Mr. ALLARD. I have heard that, but I do not know it. It was before my time.

Mr. HISS. The Navy has regular inspectors at the factories in the United States with which they do business?

Mr. ALLARD. That is correct.

Mr. HISS. From which it procures planes?

Mr. ALLARD. Yes, sir.

Mr. Hiss. Incidentally, your company's relations with Colonel Jordan have always been very friendly, have they not?

Mr. WEBSTER. Yes, sir.

Mr. HISS. I am reading a letter dated September 13, 1933, being a letter from Mr. Travis to Mr. C. W. Webster, which reads, in part, as follows:

Lopez told me in a confidential and friendly chat yesterday that if it hadn't been for Jordan and two or three others that he named, that the last order for planes would have been canceled and that our competitors would have been given a chance.

Do you know what Colonel Jordan's present position is?

Mr. WEBSTER. He is chief of the air corps in Bolivia at the present time. If you would like to have me explain that, for a great many years aircraft or aviation in Bolivia had been more or less dominated by the Germans and their air-line operations, and, naturally, there are a lot of Germans still there, a number of German people still there in connection with aviation, and there was a very strong leaning toward German equipment; because he had flown both types, he preferred the American types, and for that reason he wished American equipment.

Mr. HISS. "Exhibit No. 325" will be a letter dated April 21, 1934, from J. Samper, on the letterhead of Urueta & Samper, who are the Export Co.'s agents in Colombia?

Mr. ALLARD. They are.

Mr. HISS. That is addressed to Mr. W. F. Goulding, vice president Curtiss-Wright Export Corporation.

(The letter referred to was marked "Exhibit No. 325" and is included in the appendix on p. 907.)

Mr. HISS. That letter reads, in part, as follows:

Through my good friendship with Comm. Strong I will be able to meet not only Mr. Trunk—

Who is Mr. Trunk, Mr. Webster?

Mr. ALLARD. May I answer that, because I am familiar with Colombia?

Mr. HISS. Yes, sir.

Mr. ALLARD. Trunk headed up a group of pilots and mechanics for Colombia some time this year from this country. I know Trunk only by having seen him. He did it on his own. He is not identified with our company.

Mr. HISS. The letter states further:

I will be able to meet not only Mr. Trunk, but most of the important men that may have come with him. I have enjoyed the confidence and friendship of Comm. Strong, practically since his arrival, and in spite of his complete and unbreakable reserve as far as military matters are concerned, I have been able to ascertain that he is not in the least antagonistic to your products. He is really an excellent man. To my understanding he will be placed by the Ministry as actual head of the aviation activities in this country * * *.

Has that come about?

Mr. ALLARD. I think it has; yes.

Mr. HISS [reading]:

I am confident that once he knows all about the German competition and antagonism to all foreign influence other than theirs, he will take measures to stop their career.

Quite naturally, an American officer would be more familiar with American equipment and would be favorable to American equipment?

Mr. ALLARD. Certainly.

Mr. HISS [reading]:

I have just received from Irvin—

Does that mean the Irving Parachute or Airchute Co.?

Mr. ALLARD. I believe so.

Mr. HISS. My information is that Mr. J. C. Willson is a director of the Curtiss-Wright parent company. Is that correct?

Mr. ALLARD. Yes, sir.

Mr. HISS. He is also a director of the Irving Airchute Co.

Mr. ALLARD. I do not know it for a fact, but I have heard that.

Mr. HISS. Does your company represent the Irving Airchute Co. in a great many countries?

Mr. ALLARD. In a great many countries; not all countries.

Mr. HISS [reading]:

I have just received from Irvin—

which means Irving I am pretty sure—

some scarfs to distribute among the pilots here. I am afraid that the propaganda was sent too late, because I was informed definitely that the Government had ordered the consul to place orders with our competitors (Switlik) for the parachutes they are in need of. Since I had to pay something like 20 pesos duty on these scarfs, I will ask you to request from Irvin to deposit in my account, as usual, the corresponding sum in dollars. I am sending them the corresponding vouchers.

NEGOTIATIONS IN MEXICO

Mr. Webster, are you familiar with your company's business in Mexico?

Mr. WEBSTER. Yes, sir; in a way, but not entirely familiar with it. I think I can answer your questions.

Mr. HISS. Mr. Leon also handled some of the negotiations?

Mr. WEBSTER. Mr. Leon made one trip into Mexico while he was out on the coast for his health. He was close by and we suggested that he might combine a business trip and go into Mexico, and also possibly find a place which was more healthful for him.

Mr. HISS. Can you identify Colonel Aguilar? I will show you a copy of an interoffice memorandum under date of December 5, 1930, from J. S. Allard to Mr. Burdette S. Wright, subject: Mexico.

Mr. ALLARD. I think I would know more about that.

(The memorandum referred to was marked "Exhibit No. 326", and is included in the appendix on p. 908.)

Mr. HISS. What is his position and what position did he hold in 1930?

Mr. ALLARD. I believe he was the Mexican military attaché here.

Mr. HISS. In Washington?

Mr. ALLARD. In Washington.

Mr. HISS. Can you also identify General Azcarate?

Mr. ALLARD. General Azcarate was or may have been the chief of aviation, or at least the head of a division in it, and operated a factory in Mexico City, airplane factory of his own.

Mr. HISS. Mr. Allard, do you think there was anything unusual about your Mexican negotiations? Did they differ from your ordinary negotiations in other countries?

Mr. ALLARD. I should not say so; no.

Mr. HISS. As I have said "Exhibit No. 326" is a letter of December 5, 1930, from Mr. Allard to Burdette S. Wright, a vice president of the Curtiss-Wright parent corporation. That reads in part as follows [reading]:

I realize fully that Colonel Aguilar is not doing all his sales promotion work for us as a kindly gesture, and I would welcome the opportunity of talking with him, inasmuch as we have no representative in Mexico, on the subject of his suggesting some representative through whom he could get his compensation for the work he is doing for us.

Were you proposing, Mr. Allard, to pay Colonel Aguilar, the Mexican military attaché, compensation from your company 4 years ago?

Mr. ALLARD. I do not think it was to be done when he was still military attaché. He was leaving here and going back as a private citizen to Mexico. I know that to be the fact.

Mr. HISS [reading]:

And, incidentally, if he does suggest somebody, I would not hesitate in telling him to plan on getting his compensation through that party rather than direct from us, as I do not think it is good ball for us to show the payment of any commission on any sales to anyone other than our authorized distributors.

Mr. ALLARD. That is correct.

Mr. HISS. Will you explain that?

Mr. ALLARD. Because we could not pay him; he was not sufficiently set up as a business man to be our authorized distributor down there. We later appointed, or at that time had Watson & Phillips, a business house which had been in business there 75 years, I think.

Mr. HISS. That was not because he was an official of the Mexican Government?

Mr. ALLARD. No.

Mr. HISS. This is dated in 1930.

Mr. ALLARD. Yes, sir.

Mr. HISS. Is he not still connected with the Mexican Government?

Mr. ALLARD. Insofar as I know, he is not.

Senator POPE. Do you know he is or not?

Mr. ALLARD. No; I do not know whether he is or not at the present time, but at that time in December 1930, he was quitting as military attaché, going back to Mexico and retiring to private life.

Mr. HISS. May I refresh your recollection by calling your attention to a letter of November 29, 1933, addressed to you signed by Robert L. Earle, who is in your Washington office here?

Mr. ALLARD. That is right.

Mr. HISS. I will offer that letter as "Exhibit No. 327."

(The letter referred to was marked "Exhibit No. 327" and is included in the appendix on p. 908.)

Mr. HISS. On page 3, Mr. Earle says—and this letter is a report of a recent trip by Mr. Earle to Mexico and the date of it is November 29, 1933—

Mr. ALLARD. That is correct.

Mr. HISS (reading letter) :

General Aguilar claims that he is to be the next Chief of Aviation, but since he has made this claim during the four years that I have known him, it is difficult to put a great deal of stock in his assertions. Add to this the fact that he is now being punished by assignment to a relatively unimportant post for the publishing of a pamphlet in Washington casting discredit on the Mexican Minister of Finance, for which act he was recalled. * * *

Does it appear from that that General Aguilar had been in Washington, where Mr. Earle was, for several years after 1930?

Mr. ALLARD. I do not know.

Mr. HISS. May I ask Mr. Earle, who is present?

Mr. EARLE. General Aguilar I first knew about 4 years ago when he was here as a colonel. He did return to Mexico. He resigned from the Army. But by some stroke he got to be the general in the Mexican Army and then he returned to Washington as military attaché. As my letter indicated, his recall to Mexico was brought about because of this pamphlet that he wrote. Then shortly after that he resigned again from the Mexican Army and is now a private civilian.

Mr. HISS. Do you know the date of his first resignation as somewhere around December 1930, Mr. Earle?

Mr. EARLE. No; I do not.

Mr. HISS. But you think he did resign?

Mr. EARLE. That is what I was told when I was in Mexico; yes, sir. But he had gotten out of the Army and then he had gotten in again.

Mr. HISS. Who are your representatives in Mexico at the present time?

Mr. ALLARD. Watson & Phillips.

Mr. HISS. Do you remember for what reason you gave them your agency?

Mr. WEBSTER. It was at the recommendation of Mr. Leon after Mr. Leon had visited Mexico and had selected them. I believe he also consulted the American commercial attaché and various business houses and selected Watson & Phillips.

Mr. HISS. Did your company believe that they were influential in swinging Government orders?

Mr. WEBSTER. I would not say influential. They were a very good business house and naturally it was necessary to have a good business organization to look after your business.

Mr. HISS. I will offer as "Exhibit No. 328" a letter dated June 13, 1933, from Charles Cunningham, commercial attaché of the Department of Commerce stationed in Mexico, to the Curtiss-Wright Export Corporation.

(The letter referred to was marked "Exhibit No. 328" and is included in the appendix on p. 912.)

Mr. HISS. The letter reads:

For some time we have been in touch with Watson Phillips & Co., Avenida Uruguay 103, Mexico City, with respect to their representing you in the possible sale of military airplanes to the Mexican Government. As a matter of fact, we contributed considerably towards interesting them in your planes as their representative has come repeatedly to our office and talked over with us the possible American representations available and for the purposes now under consideration we strongly urged the possibilities of your Hawk type of machines.

That is the pursuit type?

Mr. ALLARD. Single-seater pursuit.

Mr. Hiss (continuing reading letter) :

We are now confidentially advised that the Mexican Government, military department, is contemplating the purchase of anywhere from three to ten planes of the pursuit type, the requirements of which might be satisfactorily met by the Hawk pursuit type.

The Watson Phillips representative called on us this morning and showed your letter of June 9th. This firm feels that for the business that they have in mind, your letter is not sufficiently clear on the matter of protecting them in case they make a sale for you. You are undoubtedly aware of the manner in which purchases of aeronautic equipment are sometimes made by foreign governments, and it is a reasonable desire on their part to be protected in full in the matter of commission to themselves sufficiently large to enable them to meet all requirements.

What requirements in Mexico would Watson, Phillips be faced with?

Mr. WEBSTER. I think more or less the same requirements as other representatives in the way of technical advice and assistance. Watson, Phillips undoubtedly do not know—I know that they are not familiar with aircraft.

Mr. HISS. Have the commercial attachés of the Department of Commerce been helpful to you in the sale of military planes?

Mr. WEBSTER. In a great many cases; yes, sir. They have worked with us and we have worked with them in all countries, as I believe according to their instructions.

Mr. HISS. The date of "Exhibit No. 328" is June 13. On June 5, just to refresh your memory, Brigadier General Azcarate, who was head of the President's military staff at that time asked you for a direct quotation on a Wright plane. On June 13, Mr. Cunningham recommended to you Watson, Phillips in the letter which is "Exhibit No. 328."

On June 21 you wrote to Watson, Phillips telling them that you had been in direct communication with the aviation officials of the Mexican Government and therefore you did not wish to have a representative.

On June 29, 1933, Watson, Phillips replied to you and this letter I offer in evidence as "Exhibit No. 329."

(The letter referred to was marked "Exhibit No. 329" and is included in the appendix on p. 912.)

Mr. HISS. This letter is as follows in part :

Naturally if you wish to work this matter directly we can only wish you every success, but we venture to say that unless you have a representative here familiar with the politics of the matter and with influential connections your chances of obtaining orders are very slender, more especially as the Boeing is being pushed very hard and in all probability will now obtain the order as there is no other hard opposition. We may say also that a representative of the Lockheed is now in this city from their factory in Burbank, Cal., but even he will not get far unless he connects with someone who can put him in touch with the right parties.

We regret your decision in this matter, more especially as we had already taken up this matter in the highest quarters, but naturally you cannot expect us to continue our labours unless we can be sure of some protection and also be in a position to quote.

On June 30, the day after this letter from Watson, Phillips, General Azcarate notified you in regard to your quotation to him, which letter I offer as "Exhibit No. 330."

(The letter referred to was marked "Exhibit No. 330.")

Mr. HISS. This letter, "Exhibit No. 330", reads:

CURTISS-WRIGHT EXPORT CORP.,
27 West 57th St., New York, N.Y.

GENTLEMEN: I am pleased to refer to your letter dated the 26th instant, advising you that the Mexican Government cannot consider the purchase of any planes right now, but we will be glad to receive the information that you offer to send, for which reason I don't believe it necessary that your agent come here. We will be glad to hold your offer for whenever the opportunity presents itself.

With nothing further, I am, very truly yours,

JUAN F. AZCARATE,
Brig. General, Engineer.

Do you think there was any connection between your refusing to accept Watson, Phillips' request that they be your agents and General Azcarate's notifying you shortly after that he had asked for a quotation that they were not in the market for planes?

Mr. ALLARD. No; I do not. No sale was ever made down there.

Mr. HISS. I offer as "Exhibit No. 331" a letter from Mr. Earle to Mr. Goulding dated July 21, 1933.

(The letter referred to was marked "Exhibit No. 331.")

Mr. HISS. In this letter Mr. Earle states that:

General Aguilar advises that he has information to the effect that the Mexican Government is definitely going to buy six Cyclone Hawks from us.

The interesting part of the situation is that he is now trying to claim some credit for having influenced General Azcarate in this purchase from us, and I know he is going to try to high-pressure us into making some great concession to him on a commercial airplane for himself. I have told him that I will go to see him on Monday. This is going to be an interesting situation to handle, and I plan to simply tell him that I will put the facts up to you for consideration. That will give us a little breathing spell and time to think up a good answer that will not entail any loss to ourselves and at the same time will appease him.

I offer as "Exhibit No. 332" a letter dated July 24, 1933, from Mr. Shannon to Mr. Lawrence Leon which enclosed a copy of a letter from Watson, Phillips, which letter has already been put in evidence as "Exhibit No. 329."

(The letter referred to was marked "Exhibit No. 332" and is included in the appendix on p. 913.)

Mr. HISS. This letter states in part as follows:

We have not replied to them further.

We understand from another source here that Azcarate always wants to be taken care of, but is very careful about it and works through some third party. Up to now we have not been able to find out who this party is.

We have not appointed any agents for military sales in Mexico, so we could be free to deal with whomever we found was Azcarate's man.

The prices we quoted could provide for a commission of 5 percent to Azcarate or an agent.

Mr. Allard, was your company willing to pay to Azcarate, a Mexican official, a 5-percent commission on the sale of military planes to Mexico?

Mr. ALLARD. Mr. Webster would better answer that; while it was his company, it was not ours.

Mr. WEBSTER. Conditions in Mexico were a little different. Azcarate still was, I believe, employed by the Mexican Government, but at the same time was operating a private airplane factory and selling airplanes to the Mexican Government. There was no reason, if he was operating a factory of his own and selling planes to the Govern-

ment while he was chief of the air corps, why we should not have worked this way with him. There was nothing secretive about it.

Senator POPE. There is no reason why you should not pay him that commission through a third party?

Mr. WEBSTER. I should think in that case there was no reason why we should not, if he made a profit while still an officer in the Government, manufacturing airplanes for the Mexican Government. The Government paid him a commission, and there was no reason why we should not do the same thing.

Mr. HISS. Would you disclose that commission to the Government?

Mr. WEBSTER. I do not see any reason why we should not.

Mr. HISS. In your contracts with foreign governments, do you customarily report to them the commissions that have been paid on sales?

Mr. WEBSTER. If they request it.

Mr. HISS. Is it frequently requested?

Mr. WEBSTER. At times; yes.

Mr. HISS. I offer as "Exhibit No. 333" a letter dated August 5, 1933, from Mexico, written by Lawrence, who is Mr. Leon, to "Dear Web", who is Mr. Webster.

(The letter referred to was marked "Exhibit No. 333" and is included in the appendix on p. 913.)

Mr. HISS. After receiving the letter of July 24, "Exhibit No. 332", Mr. Leon had notified Watson, Phillips that they were authorized to represent the Export Corporation in carrying on negotiations with Mexico. Mr. Leon's letter is as follows. The letter is dated August 5, 1933.

Here is the situation: First of all, I found at Palacio Nacional that a request was forwarded a month or so ago to Washington, thru the Mexican Embassy for permission to send six flying officers to one of our pursuit fields to receive some training in the event that Boeing or Curtiss ships were purchased (this is how General Aguilar in Washington heard that his Government was about to buy pursuit equipment and made advances to Bob Earl and probably also to United). It seems that our Government turned down the request, and this people feel very peeved about it, knowing that many foreign officers have been trained at U.S. Army fields. Azcarate spoke very frankly to me, stating that a contract with Boeing, which was all ready for signatures, was cancelled by order of the President * * *."

You will remember that on June 30, just one month and a few days before General Azcarate had notified you, just after you had told Watson, Phillips that you did not want a deal with them, that the Mexican Government cannot consider the purchase of any planes right now, although this letter states that there was at that time, a month prior to August 5, a contract all ready for signature with the Boeing Co., which is a subsidiary of United Aircraft, one of your competitors.

Mr. WEBSTER. No contract was ever placed, by the way.

Mr. HISS. Continuing with this letter, Azcarate stated that the contract was canceled by order of the President—

* * * and it has been decided that this equipment shall be purchased anywhere but in the States. He also said that inquiries have been already dispatched to England and Italy for sending the men there as well as purchasing the ships there.

I, naturally, told Azcarate that if he had spoken to us about it we would have solved the problem by either getting the necessary permission from our

War Department or by having the six men brushed up on fast ships at some of our own fields, but he insists that the men must go to a military school.

Did your company think it would have had no difficulty in securing War Department permission for Mexican officers to be trained in the Army at Army fields?

Mr. WEBSTER. I think possibly Mr. Leon was not in as close touch with the situation as he thought he was. He did know that some officers have been trained at Army flying fields in America on many occasions, and he possibly thought that it could be done again. But I do not believe that he was in as close touch with the situation as he thought he was at that time.

Mr. HISS. Your own company had trained men in flying pursuit ships in the past?

Mr. WEBSTER. No. We have never trained men in flying pursuit ships. We have trained them in flying, but not in pursuit ships.

Mr. HISS. Would the training that they receive enable them to handle pursuit ships?

Mr. WEBSTER. Yes; I would say so, if they had the proper training for that work.

Mr. HISS. This goes on to say that—

Azcarate is out for Boeing, and he only inquired about our price in order to show that they are higher than Boeing quotations. He told me the higher performance is not necessary, as Mexico is not going to fight the United States. He is not interested in the Osprey and wants to standardize on P. & W. engines because they already have sixty of them on hand.

These difficulties can be surmounted. My problem was to contact and interest another man with as much influence, and this I did through Watson, Phillips Co. Our man in the Presidencia now is Col. Rodriguez Familiar, a very close friend of the President and his protégé. There will be a lot of squabbling, but I believe the colonel will have his way in a few weeks' time. I have never seen any country where graft is so freely taken for granted.

Watson, Phillips & Co. is the oldest British firm in Mexico having been in business over a hundred years. They are very active and the financial rating is high. I looked up two other firms, but was not as favorably impressed. We need not fear their being partial toward British products; they have been too long in this country, and will favor whoever gives them a better deal.

Referring to Watson, Phillips further he says:

It is mainly on account of their connection at the National Palace that I wrote them the letter, copy of which is enclosed.

That is the letter of August 3, appointing them as agents.

It is an agreement that can easily be terminated by simply writing them another letter, if we want to do so at any time.

Further on in the letter he says:

Besides the six Hawks, sixteen engines are needed, and the technical staff at the shops are working on a report showing all the reasons why a change from a P. & W. to—

That is Pratt & Whitney?

Mr. WEBSTER. Yes.

Mr. HISS (continuing reading):

to Wright should be made. I promised a Dodge sedan to the chief engineer in charge of the shops if he is successful in switching this initial order to us.

Did the company or did you ever rebuke Mr. Leon for such a promise?

Mr. WEBSTER. I believe I did so, personally. Mr. Leon had no authority to make such an offer, and no Dodge sedan was ever given. I am quite sure that we would not have done so.

Mr. HISS. You never got the order finally?

Mr. WEBSTER. No order was every placed except for a few training planes.

Mr. HISS. He says further :

Naturally, all expenses connected with sales must be borne by them * * *

That is Watson, Phillips?

Mr. WEBSTER. Yes.

Mr. HISS (continuing) :

except this particular gift to the factory engineer, if the deal goes through, on account of the fact that Watson, Phillips would not make any money on the six Hawks, as 5 percent is barely enough to pay all rake offs and the price cannot be increased, we have quoted \$24,000 to Azcarate. There is a chance that Azcarate will be kicked out soon, though, in which case things will change quite a bit.

This country has been neglected and I wish I could remain here a few months.

The last part of this exhibit is :

According to my cable, this letter should be air-mailed from here, but I have changed my mind; too dangerous not only on account of its contents but also because in order to avoid a lot of red tape and a deposit of \$250 at point of entry, I came as a tourist instead of as a business man. If I were caught, it would be an expensive affair, so I thought a couple of days' delay are preferable to taking the risk.

I will offer as "Exhibit No. 334" a letter addressed to the Export Corporation from Watson, Phillips in Mexico dated August 23, 1933.

(The letter referred to was marked "Exhibit No. 334" and is included in the appendix on p. 915.)

Mr. HISS. This letter says :

The Aviation Department has made an official report to the Presidencia on the various planes offered for the purpose—Boeing, Bristol, and Curtiss. This report has been seen by our representative and is distinctly favorable to your machines.

Do you think Mr. Leon's promise of a Dodge sedan had anything to do with this report being favorable, Mr. Webster?

Mr. WEBSTER. No; this speaks of airplanes.

Mr. HISS. You do not think he made any similar promise in regard to a report on airplanes?

Mr. WEBSTER. I am quite sure he did not.

Mr. HISS. Watson, Phillips also requested you :

Should you by any chance receive any further direct communications in regard to prices we earnestly request you state that you have been obliged to revise your original quotation, either on account of rise in price of material or due to our intervention as agents, and support this figure. This has been done for reasons which you will doubtless appreciate, and we can assure you that same will in no way prejudice your chances of obtaining the order, on the contrary.

We also have to inform you that Colonel Lezama, Assistant Chief of the Air Department, expects to be in Tulsa, Okla., within approximately one week to receive the Fleet planes * * *.

Those are made by the Consolidated Co.?

Mr. WEBSTER. Yes; training planes.

Mr. Hiss (continuing reading):

* * * recently purchased by the Flying School. This would be a good opportunity for you to interview this gentleman and submit any additional information that you may deem advisable, but we would impress upon you that this should be done in a discreet manner, and without any advertising, as Mr. Lezama does not wish it to appear that he is favoring any particular make of plane.

I will offer as "Exhibit No. 335" a letter from Mr. H. O. Claywell to the Export Corporation, attention of Mr. Shannon.

(The letter referred to was marked "Exhibit No. 335" and is included in the appendix on p. 916.)

Mr. HISS. Do you know who Mr. Claywell is, Mr. Allard?

Mr. ALLARD. I think he is a private individual who lives out in the Middle West some place. He has approached us several times concerning commercial and military planes.

Mr. HISS. This letter is from Mexico and reads in part as follows:

I congratulate you upon your representative who actually is not a commercial one at present, but one of the very highest Government authorities and a very expert one, a splendid gentleman, and an excellent friend of mine.

Do you know to whom that reference is?

Mr. ALLARD. I have not any idea who that is; no, sir.

Mr. HISS. Do you think it could be the man to whom Mr. Leon referred to in his letter as Col. Rodriguez Familiar?

Mr. WEBSTER. I think he is referring to Watson, Phillips. He says "our representative" there.

Mr. HISS. They could not be described as a commercial one but one of the very highest governmental authorities.

Mr. ALLARD. I do not know whom he refers to.

Mr. HISS. I offer as "Exhibit No. 336" a letter from Watson, Phillips to Robert L. Earle dated October 28, 1933.

(The letter referred to was marked "Exhibit No. 336" and is included in the appendix on p. 917.)

Mr. HISS. They say in this letter:

The most important point at this moment is the "financial" end. According to your company's letter of Sept. 7th the price of \$24,000 still stands good and for important deals in the future with the same department, and other reasons, please ask your director to kindly cable us confirming that you maintain above-mentioned price for this deal. For various reasons we have to ask you if you could increase our commission on the above amount from 5 to 10 percent, because in this case we could perhaps obtain the sales contract immediately. If possible our sales price to the Government of \$26,000 should be maintained as this is of utmost importance. Delivery should be as soon as possible and the money for this deal is already set aside.

Please take great care that no news about this proposition should reach Mr. Azcarate. If he should inquire about certain moves in Mexico, please keep him in suspense as this matter must be kept secret until everything has been definitely decided.

In dealing with governments is it customary for your company to keep the negotiations secret from certain of the high officials?

Mr. WEBSTER. No, sir.

The CHAIRMAN. Mr. Hiss, have you developed what the present connection of this man Azcarate is?

Mr. HISS. General Azcarate was at the time of these negotiations Chief of the President's Military Commission, Military Staff in Mexico. Is that correct?

Mr. ALLARD. I do not know it to be a fact. I do not know what his position was.

Senator POPE. That has been developed.

The CHAIRMAN. Yes; that is already developed. But what is his occupation at the present time?

Mr. HISS. "Exhibit No. 327" of November 29, 1933, says that General Azcarate was chief of the President's staff and is now military attaché in Washington.

Mr. WEBSTER. Is he here now?

Mr. HISS. Mr. Earle would probably know.

Mr. EARLE. Yes.

Mr. HISS. Mr. Earle says he is now military attaché in Washington. That particular contract that you were then negotiating never went through, is that correct?

Mr. ALLARD. That is correct.

Mr. HISS. I will offer as "Exhibit No. 337" a letter dated March 2, 1934, from Watson-Phillips to the Export Corporation.

(The letter referred to was marked "Exhibit No. 337" and is included in the appendix on p. 917.)

Mr. HISS. This letter reads:

A special commission which was very busy at the Aviation Department for the last few weeks in making a close study of conditions and movements during 1933, just finished their study and a new program, together with new ideas about this department, are under consideration.

We were informed confidentially of the exact position in this matter, and also were asked confidentially to make out a certain report, which will be modified after we have given same in according to the conditions and possibilities to the department. An entirely new arrangement and system will be established. The Talleres del Departamento de Aviacion will be taken over by a new management and transformed into a factory, similar to the one which Genl. Azcarate once had in Mexico. The civil as well as military aviation construction program will be taken into consideration, but the Military Aviation Department will furnish only the funds necessary for construction, repairs, upkeep of planes for this department. We can tell you that Mr. Calles jun. himself is active in this work already and that his father might be the main stockholder and perhaps director of the new company.

Mr. HISS. In this letter I find this further statement:

In asking for further quotations on armament, state the factory prices, including 10 percent commission, but do not mention the amount of commission in future letters.

The governments frequently do not know the amount of commission your agents receive?

Mr. WEBSTER. They do not know unless they request the information.

Mr. HISS. Referring again now to "Exhibit No. 327" letter dated November 29, 1933, from Robert L. Earle to J. S. Allard, being a report of a recent trip to Mexico City, I find this statement:

The situation now is approximately as follows: With the transfer of General Azcarate to Washington, his influence over purchases by the Government is apparently at an end and one of the most serious obstacles to Curtiss-Wright progress removed. It will be remembered that he has an interest in the factory that built Vought Corsairs under license, and since has done a great deal to push the purchase of Boeing fighters. After he was forced to change his attitude in favor of Curtiss Hawks recently he tried to give the impression that he was out of patience with Boeing for having unexpectedly increased

their prices, but he can hardly be counted on as a loyal Curtiss-Wright supporter.

With General Rodriguez Familiar as the new chief of the presidential staff, it appears that we may expect to receive very favorable consideration. During a very satisfactory conference with him, he expressed admiration of our equipment and agreed entirely with my statement to the effect that the Mexican Government could not afford fighters having performance inferior to the Hawk, when so many governments have already adopted it as standard equipment. From all indications, Watson Phillips have arrived at a satisfactory understanding with him regarding methods of handling the financial phases of the contracts, although he, of course, has nothing to do with the actual drawing up of same. He is a relative of President Rodriguez, to whom Watson Phillips has access through a firm of lawyers.

General Ruiz, who is the Chief of Aviation, leaves matters of technical recommendation and conferences with representatives of manufacturers almost entirely up to Colonel Lezama, his subchief. In leaving us to Colonel Lezama he said that he would back up whatever plan of action we arrived at.

Colonel Lezama, who was trained at Brooks and Kelly Field, is very favorable toward us. He said that with General Azcarate now out of the way the course ahead would be comparatively clear, and that he would do all he could to push the purchase of Curtiss-Wright equipment. He has direct access to General Rodriguez, and it was he, in fact, who arranged for the conference which Mr. Huebner and I had with general. Lezama and Rodriguez F. appear to be in accord and in close touch with each other concerning all negotiations for aircraft.

Colonel Gustavo Leon, who has been designated to make a nonstop flight from Mexico City to Buenos Aires, has apparently full latitude in choosing his airplane in which to make the flight, such purchase to be paid for, of course, by the Government. He was at first interested in the Lockheed, but Watson Phillips have swung him over to a preference for the Northrop, on the assumption that we would be able to arrange for handling this type for the Northrop Company. Leon seems so disposed to take the recommendation of Watson Phillips concerning type of ship (probably due considerably to certain financial arrangements) that I seriously doubt if the builder of a suitable type airplane will be able to sell it there unless the deal is handled through this firm.

General Aguilar claims that he is to be the next chief of aviation, but since he has made this claim during the four years that I have known him, it is difficult to put a great deal of stock in his assertions. Add to this the fact that he is now being punished by assignment to a relatively unimportant post for the publishing of a pamphlet in Washington casting discredit on the Mexican Minister of Finance, for which act he was recalled, and his story seems even less plausible. He insists that the transfer of General Azcarate to Washington does not mean that any of his influence is lost, but I see no reason to believe this. I purposely avoided calling on Aguilar until the last day, as I wished to make it only a courtesy call. Watson Phillips may find it necessary to play along with him to a limited extent for the reason that through his presence in the Intendencia, which is the contracting division of the War Department, even though his post is not of importance, he might be able to seriously delay the signing of contracts, were he so disposed.

Mr. Ponce de Leon, an engineer in the Navy Department, has the task of working up the design of gear necessary for the carrying and handling of a seaplane on the deck of one of the six vessels being constructed for the Mexican Navy by a shipyard in Spain. One or two seaplanes will be purchased for these experiments, and the selection of type will be up to him to a considerable extent, as its use will depend on the ability of space and gear on the vessel to handle it. He and others in the Navy Department have pretty much crystallized their thoughts on an airplane of not more than 250 h.p. I recommended the Fledgling if they must stay in such a low horsepower class, but do not see any particular advantage to this, if a plane more compact and not appreciably heavier can be offered. They were considering the use of a catapult, only to enable a plane to be launched when the water is too rough for take-off from the surface. I recommended against trying to design a catapult, for much experimentation is necessary before a satisfactory one can be developed, and it is not possible to obtain design information from the U.S. Navy as this is confidential information. I pointed out that a sea too rough for taking off

would be dangerous to land in anyway, and recommended that they confine themselves to hoisting a seaplane over the side for water take-offs. I believe this idea will be followed, and I have agreed to obtain information concerning necessary clearances between wings and the ships' hull, and length of hoists to allow for rolls. I hope that we can avoid having to design export ships for catapulting for the time being at least. Our Osprey as a seaplane should be a suitable plane if the catapulting idea is abandoned.

Possible business:

1. There are immediate plans for the development of a pursuit squadron, starting with six airplanes. The money that was set aside for this purpose several months ago was used for other purposes, to meet an emergency of some sort in a different branch of the Army. They are now endeavoring to dig up enough for a 25% deposit on six Hawks, with the idea of providing the remainder from appropriations for the first half of 1934, which money when and if appropriated would become available after January 1st of 1934. They seem convinced that the Hawk is the ship they want, and since proponents of Boeings seems to be out of the way, it appears quite certain that ours is first choice.

One thing which helped interest in the Hawk was the word given by Lawrence Leon to the effect that we would give them a license to manufacture Hawks without any charge for same. There are some who do not believe that they can keep abreast of developments if they manufacture themselves, because of the time required to get new planes into production as the types advance. Since the total number they would build would be comparatively small, this view seems reasonable. With General Azcarate gone there will probably be less pushing for manufacturing rights. I recommended that they consider only completely manufactured planes for this year, all to be built in Buffalo, and that a license, if desired, could be discussed after delivery of these.

Since returning to this country I have heard that President Rodriguez was financially interested in the factory venture which General Azcarate promoted, in which the Corsairs were built, and that through it he lost quite a bit of money. If this is true, he might favor a proposition for further manufacturing in that factory if it held promise of helping him get back some of his losses. If the idea of manufacturing in Mexico were to be entertained, it would, of course, be necessary for us to send someone to Mexico City to discuss it and work out contractual arrangements.

Has your company carried on any negotiations as to licensing the Mexican factory?

Mr. ALLARD. Yes; we have had negotiations along that line, but it has not developed into anything, to my knowledge.

Mr. HISS. Reading further, the letter says:

It might be desirable for an executive of the Export Co. to make one or two trips to Mexico City during the next six to eight months, at which time it might be well to try to talk with the President himself, to be sure that he is in sympathy with us and is satisfied with the way our affairs there are being handled. He seems to be involved in all aircraft purchases.

The CHAIRMAN. Coming back to this man Zar, was he not in fact an agent for your corporation?

Mr. WEBSTER. No, sir; never.

The CHAIRMAN. One cannot follow through the vast amount of correspondence we have been through here this morning without being impressed that he was something more than an official connected with his own Government. You never paid him a commission?

Mr. WEBSTER. Absolutely, not, sir.

The CHAIRMAN. You never paid him any return of any kind for his good will and service to the corporation?

Mr. WEBSTER. No, sir; none whatever. Captain Zar is a very fine type of gentleman. He spent a great many years in the United

States, was trained in the United States Navy, and has a great many friends in the United States Navy. As a matter of fact, his wife is an American girl and he is very American in his thoughts.

The CHAIRMAN. Before recessing the Chair furnishes for the record telegrams received during the morning from Ruth Nichols and Amelia Earhart. These telegrams come as a result, I take it, of testimony that was taken yesterday, in which Mr. Miranda in a letter was undertaking to sell to some South American authority the knowledge of very strong background in the United States and other connections with important people in the flying industry. It was clearly a propaganda letter, a salesman's letter selling his company to probable southern customers.

Miss Nichols' telegram is from Rye, N.Y., and is as follows:

SENATOR NYE,

Chairman U.S. Senate Arms Investigations Committee,

The Capitol, Washington, D.C.

I am exceedingly shocked to learn from tonight's newspapers that in Senate investigation of arms shipment to South America, there was revealed today a letter written by Mr. A. J. Miranda, Jr., including my name along with others in a state of highly dangerous and misleading import to the cause of peace to which I am so extensively interested, both by belief and Quaker heritage.

Since at no time have I ever had dealings with Mr. Miranda, or any one else in armament negotiations, and for the sake of peace to which I have been actively working in plans for specific methods of preventing war, I hereby urgently and respectfully request that the Nye committee demand an explanation from Mr. Miranda as to the meaning of his statement that he found me among other women fliers "useful in the pursuit of business", and in addition requesting a clear, true declaration from him that I have never had any connection with the armament matters being discussed by him in the Senate investigation.

RUTH NICHOLS.

The telegram from Miss Earhart is from New York, and is as follows:

Senator GERALD P. NYE,

Chairman Senate Munitions Investigating Committee,

In reference to Miranda's letter introduced before your committee yesterday and his statement he is "intimately acquainted" with me and that I have been "most useful in the pursuit of business", please know I do not recall ever having met Miranda and in no way have I ever been wittingly "useful" to him. I am emphatically opposed to all that has to do with war and activities of munition makers and genuinely hope your committee may curb their devious activities. My attorney investigating Miranda's totally unjustified and damaging use of my name. Looking towards redress if possible.

AMELIA EARHART.

Senator BONE. Mr. Chairman, as I recall, the only reference to both of these ladies was to the effect they flew a certain type of plane, that they regarded it as a very fine plane. I do not recall any attempt to utilize them in connection with acquiring business or utilizing their names.

The CHAIRMAN. I think I recall a letter in which Mr. Miranda did declare that these people, along with other prominent fliers, had been very useful to them.

With that the committee will be in recess until 2 o'clock.

(Thereupon the committee took a recess until 2 p.m.)

AFTERNOON SESSION

(The hearing was resumed at 3:10 p.m. pursuant to the taking of recess.)

**TESTIMONY OF J. S. ALLARD AND CLARENCE W. WEBSTER—
Resumed**

ACTIVITIES IN COUNTRIES ENGAGED IN WAR OR FEARFUL OF WAR

The CHAIRMAN. Mr. HISS, proceed.

Mr. HISS. Mr. Webster, in view of the fact that your company sells primarily military planes, is it or is it not a fact that when wars are going on or threatening, your company does more business than in peace times?

Mr. WEBSTER. Well, I would guess that possibly we did a little more. I do not think we would do much more in times of war. For instance, I am speaking now of Latin America. That is primarily the territory I am personally interested in. If you strike an average, I do not think it would be more, Mr. HISS. I would have to check the records, though; that is, over an extended period, to take an average.

Mr. HISS. The war involving the Chaco territory which is shown on the map between Paraguay and Bolivia, the Chaco territory running down in through there [indicating on map] with Paraguay there [indicating] and Bolivia there [indicating], has been going on in actual force since 1932 and is still continuing; is not that correct?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Your company's sales of planes as reported to the committee show that the country of Bolivia in 1932 and 1933 purchased a total of 24 planes from your company.

Between the countries of Colombia and Peru there has been a dispute involving the Leticia Territory, lying in through there [indicating] with Colombia there and Peru there [indicating on map].

There has been intermittent fighting, or there was, during 1932 and 1933.

On May 24, 1934, a treaty was finally signed by both nations.

During 1932, 1933, and up to April of 1934, according to the information your company has furnished the committee, a total of 50 airplanes was sold to Colombia. During that same period, 1932 and 1933, 4 planes, 1 of which was listed as a commercial plane, was sold to Peru; 3 were sold in 1933, all 3 of those being military planes.

Mr. Allard, have any planes been sold to Peru in 1934?

Mr. ALLARD. Not to my knowledge; I do not think so.

Mr. WEBSTER. I do not recall. In 1934—? I do not think so. I would have to check on that.

Mr. HISS. In the year 1933 you sold to China, according to your records a total of 54 planes.

In Argentina, in 1932, you sold 10 military planes and 2 commercial planes.

During 1932 and 1933 your competitors, the United Aircraft Corporation, according to the information they have furnished the committee, sold 12 military planes to Argentina.

Mr. WEBSTER. Argentina builds a good many of its own airplanes at the Cordova Factory. They buy some engines and build the planes in some cases and in others they build their own planes. That is, if you are striking a comparison between one country that is at peace and another that is at war.

Mr. HISS. No. In fact, I understand that Argentina and Chile—well, Chile has its own factory at Los Cerrillos.

Mr. WEBSTER. That factory belongs to the Curtiss Co. in Chile.

Mr. HISS. That does not appear as sales by the factory. Do they appear as sales of the Curtiss Co.?

Mr. WEBSTER. It would; yes. But the factory in Chile is closed.

Senator POPE. How long has it been closed?

Mr. WEBSTER. I think more than a year.

Mr. ALLARD. About 2 years.

Mr. WEBSTER. About 2 years; yes.

Mr. HISS. Has your company any contracts now under way with Bolivia for delivery of planes in 1934?

Mr. WEBSTER. One contract was partially shipped; but owing to the embargo the balance is held up.

Mr. HISS. Do you know how many planes were shipped in 1934?

Mr. WEBSTER. I could not tell you offhand.

Mr. HISS. A memorandum in your files states that as of July 21, 1934, there were 2 pursuit planes, 3 observation planes, and 4 bombers under contract and partly paid for. Do you know how many of those have actually been released?

Mr. WEBSTER. Five of them were released and shipped and four are still held up.

Mr. HISS. Under the embargo?

Mr. WEBSTER. Under the embargo.

Mr. HISS. In no other country than those mentioned has your company, so far as your records show, as submitted to the committee, other than Turkey, where 19 planes were sold in 1932—sold more than 5 planes, I believe?

Mr. ALLARD. If the records show that, that is correct.

Mr. WEBSTER. I would have to look up the records; I cannot tell you offhand.

Mr. HISS. I will offer as "Exhibit No. 338" a letter of December 27, 1933, from Frank Sheridan Jonas to Mr. Shannon, of the Curtiss-Wright Aviation Corporation.

(The letter referred to was marked "Exhibit No. 338" and is included in the appendix on p. 918.)

Mr. HISS. Can you identify Mr. Jonas?

Mr. WEBSTER. Mr. Jonas is employed by, and represents, the Remington Arms Co., and I think also the Winchester Co., in South America.

Mr. HISS. His brother represents Winchester, does he not?

Mr. WEBSTER. That is possibly correct. I know he did represent Winchester. I think now it is only Remington; yes.

Mr. HISS. Does not Mr. Jonas also represent the Federal Laboratories Co.?

Mr. WEBSTER. I know he did at one time. Whether he does now or not, I do not know.

Mr. HISS. The second paragraph of this letter reads as follows:

The Paraguay and Bolivia fracas appears to be coming to a termination, so business from that end is probably finished. We certainly are in one hell of a business, where a fellow has to wish for trouble so as to make a living, the only consolation being, however, that if we don't get the business someone else will. It would be a terrible state of affairs if my conscience started to bother me now.

The CHAIRMAN. Whose letter is that?

Mr. HISS. That is a letter to Mr. Shannon of the Export Co. from Mr. Jonas representing the Remington Arms Co. and the Federal Laboratories Co.

The CHAIRMAN. What is Mr. Shannon's connection with the airways?

Mr. HISS. Mr. Shannon has been identified as a former employee of the Aviation Corporation, now on Mr. Webster's staff, which is the selling organization in South America.

Mr. ALLARD. If you will pardon me, it is not the Aviation Corporation, but the Export Corporation.

The CHAIRMAN. Has Mr. Shannon any connection at all now, or has he had with the Pan-American Airways?

Mr. WEBSTER. No; he never has.

Mr. ALLARD. Never, to my knowledge.

Mr. WEBSTER. There is another Shannon with the Pan-American-Grace Airways.

Mr. ALLARD. They are not the same.

Mr. WEBSTER. There was no relationship of any sort whatsoever.

The CHAIRMAN. Thank you. That is what we were trying to determine.

I should like to ask the witness frankly, in the light of the experience that you have had for years, in the light of the experience that is generally known now that all competitors have, it is "a hell of a business", is it not, to use Mr. Jonas' language?

Mr. WEBSTER. Well, in what way do you mean, Senator?

The CHAIRMAN. I mean, in the foreign field, where you are so directly in competition with other manufacturers?

Mr. WEBSTER. I would not say that because we are in competition makes it a hell of a business. I think it makes it rather interesting to have competition.

The CHAIRMAN. But the kind of competition that has been shown; I cannot conceive that any American would relish that kind of competition, the necessity of having to engage in the kind of practices that are engaged in to get the business.

Do you really say that you delight in the kind of competition that you have?

Mr. WEBSTER. I would not say I delight in that kind of competition, Senator, but I would like competition in any line of business that I was in. I should think it would be more interesting to have competition.

The CHAIRMAN. Coming to Mr. Jonas' direct point, the fact that trouble and bloodshed and warfare are necessary to the richest profit of your business, are you quite ready to agree that that is, as he expresses it, "a hell of a business"?

MR. WEBSTER. Mr. Jonas is not in the same line of business we are in.

The CHAIRMAN. I understand.

MR. WEBSTER. He is speaking of his own business, not of my business.

The CHAIRMAN. You are all making things that enter into the same general activity.

MR. WEBSTER. Well, we manufacture the same airplanes for the United States Government.

The CHAIRMAN. Surely; but does he not manufacture and is he not selling one and all alike?

MR. WEBSTER. Well, I do not know whom Mr. Jonas sells to for Remington. I know that he is in South America. I do not believe he sells to the United States Government. We sell the same material—that is when it is released to foreign governments—we sell the same material to foreign governments that we sell to the United States Government and I do not think it is a hell of a business to be in, dealing with the United States Government.

The CHAIRMAN. Very well.

MR. HISS. I offer as "Exhibit No. 339" a letter dated December 12, 1933, from Samper, the Export Co.'s representative in Bogota, Colombia, to Mr. Goulding, vice president of the Export Corporation.

(The letter referred to was marked "Exhibit No. 339" and is included in the appendix on p. 919.)

MR. HISS. This letter reads in part:

Thank you, indeed, for the information contained in your letter No. 345 of the 5th inst., and for the enclosures received therewith. These we have read with extreme interest and pleasure, for it is evident that efforts to convince the Government of the need and advisability of making immediate additions to our air force have been effective. The likelihood of failure of the Rio conference has aided us considerably in this endeavor.

Do you know what the Rio conference was, Mr. Allard?

MR. ALLARD. No; I do not.

MR. HISS. Just about this time, December 1933, a conference was held in Rio de Janeiro among various of the South American countries looking to a cessation of the Chaco hostilities. Is it not true that a failure of a peace conference at that time would have aided your agents in persuading the governments that they should make immediate additions to their air forces?

MR. ALLARD. I do not think that is what Mr. Samper refers to here. I think he means the possibility of the failure of the conference would make the government continue with its national-defense program.

MR. HISS. I offer as "Exhibit No. 340" a letter dated May 20, 1934, signed by William J. Crosswell and addressed to "Dear Parm."

(The letter referred to was marked "Exhibit No. 340" and is included in the appendix on p. 920.)

MR. HISS. William Crosswell was an agent for the Export Corporation?

MR. ALLARD. No. He is a pilot and he was with the Curtiss Airplane & Motor Co.

MR. HISS. That is the Buffalo company?

MR. ALLARD. Correct.

Mr. HISS. The letter is addressed to Dear Parm, which is Mr. Hewlett, of the Export Co.?

Mr. ALLARD. That is right.

Mr. HISS. This letter reads, in the third paragraph:

The minister had to rush back to Bogota because of the progress made at the peace conference. Last night's Bogota paper stated that an agreement had actually been signed, and as nearly as I can gather from other sources, the report is authentic. It therefore looks as tho there is no call for the purchase of more airplanes at this time.

Do you not think from this statement of Mr. Crosswell's that it was his opinion that peace between Paraguay and Bolivia would mean the lessening of the purchases from your company, Mr. Allard?

Mr. ALLARD. That is probably his thought in the matter, if it is in there.

Mr. HISS (reading):

I have done quite a bit of talking about the value of the demonstrations over Barranquilla and Cartagena from the viewpoints of satisfying the people as to where their taxes have gone. I have also tried to paint a picture to the Minister's aid of the value of such a demonstration over Bogota. If these people can become air-minded enough they will be willing to appropriate enough money to take care of the air force which will, of course, work out ultimately to the mutual benefit of Curtiss and Colombia.

Mr. HISS. I offer as "Exhibit No. 341" a letter dated July 28, 1933, to Captain Travis from Owen Shannon.

(The letter referred to was marked "Exhibit No. 341", and is included in the appendix on p. 922.)

Mr. HISS. Captain Travis at this time was on your staff, Mr. Webster, was he not?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Reading from this letter, "Exhibit No. 341":

We noted that there are good prospects of another order for six to nine planes and sure hope that this comes through soon. As a matter of fact, I was talking with the consul general, Decker, today and he is firmly convinced that the scrap down there will be over within the next month, and in that event we doubt very much if they will purchase any more of the Hawks or Ospreys.

Mr. HISS. I offer in evidence as "Exhibit No. 342", a letter dated August 14, 1933, from C. W. Webster, to C. K. Travis.

(The letter referred to was marked "Exhibit No. 342", and is included in the appendix on p. 923.)

Mr. HISS. You say in this letter, Mr. Webster:

If Webster & Ashton are able to work fast enough they may be able to get the additional 9 or 16 planes closed before the war ends.

Webster & Ashton referred to in this letter are your agent in Bogota, Colombia?

Mr. WEBSTER. No; in Bolivia.

Mr. HISS. That is correct, Bolivia. You say further in this letter:

The consul general in New York seems to feel quite certain that the mess will be cleaned up within a month. I certainly hope we will be able to get some more business before this happens.

I offer as "Exhibit No. 343", a letter dated September 13, 1933, from Cliff to Mr. Webster.

(The letter referred to was marked "Exhibit No. 343", and is included in the appendix on p. 923.)

Mr. HISS. I note this letter, "Exhibit No. 343", is signed "Cliff"; that is Captain Travis?

Mr. WEBSTER. That is correct.

Mr. HISS. The letter proceeds as follows:

The war will probably last for months yet according to the looks of things. It will all depend upon how long Paraguay can keep going. At any rate, the Government is financing the war for another six months and making provisions for a year. They have made arrangements for a loan of Bs. 30,000,000 which they will receive in a very few days, and arrangements for an additional loan of Bs. 25,000,000 if needed.

What is that; what do they mean there?

Mr. WEBSTER. That is Bolivianas, which is the national currency.

Mr. HISS. Then the letter reads further:

Just how much of that will be converted into foreign currency I have not been able to find out, but I presume that the greater part will go for war materials and planes. They can and will use their credit for internal purchases and army pay roll.

Then, at the bottom of page 3, the letter continues:

We cannot neglect Bolivia; they are our best customers at the present time. A small country but they have come across with nearly half a million dollars in the past year and are good for quite a bit more if the war lasts.

The CHAIRMAN. Mr. Webster, on the face of these facts or assertions, there was large advantage accruing to you and your people through any prolonging of the conflict, was there not?

Mr. WEBSTER. It meant additional sales.

The CHAIRMAN. Sufficient to engender a desire, if you could do it, to pull the strings to prolong it?

Mr. WEBSTER. No, sir; I would not say that.

The CHAIRMAN. I am glad to hear you say that.

Mr. HISS. I offer as "Exhibit No. 344" a letter bearing date February 15, 1933, from J. V. Van Wagner to Mr. C. W. Webster.

(The letter referred to was marked "Exhibit No. 344", and is included in the appendix on p. 926.)

Mr. HISS. Mr. J. V. Van Wagner, who signed this letter, was the manager of the Curtiss plant in Chile; is that correct?

Mr. WEBSTER. That is correct.

Mr. HISS. I read from this letter as follows:

As matters now stand it would seem very difficult for us to get an offer for the European Hawk.

That was a plane belonging to the Export Co. in Holland?

Mr. ALLARD. Yes; that is correct.

Mr. HISS. The letter reads further:

There is no hope whatever of the Chilean Government acquiring this machine, and the only way I think you could dispose of it would be your dealing direct with other countries at S. America at present engaged in warfare.

I offer next as "Exhibit No. 345" a letter dated May 15, 1933, from Mr. Webster, addressed to J. V. Van Wagner.

(The letter referred to was marked "Exhibit No. 345" and is included in the appendix on p. 927.)

Mr. HISS. Mr. Webster, in this letter you instructed Mr. Van Wagner as follows:

During this period of political unrest all over South America, circulate as much as you can among officers and people in an effort to obtain information

pertinent to our business situation which may effect sales and shipments in all of the South American countries.

Mr. WEBSTER. Yes.

Mr. HISS. I offer as "Exhibit No. 346" a letter dated April 7, 1934, from Bruce G. Leighton to Mr. T. A. Morgan.

(The letter referred to was marked "Exhibit No. 346" and is included in the appendix on p. 928.)

Mr. HISS. This letter, "Exhibit No. 346", is addressed to Mr. T. A. Morgan, who is president of the parent corporation, Mr. Allard?

Mr. ALLARD. Yes; that is right.

Mr. HISS. The letter is from Mr. B. G. Leighton, who was the European Export representative?

Mr. ALLARD. That is right.

Mr. HISS. I read from this letter as follows:

Here are some important factors which must be kept in mind, as of great possible influence on affairs out here.

That is, bearing on your general affairs?

Mr. ALLARD. No; I think on our affairs out there, and not in general.

Mr. HISS. The letter then proceeds:

A few days ago Mussolini made a speech in Italy in which he talked very frankly about his views regarding Italy's future lying in Asia and Africa. It probably didn't create any stir at home—you may not even have noticed it. But you can believe that it has caused a great stir out here. The Turkish Ambassador has called on El Duce to ask him "What do you mean, Asia, etc.?" El Duce, of course, replied that he didn't mean Turkey. And on the surface all is quiet. But if you know anything at all of the background of Italy's aspirations in Turkey—tangible evidence of which lies always at Turkey's front door in the form of the Italian-mandated islands—you can well believe that these last utterances of El Duce's have made a most profound impression, which mere diplomatic assurances will not dispel.

And under the surface there is every evidence of a determination to see that no stone is left unturned to see that Turkey's defenses are in shape. And aviation defenses are receiving the most serious attention of the big shots in the Government.

The machine-gun episode for Hawks is just one indication. When I cabled you the other day that we have been asked to consider this one as a national emergency, I can assure you that I wasn't kidding. They're in deadly earnest about this.

In 1932 your company sold 19 planes to Turkey?

Mr. ALLARD. Yes, sir.

Mr. HISS. When was the license of the Kayseri factory entered into?

Mr. ALLARD. At that time.

Mr. HISS. They are now manufacturing planes and engines?

Mr. ALLARD. No; they are not doing either at the present.

Mr. HISS. They have a license to manufacture them?

Mr. ALLARD. Of a sort; yes, sir.

Mr. HISS. Have you not found, Mr. Webster, that in making purchases for war purposes governments are better able to acquire funds than at other times for other purchases?

Mr. WEBSTER. You mean during a state of war?

Mr. HISS. Yes; or during a threatened state of war.

Mr. WEBSTER. No; I would not say so, Mr. Hiss.

Mr. HISS. Let me phrase the question this way: When war is going on or is threatened, haven't you found that countries are able to

secure funds for the purchase of material necessary to carry on the war more easily than they have been able to acquire funds at other times for peaceful purposes?

Mr. WEBSTER. I would not say so, Mr. Hiss; no. It has been our experience with other countries that are not in a state of war that they purchase and secure the funds, because they pay in cash. We do not extend credit.

Mr. HISS. Will you refer to this letter which I now show you, being a letter of January 31, 1933, which will be "Exhibit No. 347"?

(The letter referred to was marked "Exhibit No. 347" and is included in the appendix on p. 929.)

Mr. HISS. "Exhibit No. 347" is a letter which you wrote to Mr. Travis, and at that time you said:

The situation at Chaco is liable to blow up any time, and if it does, the natural move for the Bolivian Government to make, and in view of their past performance, would be to default on any payments that are due. Therefore, let's hold them to their contracted payments. If the show does not end this coming summer, they naturally will have to have additional equipment. I realize that the Government is about broke at the present time, but they generally find the funds for munitions when necessary.

Mr. WEBSTER. I was speaking of Bolivia in that present case.

Mr. HISS. You do believe the Bolivian Government is better able to secure funds for munitions than it is for other purposes?

Mr. WEBSTER. No; I would not say that. Naturally, in case of emergency, if they require certain equipment, they have to find the funds in order to purchase it, and if they have to have the equipment they will find the funds.

Mr. HISS. And is war a technical case of emergency?

Mr. WEBSTER. Yes.

Mr. HISS. Then, on the outbreak of war, is it not true that the country can find funds for war purchases more easily than it can for other purposes?

Mr. WEBSTER. It would not be necessary perhaps to have that much equipment in peace time, and in this case that is true. We have a great many contracts with other countries that are not at war, and they always pay for their equipment.

Mr. HISS. I offer as "Exhibit No. 348" a letter dated February 8, 1933, from Mr. Webster to Captain Travis.

(The letter referred to is marked "Exhibit No. 348" and is included in the appendix on p. 930.)

Mr. HISS. In this letter I quote the following:

I am firmly convinced through personal conversation, while in Buenos Aires, that moral and financial support is coming and will continue from Argentine on behalf of Paraguay, and Bolivia will be required to find similar support either through the Standard Oil Co. or through wealthy nationals, such as Patino.

Who is Mr. Patino?

Mr. WEBSTER. Mr. Patino is at the head of the Patino Co., which is a tin company and a very large company.

Mr. HISS. They own tin mines?

Mr. WEBSTER. Yes, sir.

Mr. HISS. I continue reading from this letter:

whose business and financial interests are at stake. I am still of the opinion that before these two "comic opera wars" are finished in the north and south

that practically all of South America will be involved—so watch your step and play your cards accordingly.

Mr. WEBSTER. Mr. Hiss, my comments in connection with, for instance, the Standard Oil Co., are merely my own comments, my own impressions. I have nothing except my observation to base that statement on.

Mr. HISS. It was your opinion at that time that Standard Oil would assist Bolivia?

Mr. WEBSTER. I thought possibly they might assist them. That is the impression.

The CHAIRMAN. You have nothing to base that statement on?

Mr. WEBSTER. No; I have nothing to base the statement on.

Mr. HISS. They have interests in Bolivia?

Mr. WEBSTER. They have very large interests in Bolivia.

Senator POPE. Did you read the excerpt from the first paragraph of that letter, Mr. Hiss?

Mr. HISS. No; I did not read it. But I will read it as follows:

Although you say there is an apparent scarcity of Government funds, I still believe that Bolivia will be required to purchase additional aircraft equipment, and the dollars will be found somewhere when required. In my opinion, the real activity is just beginning, not only in the Chaco, but around Leticia as well. National pride and stubbornness will not permit these countries to quit until they blow up through absolute bankruptcy, and while the show is going on, it is our job as distributors of munitions to get our share. If we don't someone else will.

Senator BONE. Mr. Webster, what is the extent of the Standard Oil Co. operations in Bolivia?

Mr. WEBSTER. Senator, I could not tell you to what extent they do operate. I know they are down there quite extensively.

Senator BONE. Do they operate under their own name?

Mr. WEBSTER. I do not believe that branch of the Standard Oil is called the Standard Oil. It may be West India Oil.

Senator BONE. It is a Standard Oil affiliate?

Mr. WEBSTER. Yes; it is a Standard Oil affiliate, nevertheless.

Senator BONE. Are any of their properties located in the Chaco region?

Mr. WEBSTER. I believe it is just outside of Chaco, not in Chaco, but north of Chaco.

Senator BONE. Do you know to what extent the oil company may have interested itself in the political disturbance down there?

Mr. WEBSTER. No, sir.

Senator BONE. You evidently had in your mind some definite thought that these wars would cause the ultimate collapse of those countries if the fighting was prolonged.

Mr. WEBSTER. It will cause the collapse of any country to carry on a war very long.

Senator BONE. I understand that. It would be inevitable, if they kept on buying extensive munitions of war, that would cause the collapse, if they went into the operations sufficiently.

Mr. WEBSTER. Yes; if they bought enough.

Senator POPE. Do you know which Standard Oil this was?

Mr. WEBSTER. I do not know, sir.

Senator POPE. You do not know whether it would be the Standard Oil of Indiana?

Mr. WEBSTER. I don't know whether the West India goes down that far or not, but it is one of the subsidiaries of the Standard Oil.

Senator BONE. There is one other question, do they hold concessions from the Bolivian Government, or did they have oil resources?

Mr. WEBSTER. I believe the Standard Oil had some concessions in Chaco, but to what extent I do not know.

Senator POPE. To what extent are they developed, have they oil wells down there?

Mr. WEBSTER. Yes; they have drilled wells down there.

Mr. HISS. I offer as "Exhibit No. 349" a letter dated October 26, 1933, from Mr. Webster, addressed to "Owen."

(The letter referred to is marked "Exhibit No. 349", and is included in the appendix on p. 931.)

Mr. HISS. That letter is addressed to Mr. Shannon, when it says

Dear Owen.

Mr. WEBSTER. Yes, sir.

Mr. HISS. I read from the last paragraph as follows:

Hope we can come to some kind of agreement as there is plenty of business here. Lopez told me tonight frankly and confidentially that Bolivia had no intention of making peace until they got what they were after and, if necessary, the entire Patino company could back their stand. Will be waiting for J.A.B.'s opinion.

Senator POPE. What company is that?

Mr. HISS. That has been identified by Mr. Webster as being a tin company owning large tin mines in Bolivia.

Is that a Bolivian company, Mr. Webster, or does it have its control outside?

Mr. WEBSTER. I believe it is a Bolivian company.

Mr. HISS. Mr. Webster, did you ever have reason to believe that Patino was supplying funds to the Bolivian Government in order to carry on the war?

Mr. WEBSTER. I heard Mr. Patino had personally loaned the Bolivian Government funds.

Mr. HISS. I offer as "Exhibit No. 350" a letter signed Pierrot, addressed to "Dear Leon", and dated April 20, 1933.

(The letter referred to is marked "Exhibit No. 350", and is included in the appendix on p. 932.)

Mr. HISS. Pierrot who signs this letter is A. Ogden Pierrot, who is now on your staff?

Mr. WEBSTER. Yes, sir.

Mr. HISS. On April 20, 1933, when this letter was written to Mr. Leon, do you know what his position was, or was he then on your staff?

Mr. WEBSTER. If I can glance over this letter, I probably can tell you. Mr. Pierrot was then United States Trade Commissioner in Rio.

Mr. HISS. In this letter, "Exhibit No. 350", the statement is made:

The Government is, for some reason that I have not figured out, in a great hurry to acquire that number of amphibians, and I know that they are giving preference to Loening. They are also thinking of Douglas.

That refers to the Douglas Co.?

Mr. WEBSTER. Yes, sir.

Mr. HISS. I read further from the same letter, as follows:

That latter company has a representative here who is about as effective as yours. I am definitely informed that Loenings are wanted, and in all probability you will be hearing of this through Castro Lopez.

I realize that Web is not losing sight of the financial end of things. To my mind, that is one of the most important, and I can say that I feel certain that if exchange is given to anyone in Brazil it will be given to suppliers of the Government, and of all classes of suppliers, those handling war materials come first in the present set-up. If dollar credits are not available in advance, then sufficient milreis to enable you to buy your exchange in the bootleg market will be given. That's where it would be well for you or some other representative to be on the job.

They were your agents at that time?

Mr. WEBSTER. At that time they represented us in Brazil.

Mr. HISS. I read further from this letter, as follows:

So far as I know he had not even gotten wise to the business yet. The clique that makes the purchases does not feel that it can do itself justice by dealing with them.

Mr. WEBSTER. Mr. Hiss, that particular reference to the financial end of things means the conversion of milreis, or obtaining dollars in exchange. Dollar exchange was very difficult to obtain in Brazil at that time on the things purchased down there, and the agent would be compelled to find these dollars, because the Government was only paying milreis.

Mr. HISS. I was really interested in the statement that, "those handling war materials come first in the present set-up."

Mr. WEBSTER. Yes, sir.

Mr. HISS. On March 18, 1933, Mr. W. H. Smyth wrote from Belgrade to Mr. Melvin Hall who was then the representative of the Export Co., and I offer this letter as "Exhibit No. 351."

(The letter referred to was marked "Exhibit No. 351" and is included in the appendix on p. 933.)

Mr. HISS. Mr. Melvin Hall was then the representative of the Export Co.?

Mr. ALLARD. Yes; that is right.

Mr. HISS. A reference is made in this letter, "Exhibit No. 351", to possible sales in Yugoslavia, and the letter says:

Even if the French should secure the general order for motors and planes, I believe we should be able to sell at least a few motors to the Air Force on the basis that if and when a war breaks, the Curtiss-Wright Co. will be one of the first in the position to give them quick delivery on date, and it will be well for them to have some practice on these motors so as to know what to expect from these planes.

I understand that Mr. Gould of the Pratt & Whitney Co., has been here for the past week working hard on the air force.

Now, Mr. Allard, do you remember any correspondence your company had with a Dr. Warnshuis?

Mr. ALLARD. No; I do not.

Mr. HISS. I offer as "Exhibit No. 352" a letter from the Curtiss-Wright Export Corporation to Dr. A. L. Warnshuis, dated February 20, 1932.

(The letter referred to was marked "Exhibit No. 352.")

Mr. HISS. Perhaps, Mr. Allard, this letter, "Exhibit No. 352", which is addressed to Dr. A. L. Warnshuis of the International Missionary Council, being written by W. F. Goulding, vice president

of the Curtiss-Wright Export Corporation, will help refresh your recollection.

In the letter, "Exhibit No. 352", Mr. Goulding says:

Your name has been suggested to us as the man most conversant with existing conditions in China. We have heard of various movements initiated by Chinese residents in this country, and have observed published announcements that they are organizing groups for the purchase of aircraft to be sent to China for use there.

As we are one of the largest suppliers of aircraft in this country, we are naturally anxious to get in touch with the leaders of such movements and to ascertain whether or not it is a fact that steps are being taken by Chinese residents in this country to furnish aircraft for use in China.

We should appreciate very much any information or assistance you can give us along these lines, and the writer will telephone you on Tuesday, February 23d, and ascertain if you are agreeable to discussing this matter with him.

Do you know whether information was received from Dr. Warnshuis as to the persons interested in the purchase of aircraft in China?

Mr. ALLARD. No; I do not. This is the first time I ever heard of him.

Mr. HISS. On February 24, 1932, 4 days after that, your company received a communication from one Harry S. Jue, of Worcester, Mass., of the Chinese Patriotic Association of Schenectady, N.Y.

And on February 25, 1932, Mr. Goulding wrote to a Dr. Tehyi Hsieh, Chinese Trade Bureau of Boston, Mass.

On February 25, 1932, Mr. Webster wrote to Mr. Leon in Buenos Aires referring to the possibility of Chinese patriotic associations raising money to buy planes to be sent to China.

Mr. Webster in his letter says:

Thought the Chinese colony in Buenos Aires might be doing the same thing and it might be worth while looking into the situation and seeing if by any chance we could sell a few airplanes for that purpose.

On February 26, Mr. Martin wrote to Mr. Goulding and said:

As I understand it, these ships are to be bought and paid for in this country by a corporation that is as yet to be formed. This corporation is to be made up of wealthy Chinese and American citizens. Dr. Hsieh mentioned a Chester I. Campbell as possibly one of the members. This Chester I. Campbell is head of one of the leading advertising firms and also puts on expositions of different kinds in the Mechanics Building in Boston. Dr. Hsieh also mentioned that the Atlantic National Bank of Boston would have some interest in this.

On March 11, 1932, there was a telegram from Bartlett in California to Curtiss-Wright Export Co., New York. Can you identify Bartlett?

Mr. ALLARD. He was an employee of a flying field or Airport Service Co. at an airport in California, but I do not know which.

Mr. HISS. The telegram reads as follows:

Large fund contributed by San Francisco Chinese controlled by various factions and tongs. We working very closely and confidentially with them and recent arrivals from China reputedly representing the nationalists.

Senator POPE. Who was it wrote that letter?

Mr. HISS. The last was a telegram from Bartlett in California to the Export Co.

Senator POPE. Did you say he was employed by your company?

Mr. ALLARD. No; he was an employee of one of the subsidiaries that ran an airport out there.

Mr. HISS. In 1933 you sold China 54 airplanes, of which 50 were pursuit and 4 training planes and they were all military planes.

Mr. ALLARD. That is right.

Mr. HISS. Did you, or anyone in your company think there was anything incongruous about writing a missionary for the names of people interested in buying military planes in China?

Mr. ALLARD. Probably not. May I explain, we have had a great many letters along the same lines from Chinese organizations, and no sales have ever been made under these conditions. A great many Chinese born in America or living in America have gotten together a great many times and discussed the possibility of their buying an airplane and sending it back to China as a patriotic gift from them. That is the background of this whole business.

Mr. HISS. Has your company ever sold planes to one country engaged in a war, and notified the other side of the sale?

Mr. ALLARD. Not to my knowledge; no, sir.

Mr. HISS. Have you ever said to one country that another country has been acquiring planes from you?

Mr. ALLARD. That would have to be answered by the man who was doing the selling. I never have personally.

Mr. HISS. Would your company be opposed to that as a matter of policy?

Mr. ALLARD. Notifying one country what another country was buying?

Mr. HISS. Yes.

Mr. ALLARD. I think conditions would control that a great deal. It would depend upon the relations with the country.

Mr. HISS. I offer in evidence as "Exhibit No. 353" a letter dated February 17, 1932, from the Curtiss-Wright Export Corporation, signed by Melvin Hall, to A. B. Mercantile, Helsingfors, Finland.

(The letter referred to is marked "Exhibit No. 353" and is included in the appendix on p. 933.)

Mr. HISS. That letter, "Exhibit No. 353", was addressed to your representative at Helsingfors, Finland?

Mr. ALLARD. Yes.

Mr. HISS. This letter, "Exhibit No. 353", reads as follows:

We are pleased to advise you for your information that the Lithuanian Ministry of Defense has ordered from us five (5) Challenger engines for installation in their training planes. We believe that you will desire to communicate this information to the Finnish Ministry of Defense.

We would also advise you confidentially that the Turkish Government has passed an order to us for twenty-four (24) Curtiss-Hawk single-seater pursuit planes with Cyclone engines, six (6) Fledgling training planes with Whirlwind engines, together with a quantity of spare engines. This information is not for publication and is to be communicated by you only in a confidential manner, should you deem it desirable to inform the Ministry to this effect.

What is your opinion as to the effect of such information conveyed to one country as to the purchases by other countries, nearby or neighboring?

Mr. ALLARD. Take Lithuania. We are engaged in Finland in the sale of Challenger engines, engines I believe in the training planes, which was not a military plane but really a training plane. I imagine, although I cannot verify it, but I think the records will

show that was public information in the case of Lithuania at the time. In the case of the sale of the Turkish Hawks, that was public information and published in all the newspapers in the world. I do not know why Hall used the wording he did in his letter except probably to show or to indicate to the agent up there he was giving him something very secret, but it was out and did not do any harm or could not do any harm.

Mr. HISS. What, in your opinion, would be the harm in notifying one government of the planes of another government?

Mr. ALLARD. In this instance it was done to secure an order to be placed for the engine—that is, the Finnish Government.

Mr. HISS. There is natural competition between governments as to their military planes?

Mr. ALLARD. No; I do not think so in this case. This was entirely too far removed from Turkey to be of any such connection.

Mr. HISS. Finland and Lithuania are not so far removed.

Mr. ALLARD. That is perfectly right, but that was a training plane, with public information.

Mr. HISS. Training planes are used to train pilots for war planes, are they not?

Mr. ALLARD. As well as commercial planes.

Mr. HISS. Do the Finnish Government and the Ministry of Defense train pilots for commercial planes?

Mr. ALLARD. I do not know that now. A great many governments train their own pilots.

Mr. HISS. In "Exhibit No. 348", already introduced, the letter from Mr. Webster to Mr. Travis, the following statement is made:

While in Peru, and as soon as convenient, give me a frank picture of the Peruvian situation, and do what you can to assist Faucett in closing additional business there. For your confidential information, their friends to the extreme north are still purchasing heavily.

Who would "their friends to the extreme north" be?

Mr. WEBSTER. That would be Colombia.

Mr. HISS (continuing reading):

You might use this in your official conversations but in a very careful and diplomatic manner.

In 1933 your company sold 29 planes to Colombia. In 1933 Colombia and Peru were engaged in a dispute about the Leticia territory, during which clashes broke out at various times. On February 14, 1933, there was a clash between the two forces, and this letter was written on February 10 of the same year, 1933. Do you think that by notifying Peru of the purchases made from you by Colombia, you would tend to get Peru to increase the purchase of military planes from your company, Mr. Webster?

Mr. WEBSTER. Not necessarily. There was no secret up and down the west coast of South America as to what the other countries had. They are all very familiar with the conditions, and they are all sent on the same steamships, and all came through the Canal, and it is public property as to what they were purchasing. There was no secret about it.

Senator POPE. Why should the language be used in a letter "for your confidential information"?

Mr. WEBSTER. For his own information. Telling our representative, our employee there, telling him what business relations we are having.

Senator POPE. If it was public property and published generally, why should it be so confidential?

Mr. WEBSTER. It should not have been in confidence at all. All those planes were shipped out of New York City, and there was no reason why any person should not go down and find out what shipments were being made.

Senator POPE. Then you go further and state:

You might use this in your official conversations, but in a very careful and diplomatic manner.

Mr. WEBSTER. Yes; I do not think he referred there to any publicity in newspapers. But there is no secret at all about what the countries down there were buying.

Mr. HISS. Again, in "Exhibit No. 355", which is a letter dated February 9, 1933, from Mr. Webster to Mr. Faucett, you say to him, Mr. Webster, the following [reading]:

Please remember that no spare engines have yet been purchased for the Hawks, so please bring a little pressure to bear on the air corps officials and on Mr. Pardo * * *.

Mr. Pardo was chairman of a voluntary committee?

Mr. WEBSTER. A civilian committee; yes, sir.

Mr. HISS. Getting aircraft and donating them to the Peruvian Government?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading):

and see if this business cannot be concluded in the near future. For your confidential information you might diplomatically inform interested parties that your neighbor to the extreme north is still purchasing in large quantities. Do not overlook such items as bombs, ammunition, machine guns equipment, etc.

(The letter referred to was marked "Exhibit No. 355" and is included in the appendix on p. 934.)¹

Mr. HISS. "Exhibit No. 356" is a letter of November 1, 1933, from Mr. Goulding to Samper, the Curtiss-Wright representative in Bogota, Colombia. Is that right?

Mr. WEBSTER. Yes, sir.

(The letter referred to was marked "Exhibit No. 356" and is included in the appendix on p. 935.)

Mr. HISS. That letter reads in part as follows [reading]:

Meanwhile I think you should concentrate your efforts in endeavoring to get further orders for Hawks and Falcons, as we feel that the Colombia Government, now that they have made such a splendid advance in building up an air force, should not permit these efforts to lag. There is no telling when they will need a very strong air force.

Then the letter further states:

According to Lieutenant Gonzales, the current opinion in Colombia is that the negotiations with Peru will come to naught, in which case Colombia will again be forced with the necessity of a strong air force. We know, as a matter of fact, that Peru has not been idle in adding to their equipment, and unless Colombia maintains and increases their air force which they have now started, they will lose the advantage which they now have.

¹ There was no exhibit marked "No. 354."

In other words, in this case you had already notified Peru of Colombian purchases, and now you were notifying Colombia of Peruvian purchases?

Mr. ALLARD. We notified the agent in Peru; that is correct.

Mr. HISS. "Exhibit No. 357" is a letter of December 16, 1933, from Mr. Tobin, who was then associated with Faucett as a representative in Lima, Peru?

Mr. WEBSTER. Yes, sir.

Mr. HISS. And is addressed to Mr. Owen Shannon.

(The letter referred to was marked "Exhibit No. 357" and is included in the appendix on p. 936.)

Mr. HISS. That letter reads in part as follows [reading]:

The Peruvians apparently have just received a good burning on the Fairey Fox. This ship at sea level cannot catch up with our old Stinsons, with the Stinson cruising at 1,750 r.p.m., and the Fairey running wide open. I'm thinking the Colombians will have a few good chuckles with their new Falcons at all altitudes under 15,000 feet and in all probability at the high altitudes as well. These things are being pointed out to all the officers not concerned with the purchase of the English and French equipment.

Was it a policy of your company to point out to the various governments that the planes which you had sold to their opponents were superior in performance to some of the planes they were buying from other countries, and that, therefore, they should buy from you to get planes of at least equally good performance?

Mr. ALLARD. This is a statement of a representative or agent down there.

Mr. HISS. Did your company ever disavow this statement?

Mr. ALLARD. Not to my knowledge. I think that is common, ordinary sales practice?

Mr. HISS. You do?

Mr. ALLARD. Yes, sir.

Mr. HISS. "Exhibit No. 358" is a telegram of March 15, 1934, from Mr. Webster to Mr. Tobin in Lima, Peru.

(The telegram referred to was marked "Exhibit No. 358" and is included in the appendix on p. 937.)

Mr. HISS. That telegram reads in part as follows [reading]:

Confidentially, your competitors have just placed order 23 additional Falcons, 15 Hawks, but no deposit yet. Strongly recommend Peru make deposit immediately additional Hawks Falcons for delivery priority. Your present schedule ends May 28, but starting May 14 can deliver two additional airplanes each week until June 1, then four each week until July 1 * * *.

Mr. Webster, by this you were recommending to your agent in Peru that there was an order which had been placed by the country with which they were still having a dispute, and Peru could, by making an immediate deposit, secure priority on delivery?

Mr. WEBSTER. They could continue the contract they already had in effect and go on with that contract on products in order to get quick delivery.

Mr. HISS. During this period of 1932 and 1933 you were profiting by the dispute between Peru and Colombia, in that you were selling both sides, when both sides were attempting to increase their military aviation equipment?

Mr. WEBSTER. We sold to both Peru and Colombia; yes, sir.¹ In that connection, Mr. Hiss, we have never taken sides and have striven to be neutral, and have never lined up or taken sides with any particular country.

Mr. HISS. "Exhibit No. 359" is a letter of May 3, 1933, from Mr. Shannon to Mr. Travis.

(The letter referred to was marked "Exhibit No. 359" and is included in the appendix on p. 938.)

Mr. HISS. That letter reads in part as follows [reading]:

During the past few days the New York papers have carried stories of the Bolivian planes bombing some of the Paraguayan rail centers with considerable success. We are glad to see they are at last making some real use of their planes and hope their success will convince them of the advantages they would gain by getting more of the Hawks and Ospreys.

"Exhibit No. 360" is a letter of February 10, 1933, from Mr. Webster to Mr. Leon, who was then in Buenos Aires, Argentina.

(The letter referred to was marked "Exhibit No. 360" and is included in the appendix on p. 939.)

Mr. HISS. That letter reads in part as follows [reading]:

Newspapers the last few days have been carrying stories about the pending and probably political and revolutionary upheaval in Uruguay.

I believe it would do no harm to slide over to Montevideo as soon as convenient and contact the proper officials in an effort to promote the sale of aircraft or any class of munitions.

That is, Montevideo is the capital of Uruguay?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading):

Also, in this connection, do you think it advisable to make a personal contact with Paraguayan Government officials in Asuncion?

I know that this is a rotten trip to make up the river, but it seems to me that the Bolivia-Paraguay trouble has not yet reached its peak and the conditions instead of becoming better are gradually getting worse. If such is the case, it will be absolutely necessary for Paraguay to find the money for the purchase of aircraft and other munitions. If we are able to sell them anything, we will have to work very carefully and quietly, and possibly work through you, as an individual, as the Bolivian Government would naturally raise "merry hell" if they believed that we were dealing with their enemies.

Mr. Webster, I thought you said that the sales of the various governments were common property in South America.

Mr. WEBSTER. No; I did not make that statement, Mr. Hiss. I made that statement as to Peru and Colombia.

Mr. HISS. As to Bolivia and Paraguay it was not common knowledge?

Mr. WEBSTER. No, sir; not that I know of.

Mr. HISS. "Exhibit No. 361" is a letter of May 17, 1933, signed "Cliff." That is Mr. Travis?

Mr. WEBSTER. Yes, sir.

¹At the time of the above testimony neither Mr. Webster nor Mr. Allard knew whether the March 1934 Peruvian negotiations had resulted in the sale of any planes. In response to a request of the committee, Mr. Allard notified the committee on November 3, 1934, that from January 1 to September 30, 1934, the Export Co. shipped the following materials to Peru: In May, 1 Rambler—no armament; in June, 3 Hawks—2 guns each and bomb racks; in June and July, 9 Falcons—2 guns each and bomb racks; in August, 4 Travelairs—no armament; in August, plane spares. Motor spares and miscellaneous parts were shipped throughout this period. These shipments totaled \$553,752.80.

Mr. Hiss. Addressed to Mr. Shannon.

(The letter referred to was marked "Exhibit No. 361" and is included in the appendix on p. 939.)

Mr. HISS. That reads in part as follows [reading]:

You are quite right in assuming that the Bolivians are making good use of our planes in bombing. They have created a real menace to the Paraguayans, as well as a deep fear. The Chief of Operations in the Chaco (Air Corps) has been urging the Government for several weeks to buy six more Ospreys and three additional Hawks and the decision now, after having passed all the minor departments and the general staff, rests with General Kundt, commander in chief of field operations. As I wrote Web, I expect a definite answer from the Government late this week or early next week. Slowness and red tape is still the order of the day here. There also might be a chance to sell some Travelair bombers.

Travelair bombers are commercial planes, are they not?

Mr. ALLARD. Yes, sir; they are.

Mr. HISS. Which are not usually sold for military purposes?

Mr. ALLARD. Not to my knowledge.

Mr. HISS (continuing reading):

Some of the "Brass Hats" who are in positions of power here, although they know nothing whatever of aviation, seem to think that the answer to the whole situation is a flock of 4,000-pound bombers. The remark was made that the Ospreys and Hawks were toys because they only carried some 460 pounds of bombs. That, of course, is the natural reaction of these people after all of these bombing expeditions with really good results. They have gone bomb-minded.

As regards bombs and cartridges, Europe has that pretty well sewed up as they can offer them at much lower prices than we possibly could on account of the exchange and cheaper labor.

"Exhibit No. 362" is a letter of February 14, 1933, from James H. Spencer to Mr. Webster.

(The letter referred to was marked "Exhibit No. 362" and is included in the appendix on p. 940.)

Mr. HISS. Mr. Webster, what was the connection between the Curtiss-Wright Export Corporation and Mr. Spencer?

Mr. WEBSTER. None whatever.

Mr. HISS. The letter reads in part as follows:

Paraguay, with whom I have been dealing thro' the Minister here in Santiago, and also thro' an official of the same Government in Buenos Aires, have shown an interest in at least the "Hawk" that is here. They made a counter offer for this machine equipped with armament and bomb racks, but the offer was so ridiculously low that Jerry told me that it was no use even to consult you. * * *

On the other hand, Bolivia, with whom I was negotiating, showed an interest, and the Bolivian Minister here did quite a lot of cabling over the subject.

Then Echenique started negotiations at a lower figure—with the result that my early work was lost. As I now understand the situation, Bolivia will buy if Chile will concede the permit to fly these two machines to La Paz.

The difficulty of more than one person dealing on this kind of business is obvious, and Governments will not go very far with any intermediary unless he can show proper credentials. In the present case, it was one of lower price and a desire to buy two planes so that they should not go to the enemy.

Mr. Spencer was authorized to sell for your account if he was able to sell this particular plane?

Mr. WEBSTER. No, sir. There should be another letter, Mr. Hiss, to go with this, a letter from me to Mr. Spencer, dealing with Mr. Spencer, that he had no authority whatever to negotiate sales there.

Mr. HISS. I know, but I have not seen that. Did Mr. Echenique have any authority to negotiate at that time?

Mr. WEBSTER. No, sir.

Senator POPE. Was the purpose of that letter really to sell planes for you?

Mr. WEBSTER. It was an effort on the part of Mr. Spencer to apparently start selling and make some negotiations. He had no authority whatever to represent us and did not represent us, and was so notified, but apparently the second letter that goes with this is not in your records.

Senator POPE. Who was Mr. Spencer? What is his business?

Mr. WEBSTER. He is a member of the firm of Spencer & Waters of Santiago, Chile. At one time, a number of years ago, Mr. Spencer did represent the Curtiss Co., but we made other arrangements later on. This letter should have no bearing whatsoever on our situation, as he has no connection whatever, and had no authority to write such a letter and negotiate for us.

Mr. HISS. "Exhibit No. 344", already in the record, is a letter to Mr. Webster, dated February 15, 1933, from Van Wagner, who was the manager of the factory in Chile. Is that correct?

Mr. WEBSTER. Yes, sir.

Mr. HISS (reading):

Señor M. Cruchaga, the Foreign Minister—and who, at the same time, has been acting minister of national defense—presided recently at an antiwar meeting held in Mendoza with the Argentine authorities, the object being to try and induce Bolivia and Paraguay to cease hostilities and go to arbitration. It was also agreed that neither Chile or the Argentine would lend any assistance to either country with arms or munitions. So, in a nutshell, we can see why it has been so difficult to dispose of the Falcon and Hawk to Bolivia or Paraguay.

At that time those were two planes which the Export Co. owned in South America, which they were trying to sell?

Mr. WEBSTER. Yes, sir; they were used planes.

Mr. HISS (reading):

I do not know from whom Pancho—

That is Echenique?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading):

obtained permission, and only yesterday we received notice passed down from the Foreign Minister that on no account must the Falcon and Hawk leave the factory.

That is the Chilean factory?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading):

The only way to get these ships out is for an agreement to be made between the Bolivian and Chilean Ministers, and I am anxious to know what news Pancho will give us tomorrow.

At the same time Jim Spencer is still working on selling the machines to Paraguay, but apparently he is meeting with more difficulties than Pancho.

Do you remember the date of the letter in which you notified Spencer that he was to discontinue?

Mr. WEBSTER. No, sir; but it should have been on or shortly after the letter arrived in New York.

Mr. HISS. Did you also notify Mr. Van Wagner to that effect?

Mr. WEBSTER. I am not sure that I did or not, but it seems quite likely that I did.

Mr. HISS (continuing reading) :

We cannot do any more than we have already done to dispose of the Falcon and Hawk, and you must not lose sight of the fact that Chile represents herself as a peace-making nation and has promised not to provide or assist in providing war material to any of the belligerent S. American countries.

* * * As matters now stand it would seem very difficult for us to get an order for the European Hawk.

That is the one in Holland, already mentioned?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading) :

There is no hope whatever of the Chilean Government acquiring this machine, and the only way I think you could dispose of it would be your dealing direct with other countries at S. America at present engaged in warfare.

Then there is another reference to Mr. Spencer, as follows:

Jim Spencer has been trying to get an offer from the other side, but nothing has come of it.

I note what you write about Jim Spencer and quite appreciate your attitude before dealing direct with him. In conversation the other day, he told me he had received your letter, so I did not make any comment on what you wrote me.

Do you remember what you had written him?

Mr. WEBSTER. Apparently it was along the lines of my letter to Mr. Spencer.

Mr. HISS. Did you tell Mr. Spencer if he arranged a sale, you would not sell the machine?

Mr. WEBSTER. I told him that he had no authority whatever to deal and to stop negotiating.

Mr. HISS. If he had come to you with a particular offer, would your company have turned him down?

Mr. WEBSTER. I do not know, sir. We would have to wait until the time came and see what conditions were then.

Mr. HISS (continuing reading) :

The whole trouble in trying to make deals of this nature is that there is excessive graft to contend with. The Bolivian and Paraguayan Ministers know of our offer and yet they prefer dealing through agents. They both know our figure and the agent's figure, so you can imagine who has to take a share between the sale and purchase prices. Jim—

that is Spencer—

has been working the deal for Bolivia and Paraguay through the Argentine. His figures are the same as Pancho's—

that is Echenique?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading) :

and he knows perfectly well that his commission is included in anything he can get over \$15,000. If he could make \$1,000 on each plane for himself, I think he would be lucky. The other \$2,000 would be paid to the other intermediaries.

Mr. WEBSTER. I might add there, Mr. HISS, that many times individuals of this type as they see an opportunity of selling something and making something out of it, they are very quick to take advantage of it. Neither Mr. Echenique nor Mr. Spencer had

authority to sell airplanes for us at that time. In other words, they were free-lancing.

Mr. HISS. May I call your attention to "Exhibit No. 363"—

Senator POPE. Who was your representative at that time?

Mr. WEBSTER. In what place, Senator?

Senator POPE. In Santiago.

Mr. WEBSTER. Santiago, Chile?

Senator POPE. Yes, sir.

Mr. WEBSTER. What was the date of that letter, Senator?

Senator POPE. February 15, 1933.

Mr. WEBSTER. I believe the only man we had there at the time was Mr. Van Wagner.

Senator POPE. Did he have any authority to employ other agents or assistants?

Mr. WEBSTER. No, sir.

Senator POPE. So that his reference to "intermediaries" did not have any particular reference to any agents recognized by you?

Mr. WEBSTER. No, sir. We had instructed him to try to dispose of the two planes which we had on our hands there, and that apparently is what he was doing.

Mr. HISS. As "Exhibit No. 363" I offer a letter dated March 15, 1933, from Van Wagner to you, Mr. Webster, from which I wish to read.

(The letter referred to was marked "Exhibit No. 363" and is included in the appendix on p. 941.)

Mr. HISS. That letter reads in part as follows:

We cabled you on the 13th that the Peruvian Ambassador demanded immediate action with regard to delivery of the Hawk and Falcon, and the following day received your cable: "O.K. delivery."

Were those two planes finally sold to Peru?

Mr. WEBSTER. There was a Hawk and Falcon sold to Peru.

Mr. HISS. (continuing reading):

From this message we understood that the \$36,000—held by the Chase National Bank—had been placed to your credit without restrictions.

Now, the whole trouble is in getting permission to fly the ships out of the country. * * * With the present action taken by the Chilean Foreign Minister to foment peace in S. America, he cannot possibly give his consent to allow war material to leave Chile, especially to a country engaged in warfare.

Did your company regard his actions for peace as "fomenting peace", Mr. Webster?

Mr. WEBSTER. I do not believe so. That is an expression Mr. Van Wagner used. I do not believe I would have used that expression.

Mr. HISS. Were the Hawk and Falcon ever released so that they were able to go to Peru?

Mr. WEBSTER. Yes, sir.

Mr. HISS. In spite of the "fomenting of peace"?

Mr. WEBSTER. Yes, sir.

Senator BONE. Do you think that munition firms generally would regard that as a sort of antisocial activity?

Mr. WEBSTER. I would not doubt it a bit, sir.

Mr. HISS. "Exhibit No. 364" is a letter of March 30, 1933, from Mr. Webster to Mr. Van Wagner.

(The letter referred to was marked "Exhibit No. 364" and is included in the appendix on p. 942.)

Mr. HISS. That letter reads in part as follows:

Was glad to hear that the Hawk and Falcon got away safely and with official permission.

Again please remember to refrain in all of your letters sent to this office from mentioning the name of Orsini. You can always refer to him as "Jones."

Who was Orsini, Mr. Webster?

Mr. WEBSTER. Orsini was an officer in the Brazilian Government, Brazilian Army Air Corps, who had been going under the name of "Jones" in South America at the time I met him.

Mr. HISS. Was he an official engaged in purchasing planes on behalf of the Brazilian Government?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Did your company make any sales through Mr. Orsini?

Mr. WEBSTER. Yes, sir; but not at the time that we knew Mr. Orsini's name was Orsini. We sold him under the name of "Mr. Jones." That is the reason I put it in quotations.

Mr. HISS. Why did you at this time want to refer to him as "Jones" and not "Orsini" in letters sent to the New York office?

Mr. WEBSTER. There had been quite a bit of discussion about a certain transaction which we had in South America. Some planes which I had sold Mr. Orsini, whom I knew as Mr. "Jones" in Buenos Aires and in Santiago, Chile, it later turned out that Mr. Jones was Lieutenant Orsini, who had gone over to the rebels during the Sao Paulo Brazilian revolution, and referred to himself as a Paraguayan, when he purchased this equipment in Argentina and Chile. There was so much fuss about the matter that I did not want to stir it up again, and I told Mr. Van Wagner to refrain from mentioning Mr. Orsini because we did not want to hear any more about it.

Mr. HISS. Did you not say that any correspondence about Orsini could be sent to your home and not to the office?

Mr. WEBSTER. I believe I did mention that. From time to time I had correspondence sent to my home because I found it necessary to remain at home over a long period of time at that period.

Mr. HISS. You said awhile ago that Mr. Echenique did not have any authority to act on behalf of your company, did you not?

Mr. WEBSTER. No, sir; he did not.

Mr. HISS. In this letter, "Exhibit No. 364", you say:

Also do not converse with anyone regarding sales of machines or equipment going to other countries or any transaction concerning them. As mentioned in my previous letter, conditions are becoming very acute and I do not wish our files to contain anything with a bearing on this business. You can always send any necessary letters to my home and thereby keep them out of our files.

Mr. WEBSTER. I believe I referred to Mr. Orsini there.

Mr. HISS (continuing reading):

It is perfectly all right for Pancho—

That is Echenique?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing):

to mess around with things providing his activities and statements do not conflict with our present arrangements in other countries.

Does not this mean that Echenique could bring in business on a commission basis to you, but he could not represent you officially?

Mr. WEBSTER. He could not represent us in countries where we had regularly established agents.

Mr. HISS. In this same letter, on the last page, you say as follows [reading]:

Do not forget that we still have available Conqueror Hawk in Holland.

That meant a Hawk with a Conqueror engine?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading):

You might mention that to your friend, the Ambassador—

Is that the Peruvian Ambassador that was referred to previously?

Mr. WEBSTER. I think that is the Peruvian Ambassador; yes, sir.

Mr. HISS (continuing reading):

but in all correspondence regarding this particular individual and subsequent sales, I believe it advisable to carry on your correspondence with me personally instead of running it through the office in case of possible future perquisitions. If you were able to secure the release of the Hawk and Falcon going to Peru, it is assumed that additional permission could be obtained for other operations. Get onto this job immediately and let me have all the information obtainable and what we could possibly expect in the way of Chilean Government cooperation or in the way of cooperation from individuals.

That means in getting the planes for Peru?

Mr. WEBSTER. Getting permission to fly from Chile to Peru.

Mr. HISS (continuing reading):

In one of your last cables you state that the Hawk and Falcon were delivered without armament. What happened to the material in the tail of the Falcon?

Was armament stored in the tail of the Falcon?

Mr. WEBSTER. It was placed there for safe-keeping at the time we stored it. It was there, being stored, and we put it in the tail of the ship so that it would not be stolen.

Mr. HISS. Did Colombia protest about your sale of equipment to Peru?

Mr. WEBSTER. Not to my knowledge, sir.

Mr. HISS. "Exhibit No. 365" is a letter to Mr. Goulding from Mr. Samper.

Mr. ALLARD. Yes, sir.

(The letter referred to was marked "Exhibit No. 365" and is included in the appendix on p. 944.)

Mr. HISS. Mr. Samper was in the field, representing your company in Bogota, Colombia?

Mr. ALLARD. Yes, sir.

Mr. HISS. In that letter the writer states in part as follows:

Whereas I can appreciate your viewpoint regarding your policy of not restricting sales to any one country in a certain geographical division, you can likewise understand that the position taken by the directors of your firm to sell to Colombia's potential enemy has greatly jeopardized future sales possibilities to this country. I have, of course, expended every effort to counteract the unfavorable impression created at the ministry when they received the information, but what the result will be over an extended period of time only time can tell.

Did your company at the same time sell another plane to Peru which was in the possession of a Captain Wooten, United States military attaché in Chile?

Mr. WEBSTER. No, sir; that plane was given to Peru. It had been used considerably and was in rather poor shape, and the Peruvian Government requested that we make them a gift of it, which we did.

The CHAIRMAN. Was not that a rather unusual request for a government to make?

Mr. WEBSTER. No, sir.

Mr. ALLARD. It was an old, worn-out plane.

Mr. WEBSTER. They would probably use it more or less for practice work, instructions, and so forth.

Mr. HISS. I offer as "Exhibit No. 366" a letter dated May 6, 1933, to Mr. Webster from J. V. Van Wagner, Santiago, Chile.

(The letter referred to was marked "Exhibit No. 366" and is included in the appendix on p. 945.)

Mr. HISS. This letter states:

In my letter of 29th April I wrote about a visit we had from Mr. Bofil, who was interested in buying six planes, with armaments, for Peru. We have had another visit from Mr. Bofil, and he showed us a letter he had received from the Peruvian commercial agent in Valparaiso, which proves that the Peruvian Government is actually interested in acquiring six airplanes as soon as possible. According to Mr. Bofil, the commercial agent has more power in these questions than the Ambassador, as he is responsible for the purchase of material and produce for the Peruvian Army. We advised Mr. Bofil that we could not do anything in the matter and it would be necessary to make some arrangement with the Chilean Government if Peru wanted six planes urgently.

Was that because planes made at the Chilean factory were under contract to Chile?

Mr. WEBSTER. No, sir; not at that time.

Mr. HISS. Why would an arrangement have to be made with the Chilean Government?

Mr. WEBSTER. This particular situation, Mr. Hiss, I never did understand. Mr. Bofil I never heard of. Mr. Bofil had no authority—I checked on that in Peru—to do any purchasing for the Peruvian Government. Nothing ever materialized from this, and I am inclined to believe that Mr. Bofil was misrepresenting facts to our representative in Chile.

Mr. HISS. Later on in that paragraph the statement is made:

It seems that Mr. Bofil is well known in the Government and has been at work trying to get the Air Corps to dispose of the three last machines repaired in the factory and three others undergoing repair. The Director of Material was sent out yesterday by Aracena to talk the matter * * *.

He was the Director of Aviation in Chile?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading):

* * * to talk the matter over with us, and the idea is for us to take over the six planes—in a figurative way—and for us to sell them to Peru. The Air Corps will fix the price, and the money will be placed to your credit in New York. This money will then be utilized in buying modern equipment for Chile. Everything looks pretty hopeful and the Air Corps are anxious that the business results.

So that apparently Chile was willing to go through with a deal if Mr. Bonfil had had proper authority from Peru?

Mr. WEBSTER. I do not think so. I do not think that this had the sanction of the Government. I think whoever Mr. Bofil talked

to in the Chilean Government had no authority whatever to speak for the Government. Nothing whatever materialized. We had no advice from either the Chilean Government or the Peruvian Government to bear out the statements of Mr. Bofil.

Mr. HISS. How were you able to secure a release of Captain Wooten's plane so that you were able to make a gift of it to Peru, Mr. Webster?

Mr. WEBSTER. We asked official permission from the Chilean Government to fly that plane to Peru.

Mr. HISS. Was that plane the property of the United States Government?

Mr. WEBSTER. No, sir; it was our property. We purchased it from the United States Government.

Mr. HISS. It was the property of the United States Government while Captain Wooten had it; is that correct?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Who had furnished it to Captain Wooten?

Mr. WEBSTER. It was ordered by the United States Army Air Corps to Chile for the private use of Captain Wooten, who was military attaché.

Mr. HISS. You then purchased that from the United States Government and made a present of it to Peru?

Mr. WEBSTER. Yes, sir. At the time we purchased it, we had no idea of making a gift of it to the Peruvian Government. It was left on the United States' hands in Chile and they did not want to go to the expense of shipping it back to the States; it was more or less of an obsolete airplane anyway.

Senator POPE. Do you remember how much you paid the Government for that plane?

Mr. WEBSTER. I think it was about \$5,500 or \$6,000, somewhere along that line. I could not tell you exactly.

Senator POPE. And you made a gift of that to the Government?

Mr. WEBSTER. We had flown it ourselves considerably before it was turned over to the Peruvian Government. We used it more for a taxi ship there, to go up and down the coast, to get around quickly for our own business operations.

Mr. HISS. I offer as "Exhibit No. 367" a letter dated the 29th of April 1933 from Santiago, Chile, to Mr. Webster.

(The letter was marked "Exhibit No. 367", and is included in the appendix on p. 946.)

Mr. HISS. This letter is from Mr. Van Wagner to Mr. Webster and it says:

We cabled you this morning that Captain Wooten is still without news from Washington about the ship being taken over by us, and we hope instructions will be cabled him in this respect at any moment, so that we can proceed to take out the U.S. Army signs and paint on the new registration number.

The United States Army signs were painted out and this ship was then given by you to the Peruvian Government?

Mr. WEBSTER. Not until some time later, Mr. Hiss. I believe that plane was on our hands almost a year. We had been using it ourselves. We purchased the ship to use ourselves as a taxi plane to get around South America.

Mr. HISS. But at the time you were getting the Army to turn it over to you, were you not attempting then to sell it to Peru as this correspondence indicates?

Mr. WEBSTER. I do not recall whether we offered it for sale or not. The record will speak for itself.

Mr. HISS. This letter, "Exhibit No. 367", says:

Outside Aracena and the Paraguayan Minister, no one else other than the Peruvian Ambassador should have known that Captain Wooten's plane was for sale.

You were attempting at that time to sell it then?

Mr. WEBSTER. Apparently we were attempting to sell it, but we did not and had it on our hands for about a year and used it ourselves and then later on presented it to the Peruvian Government for instruction work.

Mr. HISS. In that same connection I offer as "Exhibit No. 368" a letter dated March 28, 1933, to Mr. Van Wagner from Mr. Webster.

(The letter referred to was marked "Exhibit No. 368" and is included in the appendix on p. 947.)

Mr. HISS. In this letter you say:

If you have not already done so, please advise immediately by cable to my personal address any developments in connection with Wooten's Falcon. I prefer to bury this transaction as much as possible as far as the office goes in order to prevent any possible adverse publicity.

The situation involving Peru is becoming very acute and is liable to be more so in the very near future. It looks to me like an embargo.

The CHAIRMAN. Mr. Webster, in the matter that I want to examine you briefly upon, it is first necessary to lay a little foundation in history. If it has not already been made a part of the record it will be that the sales of the Export Corporation to the Federal Government of Brazil in 1932 amounted to \$35,900. That consisted of miscellaneous material and did not include any planes. Is that precisely the case, as you recollect it now?

Mr. WEBSTER. I believe it is, Senator. I would have to check it to be certain about it.

The CHAIRMAN. In September of that year, 1932, is it true that the United States Navy had with the United Aircraft Corporation an order for 29 or 30 planes?

Mr. WEBSTER. The United Aircraft?

The CHAIRMAN. Yes.

Mr. WEBSTER. I could not tell you.

The CHAIRMAN. You could not testify as to that?

Mr. WEBSTER. No, sir.

The CHAIRMAN. It will then be made a matter of record later on that such an order had been placed by the United States Navy; and that the Navy gave the United Aircraft Corporation permission to lay aside the work they were doing for the Navy in order that they could fulfill contracts that were very pressing with the Government of Brazil; that Brazil was demanding unusually quick deliveries and they could not be fulfilled if the United States Government insisted upon the fulfillment of its contract.

On May 25 of 1932, rioting began in Sao Paulo in Brazil.

On June 11 of that year a genuine revolt broke out there at Sao Paulo, with the army, so it has been charged, aiding the revolutionists.

There appears to have been quite continuous fighting throughout the months of July and September and the revolution continued on up into sometime in November.

On November 4, the Brazilian Government after the revolution, seized certain planes from the revolutionists.

On November 4, 1932, Castro Lopez, who was the Export Corporation's agent in Rio, wrote you a letter which is offered as "Exhibit No. 369."

(The letter referred to was marked "Exhibit No. 369" and is included in the appendix on p. 947.)

The CHAIRMAN. This letter is to the effect that among the planes seized from the Sao Paulo government after the revolution were seven Falcons believed to have been smuggled by way of Argentine. The ministry of war, according to this letter, believed that during your stay in Buenos Aires you were instrumental in getting the Falcons to Sao Paulo.

What can you tell us of that, what knowledge do you have of any such transaction?

Mr. WEBSTER. In the late summer or fall of that year I was in Buenos Aires and this Mr. Orsini, or Lieutenant Orsini, whom I mentioned a short time ago, was presented to me by several people there, and in company with another man who was introduced to me as Mr. Jones and the other man as a Mr. Jackson or Johnson—I have forgotten which—and as representatives of the Paraguayan Government.

They inquired if we had any airplanes for delivery—any airplanes in South America for quick delivery. I told them that we had no complete planes, but some that were partially fabricated in our Chilean factory that had been ordered by the Chilean Government, but the Government was unable to pay for them and the plant had been closed.

A price was established, fixed, on those planes, and they were sold to them.

Subsequently stories appeared in the Asuncion Paraguayan's newspaper to the effect that the Paraguayan Government had purchased 10 airplanes from the Curtiss factory in Santiago, Chile. Those airplanes were delivered to Mr. Johnson and to Mr. Jackson, who later turned them over to Orsini and his friends. They were delivered at our factory in Santiago. They took delivery of them at the factory, and their own pilots flew them out of Chile.

So far as we know they were flown to Paraguay until later on it developed that they were flown into South Brazil, into Sao Paulo.

At the time the sale was made we believed we had been selling to a representative of the Paraguayan Government.

The CHAIRMAN. In this letter of November 4 to you by Lopez the opening paragraph makes reference to your departure for the south—"Since your departure for the south." Where did this letter finally reach you?

Mr. WEBSTER. I believe it reached me in New York. It is dated November 4, and I believe I had returned to New York by that time.

The CHAIRMAN. In keeping in part with what you have been telling us, I offer as "Exhibit No. 370" a letter dated January 21, 1933, addressed to Mr. S. Sampaio by Mr. Webster.

(The letter referred was marked "Exhibit No. 370" and is included in the appendix on p. 948.)

The CHAIRMAN. In this letter, Mr. Webster, you wrote that—by the way, who is Sampaio?

Mr. WEBSTER. Sampaio is now our agent in Brazil. At that time, in 1933, he was not our agent. He has since been made our agent in Brazil.

The CHAIRMAN. At that time he was consul general of Brazil in New York, was he not?

Mr. WEBSTER. That is probably a different Sampaio, I am sorry. We have an agent by the name of Sampaio in Brazil. Apparently this is the Sampaio who is the consul general in New York; yes, sir.

The CHAIRMAN. You wrote in this letter of January 21, relative to planes sold to the Santiago factory and later found in Brazil that the entire transaction had been closed.

Mr. WEBSTER. Yes, sir.

The CHAIRMAN. The language was—

* * * I wish to advise you that this entire transaction has been definitely closed, no material is left undelivered, and all funds paid to us have been entirely used.

Mr. WEBSTER. Yes, sir.

The CHAIRMAN. I offer as "Exhibit No. 371" a letter dated January 23, 1933, by Sampaio to Mr. Webster, which is an acknowledgment of your letter of the 21st.

(The letter referred to was marked "Exhibit No. 371", and is included in the appendix on p. 948.)

The CHAIRMAN. This letter requests confirmation of your oral statement that the planes numbering 11 were delivered and funds paid about the end of September 1932 or just before the end of the Sao Paulo revolution. Is that correct?

Mr. WEBSTER. I believe so. I know they were all paid for before they were delivered.

The CHAIRMAN. That settlement came positively before the end of the revolution?

Mr. WEBSTER. Oh, absolutely; yes, sir. In fact, no material was delivered until it was paid for. In fact, it was paid for in advance.

The CHAIRMAN. I should like to offer as "Exhibit No. 372" a letter dated January 28, 1933, from Mr. Webster to Mr. Sampaio.

(The letter referred to was marked "Exhibit No. 372", and is included in the appendix on p. 949.)

The CHAIRMAN. This letter was sent to the consul general of Brazil in New York and relates to a conversation regarding airplanes that were sold in Buenos Aires and delivered at your factory in Santiago, which it was stated eventually found their way into Brazil. The machines, according to this letter, had been delivered and payments made by the end of September 1932 which was before the end of the revolution. Is that the purport of the letter, Mr. Webster?

Mr. WEBSTER. Yes, sir. I might explain this, perhaps it will make it a little more clear to you, Senator. The Brazilian consul general, Mr. Sampaio, in New York, called at our office following my return to New York to inquire into that transaction, and I explained the entire situation to him. He asked me if all the material had been delivered that had been paid for, or whether we still had funds in our possession which he claimed would naturally revert to the Fed-

eral Government. But all the material had been delivered and we had no funds left. In fact, we were paid at the time the material was delivered. That was the reason for that letter. He simply wished me to go on record so that he could send that to his government.

The CHAIRMAN. I understand. Was the Chilean Government aware of the destination of these nine Falcons?

Mr. WEBSTER. I do not believe so. I had nothing whatever to do with the delivery of the planes.

The CHAIRMAN. To get these Falcons from Chile over to Sao Paulo, over what territory would they have to go?

Mr. WEBSTER. They would have to fly across Chile, over the Andes, across the Argentine, across Paraguay, and into Brazil.

The CHAIRMAN. To whom was the plane given to which you referred a while ago as having been given to a government? What government was that?

Mr. WEBSTER. That was the Peruvian Government.

The CHAIRMAN. Is it not a fact that Paraguay was given one plane for the privilege of permitting a landing of these planes in Paraguay?

Mr. WEBSTER. Not to my knowledge. I know that one plane—I afterwards heard that one plane had had a forced landing. This came out sometime later, that one of those planes was forced down in Paraguay and was more or less taken over by the Paraguayan Government. That is merely hearsay, I think. That is gossip.

The CHAIRMAN. You have not any authentic information on that?

Mr. WEBSTER. No, sir. I know that there was a Falcon, one of this same type of planes, in Paraguay, because they purchased, or rather asked for prices—I do not know that they did purchase—on spare parts for that type of airplane, and I know that we had never sold Paraguay that type.

The CHAIRMAN. Chile accomplished a release from its contract with you about that time, did it not?

Mr. WEBSTER. Yes, sir. In order to sell those airplanes, it was necessary to receive a release from the Chilean Government. These airplanes had been contracted for by the Chilean Government to be fabricated in Chile. But a little later they ran into financial difficulties; they were not able to carry out the contract, and the factory was closed. We still had certain funds in our possession which had been paid as a deposit on those airplanes. So that it was necessary for us to arrange with the Chilean Government to sell those airplanes to another customer and in return refund to Chile the sums that had been paid against them as a deposit.

The CHAIRMAN. Did you pay Chile any consideration for this release?

Mr. WEBSTER. I believe they received the money, the advance payment which they had made to us, and I believe also that they received somewhere in the neighborhood of—I think it was a sliding scale of from \$3,000 down per airplane.

The CHAIRMAN. Per plane?

Mr. WEBSTER. Yes.

The CHAIRMAN. So that a figure of about \$32,000 might cover the entire transaction?

Mr. WEBSTER. I am not sure as to the exact amount. I am not in the accounting division.

The CHAIRMAN. Coming back to this thought that the Paraguayan Government had been given a plane for permitting a landing of these planes in Paraguay—

Mr. WEBSTER (interposing). I doubt that that is so, Senator, because I remember reading later on clippings that were sent to me in a Buenos Aires newspaper saying that the plane had been forced down and taken over by the Paraguayan Government; and that the pilot had been imprisoned for a few days. That is merely hearsay. So I doubt very much whether that plane was actually given to the Paraguayan Government.

The CHAIRMAN. The committee has in its possession a report on this particular plane that it believes to be very authentic. It will want this report to be known as "Exhibit No. 373", but it will not be offered for the record, at least at this time.

(The report referred to was marked for identification "Exhibit No. 373.")

The CHAIRMAN. Mr. Webster, I offer now as "Exhibit No. 374" a letter dated May 13, 1933, to Mr. Van Wagner from Mr. Webster.

(The letter referred to was marked "Exhibit No. 374", and is included in the appendix on p. 949.)

The CHAIRMAN. In this letter—again will you say who Mr. Van Wagner is or was?

Mr. WEBSTER. Mr. Van Wagner is or was the factory manager of our plant in Santiago, Chile. He is still in Santiago, but the plant is inoperative at the present time.

The CHAIRMAN. You are making inquiry of him in this letter concerning a reputed inquiry for used planes. That is the general reference of the letter, is it not, Mr. Webster?

Mr. WEBSTER. Yes, sir.

The CHAIRMAN. You say in this letter that the price mentioned is too high for any sale to be possible, and you say further that the Chilean officials must be thinking of the deal last summer and fall "when we cleaned out the Los Cerrillos factory."

What was that deal?

Mr. WEBSTER. That was the 10 ships that we sold out of the Santiago factory and which the Chilean Government made on that sliding scale from \$3,000 per plane down.

The CHAIRMAN. Mr. Webster, would a continuous flight from Chile to Sao Paulo be possible?

Mr. WEBSTER. No, sir; not with that type of plane.

The CHAIRMAN. They would have to land somewhere between those two points?

Mr. WEBSTER. Yes, sir.

The CHAIRMAN. You understand that the fleet did land in Paraguay?

Mr. WEBSTER. No; I do not, sir.

The CHAIRMAN. You have not understood that to be the case?

Mr. WEBSTER. No, sir. I have heard that one plane had a forced landing in Paraguay.

The CHAIRMAN. There is another story to the effect that they were all landed there and all but one took off and went on to Sao Paulo.

Mr. WEBSTER. I doubt it very much, sir. I am not sure, but I doubt it very much from what I know of conditions in the country there.

The CHAIRMAN. On February 28, 1933, you, Mr. Webster, wrote to Salvador Sanfuentes. This letter deals quite at length with the commission paid him for the sale of 10 Falcons. In the letter it is stated that the original contract was for 40 planes, and 20 of them were to be Falcons; that only 10 Falcons were ever delivered and paid for; that later an opportunity was had for selling 5 Falcons to another customer, and subsequently the remaining 5 to the same customer; that the arrangement for disposing of these 10 Falcons involved the cancellation of the remaining 10 on order for the Chilean Government and also the cancellation of the 20 additional machines specified in the original contract. The letter then says it was necessary to pay the Chilean Government a commission of \$3,000 on each of the 10 Falcons. In a summary of this letter you say Curtiss-Wright lost \$32,000 on the contract, and you say also that one-third of the payment on that contract was returned to the Chilean Government at the time the contract was canceled.

The letter also refers to the purchase of armaments by Chile and the resale to another customer at exactly cost price.

Was this all part of the same transaction?

Mr. WEBSTER. Yes; that was all a part of the same transaction. He speaks of the 40 planes, and that was a part of the planes contracted for by the Chilean Government as an inducement for us to construct the factory there in Chile. There was one contract for 20 planes and another additional contract for 20, which we had placed before the first planes were fabricated. The second planes were not delivered, and the contract was canceled, so we closed the factory and it has been closed ever since. These 10 planes which were sold to Mr. Orsini were the 10 left on our hands partially fabricated.

The CHAIRMAN. You say it was your understanding that only one of those planes had landed in Paraguay?

Mr. WEBSTER. That is my understanding, and that was a forced landing. I may be wrong, but that is the rumor and the stories I had picked up as I passed through there.

The CHAIRMAN. Where did you understand they did land?

Mr. WEBSTER. I do not know; it would be very difficult indeed to get those planes over there.

The CHAIRMAN. It would be quite impossible to get them over there in one hop?

Mr. WEBSTER. It is impossible.

The CHAIRMAN. It could not be done?

Mr. WEBSTER. No; it could not be done.

The CHAIRMAN. So they had to stop somewhere?

Mr. WEBSTER. They had to stop at least twice. Their gasoline and fuel supply would not be sufficient, and they would have to stop twice, I should say.

The CHAIRMAN. It would be a fairer assumption, if there were two landings, one was in Paraguay and the other had to be in Argentine?

Mr. WEBSTER. That is right.

The CHAIRMAN. Mr. Webster, who was that other customer to whom the five Falcons were sold?

Mr. WEBSTER. That same one, sir.

The CHAIRMAN. The same one?

Mr. WEBSTER. Yes; there were 5 sold at first, then an additional arrangement made for the remaining 5, so that I believe it was 10 in all sold.

The CHAIRMAN. In this letter of February 28, "Exhibit No. 375", I find this language at the top of the page numbered 2, in the first paragraph:

The other matter of 20 percent commission on armament sold to us by Chile is entirely out of order as our customer refused to pay us a higher price than that quoted by the Chilean Government, and this armament was delivered by us to our customer at exactly cost price. This money was retained by Curtiss and applied against the Chilean debt to Curtiss-Wright. This arrangement assisted us in delivering the spares which were on order, and on which you are entitled to your 5 percent commission.

You have no comment to offer on that?

Mr. WEBSTER. No; I was waiting for you to ask the question. This refers to that same customer.

Mr. HISS. That refers to the equipment for those planes?

Mr. WEBSTER. Yes.

Mr. HISS. You sold all the munitions?

Mr. WEBSTER. We had shipped down for the Chilean Government machine guns to go on their own planes, and we were shy a few machine guns, and in order to assist us the Chilean Government sold us a few guns and we turned them over and credited the Chilean Government with the amount covering that.

(The letter referred to was marked "Exhibit No. 375" and is included in the appendix on p. 951.)

The CHAIRMAN. The committee will now recess until 10 o'clock tomorrow morning.

(The committee thereupon took a recess until tomorrow, Wednesday, Sept. 12, 1934, at 10 a.m.)

INVESTIGATION OF MUNITIONS INDUSTRY

WEDNESDAY, SEPTEMBER 12, 1934

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE THE MUNITIONS INDUSTRY,
Washington, D.C.

The hearing was resumed at 10 a.m., pursuant to the taking of recess, Senator Gerald P. Nye (chairman) presiding.

Present: Senators Nye (chairman), George, Clark, Bone, Pope, and Vandenberg.

Also present: Stephen Raushenbush, secretary, and Alger Hiss, investigator.

The CHAIRMAN. The committee will be in order. Mr. Hiss, you may proceed.

FURTHER TESTIMONY OF J. S. ALLARD AND CLARENCE W. WEBSTER

Mr. HISS. Mr. Allard, in the course of selling to countries that were either actually engaged in war or on the eve of hostilities, has your company ever furnished pilots to train army pilots for the countries at war, or have you furnished mechanics to countries at war or to repair planes purchased from you and actually used in war?

Mr. ALLARD. We have furnished mechanics to repair airplanes in use. To my knowledge we have never furnished any pilots to train.

Mr. HISS. Do you know whether it is customary for South American countries to request aid and cooperation of airplane companies when they—that is, the countries—are engaged in war? Have you ever heard of any cases of that sort?

Mr. ALLARD. Requested manufacturers for cooperation?

Mr. HISS. Manufacturers or flying companies, operating companies?

Mr. ALLARD. No; I do not know of any cases of that kind.

Mr. HISS. I would like to ask this next question of you, Mr. Webster. I offer as "Exhibit No. 376" a letter of May 19, 1933 signed "Slim." That is Mr. Faucett in Peru, Mr. Webster?

Mr. WEBSTER. Yes, sir.

(The letter referred to was marked "Exhibit No. 376" and is included in the appendix on p. 952.)

Mr. HISS. The fourth paragraph says—

I suppose you know that all our planes * * *

That refers to the Faucett Airline, does it not?

Mr. WEBSTER. Yes, sir.

Mr. Hiss (continues reading) :

are on the other side of the "hill", * * *

Does that mean the Andes?

Mr. WEBSTER. Yes, sir.

Mr. Hiss (continuing) :

* * * Dan and Red, also * * *.

That refers to two of his pilots?

Mr. WEBSTER. Yes, sir.

Mr. Hiss (continuing) :

The Government stopped our coast service on the 21st of April, and Dan, Red, and Pinillos went over on Sunday, 23rd April, in Nos. 4, 2, and 6 * * *.

That refers to planes in the company's operation?

Mr. WEBSTER. Yes, sir.

Mr. Hiss (continuing) :

* * * and I took No. 8 over on 4th May. We are just now finishing No. 5, and it will have to go, too, unless the war should be called off soon. Dan and Red are with the Government now.

Did you not understand from that letter that Mr. Faucett felt it advisable, or at any event did send some of his planes to help out in Peruvian military maneuvers?

Mr. WEBSTER. I would like to explain that. Mr. Faucett's company is a Peruvian corporation. It is not an American corporation.

Mr. Hiss. Do you know whether the capital investment is American or Peruvian?

Mr. WEBSTER. I am not certain. I know there is some American capital. I know it was originally a Peruvian corporation, financed entirely by Peruvian capital. I believe there is some American capital in it now, but to what extent I am not sure. Also, I have been told that the Peruvian Government took over and pressed into service certain of Faucett's ships. That is what I am told. We have no connection with the Faucett company.

Mr. Hiss. I realize that. I was not trying to indicate otherwise. Does not this language indicate to you also that Faucett's pilots were pressed into service?

Mr. WEBSTER. Pressed into service to fly Faucett's ships, as I would gather from this letter.

Mr. Hiss. To fly Faucett's ships to the other side of the Andes, or in Government service?

Mr. WEBSTER. I do not know whether they were in Government service.

Mr. Hiss. The last sentence of that paragraph says—

Dan and Red are with the Government now.

That rather sounds as though they are actually in the Government service.

Mr. WEBSTER. That I do not know, sir. It sounds to me that those pilots were used to ferry those ships over the hill.

Mr. Hiss. Do you know who Mr. Donnelly was? He was one of the employees in the factory in Los Cerrillos. Was he a mechanic?

Mr. WEBSTER. A former mechanic no longer in our employ.

Mr. HISS. On August 22, 1933, Mr. Van Wagner wrote to you that Donnelly was in the Chaco. I offer this letter as "Exhibit No. 377." (The letter referred to was marked "Exhibit No. 377", and is included in the appendix on p. 953.)

Mr. HISS. This says in the second paragraph:

Donnelly is in the Chaco and I have not had any news from him since he left. I still have his checks so cannot get a signed receipt for them until he comes back.

Do you know what Donnelly was doing in the Chaco area?

Mr. WEBSTER. I believe he was employed by the Bolivian Government to repair a gas tank. Donnelly was not in our employ at the time the Bolivian Government asked him to come up there.

Mr. HISS. But apparently your company still owed him checks for past services?

Mr. WEBSTER. I am not sure whether they are checks from us or checks from some other source. I have no idea what Mr. Van Wagner referred to—what checks he referred to.

Mr. HISS. He is reporting to you; this letter is to you from Mr. Van Wagner, dated August 22, 1933.

Mr. WEBSTER. I assume that they were the balance of any salary, or back salary that he might have coming to him. There is a rule in the Chilean Government that employers must hold a certain percent of their employees' salaries and those to a certain percentage must be paid into the Government, and when that employee leaves that company, he obtains that back salary. It is in the nature of an employees' insurance.

Mr. HISS. Who was Mr. Berger?

Mr. WEBSTER. Mr. Berger is our mechanic—our field service man.

Mr. HISS. "Exhibit No. 301", already in evidence, a letter of September 21, 1933, from Travis in Bolivia to Mr. Webster says—

Shorty—

That means Berger?

Mr. WEBSTER. Yes, sir.

Mr. HISS (reading):

* * * is going to the Chaco next Friday to look things over and give some much needed instructions to the mechanics. This was requested by the pilots, and I left it up to Shorty as to whether he would go or not. He can be of great help there for a couple of weeks, both to us and to the pilots and mechanics.

On September 21, 1933, the Bolivian-Paraguayan hostilities, known as the "Chaco War", were going on, and they are still continuing?

Mr. WEBSTER. Yes. I would like to explain again, Mr. HISS. as I believe I told you yesterday, that the instructions referred to there are simply as to how to operate those engines.

Mr. HISS. "Exhibit No. 349", already a part of the record, which is a letter from Mr. Webster to Mr. Shannon—the letter having been written from Bolivia on October 26, 1933—says:

Am writing this letter at midnight. Just came in from dinner after a late session with Lopez and the Minister of War. Our plans have somewhat changed. Cliff, * * *

That is Mr. Travis?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Who was a pilot?

Mr. WEBSTER. Yes, sir.

Mr. HISS. A former Army pilot, was he not?

Mr. WEBSTER. I believe he was trained in the American Army a number of years ago.

Mr. Hiss (reading):

* * * instead of going along with us tomorrow is leaving for the Chaco on Saturday with the Minister of War and the Chief of Staff for a conference with General Kuntz and aviation officials at the front. Lopez and the Minister suggested that Cliff fly down there with them, and the job is so important that we decided that if necessary we would have to delay the Argentine business.

That letter indicates, does it not, that your company was doing business on the actual scene of warfare?

Mr. WEBSTER. No, sir. They were having some trouble with the planes there and Travis went down there to see what the trouble was.

Mr. HISS. Was not this with reference to a possible acquisition of planes? The fourth sentence of this paragraph says:

The Government wishes to acquire ten large bombing planes, and it is a choice between Junkers and ourselves. Lopez and the Minister suggested that Cliff fly down there with them, and the job is so important that we decided that if necessary we would have to delay the Argentine business.

Mr. WEBSTER. Apparently that letter does infer that. It was my present impression that it was to go down on trouble shooting.

Mr. HISS. Who was Mr. Brewton?

Mr. WEBSTER. He is also a service engineer, a service man, from the Wright Aeronautical Co.

Mr. HISS. I offer as "Exhibit No. 378" a letter dated November 8, 1933, to Mr. J. A. B. Smith, from Mr. Shannon.

(The letter referred to was marked "Exhibit No. 378", and is included in the appendix on p. 954.)

Mr. HISS. J. A. B. Smith is an official of the Export Corporation?

Mr. ALLARD. No. Mr. Smith is the treasurer of the parent company.

Mr. HISS. With a copy to Mr. Allard. On page 3, referring to the first complete paragraph, the letter says:

Harvey Brewton is here and have spent much time with him. He expects to leave on Sunday's plane to Bolivia and will also probably go down into the Chaco. Shorty Berger is also down there and additional spares, including engines, will undoubtedly be purchased.

Mr. WEBSTER. Mr. Hiss, if you will permit me to say so, that does not necessarily mean that they were down there selling. Mr. Brewton has nothing whatever to do with sales. He is a mechanic. He was down there trouble-shooting, as we did before.

Mr. HISS. Earlier I asked Mr. Allard if you had not given instructions on the actual scene of hostilities to foreign mechanics, or if you had not made repairs; and Mr. Allard, as I remember his answer, said that he thought you had only made repairs of ships you had already sold. This was an indication that the men were on the scene and that, taken in connection with some of the previous letters introduced this morning, they were giving instructions to mechanics as well as actually repairing machines.

Mr. ALLARD. Mr. Hiss, those are entirely instructions in the operation which would come under the category of service, repairs. If a man is ruining an engine by improper knowledge of how to operate it, it would save the expense of having to service it, if we told him how to operate it properly; that is all.

Mr. HISS. Then you do agree that your company gives service directions as well as makes trouble-shooting repairs.

Mr. ALLARD. Absolutely.

Mr. WEBSTER. Yes, indeed.

Mr. HISS. At the actual scene of warfare?

Mr. ALLARD. If necessary; yes, sir.

Mr. WEBSTER. This was not at the actual scene of warfare, Mr. Hiss.

Mr. HISS. In the Chaco?

Mr. WEBSTER. It was in the Chaco, but not at the actual scene of warfare. This was back at some supply base.

Mr. HISS. Do you think it was the air base for the Chaco region?

Mr. WEBSTER. No; I believe probably it was the overhaul base, repair base.

Mr. HISS. It was the major repair base for the Bolivian Air Corps, was it not?

Mr. WEBSTER. I do not know whether it was the major base. It was some base. It was not at the actual scene.

Mr. HISS. The base used for the Chaco dispute?

Mr. WEBSTER. Probably.

Mr. HISS. I offer as "Exhibit No. 379" a letter dated December 15, 1933, signed "Tony." That is Mr. Ashton, of Webster & Ashton?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Your agents in Bolivia?

Mr. WEBSTER. Yes, sir.

Mr. HISS. This letter is to Mr. Webster.

(The letter referred to was marked "Exhibit No. 379" and is included in the appendix on p. 956.)

Mr. HISS. Referring to the last paragraph in the letter:

Travis's presence in the Chaco is most important, as the pilots are very friendly indeed toward him and he is very discreet in his ways. Brewton (that is the mechanic), with his knowledge, of course, is also very valuable, so between the two some excellent work must have been done.

Mr. WEBSTER. That is in overcoming the difficulties they were having at the time in the operation of the engines.

Mr. HISS. Have you ever supplied flight instructions to officers who you expected would use those instructions in warfare—officers of foreign governments?

Mr. WEBSTER. Just how do you mean? Do you mean we might give instructions today and 5 years from now those officers would be used in warfare?

Mr. HISS. Do you give gunnery instructions, for example?

Mr. WEBSTER. No, sir.

Mr. HISS. Mr. Allard, may I call your attention to a telegram from you to Mr. Burdette S. Wright dated November 24, 1931, which I will offer as "Exhibit No. 380."

(The telegram referred to was marked "Exhibit No. 380.")

Mr. HISS. This Exhibit "No. 380" says:

Would there be any governmental objection our giving flight training, including some gunnery, to American-born Chinese.

J. S. ALLARD.

Mr. ALLARD. That is correct. At that time we were giving flight training in the flying service, which was discontinued some 2 years ago or a year and a half ago at least.

Mr. HISS. And that included gunnery training?

Mr. ALLARD. No. It did not. We were asking if we could include gunnery training at that time.

Mr. HISS. You did not include gunnery training?

Mr. ALLARD. No, sir.

Mr. HISS. Have you ever supplied personnel as recruiting officials for a foreign government? Have you ever had requests from foreign governments that your company recommend pilots or mechanics?

Mr. ALLARD. We may have had requests. I think the files would disclose that. We probably have had requests.

Mr. WEBSTER. Yes.

Mr. HISS. Has your company ever complied with any of those requests?

Mr. ALLARD. We have possibly recommended mechanical personnel.

Mr. HISS. Have you ever had an agreement with a foreign country whereby you were under obligation to furnish expert instructions in the handling of planes either from the mechanical end or the flying end during any period of time after the purchase of planes from your company?

Mr. ALLARD. Never on the flying end that I know of. We have had—we have supplied or recommended to the governments not on our pay roll, personnel to work in factories.

Mr. HISS. I offer as "Exhibit No. 381" a letter from Mr. Goulding, vice president of the Export Corporation to Mr. Roberto Escobar, acting Consul General in New York for Colombia.

(The letter referred to was marked "Exhibit No. 381" and is included in the appendix on p. 958.)

Mr. HISS. The first paragraph of the letter, Mr. Allard, says:

You know from copy of agreement which I handed you that we had agreed to furnish and recommend certain personnel to go to Colombia. The agreement I have reference to is one dated January 31, 1934, under which we were to furnish an expert in the flying of Condor planes, to accompany the planes to Colombia and remain there for a period not to exceed three months to give instruction at the school fields in the handling of the Condor planes.

On page two, the last paragraph, is—

One of our St. Louis mechanics seems especially interested in making this trip. His name is George Clark, who formerly made trips for us to Latin American countries. He is a very expert mechanic and has a very pleasing personality, speaks Spanish, and in addition to his aircraft mechanical knowledge, is an expert on armament.

An aviator or a mechanic who is an expert on armament is more valuable to your company for such services than one without that knowledge?

Mr. ALLARD. Not to our company; possibly to the customer.

Mr. HISS. "Exhibit No. 378", which has already been made a part of the record, November 8, 1933, from Mr. Shannon to Mr. Smith,

page 2, in the middle of the first complete paragraph, the fourth sentence, reads:

I was also asked to secure about eight good Army bombing pilots who might be available and out of jobs and looking for a little excitement and money to come down with the ships and go to work in the Chaco for the Government.

I offer as "Exhibit No. 382" a letter dated March 30, 1934, from Mr. Webster to Mr. Anthony Ashton, of Webster & Ashton, Bolivia.

(The letter referred to was marked "Exhibit No. 382" and is included in the appendix on p. 959.)

Mr. HISS. Reading from page 2, under the heading "Pilots", in "Exhibit No. 382":

While in La Paz I offered my own services gratis, and as a friendly gesture, to handle the delivery of the Condors. I also agreed, at the request of the Government, to secure some pilots who would remain in Bolivia and handle them in service.

Those Condors were sold for what purpose, Mr. Webster?

Mr. WEBSTER. They were transport planes and bombing planes.

Mr. HISS. They could be used as large bombing planes, and were so sold by your company?

Mr. WEBSTER. Yes, sir.

Mr. ALLARD. But they were never delivered.

Mr. WEBSTER. No; they were never delivered. I might add, Mr. HISS, that when it was called to my attention it was entirely out of order to supply pilots or assist in engaging pilots for Bolivia, we immediately notified the Bolivian Government it was impossible to do that, and the entire matter was called off.

Mr. HISS. Did you ever employ pilots for Colombia?

Mr. WEBSTER. No, sir.

Mr. HISS. "Exhibit No. 383", which I offer in evidence, is a letter from Mr. Crosswell to "Dear Parm."

(The letter referred to was marked "Exhibit No. 383" and is included in the appendix on p. 961.)

Mr. HISS. The letter, "Exhibit No. 383", is dated April 25, 1934, and is addressed to "Dear Parm." That is Mr. Hewlett?

Mr. ALLARD. Yes.

Mr. HISS. Beginning with the second paragraph of this letter, I read as follows:

I spent last week end in Cartegena with Comm. Strong and the American pilots and mechanics who have recently arrived, 24 pilots and approximately the same number of mechanics. Comm. Strong is in a little hot water, and it is mostly in his interest that I am writing this letter.

Commander Strong referred to was a former American naval officer who was at that time adviser to the Government of Colombia?

Mr. ALLARD. So I understand.

Mr. HISS. Reading further from this letter, it says:

It seems that Comm. Strong left the States with the understanding that pilots were to be recruited who are willing to fight, if necessary, and instruct Colombian students otherwise. Contracts were drawn up accordingly, and everyone was very happy until the press got wind of the movement. The State Department then had to take official cognizance to which they were forced to react negatively in order to maintain a strict neutrality in South America. The pilots were told that passports would not be issued with the fighting clause in their contract, and that should they engage in actual military combat after arriving here, the consuls would be instructed to take up their passports and

they would automatically lose their citizenship. A new contract was therefore drawn up, with the permission of Bogota, which eliminated the fighting clause. It seems that Comm. Strong was not consulted regarding this new contract, and it was his understanding and intention all along that these pilots immediately organize as a fighting squadron and begin training as such at Cartagena.

When Comm. Strong met the pilots and was informed of the above happenings he asked for an immediate decision as to which of the two contracts they intended to keep, letting them know that he would not compromise. If they intend to instruct only, they will fly only training planes, and vice versa, if they intend to fight. They unanimously decided to stick by the second contract—in other words, instruct only.

Comm. Strong is quite incensed as a result of their decision, and I presume that he is sincere in giving the impression that he didn't know of the second contract. At any rate, he wants to take immediate steps to get other pilots down here who are willing to fight. He indicated to me that he will be in hot water with the war minister, who also thought this group would function as a fighting unit (as to who gave the permission for the second contract in Bogota, Quien sabe?) I therefore told him that I would give you all the dope in order that you may help recruit new pilots if you so desire. He thought that Ralph Damon could interest the Naval Reserve unit at St. Louis, as some of these fellows had previously indicated a willingness to go in for flying of this sort. Please understand, however, that there is no obligation whatever for any action on the part of the Curtiss Co. He wanted you all to know just as another agent, so to speak, for contacting the type of pilot who is desirable.

The Ralph Damon referred to was then the president of the Airplane Co. in St. Louis?

Mr. ALLARD. That is correct.

Mr. HISS. Reading further, the letter says:

He wants men with military flight training (or naval) who have been trained in dive bombing and airplane gunnery. A high type of individual is necessary in order that Colombia may have the best impression possible of Americans, which impression will be reflected by their use of American goods and equipment.

Did your company ever recommend any pilots for Commander Strong?

Mr. ALLARD. Absolutely not.

Mr. HISS. Has your company ever recommended any pilots to be sent to China as instructors to the Chinese?

Mr. ALLARD. Not to my knowledge, Mr. HISS.

Mr. HISS. I offer "Exhibit No. 384", being a letter to Mr. Robert L. Earle from the Intercontinent Aviation, Inc., dated February 6, 1934.

(The letter referred to was marked "Exhibit No. 384", and is included in the appendix on p. 952.)

Mr. HISS. Mr. Robert Earle was a representative of the Curtiss-Wright Corporation in Washington, D.C.?

Mr. ALLARD. Yes.

Mr. HISS. The Intercontinent Aviation, Inc., was the Curtiss group selling agency in China?

Mr. ALLARD. Yes.

Mr. HISS. Reading from this letter, "Exhibit No. 384", it says:

Jack Allard has asked me to write and see if you could obtain from the Army a list of about 25 recent graduates of Kelley Field, together with their service records, from which we could pick a number of them for ferrying airplanes to a foreign country with the possibility that they might obtain employment with that foreign government.

We understand that a number of Kelley graduates have been discharged recently and these are the men to whom we refer.

There exists an opening for a man in China to act as machine-gun instructor, who may also be selected from this list.

Mr. HISS. I offer "Exhibit No. 385", which is a letter from the Intercontinent Aviation, Inc., to Mr. Robert L. Earle, Washington, D.C., dated February 13, 1934.

(The letter referred to was marked "Exhibit No. 385" and is included in the appendix on p. 963.)

Mr. HISS. I read from this letter, as follows:

I talked with Mr. Allard regarding the specifications for pilots and he advised that he does not wish to disclose any information regarding what countries the pilots are to go to. He wishes you to obtain the names of pursuit, bombardment, attack, and observation pilots who are interested in going to a foreign country and a specification from them as to what country they would like to go.

From time to time we have occasion to send men out and we would like to have in our files information concerning a number of such pilots.

We also suggest that you approach the Navy on this subject and obtain a list of Navy-trained pilots who may be available for such work as we at times have occasion to send out airplanes on floats.

I would suggest that you have Lt. Hollidge write us fully giving complete information as to himself with references whom we may contact and that you supply us with as much information as you can concerning him in connection with the position of machine-gun instructor in China.

We are not sure that this position is still open, but it will pay about 800 Hong-kong dollars a month and should afford an opportunity for an Army-trained man to continue his work along military lines.

Who was Lieutenant Hollidge?

Mr. ALLARD. I haven't any information whatever.

CURTISS-WRIGHT COMPANY'S ATTITUDE TOWARD EMBARGOES

Mr. HISS. Mr. Allard or Mr. Webster, has your company opposed embargoes on shipments of military equipment?

Mr. ALLARD. Opposed them, in what way?

Mr. HISS. When they have been suggested or proposed or considered in Congress or by other countries with which your company deals, has your company opposed them?

Mr. ALLARD. Not to my knowledge; no.

Mr. HISS. Does your company believe in the policy of embargoes on military equipment?

Mr. ALLARD. I think that is rather a difficult question for me to answer at this time. We believe in the policy, dictates, and laws of this Government or any other government under whose jurisdiction we might be operating.

Mr. HISS. In your sales to various South American countries have there been occasions when you understood that one country with whom you dealt did not wish you to sell to another country, and in order to avoid that you have transhipped your material so that it was invoiced to one country and actually transhipped to another?

Mr. ALLARD. Not to my knowledge; no.

Mr. HISS. "Exhibit No. 378", already a part of the record, from Mr. Shannon to Mr. Smith, with a copy to Allard, in the last part of the last paragraph, reads:

As I told you before, Peru expects to mix things again with Colombia. In this connection, if there is trouble on the part of Colombia objecting to us selling Peru, we can make a deal whereby the material would be intended for the Bolivian Government and shipped along with their orders to Mollendo.

Mollendo is in Peru?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Reading further it says:

Bolivia and Peru are working very closely together. Chile has now lifted the ban on shipments to Arica for Bolivia and is asking for the business through her ports, but Lopez told me that he did not wish to hurt Peru's feelings and although it was more difficult to ship through Mollendo, he intended to play ball with Peru.

Wasn't that a case of a plan to make transshipments in case one country disapproved of your selling to another country?

Mr. ALLARD. I think it is merely a statement. It is not any plan, and was never considered as such.

Mr. HISS. I offer "Exhibit No. 386", which is a letter from Mr. Webster to Mr. Van Wagner, dated April 27, 1933.

(The letter referred to was marked "Exhibit No. 386" and is included in the appendix on p. 963.)

Mr. HISS. I read from this letter, "Exhibit No. 386", as follows:

The Grace Company, owing to considerable pressure from the Colombian Government, has refused to accept shipments consigned to the Peruvian Government or to Faucett, which makes it necessary to ship to the Canal for reshipment on British or Italian vessels.

Faucett was your agent in Peru?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Reading further, the letter says:

The thought occurred to us that we might circumvent the difficulty by shipping to Arica and reshipping from there to Callao.

Callao is a port in Peru?

Mr. WEBSTER. Yes.

Mr. HISS. Reading again from this paragraph, the letter says:

Inasmuch as the Chilean Government has closed the port of Arica to Bolivia, it is possible that they will take similar action with Peru. I would suggest that you take this matter up with Dias Lira and see if permission can be obtained to go into Arica and then come back up north to Callao.

Dias Lira was a lawyer in Chile?

Mr. WEBSTER. Yes. That action on the part of the Grace Co. was purely their own action, inasmuch as they had large interests in Colombia, and the Colombian Government simply requested them not to carry shipments to those ports.

Mr. HISS. Your company, Mr. Allard, owns how many plants abroad which can produce planes or engines?

Mr. ALLARD. The Export Co. does not own any. The Curtiss-Wright Corporation has one in Chile and a part interest in one in China. Those are the only two plants.

Mr. HISS. Have you any interest in the Argentine or Brazilian factories?

Mr. ALLARD. None whatsoever.

Mr. HISS. In the event of an embargo such as the embargo now in effect, would you feel free to manufacture military planes in the Chilean factory or in the Chinese factory, although the Government had forbidden the sale within the United States?

Mr. ALLARD. I do not know, Mr. HISS. That is a policy that would come up at the time such a problem presented itself. It never has come up and we have never given it any consideration.

¹ Mr. Allard later informed the committee that the Curtiss-Wright Export Corporation does own the plant in Chile.

Mr. HISS. There is at present an embargo in Paraguay and Bolivia?

Mr. ALLARD. Yes.

Mr. HISS. Would your company observe any embargo in Chile, where your factory is located?

Mr. ALLARD. Yes; we could not do anything else.

Mr. HISS. "Exhibit No. 364" is a letter dated March 30, 1933, from Mr. Webster to Mr. Van Wagner, and I read from that letter as follows:

Another matter which I wish you would take up immediately and possibly through Diaz Lira is the question involving the possible manufacture in the Santiago plant of airplanes intended for other South American countries. This is in view of a possible embargo on the part of the League of Nations and the United States Government. In other words, would we be permitted to ship material into Chile for assembly and fabrication for such countries as Colombia, Ecuador, Peru, Bolivia, etc.?

I offer as "Exhibit No. 387" a letter dated April 20, 1933, from Javier Diaz Lira to Mr. Van Wagner.

(The letter referred to was marked "Exhibit No. 387", and is included in the appendix on p. 964.)

Mr. HISS. From this letter, "Exhibit No. 387", I read the following:

After a number of conversations that I have had with several officials, I want to confirm to you what I mentioned in my letter of the 10th inst., to the effect that there is not any difficulty, as respects the Government of Chile, in the Curtiss Company extending its activities of building planes for sale and exportation to other countries. There is no regulation, neither in the law nor in the contract, which resulted in the setting up of the factory in Chile that might prevent that activity of the company which you represent.

On the Government's part, the initiative of the factory is considered not only with acceptance but even with evident pleasure, I have today discussed this matter fully with Mr. Diego Aracena, Chief of the Air Force, who told me that he accepted with enthusiasm the notice that the factory would intensify its work and production of airplanes for sale in Chile or in foreign markets.

Mr. WEBSTER. Would you mind reading the rest of that paragraph, Mr. HISS?

Mr. HISS. Following the words "or in foreign markets?"

Mr. WEBSTER. Yes.

Mr. HISS. Certainly. It reads as follows:

and, knowing the importance and benefit that this would mean to the country and to the advantages that would also accrue to the National Air Force, he would support all protection with reference thereto before the Government.

Mr. WEBSTER. It was the desire of the Chilean Government to create a national airplane or aviation industry in Chile the same as in many other countries.

Mr. HISS. Has your company in any way attempted to evade embargoes or restrictions on military planes by labeling the packing cases by other names than the actual names of the planes?

Mr. ALLARD. I do not think any packing cases have the names of planes on them.

Mr. HISS. What discloses the nature of the shipment, the shipping documents?

Mr. ALLARD. Yes; the shipping documents.

Mr. HISS. I offer "Exhibit No. 388", which is a letter dated April 15, 1933, from the Curtiss-Wright Corporation by S. J. Abelow to Faucett in Lima, Peru.

(The letter referred to was marked "Exhibit No. 388". and is included in the appendix on p. 964.)

Mr. HISS. Who is S. J. Abelow by whom this letter is signed?

Mr. ALLARD. He is a clerk.

Mr. HISS. In the employ of the Export Co.?

Mr. ALLARD. Yes.

Mr. HISS. I read from this letter, "Exhibit No. 388", as follows:

We just received advice by telephone from the Barr Shipping Corp., our forwarding agents, that the Grace Line notified them they would be unable to accept any shipments consigned to you that moved on their steamers via a Colombian port. Evidently the Grace Line is taking a strong hand due to the fact that they have been subject to considerable pressure on the part of Colombian Government authorities in carrying material of a military nature. Our information is that the Colombian Government knows you are buying material for the Government of Peru, and consequently is making every effort to prevent such material from reaching Peru.

And then in the last paragraph the letter reads:

We could declare the material by other terms on the bill of lading so as to throw the steamship company off the track; e.g., we could declare engine parts as "internal combustion parts"; "spark plugs"; other aeroplane parts could likewise be changed; e.g., "steel tubing" in place of aeroplane parts; "lacquer" instead of "dope", etc. etc.

Dope, what is that; is that lacquer?

Mr. ALLARD. It is lacquer; yes.

Mr. HISS (reading):

We suggest you act on this immediately and give us the name of your forwarders by cable, referring specifically to this letter number for our guidance.

Mr. WEBSTER. I have never seen that letter before, and I do not think anything of that nature was ever done, Mr. HISS.

Mr. HISS. I offer "Exhibit No. 389", which is a letter dated March 12, 1934, from Walter J. Decker, Consul General of Bolivia, to Mr. Webster.

(The letter referred to was marked "Exhibit No. 389.")

Mr. HISS. I read from this letter, "Exhibit No. 389", as follows:

I beg to inform you that as per instructions which I have received from La Paz, it is my Government's desire to avoid showing completely, in the cases and the documents covering them, the real content of all shipments of war material.

To this effect I take the liberty of requesting your kind cooperation in issuing strict instructions to all concerned to the following effect:

(1st) That in all shipments made by your firm for the Government of Bolivia the cases must have only the words "handle with care", outside of the ordinary shipping marks, without having any trade names or any other marks or words that may in any way reveal the real contents of the shipment involved.

(2nd) That both the bill of lading and the consular invoice must each show the following as the content of each shipment:

MATERIAL FOR THE GOVERNMENT OF BOLIVIA

While the commercial invoice and packing list must be made up in the usual manner, giving full particulars regarding the contents, prices, etc. This will, in no way at all interfere with the respective classification necessary for freight-rate purposes, which is to be filed separately to the steamship line.

Hoping that you will follow these instructions closely and awaiting your reply to the effect that you are in complete accord with the contents of this communication, I beg to remain.

Yours very truly,

(Sgd.) WALTER J. DECKER,
Consul General of Bolivia.

Mr. WEBSTER. There is nothing unusual or out of order in so marking packing cases. As a matter of fact, we usually only mark them by numbers and by letter.

The CHAIRMAN. Is it not a violation of law to deceive in these foreign shipments?

Mr. WEBSTER. You are not deceiving. Your invoices show the exact material, and it is just the marking on the outside of the cases.

The CHAIRMAN. What can our very efficient Commerce Department do in its effort to ascertain correctly and closely what our exports are, if that is not required?

Mr. ALLARD. I do not know what the Department does.

The CHAIRMAN. They cannot do that.

Mr. ALLARD. Oh, yes; they can. There must be ways of their checking up, because they have been doing it for years.

Mr. WEBSTER. All of your papers must show exactly what the shipment is.

The CHAIRMAN. The records of the Commerce Department reveal the contents of shipments abroad, and they must be all inclusive?

Mr. WEBSTER. Yes.

The CHAIRMAN. They do not know there are ways of getting around it.

Mr. ALLARD. Speaking from our business alone, with which I am only acquainted, there is absolutely a check.

The CHAIRMAN. They are without a check?

Mr. ALLARD. No; they have an absolute check, they have a very definite check.

Mr. HISS. Mr. Allard, has your company ever used any of the methods described in these letters, such as transshipments, or mislabeling of materials or any of the other things we have just been through in the last three or four letters, in an attempt to evade an embargo of the United States Government?

Mr. ALLARD. No, sir.

Mr. HISS. Did your company enter into a contract with the Government of China in anticipation of an embargo on shipments of military planes to China?

Mr. ALLARD. No, sir.

Mr. HISS. I offer "Exhibit No. 390", which is a telegraphic message from the China Co., Shanghai, China, to the Export Co.

(The telegraphic message referred to was marked "Exhibit No. 390", and is included in the appendix on p. 965.)

Mr. HISS. The China Co. is your representative?

Mr. ALLARD. Yes.

Mr. HISS. Reading from this message I find the following:

About 1 to 2 months ago I suggested Minister of Finance enter (s) (into) contract (s) acquiring large number (s) (of) military airplane (s) as protection against possible American embargo (upon) stop.

Minister of Finance have signed contract (with) Intercontinent Aviation, Inc., March 29th.

You sold through the Intercontinent Co. in China?

Mr. ALLARD. That is right.

Mr. HISS. I read further from the message, as follows:

For 96 military airplane (s) subject to cancellation 15 days' notice either party (ies) (to).

Is that not rather an unusual provision in any contract?

Mr. ALLARD. No; depending on the contract.

Mr. HISS. No description of planes. Is that unusual?

Mr. ALLARD. No.

Mr. HISS. No prices; is that not unusual?

Mr. ALLARD. No.

Mr. HISS. No delivery date mentioned; is that not unusual?

Mr. ALLARD. No; not when you are negotiating the contract.

Mr. HISS. I read further from the message:

Please notify Department of State of this contract stating that Chinese Government aviation expert (s) to decide about on type (s) at a later date. No publicity of any kind must not be given this matter as Minister of Finance exceedingly anxious (to) transaction not to be known anyone except Department of State official (s).

It must be understood that this is not purchase (s) agreement (s) and is a contract (s) (for) for the purpose (s) (of) protecting government against embargo (upon) this contract give us moral advantage (s) over competitor (s).

You do not consider that arrangement was an attempt to evade a possible embargo by the United States Government on shipments of military planes?

Mr. ALLARD. It very definitely states there this is not a purchase agreement, but the contract was never accepted by us or considered in any way. That is a statement made by an agent telling about a contract they entered into. The record will definitely show we referred the matter right back to them, telling them we were not interested.

Mr. HISS. This letter says the contract was signed by the Intercontinent Aviation.

Mr. ALLARD. Yes.

Mr. HISS. Their only connection with your company is they are a selling agency?

Mr. ALLARD. That is right.

Mr. HISS. They are also controlled by the Sperry Corporation, are they not?

Mr. ALLARD. That is right.

RELATIONS WITH OFFICIALS AND DEPARTMENTS OF UNITED STATES GOVERNMENT

Mr. HISS. Earlier in your testimony you referred to the severity of competition in perfecting sales of military planes abroad. In the course of that competition, have you found that foreign aviation companies have received the support of their respective governments in perfecting sales?

Mr. ALLARD. Very definitely; very completely.

Mr. HISS. I offer "Exhibit No. 391", which is a letter to Mr. Allard of date July 8, 1930, signed with the initials "R. P. F."

(The letter referred to was marked "Exhibit No. 391" and is included in the appendix on p. 966.)

Mr. HISS. The initials "R. P. F.", is that Mr. Farnsworth?

Mr. ALLARD. Yes.

Mr. HISS. He was at that time an employee of the Export Co.?

Mr. ALLARD. That is right.

Mr. HISS. I read from this "Exhibit No. 391", as follows:

The following is a more or less complete outline of the conversation Mr. Farnsworth had with Fowler Barker this afternoon. Undoubtedly you are cognizant of all these facts, but it will do no harm certainly to jot them down.

Fowler Barker was with the Department of Commerce at that time?

Mr. ALLARD. Yes.

Mr. HISS. Reading further, the letter states:

It seems that Mr. Young recently received rather lengthy reports from the commercial attaché at Buenos Aires and Montevideo expressing their apprehension over strong European aeronautical competition. There is to be a British aircraft carrier in a River Plate around December 21st, carrying about 20 assorted airplanes of English manufacture. Italy has stationed De Pinedo as air attaché in Buenos Aires and is evidently making a strong bid for business. The French position was greatly strengthened by the recent trans-Atlantic flight carrying mail to South America.

There evidently was a consultation between Captain Fleming, our military attaché for Argentina and Uruguay, and the two commercial attachés in these countries, and Leigh Wade, who as you know, is down there representing the Consolidated people.

That is the Consolidated Aircraft Corporation?

Mr. ALLARD. From Buffalo; yes.

Mr. HISS. Then the letter reads further:

This conference resulted in the determination to attempt to arrange some sort of a demonstration from the United States to counteract the European activities. The Department of Commerce will possibly interview the leaders of the aircraft industry here and see what their attitude would be toward sending a group of planes to South America, possibly some of those participating in the National Air Tour this year. It is thought possible that if the manufacturers so desire, a delegation of them will interview Secretary Ingalls and gain his consent for the use of one of our carriers to transport the planes to South America, citing the action of the British as a precedent. Undoubtedly this demonstration if ever made tangible would visit the international aeronautical exhibition to be held at Montevideo during the first half of February 1931.

That is Secretary Ingalls, who was Assistant Secretary of Air, he is referring to?

Mr. ALLARD. For the Navy; yes.

Mr. HISS. Assistant Secretary of the Navy for Air?

Mr. ALLARD. Yes.

Mr. HISS. When he refers to one of the carriers, he means one of the plane transports?

Mr. ALLARD. Yes.

Mr. HISS. The letter then reads further:

I am quite sure that this idea has not been broached to any of our competitors and nothing may ever come of it, but in the event that something does materialize we will at least have had a little bit of warning.

Do you know whether Mr. Ingalls was ever approached on that matter?

Mr. ALLARD. I believe he was, but I do not remember definitely whether he was.

Mr. HISS. Do you remember whether he was sympathetic to it?

Mr. ALLARD. No.

Mr. HISS. I offer "Exhibit No. 392", which is a letter dated September 29, 1930, from Mr. Wright to Mr. Allard.

(The letter was marked "Exhibit No. 392", and is included in the appendix on p. 966.)

Mr. HISS. In this letter there is the following [reading]:

I was in Mr. Ingalls' office this morning and his office urged that we push in every way possible the completion of the arranging for the carrier to go to South America. Comdr. Moulton believes that we must take the matter up with the White House by possibly a head of the Aeronautical Chamber of Commerce. I know that you are handling the matter as representative of theirs, together with the help of the Department of Commerce. It looks as though I may be out of town Wednesday of this week at Dayton, but I am hoping that I may be able to delay the trip until Thursday in order to be here when you are here on Wednesday.

I offer as "Exhibit No. 393" a letter dated October 7, 1930, from Mr. Allard to Mr. B. S. Wright.

(The letter referred to was marked "Exhibit No. 393", and is included in the appendix on p. 967.)

Mr. HISS. This letter, "Exhibit No. 393", is on the subject of naval carrier to South America, and says [reading]:

Thanks for yours of October 3rd on this subject, and as a result, Leigh Rogers and I are today drafting the letter for Fred Rentschler to present to Mr. Hoover.

Mr. Leighton Rogers was then Director of the Bureau of Foreign and Domestic Commerce in charge of the Aeronautics Division?

Mr. ALLARD. Yes.

Mr. HISS. Mr. Fred Rentschler referred to was an official of United Aircraft?

Mr. ALLARD. Yes; I think the reference to him there is as president of the Aeronautical Chamber.

Mr. HISS. He was then president of the Aeronautical Chamber, of which Mr. T. A. Morgan is now president?

Mr. ALLARD. That is right.

Mr. HISS. Will you identify Mr. Merino? I think he has been identified before, however.

Mr. ALLARD. Mr. Webster will have to do that.

Mr. WEBSTER. What date was that?

Mr. HISS. 1931.

Mr. WEBSTER. I believe at that time Arturo Merino was chief of aircraft of Chile.

Mr. HISS. "Exhibit No. 394" is a letter from Mr. Webster to Mr. Burdette S. Wright, dated March 11, 1931.

(The letter referred to was marked "Exhibit No. 394", and is included in the appendix on p. 967.)

Mr. HISS. That letter reads in part as follows:

In line with my telephone conversation this morning, Comandante Arturo Merino B., subsecretario of the interior for aviation, is the chief of all Chilean aviation—army, navy, and civilian. He is the biggest foreign customer we have, and is entirely responsible for all our business in Chile.

During the recent visit of the Prince of Wales to Chile, the Prince personally invited Merino to visit him this spring, which invitation was accepted. His original plan was to proceed to England first, and then visit the United States, but we have persuaded him to visit the United States first in order to witness the Air Corps manoeuvres during May. He has agreed to this program providing an official invitation is extended to him by the U.S. Government through the War Department as a foreign observer.

This means a great deal to us, as Merino has never been out of his own country and has always been partial to European methods and materials until we began to supply him with equipment a few years ago. It is up to us to lean over backward in selling Merino American ideas, methods, and equipment, and upon his arrival here we are arranging an elaborate and extensive program calling for visits to various airports in this country. If possible, we would like to have you arrange for permission to visit various Army and Navy stations and have him meet the Army and Navy Secretaries, and, if possible, President Hoover. This seems advisable and necessary in order to off-set the efforts of the Prince of Wales.

* * * In order to further emphasize the importance of making these arrangements for Comandante Merino I should mention that we have at present orders amounting to \$1,000,000 for the Chilean Government with another million or million and a half ready to be closed within the next month or so.

Has your company ever borrowed from the United States Army pilots to help in demonstrating your planes abroad?

Mr. ALLARD. Yes, sir.

Mr. HISS. Have you found that they have been helpful in making sales?

Mr. ALLARD. Certainly—in making sales?

Mr. HISS. In your making sales?

Mr. ALLARD. Yes; as demonstrators, surely.

Mr. HISS. Were they in active service at the time or had they retired from the Army?

Mr. ALLARD. In most cases that I am familiar with they were in active service on leave, approved by the Secretary of War and Chief of the Air Corps.

Mr. HISS. And you arranged for the leave, requested their leave?

Mr. ALLARD. We assisted them in requesting the leave.

Mr. HISS. "Exhibit No. 395" is a letter of August 12, 1930, from Burdette S. Wright to Mr. Allard.

(The letter referred to was marked "Exhibit No. 395", and is included in the appendix on p. 968.)

Mr. HISS. That letter reads in part as follows:

Colonel Foy of the Military Intelligence Division called Farnsworth to his office this morning and showed him some correspondence received from Major Emer Yeager, military attaché at the American Embassy, Warsaw, Poland. Major Yeager, among other things, said that the performance of our pilots, planes, and motors made a profound impression in Bucharaest and Rumania. He happened to be standing by the side of the chief of Rumanian aviation in Bucharest while Doolittle was doing his stuff. The chief apparently expected the wings to drop off the Hawk at any moment during a power dive and had never seen anything at all like Doolittle's performance.

In Warsaw, Captain Cannon—

That was an American officer?

Mr. ALLARD. That is right; on this tour.

Mr. HISS (continuing reading):

seems to have carried off the honors with his superb handling of the Fledgling. He apparently put it through completely its paces, leaving a firmly seated conviction of the stability, steadiness, and remarkable performance of the plane. As one Pole expressed it, he made it do everything but dance. All in all, the officials, including French and British attachés, were deeply impressed with the power of the motors and the strength of the ships.

Another dispatch deals with the jealousy of the French and English aroused by this flight. Shortly after our demonstration was finished, France made an official flight with high ranking officers to Warsaw and Baltic countries.

This trip was made very secretly and with a minimum of publicity. Major Yeager tells of a flight of British airplanes to twelve Balkan and Scandinavian

countries to be made in September. This is supposed to be merely an official flight of the Royal Air Force, but Major Yeager learned from reliable source that it was definitely planned to offset any good impressions of American aviation made by our Curtiss-Wright tour.

In addition to borrowing pilots from the Army for demonstration purposes, has your company found that other governmental departments or institutions have been helpful in promoting the sale of aircraft abroad?

Mr. ALLARD. Very definitely.

Mr. HISS. "Exhibit No. 396" is a letter from Helsingfors, Finland, dated February 18, 1931, signed by Melvin Hall, vice president of the Export Corporation, to the American Charge d'Affaires at the American Legation at Helsingfors.

(The letter referred to was marked "Exhibit No. 396", and is included in the appendix on p. 968.)

Mr. HISS. That letter reads in the third paragraph as follows [reading]:

I have warning, however, that the decision may be influenced by political considerations, and I have good reason to believe that the Gnome et Rhone Company (French) are bringing considerable pressure to bear in an effort to secure this business for their "Jupiter" or "Mercury" engine which they build under license from the Bristol Aeroplane Co. (British). This pressure is of a nature which reflects little credit on the business ethics of the Gnome et Rhone Co. The Finnish Air Force possesses a certain quantity of Gnome et Rhone "Jupiters" and I believe that some fourteen of these engines are now in the Gnome et Rhone factory near Paris for overhaul. The company apparently agreed to carry out this overhaul free of cost, but once having received the motors they appear now to be using them as a lever, coupled with threats of making difficulties in future with respect to spare parts for the other "Jupiters" in Finnish hands, to force the Finns to divert their projected order for new motors to Gnome et Rhone.

Then the letter continues [reading]:

Our European competitors are undoubtedly using both economic and political arguments against American manufacturers, and have succeeded in convincing certain of the Finnish officials in high authority that America is out of the question, or at least not dependable, for geographical and political reasons, as a suitable source of supply for military equipment. I believe their arguments fundamentally unsound and have attempted to combat them in my communication to the Minister of Defence.

It has been suggested to me, and quite strongly, that it would be very helpful if the American Legation should use its good offices in this instance to combat this propaganda of our European competitors and accredited representatives of their respective governments. Confidentially, I may mention that Col. Vuori, Chief of the Finnish Air Force, who has stated frankly that he favors the "Cyclone" advised me last night that it would do a vast amount of good if the Chargé d'Affaires could talk personally with the Foreign Minister, the Finance Minister, the Defence Minister, and possibly the Minister of Commerce, on the politico-economic situation as it may affect the subject of this memorandum, stressing especially the fact that the United States would be a dependable and rapid source of supply for Finland under all conditions that might conceivably arise. It may be that certain of the grounds for such a contention that I have advanced in my communication to the Minister of Defence will meet with your concurrence.

It is possible that trade arguments will also be advanced against us, which would seem answerable in view of America's friendly relations with Finland, the recent decision of our Treasury Department respecting "dumping" and the vast amounts of money loaned to Finland by the United States and potentially available for future loans.

"Exhibit No. 397" is a memorandum to Mr. Thomas A. Morgan, dated June 19, 1934. That was after this committee had begun its investigations, was it not?

Mr. ALLARD. What was the date?

Mr. HISS. This bears the date of the 19th of June 1934, and we began the 1st of June.

Mr. ALLARD. It must have been; yes, sir.

Mr. HISS. Mr. Morgan is president of the Curtiss-Wright, parent corporation, and president of the Aeronautical Chamber of Commerce?

Mr. ALLARD. Right.

Mr. HISS. Do you know whether this memorandum was ever presented to anybody in the Government?

Mr. ALLARD. Not to my knowledge.

Mr. HISS. Do you know, Mr. Webster?

Mr. WEBSTER. No. I do not know what the memorandum is.

Mr. HISS. It is headed "Importance of the export market to the aviation industry."

(The memorandum referred to was marked "Exhibit No. 397" and is included in the appendix on p. 969.)

Mr. HISS. One of our investigators was informed that Mr. Morgan left a copy of the memorandum with the President and discussed the matter with him.

Mr. ALLARD. If Mr. Morgan made that statement, it is probably correct. I have no personal knowledge of it.

Mr. HISS. With further reference to Major Doolittle, who was referred to as one of the flyers, the Army flyers, do you remember whether Major Doolittle was on the recent board that Newton D. Baker headed up, which recommended an increase in the procurement of Army airplanes?

Mr. ALLARD. Yes, sir; he was.

Mr. HISS. And he is very definitely interested in increasing the number of planes that the United States Government possesses?

Mr. ALLARD. I do not know what the report states.

Mr. HISS. The report recommended an increase.

Mr. ALLARD. If it does, he was an endorser of that.

Mr. HISS. On page 3 of this memorandum, paragraph numbered 8, the committee has been informed that that paragraph was discussed by Mr. Morgan with the President, and it, I assume, represents your company's views of the importance of export business for the aircraft industry?

Mr. ALLARD. I think it does.

Mr. HISS. Paragraph numbered 8, the second sentence, reads as follows [reading]:

In 1933 over one-third of the entire production of aeronautical products was shipped to foreign countries. Aeronautical exports were larger in 1933 than any other year in aviation history. The important part played by exports in relation to our total production is due not only to the sales-promotion efforts and the high quality of our products but is also due to the cooperation the industry has received from the commercial attachés and other United States Government representatives located in foreign countries. These figures are of even greater importance when it is realized that American aircraft available for export is in the obsolescent stage and that it must compete with foreign products which are released for export in many cases after passing the experimental stage.

What do you think Mr. Morgan meant by that?

Mr. ALLARD. Mr. Lodwick?

Mr. HISS. Yes; Mr. Lodwick. What do you think Mr. Lodwick meant by that in his memorandum to Mr. Morgan?

Mr. ALLARD. Simply that the aircraft, engines, and accessories which are released by the Army and Navy for sale to foreign countries are more or less in an obsolescent stage, so far as the United States Government products are concerned.

Mr. HISS. But you find that they are sufficiently recent models so far as foreign competition is concerned to enable your company to compete successfully abroad?

Mr. ALLARD. Not all instances. It is getting more and more difficult and foreign governments are releasing later models than our Government releases.

Mr. HISS (continuing reading):

Foreign countries have likewise assisted their commercial companies in developing business by sending their naval aviation units to foreign countries to demonstrate their latest types of flying equipment. An example of this was the visit of the British Navy to Turkey in 1929, and the flight of 35 Savoia Marchetti torpedo and bombing planes from Italy to Athens, Constantinople, Varna, and Odessa, in June 1929.

The relations of your company with the Department of Commerce have always been very friendly. Is that not correct, Mr. Allard?

Mr. ALLARD. I hope so.

Mr. HISS. "Exhibit No. 398" is a letter of December 10, 1929, written by Mr. Burdette S. Wright, a vice president of the parent company and a director of the Export Co. to Mr. Leighton W. Rogers, Chief of the Aeronautics Trade Division—

Mr. ALLARD. He is not a director of the Export Co.

Mr. HISS. Is he an officer of the Export Co.?

Mr. ALLARD. No, sir.

Mr. HISS. To Mr. Leighton W. Rogers, Chief of the Aeronautics Trade Division, Bureau of Foreign and Domestic Commerce, Washington, D.C.

(The letter referred to was marked "Exhibit No. 398" and is included in the appendix on p. 973.)

Mr. HISS. That letter states [reading]:

DEAR MR. ROGERS: The Curtiss Aeroplane Export Corporation has recently consummated contracts for the sale of military pursuit airplanes to the Dutch East Indies and to the Siamese Government. These contracts have finally been obtained after several months of work through the combined efforts of our representatives and those of the Bureau of Foreign and Domestic Commerce.

We wish you to know how much we appreciate the splendid cooperation of your Division and of the Bureau and of the assistance given by your men in the field and your office in Washington. It is very probable that the contracts might not have been obtained had it not been for the service which your organization was able to extend, as, of course, there are certain angles of situations and information which can be obtained by an official representative of the United States Government, which would be impossible for a private individual to gain.

I certainly hope that the relations between this company and your Division may always remain as happy as they have been in the past and that you will continue to allow us the privilege of calling upon you for assistance in the furtherance of our foreign business, not only in the countries where you have already assisted us but, I hope, also in more extensive fields included in our future program of expansion. I can see where the assistance you might be able to give us in newer fields which we have not yet reached, could be of even greater service to us than in those where we have already carried on negotiations, as, of course, making the initial step in new territory is the most difficult part, unless contacts have already been established ahead of us and we are able to use them for guidance.

Would it be fair to say that the Department of Commerce has supplied you with additional foreign agents abroad in the sale of aircraft, Mr. Allard?

Mr. ALLARD. Not at all.

Mr. HILL. "Exhibit No. 399" is a letter of December 30, 1929, bearing the initials "R. L. E." That is Mr. Earle?

Mr. ALLARD. Yes.

Mr. HISS. Addressed to Mr. J. S. Allard.

(The letter referred to was marked "Exhibit No. 399".)

Mr. HISS. That letter reads as follows:

During my visit to New York several weeks ago we were discussing the best method of sending out export catalogs to the American foreign offices. I discussed this with Leigh Rogers the other day and he says that the Bureau of Foreign and Domestic Commerce will be very glad to send these through in their official pouches to the Commerce Department offices abroad. Where there are no Commerce offices, but consular or other offices of the State Department are located, that he will have them transmitted to the State Department to be placed in their official pouches.

Leigh feels that this will be much safer than sending them direct, as in some countries catalogs in going in are held for payment of duties which would either hold them up for some period of time or obviate any chance of them being delivered at all. All of these may be sent directly to his office if you wish but addressed to the various offices for which they are intended and he will see that they get into the proper channels.

"Exhibit No. 400" is a letter of January 31, 1930, from Burdette S. Wright, an officer of the parent corporation, to Mr. Leighton W. Rogers.

(The letter referred to was marked "Exhibit No. 400" and is included in the appendix on p. 973.)

Mr. HISS. The third paragraph of that letter reads as follows:

My company has expressed its appreciation in no uncertain terms of the assistance which it has received from the Department of Commerce and in sales problems, especially exports, from the Aeronautics Trade Division. As an example, your aeronautics specialist in South America was instrumental last year in paving the way for, and in the consummation of, a sale for six of our airplanes in Brazil—a market from which we have not received any business for years. Such contributions to marketing constitute aid of original and outstanding value.

Because of the strong competition offered by European aircraft manufacturers in the Far East, the embargo against United States aircraft in Australia (which it has been impossible to have lifted through diplomatic channels and by correspondence) and the missionary work which should be done at this time in the Far East in general—

That is missionary work in the sale of munitions?

Mr. ALLARD. For aircraft, I suppose.

Mr. HISS (continuing reading):

we are naturally very much interested in having an impartial observer for the aeronautics industry cover those territories in the same manner in which South America has been covered by your Bureau. The time is particularly opportune to have a qualified aeronautics man visit Australia, New Zealand, and, if possible, South Africa. The Chinese market needs attention, particularly because of the price competition offered by European makers.

We have known for some time that the Department was asking Congress for funds to enable it to carry on and extend this foreign field work for the aeronautics industry, and this letter is being written to ask you about the status of that request for appropriations. Frankly, the company wants the assistance which these appropriations will bring into being.

Your company is in favor of increasing the appropriations for maintaining commercial attachés abroad, Mr. Allard?

Mr. ALLARD. We were at that time.

Mr. HISS. Has your policy changed since that time?

Mr. ALLARD. I do not think so; no.

Mr. HISS. "Exhibit No. 401" is a letter from Mr. Leighton W. Rogers, on the letterhead of the Department of Commerce, dated May 12, 1933, to Mr. Webster, marked "Confidential."

(The letter referred to was marked "Exhibit No. 401" and is included in the appendix on p. 974.)

Mr. HISS. That letter, in part, reads as follows:

Kindly refer to my letter of April 14, about the visit of the Brazilian Army air-service officers who arrived yesterday on the "Southern Cross." It would be impolitic, I believe, to mention the proposition mentioned below to the Brazilian group now here.

In connection with their visit, I note from correspondence from our Rio de Janeiro office that Captain Henrique Dyott Fontenelle was not included in the mission and, according to our office, was the principal advocate of Brazil's purchase and virtual standardization upon American aeronautics equipment.

The Rio de Janeiro office suggested that some American manufacturers or group of them might desire to pay Fontenelle's way to this country, taking advantage of the present low steamship rates. (First-class round-trip passages from Rio de Janeiro to Chicago and return now available for about \$250.00, such round-trip passages being good for a period of six months in connection with the Century of Progress Exposition at Chicago.)

It is understood that Captain Fontenelle can arrange to make the trip, insofar as leave from his duties is concerned. This man has been placed in charge of the organization of the observation group of the army.

I quote from a report dated April 13 from Mr. Pierrot, and am pleased to attach the statement referred to therein—

He was the commercial attaché in Rio?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading):

I have just secured a copy of the recommendations made by Fontenelle during the first two weeks of the revolution, when the War Dept. was in a quandary as to what type of equipment to purchase, and when a tremendous amount of pressure was being brought upon War Dept. officials by French and British manufacturers to buy their equipment. This translation of Fontenelle's report is of particular interest in substantiating the statements I made in my letter to the effect that he, more than any other single flying officer, had been responsible for the purchases of the large number of American planes acquired by the army during the latter months of the revolution.

I am passing this suggestion on to you without any recommendation on my part, as well as to other United States manufacturers likely to be interested and who have been active in the Brazilian market.

The CHAIRMAN. Mr. HISS, what was the date of the suggested request for a squadron of planes or an airplane carrier going south?

Mr. HISS. That was in September 1930. "Exhibit No. 402" is a letter of February 18, 1931, from Mr. Osborn S. Watson, commercial attaché, to Mr. Dickson, charge d'affaires.

(The memorandum referred to was marked "Exhibit No. 402" and is included in the appendix on p. 975.)

Mr. HISS. "Exhibit No. 403" is a letter of March 24, 1931, from Mr. Leighton W. Rogers to Mr. Allard. The memorandum that has been marked "Exhibit No. 402", as will be noted, was enclosed in the letter, "Exhibit No. 403."

(The letter referred to was marked "Exhibit No. 403" and is included in the appendix on p. 976.)

Mr. HISS. The first paragraph of Mr. Watson's report to Mr. Dickson, the charge d'affaires, reads as follows:

Referring to previous conversations on the subject of the pending purchase of aeronautical equipment by the Finnish Air Corps, for which they have appropriations totalling approximately FMKs 60,000,000 (residue from 1930 to 1931 new allowances), the immediate purchase of 10 airplane engines, possibly 18, at around \$6,500 each, which has been debated for a number of months is, according to my latest information, to be decided on within a week or ten days. * * *

This present engine order is of considerable importance to American aeronautical manufacturers; it represents the first order of any importance for engines for military use to be made available to American manufacturers in as advantageous a prospect, it is definitely the first order for airplane engines which American manufacturers have had as good a chance to get in Finland; if this order goes to America, it opens up very good prospects for future business in Finland, and would very much strengthen the chance for doing business in surrounding countries in the Baltic States and Scandinavia. One of the American companies, the Curtiss-Wright Export Corporation, has devoted considerable time and money in following up this opportunity, which I uncovered in October 1929; in June of last year they sent a demonstrating mission of three airplanes to Finland at large expense and since then have had three highly paid men visit Finland for varying lengths of time. The United Aircraft Export Corporation have also sent one man to Finland in connection with this matter, having shown an active interest in it some months after Curtiss-Wright had earnestly taken it up.

In view of the apparent political sentiment in the Government here against the purchase of American engines, even though the technical board in the general staff prefer the American engines, I believe that it would be of considerable assistance if certain Government officials who might have a say in the final decision could be informed of the facts in the matter, as to American deliveries, etc.

"Exhibit No. 404" is an excerpt from a report to the Director of the Bureau of Foreign and Domestic Commerce, attention Mr. Leighton W. Rogers, which was enclosed in a letter of April 7, 1933, from Leighton W. Rogers, Chief Aeronautics Trade Division, to Mr. William Goulding, vice president Curtiss-Wright Export Corporation.

(The report referred to was marked "Exhibit No. 404", and is included in the appendix on p. 976.)

Mr. Hiss. The letter of April 7, 1933, from Mr. Rogers to Mr. Goulding will be "Exhibit No. 405."

(The letter referred to was marked "Exhibit No. 405.")

Mr. Hiss. "Exhibit No. 405" reads as follows:

You may find of interest and value the attached copy of a letter dated February 23 from Commercial Attaché Watson, at Helsingfors.

Needless to say the attached is strictly confidential.

The report from Mr. Watson, "Exhibit No. 404", reads in part as follows:

In connection with this Czechoslovak purchase, even though it was a proposition of a kind of barter, the very fact that the Finns bought from the Czechs instead of from the English makes me believe to a certain extent that all of this official pressure by the English is not as effective as it might be. I have heard the sentiment voiced recently that perhaps this official pressure proposition has gone a little too far up here. I sincerely trust that this is the case. A few days ago at a dinner the secretary of the legation was talking to Mr. Ryti, the governor of the Bank of Finland, about Finnish Government purchases, and Mr. Ryti categorically stated that it was a Finnish Government policy to buy the best things they could at the cheapest price, regardless of political considerations. This sounds rather funny to me in the face of some recent Finnish Government purchases from England, but I am taking a spark of hope from this Czechoslovak order. I expect our two big companies at home, who really have spent a considerable amount of money up here in Finland, are more or less inclined at this time to let this particular small territory ride for the time being. They have not had anybody up here at all

since I came back. Both of them have very good agents, but I do not think that pressure from headquarters from time to time is a very salutary thing.

I suppose he means "I do think."

Mr. ALLARD. I think so; yes, sir.

Mr. HISS (continuing reading):

I certainly hope that it may be possible within the not too distant future for some sort of cooperation to be brought about between the American aircraft firms who do a good deal of export, as referred to in Mr. Warner's article about which I wrote you a few days ago, so that we may then be able to take off our coats and dive right into the middle of these Government orders.

Do you still think that the commercial attachés did not act as agents for your own company, when they took off their coats and dove into orders?

Mr. ALLARD. No, sir; I think they were doing their duties at that time.

The CHAIRMAN. The Exhibit would indicate that they not only dove in but dove into the middle of it.

Mr. ALLARD. Right.

Mr. HISS. It was good diving. "Exhibit No. 406" is a letter from Leighton W. Rogers, Chief Aeronautics Trade Division, Department of Commerce, to Mr. C. W. Webster, marked "Confidential", dated March 12, 1932.

(The letter referred to was marked "Exhibit No. 406" and is included in the appendix on p. 977.)

Mr. HISS (reading):

As you may have already heard, there is an aviation mission on the west coast from Canton which arrived in Seattle on March 8. It consists of Brigadier General Woo G. Garr, commander of the Second Squadron of the Canton Aviation Bureau, and Colonel S. K. Yee, director of the Cantonese Intelligence Bureau. These officers are representing General Chang Wei Jung, commander of the Canton Aviation Bureau, whom you will recall as former chief of the Nationalist Air Force at Nanking. According to Trade Commissioner Edward P. Howard * * *

He was stationed in Shanghai, was he not?

Mr. ALLARD. He was.

Mr. HISS. And he is now representing the Douglas Aircraft Company?

Mr. ALLARD. That is correct.

Mr. HISS (continuing reading):

* * * they came to inspect aircraft factories and advise the San Francisco Chinese regarding airplane purchases for presentation to China.

I could not advise you of their presence in the United States before, since I was requested not to from China. For obvious reasons I urge your keeping the information contained in this letter in strict confidence. Under no circumstances should any publicity be given out about the mission.

I understand that the two officers arrived from Seattle at San Francisco yesterday, where they will stay for approximately 2 weeks. They will then proceed to Los Angeles, Chicago, Detroit, Washington, New York, and Boston. I shall endeavor to arrange it so that they will visit Buffalo.

That is where your plane-manufacturing company is located?

Mr. ALLARD. Yes, sir.

Mr. HISS. Turning to the last paragraph,

You can get in touch with the mission through our Mr. Wesley Ash, district manager, United States Bureau of Foreign and Domestic Commerce, at 310 Customhouse, San Francisco. In doing so please make no mention of the fact that I suggested this action.

Mr. Rogers is now executive vice president of the Aeronautical Chamber of Commerce, is he not?

Mr. ALLARD. He is.

Mr. HISS. I will offer as "Exhibit No. 407" a letter dated December 3, 1931, from Mr. Goulding to Mr. Hewlett regarding Finland.

(The letter referred to was marked "Exhibit No. 407".)

Mr. HISS. The letter reads:

Mr. Osborn Watson, American commercial attaché, Helsingfors, Finland, is now in this country on a brief leave. He plans to be in Buffalo on December 9th for the purpose of visiting your plant. I have asked him to telephone you upon his arrival and that you will see that he is taken care of.

Mr. Watson is a very fine chap personally, and has been of great service to us endeavoring to sell aeronautical equipment in Finland. We finally succeeded in placing a number of Cyclone engines in operation there. We have hopes of developing this further to include aircraft. Mr. Watson is especially interested in aeronautics.

Anything you can do for Mr. Watson will be greatly appreciated.

I will now offer as "Exhibit No. 408" a letter dated February 21, 1933, from Mr. Goulding to Mr. MacGowan, acting commercial attaché, Bogota, Colombia.

(The letter referred to was marked "Exhibit No. 408" and is included in the appendix on p. 978.)

Mr. HISS. Mr. MacGowan is now in the export business in New York, connected with a former official of the Colombian Government, is he not?

Mr. ALLARD. Is he? I do not know.

Mr. HISS. The letter reads:

DEAR MR. MACGOWAN: I want to acknowledge receipt of your letter of February 1st and extend our appreciation of the great assistance we can always get from your office.

The Department in Washington advised us that they had a cable from you asking us to submit information on the planes that we are able to offer. As we have already passed this information, by cable, to Joaquín Samper * * *.

He was your representative in Bogota?

Mr. ALLARD. And is still; yes.

Mr. HISS (reading):

* * * and knowing his close contact with you, I have simply cabled you in reply that he has all the necessary information.

I will now offer as "Exhibit No. 409" a letter dated May 23, 1932, from Melvin Hall in Paris to Julian E. Gillespie, American commercial attaché, Istanbul, Turkey.

(The letter referred to was marked "Exhibit No. 409" and is included in the appendix on p. 978.)

Mr. HISS. The letter reads:

DEAR JULIEN: The attached copy of a letter to the Secretary of Commerce, which I am enclosing for your information, is self-explanatory.

I am indeed appreciative of the cooperation which we have received from the Department of Commerce and particularly from yourself. Your assistance and wise counsel have been invaluable; and when I say that we are counting greatly upon your good advice and collaboration in our future dealings with the Turkish Government, you know what I mean.

I will now offer as "Exhibit No. 410" a letter dated May 11, 1933, to Mr. Gillespie from Mr. Allard.

(The letter referred to was marked "Exhibit No. 410" and is included in the appendix on p. 979.)

Mr. HISS. I am referring to the second paragraph on the first page, the last sentence thereof [reading]:

Your courtesy in letting me use your office as you did * * *.

You were in Istanbul for a while?

Mr. ALLARD. I was there 3 months; yes.

Mr. HISS [reading]:

* * * will always be remembered and your good nature and sound judgment and assistance to me in our discussions of my many problems were priceless.

Yesterday I received your cable about the Kayseri situation * * *.

That was the Turkish manufacturing plant?

Mr. ALLARD. That is right.

Mr. HISS. To which you gave a license for the manufacture of planes?

Mr. ALLARD. Yes.

Mr. HISS (reading):

* * * and I am grateful for your thoughtfulness in sending it to me. When you send such cables or incur any expense on Curtiss business, will you please collect the costs from Bob Farnsworth. There is no reason in the world why your office should stand these expenses, and I want your definite promise that you will collect them from Bob.

I have the complete approval of the board of directors to replace Capt. Coon at the factory and to send out the necessary personnel to step up production to completely satisfy the Turkish Government. Today I am interviewing Bob Simon, who has had a vast amount of experience in factory management with Fairchild, Berliner-Joyce, and ourselves. He has been highly recommended by Ted Wright, of our Buffalo plant, and if my interview with him satisfies me, he will probably be the man we will send out, and you may rest assured that we are working just as fast as it is humanly possible, and will get him out there on the earliest boat. Substantially, my plan is to do as I told you when we discussed this problem in your office.

You discussed your sales operations in Turkey thoroughly with Mr. Gillespie?

Mr. ALLARD. Yes. This particular thing refers to the operation of the American personnel who were on the pay roll of the Turkish Government.

Mr. HISS. I am referring to the last 2 or 3 sentences now of the last paragraph, which read:

The best dope I can get on the situation in the future for Department of Commerce is that even though the Department's activities in foreign fields are curtailed, the good men, such as yourself, will be retained on the job under either the State Department or the Consular Service, or in some manner, and I am sure that nobody will replace you in the matter of value to the Government. Don't worry. We all hope for the best, and you may rest assured that you have some great boosters working for you here.

The CHAIRMAN. Who was Mr. Farnsworth?

Mr. HISS. Mr. Farnsworth was a representative of the Curtiss Co. This letter was written to Mr. Gillespie, the American commercial attaché.

The CHAIRMAN. Farnsworth was their representative where?

Mr. HISS. At one time in Washington and later in Turkey; is that correct?

Mr. ALLARD. That is correct; yes, sir.

Senator POPE. Did he comply with your request here and collect the costs from Farnsworth?

Mr. ALLARD. Yes; he did.

Senator POPE. About what would that amount. or what did that amount to?

Mr. ALLARD. It might have been 10 Turkish pounds for a cablegram, which would be, roughly, \$4 or \$5. American. They are all small amounts.

Senator POPE. Did he observe that strictly with reference to all expenses that he incurred in assisting you in your business?

Mr. ALLARD. I could not say, Senator, as to that. I do not know how many expenses he incurred. But he did submit from time to time some items or I paid him personally when I was there, if a cablegram was sent; or if I used his stenographer, I would pay her. They were small amounts.

Mr. HISS. But none the less, as indicated in a previous exhibit, your company was interested in further appropriations for the work of the commercial attachés.

Mr. ALLARD. Certainly.

The CHAIRMAN. Mr. Webster, I want to go back to "Exhibit No. 392", which was your letter to Mr. Allard, you writing from Washington to him in New York, saying:

I was in Mr. Ingalls' office this morning and his office urged that we push in every way possible the completion of the arranging for the carrier to go to South America.

Mr. WEBSTER. That is not my letter, Mr. Chairman.

Mr. HISS. Is it Burdette S. Wright?

The CHAIRMAN. That is what it is; yes. Then, Mr. Allard, I will ask you, perhaps you can answer this question. Was this arrangement made to send a carrier to South America?

Mr. ALLARD. No, sir.

The CHAIRMAN. It was not sent?

Mr. ALLARD. Never sent; no, sir.

The CHAIRMAN. You are, of course, aware of the fact that a carrier is in South America now?

Mr. ALLARD. I have heard there is one that went down there on a shakedown cruise.

The CHAIRMAN. And is now in Rio?

Mr. ALLARD. Yes.

The CHAIRMAN. Have you had any hand in bringing about the designation of that carrier for that trip?

Mr. ALLARD. Absolutely not. I just learned it in the last week.

The CHAIRMAN. I should like for a moment to refer to "Exhibit No. 394" which was Mr. Webster's letter to Mr. Wright concerning the contemplated business of Commander Merino of Chile. In this case, Mr. Webster, you were appealing for an effort to be extended to accomplish a worthwhile reception for Commander Merino when he came, were you not?

Mr. WEBSTER. Yes, sir.

The CHAIRMAN. You were suggesting that an arrangement be made for permission to be extended to him to visit various army and navy stations?

Mr. WEBSTER. Yes, sir.

The CHAIRMAN. And you wanted arrangements made for him to meet the Army and Navy Secretaries and, if possible, President Hoover, himself?

Mr. WEBSTER. Yes, sir.

The CHAIRMAN. Was this arrangement made? Did he come?

Mr. WEBSTER. He did visit Washington. I do not think—I am quite sure that he did not get to see President Hoover, but he met a great many officials in the Army and Navy Air Services.

The CHAIRMAN. Did he visit the Army and Navy stations?

Mr. WEBSTER. He visited a number of them. I do not know that he visited all of them.

The CHAIRMAN. This you thought at the time was advisable and necessary in order to offset the efforts of the Prince of Wales?

Mr. WEBSTER. Partially so, yes, sir; and also to repay the many courtesies that Commandante Merino and the Chilean Government officials had extended to American Army and Navy officials in Chile.

The CHAIRMAN. Does not this all tend very strongly to make it appear that in the business of selling to South American countries arms and war supplies, it has become a battle between the heads of governments primarily?

Mr. WEBSTER. By heads of governments, do you mean a battle among the heads of one particular government?

The CHAIRMAN. No; a battle between the heads of different governments.

Mr. WEBSTER. I would not say so, sir; I do not believe so.

The CHAIRMAN. Here was the Prince of Wales on a goodwill tour in South America. He had gone to Chile and had made a very strong impression. Inviting Commandante Merino to come to Britain and be his guest there naturally would have a tendency to distract Merino from the North American market?

Mr. WEBSTER. It might be so construed, Senator. But the Prince of Wales was very nicely entertained and courteously entertained in Chile and this was simply the return of an invitation to come and visit England.

The CHAIRMAN. But there was a danger that all of this was going to have an effect upon trade.

Mr. WEBSTER. Possibly so; yes, sir.

The CHAIRMAN. And the English makers of planes might get into a market that you had come to get a pretty large percentage of?

Mr. WEBSTER. Possibly so.

The CHAIRMAN. So that there was every advantage to be looked forward to in having American officials here when Merino came here and be as nice to him as the Prince of Wales might have been when he went to Britain, as he planned to do.

Mr. WEBSTER. Possibly so; yes, sir.

The CHAIRMAN. So to that extent we do find agencies of the government fighting for these orders for munitions, do we not?

Mr. WEBSTER. We find agencies of the government—yes—trying to sell the products of their respective countries.

The CHAIRMAN. That is right.

Mr. HISS. Mr. Allard, as a practical matter, do you not frequently find that men who have served as commercial attachés or trade commissioners abroad have established such valuable contacts with foreign governments and with foreign purchasers in general that you frequently are glad to have them become employees of your company?

Mr. ALLARD. I would not say it was a common practice, by a long shot.

Mr. HISS. How about the other aircraft companies in general?

Mr. ALLARD. I do not know. I know of one.

Mr. HISS. Mr. Howard who was formerly in Shanghai is now representing the Douglas Aircraft Co. out there.

Mr. ALLARD. That is correct. That is the only one I know of.

Mr. HISS. Mr. Carleton Jackson, formerly at Rio, is now a representative of the Sperry Corporation?

Mr. ALLARD. I do not think he is a representative. He is doing some work for a lot of different manufacturers in this country.

Mr. HISS. According to the files you say he is a representative.

Mr. ALLARD. Is that so?

Mr. WEBSTER. He is really not a representative.

Mr. HISS. Mr. Pierrot, A. Ogden Pierrot, who was formerly commercial attaché in Rio is now on your payroll, Mr. Webster, is he not?

Mr. WEBSTER. Yes, sir.

Mr. HISS. "Exhibit No. 350" already in evidence is a letter of April 20, 1933, from Pierrot to Leon.

Mr. WEBSTER. That is correct.

Mr. HISS. This reads:

Thanks for your cable. Sorry things turned out as they did, but possibly I can be of use to you even though I am not on the payroll.

Mr. Pierrot was of aid to you even though he was not on the Curtiss-Wright pay roll at that time?

Mr. WEBSTER. Yes, sir; he was trade commissioner.

Mr. HISS (reading):

The thing I'm most interested in now is the matter of representation. Your cable gives me the impression that you are not interested in improving the quality and efficiency of your representation here. If that is the case, I'm afraid you are making a great mistake, for there is a fine order in the air and I should like to see you get it—and if I were with you I'd hope to share to a small degree in the profit.

Mr. HISS. I offer as "Exhibit No. 411" a letter of April 20, 1933, addressed to Mr. Webster from Pierrot.

(The letter referred to was marked "Exhibit No. 411" and is included in the appendix on p. 980.)

Mr. HISS. Mr. Pierrot was not at that time an employee of yours?

Mr. WEBSTER. No, sir.

Mr. HISS (reading):

Had Leon's cable this morning, and want to tell you that I appreciate Leon having thought of me, and that I realize that conditions are not such now as to justify you in adding to the expense of your organization.

I have intended writing to you for some time, that is, for the past two weeks, in connection with your representation here. You've got to get a good outfit with the best possible government connections. Don't lay off this market now in the hope that there will be another mixup which will put the ins out. Even if that occurs, it is no reason why you should sit by and see chances for business go by the boards. There is considerable talk right now, and some degree of certainty, that there is going to be some more buying by the Government.

In connection with the use of Army flyers' help in a demonstration of your planes, in addition to Captain Cannon, who was mentioned as part of the European tour, Lt. James E. Parker was also on that tour, was he not?

Mr. ALLARD. That is right.

Mr. HISS. And Lieutenant Doolittle, who is now, I believe, Major Doolittle, has been on other tours for your company?

Mr. ALLARD. Yes, sir.

Mr. HISS. He toured in South America, did he not?

Mr. ALLARD. That is correct.

Mr. HISS. And also in China?

Mr. ALLARD. Yes, sir. But not as an officer of the Air Corps. He is with the Shell Co.

Mr. HISS. He has now resigned?

Mr. ALLARD. Yes, sir.

Mr. HISS. But at the time he made the trip to Europe he was a member of the United States Army, was he not?

Mr. ALLARD. I think he was.

Mr. WEBSTER. He was not in the Army when he went to Europe.

Mr. ALLARD. He was with the Shell Co.

Mr. HISS. How about when he made the trip to South America?

Mr. WEBSTER. He was in the Army at that time, when he went to South America. He was not in the Army when he went to Europe.

Mr. HISS. Lieutenant Doolittle or Major Doolittle has been helpful in the sale of aviation equipment since he left the Army, as well as while he made these good-will tours; is not that correct?

Mr. ALLARD. That is correct.

The CHAIRMAN. This is the same Major Doolittle who has served on the so-called "Baker Board"?

Mr. ALLARD. That is correct.

Mr. HISS. I offer as "Exhibit No. 412" a memorandum dated July 1, 1929, from B. S. W.—that is Burdette S. Wright—to Mr. Russell. (The memorandum referred to was marked "Exhibit No. 412".)

Mr. HISS. Who is Mr. Russell?

Mr. ALLARD. Mr. Russell at that time was vice president of the Curtiss Airplane & Motor Co.; that is, in 1929.

Mr. HISS. That is the engine factory?

Mr. ALLARD. No. That is the airplane factory in Garden City at that time.

Mr. HISS (reading "Exhibit No. 412"):

I saw Steve Early, Washington representative of the Paramount News Reel people, and he is working on the procuring of a Curtiss Hawk from the Army for Doolittle to make some acrobatic pictures over New York City.

Early has obtained authority for the Army to send a plane from Bolling Field to New York to be turned over to Doolittle there. In view of the fact that we may be able to get the caption "Curtiss Hawk" it would be well to have some one get in touch with Jimmie in this matter.

The CHAIRMAN. What is the date of that?

Mr. HISS. July 1, 1929. Of course, any news-reel picture of a Curtiss Hawk with Major Doolittle stunting it would be very good for publicity.

Mr. ALLARD. It certainly would.

WAR AND NAVY DEPARTMENTS AID IN FOREIGN SALES OF AIRCRAFT

Mr. HISS. Is it not the official policy of the War and Naval Departments to encourage the American aircraft industry in the development of foreign business?

Mr. ALLARD. I believe it is so stated.

Mr. HISS. I offer as "Exhibit No. 413" an official memorandum of the Navy Department, Bureau of Aeronautics, dated August 5, 1933. (The memorandum referred to was marked "Exhibit No. 413" and is included in the appendix on p. 981.)

Mr. HISS. In paragraph numbered 3, under the heading "Policy", there is this language:

The War and Navy Departments will encourage the American aeronautical industry in developing foreign business and assist in such development so far as consistent with national policy and the needs of the national defense.

Have you found that the American Navy or Army officials, when traveling in Europe, have spoken favorably of American military equipment?

Mr. ALLARD. I have no way of knowing what they have done, unless we have been so advised in correspondence.

Mr. HISS. I will offer as "Exhibit No. 414" a letter of October 12, 1932, to Mr. F. C. Nichols from Mr. Goulding, vice president of the Export Corporation.

(The letter referred to was marked "Exhibit No. 414" and is included in the appendix on p. 983.)

Mr. HISS. Mr. Nichols is with the Colt's Patent Fire Arms Manufacturing Co. The last paragraph of this letter reads:

In another letter which I have just received from Mr. Farnsworth, * * *

Mr. Farnsworth was a representative of your company?

Mr. ALLARD. Yes, sir.

Mr. HISS (reading):

* * * he refers particularly to the recent visit of General MacArthur to Turkey, and the fact that General MacArthur was received with great pomp and enthusiasm by the Turkish dignitaries. Naturally, the general was made familiar with the business which we are carrying on with the Turkish authorities, and, apparently, he talked up American military equipment to the skies in discussions which he had with the Turkish general staff. Bob Farnsworth says that for safety sake, he is not putting down in black and white what was said, but I rather gather that your equipment and ours did not suffer from lack of praise.¹

The equipment to which he refers is Colt's equipment, which would be machine guns and rapid-fire guns in general?

Mr. ALLARD. Yes, sir.

Mr. HISS. Revolvers and automatic rifles?

Mr. ALLARD. I do not know the list of products that they make.

Mr. HISS. He finishes the letter with—

This, of course, is for your confidential information.

Mr. Webster, can you explain the background of your sales efforts in Guatemala, Central America?

Mr. WEBSTER. I did not personally handle Guatemala.

Mr. HISS. I offer as "Exhibit No. 415" a letter of May 28, 1934, from Owen Shannon to Mr. Hewlett.

(The letter referred to was marked "Exhibit No. 415" and is included in the appendix on p. 983.)

¹ On Sept. 13, 1934, Gen. Douglas MacArthur wrote a letter to the committee, denying the above allegations of Mr. Goulding. This letter was read into the record of the morning of Sept. 13, 1934, and appears in part V.

Mr. Hiss. This states in the second paragraph:

We have no agent in Guatemala but make all of our contacts through General John A. Considine, who is a major in the United States Army, loaned to the Guatemala Government.

Major Considine suggests that it would be more satisfactory for us to deal directly with the Government through him rather than attempt to deal through any local agent, as his recommendations are followed by the President in the purchase of all types of military equipment.

Mr. WEBSTER. Mr. Hiss, I do not believe Major Considine is now in the United States Army, although I am not sure. I think he is a retired Army officer employed by the Guatemalan Government. I am not certain about that. That is my impression.

Mr. Hiss. So far as you know, he is very favorable to American equipment?

Mr. WEBSTER. Yes.

The CHAIRMAN. Mr. Hiss, this letter of October 12, by Goulding to Mr. Nichols, concerning General MacArthur's visit to Turkey makes reference to this:

In another letter which I have just received from Mr. Farnsworth * * *.

Is that other letter in evidence?

Mr. Hiss. We have found no copy of that letter; no, sir.

The CHAIRMAN. Mr. Webster, how generally is it true that Army and Navy officers are playing the part that General MacArthur seems to have played there in Turkey, the part pretty nearly of a salesman, which is what is very closely what it looks like?

Mr. WEBSTER. I have had very little experience in that particular line, Senator. That is not my particular territory and I am not familiar with it.

The CHAIRMAN. It makes one begin to wonder whether the Army and Navy are just organizations of salesmen for private industry, paid by the American Government.

Mr. Hiss. I am referring now to a document which I will offer in evidence as "Exhibit No. 416", which is a letter of February 3, 1932, to Mr. Lawrence Leon from Mr. Webster.

(The letter referred to was marked "Exhibit No. 416" and is included in the appendix on p. 984.)

Mr. Hiss. This letter reads:

For your information, I enclose herewith a letter which I wrote Burdette Wright, who is in charge of our Washington office, in regard to the assignment of a U.S. naval officer to accompany the two Argentine naval officers who, we understand, will shortly arrive here for the purpose of selecting and purchasing aircraft equipment.

We are proceeding very cautiously in Washington and believe that when the request is made to our naval intelligence, if it is not already made, we can more or less guide their choice and see that an officer is selected who would most properly fit the job.

I now offer as "Exhibit No. 417" a letter, referring to the same subject, being dated January 29, 1932, from Mr. Webster to Mr. Burdette S. Wright.

(The letter referred to was marked "Exhibit No. 417".)

Mr. Hiss. This letter reads:

I learned today through a confidential source from a friend who is attached to the Diplomatic Service in Buenos Aires that Captain Zar, head of the Argentine naval aviation, has requested our Navy Department, through naval intelligence, for permission to send two Argentine naval officers from the Air

Corps to the United States and have assigned to them on their arrival an officer of the American Naval Air Service for the purpose of advice and assistance in selecting new airplane equipment for the Argentine Navy. This information is supposed to be very confidential. Our Argentine office also knows of this request and in a very short time will have the names of the two officers who will visit the United States.

Inasmuch as our information came to us confidentially from naval intelligence, it may be rather embarrassing to approach them unless we say we received the information from Buenos Aires. The reason for the secrecy on the part of the Argentine Navy is the fact that they wish to sidestep, if possible, receiving quotations from British manufacturers. Their desire is to purchase American equipment, but inasmuch as British prices would be at least one-third below ours due to the difference in exchange, if these quotations are received from England, it would be difficult for the Argentine naval officers to approve American prices.

It occurred to me that you could in some way start preliminary work leading toward the proper selection of the American naval officer to be assigned to the job. I am passing along this information to you for your suggestions.

Regardless of what make of airplanes is selected, our engines will undoubtedly be used owing to our recent engine license contract with the Argentine Government, but we naturally should like to secure the airplane business as well. Captain Zar is a very intimate friend of ours and would prefer Curtiss-Wright airplanes to any others, but he must proceed cautiously so as not to encounter criticism after the selection is made. Please let me have your suggestions at your early convenience.

I offer as "Exhibit No. 418" a letter of June 12, 1933, from Mr. Shannon to Mr. Earle.

(The letter referred to was marked "Exhibit No. 418" and is included in the appendix on p. 985.)

Mr. Hiss. It reads:

We are informed that a Major A. R. Harris has been acting as U.S. military attaché to the legations in all five Central American Republics and Panama.

If this is so, it would probably be very much worth while for you to see him and load him up with Curtiss-Wright dope, catalogs, and so forth. If he is to be in New York before his return south, we would like to have an opportunity to see him.

Of these six countries, we believe we have fairly good agents in Panama and Salvador, both of which have bought Curtiss-Wright equipment. By the way, we just received an order from Salvador last week for three Ospreys, which, we understand, is the first military equipment purchased by them.

We understand Guatemala, Honduras, and Nicaragua are contemplating purchasing planes as soon as they have funds, and as you already know, Honduras is planning to buy two or three ships now.

It is, therefore, important that we use every possible channel to put Curtiss-Wright planes across to all of these countries and Major Harris might prove helpful.

Have the military attachés of the United States proved helpful in putting Curtiss-Wright planes across?

Mr. WEBSTER. Yes, sir; in putting all types of American planes across.

Mr. HISS. I offer as "Exhibit No. 419" a letter dated May 23, 1933, from Burdette S. Wright to Mr. Webster.

(The letter referred to was marked "Exhibit No. 419".)

Mr. HISS. This letter reads:

Have just returned from having lunch with Major John Weeks of the Cavalry, who is going down to Chile as military attaché. He is a bachelor and I know that you can give him some real good dope on Chile.

He is leaving Washington the night of May 30, arriving in New York the next morning, and sailing on June 2. This should give him two nights in New York. I have told him that you would like to entertain him one night. He said that he might have to go out with friends one night, but would probably

stay at the Pennsylvania Hotel. We can arrange the details of your meeting him in New York a little later just before he leaves Washington. If he cannot get together with you at night, he will want to see you some time during the day on May 31 or June 1. I hope that this time will be convenient to you. If you are going to be away those days, you might want to come to Washington and see him, but I think it would be pretty good ball to entertain him in New York if convenient.

He seems to be a live, wide-awake chap and is extremely interested in the background in regard to Chilean aviation and our work there and what our plans are for the future.

Senator POPE. Did you entertain him?

Mr. WEBSTER. No; I did not meet him here at all. I met him at Santiago, Chile, sometime later.

Mr. HISS. Has your company been able to secure for your foreign customers the service of American military officers in inspecting planes sold to foreign governments by you?

Mr. ALLARD. The company itself has not been able to. We have assisted the legations of the specific foreign governments by supplementing their requests and acknowledging their willingness to have such inspections made.

Mr. HISS. Have you ever had any difficulty in aiding the legation in securing such requests?

Mr. ALLARD. I think at one time we did.

Mr. HISS. Do you find that difficult at the present time?

Mr. ALLARD. As a matter of fact, we refrain from it at the present time and leave it entirely up to the embassies or legations.

Mr. HISS. I offer as "Exhibit No. 420" a letter dated May 23, 1934, to the Curtiss-Wright Export Corporation from William A. Reeks.

(The letter referred to was marked "Exhibit No. 420" and is included in the appendix on p. 985.)

Mr. HISS. The last page, paragraph marked 7 reads:

If the Argentines desire U.S. Army inspection of their Cyclones when being built at our plant, this can be arranged by getting in touch with us, and we will contact the Army inspector now stationed here at our plant, who will arrange the matter. The Army inspector has been contacted and we have been given assurance that he will be able to arrange this.

This letter is from Mr. William A. Reeks, of the engine company, in Paterson to the Export Corporation with copies to Mr. Chapline, Mr. Lucas, Mr. Kennedy, Mr. Colvin, and Mr. Shepley.

They are all officers of one or the other of the Curtiss companies.

Mr. ALLARD. They are all with the Wright Aeronautical except Shepley. Shepley is with the Export Corporation. I might say there, Mr. Hiss, if I may, that I do not know what the policy is with the individual manufacturing units. I was referring merely to the Export Co.

Mr. HISS (reading):

The inspection he will give the Argentine engines will be identical with the inspection he customarily makes for the U.S. Army and will include full inspection right through manufacturing, through testing, and to shipping. The Argentines will be required to pay the Army inspector the following for the inspection: Cyclone geared, \$125.00 per engine; Whirlwind 250 direct, \$100.00 per engine.

The following will apply to generators and starters: Per generator, \$5.00; per starter, \$5.00.

Will you please also inform us on this point as to whether or not the Argentines are interested. In most respects such an arrangement as outlined above

will be to the best advantage of the Argentines if they require other inspection than ours. It would undoubtedly cost them much less than if they had their own inspector on the job and they will have the assurance of the U.S. Army inspector, who is stationed at our plant and who is entirely familiar with our engines.

Mr. Hiss. Paragraph 8 reads:

If the Argentines so desire, arrangements can be made so that the U.S. Army inspector certifies the shipping documents to the effect that the engines being shipped are the same as those which A.T.C. has been granted for the type in question.

Mr. Hiss. I read further:

It is not definite whether the U.S. Army or U.S. Navy would issue any written statement to the effect that they are or had bought certain materials. However, we believe we can supply you with copies of statements issued by the Aeronautical Chamber of Commerce, giving the Army and Navy contract awards and showing contract numbers of same.

Have you been able to secure letters of recommendation from the Army or the Navy, Mr. Webster?

Mr. WEBSTER. No recommendations particularly, but referring to their use of certain of the products.

Mr. HISS. Do the Army and the Navy help the engine and plane companies bear the cost of development of new planes or new engines, Mr. Allard?

Mr. ALLARD. I am not at all familiar with the contracting with the Army and Navy on domestic purchases.

Mr. HISS. Do they furnish technical assistance in connection with the development of planes and engines?

Mr. ALLARD. Do the Army and Navy furnish technical assistance?

Mr. HISS. Yes.

Mr. ALLARD. That is clearly in the same category.

Mr. HISS. I am referring to a letter dated in October 1932, in your files and not a part of the record, in reference to an attack plane which Mr. Webster states was developed by the Curtiss-Wright Co. in conjunction with the United States Navy and Army Air Corps which was used for ground attack on troops, trenches, etc.; and in the same letter Mr. Webster refers to a special gun mount developed by the Curtiss-Wright Co. in cooperation with and for the Army Air Corps.

And I further read from "Exhibit No. 271", which has heretofore been put in the record, being a letter to Consul General Escobar from Mr. Hewlett referring to certain complications appearing in the report by Mr. Trimbach who has heretofore been identified as an armament engineer, he says:

And further, since we have a very limited knowledge of sight installation previously made it is recommended that we should discourage applying this gun to our airplanes until after our own Government has proven them worth while.

That would indicate that the use and experiments by the Government of experimental planes and engines does help you bear part of the cost of development, and that they also furnish technical aid, as indicated by Mr. Webster's letter from which I read, and that they also furnish assistance in trying them out in actual service?

Mr. WEBSTER. I think it is a part of the normal function of the plane that has been developed to have somebody try it out in actual

service. It is not saving us any expense, because we would not build a plane for one particular item.

Mr. HISS. But the tryer in your case is either the United States Army or the United States Navy?

Mr. WEBSTER. Naturally, because any product we sell on export has to be approved by them before we can sell it.

Mr. HISS. Is it not also a fact that the business which the Curtiss Co. does with the United States Army and Navy is really essential for the existence of the company?

Mr. WEBSTER. Certainly.

Mr. HISS. That constitutes a major portion of your business, I believe. In the hearings before the Subcommittee on Aeronautics of the House Military Affairs Committee which were held last spring, at pages 799 and 800, it appears that the total sales of the Aeronautical Co., that is the engine company, from 1922 to 1933, inclusive were \$18,000,000 to the Army and \$25,000,000 to the Navy, and all others \$22,000,000, so that the Army and Navy constituted approximately two-thirds of your total business?

Mr. ALLARD. Yes.

Mr. HISS. Is it not also true that in the last few years the majority of your non-United States military sales have been in the foreign market?

Mr. ALLARD. Yes.

Mr. HISS. At this same place in the hearings referred to it appears your total sales in 1931, other than sales to the United States Government, were listed as \$2,500,000, foreign sales, \$1,500,000; for 1932, total sales, \$1,600,000, foreign sales, \$1,000,000; in 1933, the total was \$1,800,000, and the foreign was \$1,100,000.

In the report of these same hearings at page 1040 is shown a list of the major aircraft activities and that the Navy engines were purchased during the years 1927 to 1933 from one or two companies, the Wright Aeronautical and the Pratt-Whitney.

Do you know whether the United States Government buys any substantial quantities from any other engine company?

Mr. ALLARD. I do not know. The records would show that.

Mr. HISS. Do you know whether the prices of the Wright Engine Co. on its sales to the Army or the Navy are higher than on its sales to other customers?

Mr. ALLARD. I do not know. The Army and Navy audits, I think should show that.

Mr. HISS. Statements filed at this same hearing I have referred to at pages 799 and 800 show during the years 1920 to 1933 the profit on the Army sales was 9.27 percent, the profit on the Navy sales was 14.83 percent, and the profit on all other sales was only 5.81 percent.

In 1925 the engine sales to the Navy netted a profit of 31.88 percent, according to the record submitted by the company; the sales to the Army netted a profit of 93 percent. In 1926 the Navy profits were 21 percent; in 1927 the Navy profits were 29 percent; in 1928 the Navy profits were 44 percent, and the Army 31 percent; in 1929 the Navy profit was 30 percent; and in 1933 the Army profit was 18 percent.

Similarly, with the Curtiss Airplane & Motor Co., in the same hearing at page 1104 it is shown that the total sales for 1928 to 1933, inclusive, were \$4,900,000 to the Navy and \$9,900,000 to the Army,

and only \$5,800,000 to all others. In other words, more than two-thirds of the Curtiss Airplane & Motor Co. business was sold to the United States Government.

In that connection do you know whether your company has ever sold planes or engines to foreign governments at any cheaper price than the same planes or engines were being sold to the United States Government?

Mr. ALLARD. No; not to my knowledge.

Mr. HISS. Will you supply the committee with an analysis of the sales to the Army and Navy currently and of the different types of sales to foreign countries of the same types as the sales to the United States Government and at the same time, and also what prices were paid by your company to its sources of supply, both in the case of engines and in the case of planes, from both companies?

Mr. ALLARD. We will.

Mr. HISS. It is the announced policy of the Army and Navy to limit the export of new designs in the field of aviation to those designs which are a year old or something of that sort?

Mr. ALLARD. I do not know the age of the designs, but they have to be released by the Army and the Navy.

Mr. HISS. You have to have permission and release in any event?

Mr. ALLARD. That is right.

Mr. HISS. Have you found any difficulty in getting releases when you needed them? Have you had difficulty in getting releases when you had an order?

Mr. ALLARD. Not when we had an order, but we have when we wanted to negotiate to meet competition.

Mr. HISS. Assuming a foreign country comes to you and says, "We would like to buy a substantial number of planes", which at that time are on the restricted list of the Army or the Navy, have you experienced any difficulty in securing releases where the order is substantial?

Mr. ALLARD. Yes; I think we have.

Mr. HISS. Would that not be in conflict with the policy of the Army and the Navy to encourage exports?

Mr. ALLARD. No; it would not, because it might be of the very latest product that had not been produced in quantity.

Mr. HISS. Haven't you experienced some difficulty in disposing of what Mr. Morgan describes as obsolescent equipment, and therefore you must attempt to secure releases as promptly as possible?

Mr. ALLARD. Yes.

Mr. HISS. I offer as "Exhibit No. 421" a letter dated April 23, 1934, addressed to Inspector General of Aviation of Peru.

(The letter referred to was marked "Exhibit No. 421" and is included in the appendix on p. 988.)

Mr. HISS. This letter, "Exhibit No. 421", does not bear any signature, and I wonder if you can identify that, Mr. Allard?

Mr. ALLARD. I cannot.

Mr. HISS. This letter states:

We also wish to submit herewith a proposal for the latest type of Curtiss attack plane, known as the "U.S. Army model A-12." Complete specifications and photographs are attached.

This plane is the most modern fighting unit of its type ever developed and has been furnished only to the U.S. Army Air Corps. Providing we have a con-

tract for at least 10 planes, we will be able to secure permission from the U.S. Government to build it for Peru. The selling price for 10 planes CIF Callao, equip with 5 machine guns and bomb racks, is \$48,950 each and \$6,500 each additional for the pontoon equipment.

We believe we can secure prompt permission from the U.S. Government to accept a contract from Peru and depending upon this we could probably deliver the first machine in Buffalo within 90 days and continue at the rate of one plane each 10 days thereafter.

Is it not a fact that the Army and the Navy policy has been that in order to encourage export abroad, that if you get an order for a sufficiently large quantity, they look with great favor upon releasing it?

Mr. ALLARD. I would not say so, Mr. Hiss; no. In this particular instance I do not know who wrote this letter, but I don't think he knew what he was talking about, whoever he was, in saying we could secure permission. We would try to secure permission.

Mr. HISS. I offer as "Exhibit No. 422" a letter from Mr. Burdette S. Wright to Mr. Allard, dated February 4, 1931.

(The letter referred to was marked "Exhibit No. 422.")

Mr. HISS. The Bob Farnsworth referred to in this letter, "Exhibit No. 422", was then in Washington as an employee of the Export Co.?

Mr. ALLARD. Yes.

Mr. HISS. This letter, "Exhibit No. 422", reads as follows:

Bob Farnsworth was assured informally this morning, by the Office of the Chief of Air Corps, that hereafter, as a general rule, the Army Air Corps would look with favor upon requests for the exporting of military aircraft immediately after production is started upon such aircraft. For various reasons at present they do not desire to change the wording of the policy and will let the matter rest as it is and decide each case upon its own merits.

I think this came directly from General Foulois, head of the Plane Division, and in the future we will not be handicapped by the one year in service stipulation except in very rare instances. At all events, I think we are entirely justified in having Melvin Hall and other members of the Export Corporation start preliminary negotiations upon any and all types of aircraft that we are producing or about to go into production on. However, I think that permission will undoubtedly be withheld to export new-type production planes to France, Italy, England, and possibly Japan.

Mr. HISS. I offer as "Exhibit No. 423", a letter dated October 16, 1931, from Mr. Burdette S. Wright to Mr. W. F. Goulding.

(The letter referred to was marked "Exhibit No. 423", and is included in the appendix on p. 988.)

Mr. HISS. I read from this letter as follows:

I understand there are about five or six undelivered O2C-1's coming through at Buffalo for the Navy.

Is that the Osprey?

Mr. ALLARD. No; I think that is the Navy type observation plane from Buffalo.

Mr. HISS. The letter further reads:

As I wired you, Comdr. Dillon is very much against our taking these ships but I have talked to him and know that we will not lose his friendship should we go over his head.

Doesn't this indicate, in addition to the other, the cooperation you have received from the Army and Navy, that if you are actually in production on a Navy contract you can at times secure a release from the Navy contract and divert the planes or engines in production to

a foreign contract, through the cooperation of the Navy or the Army?

Mr. ALLARD. It has never been done to my knowledge, but we have asked if it could be done in several instances.

Mr. HISS. You remember yesterday Senator Nye referred to the diversion of 29 planes then under contract with the Boeing Co. and another subsidiary the United Aircraft, which were sold to the Brazilian Government on release of the United States Navy?

Mr. ALLARD. Yes, sir.

Mr. HISS. That has never occurred in your case?

Mr. ALLARD. No, sir; it has not.

Mr. HISS. Reading further from this letter, "Exhibit No. 423", it says:

Capt. Cook, the Assistant Chief of the Bureau of Aeronautics of the Navy Department, told me that if it was urgent he would certainly look with favor on helping us out.

Referring back to the policy of the Navy with respect to export restrictions, I now offer as "Exhibit No. 424", a letter dated February 19, 1933, directed to Capt. Hamdi Bey by Melvin Hall.

(The letter referred to was marked "Exhibit No. 424" and is included in the appendix on p. 989.)

Mr. HISS. Capt. Hamdi Bey, to whom this letter is directed, was connected with the technical section, Ministry of National Defense of Turkey, and Melvin Hall was an employee of the Export Co.?

Mr. ALLARD. Yes.

Mr. HISS. I read from this letter, "Exhibit No. 424", as follows:

I enclose a photograph herewith for your information of the Martin bomber which is known as the B-907.

That is made by Glenn Martin Co. of Baltimore?

Mr. ALLARD. Yes.

Mr. HISS. The letter continues:

This plane is still on the secret list of the United States Army and consequently we have not available any detailed performance figures. Should the Government of Turkey be seriously interested in this or any other of the latest types of American bombing planes, we believe that it will be possible to secure release by the United States Army on special application.

Mr. ALLARD. May I make a statement there?

Mr. HISS. Yes, sir.

Mr. ALLARD. Melvin Hall is a salesman and he has often made statements in an endeavor to sell, and they are not always accurate statements.

Mr. HISS. Is Mr. Goulding a salesman, or is he an operating officer?

Mr. ALLARD. No; he is a salesman and vice president.

Mr. HISS. Would you say all of the officials of the Export Corporation are salesmen?

Mr. ALLARD. I should.

Mr. HISS. Including yourself?

Mr. ALLARD. I might be flattered in that.

Mr. HISS. I offer as "Exhibit No. 425" a letter dated February 23, 1932, addressed to Ralph S. Damon from W. F. Goulding.

(The letter referred to was marked "Exhibit No. 425", and is included in the appendix on p. 990.)

Mr. HISS. On the subject of Keystone bombers, this letter says [reading]:

With respect to deliveries, we understand that you can furnish the first plane within sixty (60) days, two planes per week for the ensuing four weeks, and three each week thereafter. Furthermore, if release of any of the planes which you are now completing for the Army is accomplished, that you would be in a position to give us the first one of these planes in forty (40) days.

Mr. ALLARD. That is correct. It never was done, though.

The CHAIRMAN. It was not done?

Mr. ALLARD. No, sir.

Mr. HISS. In connection with the release of the Boeing planes, your company received some criticism as to why you could not furnish quick delivery. I think you Mr. Webster were then president of the company?

Mr. WEBSTER. I don't recall it.

Mr. HISS. I offer as "Exhibit No. 426" a letter dated October 3, 1932, from W. F. Goulding to Mr. Burdette S. Wright.

(The letter referred to was marked "Exhibit No. 426", and is included in the appendix on p. 990.)

Mr. HISS. I quote from this letter as follows:

Of course, it is embarrassing to answer questions as to why United secured this Brazilian business. I think probably the best answer is as you have given it, to the effect that United was able to get release on U.S. Government contracts to give the best deliveries.

Another matter is the question of financing. Apparently United was able to work this out to their satisfaction, but how it was done I am not entirely aware. As a matter of fact, I think it was worked out in connection with the Farm Board's coffee, but you don't need to tell people this if they don't know it.

Do you know, Mr. Webster, how that financing was worked out?

Mr. WEBSTER. No; I do not, sir.

Mr. HISS. I offer as "Exhibit No. 427" a letter from Mr. Goulding to Mr. Guy Vaughan of date October 3, 1932.

(The letter referred to was marked "Exhibit No. 427", and is included in the appendix on p. 991.)

Mr. HISS. This letter is on the same subject, and I quote from it as follows:

You, no doubt, realize that United had under construction for the Government a number of Corsairs and Boeings which the Navy released to permit them to offer excellent deliveries to Brazil. Unfortunately, Curtiss-Wright had no Government contracts which could be diverted for such prompt deliveries. The fact remains, however, that United, having taken this Brazil business, is not in as good a position to give deliveries on other orders for other countries as we are.

Would there be any reason for Mr. Goulding to be using salesman's language there?

Mr. ALLARD. No.

Mr. HISS. Does that indicate that it was difficult to secure releases from the Government on these contracts?

Mr. ALLARD. I do not know that it indicates it was difficult or not, but we could try.

Mr. HISS. The sentence I call your attention to is [reading]:

Curtiss-Wright had no Government contracts which could be diverted for such prompt deliveries.

Mr. ALLARD. I know that is his language, but we had no ships under contract for the Army that we could endeavor to get diverted.

Mr. HISS. Have you or your corporation actually borrowed from the Army or the Navy property to help you fill foreign orders for military planes or equipment?

Mr. ALLARD. Yes; not aircraft as such.

Mr. HISS. Do you remember in January 1933, whether your company borrowed any flying suits for Cuban pilots, from the Army or the Navy?

Mr. ALLARD. I do not know whether we borrowed them, or whether the Cubans did themselves. They were out at Mitchel Field in the winter and needed the flying suits, and they borrowed them for the trip to Cuba and return, I think that is right.

Mr. HISS. I offer as "Exhibit No. 428" a letter dated January 7, 1933, from Mr. Carrington to Mr. Hewlett.

(The letter referred to was marked "Exhibit No. 428" and is included in the appendix on p. 991.)

Mr. HISS. In this letter it states that four pilots will be here Monday and will probably go to Buffalo Tuesday to fly ships away; and then it quotes a telegram, in which the statement is made [reading]:

I ask you to do the necessary with Army or Navy for four winter flying suits which will be returned to them immediately.

Then Mr. Carrington says to Mr. Hewlett:

You will know what to do about the flying suits.

Did your company not actually borrow the flying suits?

Mr. ALLARD. No; I think we called up the flying field and asked them if they could lend these suits to the pilots, that they were Cuban pilots, and it is the courteous thing to do that.

Mr. HISS. I offer as "Exhibit No. 429" a letter dated February 7, 1934, from Robert L. Earle to Lt. H. E. Regan.

(The letter referred to was marked "Exhibit No. 429" and is included in the appendix on p. 992.)

Mr. HISS. I quote from this letter as follows:

When talking with you yesterday concerning the need for propellers to meet deliveries on a certain foreign contract, I thought that three 2-bladed propellers would take care of the situation. However, I have since found that our export Falcons do not use the same propeller as the export Hawks and therefore we really need a total of six instead of three.

Then there appears a description of the specific propellers and the letter continues [reading]:

The need for these propellers is occasioned by our having negotiations with a certain foreign government for a number of airplanes which must be delivered within a short period of time. The delivery of the first three Hawks and the first three Falcons, both of which are powered by direct-drive Cyclone engines, must be earlier than we are able to obtain deliveries on propellers. We have contacted all propeller manufacturers and find that Hamilton-Standard can give us the best deliveries, but even these will not be early enough to meet our needs for the first three Hawks and the first three Falcons referred to above. Inasmuch as the entire contract is contingent upon our meeting the delivery requirements of the customer, we are exceedingly anxious to somehow make arrangements to obtain these propellers within the required time.

It would therefore be greatly appreciated if the Bureau of Aeronautics could arrange to loan us three each of the two types of propellers described above, upon our guarantee to replace them in the very near future. We would desire to take delivery on the two-bladed propellers within the next two weeks and will guarantee replacement of them by not later than the first week in April.

The three-bladed propellers will be needed before the middle of March, and we would guarantee replacement of them by the middle of April.

It is presumed that arrangements could be made to have the replacement propellers inspected by the Navy inspector at the Hamilton-Standard Co. as they are built.

The Bureau's kind consideration in arranging for the loan to us of the above six propellers will be sincerely appreciated.

Do you know whether that loan was ever consummated?

Mr. ALLARD. I think it was. I do not know whether we got all of the propellers, but I think we got some.

Mr. HISS. And the Hawks and Falcons to which they were to be attached are military planes?

Mr. ALLARD. That is correct.

Mr. HISS. Have you ever purchased surplus munitions from the United States War Department or United States Navy Department?

Mr. ALLARD. I do not know of any, but the record will show if we have.

Mr. HISS. Have you ever attempted to, or been interested in doing that?

Mr. ALLARD. If we had had a request from a customer for material known as surplus material, we probably have asked for quotations on it.

Mr. HISS. I offer as "Exhibit No. 430" a letter dated September 10, 1929, addressed to Hon. F. Trubee Davison, Assistant Secretary of War for Aeronautics, Washington, D.C.

(The letter referred to was marked "Exhibit No. 430", and is included in the appendix on p. 992.)

Mr. HISS. It does not appear who wrote this letter, "Exhibit No. 430", but it was found in the Washington file of your company. This letter requests that authority be granted by the War Department for the sale of the following material to the Curtiss-Aeroplane Export Corporation, it being understood the same is on hand in the Ordnance Department, to wit: 24 Lewis flexible machine guns, model 1918, 72 ammunition pans or magazines, 12 carriers for 6 magazines, 24 deflectors for shells for Lewis guns, 24 extension-charging handles, 2 fillers for magazines, 2 handles for magazine loading.

And similarly requested authority for the sale of the following equipment, which it is understood is available in the Air Corps, at Wilbur Wright Field, to wit: 12 Duplex Lewis mount type G-2, 12 double trigger control type H, 12 double gun brace type OA-259, 12 scarf ring mounts, 12 ring sights for flexible Lewis, 12 wind vane sights for flexible Lewis.

Mr. ALLARD. You will notice those Lewis guns were model 1918, and I imagine that is war surplus.

Mr. HISS. I offer as "Exhibit No. 431" a letter dated January 21, 1930, addressed to Mr. Burdette S. Wright, and signed F. Trubee Davison, Assistant Secretary of War.

(The letter referred to was marked "Exhibit No. 431", and is included in the appendix on p. 993.)

Mr. HISS. This letter shows that the previous letter, "Exhibit No. 430", was apparently written by Mr. Burdette S. Wright, and I now read from "Exhibit No. 431" as follows:

With reference to your letter of September 10, 1929, relative to the sale of certain Air Corps and ordnance material to the Curtiss Aeroplane Export

Corporation, it has been finally determined that the items listed are in excess of prospective War Department needs in the quantities enumerated.

Before the transaction is consummated, however, it will be necessary for you to obtain the approval of the State Department as to the exportation of the property in question for the purpose mentioned.

Do you know whether that approval was ever secured?

Mr. ALLARD. If the purchase was made, the approval was secured from the State Department, but I do not think it was ever sold.

Mr. HISS. I offer as "Exhibit No. 432" a letter dated October 30, 1930, from J. S. Allard to Burdette S. Wright.

(The letter referred to was marked "Exhibit No. 432", and is included in the appendix on p. 993.)

Mr. HISS. I read from "Exhibit No. 432", as follows:

Thanks for yours of the 29th on the above subject and also on the subject of how certain munitions of war can be declared surplus, and whether or not commercial firms can buy such equipment and resell it to foreign countries at a profit.

It would certainly be nice if it develops that we can buy bombs from the War Department and sell them again at a profit to an approved foreign government.

Do you know whether at present you can buy surplus material from the United States War Department?

Mr. ALLARD. I do not know.

Mr. HISS. Do you know, Mr. Webster?

Mr. WEBSTER. No, sir; I do not know.

Mr. HISS. Do you know whether you have bought any in recent months?

Mr. ALLARD. No.

Mr. HISS. Did you receive any official notice as to whether that was stopped?

Mr. ALLARD. I do not know that, but the record will show, I suppose.

Mr. HISS. I offer in evidence as "Exhibit No. 433" a letter dated April 11, 1933, from Burdette S. Wright, to Mr. C. W. Webster.

(The letter referred to was marked "Exhibit No. 433".)

Mr. HISS. I read the letter, "Exhibit No. 433", as follows:

Due to the establishments of military training for the unemployed, the Secretary of War has suspended all sales of surplus material by the War Department, as they are now short of equipment for this purpose.

It is not known just when this ban will be lifted, but we have been advised that possibly Silverman Brothers, 594 Broadway, New York City, might have some former surplus material on hand which they might sell to your friends.

Mr. HISS. Mr. Allard, I asked you a few minutes back whether you had been able to secure endorsements from Army or Navy officials of your products. I do not exactly remember what your reply was to that question. May I repeat it?

Mr. ALLARD. I think I said that I did not consider them endorsements. We receive statements from certain Army and Navy officials with reference either to the number or type of ship and engine in question, which have been purchased as to what their experience with them is.

Mr. HISS. There is no doubt that the prestige of the United States Army or Navy does carry weight, particularly in South American countries?

Mr. ALLARD. All over the world.

Mr. HISS. Therefore a letter of recommendation from the Army or Navy would be very helpful in making sales?

Mr. ALLARD. Any statement of fact.

Mr. HISS. Mr. Webster, in referring to any letter from the Army or Navy as to the value or quality of your products, you objected to reference to them as being recommendations, did you not?

Mr. WEBSTER. Yes, sir; I believe it is contrary to the policy of the Army or Navy to recommend. They simply state, "We are using this in service." They never recommend.

Mr. HISS. "Exhibit No. 434", Mr. Webster, is a letter which you wrote to Mr. Burdette S. Wright, on March 31, 1933.

(The letter referred to was marked "Exhibit No. 434" and is included in the appendix on p. 994.)

Mr. HISS. That letter in the last two paragraphs reads as follows:

We are also negotiation—

I guess that means negotiating—

for eight or ten Cyclone Falcons for the Argentine Navy to replace Vought "Corsairs" now in service.

The "Corsairs" are made by the United Aircraft group?

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading):

We are up against a serious obstacle in that the Falcon has never been in U.S. naval service, except the Marine Corps and the Argentine Navy will not accept equipment not having been used or specified by the U.S. Navy.

It is the desire of Captain Zar, Chief of Naval Aviation, to use the Falcon or any other suitable and capable Curtiss Wright plane in preference to United Aircraft equipment but we must provide him with all possible data and conversation in support of his ultimate selection of our material. Will you, therefore, kindly supply me as quickly as possible as much information as you can in support of this idea. For instance: How many Falcons were used by the Marine Corps officials to supplement our sales arguments?

Using your own language, Mr. Webster.

Mr. WEBSTER. Yes, sir.

Mr. HISS (continuing reading):

Also how many Falcons used by the Army and their written reaction as to their service and efficiency.

On April 6, 1933, a letter was sent by Mr. Burdette S. Wright addressed to the Secretary of the Navy, apparently in accordance with your letter of March 31. Mr. Webster, "Exhibit No. 434." That will be "Exhibit No. 435."

(The letter referred to was marked "Exhibit No. 435" and is included in the appendix on p. 995.)

Mr. HISS. That letter reads in part as follows:

In connection with possible sale of aircraft to South American countries, we have received a request that we obtain from the Navy Department and from the War Department a statement of the experience these two departments have had with the Curtiss Falcon type of airplane in service. The questions involved include:

(a) The number of planes of this general type purchased to date.

(b) The type of missions they have been engaged on such as observation, attack, and light bombing.

(c) The experience with this type of construction from maintenance and overhaul standpoint.

(d) Statements that the plane has been adopted as a service type and has rendered good service.

We would more than appreciate a short statement along the above lines which we could forward to our agents for them to use in connection with the possibility of obtaining contracts on this type of airplane.

Any assistance that the Navy Department can give us in this regard will be of great advantage.

"Exhibit No. 436" is a letter from Capt. A. B. Cook, Acting Chief of Bureau of Aeronautics of the Navy, to Mr. Wright, Mr. Burdette S. Wright.

(The letter referred to was marked "Exhibit No. 436" and is included in the appendix on p. 995.)

Mr. Hiss. The letter reads in part as follows [reading]:

The Secretary of the Navy has referred to this office your letter of April 6, and accordingly the following information is furnished—

And then follows a rather detailed statement on the use of Curtiss planes [reading]:

(a) Four OC-1's and 21 OC-2's were delivered between January and May 1928; there are at present seven of these operating with aircraft Squadrons WCEF, San Diego, Calif.

(b) Seven of these planes were used in Nicaragua from February 1928 to June 1931 on observation, ground attack, and light bombing missions; nine were used in China on observation missions; this type has been used in the United States for observation and attack training; individual planes of this type have been used for aerial photography.

(c) The following notes apply to the type of construction, maintenance, and overhaul:

(1) Trouble was experienced with the fuselage cross brace at the forward landing-gear fitting. This brace has to be reinforced with steel.

(2) The webs from the tail skid assembly all pulled out and had to be replaced with steel.

(3) The wing fittings in the center section had to be reinforced.

(4) After the above changes were made overhaul and maintenance conditions were excellent; many of these planes were flown 700 hours between overhauls; engines and parts needing attention were easily accessible.

(5) The following observations may be of interest:

(a) One plane which had been submerged in salt water for 36 hours was corroded so badly that it had to be surveyed.

(b) Longerons struck by bullets were shattered by the impact, there being considerable tearing around the bullet hole.

(c) These planes were originally designed to be powered by the D-12 water-cooled engine; when the P. & W. Wasp was installed a great deal of trouble was encountered with fixed gun fittings.

(d) This plane was used for several years as a Marine Corps observation plane and as such rendered excellent service. The long cruising range was a particularly advantageous characteristic.

Mr. Hiss. "Exhibit No. 437" is a letter which Mr. Webster wrote to Mr. Burdette S. Wright, referred to the letter just read. "Exhibit No. 436." The date of that letter is May 5, 1933.

(The letter referred to was marked "Exhibit No. 437" and is included in the appendix on p. 996.)

Mr. Hiss. Mr. Webster in that letter says in part as follows:

With further reference to the letter from the Navy Department (Capt. Cook) would it be possible to go back at the Bureau with the explanation that the letter requested was for the purpose of assisting us in competing against foreign aircraft manufacturers, especially the British, who are making a very definite effort to crash into the Argentine territory.

We have the inside track on this business and Captain Zar, chief of naval aviation, who was trained at Pensacola and who is anxious to see the Falcon installed in the Argentine Navy, is requesting us to supply him with something to back up his action should he be able to place this business with us.

This particular information regarding Zar, of course, is confidential and is intended for you, and should not be passed along to the Navy, but if the Bureau could reword their letter eliminating the objectional features, it would serve our purpose.

Objectionable features, is meant, I guess.

Using their present letter as a basis, the following suggestion taken from Capt. Cook's own letter would help us a great deal. Please bear in mind and impress upon the Bureau that it has been the policy of the Argentine Navy to use only such ships as are standard or have been used by the navies of the countries from which they purchase.

You then quote a proposed letter for the Bureau to write as follows:

The Secretary of the Navy has referred to this office your letter of April 6, and accordingly the following information is furnished:

Curtiss Falcons have been used since 1928 in Nicaragua and China on observation, ground attack, and light bombing missions and in the United States for ground attack and observation training and aerial photography. After a few changes made in the early types, overhaul and maintenance conditions were excellent, many of the planes having flown 700 hours between overhauls.

Mr. Webster, I call your attention to the fact that "Exhibit No. 436", Captain Cook's letter to Burdette S. Wright, on which you say you based this proposed reply lists "observation, ground attack, and light bombing missions" in Nicaragua but not China, where it refers only to observation missions. In the proposed letter which you sent to Mr. Wright you have changed that so that you suggest that the Navy say that the—

Curtiss Falcons have been used since 1928 in Nicaragua and China on observation, ground attack, and light bombing missions * * *.

Mr. WEBSTER. I think that is probably a typographical error, but it does not make any difference.

Mr. HISS. I do not believe there has been any attack work in China.

Mr. WEBSTER. It is just an error.

Mr. HISS. You will note also that you say, "After a few changes made in the early types", and the wording of the Navy was, "After the above changes were made"; and there is no reference to early types.

Mr. WEBSTER. Yes, sir.

Mr. HISS. You further state in the letter to Mr. Wright [reading]:

It is highly important that we get such a letter and it seems to us that the Navy would be perfectly justified in writing such a letter to assist us in overcoming foreign competition and establishing American aircraft in Argentine naval service.

"Exhibit No. 438" is a letter from E. J. King, rear admiral, United States Navy, and Chief of the Bureau of Aeronautics, addressed to Mr. Burdette S. Wright, under date of June 28, 1933, which is after your letter, "Exhibit No. 437."

(The letter referred to was marked "Exhibit 438".)

Mr. HISS. That letter states [reading]:

MY DEAR MR. WRIGHT: The Secretary of the Navy has referred to this office your letter of April 6th, and accordingly the following information is furnished: Curtiss Falcons have been used since 1928 in Nicaragua and China on observation, ground attack, and light bombing missions,—

The Navy made the same typographical error you made, Mr. Webster.

Mr. WEBSTER. Yes, sir; I probably went off on that.

Mr. HISS (continuing reading):

and in the United States for ground attack and observation training and aerial photography. After a few changes in the early types—

the Navy was adopting your language instead of saying "After the above changes—"

[Reading]:

overhaul and maintenance conditions were excellent, many of the planes having flown 700 hours between overhauls.

That is signed "E. J. King."

That is identical with the language which you proposed?

Mr. WEBSTER. Yes, sir.

Mr. HISS. "Exhibit No. 439" is a letter from Burdette S. Wright to Mr. Webster, under date of June 29, 1933.

(The letter referred to was marked "Exhibit No. 439".)

Mr. HISS. That letter reads as follows:

I am very sorry that it took us so long to get a new letter for you from the Navy on the services of Curtiss Falcons.

Attached hereto is a new letter which states the Navy's success with these airplanes in the manner which you desire.

Would you not say, Mr. Webster, that that did constitute a letter of recommendation actually written by your company for the Navy simply to adopt?

Mr. WEBSTER. Yes; it might possibly be considered as a letter of recommendation.

Mr. HISS. "Exhibit No. 440" is a letter of February 5, 1932, from Mr. Burdette S. Wright to Mr. Allard.

(The letter referred to was marked "Exhibit No. 440" and is included in the appendix on p. 997.)

Mr. HISS. That letter reads in part as follows:

I am attaching hereto a letter signed by Admiral Moffett replying to my letter in which I requested information on the O2C-1 airplanes in connection with our interest in selling to the Dominican Republic.

This is not a very elaborate statement, but represents what was finally decided upon *after they had written two or three different samples*. This can be used as an official letter in connection with the Export Co.'s efforts to sell to the Dominican Republic.

Admiral Moffett's letter, "Exhibit No. 441" does not bear date, being on the letterhead of the Navy Department, Bureau of Aeronautics, and being addressed to the Curtiss Aeroplane & Motor Co. That is the aeroplane company in Buffalo?

Mr. ALLARD. Right.

(The letter referred to was marked "Exhibit No. 441".)

Mr. HISS. "Exhibit No. 441" reads as follows:

In reply to your letter of recent date you are advised that about eighty of your model O2C-1 airplanes are being used as observation planes in the Marine Corps and in the training of aviators in the Naval Reserve Force.

I am pleased to be able to inform you that favorable reports have been received from the foregoing activities concerning the service utility of this model.

In regard to the policy of restriction, can you remember any time when not only have you been successful in securing release of restriction to the extent indicated by the evidence, but when you have actually asked the Navy to impose a restriction because it was con-

venient to your business interest, and so have used the restriction to your aid rather than to your hindrance?

Mr. ALLARD. I do not recall off-hand.

Mr. HISS. May I call your attention to a letter of July 19, 1933, which will be "Exhibit No. 442", which is a letter to Mr. Earle from Mr. Hewlett, with a copy to Mr. Goulding?

(The letter referred to was marked "Exhibit No. 442" and is included in the appendix on p. 997.)

Mr. HISS. That letter reads in part as follows:

At the present time there is stationed at Consolidated Aircraft, inspecting some trainers which are being built for Mexico, a Capt. David Chagoya Rodriguez of the Mexican Air Corps, who has requested permission to visit our plant at the earliest possible opportunity. Captain Chagoya is not particularly interested in anything outside of training activities, however, in view of the fact that the Mexican Government at this time has under consideration the purchase of a number of Pursuit airplanes, on which the Export Company has been negotiating and the further fact that he is interested in our Hawks I believe a special effort should be made to secure permission for this visit.

In the above connection, you will recall that we were turned down by the Naval Intelligence Division and the U.S. Air Corps some time ago due to a letter which we had written—

That is the company—

reflecting upon the fact that we had on our production floor, certain Army and Navy experimental jobs, which we did not consider it desirable for foreigners to view. However, since that time these experimental jobs have all been removed within the experimental department, with the exception of the A-12 production job and this has not proceeded to the point that, within the next 15 days, there should be any objection by the Air Corps for anyone to see same, as practically all the parts built up are in detail and are located in our feeder shops and in reality no one could see anything worth while or of such interest to allow them to copy. At the time we wrote this letter, you recall,—

That must be the letter on which the Navy and the Air Corps based their refusal—

Mr. ALLARD. Yes, sir.

Mr. HISS. (continuing reading):

that same was considered desirable inasmuch as certain Japanese officers desired to visit the plant and we were building numerous planes for the Chinese.

Then the next to the last paragraph reads as follows:

However, recently we have secured permission from our Government allowing General Chang Hung Wan of the Chinese Army to visit our plant which permission was signed by Lt. Col. Nelsen and we therefore feel that by regulated contact you can, without doubt, secure permission for this Mexican.

In view of the condition that he is interested in making an immediate trip to the plant it would be appreciated if you will advise me by wire as to the results of your contact with the Intelligence bureau.

In other cases you have been able to secure permission for foreign buyers to inspect planes in production at your plant, with a fair degree of regularity, have you not, when you so desired it, Mr. Allard?

Mr. ALLARD. I think when it met with the policies of the Government we have always been able to get that done. A great many of them have been turned down.

Mr. HISS. "Exhibit No. 443" is a letter from Mr. J. A. B. Smith to Mr. B. S. Wright, dated January 29, 1932.

(The letter referred to was marked "Exhibit No. 443" and is included in the appendix on p. 998.)

Mr. HISS. That letter reads in full as follows:

I understand from Mr. Webster that two Argentine Navy officers are being sent to this country to look over aviation materials and that we were named by the Navy Intelligence to have a Navy officer designated to accompany them to this country.

If you will look into this and let me know the name of some Navy flyer who is friendly to our equipment and who would be acceptable to the Bureau of Aeronautics, I think I can get Captain Ellis, who is head of the Navy Intelligence, to ask for the particular officer whom you might pick out.

In the memorandum to Mr. Morgan, which is "Exhibit No. 397", already introduced in evidence, the memorandum being dated June 19, 1934, written after the present investigation of this committee began, there is a statement which reads as follows:

The greater the number of countries purchasing our airplanes and engines, the greater our knowledge of the potentiality of their air force. Our pilots, mechanics, and salesmen procure very valuable knowledge of flying conditions, terrain, available landing fields in foreign countries, which would be of great military value in case of an emergency.

Is it not true, Mr. Allard, that it is very important for your company to maintain, and that your company does have, as a seller of military equipment, a confidential relationship with your foreign customers?

Mr. ALLARD. Just how do you mean, Mr. Hiss?

Mr. HISS. Do you not consider that military strength and military secrets are of a confidential nature, and if your company should learn of any of them in the course of its business, it would want to retain and not disclose the information, on the ground that it was confidential. Is not that correct?

Mr. ALLARD. Yes; certainly.

Mr. HISS. Therefore, this statement in the memorandum to Mr. Morgan, which we understood Mr. Morgan discussed with President Roosevelt—

The greater the number of countries purchasing our airplanes and engines, the greater our knowledge of the potentiality of their air force. Our pilots, mechanics, and salesmen procure very valuable knowledge of flying conditions, terrain, available landing fields in foreign countries, which would be of great military value in case of an emergency—

is rather an exaggerated statement? You would regard such information as confidential and would not turn it over to the United States Government?

Mr. ALLARD. Certainly not. That states that the pilots, mechanics, and salesmen gather this information for themselves, and I certainly would not hesitate to turn over to my Government here any information that it wanted, that I thought would be of any value to them. That is why I joined the Army.

The CHAIRMAN. Would you volunteer the information?

Mr. ALLARD. To the Army?

The CHAIRMAN. Yes, sir.

Mr. ALLARD. Yes, sir; confidentially, certainly. I think it is a duty, a patriotic duty.

Mr. HISS. Now I call your attention, in this connection, to "Exhibit No. 444", being a letter under date of May 24, 1934, that is

this past May, from Mr. Robert L. Earle to you, Mr. Allard, with a copy to Mr. Hewlett.

(The letter referred to was marked "Exhibit No. 444" and is included in the appendix on p. 999.)

Mr. HISS. That letter reads as follows:

When talking to Capt. Kenney, the working Air Corps representative on the Joint Aeronautical Board, today, he said that, while we do not have to do it, he thought as a matter of courtesy we should submit copies of all contracts and agreements with foreign governments to the Joint Aeronautical Board in order that they might know that the interests of the United States Government were being safeguarded, insofar as concerned military secrets. He said that this would help a lot when they were considering whether or not they should permit foreigners to visit our plants, in that if they knew we had a contract or agreement with the government represented it would expedite and possibly insure favorable action.

We told Capt. Kenney we knew nothing about our practice in matters of this kind but would be glad to forward his suggestions to you. The matter was called to Capt. Kenney's mind when talking about a couple of Rumanian inspectors and he would also like to know if we have a contract or an agreement with that country.

"Exhibit No. 445" is a letter of June 25, 1934, last June, from you, Mr. Allard, to Mr. Robert L. Earle.

(The letter referred to was marked "Exhibit No. 445" and is included in the appendix on p. 999.)

Mr. HISS. That letter reads in part as follows [reading]:

I have delayed answering your letter of May 24th on the subject above mentioned—OC-712—as I wanted to check into the matter very carefully. It is my opinion that our business does not permit of our furnishing copies of contracts and agreements with foreign governments. As a matter of fact, many times our business is done without any written contract or agreement. However, as you know, the interests of the U.S. Government are very well safeguarded as we do not sell at export any equipment not released by the U.S. Government services.

But you have had very little difficulty in securing release of Government planes. Do you agree to that?

Mr. ALLARD. How?

Mr. HISS. I say, you have not had much difficulty in getting Government models released for export, have you?

Mr. ALLARD. When one was ready to be released.

Mr. HISS. The letter states further as follows [reading]:

I shall be very happy to show the Joint Aeronautical Board, at any time, just what business we have done in the past, which will bear this out, but it must be borne in mind that our business with foreign governments is strictly confidential as it is obvious that one government is not interested in having other governments know all of the details of the business.

Mr. ALLARD. That is true.

Mr. HISS. Is it not also true, Mr. Allard, that in order to meet foreign competition your company is continually urging the Navy and the Air Corps to release their latest developments?

Mr. ALLARD. Certainly.

Mr. HISS. So that you can sell them abroad?

Mr. ALLARD. Certainly.

Mr. HISS. But you have been careful when you may have released information that the Army and Navy had specifically authorized its release?

Mr. ALLARD. Information?

Mr. HISS. With respect to development of planes or engines.

Mr. ALLARD. Yes, sir.

Mr. HISS. May I call your attention to a letter of March 14, 1931, "Exhibit No. 446", from Mr. Robert P. Farnsworth to Mr. C. W. Webster.

(The letter referred to was marked "Exhibit No. 446" and is included in the appendix on p. 1000.)

Mr. HISS. That letter reads [reading]:

DEAR WEB: I have been able to secure for you "G-1", "G-2", "G-3", and "G-4" plans for the Air Corps exercises of 1931. This information is definitely not for publication, was secured by me in the face of a definite order prohibiting its issuance, and I beg you to be very careful in the manner in which you give this information to Merino.

He was then a Chilean aviation official?

Mr. WEBSTER. Yes, sir.

Mr. HISS. Mr. Farnsworth in this letter continues [reading]:

There are no particular military secrets contained therein and I know that if there were the War Department would not object to Chile's knowing them, but the point is they would prefer to give this to Chile themselves rather than through another agency such as us. Please keep tight hold on these four pamphlets and bring them back with you when you return.

Mr. WEBSTER. They were given to them by the United States Government.

Mr. HISS. For this use?

Mr. WEBSTER. Yes, sir; during the public maneuvers here.

Mr. HISS. These were given to Mr. Farnsworth by the United States Government?

Mr. WEBSTER. No; given to Chile.

Mr. HISS. At the time Mr. Farnsworth had given you these, which you had apparently requested, the United States Government had not given them to Chile?

Mr. ALLARD. No; but they were definitely not released for press publication. It was the itinerary.

Mr. WEBSTER. That means press publication and not turning over to Chile.

Mr. HISS. He says:

This information is definitely not for publication, was secured by me in the face of a definite order prohibiting its issuance, * * *.

Mr. ALLARD. I think he means its press issuance.

Mr. HISS. You do not think that means its issuance to him?

Mr. ALLARD. No, sir; not to Farnsworth.

Mr. WEBSTER. That is newspaper publication.

Mr. HISS. I think the letter speaks for itself.

On August 24, 1933, "Exhibit No. 447", Mr. Allard, you wrote a letter to Mr. Leighton in Europe.

(The letter referred to was marked "Exhibit No. 447" and is included in the appendix on p. 1000.)

Mr. HISS. This is a long letter and over on page 5, at the top of the page, you state:

On my way back from the west coast, I stopped at Buffalo and spent about 3 hours with Burdette Wright. Ted was out.

That is Ted Wright?

Mr. ALLARD. Yes.

Mr. Hiss (continuing reading) :

We discussed how to get the information to you in view of the American Government's present very rigid attitude on the release of information on new and experimental aircraft. There is a new espionage act in the United States which has caused the Army and Navy to become all the more definite and determined in preventing information from getting out on these planes. We can't give out any information on the YO-40, the A-12, the F11C-3, or the F11-C-1. I know how important it is to you that you have information on the results of tests on these ships so that you can quote on a Turkish plane of high performance. Our position with both the Army and Navy is such that we are not justified in pushing them any further. It is downright dangerous; and I don't think it would do any good, and it might do some harm, for you to go direct to Admiral King or anybody else.

As I said in a previous letter to you, I believe you can read through ambiguous remarks, so here goes. Janes All the Worlds Aircraft has published some data on the YO-40.

That is other than the ones as referred to by you?

Mr. ALLARD. Correct.

Mr. Hiss (continuing reading) :

Information already published on the A-8 is pretty good, and you know what a different motor installation might do. I have already told you how much retractible undercarriage adds to airplane performance. A 14-cylinder motor for small planes of around 200 m.p.h. can be expected to improve performance from 3 to 6 miles per hour, as compared with equivalent horsepower from a Cyclone. When you get back from this trip you will have a better idea of what you will require in the future under similar circumstances, and I think we can load up your mind and our inside vest pocket with enough dope so that the situations can be handled. They are doing everything possible in Buffalo to complete flight tests on the demonstrator Hawk with 4-barrel carburetor—

At that time the 4-barrel carburetor could not be released for export?

Mr. ALLARD. Yes, sir; it could. It was on commercial planes. It is on all the Douglas planes.¹

Mr. Hiss (continuing reading) :

but there was a hitch in the program due to the Navy's borrowing the only 4-barrel we had, and we are just receiving from Wright a replacement. On the Douglas transport the use of the 4-barrel carburetor as compared to the 2-barrel added about 30 horsepower per motor. Every new single-motored or bi-motored transport I have seen recently has retractible landing gear and controllable pitch propellers, which I am told add from 3 to 10 miles per hour to the top speed.

Mr. HISS. This retractible landing gear was a new development?

Mr. ALLARD. No; not particularly new. It was a recent development.

Mr. HISS. And the controllable pitch propellers were new?

Mr. ALLARD. Yes, sir; but released for export.

Mr. HISS. Then you state [reading] :

Do you get it? It's almost like a code.

In the original letter that appears in capitals.

Mr. ALLARD. That is correct.

Mr. HISS. What did you mean by that, Mr. Allard?

Mr. ALLARD. I will explain the whole two paragraphs, if I may. It was definitely our policy not to release any information, and I

¹("Exhibit Nos. 449 A to E. inclusive", in reference to above were introduced in hearings of Sept. 17 (see part VI), and are included in the appendix of this volume on pp. 1010, 1011, and 1012.)

refused to do it, to Mr. Leighton, on the ships which are specified in my letter. I had just returned from Turkey myself and Leighton had replaced me over there, and I knew what Leighton was up against, and he was asking for the information on these airplanes, if such information had been released by the Army and Navy, so that he could take as an engineer and aeronautical man and compute what performance he could give the Turkish Government on the then existing type of aircraft they had in service over what we had sold them some 2 years previously.

I knew that he did not need the information which he was asking for. I knew what information he needed and proceeded to give it to him. That information, for example, was on the Hawk airplane, of which Turkey had 24. He wanted to add a retractable landing gear, which anybody could do. That was published, and those retractable landing gears were used on all airplanes. Practically all commercial airplanes have them.

He wanted to know what the performance was on the F11C-3 airplane, because among other features it had a retractable landing gear.

I gave him the information that a retractable undercarriage would add 3 to 10 miles per hour to the performance of the airplane, which would have stepped up the performance of the Turkish Hawks by 3 to 10 miles per hour. I did not give him any information on the construction or type, details of general performance characteristics on the F11C-3 or the F11C-1, which he was asking for.

On this YO-40, that was published, which I stated here in the letter, in *Janes All the World Aircraft*, the information released by the Air Corps, which was public, and the same thing with the A-8, a liquid-cooled engine. He wanted to know the difference in performance between an airplane equipped with a liquid-cooled engine, which was the Falcon, which at that time we were trying to sell Turkey, but they wanted an air-cooled engine in the airplane, because there were air-cooled engines throughout in the Hawks which they purchased from us.

So that I gave the information I stated, and he already knew what an air-cooled different engine installation would do to an airplane, and in dictating this, as one officer to another officer in a company, in a jocular way, I said, "It's almost like a code" and "Do you get it?" It was a perfectly innocent remark or a normal statement in talking to Leighton. There was absolutely no information given in this in any way, shape, or manner. No engineer, no pilot—I have been flying for 17 years myself and it is impossible to get the performance on any of the airplanes on which information was not already released by the Air Corps from that paragraph of my letter.

Mr. RAUSHENBUSH. Mr. Allard, why did you not simply tell him how many miles per hour the plane could do with all those changes?

Mr. ALLARD. Because I did not know what other characteristics he was going to have to combat in Turkey. That is, whether they wanted changes in gas tanks or other items. I was telling him that with a retractable landing gear, which could be put on the airplane, that he would add 3 to 10 miles per hour.

Mr. HISS. One other line of inquiry, Mr. Allard, which I would like to take up in this connection: Has the art of dive bombing been

a fairly recent development on the part of the United States Army and the United States Navy?

Mr. ALLARD. I do not think so. I think that is referred to in those letters of Admiral King and Admiral Moffett.

Mr. HISS. I do not think so.

Mr. ALLARD. Dive bombing?

Mr. HISS. We will look back.

Mr. ALLARD. I do not know. It goes back to the Hell Diver airplane, around which the moving picture was made several years ago.

Mr. HISS. Here is Admiral Moffett's letter, "Exhibit No. 441" [handing paper to witness].

Mr. ALLARD. I think it was Admiral King's letter.

Mr. HISS. You mean the one which was written after Mr. Webster's?

Mr. ALLARD. The one which was written before or after.

Mr. HISS. There is Cook's letter and there is King's letter [handing papers to witness]. Not dive bombing.

Mr. ALLARD. Not dive bombing.

Mr. HISS. Has the Navy permitted dive-bombing tactics to be sent abroad by American aviation companies who happened to be familiar with those tactics?

Mr. ALLARD. I do not know.

Mr. HISS. "Exhibit No. 448" is a letter dated October 8, 1932, from Mr. Robert L. Earle to Mr. A. B. Carrington, of the Export Co.

(The letter referred to was marked "Exhibit No. 448", and is included in the appendix on p. 1004.)

Mr. HISS. That letter reads in part as follows [reading]:

It will not be possible to offer any dissertation in detail on the method employed by the Navy in dive bombing for, as we have advised the Export Company before, the Navy considers this information as confidential and will not permit it to be passed out. The following statement, however, may serve our purposes:

"Single-seater and two-seater airplanes in use by the U.S. Army and Navy are not constructed to enable bomb sights to be used for the dropping of bombs while in horizontal flight. It is impossible to locate such a sight where a pilot or his gunner could effectively employ this instrument with the needed degree of accuracy. For this reason, such sights are used only in large, slower airplanes especially constructed for this type of bombing.

"Both branches of the American service have found that greater accuracy can be obtained in the placing of bombs of comparatively small size such as used with single-seater and two-seater airplanes by the releasing of these bombs while in a dive. In the dropping of bombs in this method the pilot uses the same sight which he employs in connection with fixed guns. He simply aims the airplane itself at the target, drops his bomb or bombs while the airplane is in a dive, then pulls out and resumes normal flying. It is for this reason that airplanes constructed for the U.S. Army and Navy are built to withstand considerable diving but do not make provision for the installation of bomb sights of the type used in horizontal bombing."

Mr. Earle further says:

The above is simply my own statement of the bombing methods employed but I hope it will suit your purposes.

That was in 1932.

Mr. ALLARD. Yes, sir.

Mr. HISS. Were the officials of the Export Co. in Europe advised at that time that the details of dive bombing should not be made public?

Mr. ALLARD. I do not think they were advised that, unless the question came up for some specific purpose.

Mr. HISS. On January 18, 1934, Mr. Allard, you wrote a letter to Mr. Leighton, which will be marked "Exhibit No. 449."

(The letter referred to was marked "Exhibit No. 449" and is included in the appendix on p. 1005.)

Mr. HISS. On page 2 of that letter, the third paragraph, you state as follows [reading]:

On the subject of dive bombing,—

This was written January 1934, whereas Mr. Earle's letter was 1932.

Mr. ALLARD. Yes, sir.

Mr. HISS (reading):

On the subject of dive bombing which you refer to in your letter of December 12th, and which is apparent in copies of your proposals to the Government on new business, this is a matter that is most delicate by nature. You refer specifically in your protocol to the Ministry of Defense on the Kayseri factory project, under the heading "Test Flights of the Planes," page 6, as follows: "Diving bomb tests will be included this time in the official tests." We have been nosing around in the Bureau in Washington, discreetly, and find that they hold as most strictly confidential their dive-bombing tactics and procedure, and they frown upon our even mentioning dive bombing in connection with the Hawks or any other airplane to any foreign powers. It is absolutely unwise and unethical at this time, and probably for some time to come, for us to indicate in any way that we know anything about the technique and tactics of dive bombing and to include such tests in official tests, or to have any pilot demonstrate or instruct in dive bombing, would be just about the worst thing that could be done at this time. I can see no objection to your referring to dive bombing in conversation, but you should plead absolute ignorance as to the technique employed or why or how we can use dive bombing in our services here. If any Navy officials, or any of the Navy officers now located in Turkey, or who might visit there, or replace the present officers, should get hold of any proposal from us in which we refer to dive bombing, it would snap right back to Washington and I am afraid it would seriously react against our Navy relations which are too good now here to upset in any way. I know you can appreciate this and I also know that you will take the necessary steps to remove from present negotiations any reference to dive bombing, and keep the mention of them out of any formal contracts or even proposals. *I cannot stress the importance of this too much.*

I realize that you are fighting against European competition that seems to have airplanes that are a little faster than ours. However, I know that you also know of all the sales arguments against the extra speed and, particularly, how they obtain it in foreign equipment. It is done at a definite sacrifice on the life of the engine and, probably, the airplane; it is done at a sacrifice of maneuverability and military load; and if those features in the Hawk do not offset a few kilometers difference in speed, plus the fact that the ship will withstand power dives of high velocity and stand a punishing to which this type has been subject for years in our services at home, I do not know how you can compete.

It may be all right for Bob—

That is Farnsworth?

Mr. ALLARD. Yes.

Mr. HISS (continuing reading):

To put on a dive bombing show to show the strength of the airplanes, but to refer in contract to dive bombing, or endeavor to teach dive bombing, is what I am cautioning against doing.

Senator BONE. Mr. Allard, can you tell us what percentage of your Curtiss-Wright business, in dollars and cents, is done with the United States Government, in both military planes and those used in other services?

Mr. ALLARD. I cannot off-hand. The records have been furnished the committee, and have been gone into this morning.

Senator BONE. Do the studies which were put in the record indicate what percentage of the business, in dollars and cents, has been done with other governments?

Mr. ALLARD. Exports? Yes, sir.

The CHAIRMAN. Off-hand, what percentage of your total business is with the United States Government?

Mr. ALLARD. I think it was about 66 $\frac{2}{3}$ percent.

Mr. HISS. About two thirds.

Mr. ALLARD. Yes, sir.

Mr. HISS. And of the other business, the majority in recent years has been foreign sales, of which the majority has been with foreign governments. Is not that correct?

Mr. ALLARD. Yes, sir; by far.

The CHAIRMAN. Mr. Allard, do you know Major Doolittle very well?

Mr. ALLARD. Yes, sir; I served with him during the war.

The CHAIRMAN. What position does he occupy? Do you know?

Mr. ALLARD. Yes, sir; he is manager of the aviation department of the Shell Oil Co., headquartering in St. Louis.

The CHAIRMAN. Is he in any way connected with the procurement division of the Army at Chicago?

Mr. ALLARD. Not to my knowledge. I do not know, sir.

Mr. HISS. Mr. Allard, do you know how many officials of your company are former Army or Navy officers, or have been in the Army Reserve Corps or the Naval Reserve?

Mr. ALLARD. I do not know how many, but it could easily be found out. We can get that.

Mr. HISS. You yourself served as a pilot?

Mr. ALLARD. Correct, during the war.

Mr. HISS. And Captain Travis was a former Army pilot, was he not?

Mr. ALLARD. So I understand.

Mr. HISS. And Major Doolittle was helpful in demonstrating. Major Melvin Hall, formerly with your company, was an Army aviator during the war, was he not?

Mr. ALLARD. I understand he was aide to General Mitchell during the war.

Mr. HISS. Captain S. C. Coon, who was at the Turkish factory at one time, was a former Army or Navy man?

Mr. ALLARD. I know he was an Army man during the war.

Mr. HISS. Mr. Theodore Wright was a former Army man or Navy man, was he?

Mr. ALLARD. I do not know, but I can find out easily.

Mr. HISS. Mr. Leighton was a former lieutenant commander, was he not?

Mr. ALLARD. Of the Navy.

Mr. HISS. Mr. Chapline of Wright Aeronautical was a former Army officer?

Mr. ALLARD. No, Navy officer.

Mr. HISS. In the hearings before the Subcommittee on Aeronautics of the Committee on Naval Affairs of the House of Repre-

sentatives, at page 600, there is a list of men who are now employed by aviation companies who were formerly in the United States Navy.

Referring to the Eclipse Co., which is a part of the General Motors group, we find Lt. Comdr. C. H. Havil; and Lt. Jens Soucek.

General Aviation had Lt. C. H. Schildhauer.

Could you furnish the committee with a list of all the officers, former Navy or Army officers, including Reserve Corps, of both the Army and Navy, that is, in any capacity in the Army or Navy, who are now with the company and what their duties are?¹

Mr. ALLARD. Take the officer and employee list of the company at the present time?

Mr. HISS. Yes, sir.

Senator BONE. Do you consider that your company is an enterprising one?

Mr. ALLARD. I hope so, yes, sir.

Senator BONE. And that it is applying to aviation the very latest features of aerial navigation?

Mr. ALLARD. I should say so, yes, sir.

Senator BONE. Is there any doubt in your mind as to that?

Mr. ALLARD. Not as a pilot.

Senator BONE. From the mechanical side, do you think your company and other aviation concerns in this country are applying the very latest principles?

Mr. ALLARD. I certainly do.

Senator BONE. I take it your company and other companies have research work going on all the time?

Mr. ALLARD. Yes, sir.

Senator BONE. So that you are attempting to keep abreast of all the changes made?

Mr. ALLARD. We are attempting to keep abreast of all the changes made.

Senator BONE. And that information is made available to the Government?

Mr. ALLARD. Yes, sir.

Senator BONE. Would you say that the United States Government, then, has the very latest word in efficiency of planes that it is building and will build?

Mr. ALLARD. At the present time and under present conditions of appropriation and so forth, yes, sir.

Mr. HISS. Mr. Allard, in the memorandum previously referred to and marked "Exhibit No. 397", the memorandum of June 19, 1934, from Mr. Albert I. Lodwick, who was an employee of the parent corporation—

Mr. ALLARD. Yes, sir.

Mr. HISS (continuing). To Mr. Thomas A. Morgan, the president of the Curtiss-Wright parent company, who was also the president of the Aeronautical Chamber of Commerce—

Mr. ALLARD. Yes, sir.

Mr. HISS. And who, according to the records of the Army Ordnance Association is or has been a member of the executive committee of the St. Louis post of that association—on the last page of

¹ The above-requested list was furnished to the committee by Mr. Allard and is included in the appendix on p. 1013.

this memorandum, which one of our investigators is informed was discussed by Mr. Morgan with President Roosevelt in June, after this committee was formed, the following appears:

Congressional investigations, embargoes, pacifistic talk, and propaganda will doubtless cause some of our present customers to buy abroad due to the uncertainty of delivery and the uncertainty of obtaining spare parts in the future. The greater the volume of aviation business in this country, the better our national defense.

Your company does not look upon embargoes or peace talk or congressional investigations with favor?

Mr. ALLARD. Yes, certainly. If all the powers in the world will join in them; but there is no good for us to put on an embargo or talk peace and let this business go to foreign competitors and give them the business.

Senator BONE. How do you suppose that the world could arrive at a state of mind where it can begin to discuss peace, unless peace is talked?

Mr. ALLARD. It has been talked for centuries, has it not, Senator?

Senator BONE. Would your company suppress all discussions on the desirability of peace?

Mr. ALLARD. No; I do not think that I am in a position to say what my company would think of a subject as great as that now.

Senator BONE. There was some reference during the course of the hearing to "fomenting peace", and I believe you made some observations upon that.

Mr. ALLARD. Yes, sir.

Senator BONE. How would you, Mr. Allard, find a way to bring about a different attitude of mind among the nations of the earth except by talking peace? Could you suggest any other way?

Mr. ALLARD. No; I do not think so.

Senator BONE. It is part of our duty to inquire into the whole picture, and I am wondering if you can suggest any way by which the world can finally get rid of some of the things which confront us except by discussing the desirability of peace.

Mr. ALLARD. That has gone on for centuries, has it not, for a great many years?

Senator BONE. I understand, and murder has gone on for centuries, but we still have laws with respect to it, and larceny has gone on for centuries, but we still have laws with respect to it. We do not find ourselves confronted with a sense of frustration in dealing with these things, but still continue the laws on the statute books.

Mr. ALLARD. Certainly.

Senator BONE. Would you suggest that we abandon all efforts to have peace?

Mr. ALLARD. Oh, no; obviously not.

Senator BONE. To what extent would you suppress that sort of thing? I do not mean that in an odious sense, but I mean to turn it down.

Mr. ALLARD. I think, Senator, that it is entirely too great a subject for me. It is beyond my comprehension to give any solution to it. The great world powers have been trying for years to get a solution to this problem, and I certainly am not equipped to give any judgment on it now. I wish I could.

The CHAIRMAN. How seriously do you feel that the great world powers have undertaken this task?

Mr. ALLARD. I only hope that they have, Mr. Chairman. I would not have any way of knowing how seriously they do it. I am not close enough to the powers to know.

Senator BONE. I take it that you, as a private citizen and as a business man, would not want to see the world engaged in another such thing as occurred between 1914 and 1918?

Mr. ALLARD. I certainly would not.

Senator BONE. What do you think might happen to western civilization in the event another conflict of that kind ensued, considering the financial and economic conditions we have in the world today?

Mr. ALLARD. I would not care to see that happen, Senator.

Senator BONE. We are not asking you to deliver a lecture or anything of the kind.

Mr. ALLARD. I hope not.

Senator BONE. But what do you think might happen to western civilization in the event that the world got embroiled in another conflict of that kind?

Mr. ALLARD. Frankly, I do not know. I do not think any one could forecast what happened to us prior to the war. I certainly know I did not have any idea what would happen. I would not attempt to guess.

Senator BONE. Were you astounded by what did happen?

Mr. ALLARD. Probably I was a little too young to be astounded by it at the time, sir.

The CHAIRMAN. Do you think the world could stand another conflict of that kind?

Mr. ALLARD. I do not know.

The CHAIRMAN. There is a doubt in your mind, is there not, and you are wondering, as others of us are, whether the world could withstand another conflict like that of 15 years ago?

Mr. ALLARD. Yes, sir; that is correct.

Senator BONE. You would be fearful of the economic and political changes that would be brought about by a war of that kind?

Mr. ALLARD. Yes; probably.

Senator BONE. Why do you not say it would be? You say it would probably be.

Mr. ALLARD. I do not know that that is the only thing I would be fearful of. There are a lot of other things besides political and economic things to consider in a world conflict. I do not know what would happen. I do not know what this world would look like.

Senator POPE. Do you think the activities of the munitions makers, such as disclosed here, with the assistance of Government officials in Europe, and even in America, are promoting peace or a peaceful attitude among the nations?

Mr. ALLARD. I do not think it is hurting peace, Senator, until all the world powers get together and establish some definite basis of world peace. They have been talking of it for years, but the mere sale of munitions or aircraft by us or anybody else is not detracting from the possibility of peace.

Senator POPE. Do you think that all the facts which have been brought out at this hearing, as to the intrigue indulged in, particularly by the European countries, in South America and in Europe, is having no effect at all, so far as promoting a peaceful attitude in the world is concerned?

Mr. ALLARD. Not unless all the powers of the world get together and stop it. One stopping it is not going to answer the problem.

The CHAIRMAN. Mr. Allard, if I am not mistaken, it was Lord Cecil, who has been in pretty constant attendance upon these disarmament conferences and peace conclaves, who declared that a very ominous factor entering into all the negotiations had been the influence of the munitions makers the world over. Now, that being the case, are you not ready to concede that the munition makers perhaps are taking a larger hand in opposition to understandings than we might wish to have?

Mr. ALLARD. I do not think I can answer that, Senator.

The CHAIRMAN. Perhaps I should not expect you to.

Mr. ALLARD. I would have to think it over.

The CHAIRMAN. But the attitude, such as I attributed to Lord Cecil, is an attitude not at all unlike that our own American emissaries bring back as being things standing in the way of understandings.

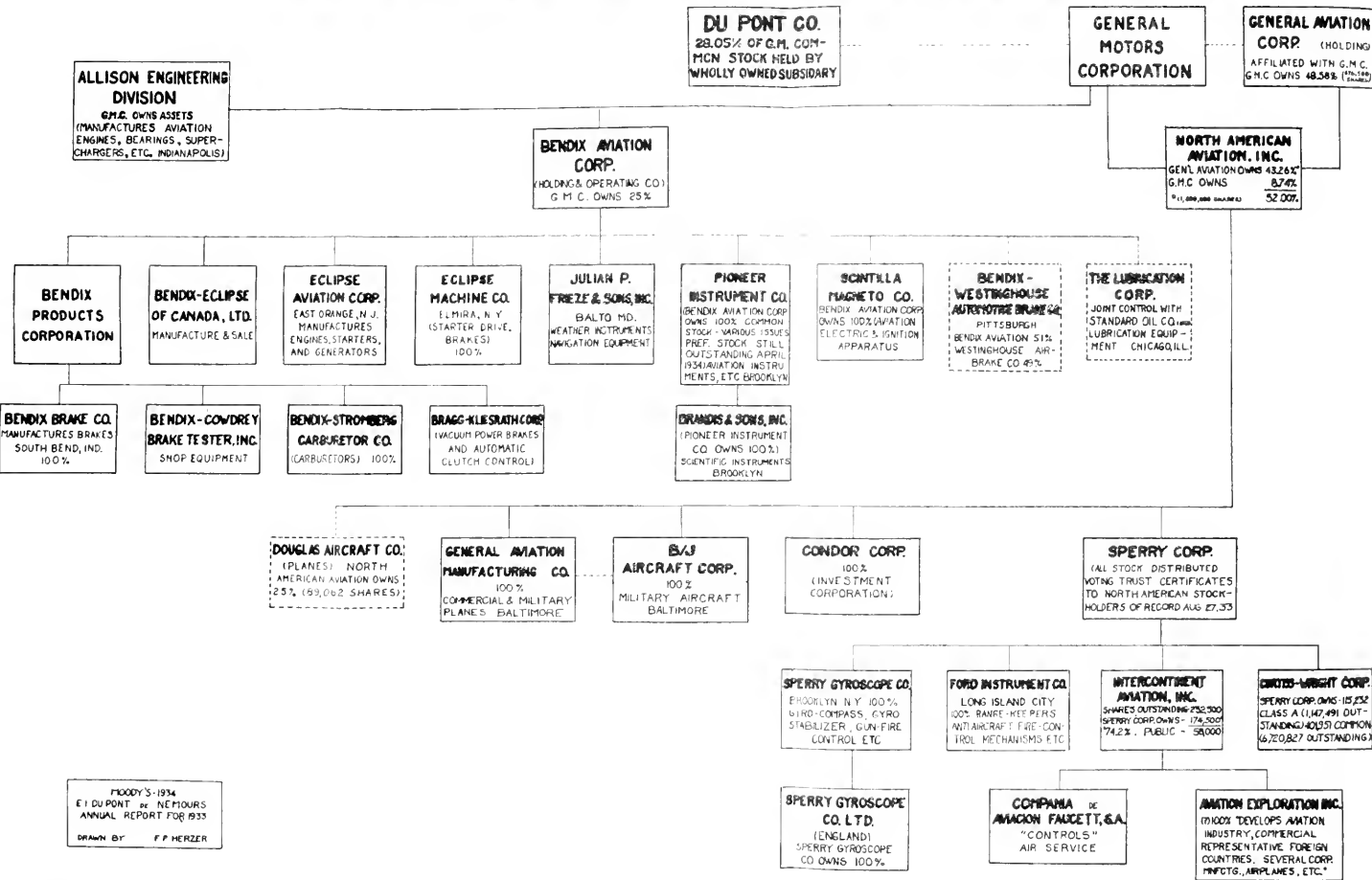
Gentlemen, you will understand yourselves to be excused, and the committee will reconvene at 2:15 o'clock.

(Witnesses excused.)

(Thereupon, at 1:20 p.m., the committee took a recess until 2:15 p.m.)

This concludes the record of the Curtiss-Wright Export Corporation. The committee at this point took up the case of the E. I. du Pont de Nemours & Co., which is printed in part V.

DU PONT - GENERAL MOTORS AIRCRAFT MANUFACTURING INTERESTS



MOODY'S-1934
DU PONT & NEIGHORS
ANNUAL REPORT FOR 1933
DRAWN BY: F.F. HERZER

APPENDIX

EXHIBITS

(“ Exhibit No. 268 ” appears on facing page)

“ Exhibit No. 268-A ” is a list of stockholders in Curtiss-Wright and is on file with the committee. (See p. 693.)

EXHIBIT No. 269

[Copy]

WATSON, PHILLIPS & CIA. SUCS., S. EN. C.,
AVENIDA URUGUAY No. 103 APARTADO POSTAL 67,
Mexico, D.F., March 23rd, 1934.

AGENCY AGREEMENT

CURTISS WRIGHT CORPORATION,
R.C.A. Building, 30 Rockefeller Plaza, New York City.

DEAR SIRs: We duly received your letter of the 15th of January, with which you enclosed copy of your sales agent agreement, and regret having left this matter pending for so long, but we expected to discuss the points which we wish to bring up now, with one of your representatives upon his visit to the country, which at that time we believed would take place in the near future.

We believe the agreement appears to be quite suitable, and the only points which we shall draw your attention to, are the following:

We note that we are allowed the agency solely for military airplanes and engines, and that no mention is made of civil machines. Although it is scarcely likely that we may obtain an order for civil airplanes, we presume you will have no objection to our soliciting same, should opportunity offer.

We note that we are merely named in the agreement as “ Soliciting sales agents ”, and that we may not act in any more official capacity than is outlined in the agreement, which we believe might rather restrict us in our representations before Government departments in case of necessity, as if we are considered by them your official representatives, they will properly expect us to be in a position to make definite offers and close contracts on your behalf, for indeed, as you know these matters are indefinitely delayed whilst negotiations are in course, but it is always the case when the Government officials make a decision, they wish everything to be done with extreme rapidity, and having to refer matters back to you, might be prejudicial to your interests and ours.

Clause 3. We note the conditions with regard to the payment of commissions, and believe that this clause should be amplified to provide for some form of commission to be payable to us on orders for machines to be delivered in Mexico, which may be placed direct with you in the United States. The possibility of such orders may be remote, but we feel that due to our friendship with the officials of the aviation lines here in Mexico, and the propaganda which we have made on your behalf, this may ultimately result in planes being bought in the United States by these airways, and we believe that in that case, we should be entitled to some remuneration.

Our comments with regard to our position as representatives of yours as above, specially refers to our ability to collect on your behalf down payments which may be made by the Government, as unless we are in a position to do this, you will readily appreciate that any other form of payment may be prejudicial to your interests, as we are always particularly careful to see that

before we accept any Government orders, we have received part payment in cash before submitting the order. We would be glad to have your advices in this connection in due course.

As we are informing you under a separate letter, the Government holidays commence today and last to the end of this month, consequently all negotiations must remain pending until that time. This is particularly unfortunate, as it only means further delay, but we really believe that in the near future something definite will be forthcoming as the Government simply must have new motors and planes, and it is certain that these will be ordered before this term of office has passed; consequently matters may come to a head in time in the month of April.

We are assured that our connection with the various departments are satisfactory, and that if anything is to be ordered it will be from your firm, it is only that the delay is very depressing.

Awaiting your advices in connection with this matter with much interest, we remain

(Signed) WATSON, PHILLIPS & CIA.

CHEP/tvz.

EXHIBIT No. 270

[Copy]

ANKARA, February 20th, 1934.

Mr. J. S. ALLARD,

*Curtiss-Wright Export Corp., RCA Building,
30 Rockefeller Plaza, New York.*

DEAR JACK: This letter is in follow-up of exchange of cablegrams regarding Caldwell—yours of 16 February asking if I felt situation justified additional help in Europe, and my reply of Feb. 17, saying, "Think it advisable have additional permanent European representation for some time in view of developments." I suggest you hold Caldwell in Europe until receipt of letter.

This letter is a sort of review of lengthy correspondent we have had in the past on the general subject. Before writing this letter I have reread much of that correspondence. I don't ask you to take the time to do the same thing, because it is long, but I do particularly ask you to read again the latter part of my long general letter addressed to Tom Morgan on October 26th, and my recent general letter of February 14th—mailed two days before receipt of your Febr. 16th cable.

I have been out here for nearly eight months. Although I've spent most of my time in Turkey I haven't for a moment forgotten that Turkey is after all only a part of the larger general European job. I believe that my contacts with other parts of Europe plus the flow of information correspondence that has been forwarded me regarding affairs elsewhere in Europe, has kept my perspective fairly straight. Bill Kennedy's recent trip here has given me side lights which serve to fill in the blank spaces in the picture—particularly the K. L. M. story. I have had plenty of opportunity to talk with people who have intimate dealings in other countries in Europe.

Everything I have seen, read, and heard, seems to justify a conclusion that our experience in Turkey isn't just a special isolated case, but that it may be looked upon as a problem typical of airplane sales in Europe. With certain variations in detail to meet special local conditions, our experiences in Turkey may be taken as a point of departure on which to build our European sales policy (excepting such countries as England, France, Italy, and Germany, which are industrialized *producing* countries and where licensing is our only possibility).

If that hypothesis is even half correct it means that we've got to be prepared to make more permanent contacts, and to spend more *time* in those countries where we're looking for business. And that means more people on the job on a permanent assignment basis.

Right here I would like to set down briefly a number of conclusions that have been forming in my mind while I've been sweating over this job—and constantly clamping at the bit because of my complete inability to break loose from Turkey to run down the numerous interesting possibilities for business that are continually being reported all over Europe.

I. When you sell airplanes in Europe you deal with governments. You are dealing in military equipment, which is invariably and popularly looked upon as vital to the personal safety of every individual. (Remember that in Europe civil air transports are usually looked upon as military planes in disguise.) The basic problem in Europe isn't so different from the problem of dealing with our own Government at home as one would at first suppose. There are differences in details but the underlying basic requirements and general strategy are remarkably similar when you get down to final cases. In Europe you're dealing with twenty-odd governments, each one of which is as fussy as the one Government we deal with at home.

II. Occasional visits to the big shots at the top side stir up a measure of passing interest, but in the final analysis they don't do a whole lot of good unless they are backed up by everlasting hammering at the rank and file, through personal contacts with subordinate section chiefs, and on down through the pilots and mechanics in the operating units. If the operating personnel don't like your stuff, the big shots on the top side rarely, if ever, have the nerve to buy it.

III. Palm persuasion is a far less potent factor than it is reputed to be. In certain cases in some countries it helps somewhat in getting a favorable hearing, but it is far less general than one would suppose. Competition is too keen, and gossip too searching, for the art of palmistry to thrive. There have been a lot of political heads chopped off because of it, and it is becoming constantly less popular.

IV. Personal acquaintances and friendships—and the confidence and good will growing out of them, are as potent a factor in Europe as they are at home. The only difference is that it takes longer to establish them in Europe than in America, first because of differences in language, and second because the average European is less given to accepting strangers on faith than is the American.

V. The competition is at least as keen, and it is more varied, in Europe than in America. Political conditions are far less stable, changes in assignments of personnel to important positions of responsibility and authority are far more frequent and sudden. That means that you must always be prepared to see the work of months badly battered and suddenly in need of major overhaul. The wider and more varied is your acquaintanceship the less you are likely to be disturbed by such changes. (I have, for example, just received word from Greece that their whole aviation program has been at a standstill as result of a sudden change in the Minister of Aviation and sweeping changes in the entire headquarters staff.)

VI. Due to the very nature of the product, and the general conditions under which it operates, the airplane sales job is largely a "sales engineering" job, which requires an intimate knowledge of the technical features of our product, at least a fair acquaintance with the technical features of the competitors products, and a fair acquaintanceship with general strategic and tactical problems. Further, because there usually enters the problem of local manufacture (see my letter of October 26th) you've got to have at least a general acquaintance with manufacturing principles. If there are any agents available who have the required technical qualifications I have yet to hear of them. Demaxas and Admiral Gerondas in Athens are the nearest approach I've found yet, but they fall far short of full qualification. Your agent can act as your general contact, he can keep you acquainted with the general situation, see that you meet the people worth seeing, do your translating and interpreting, help with banking connections, etc., but he can't sell your goods nor negotiate your contracts. *When it comes to primary selling* (I except miscellaneous spare parts and accessories which follow inevitably in the wake of primary sales) *you've got to have a direct representative of the home organization on the ground.* And that direct representative has got to know his stuff, because he's invariably up against the best selling organizations in Europe who have their home organization near at hand, and demonstrators available. In this connection it is well to remember that the best agents (that is those who have the best connections) are those who carry a number of lines. No agent who is worth his salt can afford to handle your line as a specialty—at least until you've become firmly enough established to assure a continuing flow of profitable business. Therefore your agents need constant punching by personal visits to keep them on their toes.

VII. It follows inevitably from the foregoing that to *book orders*, in Europe you've got to have pretty complete direct representation on the ground—at

least until you've become firmly established. Without such representation you'll get lots of nibbles and occasional hot inquiries, and spend a lot of money sending cables and mailing literature, but you'll book few orders for profitable business. You can't sell aircraft in Europe by correspondence or through detached agents.

VIII. Due to the very rapid pace of technical and tactical development in aviation, it follows from VI that your representatives in the field *must* have frequent personal contacts with progress at home, through personal visits to the factory organizations where they can see what is going on, and learn what our own people are thinking about. Of equal importance is that the factory organizations must have first hand personal reports from the field regarding what is going on. Correspondence is a very unsatisfactory medium for such interchange of ideas. *No representatives should be left out in the field for more than a year.* He gets too far behind, and when he gets too far behind he just can't hold up his end when it comes to the knock-down drag-out fight, into which all sales in Europe apparently develop before you walk out with a signed contract. (In that respect the situation in Europe doesn't seem to be any different from that at home. I gather that the Douglas episode wasn't any bed of roses. When I get too discouraged at delays and difficulties involved in this Turkish battle I console myself with the recollection that the Douglas battle started nearly a year before I left for Turkey.)

IX. One man can't *begin* to cover all of Europe effectively, no half of it. Europe isn't very large in point of distances, but it is a whale of a big territory in term of time and convenience of communication. It has some twenty-seven governments in it, in the majority of which are potential markets that we are trying to reach. Each government considers itself just as important, and each is just as fussy and at least as red-tape ridden, as is our own Government. A representative just can't "drop in" on Ankara from Paris. It's a four-day journey, each way. It takes just about as long, costs about as much, and is a lot less convenient to "drop in" on Oslo from Ankara as it is to "drop in" on Oslo from New York. "Sizing up" a situation comes closer to being a two-months' job than two days.

X. And, finally, successful selling requires demonstration. Our European competitors use demonstrators. I don't know of any airplane sales in Europe that haven't been preceded by demonstrations, either by taking the product to the customer, or bringing the customer to the product. (Let's not forget that in our Turkish sales we did both.)

I'm convinced that if we're going to do a job in Europe we've got to do a good job. If we don't do a good job, we're going to keep on answering cables, mailing reams of literature, spending a lot for rail fare and hotel bills and sundries, getting all hot and bothered about new prospects that are continuously cropping up (more often than not at widely separate points), but in the end booking few real orders.

I don't know that there is paying business to be had in Europe, but I believe there is. I believe that the prospects are at least good enough to warrant absorbing the expense of putting some additional help in the field for sufficient time and under the required conditions to make a really thorough investigation of the whole territory, so that we can lay out a coordinated plan based on knowledge of cold facts rather than on rumors or enthusiastic agents' reports (which are likely to be half baked and biased, for obvious reasons).

There's no news in that for you, of course. Realizing it, you started out a year ago to make a personal investigation; and spent about four months in Turkey. I started out last summer with a nicely planned itinerary and with the same objective, but I haven't got much further than you did—in nearly eight months. You sent Morrie Caldwell out for a short visit. He's had to stick three months, but so far as I have learned the Norway and Persia deals have got only so far as to the drawing of preliminary proposals. That's no fault of Morrie's I am sure. It's just another instance of the same old story. I'm morally certain that no worth-while business can be concluded in Europe in less than three months, or if the man on the job relaxes his presence for an instant before the signatures are on the dotted line, and advance payments are in hand. If we're not ready to see these various things through to the very end regardless of advance itineraries, I'm convinced that we'll be better off in the long run not to start on them in the first place. That's why I've stuck close to Ankara in spite of holidays, Greece, Beograd, Bucaresti, and all the rest, and its why I believe I ought to continue to stick until the job is exactly 100% finished. Once that's done, I'll be only too happy to light out for other

parts. If we do less than a finished job, about all our promotional work accomplishes is to build up a market for some European competitor to snatch away from us at the last minute.

While I'm on this subject of what constitutes a finished job, I'd like to jot down a brief summary of the position in Turkey, which will, I believe, be well consolidated if we can get this new Kayseri project definitely closed up.

We have Curtiss-Wright products in the two leading air bases in Turkey, which means continuing avenues of contact. We have one pilot in each of those air bases acting in the capacity of instructor in advanced formation flying, blind flying, etc., and from all reports they are doing excellent work and building prestige for Curtiss-Wright among all the operating personnel and making lasting friendship and contacts. These pilots, incidentally, are on the Turkish pay roll and are costing us nothing. Joe Gody is looked up to and cordially respected and liked by the entire maintenance force at Eskisehir, and we have now sent him down to Izmir to dig in there. Hunter and his crew at Kayseri have gained the complete respect and admiration of the entire manufacturing and engineering personnel of the Turkish Air Force and have established a wide circle of acquaintances and friends that is of inestimable and lasting value. Bob Farnsworth has formed a circle of personal acquaintances and firm friendships all along the line that is equally invaluable. I have been fortunate enough to be able to establish personal relations on a plane of evident mutual confidence and trust with the highest authorities in the Government. There are four specially selected Turkish leading mechanics now in America in the hands of Curtiss-Wright. (They've cost us a lot of headaches, to be sure, and it was a bull that they got there, but there they are; and their presence can be, and should be, seized upon to impress the mechanics with the merits of Curtiss-Wright and of American methods; the training and indoctrination we give them during their year in our organization at home can be made an invaluable asset in future activities here.) There are four selected Turkish pilots in America now for a year's tactical training in the U. S. Army, another point of contact open to us for firmly establishing the Curtiss-Wright idea in the minds of men who will doubtless be very influential in Turkish air activities in future years.

We have established the complete groundwork for establishing Curtiss-Wright in a position of high prestige throughout the whole structure of the Turkish Air Forces, and of the Government—a position which is not duplicated by any competitor and which cannot be duplicated short of at least two years of careful and costly effort. Basically our potential position in Turkey today is excellent. It remains only to close this present pending contract to definitely perpetuate (and strengthen) that position for at least a year to come.

With this contract for keeping Kaiserli occupied the rest of this year closed, our preferential position in Turkey will carry on and improve steadily on a self-supporting basis from sheer inertia. This contract is like the final coat of paint on a carefully built and expensive house. With it the house will last; without it we'll have to face continuing bills for repairs so long as we elect to stay in it.

I repeat that if we are to do this job in Europe at all it must be a good job, and that means more personal contact and more permanently assigned personnel on the European territory.

We've already tacitly admitted that, without fully realizing it, in sending out various "temporary" assignments—Caldwell on the Persian and Norway job; Kennedy to KLM (a special job, but this trip was extended to additional necessary contracts); my special trip of two years ago; Arthur Nutt's special trip; your special trip; Guy Vaughn's special trip. Each one of these special trips results in reports of this or that lead, this or that prospect encountered that "ought to be followed up, I couldn't do it because I hadn't time." Either these unanimous reports are cock-eyed or else we don't do as much and as continuous contacting as we should. Somebody ought to have followed up the old matter of Wasp-Cyclone replacements in KLM. Somebody ought to follow up the Hensley lead in Rumania. Somebody ought to be following the Athens situation right this minute; somebody ought to be following the situation in Beograd and LOT in Warsaw, etc., etc. But just who? And how?

I haven't dared leave Turkey for reasons with which you are fully familiar. Bob couldn't leave, with all the mess at Eskisehir and Kayseri to clean up. His presence here has been indispensable during the preparation of detailed specifications and contract provisions for the new project. His experience and detailed knowledge of the local situation have been invaluable.

Bob has ideal attributes for handling general European contract work. He has brains, personality, sound business sense, guts—everything you could possibly ask for, but he is (through no fault of his own) greatly lacking in the essential element of complete familiarity with the internal workings of the producing organization. Paterson, Buffalo, and St. Louis are quite unfamiliar to him, as are all their products of the past couple of years. Bob's place now is back home for an intensive tie-in with the working organization. Give him three to six months there and you can put him up against anything in Europe on his own. Without that background he is under a heavy handicap. He has been away from home now more than 2 years. It is neither fair to him, nor in the interest of Curtiss-Wright that we should delay his return longer. I don't need to tell you that he needs a trip home, or that C.W. needs to have him take a trip home. You'll be glad to receive news that he is about to get it. As I have said before, up until now I couldn't have got along without him here. But with the last of the 18 Hawks accepted, Bruce Buckley or Sam Irwin available to fill in the gap on Fledgeing and Kayseri Hawk tests, the new specifications, contract drawn, I've given him instructions to pull up stakes and start home within the next 10 days. He'll be on his way before this letter reaches you.

It is not alone for the purpose of rounding out Bob's experience that I feel it necessary to have him go home now. Bob will learn a heap from Paterson, and Buffalo, and St. Louis, but I venture the assertion that P.B. and St.L. have also a good bit to learn from the boy who has been through the mill on this end. You'll be tempted to hold him in the New York office. Please don't. Get him out to the factories, regardless.

With Bob going back there is certainly more than enough to keep both Morrie and me busy in Europe. Please don't forget that I've been out eight months now, that I'm beginning to lose my familiarity with what's going on at home. Sometime before very long I've got to be getting back there for at least a brief visit, for there are all sorts of things that I've got to catch up on that can't be handled otherwise than through personal contact. Retractable gear Hawk. Shrike. Airline dope for the projected Turkish project. Cargo ships for Greece. (What are the sales arguments to keep Condors in the picture in the face of certain Douglas competition and existing United competition), both of which have materially higher specifications to offer and hence appeal to the military elements strongly (don't forget that European transport planes are in reality considered merely as bombers in disguise). I should get up to Italy, France, and England to see all this new military stuff that we've been hearing so much about. (Mecid Bey told me today of reports they have received of a 430-km Hanriot single seater in France for example). What's going on in Russia, Germany, and Poland? You may know all about these things back home, but that doesn't help me to answer embarrassing questions out here. And if I go on up into western Europe for any length of time now who's going to cover the various interesting leads that are crying to be covered in the Balkans? And if this airline project goes through in Turkey (and it seems as likely to as any other interesting prospect that I know of in Europe) who is going to run that show?

I'll not continue longer on this line. I hope I've said enough to make it quite plain that if all these various reports and inquiries that we've been receiving from all over Europe are worth any attention at all, they are worth serious investigation. And if we are to investigate them seriously I repeat my conviction that we've got to have more people permanently assigned to Europe than we now have.

I'm not recommending a big organization. I'm not even recommending a European office, though I recognize the merits of Morrie's arguments in this regard. I'm frank to say I don't know enough about it yet. But I am recommending that you definitely and permanently assign Morrie to this European job, and direct him to report to me for instructions. My first move will be to meet him somewhere and compare observations, experience, and opinions, lay out a tentative definite plan of action, and send it along to you for check and revision.

I believe there's business to be had in Europe, profitable business, but it is going to require a lot of careful work, hard scratching, and patience, to get it.

We can't get it by "temporary" flying trips to Europe. We've got to keep everlastingly at it, with permanently assigned personnel. We need Morrie in Europe for an indefinite period, and we need Bob Farnsworth back as soon as he's caught up with goings on at home.

For reasons which I have explained at length in my letter of February 14, I believe now is a favorable opportunity to dig into the European market, and I believe the extra help and a couple of demonstrators will justify their expense.

Sincerely,

(Signed) BRUCE,
BRUCE LEIGHTON.

P.S.—I have been over all these matters with Bob repeatedly and at length. We are in full agreement. I'm mailing a copy of this and my letter of February 14 direct to Morrie, for his study and comment.

EXHIBIT No. 271

MAY 29TH, 1934.

Mr. ROBERTO ESCOBAR.

New Weston Hotel, 49th Street & Madison Avenue,

New York City.

DEAR MR. ESCOBAR: In accordance with your request for a statement as to the installation of the Driggs 37 mm gun in Hawk and Falcon airplanes, resultant from Mr. Driggs' trip to Buffalo, I have had this matter up with our armament engineer, Mr. Trimbach, who has submitted a report as covering his contacts with Mr. Driggs, extracts from which follow:

"Mr. L. L. Driggs, of the Driggs Ordnance Engineering Co., 19 West 47th St., New York, visited our plant on May 10th to discuss the possibilities of installing subject gun in the Hawk and Falcon airplanes for Colombia.

"Characteristics of the gun as obtained verbally from Mr. Driggs are as follows:

	<i>Inches</i>
Over-all length-----	64.8
Length of receiver-----	33
Length of barrel-----	31.8
Over-all height-----	7 $\frac{3}{8}$
Center of barrel from bottom of gun-----	2.5
Width of receiver from center line to R.H. side for 30 rd. magazine--	4
Width of receiver from center line to L.H. side for 30 rd. magazine--	8
C.G. location from aft end of gun-----	22 $\frac{3}{4}$
Clearance required below receiver for operation of action-----	6
Clearance required below receiver for magazine, 10 rds. deep-----	18
Location of front wall of magazine from front end of receiver-----	6
Fore and aft length of magazine clearances symmetrical about center line of gun-----	4
Weight of gun-----lbs-----	94
Weight of loaded magazine (30 rds.)-----do-----	50
Weight of loaded magazine (10 rds.)-----do-----	16
Recoil aft load-----do-----	1,200
Speed of gun-----shots per min-----	100
Control (remote), Bowdenite cable and casing.	
Recoil movement of barrel and action-----	8

"From the above characteristics a brief investigation revealed the following:

"*Fixed Gun, Hawk Wing.*—The only logical installation for the Hawk would be one of these guns in the upper wing center section clearing the propeller disc.

"In order to accomplish this installation it is necessary to increase the beam spacing, add considerable reinforcements, and possibly restrict the airplane's performance due to the increase in gross weight.

The magazine for a wing gun being of 30-round capacity would extend below the wing 18" across an area of 8" which would result in a large blind space for the pilot's vision. The gun could be mounted above the panel which still gives an objectionable blind space.

The installing, loading, and general servicing of a gun of this size in an upper panel will be quite difficult and may result in damaging the panel due to the personnel's normal awkwardness.

FIXED GUN—FALCON WING

The logical installation for the Falcon would be the same as that recommended for the Hawk except that two guns would be used.

The accomplishment would necessitate: Adding considerable reinforcement and restrict the airplanes' performance due to the increase in gross weight. It, likewise, being assumed that the .30 cal. wing guns in the lower panels would be eliminated and only the synchronized .30 cal. be retained. Unless the upper and lower wing guns are carried as alternate loads.

The magazine arrangement would result in the same objections as that described above under the Hawk due to the wing section being of the same depth.

The installing, servicing, etc., falls in the same category as the Hawk. Mr. Driggs informed us of the omission of the provisions for ground gun adjustment stating that the gun could be mounted fixed parallel to the center line of the airplane, which means that the line of sight would be set at an angle with respect to the line of flight in order to have the lines of sight and fire converge at the desired range. This will require the pilot to yaw the ship to the right or left as the case may be. If two guns are used the sight should also be "parallel" with the guns which means that with the guns spread out as in wing installation accurate firing will be almost impossible.

FLEXIBLE GUN

The installation of this gun for flexible use on the Falcon results in practically the same conditions as those described in previous correspondence on 37 mm flexible guns.

In view of the above complications which must be dealt with to arrive at satisfactory installations of these guns and further since we have very limited knowledge on satisfactory installations previously made, it is recommended that from a development cost standpoint we should discourage applying this gun to our airplanes until after our own government has proven them worthwhile.

Trusting that the above information meets with your requirements and requesting that you hold this report as strictly confidential, we are

Very truly yours,

CURTISS-WRIGHT EXPORT CORPORATION.
P. A. HEWLETT.

PAH*B

 EXHIBIT No. 272

HOTEL COLUMBUS, *Miami, Fla., March 31, 1934.*

DEAR PARM: My discussion with Lieut. Commr. Hugh Sease this morning brought out that some time ago a number of United States naval aviation officers tried to interest the Bureau Ordnance in an Italian machine gun which they thought more suitable to fighters or pursuit planes. The gun is about .45 cal., weighs only 9 lbs., has a considerably reduced range from the Browning but was accurate within approx. 300 yards, the ammunition weighs considerably less than the Browning ammunitions and occupies a considerably smaller space. He thinks quite a weight saving possible by use of this gun and recommended that manufacturers investigate the gun with the view to possibly inducing the Bureau Ordnance to adopt it for fighters.

While he was talking it occurred to me that perhaps it would be good to have the dope on this gun in case we should ever wish to build a flying arsenal for export sale with say six guns forward which we could do more readily with a smaller gun.

He didn't know the name of the manufacturer but thought it the standard Italian Air Force gun for fighters. I am just passing this dope along in case you might wish to ask some European export company representative to get the lowdown or even handle it yourself by correspondence.

Best regards and please don't fill up the Buffalo plant with Colombians because I will be good and ready to see Americans when I return.

Sincerely,

(Sgd.) WILLIAM J. CROSSWELL.

EXHIBIT No. 273

FEBRUARY 25, 1932.

DR. TEHYI HSIEH,

Chinese Trade Bureau, 75 Federal Street, Boston, Mass.

DEAR MR. HSIEH: We have your letter of February 24th and are very pleased indeed to enclose herewith certain descriptive matter and photographs of certain of the planes which we manufacture and which we believe will be of particular interest to you for the purpose which you have in mind.

We would point out that we build planes of all types and categories but believe that the ones described in the attached data will be the most suitable for your consideration. We should be very pleased indeed to have you submit these to the Nationalist League headquarters of the U.S.A., or would be very glad to communicate directly with them if you will inform us where they may be reached.

The data which we are enclosing consists of the following: Characteristic sheet EX-C-4B and photograph of the Curtiss Hawk powered with 650 horsepower Cyclone engine. This plane is a high performance, single-seater fighter as constructed for the United States Army and Navy. We recommend this plane with the Wright Cyclone engine, because the Chinese Nationalist Government already has in operation a considerable number of these Cyclone engines and it is, therefore, desirable that any further equipment destined to China should use engines of this type in order to facilitate maintenance problems. This Hawk plane can be had with other power plants, notably the Curtiss Conqueror engine, which installation is the type which we have recently furnished the United States Army. We have just completed a contract of forty-six of these Hawks and are now delivering them to the United States Army, so that you may be sure that this Curtiss Hawk is the very last word in the single-seater pursuit plane category.

Enclosed herewith is general description of our speeding observation airplane. This description, together with the characteristics and performance of this plane, will give you a good general idea of this plane which we can offer at a most attractive price. The photograph attached shows two of these planes which we recently built up and delivered to the Government of the Republic of Panama. This plane is especially suitable for observation work and light bombardment and, I believe, should be of particular interest for shipment to China.

We are also enclosing characteristic sheet and photograph of our Keystone bomber. This plane, powered with a Cyclone engine, is used extensively by the United States Army Air Corps, and we are just completing at our factory at Bristol, Pa., a large contract of these planes for the United States Army. This plane can carry over 2,000 pounds of bombs, and is, therefore, a formidable offensive weapon.

Naturally, a plane of this size is somewhat expensive, but its cost is incomparable with the damage it can do with its heavy load of bombs.

We are also enclosing characteristic sheet EX-D- covering the Curtiss Hell-diver with 650 horsepower Cyclone engine. This is the plane which is used largely by the United States Navy and Marine Corps for observation and light bombardment. The attached 3-view drawing of this plane will give you an idea of the general appearance of this plane, which is a 2-seater with two forward firing guns usually controlled by the pilot from the front cockpit, and a flexible gun installed in the rear cockpit and operated by the observer in the rear cockpit. Bombs may be carried suspended under the lower wing.

We are also enclosing photograph and characteristic sheet covering the Curtiss Fledgling, powered with a Wright Whirlwind engine. This is the training plane which is used extensively by the United States Navy and which our Flying Service is using in large quantities in their flying schools throughout this country. We have a considerable quantity of these Fledglings now in operation at our schools, and it occurs to us that you might be interested in considering the purchase of a number of these used planes for immediate delivery at a very low price. This would be entirely suitable for the training of pilots and observers.

The four planes submitted cover the four main categories of flight training, pursuit, 2-seater observation, and fighter and the large type of bombardment. Planes in each of these categories are necessary for a full, rounded air force, but for the situation as it now exists in China we would recommend special consideration to the single-seater pursuit plane, whose chief use is defensive in

the destruction of enemy aircraft. Without planes of this type in considerable quantities no successful air operation can be conducted.

We also recommend for special consideration the Speedwing light observation plane, whose outstanding performance and high degree of maneuverability make it especially desirable for observation and bombardment missions and use against troops on the ground.

Please let us know if you desire any further information and whether or not we can get in touch directly with the Nationalist League headquarters.

We are advised by our flying-service base in East Boston that their Mr. Martin has been in touch with you, and we have asked him to talk with you to find out if you would like to arrange an appointment to see the writer and discuss in more detail the possible purchase of this military equipment.

We trust to have your early advices in connection with this matter.

Very truly yours,

CURTISS WRIGHT EXPORT CORPORATION,
F. W. GOULDING, *Vice President.*

WFG/f.
Encl.

EXHIBIT No. 274

MARCH 4, 1933.

#193

Via air mail.

Mr. E. J. FAUCETT,

*Compania de Aviacion Faucett, S.A., Apartado 1429,
Lima, Peru.*

DEAR MR. FAUCETT: Referring to our cable of today, confirmation copy of which is enclosed.

We can arrange for a special steamer to sail from New York on or about six weeks' notice, at a cost of from \$10,000 to \$12,000 for the trip to Callaco. They require six weeks' notice in order to get additional cargo.

The 200 each 50- and 80-kilo bombs would gross about 39 tons and the steamship company would be willing to take 10 to 15 tons more bombs or other materials for the same cost of 10,000 to 12,000 dollars for the special trip.

If only the 400 bombs were shipped it would seem the c.i.f. cost would be \$25.00 to \$30.00 each, but if the quantity was increased, it would materially reduce the cost per bomb, or if other materials were shipped at the same time it would absorb some of the cost.

We will send you by next air mail complete prices, etc., on all sizes of loaded and unloaded bombs and cartridges, etc., and perhaps you could get the Peru Government to place a substantial order for such equipment to be sent on such a special sailing.

Please let us know by return air mail what the prospects are of getting early orders for bombs and ammunition, etc.

Yours very truly,

CURTISS-WRIGHT EXPORT CORPORATION,
OWEN SHANNON.

EXHIBIT No. 275

REMINGTON ARMS COMPANY, INC.,
Bridgport, Conn., January 6, 1933.

Mr. W. D. PAWLEY,

*Curtiss-Wright Export Corporation, 27 West 57th Street,
New York City.*

DEAR MR. PAWLEY: We confirm our conversation with you today in respect to the ideas you discussed on behalf of your company to represent us in the sale of our military rifles and ammunition to the Chinese Government.

It is understood that for the present this is only a tentative arrangement to enable you to determine the possibilities of business with the Chinese Government, and in the event progress satisfactory to you and ourselves is accomplished, we are to conclude exclusive arrangements with your company for a period of say one or two years.

While you are in China representing your company we will refer to you any inquiries we may receive for military supplies, and we understand you will consider our rifles and ammunition exclusively in any negotiations you conduct for such material.

It is understood for the present we will not be responsible for any salary to you or expenses on your part. The occasion may arise where expenses by you on our behalf would be justified, in which event you would obtain our agreement beforehand.

We agree to quote you the lowest prices we would accord anyone for Chinese military business, and these prices are to be net to us without any deduction for commission, etc. We understand it is your intention to add to these prices such profit for your company as you deem advisable.

It is understood that no orders are to be binding on us until they are accepted by us. As we explained to you the prices we intend applying to any inquiries you have will be so low as to preclude any credit risk. Consequently, the minimum terms we would require would be 50 percent cash with order and 50 percent irrevocable credit in New York payable against shipping documents.

As you are aware, Messrs. S. J. David & Co., Shanghai, operate for us in China on sporting-goods business and sales to police forces, which is not to be construed as military business. Our arrangements with S. J. David & Co. for such business are to continue uninterrupted. Undoubtedly Mr. E. A. Sykes, manager of that company, will be glad to extend you every cooperation.

Yours very truly,

REMINGTON ARMS COMPANY, INC.,
F. J. MONAGHAN.

EXHIBIT No. 276

AUGUST 13, 1932.

MR. OWEN A. SHANNON,

Curtiss-Wright Export Corporation,

27 West 57th Street, New York, N.Y.

MY DEAR MR. SHANNON: Confirming our understanding reached in your office, we are granting to you the exclusive representation on smoke screen and gas attachments for airplanes and on aerial bombs in the following countries:

Argentina, Chile, Colombia, Equador, Panama, and Turkey.

It is understood and agreed that all inquiries for this type of equipment will be referred to you and that you will promptly put forth every effort to promote the sale and use of this equipment in the above-named countries.

We agree to pay you a commission or discount of twenty percent (20%) from our standard list prices for these products.

It is understood and agreed that you will not, during the course of this agreement, represent or sell, directly or indirectly, any other products in competition with our products above named, either in this territory or in territories where you have nonexclusive sales rights.

This agreement shall continue for a period of one year unless canceled by either party. It may only be canceled upon ninety (90) days' notice in writing, given by one party to the other.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
By JOHN W. YOUNG, *President*.

Accepted:

CURTISS-WRIGHT EXPORT CORPORATION.

EXHIBIT No. 277

MARCH 9, 1932.

CURTISS-WRIGHT EXPORT CORP.,

27 W. 57th Street, New York, N.Y.

(Attention Mr. O. A. Shannon.)

DEAR MR. SHANNON: Replying to your letter of February 23rd relative to flame thrower, please be advised that inasmuch as we have only had one inquiry for this from Turkey, we prefer making flame throwers only on request.

We do not believe there would be a popular demand for the product sufficient to warrant our developing it and pushing it as we have our other products.

Yours very truly,

FEDERAL LABORATORIES, INC.,
J. W. Y., *President.*

JWY:AEH

("Exhibit No. 278" appears in text on p. 701)

EXHIBIT No. 279

FEBRUARY 23, 1933.

Mr. F. C. NICHOLS,

Colt's Patent Fire Arms Manufacturing Co., Hartford, Conn.

DEAR MR. NICHOLS: Mr. Shannon has shown me your letter to him of February 20th, in connection with the China situation.

I can fully appreciate how you may be somewhat confused with respect to the arrangements which you entered into tentatively with Mr. Pawley. I am somewhat confused myself, but I do know that our interests are his interests, and when he referred to his company, he undoubtedly referred to the company which we operate and through which all of our Chinese sales are handled.

We feel it would be less confusing if this Chinese situation were handled just as we plan to handle the Turkish situation, namely, exclusive sales rights be vested in the Curtiss-Wright Corporation and we, in turn, would give the China operating company the exclusive sales right.

We feel, as you know, bearing the expense of sending out to Shanghai a Hawk plane for demonstration purposes, and for which you have kindly agreed to loan us the armament equipment so that we might also demonstrate it. This will pretty well take care of the Shanghai-Nanking district.

We have been actively, through our China representative, pushing the sale of our equipment in the Canton section, with the result that we now have, and are holding subject to the issuance of export license, an order for 10 of your guns. This would, I think convince you of the active steps we are taking to develop sales for your products in China.

You appreciate, I believe, the disadvantages of several people offering the same customer the same article. It always leads to confusion on the part of the customer, with the result that someone else usually gets the business. We hope, therefore, that you will in the future work through us exclusively in China.

By copy of this letter, I am asking Mr. Shannon to follow up the matter of D. M. Kable & Co. which he had taken up with you.

Very truly yours,

CURTISS-WRIGHT EXPORT CORPORATION,
W. F. GOULDING, *Vice President.*

c/c Mr. Shannon.

EXHIBIT No. 280

COLT'S PATENT FIRE ARMS MANUFACTURING CO.,
Hartford, Conn., Oct. 21, 1932.

CURTISS WRIGHT EXPORT CORP.,
27 W. 57th St., New York.
(Att. Mr. O. A. Shannon.)

GENTLEMEN: Referring to Mr. Shannon's telephone conversation with us yesterday, and his request that we mail a price list of machine guns, machine rifles, and other equipment, as illustrated and described in catalogue of which a number were sent you a few days ago, we have no printed price lists of such material. In fact, unless we are satisfied that a government is actually in the market, we are extremely cautious about filling quotations to be used for future reference and which in turn might be brought to the observation of our competitors.

Such a policy also obviates complications which might ensue as a result of price changes, alterations, improvements, etc.

We enclose quotations now in effect which, of necessity, are subject to change without notice.

As to your offering the arms referred to, you are at liberty to negotiate in Peru and Bolivia, Turkey after Jan. 15, 1933, and regarding China and Japan, we cannot at this writing include these markets, but should anything transpire whereby our joint interests would be served through your offering quotations, if you will duly notify us in advance we will endeavor to afford you every assistance and protection possible.

On any business you might obtain from the governments named, we would allow you a confidential commission of 5%; this, of course, does not include aircraft guns to be mounted on your planes, regarding which you already enjoy a confidential arrangement.

Goods suitably packed for export f.o.b. cars, Hartford, Conn., with transportation charges allowed and prepaid to New York City.

If this does not entirely cover the information you desire, and if the proposal outlined is in any way unsatisfactory, we would be glad to hear from Mr. Shannon and the writer will go to New York for conference with him.

Very truly yours,

COLT'S PATENT FIRE ARMS MFG. CO.,
(Signed) F. C. NICHOLS, *Vice President.*

EXHIBIT No. 281

CURTISS WRIGHT EXPORT CORPORATION.

October 27, 1932.

THE AUTOMOBILE TIRE & TRACTOR COMPANY,

Tarim Gardens, Istanbul, Turkey.

(No. 12) Attention Ahmet Emin Bey.)

GENTLEMEN: Under separate cover we are mailing you two complete catalogues of Colt automatic machine guns and rifles, also two small leaflets covering Colt automatic machine rifles.

You recently wrote to the Colt Company indicating the possibility of sales in Turkey for this equipment, and we are happy to say that on and after January 15, 1933, we will be in a position to offer you exclusive sales rights for Turkey on all of the products of the Colt Company, provided that we can satisfy the Colt Company that you can obtain some business for this equipment in Turkey.

The Colt Company has passed to us copy of their letter to you under date of October 18th. The situation is that we have more or less assured the Colt Company that you can give them the best possible representation in Turkey, and, such being the case, they are willing to follow our recommendations in giving you the exclusive sales rights in Turkey.

Turkey is being released from Vickers arrangements with Colt as of January 1, 1933, so that we will be free to quote you on any inquiries for their equipment which you can develop on and after that date.

The Colt Company does not have established prices on their equipment for foreign governments, but their prices are figured on each particular inquiry, so that we are not in a position at this time to quote you prices on the equipment specified in the catalogue. You must develop a specific inquiry for a specific quantity, and when you do this we will be pleased to submit a quotation. You should, at the same time, inform us the amount of commission which should be included for yourselves.

For your general information, and to give you an approximate idea of prices, we would inform you as follows:

	<i>Price</i>
Standard machine gun, rifle caliber, in the neighborhood of_____	\$750.00
50-caliber field gun, in the neighborhood of_____	1,500.00
Light aircraft gun, in the neighborhood of_____	600.00
50-caliber aircraft gun, in the neighborhood of_____	1,200.00
Automatic machine rifle, in the neighborhood of_____	300.00
Automatic machine rifle, monitor type, in the neighborhood of_____	350.00

These prices are merely indications and may be higher or lower on any inquiry which you may be able to submit.

Please advise us further in connection with this machine-gun situation. If it is going to be necessary to conduct extensive and expensive demonstrations

on Turkish soil, naturally these expenses will have to be included in any quotation on the quantity of guns that may be involved.

Frankly, the Colt Company is interested in cash business only. They have an outstanding product, fairly priced, and they are not interested in business which involves long credit risks and long-drawn and expensive negotiations. We ourselves will have to bear the burden of any terms which it may be necessary to extend the Turkish Government on purchases, and all of this must be taken into consideration in the prices to be quoted. We do not, therefore, wish to make any commitment whatsoever with respect to prices except on a definite tender on which all terms and conditions are clearly specified in advance.

Very truly yours,

CURTISS-WRIGHT EXPORT CORPORATION,
W. F. GOULDING, *Vice President.*

EXHIBIT No. 282

(Via air mail, no. 51)

NOVEMBER 3, 1933.

Mr. C. W. WEBSTER,

Paris Hotel, Buenos Aires, Argentina.

DEAR WEB: Enclosed is letter of October 29th addressed to you by Leon, copy of which he sent direct to Jack Allard.

Jack told me he had received the letter and is greatly disappointed that Leon finds it necessary to resign.

I am also enclosing copy of a letter he wrote me regarding appointing Gandara and a copy of a letter I am today writing Gandara—copy of which I sent to Leon and about which he replied in his letters enclosed.

I believe Leon is right in suggesting we close with Gandara quickly, particularly as Leon is not going back. Even if we have somebody else there like Travis, he could handle the complete planes, plane parts, and complete engines and engine parts, and would probably not have the time properly to follow up the purchases of miscellaneous materials and supplies.

If you close with Gandara, I think the first thing he should do, and at once, is to prepare a list of the materials, accessories, supplies, etc., the purchasing department will require for 1934 and send it to us for prices.

I think the best arrangement to make with Gandara would be to appoint him your exclusive agent on everything except planes and engines and plane and engine parts, also anti-aircraft equipment. Possibly you would even want to appoint them our agent on everything, the same as Souza Sampaio and Webster & Ashton. However, if you only appoint them for miscellaneous equipment, if possible, it should be arranged so that we sell to them for dollars here and they resell to the Government in whatever manner they see fit.

In one of their letters Gandara asked for prices on Pyle national lighting equipment. If you make them our agent, they must, of course, agree to make all purchases through us and cannot offer any competing equipment.

If there is a lighting project being proposed, get them to send us complete details as outlined in the enclosed questionnaire, including a drawing of the field, etc., so we can have Sperry make up recommendations and quotation.

Sperry are getting anxious about our not producing any business for them on lighting equipment and instruments, and unless we get some orders soon I am afraid they may insist on placing their representation direct with other agents.

Cable me what you do with Gandara and I can start sending them data and prices of the miscellaneous equipment.

My idea would be, if they are to purchase from us and resell to the Government, to give them prices that would net you 10 percent at least, and wherever possible, as much more as I find it will stand in comparison to prices they could get direct from manufacturers or others such as Air Associates, etc.

Find out just what they are doing on bombs and police gas equipment and, perhaps, we can chisel in on it here, as I understand the Argentine police have bought large quantities of that kind of stuff.

Incidentally, Fairchild sold direct to the Argentine Navy, through Lee Wade and Montgomery—an order for 12 camera guns for the Vought Corsairs United is now building for the Navy. This purchase I understand was made by Captain Leporace, the Argentine Naval Air Force office who has been at Hartford during the building of the Corsairs.

Leon told me to stay away from this officer—not to bother him as he would get in touch with us when he was ready. Leon says he is a good friend of his and that Leporace is a fine fellow. However, as a result of our not contacting him, Wade and Montgomery have had him in hand and I believe have sold him other equipment. I am writing Leon on this and presume he will now have us contact Leporace before he returns to the Argentine.

I have arranged with Fairchild to give us 10 percent on the 12 guns—which would be about as much as we could get if we sold direct—after deducting commissions.

OWEN.

P.S.—When talking with Gandara be sure to mention to them that I reported I had had a number of conferences with their Mr. Campbell here.

This is a favor to Campbell, who is a fine fellow. If possible, make it appear that Campbell had considerable to do with our making any arrangement with Gandara. Let me know what you quote on parachutes so I can advise Irving and try to get them to protect your price.

OWEN.

EXHIBIT No. 283

#344

DECEMBER 27TH, 1933.

Mr. JOAQUIN SAMPER H.

Uruct & Samper, Apartado Postal #536, Bogota, Colombia.

DEAR MR. SAMPER: Enclosed herewith, for your information, are copies of letters which we have addressed to the Colombian Consul in New York, one under date of December 6th quoting on materials necessary to convert the present Hawks now in Colombia to the electric starter type instead of the hand type. This is a matter we had up before and I think we advised you of it at that time, in view of the fact that it had been reported to us that in operations in Colombia, particularly with seaplanes, the pilots found it extremely difficult to start their engines when they were away from a base and a mechanic was not readily available to use the hand starter. The suggestion of the electric starter, therefore, is to relieve this difficulty and make it thoroughly practical and easy to start the plane from the cockpit, as is possible in the Falcon.

The same letter also quotes a price for the materials necessary to convert the present F-2 type Cyclones now being used in Colombia to the F-3 type, as the F-3 is a higher supercharged engine and permits higher performance at altitude. The desirability of making some conversions to this type has been discussed here with Mr. Escobar and Comdr. Strong and it is suggested that you discuss this with the authorities in Colombia and see if it is their wish to do this.

I am enclosing herewith the latest Hawk and Falcon performance data, showing how the performance varies with the different type Cyclones. You will observe that maximum performance is obtainable with the F-3 engine, but it should be borne in mind that the performance below critical altitude and in take-off will not be as good with the F-3 as with the F-2, as due to the higher supercharge of the F-3 it is not possible to give full throttle operation in take-off as in the case with the F-2.

The second letter, dated December 6th, outlines our proposal in connection with Condor bombers in quantities of three, six, nine, and twelve. These are the quantities that have been discussed here as of probable interest, and I trust you will make every effort to see that the Colombian Government purchases a good quantity of these ships.

We have, I think, written you very fully in connection with this plane before so that it is not necessary to repeat all of the details, but bear in mind that this plane represents the highest performance heavy bomber that can be purchased, and we think that this plane, both as a landplane and a seaplane, should be of inestimable value to the Colombia aviation and national defense.

I am also enclosing for your information discussion of the advantages of large twin-float seaplanes as compared with large flying boats. This discussion has been prepared by Edo Aircraft Corporation, builders of the floats, and it applies particularly to the twin float Condor installation which was made on Admiral Byrd's Condor for his South Polar expedition. In the next air mail I will send you a report of the flight tests on this particular Condor.

The prices and deliveries which we have offered in the enclosed letter on the Condor are exceptionally good, and I think the letter covers the matter fully so that without further comment you will be thoroughly familiar with

the subject and will know the best lines to follow in building up a substantial order.

I am enclosing herewith copy of letter, dated December 7th, quoting on additional quantities of Hawks and Falcons. This was at the request of Mr. Escobar, and we have been requested to submit a proposal for increased quantities. Needless to say we should like to get as substantial an order as possible, and believe that the prices which we have quoted for these additional quantities are most attractive. We have not eabled you anything in connection with this recent discussion as I understand they are to be kept most secret and confidential, and I understand that all the communications are being sent from Washington by special messenger as they do not wish to entrust any of this information by general mail or by cable. We must expect you, therefore, to use your discretion in connection with this information which we have passed along to you. At the same time we must place you in possession of the facts so that you can push matters from your end.

Yesterday I had the opportunity of meeting General Angel, Chief of Staff, who was here briefly following a trip to Europe. With him was General Cortes, who, I understand, is the ranking Colombian general stationed temporarily in the legation in Washington as military advisor. General Angel seems interested only in aviation in a general way, so that we did not discuss any of the more technical or detailed features at present involved. He was, however, very interested in antiaircraft defense, and Mr. Miranda, together with Commdr. Strong, explained the Sperry fire control and the necessity for this defense, which he readily admitted, and it is probable that following his return to Colombia he will push for several antiaircraft batteries complete with Sperry fire control to make them effective. These are, of course, expensive installations, but in my opinion there is no question but that Colombia, in the event of hostilities, should have this protection, particularly at the port of Buenaventura. We would, of course, like to see this business developed in view of our connections with the Sperry Company and look to you to further this business.

You undoubtedly know from Mr. Miranda of his connection with a project of this kind, and I understand that although the Driggs Ordnance Company is now defunct that he has some connection with another concern to cover the manufacture of the guns themselves, and that he has formed a company known as "The American Armament Corporation" to develop this business.

I have also gotten some further information in connection with the 37 mm aircraft gun about which you asked me some time ago, and while I am not as yet convinced that this is suitable for installation in aircraft at present, I am having our engineers investigate the possibility as apparently Commdr. Strong is favorably disposed to the installation of these guns in at least some of the planes, the idea being to have it on a flexible mount for the gunner's cockpit in the Falcon and also possibly in the Condors. If such an installation is feasible from an engineering point of view, it may be advisable to agree with his desires in this connection. I shall advise you further in this connection as soon as possible.

From the information which we have here, it is the desire of the Colombian Government to get some planes in the heavy bomber category, both of the petrol boat type, such as the Commodore as they previously purchased, and planes of the Condor type to be operated as landplanes and alternately as seaplanes.

In addition to the Condor, they have proposed for the Bellanca Cyclone-powered air bus converted to Bomber. This plane is, of course, a single engine plane and, for this reason alone, not comparable with the Condor, which can maintain flight on one engine alone if the other engine is disabled. However, the Bellanca, while its performance is also inferior to the Condor, has certain features in its favor. It is a smaller plane than the Condor, having a wing span of 65 feet, length 42 ft. 7 in. and over-all height of 19 ft. As a seaplane with a crew of fourteen, giving a useful load of 5,287 lbs., it would have a gross weight of 11,087 lbs. Disposing of 200 gallons of gasoline, which would give it a range of approximately 700 miles, it is claimed to have the ability to carry 2,720 lbs. of bombs and, with the F-3 Cyclone, to have a top speed of 149 m.p.h. at 6,000 ft. and cruising speed of 130 m.p.h. With the fuel capacity increased to 300 gallons, giving a range of approximately 1,000 miles, based on the above load-carrying ability, it could carry in addition approximately 2,100 lbs. of bombs.

The Condor, with 540 gallons of fuel and bomb loading of over 2,000 lbs., roughly the same as the Bellanca, has a range of 1,000 miles. To all intents and purposes, therefore, with the 2,000 bomb loading, the Bellanca and the Condor would have the same range. But the Condor has a higher performance both for maximum and cruising speeds, and in addition the added safety factor of two engines and its ability to maintain flight with either engine.

We are having new performance data drawn up for the Condor using the controllable-pitch propellers which will materially improve the performances which have been sent to you. These are not as yet completed but they indicate a top speed at 7,000 ft. well in excess of 170 m.p.h. and cruising speed of about 150 m.p.h., and ceiling about 23,000 ft. as compared to the ceiling for the Bellanca of 16,000 ft.

The Condor is, of course, larger than the Bellanca, having a wing span of 82 ft., length over-all of 48 ft. 7 in. I doubt very much whether the fact that the Bellanca is smaller is of any material importance, as undoubtedly as seaplanes they would be operated off of fairly wide rivers, and as landplanes they would be operated off regular airdromes, and the wing spin would be of no moment whatever in taking off from an airdrome as a landplane.

The higher performance of the Condor is of material importance in its favor. On the other hand, being a larger plane with two engines, it is undoubtedly more costly than the Bellanca. I am having prepared an exact comparison of the Bellanca with the Condor, which Mr. Escobar has requested, and when this is finished I will send it to you.

I think that the foregoing, together with the enclosures, and the additional performance data which we will send you shortly, will give you all of the information on the present negotiations and will permit you to materially assist the rapid closing of this business from your end.

I have been informed here by the consul that Captain Uribe is no longer minister of war and that he has been replaced by Dr. Alfonso Araujo, formerly minister of public works who will also be temporarily in charge of public works. I further understand that Dr. Araujo is very favorably disposed towards American products. I trust that your connections with Dr. Araujo are as close as they were with the former minister of war.

Yours very truly,

CURTISS-WRIGHT EXPORT CORPORATION,
(Signed) W. F. GOULDING, *Vice President.*

EXHIBIT No. 284

[Copy]

FILE COPY OF TELEGRAPHIC MESSAGE

To: Pawley Aviexplor, Shanghai, China.
From: Aeroexco, New York.

MAY 2, 1933.

TRANSLATION OF CODED CABLE

Refer to your telegram of 2nd inst. We agree to special commission making minimum net Intercontinent Aviation, Inc., \$21,793 if order is placed promptly; production situation excellent. Substitution one Browning machine gun .50 cal., aircraft, net cost to us is \$575 additional. New company has been formed, Sperry Corporation, T. A. Morgan, president; John Sanderson, vice president; which holds Sperry Gyroscope Company, Ford Instrument Company, Intercontinent Aviation, Inc., Curtiss-Wright Corporation shares formerly owned by North American Aviation. General Motors Corporation now controls North American Aviation without the above-mentioned companies. T. B. Doe in North American Aviation. In view of the foregoing and present unsettled status of Intercontinent Aviation we are unable to conclude agency agreement with you at present, therefore think it advisable for you to continue as at present. Best wishes.

T. A. MORGAN.

EXHIBIT No. 285

INTERCONTINENT AVIATION, INC.,
MILTON HOUSE,
SHANGHAI, July 25, 1933.

Mr. WM. F. GOULDING,
Curtiss-Wright Export Corporation, New York City.

DEAR BILL: No doubt you have seen the several letters I have written to Owen Shannon and I have intended writing you for a long time, but owing to the fact that directly before I left New York I had a long talk with Owen I consequently picked on him as my correspondent.

I am certainly glad to hear of the large amount of business you are getting in South America and, incidentally, you aren't doing so badly over here.

I wrote a long letter to Jack Allard directly after I heard of the contemplated move to appoint Andersen Meyer your agent over here. I don't doubt but what you know the contents of this letter by now and I certainly hope it had some weight in preventing this move provided it has not already gone through. It is very difficult to explain all the reasons for my thinking that you would be much better off under the present arrangement than with a large company as agents. Any explanation that one makes in reference to things like that in China sound perfectly assinine at home, but I don't doubt that you can see the fallacy of having a large organization as a representative here, due to the fact that they are not able to wield their sympathies in quite as adroit a manner as a small organization. With constant changes of political favor this is an absolute necessity. In order to stay in the swim it is necessary to have someone continually on the ball. With a big company this would not be possible because of the lack of personal attention the job would receive. The British are an example of this. They tried the same form of representation, but immediately changed back to a small independent organization. I could go on for pages giving my reasons for thinking that a change would be disadvantageous.

I understand that Ed. Howard, the ex Aviation Trade Commissioner from here, is going to New York and no doubt you will get a good slant on this from him. I don't believe there is anyone in China with a fraction of the knowledge of aviation sales promotion that is possessed by him. All hands would do well to lend a willing ear.

I just found out yesterday that Dr. H. H. Kung, the present no. 1, was informed by the Italian air attaché that the Curtiss Hawk was an old discarded Caproni design. I understand that this perturbed Dr. Kung to quite an extent. This is an illustration of one of the various difficulties encountered by agents here. The whole thing is dirty business and intrigue.

I think it would be a good idea if you could send me a short résumé of the original design and the consequent development of the Curtiss Hawk. I will send this on to Dr. Kung; not apropos of the Italian statement but merely give it to him with the suggestion that he might be interested in the history of the development of this ship.

The Italians are demonstrating a Fiat pursuit ship in Shanghai today and I am up here as "lock-see" man for the Americans. This ship is a biplane with a water-cooled engine known in Janes as the C. R. 30; 250 m.p.h. is claimed by the Italians for this ship, but if it will do over 200 I will eat it lock, stock, and barrel. I am hoping that we will get a chance to have a competitive demonstration between this ship and the Hawk but I don't think the Italians want to play. They are a dirty cut-throat bunch of business people and do not hesitate to knock our equipment at every possible opportunity. I am glad to say that it has not been necessary for us to resort to this practice as the statement of facts is all that is necessary in regard to the Italian equipment now on hand.

Mr. Engle of the Austin Hangar Company is now in Hangchow surveying the ground for the factory. I am certainly glad that it is going to be in the same place that I am.

You would think that Curtiss Wright should have the whole aviation situation in the palms of their hands with having sold all of these Hawks and the factory, but such is not the case. The Chinese have a little method and system about buying airplanes as they have in other respects and if they get a favorable presentation in some other country in my opinion and that of many others, they would as soon buy other equipment in spite of the fact that it

entirely desystemizes the whole air force. I won't go into a tirade on Chinese psychology but, believe me, it passes all understanding.

We are hoping that Bill Pawley will be returning shortly to get on the job, as it looks as though there is the possibility of the purchase of additional equipment of observation or attack type. I saw to it that you got this information by cable although I don't know what you have to offer in the high-speed observation line except, the A-S attack, which I believe would create a favorable impression here.

Bayless has just returned from Canton and I have been talking with him. He told me the tragic tale of Ed Deeds who was killed recently in a Hawk. He was an eyewitness and said that Deeds was making slow passes over the field with power a la Jimmy Doolittle and the next thing anybody knew he had spun in. This was taken up by all of your competitors which resulted in some very adverse criticism of the characteristics of the Hawk. I have done everything possible to show that this is entirely unfounded and have done everything in the Hawk that I am able to do, which, although somewhat short of Doolittle's capabilities, is enough to convince almost anyone of the excellent flying characteristics of the ship.

The first five ships have arrived and I am going to start setting them up tomorrow. Bayless is coming down to give us a hand, although I might say, with becoming modesty that his services are not essential, although they will be greatly appreciated. I had my no. 1 American engine man take instructions on the engine from him. This came in very handy.

If there is any information that you think I might be able to furnish you I would be only too glad to do so and to cooperate in any way possible with you. I am on the way to the barber to have my pigtail trimmed.

Please give my best regards to all hands and remember me to Mrs. Goulding.

Sincerely yours,

(Signed) JERRY CLARK.

EXHIBIT No. 286

MR. WEBSTER'S REPORT

NEW YORK, *October 19, 1933.*

Mr. J. S. ALLARD: I am passing on to you the following information received from Mr. Webster, regarding the situation in Peru:

"The British have been very active and have a very clever man on the job here, who has managed to induce certain officials in order to put across sales. They have sold six 'Fairley Gordons' with Panther engines and six 'Fairley Fox' single seaters with Rolls Kestrel engines.

"Faucett has done practically nothing on sales." (Since writing this Mr. Webster has arranged with Faucett to engage Dan Tobin on military sales and pay him a salary out of his, Faucett's commissions.)

"The Government is in the market for 12 more ships—Fairley are doing their utmost to sell the Fairley Fox, two-place, with the Rolls Kestrel engine. Their price is down to \$26,500 and they have us licked on performance at high altitudes. The British have sold them on the idea that their fighting will have to be done at high altitudes.

"The officers who put through the first 12 British planes have been sent to England to take care of inspection, etc., and all went over well heeled with 'commission' money.

"At the prices we have to get, it is impossible to handle this sort of thing—and our prices are still increasing. The prospect is not at all bright and the company will have to realize we cannot compete unless we get our prices down.

"United are also after this business.

"I have also quoted the police department here on two trainers. It is a new development that may lead to real business but is it a hell of a job trying to get our increased prices.

"They don't give a rap about the N.R.A. or the reason why the United States Government is raising costs—they're interested only in what they have to pay. The argument that the dollar has decreased in value is no good—their big job is to get exchange down here and dollars are scarce and they have to pay a premium to get them. Don't give that as an argument—it only makes everyone sore. Up in Bolivia—that is the reason they are not ordering in large quan-

tities—but in threes and fours at a time—because they cannot get sufficient exchange. There is more business to be had and very soon, in Bolivia, and that is the reason I am anxious to get up there.

"Again referring to the two Trainers, which we can probably sell to the police department here, our cost is \$5,935, which makes the Trainer almost prohibitive in price compared to other ships. They are willing to pay around \$5,000 c.i.f. Callao for a Trainer, and unless we can get somewhere around that price we will have to forget about the business.

"Please explain to Mr. Smith, Mr. Allard, and Mr. Cramer that selling flying machines down here now with our increased costs is next to impossible.

"The British are lowering prices and offering other inducements and going after this business to beat Hell. The factory will have to realize this and meet these conditions if they expect to continue in this market."

OWEN SHANNON.

OS.js

EXHIBIT No. 287

CURTISS-WRIGHT EXPORT CORPORATION, 27 WEST 57TH STREET, NEW YORK

LIMA, PERU, *October 20, 1933.*

DEAR DAN: The last figures received from New York on the price of the Hawk land plane with full armament consisting of two guns and bomb rack is \$26,000 c.i.f. Callao. Selling price of the pontoons c.i.f. Callao for the Hawk is \$3,850. If we ship them to Iquitos via Para, cost will be \$200 additional, but I have no accurate information as to steamer sailings.

We can ship two Hawks within 45 days of order and two per week thereafter.

By using the new barrell carburetor on the Cyclone engine and carrying 144 gallons of gasoline, the high speed of the Hawk is 205 miles per hour at 8,000 feet altitude, 201 miles at 12,000 feet, and 195 miles at 16,000 feet. Service ceiling is 23,800 feet and absolute ceiling 25,000 feet. The cruising range at 8,000 feet is 700 miles. Play this up for a pursuit ship.

The selling price of the Condor Bomber complete with armament, flyaway factory, is \$63,500 each. We can complete the first ship at the factory in 90 days from order. You have all the characteristics and other data.

I will write you from La Paz giving prices on bombs which are quite involved. If Gilardi asks why we have not reduced the price of the Hawk, you may tell him that we have done so but that our factory costs on material, etc., have been greatly increased; therefore, instead of increasing the price of the ship to customers, we have maintained that price.

For your information we had a long talk with Romano this afternoon and looked over the contract for the six Fairey, 2-place observation jobs, which is the last contract signed. We were under the impression that they ordered single-seat pursuit planes but this is not correct. It was 6 2-place jobs. The contract price in dollars was \$33,000 each and a little more than \$7,000 per set for pontoons. This makes the entire job about \$10,000 more per unit than our Falcon. It would do no harm to mention figures to the Minister, but of course do not say where you got your information from. It sounds like highway robbery to me and someone collected at least \$100,000 on the contract as "commission."

Best of luck old top and go to it. Keep in touch with me and let's see some business.

Sincerely,

EXHIBIT No. 288

SEPT. 17, 1932.

Mr. T. MORGAN,

*President Curtiss-Wright Corporation, 4 Rue Chermowiz,
Paris.*

DEAR MR. MORGAN: We feel extremely sorry that you have not extended a business trip to Europe as far as Turkey, where an increasing amount of good, sound business may be expected for Curtiss-Wright and Sperry. You are, of course, getting information on the local aspects of things here through as reliable assistants as Com. Leighton, Major Melvin Hall, and Mr. Farnsworth,

Mr. Wite, Mr. Westervelt. Still, it would have been of great use to form a first-hand opinion of the matter, as you have the final responsibility of any decision.

It is certainly true that your first actual experiences in Turkey are not encouraging. There is, to begin with, a huge amount of red tape and diffusion of authority. Secondly, there was a delay of payment in the first business transaction, which must be a discouraging experience in present times. However, as Medjit Bey, the under secretary of aviation, has explained to Mr. Farnsworth, the delay is exceptional and due to the fact that the method of use of Aviation League money could not be decided for months at the beginning of the new financial year. The new budget itself was delayed. The method finally accepted will allow a prompt handling of payments.

From such distance a delay may easily be attributed to lack of means. You may rest assured that for any financial engagement taken for aviation matters the money does not only exist theoretically in the budget but is actually deposited in cash at the bank. Statements to the contrary are only spread by competitors, who hope to scare away American competitors from the Turkish market. A clear example of this was recently delivered by Vickers Armstrong.

The latter persuaded the Colt people that it would be unsafe for them to do business in Turkey, and that themselves did not care to arrange for a Browning demonstration in Turkey, because they did not care to solicit business there, having a great deal of money outstanding. The business mentioned in this connection was the sale of 48 machine guns, making a total of about \$25,000. Within a few weeks of this statement, Vickers Armstrong obtained, after most strenuous efforts, an order of eight supermarine seaplanes of \$600,000, to be paid half in sterling, half in Turkish pounds. This proves that Vickers-Armstrong, which has a permanent factory branch in Ankara and has an exact knowledge of local conditions, considers safe to do business for its own account, but does not hesitate to use unclean methods to deceive American competitors and keep them away from the market.

The business actually obtained by Curtiss-Wright up to the present is the following:

18 Hawks manufactured in America.....	324, 000
6 Hawks (materials and motors).....	75, 000
6 Fledglings (materials and motors).....	52, 000
Various equipment in connection with Hawks.....	22, 000
6 months' rent for two Kingbirds.....	10, 000
Spare parts for airlines.....	6, 000
Shop equipment for Kayseri.....	27, 000
	<hr/>
	516, 000

The business expected for the next months is the following:

3 300-hp. Wright motors for F 13 Junkers planes.....	12, 300
40 180-hp. Wright motors for A 20 Junkers planes.....	120, 000
3 radio sets for ground use and airplanes.....	30, 000
Spare parts for Hawks and Cyclone.....	100, 000
Spare parts for Fledglings and Whirlwind motors.....	20, 000
Spare motors.....	30, 000
Aerial photographic equipment.....	20, 000
	<hr/>
	332, 300

A further order of 24 Hawks to be built in Kayseri may be expected as soon as planes manufactured in Kayseri prove a success. The airlines will also prove to be a source of continued business.

We are afraid that the nature of the work we have to do is not fully appreciated in New York. European competitors, who consider American competition as unrightful intruding into their established sphere, are doing everything to render the task difficult. In addition to this, it needs a constant fight to sell a quality good in a market where price has been the dominating factor for the account of a manufacturer who does not see any reason to make the sacrifices in procedure and terms cheerfully accepted by European countries.

In order to be strong in this struggle we have associated to ourselves two other firms.

Now, I must write you frankly about a difficulty we are up against:

When I wrote you on July 10, 1932, about applying half of the Curtiss commissions due to us to our Sperry debt and to send us the other half, as it con-

stitutes the shares of the two firms we are associated with, I hear that you have not received our request favorably, taking it surely for a demand of another favor. From this viewpoint you are perfectly right, because you have gone to the extreme limit in helping us in the Sperry matter so that troubling you for a further request in that connection would be more than unreasonable.

Our request would appear in a different light, if it is viewed from the standpoint of business expediency on the one hand, lack of risk and trouble for Sperry on the other hand.

The two firms helping us in the Curtiss-Sperry business and spending constantly money, as we do, for it, would lose their initiative, if they don't get any commission after a certain business is settled and concluded. It is easy to realize their stand of mind, when one thinks of four years' activity and expense, spent for Curtiss business.

In spite of this situation, I could very well understand your standpoint of letting us fight out the difficulties, if the commissions expected from Curtiss just covered our Sperry debt. As a matter of fact, the commission expected from the accomplished business and from surely coming business like spare parts and motor orders would cover our debt to Sperry about three times. So the acceptance of the request about applying only 50% of the commissions becoming due to the Sperry debt would only mean a delay of a few months in the complete payment of the debt. As there is no risk and as the debt is subject to 6% interest, Sperry would not run any disadvantage of showing this facility against the great advantage which the satisfying of our partners means for both the Curtiss and the Sperry business in our territory.

Firmly hoping that you will decide to approve of the methods of procedure outlined in our letter of July 10th, of which we are enclosing a copy,

Yours very sincerely,

AHMET EMIN.

AE/EH
Enclosure.

EXHIBIT No. 289

FINLAND—CYCLONE—UNITED

FEBRUARY 5, 1931.

J. S. ALLARD, New York City.
Mr. BURDETTE S. WRIGHT, Washington, D.C.

DEAR BURDIE: Thanks for yours of the 3rd with the attached copy of letter to Leighton Rogers on the subject of the cable to be sent to Osborn Watson about Cyclone tests. Also thanks for the dope about Love's reaction to whatever statements Major Hall is making. Needless to say, I do not believe Hall's statements are at all radical or unethical, as all cables and correspondence that he has had with the Finnish officials in which he had discussed 1820-E's have been based entirely upon information furnished direct from the Wright Company or from this office. Love has been made to stop his unethical tactics of running down competitive products, and I think this is just a sample of a method he is pursuing to meet real competition.

Very truly yours,

J. S. ALLARD.

EXHIBIT No. 290

[Copy]

FILE COPY OF TELEGRAPHIC MESSAGE

To: Aeroexco.
From: Melvin Hall, Ankara, Turkey.
THOMAS A. MORGAN.
(Personal.)

MARCH 30, 1932.

In spite of bitter competition contract(s) for eighteen Curtiss Hawk one-place pursuit, Cyclone engine, ready for our signature, but all (of) special fund(s) local aviation association recently made subject to Turkish Government regulations, stipulating all payments foreign purchase(s) not more than 30% before their total acceptance(s) Turkey. Stop. According to our estimate (of) pres-

ent terms will delay previously arranged payment on presentation of shipping documents Constantinople, Turkey, at a maximum of six weeks. Stop. 30% (of) payment in advance balance of payment(s) 70% in about six months after closing contract. Stop. Have tried hard to but cannot arrange (for) better terms. Stop. Under the circumstances no reason to believe are running a great risk: embassy of the same opinion. Stop. Fund(s) have been allotted in the bank covering payment but impossible to secure letter of credit negotiable instruments on account of Government regulations. Stop. Absolutely certain can complete in satisfactory manner, gold-dollars exchange, excluding all risks any fluctuation in exchange to cost not more (than) small interest charge. Stop. Turkey unquestionably has acted in good faith on our (my) behalf, are accepting according to our statement (of) (that) regarding Curtiss Hawk, one-place Cyclone engine, ignoring official information U.S. Government to the contrary, in addition to foul intrigue our competitors and especially United Aircraft & Transport, in addition to the foregoing paying higher price(s) \$3,000 per unit will not take advantage (of) attractive offer our competitors are quoting, for example pole(s) to take in full payment Turkish raw products. Stop. Believe that all future sales Turkey impossible unless accept their terms. Stop. Believe that future business, European, influenced by success failure here. Stop. After carefully considering the matter recommend that you accept. Stop. If you approve of will communicate further with detail(s) gold-dollars exchange. Stop. Awaiting your instructions.

MELVIN HALL.

MF.

cc. Messrs. Morgan, Allard, Webster, Goulding, Smith.

EXHIBIT No. 291

[Copy from carbon copy]

From: Melvin Hall.

BUDAPEST, REC., *June 3, 1930.* . A.A.

To: Aeroexco.

N 1 37 Budapest, 37 LCD, Aeroexco, N.Y.

Retellblove tactics following us with insidious derogatory comment obsolete equipment impossible dispose of in America, alleged financial difficulties corporation. States Army-Navy orders now hundred percent United equipment, etcetera. Report follows.

MELVINHAL.

Washington file: "European Tour-General."

#535

EXHIBIT No. 292

INTERCONTINENT AVIATION, INC.,
HAMILTON HOUSE, SHANGHAI, *October 16, 1933.*

Mr. THOMAS MORGAN,

29 West 57th Street, New York City.

DEAR TOM: Hugh Keavney, who signed the attached memorandum, is leaving for the States on today's boat. On June 6th he received a letter from his wife containing this message. I don't know who Bill Brookes is but he is reported to be a Buffalo Curtiss factory employee. It might be very interesting to have it checked to find out just who he is and the reasons for his statements.

Keavney came to China in June for Paramount: lost his job and was left in China, supposedly stranded. He is an ex-aviator and supposed to be a very close friend of Casey Jones. I understand that Bill Goulding is acquainted with him and can probably tell you something about his past activities. The contents of this letter were immediately transmitted to Carl Nahmmacher, United's agent, who has passed it around to everyone in Shanghai interested in aircraft with the story that the man who received the letter was stopping at the Metropole Hotel and could furnish definite proof that the ships so'd to the Chinese were old equipment.

I am running photographs of the China planes being constructed in the rotogravure section of next Sunday's paper with the statement that these ships were under construction during the months of June, July, and August 1933.

I do not believe that any lasting damage has been done by this rumor, but combined with the trouble we have been having and also the fact that five of

the Hawks have already cracked up at Hangchow, it certainly makes it tough for us for a while.

Things are moving along fair enough although I have nothing to report to you so far on the factory developments. The Chinese Government is still considering the contract. I hope in the near future to be able to cable you some concrete news.

With kind personal regards, I am
Sincerely yours,

(Sgd.) W. D. PAWLEY.

EXHIBIT No. 293

"Today Bill Brookes stopped in to see if I had heard from you; he told me the Chinese in Chinatown had a lot of cash they were going to send to China, but when the treaty with Japan was signed they got peeved and didn't send it. He also told me that the Curtiss planes Jimmy Doolittle went over there with were the same old crates they tried to sell China last year. The only difference was a coat of paint and other motors and they are another year old. If you run into them, watch out. They are supposed to be awful.

"If you can check the truthfulness of this story you might be able to get some thanks from the Government. Jimmy is thought to be studying a newer plane which resembles those in the shipment. Of course I have no way of checking this story of Bill's but I thought you ought to know anyway."

This memorandum is an excerpt from a personal letter to me from my wife dated June 6th and is the only letter that I have received regarding Curtiss aviation equipment of any kind.

(Sgd.) HUGH KEAVNEY.

EXHIBIT No. 294

SITUATION SUMMARY, TURKEY SUPPLEMENTARY INTERIM REPORT PERSONALITIES,
FEB. 27, 1933

Zekai Bey, Minister of National Defense, is believed at present to be well-disposed but extremely desirous of having something concrete to show in the way of results justifying the policy of his ministry in turning to America for military aeronautical equipment and technical cooperation. He is intelligent but not entirely to be relied on. To meet his desires, which are by no means without reason, it appears most necessary to turn out the sample Fledgling at the earliest practicable moment. It should not be lost sight of that all representatives of competitive interests who may feel themselves adversely affected by the increasing collaboration of the ministry with C-W and the orders passed to C-W, band together and with their influential friends, deputies, newspaper editors, etc., and keep up a constant and heavy bombardment of the minister's position.

The Prime Minister, Ismet Pasha, is an authority with whom we come less in direct contact. Nevertheless, he is strongly favorable to the principle of cooperation with America, very keen on the development of Turkish aviation, especially interested in the proposed Turkish airline to serve as a link in the international systems, and keeps himself well-informed on the progress of matters connected with C-W cooperation. The rapid development of aircraft manufacture at Kayseri is for him, as for other Government leaders, a matter of major national importance. This fact was perhaps not fully appreciated in New York when the technical cooperation contract was signed and Fledgling bill of materials urgently called for. Ismet Pasha's whole policy favors the C-W collaboration. If results are produced he can be counted on to be far more than slightly partial in C-W favor; if not, he can become a relentless enemy.

Ferzi Pasha, chief of the general staff, is believed to be potentially friendly as long as C-W keeps its engagements with the ministry, delivers the performances guaranteed, and produces results at Kayseri. He is disinterested in politics, desiring only to develop the strongest possible defense force with the resources at his disposal. He is sufficiently air-minded to build up his air force at the expense of both the army and the navy. He has adopted certain standard terms of purchase and acceptance to meet the special circumstances in Turkey. From these terms, which European competitors have accepted,

he is unwilling to depart. He is strong, impartial, and honest. He wishes Turkish military aircraft to be not inferior to the best in standard service for various purposes in any major country, but is unwilling to experiment with prototypes. He is very keen to render his country self-sufficient in production of military aircraft as rapidly and completely as possible. For this reason he is apt to prove impatient of undue delays at Kayseri and more impressed by visible concrete results than by excuses or explanations. One of the features of the cooperation with C-W that appeals to him most is the fact that the political considerations and constant diplomatic pressure that would be involved in similar association with any major European manufacturer or group are missing. He has had unfortunate experiences with certain European contractors, notably Junkers and Gourdou, and is not likely to be tolerant of failure to produce results or to meet guarantees. On the other hand, if C-W delivers the goods, he can be counted on to be absolutely fair and not to be swerved by petty intrigues.

Abdul Halik Bey, Minister of Finance and former Minister of National Defense, is one of the most admirable characters in Turkey. Broad-minded, honest, reasonable, and far-sighted, he has succeeded under immense difficulties in producing one of the few balanced budgets in the world today. He recognizes and admits more freely than others the defects in the Turkish administrative systems and is definitely striving to overcome them. He is very friendly to C-W. Should there be a change in the cabinet involving the Ministry of National Defense, he is almost certain to be the next holder of that portfolio. A better selection for C-W interests could not be found. Saracoglu Sukru (Sarajoglu Shukri) Bey would probably replace him as Minister of Finance. Though a man less sound, less sincere, and less devoid of politics than Abdul Halik, Sukru Bey would be a favorable selection for C-W.

Col. Mecid Bey (Mejid Bey), former Under-Secretary for Aviation, is an artillery officer without profound knowledge of technical matters connected with aviation, and consequently apt to be influenced too much by the opinions of his technical aides. He is absolutely honest, sincere, hard-working, and well intentioned, if somewhat naive at times. He is particularly naive and difficult with respect to financial matters, which he doesn't in the least comprehend. He can be very stubborn on occasions though generally indecisive, has an unfortunately acute memory for all statements, promises, and assurances made him at any time, is inclined to be suspicious, tries to drive hard bargains with contractors without being a shrewd bargainer, and messes too much in detail which he doesn't clearly grasp. His personal character is above reproach. After his present tour of duty with troops he will in all probability return as Under-Secretary for Aviation. Having had much to do with the formation of the program of technical cooperation with C-W he will undoubtedly be friendly and heartily desirous of a successful outcome, though his hopes and expectations, especially involving the time element, are apt to run somewhat ahead of practicable realization. Balanced by the more practical mind of Maj. Ihsan Bey, liaison officer of the General Staff with the Under-Secretary's office and Technical Section of the Ministry, Mecid Bey can be really helpful to C-W interests. He hopes eventually to retire as Director-General of Civil Aviation. If the Ministry's latest proposal to C-W for the operation of the airline is mutually acceptable to C-W interests and the Turkish Government, there may not be any need for such an appointment.

Capt. Hamdi Bey, the only active officer in the technical section at present, is a wholly inappropriate person for such a responsible position. Ill-informed, out-of-date, stubborn, and a slave to ritual, he is nevertheless a potential friend, and especially when handled by Hilmi Bey he can be extremely useful. He has an important voice in the selection of new types of aircraft and full authority in writing up the specifications.

Lt. Col. Sefik (Shefik) Bey, is unquestionably sincerely friendly. He is one of the two most influential officers in the air force. At present commanding the regiment at Smyrna, he is somewhat removed from the C-W battle front but nonetheless is a very useful supporter in matters of policy. His visit to America and his marriage to the daughter of Fevzi Pasha constitute both very strong assets and distinct handicaps, the latter in laying him open to accusations of partiality towards C-W on account of the reception accorded him in America and possible "understandings", and of favoritism through his relations with the Chief of Staff. For these reasons he keeps in the background of C-W affairs as much as possible.

Lt. Co. Celal (Jelal) Bey, commanding the regiment at Eskisehir, is the opposite number of Sefik Bey and the other most influential officer of the air force. He and Sefik graduated from the same class and have advanced together ever since. There is a very definite though hidden rivalry between the two. Celal Bey's opposition to C-W in general is doubtless partly due to his jealousy of Sefik. Celal Bey absorbed in the course of his education in France a good deal tending to render him partial to French methods, French standards, and French equipment. He threw his influence in favor of Dewoitines against Hawks and remains consistent to his original recommendations. He is, probably without realizing it, strongly influenced by Selahetin Bey, the civilian engineer who is the most outspokenly anti-C-W man in Turkey. Celal Bey is kept well—though by no means always accurately—informed on all matters unfavorable to C-W, such as annual reports, statements showing losses, army and navy procurements not favorable to Curtiss (the recent big order for low-wing Boeing pursuits will undoubtedly be strongly featured here against the Turkish Hawk program), liquidation of the flying service, closing down of subsidiary companies for lack of orders, crashes, and failures, etc. It is believed that this information is furnished gratis by Hamilton of United through Selahetin Bey. Celal Bey stated to Hilmi Bey, and probably is thoroughly convinced, that C-W sent a mission over here comprising a pursuit plane which did not have sufficient performance to be of any interest to anyone. In a desperate attempt to produce an answer to the Boeing and to European pursuit planes, the E Cyclone-Hawk was offered but proved a failure and wasn't taken up by either the Army or Navy. In further desperation the F engine was substituted and the combination is now being tried on the dog (Turkey). Its performances were not based on fact but on the desire to exceed the Dewoitine performances. It cannot and never will meet its guarantees. Celal Bey maintains, and probably with complete sincerity, that his only thought is to struggle for the welfare of Turkish aviation, for the mobilization and operation of which he will be responsible when the day of emergency arises (maybe he will in part, but certainly not alone). When he hears such stuff as the above, allegedly from responsible sources, constantly reiterated by his closest personal friend, it is not surprising if it has some effect.

Celal Bey is further influenced against C-W, in a minor way, because his pet recommendation to move the regiment to a new field about 4 miles away and separate it from the school was not supported by Hulse, on grounds of economy. Hulse was right and was so recognized by the ministry, but it has not sweetened Celal Bey's attitude. Celal Bey is also strongly opposed to the spending of any money of the Ministry of National Defense on airlines, though not opposed to airlines in principle if supported by some other ministry's budget.

Selahetin Bey is the principal disturbing influence, though not the only one. Of pleasing personality, great conceit, and infinite audacity, he returned from a technical education in France (where he was at the bottom of his class) to build all the military aircraft for the Turkish Government. With specious arguments he convinced many people that it was foolish to go outside Turkey for aircraft when he could build in Turkey as well as C-W at a fraction the cost. His bitter opposition to everything C-W is based wholly on the fact that he recognizes in C-W the principal, if not only, obstacle to the realization of his schemes to get control of the production of military aircraft in Turkey. Without originality or real experience, his first effort was not successful, and his influence has greatly diminished except with his friend Celal Bey. He constitutes, however, a very annoying and troublesome element, and it is doubtful if anything can be done to change his character and fundamental attitude. He is not clever enough to realize that he would have had a vastly better chance to succeed in due course with his program for himself had he supported C-W whole-heartedly and received C-W's support. It is quite evident that he receives his anti-C-W information from Hamilton of United, and it was told Emen Bey a few days ago by Hamdi that Selahetin had a definite "arrangement" with United. This ties in with the statement to Gillespie by the United mechanic Butterfield that though they hadn't been able to do much for themselves in Turkey they at least had queered C-W's game here *permanently*. What the "arrangement" may be is problematical—possibly promise of a good commission on all United engines sold to Selahetin's ships—but at all events, it would appear that United are persisting with their destructive policy of endeavoring to turn C-W business in Europe, when they themselves cannot get it, to the hands of French, Poles, or, indeed, anyone else.

There are many other personalities involved in C-W affairs in Turkey, but the above-mentioned, except perhaps for Hikmet Bey at Kayseri, whom we count on to assist Coon and to put the C-W case across, are those whose influence pro or con seems most likely to affect the immediate course of events. Hikmet Bey, a young engineer educated in America, has only moderate influence as yet but is clever enough to assist us fully to build him up to take over Kayseri eventually and is undoubtedly a strong asset in his present capacity.

(Signed) MELVIN HALL.

EXHIBIT No. 295

REPORT NO. 20 CAUTLEY

JUNE 4, 1930.

Confidential.

Subject: Wright engines business in Jugoslavia.

(1) In another report I will try to give you a little Jugoslav background. Suffice to say for the moment that you positively cannot believe anything that anyone tells you in Jugoslavia, unless you have remarkable talent for detecting truth among much falsehood. In Jugoslavia speech is used to conceal one's thoughts.

(2) Drawing my own conclusions from talking with various kinds of plain, fancy, and acrobatic Jugoslav liars:

(3) There is no immediate nor easy Wright engine business in Jugoslavia. That opportunity passed long ago. I have no time to conduct a post mortem.

(4) We absolutely cannot do business in Jugoslavia without a duly accredited sales agent on the spot. Our present position, with Petrovich as our agent in the eyes of the Government, but totally unable to do any business for us, is the worst we could be in. It is an absolute stalemate. Petrovich could get us some business, I am quite sure. But Smyth will be much better. In order to make Smyth fully effective, Petrovich must be immediately and finally discredited in Jugoslavia. If he can then be of any assistance, Smyth will handle the situation on the spot and pay Petrovich whatever commission is necessary out of his own commission. For this purpose, am enclosing rough drafts of two letters, one to the American Minister and one to Jugoslav Minister of War, Rush. These letters must be signed by an officer of the company, president or vice president, and sent through just as quickly as possible. Send copies to C.W.X., Paris, Rush. When I cable you, follow them through with another pair of official letters stating that inasmuch as Mr. W. H. Smyth has been appointed representative of C.W.X. for Jugoslavia, he is the person empowered to represent Wright engines there. Rush.

(5) The immediate order for 180 Whirlwinds has evaporated into thin, hot air. Jugoslavia will insist on going through the motions, at least, of taking a manufacturing license before ordering any such quantity. This does not mean that the 180 cannot eventually be resuscitated. Conditions change, depending upon who gets the graft and how much. For example, Lorraine and Potez, Salmson and Hauriot, were first in the field here and cleaned up for a while. Now it is Gnome Rhone and Breguet sitting on top, with Renault coming up and Lorraine going down.

(6) Competition is enormously keen here considering the small volume of business (by our standards) available. For example, Gnome Rhone has practically formed a company, erected a factory, and furnish a first-class factory manager for the sake of 50 engines a year.

If we want to put up a fight for the sake of 50-60 engines a year maximum, the first thing to do is to loan the Jugoslav Government a new Whirlwind 300—a good one—to be installed in a Fizir advanced training plane and tested for 3 to 5 months. This is the only chance I can see at present to revive the interest of the army in Wright engines.

If things are still as dull at home as they were when I left, it would be wise to take a chance on this one engine. I have been told that the Jugoslav Government never fails to buy an engine thus submitted for test unless it is absolutely no good.

RANDOLPH CAUTLEY.

EXHIBIT No. 296

CURTISS-WRIGHT EXPORT CORPORATION,
New York City, April 6, 1934.

No. 105.

Via S.S. Europa.

To: Mr. B. G. LEIGHTON,

American Embassy, Ankara, Turkey.

DEAR BRUCE: Mr. B. C. Goss, who is president of the U.S. Ordnance Engineers, Inc., who manufacture chemical warfare munitions, has been approached by an individual in Istanbul in connection with the possible sale of chemical munitions to the Turkish Government and, more recently, with a plan which this Turk has submitted to Mr. Goss for U.S. Ordnance Engineers, Inc., to build a chemical munitions plant in Turkey.

Mr. Goss is very much interested in the proposition and, incidentally he tells me it is the only way that Turkey can have successful chemical warfare equipment—by building a factory.

Mr. Goss is planning on going to Turkey in the very near future, probably sailing within the next week or two and may, possibly, sail with me. However, in the event that we do not arrive together, I am writing him a letter of introduction to you and have suggested that he get in touch with you before he gets in touch with anyone else in Turkey, so that you can give him the benefit of your experience and advice, and see if there is any way in which Curtiss-Wright can participate on a commission basis in his projected business with Turkey. Obviously, we do not want to be involved in any financing or anything else, but merely to get a commission for the assistance which you will give him.

Sincerely yours,

J.S.A.
 B.M.N.
 Enc.

EXHIBIT No. 297

[Copied from original]

CURTISS-WRIGHT EXPORT CORPORATION,
27 West Fifty-seventh Street, New York, July 21, 1930.

Mr. BURDETTE S. WRIGHT,

501 Southern Bldg., Washington, D.C.

DEAR BURDIE: Thanks for yours of the 17th regarding Mr. Gordon B. Enders and E. F. Baskey. The information is most interesting, and while I realize that the ethics of the transaction are very questionable, from all I gather most Chinese business is unethical and I still think that I would like to have had a chance at the Chinese business that Enders apparently had in his hand.

This, of course, is not official, but it is confidential between you and me. I do think that if Enders had come in here with cash to buy a lot of aviation equipment to be sent to China and the State Department gave us approval I would not care much who Enders was as long as I got the cash and the State Department approved the shipment of the aeroplanes. Under present conditions we did not get a chance to contact with him, therefore we can stick up our noses in the air and say that we prefer not to associate with men of his calibre, but the truth of the matter is, I wish we had gotten the order.

Sincerely yours,

(Sgd.) JACK.

J. S. Allard.
 BMN.
 Washington file: "China."

EXHIBIT No. 298

LA PAZ, BOLIVIA, *March 24, 1933.*

Mr. C. W. WEBSTER,

*President Curtiss-Wright Export Corporation,
27 West Fifty-seventh Street, New York.*

DEAR WEB: It is too early to report as yet on the situation of the Mollendo Hawks. I saw Lopez yesterday and gave him the ultimatum in writing and the total amount to be paid runs to a little over \$26,400.00, including insurance, etc. I am going to see Lopez again this morning and will probably get some definite information as to what they will do. The aviation officials want the Hawks as soon as possible, and there will be a hell of a fight if the Government wants to cancel them. They can get the money if they really need it, but the attitude here, as you know, is to let things run as long as possible without paying.

Cueto is in Arica and has been there since before I left for Lima the last time. I have received a couple of very childish, threatening letters from him, and he will get my answer in Arica this morning. I am informed from reliable sources that Cueto went to Arica for his health, and the chances are that he will not be back, although I invited him up here to talk things over. I have made a few investigations but will have to see several people yet to get a fair picture of the situation. It is quite likely that he will try to sue, and he also threatens that he will put the matter before the various governments that we have been doing business with. I got a look at some documents yesterday that bear authority, and although they were confidential I took some notes. Cueto files the following information regarding himself and his business:

Importer of manufactured articles.

Exporter of national articles.

Agent of foreign manufacturers.

Languages: English, Spanish, French.

Countries: Europe, United States, Chile.

Business done on own account on commission basis.

Organization: Private.

Home office: La Paz.

Branch office: Arica (to be established).

Traveling salesmen employed, several.

Commercial references: Bell & Howell, Chicago; Curtiss-Wright Export;

Mack Motor Truck Corporation, New York; Laboratories Francia Stgo, Chile, and Bellanca Aircraft, New Castle, Del.

Agents for—same as above.

Bank reference—any bank.

There was no reference from any of the commercial firms mentioned, but the two banks here were requested to send in their recommendations and we find the following:

Banco Central, Feb. 25th, 1933: "Mr. Cueto Pozo has an agency to act occasionally for Curtiss Airplanes on a commission basis. At the time of taking this agency Mr. Cueto Pozo was in the Ministry of Foreign Affairs. In order to safeguard Government money he was discharged from the position in the Ministry of Foreign Affairs. As a private person he does not own any real estate, nor does he have money. At present there is a commission appointed by the Government to investigate concerning the sales of airplanes and trucks to the Government and establish whether Mr. Cueto Pozo and others have been unduly zealous in their private dealings with the Government."

Banco Mercantil, February 23rd, 1933: "Mr. Cueto Pozo is not a merchant. He has been deprived of the position he held in the Ministry of Foreign Affairs on account of being involved in the sale of airplanes to the Government. He does not have capital and does not meet his obligations."

This may not be worth anything to you, but I am passing it on for your information and to give you an idea of the standing of Cueto in La Paz.

The tail wheels and high skid for the Ospreys arrived O.K., but I will not have the opportunity of trying them out, as there are no planes left here in La Paz. Of the twelve Ospreys, they have six left. One Hawk is in the Chaco and seems to be all in one piece as yet, but the second Hawk has never left La Paz. Seems that they have no pilot available that they are willing to trust with the machine. Our dear friend, Major Vargas Guzman, has been transferred to infantry and is due to leave for the Chaco soon. Col. Jordan is Jefe of the works and he is the one man that should have had the job since the beginning.

Nothing more at present. Cannot give any more dope on the business here, as the mail goes out 10:00 this morning and I have an appointment with Lopez at that hour. More on next mail.

Best wishes and regards. Web.

Sincerely,

CLIFF.

EXHIBIT No. 299

FEBRUARY 9, 1933.

Mr. F. ECHENIQUE.

*P.O. box 3098, Los Cerrillos,
Santiago, Chile.*

DEAR PANCHO: Since my return I have been doing considerable traveling and have spent very little time in the office.

I regret that I have not been able to write you fully regarding the Bolivian situation. I explained to Jerry one day on the telephone the difficulties we have had with the Bolivian business and asked him to give you the information.

The Bolivian Government business has been handled and controlled entirely by Mr. Lopez, comptroller general, and when I was in La Paz, he was very much upset and concerned because of the fact that we had been dealing through an agent and paying a commission on the business. He insisted that all business be handled directly between the Government and ourselves, and that no commissions would be permitted by the Government. He took immediate steps to discharge from Government service Mr. Cueto Pozo, and deducted from our bills the commissions which were supposed to have been paid. We have been unable to collect this extra amount and probably never will. He threatened to discontinue all business relations with us unless we agreed to this policy, and for that reason it is naturally impossible for me to make any arrangement with you at the present time for commissions.

I told you when I was in Santiago that I would do the best I could for you but that it was impossible for me to name a definite amount, and this arrangement will have to stand until we have concluded our business dealings with the Government. I am, naturally, very sorry that I can do nothing for you at this time, but you must appreciate the situation and permit it to continue until I am able to smooth matters over.

In some way the Bolivian Government, through its intelligence service, learned of our dealings and prices with other countries and what commissions are normally allowed. Mr. Decker, the Bolivian consul in New York, has been very friendly towards us, and I am having luncheon with him today.

I realize that everyone, ourselves and yourself included, are going through rather tough periods now, but there is nothing that I can do at the present time to help the situation. I probably will be starting for South America again within the next five or eight weeks, and possibly at that time I can more fully explain the situation and possibly do something for you. You must also realize, Pancho, that we went to considerable expense in paying your expenses from La Paz to New York and return to Chile, all of which, naturally, is charged against you on our books, and I can only repeat that you must rely upon our personal friendship to adjust this situation in some way as soon as possible.

I am looking forward to seeing you again in the near future, and, in the meantime, my sincere good wishes to you and Mrs. Echenique, and the best of good luck.

Cordially yours,

C. W. WEBSTER.

EXHIBIT No. 300

CURTISS-WRIGHT EXPORT CORPORATION,
La Paz, Bolivia, March 29, 1933.

Mr. C. W. WEBSTER,

*President, Curtiss-Wright Export Corporation,
27 West 57th Street, New York.*

DEAR WEB: I had an interview with Lopez this morning with respect to Cueto and Pancho Echenique. Lopez says that the Government has never given Cueto a letter to the effect that they did not refuse to pay him a commission. Lopez is giving me a statement to that effect, and I hope to get it in time to

enclose in this letter. As regards Pancho, Lopez doesn't even know him, and assures me that Pancho never did a bit of business here and had nothing whatever to do with any purchases made by Bolivia from us. He is also giving me a letter to that effect.

Received a cable yesterday asking what price Rogers quoted on parachutes. He quoted our price of \$335 and turned in an order for 18 chutes, 12 of which were a part of the order I secured some time ago. They sure sent the money in a rush for the additional chutes. It might be interesting to know the reason. A short time before the order went through one of the pilots in the Chaco was shot down with an Osprey, and the observer, uninjured, jumped from the falling plane with the intention of landing in the Paraguay River. He hit the river all right, but as he jumped from 1,000 feet with no chute it was just too bad. So after a concrete example of what I have been telling them all along, they quickly decided that they urgently needed enough chutes to equip all the pilots. The 12 chutes shipped on the *Barbara* will arrive this week, maybe today. That shipment was sent to Arica and had to be reshipped to Mollendo, hence the delay.

At the present time there are only 5 of the 12 Ospreys in commission. Of the seven wrecked, five can be repaired when the spares arrive. One was a complete washout when the pilot landed on orders in a stump-infested field, and one was shot down by ground fire and burned on the crash.

Col. Santalla is up from the Chaco and is plumb goofy over our planes. When the first Ospreys arrived in La Paz he was all against us and was very skeptical of our equipment. At that time he had little to do with things and he didn't worry me much. Now he has about 15 hours flying over the front and can't say enough in our favor.

Am busy trying to push an order for more planes, and with Santalla, Jordan, and Ernst all on my side, I may get something done.

There is a firm here in La Paz, Webster & Ashton, formerly Webster & Finnegan, Casilla 144, that is a local business outfit with a branch in Oruro. They have the agency for International Harvester Export and have done considerable business with the Bolivian Government in trucks. They carry on national business as well. They want the agency for us in Bolivia and I have thoroughly looked up the standing of the firm, found it O.K., have talked with the American Minister, Feely, and have known both Webster and Ashton personally since my first arrival here. Lopez called me in to talk it over and informed me that the Government was willing to do business with an accredited firm, but not with an individual, and that they were willing to pay a reasonable commission on business with us for the convenience of having someone here at all times. Lopez suggested our placing an agency here for the convenience of the Government inasmuch as I will not be here permanently, and recommended Webster & Ashton. (I don't know what the hell is the matter with me; I haven't had a drink all day and yet my fingers get all tangled up on this darned machine.) I am enclosing a letter from them. I don't know what effect the placing of an agency here would have on the claims of Cueto, but Lopez is all for it. There is one thing that comes to my attention with regard to this although I believe everything is aboveboard and on the level. Lopez is in with Webster & Ashton on a hat factory and a retail clothing and furniture business here and it is extremely difficult, in view of the control board, to get dollars for the necessary imports for their business. Having an agency for American goods would enable them to carry their commissions in dollars in New York. There may be some kind of a combination between the parties, but the thing as put up to me sounds O.K. and on the level. Feely thinks it is square. Anyway, think it over and drop me a line, and it might be well to write to Webster & Ashton and see what you can find out. It is true that after I leave here it will be difficult for the Government to do quick business with us in spares, etc., with no representative here and no one to take care of their complaints or what not. Lopez also informs me that they intend to establish a credit with an agent, if appointed, so that things can be shipped immediately without sending drafts through the bank for every amount as needed. I pointed out that he could just as well establish credit with us in New York, but he prefers to do it his way.

I ran a test on the Hawk here yesterday on take-off distance and with full load got into the air in 800 feet on a wet field. The best take-off on dry field is 490 feet. It is considered nothing short of a miracle up here.

More next week, Web; best of luck and good wishes.

Sincerely,

(Sgd.) CLIFF.

EXHIBIT No. 301

LA PAZ, BOLIVIA, *Sept. 21, 1933.*

CWW #36

Mr. C. W. WEBSTER,
*Curtiss-Wright Export Corporation,
27 West 57th Street, New York.*

DEAR WEB: I am proceeding on to Lima today and will mail this letter in Arica on my way through. There is absolutely nothing more that I can do here at the present time, and I may be able to be of some help in Lima. The supreme decree for three more Ospreys was signed yesterday, but it will be weeks before a regular contract is made out. That is customary here. Activos are arranging for payments, and that should go through in a week or ten days, although they are trying to get the 25% through immediately and then go ahead with the balance as soon after as possible. Irrevocable credit will be arranged as before. As I told you in my cable of the 19th, the order for three Ospreys will be followed by an order later on for six more Ospreys and three Hawks. The Banco Central has already been notified that that amount of money will have to be planned on in the budget. In the meantime the Trainer deal is shelved. They are thinking, just thinking, of contracting several foreign pilots instead of wasting time training more of their own. They will undoubtedly be German pilots—due to Kundt. Webster & Ashton are sure live wires and we certainly made no mistake when we took them on. I had a chat with Minister Feely yesterday and his opinion is that taking them on was the best business that we have done yet.

Regarding the commission to be paid Activos, I cabled that my recommendation was 5% of the total amount of the last order. That would be 5% of \$97,180.00, or nearly \$5,000.00. As you know, that order was put through by me some time ago but Activos were darned helpful on the final details of the deal and were entirely responsible for getting the money in cash; something that no one else without their contracts and influence could have done so easily, if at all. For your own information, Lopez is, and has been for some time, a silent partner of Activos and is interested to quite an extent in the agency and their textile and hat factories. That is not common knowledge, but it makes it necessary to play ball with the tall friend, as he is the deciding factor in all purchases—more so than the President himself. Do not mistake me, Lopez is one of the few honest men in this country and although he has a personal interest in the sale of Curtiss planes and equipment he would not let the order go through unless the stuff was entirely satisfactory. Let me give you some extremely confidential dope that I picked up, no matter where, but it was in writing:

1. Jorge Zalles, Vice Pres. of Grace & Co., used the Cueto affair as a lever to try to influence Lopez through the New York Consul to eliminate Curtiss and take up United Aircraft through Grace. They told Lopez that they could supply Hawks at \$23,000 and Ospreys at \$17,000.

2. When the last three planes (that have just been delivered) were on order the purchase was nearly cancelled because of interference of the Kundt-Billbao combination—through Minister of War Hertzog—to the President. Except for Lopez and the pilots (as well as my visit here at the time to straighten out the complaints) the order would have been cancelled and the business given to United Aircraft and Fokker.

3. Due to Lopez and Activos we were able to arrange full payment on the last order through irrevocable credit. The President's instructions were to make payment in the same form as before—35% only after planes were tested and delivered.

4. Lopez has been offered 10% on planes and 20% on spares if he will help swing the business to Fokker. Vickers made him the same offer. (I have told Activos that we cannot pay more than a flat 5% on all Curtiss business at the present quotations.)

5. Lopez and Activos have practically assured our future by combatting the competition, although they could have cleaned up by putting in United or Vickers.

6. Colonel Williams, American fiscal agent for Bolivia, has told the Government that United is much bigger than Curtiss. (I can't quite see where that comes in nor where it fits into the picture.)

So in view of the strong combination working in our behalf, I think we should allow the 5% on the last order in order to keep the machinery well oiled. Our prices can stand it, although our selling costs have been rather high. Spare parts selling at list should make a fair margin for us, and I understand that the Osprey carries a fair margin at \$18,000 with 10% allowed for commission. (I should know more about the internal workings of that side of the game if I am to be of maximum value to the company.) We have never had a chance to get together for a good old instructive critique in the year that I have been with the company, and I am looking forward with much enthusiasm to our meeting in Lima next month. Naturally, I want to put out everything I've got for you, and there are a few dark corners—dark as far as I am concerned—that I would like to get an inside glimpse of.

I don't know whether I have mentioned it before, but be very careful what dope you put out to Decker. Contact Activos before quoting any prices to anyone and get together with them. They are on the up and up, but I know the situation here well enough to tell you to do this. There is a hell of a lot of intrigue down here, and an unwise word to Decker might start a lot of unpleasantness for us. You know the game, so you understand the situation.

After the war, when the Government can spare a few mechanics, they may want to send three or four to the States to glean some information and training at our factory. Think this over and see if we can fix something up for the boys.

Tell Damon that the new tailskid on the Osprey is all right and that we can cut it to any height without any trouble. In spite of the kick that he put up about it when I first asked him to change it, it decreases the take-off run up here by a good lot and the landing speed, if increased at all, is so little increased as to be unnoticeable. The actual take-off at La Paz was 6 seconds less than previously with the low skid. It will also keep the fuselage off the ground in Villamontes and Munoz, where the sand is so deep. Also pass the word along to the Buffalo factory that the gun synchronizers on the last Hawks were in working order and saved us a hell of a lot of trouble. Things like that mean a lot to the field men and are appreciated.

Shorty is going to the Chaco next Friday to look things over and give some much-needed instructions to the mechanics. This was requested by the pilots and I left it up to Shorty as to whether he would go or not. He can be of great help there for a couple of weeks both to us and to the pilots and mechanics. He will return here in time to proceed directly to Buenos Aires by train before our arrival here.

The invoice for the materials that were shipped up from Santiago several months ago was presented for payment and the amount passed. The check should be ready in a few days and will be sent directly to New York. The amount (of which I was never informed one way or the other) was \$210.00 and Activos are adding ten percent for their trouble. In the future on a deal like that please instruct the office to let me have at least a copy of the invoice. I had no dope from them at all except to collect for the stuff. I got the inventory prices from Jerry after having received no instructions from the office in New York regarding prices, and added 10%, sent the list to Ashton for collection, and found out that he had already been sent an invoice. Needless to say, my prices did not agree with the others but on the same mail Ashton received the New York invoice and everybody was happy. Donnelly is leaving today for Santiago to pick up what materials he needs up here and will send me a list, or have Jerry send it, of all the stuff he gets. That will reach me in Lima by air mail and I will send it on to New York immediately. They will fix the prices and mail the bill to Webster & Ashton direct with a copy to me. The invoice should include *10% commission but should not be noted as such* on the invoice. The amount will be collected and sent to New York (or given to me to apply on expenses as previously) according to when it is collected. The ten percent will be retained by our agents.

Nothing more at present. Best of luck and a pleasant trip south.

Sincerely,

(Sgd.) CLIFF.

EXHIBIT No. 302

[Copy]

#108.

Via air mail.

MAY 23, 1933.

Captain C. K. TRAVIS,
c/o American Consulate, La. Paz, Bolivia.

DEAR CLIFF: Did you receive the catalogues of the Fairchild Camera Gun and my letter of March 4th quoting prices, etc., on this equipment?

Fairchild has given us temporary exclusive representation on this equipment in Bolivia and will only grant us exclusive sales rights if we develop some sales on it. They are now after us for a report on the prospect of some sales there and we hope they are good, as we are convinced this gun and films will prove a good seller and particularly because of the repeat orders we will get on the films.

We have already sold thirty of these in China, eight in Columbia, four in Brazil, and expect orders shortly for two or three from both Salvador and Venezuela.

I don't know whether Web told you already, but during the past two weeks we closed orders for nine Trainers, six Hawks, and six Falcons for Colombia, and another eighteen Hawks for China.

It looks as if Salvador will buy three Ospreys and Venezuela three Ospreys or Falcons. It is too bad we are not getting anything from Peru except spare parts orders. I also hope Bolivia will come through soon for some more Hawks or Ospreys.

Woody showed me the photos you sent him. Talking about beer—up to now it has not been so good here—no kick, does not average as much as 3%. However, the New York State Commission has just ruled that the bottles must show the minimum percentage in the future and those breweries that do not put in the full 3.2 won't have any demand for their stuff—so it should be better soon. Web and I have a date with Bob Barr to go down to the S.S. *Albert Ballin* tomorrow night for some imported beer—we'll have one to your very good health.

Web is still on the wagon—won't even take beer except on special occasions and then only a glass or two—but apparently it agrees with him as he has taken on quite a bit of weight.

The consul general here—a good old scout named Decker—keeps on asking us what they are doing with the Hawks and Ospreys—we keep telling him we don't know, as you never discuss their activities in your letters, which is just as well because I am sure anything we told him would be cabled down to La Paz promptly. He seems to have a mania for saving the Government money and passing everything he hears on to them.

Regards.

Sincerely,

(Signed) OWEN SHANNON.

OS: D

EXHIBIT No. 303

[Copy]

LA PAZ, BOLIVIA, May 30, 1933.

DEAR WEB: Received your personal letter of the 11th yesterday along with the other letters and photographs of the new Falcon. Sure is some job and the performance is indeed surprising.

The situation here seems unchanged as regards ports of entry to Bolivia. Chile declares one day that they will respect the port treaty with Bolivia and the next day decide to close shop. Shipments, however, are still coming through Arica. Nothing has been published regarding the Peruvian attitude but it seems as though Mollendo will be kept open and at the disposal of Bolivia. I will notify you immediately of any action taken by the respective Governments to close the ports to munitions. The embargo situation in the States seems to be getting serious according to the reports received by the press here. I am trying to get the Bolivian Government to sign up for all

future needs before any action is taken in the States but it is a slow and difficult job. Definite decision has been made to order planes and spares to the amount of 2,000,000 bolivianos but the bank is having difficulty in getting the local currency transferred to dollars. They have enough now to order a couple of Hawks and 4 Ospreys and corresponding spares. That order should go through soon and I am trying at the same time to get the contract for the balance to be ordered as soon as money is available. Of course the big argument in favor of that is the embargo situation as you have pointed out.

Regarding the annex to your personal letter, I will try to give you a clear picture of the situation as regards the agency and quotations of equipment submitted to the Government so that you will be able to figure the thing out. Sure was white of you to bring up that suggestion to help me out and that is one of the many reasons why you will never have to worry about me letting you down.

I have already informed Ashton, that, in view of the fact that the present pending order was negotiated by myself and that no commission was included in the quotations, he will not be entitled to much, if anything, on the deal. Naturally he will have to be given something, as well as a couple of others, for what he has done in helping the deal along and for his connections which will enable us to get our money when due. He is absolutely in accord with that program and will be satisfied with enough to settle some certain obligations which I could explain personally. He will be perfectly satisfied with 2 percent or less.

The prices I quoted to the Government are in accordance with all previous prices with the 5-percent commission deducted. Ospreys at \$18,000 and Hawks at \$25,000, spares at list price as quoted in October less 5 percent, and Hawk spares at list price as quoted to me after the purchase of the Hawks. I am enclosing a copy of the list as submitted to the Government. You will notice that I quoted Ospreys with additional, or extra large gas tanks, at \$500 extra. There is plenty of room to enlarge the main tank and although it may be necessary to install a gas pump or wobble pump, it could easily be done. I found it necessary to do this to beat down competition. They will probably order the standard Osprey anyway but the moral effect of knowing that the cruising range can be increased helps a lot. Thus the mind works. All in all, there should be plenty of margin on these prices, especially the Hawks and Hawk spares, to take care of the unusual selling expense. I will cable you at your private address in advance of notifying the office of the signing of the contracts.

I am keeping in close contact with my inside connections and if it becomes necessary to arrange to get things through I will get busy and keep you fully informed by cable and letter. By the way, I have no code book and would appreciate your sending one down to me. Better mail it to Lima, as I expect to get out of here in 10 days or less.

I have already started talking Falcon, but the price will probably not appeal to them, inasmuch as they are very satisfied with the Osprey and can get just as much out of them for \$10,000 less than the Falcon. Naturally, the Falcon will perform much better at this altitude than the Osprey, but the plans of the general staff call for establishing a base for the Ospreys at Villamontes (sea level) after the war, and keeping the Hawks at La Paz. However, there may be a chance to place some Falcons up here.

The acetylene gas finally arrived from Santiago, so Donnelly will be through with his work here in time to leave on next Thursday's train for Arica. It may be possible that they will want him to come up here again in a month or so to fix up some other wrecks. They are tickled to death with his welding—something they thought impossible outside a factory. His coming up here has helped us a lot and has put the Hawks and Ospreys more in favor than ever.

Best of luck, Web, and hope to see you soon where we can get those lobsters and that draught beer you mentioned.

Sincerely,

(Signed) CLIFF.

P.S. Just got notice from the President through Lopez that the Bolivian consul in N.Y. cabled that Hawks and Ospreys could be secured for 23,000 and 17,000, respectively. I cabled the office today about it. Sure threw a wrench in the machinery and raised hell in general. May spoil our business, but will do all I can to save the situation and our prices. Sure am enjoying life up here—not a dull moment. Saludos.

C.

EXHIBIT No. 304

CURTISS-WRIGHT EXPORT CORPORATION.

New York City, November 6, 1933.

To: Mr. J. A. B. Smith, Mr. J. S. Allard.

(Mr. Webster.)

The following is quoted from a letter received from Mr. Webster today:

"Peru.—My last conversation with the inspector general and the Minister of Marine, just before I left, was very promising, and they are considering about 10 Falcons and 5 Hawks but are not interested in Ospreys. They are also considering from one to three Condors with wheels and floats. They are also interested in camera guns and parachutes. The opinion exists that trouble will be renewed with Colombia.

"Bolivia.—Here the situation is also very interesting. I have had one long joint session with the Minister of Finance, Lopez, the Minister of War, and the Minister of Transportation, and another one is scheduled for 6 o'clock tonight. My one great job is to sell from three to 10 Condors. The matter has been talked over with the President, and it looks very favorable. The Minister of War and the Chief of Staff is leaving tomorrow for the Chaco to be gone a week or two, and they are taking down all the specifications, photographs, and drawings to discuss with General Kundt. The one big problem will be the financing, and we are to go into that this evening. The order may be split up to satisfy Gen. Kundt and the Lloyd Boliviano Company and possibly three out of the 10 ships may have to go to Junkers, although our performance, etc., is better.

"Any price I quote will include 5% for Ashton & Webster, and in this connection we will allow them the 5% on past sales. It seems highly advisable as Lopez, who is the President's right arm, is a silent partner of the company. His attitude now is entirely different than it was a year ago, and he is sure pushing our stuff.

"In connection with the possible sale of a large contract, involving around a million dollars, the Government wishes to know if we can grant terms, providing the Banco Central guarantees payment. I have not yet seriously discussed this idea, but possibly I will get more accurate information tonight. I told them that we naturally would do everything we could, but the matter would have to be discussed in New York. Such a contract would naturally require a number of weeks to work out, and by that time I will probably be back in New York, where I can do more good than here. Ashton & Webster are certainly live ones and very much on the ground and on the inside, and we could not possibly have done better in signing up with them. The other business of more Ospreys and Hawks will come along as a matter of course. They are absolutely sold on them from the President down to every pilot, and they told me they would naturally continue to use them. Orders will be placed just as fast as they can get exchange.

"There have been persistent rumors of peace down here, but now they are generally and officially denied."

(Sgd.) O. S.

OWEN SHANNON.

OS,js

EXHIBIT No. 305

CURTISS-WRIGHT EXPORT CORP.

New York, January 4, 1932.

SWISS AIR PRICES

MR. J. S. ALLARD

The price at which we sold three spare Cyclones to Swissair last January was an arbitrary figure not based on any particular discount from list, but fixed so as to fall in line with prices quoted to Fokker about the same time.

Swissair paid for their standard R 1820 E Cyclones with radio shielding and less two magnetos \$6,170 f.a.s. New York. On this basis their price for an E Cyclone with standard equipment only would have been \$6,159.50 f.o.b. Paterson. On our present schedule of discounts (i.e. with a 25% spread between list and low net) this would amount to slightly more than list less 15%. In other words, it falls substantially in line with our present engine discount (15%) to major airline operators.

On accessories purchased with the three E Cyclones we allowed Swissair 15% discount with the exception of one small item on which, for some unknown reason, they were allowed only 5%. Here again their 15% discount agrees with our present schedule on accessories to major airlines.

On spare parts we have allowed Swissair 20% discount. Our present schedule allows a 15% discount to major airlines but this has been increased in some instances (namely KLM 40% and Scadta 20%) where no agent has been involved.

I understand verbally from Mr. Goulding that from now on we are to reserve a 5% commission for Mr. Zimmermann on all purchases by Swissair both for their own use as well as for resale. I am not sure, however, how Mr. Zimmermann wants this handled—whether confidentially or otherwise. When you find this out in your conversation with him, please let me know.

PHILIP SHEPLEY,

PS/jc

EXHIBIT No. 306

CURTISS-WRIGHT EXPORT CORPORATION,
January 26, 1933.

SWITZERLAND—COMMISSIONS

Mr. P. WOODLING: A special, confidential arrangement has been made with Mr. B. Zimmerman to pay him a commission of five percent (5%) of the list price on all Curtiss-Wright engines or spare parts sold in Switzerland. This commission is to be five percent (5%) on the *list* price on such sales.

While I am paying Mr. Zimmerman, in cash, commission to which he is entitled on sales order no. 1902, invoice #2946, namely, \$76.99, because he happens to be in this country at the present time, the regular procedure which I have arranged with him is to send bankers drafts drawn to the order of B. Zimmerman, and addressed to him at his home address as follows:

Mr. B. Zimmerman, 93 Breitenstein Str., Zurich 6, Switzerland.

WFG/f

W. F. GOULDING.

("Exhibit No. 307" appears in text on p. 735)

EXHIBIT No. 308

[Copy]

DADA-DADA & Co.

San Salvador, El Salvador, C.A., May 6th, 1933.

CURTISS-WRIGHT EXPORT CORP.,

27 West 57th Street, New York City.

GENTLEMEN: In answer to your cablegram of May 3rd, we have cabled you on May 4th, as follows: "Quote Nineteen Thousand f.o.b. factory—full payment New York. Writing."

Our letter of April 26th was very clear; by same we asked you to please quote the Government \$19,000—for your 420 h.p. Osprey—price f.o.b. factory—payment cash in New York before shipment.

Herewith we confirm our terms; please give to our Government the quotation of \$19,000—for the 420 h.p. Osprey. Insist upon cash payment in full in New York before shipment.

From our side, as the Government wants term payment, we shall arrange with a local bank to effect payment to you cash, as soon as the business is concluded. The bank will then collect from the Government on term basis. We are already working on this subject and hope to be able to conclude the business very soon.

Due to so many offers from other manufacturers, we are working hard, and we offered commission to different intermediaries in this business. This is why we asked you to quote the price given above, as more than 70% of our own commission and discount will be distributed to intermediaries.

As soon as the business is concluded, we shall immediately arrange to have a local bank pay you cash in New York before than shipment is effected.

In the meantime, we remain

Yours truly

DADA-DADA & Co.
(Signed) GEO. M. DADA,
General Manager.

EXHIBIT No. 309

[Copy]

DADA-DADA & Co.,

San Salvador, El Salvador C.A., May 13, 1933.

CURTISS-WRIGHT EXPORT CORPORATION,

27 West 57th Street, New York City.

(Kind attention of Mr. Owen Shannon.)

DEAR FRIENDS: Thank you for your kind letter of May 6th enclosing copy of letter remitted by you to Captain Juan Ramon Munes of the Salvadorean aviation. We have taken due note of everything and since some weeks we are putting forth all our efforts to get the order for the three military Ospreys for our Government.

Our Government received many offers from different sources and some of these offers on a very satisfactory basis and easy terms of payments. However, we never get discouraged and we worked harder and harder, as we know that this first order will mean repeat orders for the near future not only for the Government of El Salvador but also for the other Central American Governments.

For your guidance, we enclose copy of a pro-forma contract made between the Government and the Bristol Aeroplane Company of England. You will note that they offer three years for payment. However through our influence and good friendship, as well as good relations with the Government officials, we are about to get the order and it is probable that in a few days we close the deal entirely.

Confidential.—To get such order, we had to use many intermediaries and friends to whom we are to pay a commission; consequently about 75% of our commission will be paid out to intermediaries; but we do not care for that if we get the order. We know that this first order will bring us many more orders in the near future.

Payment.—Following the conditions made to the Government by the Bristol Aeroplane Co., we have also extended to our Government two years for the payment. However, you have nothing to worry about these terms, as we will pay you full cash for the three airplanes; our local bank will take care of the business.

Price.—We had to quote our Government a price of \$18,975—for each complete Osprey, c.i.f. La Libertad port (El Salvador). As you see, we have to pay all charges for freight, insurance, et cetera; the commission left will not even cover our efforts, as we have to pay so much for intermediaries. Anyhow if the Government requests again your quotation, please confirm our price of \$18,975, but specify that this is f.o.b. or f.o. factory price, even if we quoted c.i.f. Just quote the same price but f.o. factory and specify that this is cash but that your representatives Dada-Dada & Co. will arrange for term payment. Thanks you.

In the meantime, we shall cable you the results.

Yours truly

DADA-DADA & Co.

EXHIBIT No. 310

[Copy]

LA PAZ, September 26, 1933.

AEROEXCO.

New York:

Please deposit Anglo South American Trust Company order of Luis Yver Vergara four thousand five hundred dollars without mentioning our name. Confirm.

ACTIVOS.

EXHIBIT No. 311

[Copy]

SEPT. 27, 1933.

(Accounts.)

Messrs. CURTISS-WRIGHT EXPORT CORPORATION,
27 West 57th St., New York.

DEAR SIR: We confirm our cable of yesterday reading as follows:

Please deposit Anglo South American Trust Company, four thousand five hundred dollars, order of Luis Yver Vergara, without mentioning our name. Confirm. Activos.

We hope to hear tomorrow morning that the deposit has been made and at the same time we also asked Captain Travis to confirm this to you direct also.

This sum of \$4,500, U.S.C., will go against our commission of 5% on the 2 Hawks and 1 Osprey, plus \$31,180.04 worth of spares, as per arrangement with Captain Travis.

You will no doubt have noted that we do not wish to appear and it would also be a good thing if you do not appear either.

Thanking you for your usual kind attention to this matter,

Yours very truly,

(Signed) W. & A.

EXHIBIT No. 312

[Copy]

SEPTEMBER 29, 1933.

ACTIVOS.

La Paz, Bolivia.

Depositing four thousand five hundred tomorrow morning Stop Deposit Ospreys not received.

AEROEXCO.

EXHIBIT No. 313

NEW YORK, *October 27, 1933.*

MR. J. S. ALLARD,
Peru.

Web writes as follows:

"Have finally come to a definite understanding with Faucett regarding Government sales in Peru. For a time it looked as though it would be impossible and I finally told Faucett that we would have to make other connections. He was of the opinion that Travis was working on a commission (so he said) and was butting into his territory and going over his head. His arguments were quite childish and Tobin was ready to quit and take on our job if I couldn't get together with Slim. I finally cabled you that I had broken off negotiations and the next day Faucett calmed down and agreed to turn Tobin loose on the job and let him handle all Government business. He will remain with Faucett and the latter will split his commissions with Tobin. The percentage of profit for Faucett will be determined on each sale. Faucett told me that he had deliberately stopped the machinery order until he found out just what Travis' status was.

"I have seen the Minister of Marine several times. He is in command of all aviation. Was told that more equipment was required, but Faucett did not know about it. Have quoted on 12 Falcons with floats separately. Have given them a price of \$26,400 without armament, f.o.b. New York, for the standard landplane, \$28,500 each for the same ship with armament c.i.f. Callao, for the Falcon attack without armament, \$26,900 f.o.b. New York, and \$30,000 with armament c.i.f. Callao. These prices include 5 percent for Faucett and Tobin. I deliberately increased the price of pontoons to \$4,900 per set f.o.b. New York and \$5,400 c.i.f. Callao, as they will require them and it will provide funds to pay additional "commissions" which will undoubtedly be necessary. This is the way the Fairey Company handled their last business. They held the complete ship down in price and raised the price of floats, it is not so noticeable.

"I have another appointment this afternoon with the Minister of Marine and with the Inspector General and Chief of the Matériel Division. It will be necessary to leave here early Sunday morning for Bolivia and let Tobin follow the business through. Out at the army field they had 80 students and only three instruction machines so I will also quote on the trainers. Cabled you today for price and I believe that factory can reduce the figures which Carrington gave me. It seems so ridiculous to send out figures and then instruct us to cable if lower prices are necessary. Will also quote on Ospreys but I have no costs on separate floats. It is very probable that the present Inspector General of Aviation will be replaced within ten days or two weeks and in that case we will have a much better opportunity of doing some business. The present man is a weak sister.

"There are all kinds of underground rumors around here about trouble starting again to the north but, of course, there is nothing official. Bolivia plans to make one big push as soon as they can in an effort to stop their own trouble and for that reason will probably buy considerably more equipment.

OWEN SHANNON.

OS.js

EXHIBIT No. 314

CC sent % American Legation,
Bogota, Colombia, S.A.

APRIL 16th, 1934 (DICTATED APRIL 13th).

Mr. WM. J. CROSSWELL
Hotel del Prado,
Barranquilla, Colombia, S.A.

DEAR BILL: The last I heard from you was from Miami in a letter dated March 31st and I do hope this letter will find you in excellent health and really enjoying your trip to Colombia this time.

Personally, I have been on the sick list for the past two weeks with grippe and bronchitis and, therefore, would have been unable to take care of the mail, had any been received from you.

I was very pleased to note that you had such an interesting discussion with Olano at Pensacola and that he was so friendly to you, as I feel that Olano will at a later date be a real asset to us in securing business from the Colombian Government.

As to the factory situation, we are all of the opinion that we should "lay hands off" at the present time, as so far every one of our foreign factories have been nothing but a headache and we do not feel that we ought to propose such procedure as most of the foreign countries are more interested than it appears, in that sort of business, than they are in actually purchasing aircraft and you know we have a big factory in Buffalo which we must keep busy.

I have discussed the Venezuela situation with Mr. Webster, as this is part of his official territory, and he states that he has a very good representative in that country but that he has never been able to do anything, due to the fact that they are not primarily interested at the present time in aircraft and do not have the money that Comm. Seese appears to think they have. Webster thought it would be foolish for you to spend the time and money to visit Venezuela, stating he intends to be in South America shortly himself and make the trip through all the countries and that he no doubt would hit Venezuela along with other open territory.

As to the A-12 airplane, we have suggested, through the consul here, the purchase of this type and as they are primarily interested in an airplane on floats at the present time and this airplane does not have the performance even of the Falcon under these conditions, we are rather at a loss in connection with pushing such a deal, particularly when the costs of such a ship are comparatively excessive.

Buffalo factory is certainly having its fun these days, as they have a strike on their hands which has now reached the proportions of daily riots and will, without doubt, retard delivery of the second lot of Hawks and Falcons going to Colombia. It is hoped now that this strike may be settled today and the men placed back on the job but as things stand at the present, we have about 100 men working in the factory and you know what that means insofar as production is concerned.

Outside of the above, there is no great amount of excitement, but I hope you are finding plenty to do in the southland and will keep me advised as to—at least your good actions.

Sincerely yours,

PAH
B

EXHIBIT No. 315

[Copy]

EXPORT

PATERSON, N.J., *May 29, 1934.*

Mr. William A. Reeks.
CC: Mr. Hewlett.
Mr. Chapline.
Mr. Gall.

Lt. RODRIGUEZ,
Colombia.

Referring to your letter of May 23rd, introducing young Lt. Rodriguez * * * I had quite a long talk with him last Friday, in the course of which he told me that he had been up here about six months and had been through the Curtiss Flying School course at Valley Stream, and was looking forward now to learning about engines at your service school. His uncle at present holds an important position on the Colombian air force staff, and is a close friend of the man who is slated to the next President of Colombia. If things work out as expected, his uncle will be the next Minister of War, and young Rodriguez as a result of his instruction and knowledge of aviation secured during his present visit should hold a fairly important position. I don't know, naturally, how true this all is, but I pass it on to you for what it is worth and suggest that it would be worth while to show this fellow some special consideration while he is at the Wright factory. I gave him a complete set of our literature on airplanes and motors, and he seemed well pleased with his visit to this office.

PHILIP SHEPLEY.

PS P

EXHIBIT No. 316

[Copy]

JULY 25, 1933.

Captain C. K. TRAVIS,
Casilla 1429, Lima, Peru.

DEAR CLIFF: This is in reply to your no. 26 of July 16th. I am sending this to Lima with a copy to La Paz, as I am not sure of your time schedule.

Apparently some of my letters to you have also gone astray as I previously explained that it was impossible for me to start south at this particular time, but will probably leave about the first of October.

Regarding Donnely's salary and expenses on the Bolivian trip, I would personally like to see him realize some kind of a bonus for the trip but our company accounting department, as you know, is somewhat hard boiled along these lines so credit the full amount of \$541.70 as paid to you by the Government to the company, but retain this amount and include it in your expense account.

Another item which has not been settled to my knowledge, is the cost of the spare parts shipped down on that same job. Take this up with Webster and Ashton and see what you can do about collecting it.

Regarding the Wooten Falton—my idea is to sell the entire outfit to the Peruvian Government, including the spares, which consist of an engine, landing gear complete, propeller, tail surfaces, and, I believe, a set of ailerons, which Peru undoubtedly can use. The chance of closing such a deal would be much better with the ship in Peru—that is, Lima. They have already attempted to buy the landing gear, but we turned them down, and then they came direct to

us for a price on a landing gear from Lima by cable. You will have to use your own judgment in getting the plane up there, and I assume that you will pick it up in Santiago, fly it to La Paz and when you finish there, proceed on to Lima. Jerry can handle the shipping of the spares by steamer to Callao. I have previously written to you about the details on this particular transaction. This letter was sent to Lima.

We cabled you the other day regarding Tony Fokker's cabled request for prices on twelve cyclones F-3 engines for six pursuit and six observation planes, which he is attempting to sell the Bolivian Government. It was necessary for us to quote Tony and now it is up to you to see that we get the entire business, including the planes. He attempted to do this same stunt with us in Argentina, but we managed to beat him to it. The situation was important enough to ask you to get back to La Paz as quickly as possible and look into this matter.

I believe as you do that we can sell Falcons to Bolivia and it seems advisable that we demonstrate one there as quickly as possible. After you arrive in Buenos Aires, feel out Colonel Zuloaga on the idea of getting permission to demonstrate this job in La Paz. Bear in mind that Argentina is closely lined up with Paraguay and, naturally, is a little unfriendly towards Bolivia. Do nothing whatsoever to alter our good relations with the Argentine Government and bear in mind that we wish to sell this ship to Argentina along with a contract for the purchase of the manufacturing rights.

We also wish to demonstrate this ship in Brazil, but Brazilian and Argentine relations have never been any too friendly and we may encounter obstacles. Do not press the matter with Zuloaga if he shows any antagonism to the idea. Argentina is our biggest customer and we must place them first of all.

We have worked as rapidly as possible in getting you the list of prices on the machine ship equipment for Peru. There really was a great amount of work attached to this project and Andy Carrington has done his best. I hope that your interrupted negotiations will not interfere with getting this business.

I realize that Slim Faucett has not been of great help but bear in mind that we must retain Slim's personal and intimate friendship and keep him in good humor. Slim's pet baby is the air line and I know he devotes all of his time to it. Do what you can to keep him satisfied.

I had a letter from him yesterday in which he mentioned that Jack Jennings was ready to solo, but due to insurance regulations it would be necessary for Jack to quit his job—and that he could not solo while he was employed by Faucett. This seems rather ridiculous to me and, naturally, I want to see Jack keep his job. So, when you get to Lima, look over the situation; talk with Faucett and write me frankly regarding it.

I am sorry that Melgar did not take over the job of inspector general of aviation of Peru, but, possibly, as military attaché in Chile he can still be of considerable service. If the government intends to put in a foreigner, and possibly, an American, in charge of aviation, who do they have in mind? I certainly hope that Grove does not go back in Peru. Why not apply for the job yourself and see if we cannot work out a situation whereby we could all profit by it. On second thought, however, perhaps this would not be such a good idea, but think it over and let me have your suggestions. The ideal situation, of course, would be to start and steer such a selection in the right direction and, with your connections and friendships in Peru, you might suggest one or two men when you return there.

The list of equipment now owned by the Government is certainly an interesting one and looks and sounds more like a museum than an air service.

We thought we had Jack Hodgson lined up for the Salvador job but we have word today from Washington that the Government refused to release him. We are now trying to find someone else, but I cannot think of anyone at the present time. If young Don Kessler was not permanently hooked up with the Peruvian Air Service we might be able to use him as I presume, by this time, his Spanish is fairly good.

There is no other information I can think of at this time.

Good wishes and the best of luck.

Sincerely,

(Signed) C. W. WEBSTER.

CWW.js.

EXHIBIT No. 317

19TH JANUARY, 1934.

Mr. C. M. WEBSTER,
New York.

DEAR WEB: Complying with your wishes to keep you in touch with things at this end, I thought much could be gained from Marcial Arredondo, so invited him and his wife (nee Matilda, Merino's old secretary) out to the place for dinner last evening. We had a long talk over everything in general, and especially on the possibility and probability of the Government purchasing new equipment. Marcial confirmed Alessandri's public statement that the Government intends raising funds in the near future for this object, but stated he could not tell when this would be. Marcial told me quite frankly that Aracena has his eyes set first of all on training planes, and he has it in his head to buy Avros, as it is claimed the new type Avro trainer is equipped for primary as well as advanced training, including gunnery and photographic work. In other words, all classes of training combined in one light plane.

With regard to the purchase of other equipment, Marcial said he will do everything in his power to see we are taken into consideration. Marcial has a very big say in the matter so long as he is sitting next to the President, and is the right-hand man of Aracena. He promised to let us know in plenty of time, or side-track the prospective purchase of other planes, if possible, and if necessary suggest an open competition such as in 1929 before placing any orders. I personally think we can compete with anything England or France have ever built. I therefore suggest you look up and see just what the U.S. Army is using for training purposes and send us the latest dope on all trainers, so that I can pass on any important information to Marcial and Aracena. We have here, of course, catalogues of the latest Curtiss-Wright trainer, but it seems that the Air Corps wants something more of a ship than this.

With Marcial watching out for us on the inside, I think it best not to rush Aracena too much, as Marcial claims he is the go-between for Aracena and the President and he has to be consulted first, so will be able to talk with Aracena about our equipment and lead him right.

Perhaps when the time comes for buying you will have to make some arrangement to have a Hawk and Falcon or other types shipped down for demonstration, and my idea would be to let Marcial do the flying with, say, Cliff standing by in case of need.

The foregoing is just my idea of things, and maybe my suggestion is a little advanced at the present time, but then one never knows how the cat might jump. Please let me have your ideas or any other recommendations you may have to make.

Trusting you are keeping well and with kindest regards to Mrs. Webster,

Very truly yours,

JERRY.

EXHIBIT No. 318

[Copied from original]

CURTISS-WRIGHT CORPORATION

#11

INTEROFFICE MEMORANDUM

From: Mr. C. W. Webster.
To: Mr. B. S. Wright.
Subject: Argentina.

Date: March 21, 1932.
Place: New York.
Place: Washington.

EXPORT DIVISION.

Your memorandum and copy of letter from Fowler Barker regarding the Argentine naval mission coming to the United States were very interesting. Our Mr. Leon sailed from Buenos Aires for New York on Saturday, but intends to spend four or five days in Rio, and is due to arrive in New York about April 11th.

I still feel that Zar will not recommend that a mission be sent to the States, although it is advisable to watch this possibility very closely. Zar is a very intimate friend of ours, and wishes to purchase only Curtiss-Wright equipment,

and is placing his cards accordingly. He feels that if he sends a mission to the States possibly complications might develop through the recommendations of any officers he sends, and his desire is to control things himself as much as possible.

The Argentine naval budget was recently cut 400,000 pesos, which makes it impossible to purchase complete airplanes as he originally intended. He believes he will have sufficient funds to purchase 16 Cyclones to install in 8 Super Marine Southampton flying boats, to replace 16 Lorraine-Dietrich engines, and, if necessary, he told us he would defray the expenses of one of our own engineers to B.A. to supervise the installation of these power plants. Leon is bringing with him complete blueprints of these boats for our engineering department in Buffalo to figure the cost of new engine mounts.

Captain Zar and Commander Jordan, United States naval attaché in B.A., are very good friends, but nevertheless, Zar does not wish to hand out any more information than is necessary, and is making a determined effort to keep away from a situation which might call for competitive bids from other American manufacturers. While it is true that a number of Argentine naval officers lean toward British equipment, Zar has always advocated American equipment wherever possible. His early training was secured in the United States Navy at Pensacola, and he married a Pensacola girl, so that he is pro-American all the way through.

I'll appreciate any more information you are able to obtain through the Aeronautics Trade Division. Our man Leon is purposely refraining from becoming intimate with the Naval Air attaché or any of the American diplomatic staff in B.A., as we have the Argentine situation pretty well in hand, and we have found from past experience that the American diplomatic staff expects us to keep them advised as to all projects on which we are working; and when we have done this in the past it has invariably been quickly relayed to Washington, and eventually finds its way into the hands of our competitors.

Since selling the Argentine Government our license agreement on engines we have received every contract that has been placed for aircraft material. The only outside equipment purchased were the Moth training planes, and this project has gone so far that it was impossible to stop it, and besides we had no competing machines to offer. Our prospects for securing all business from the Argentine Government in the future are bright, and we have every reason to believe that in June, when the necessary funds are available, we will be able to close our airplane license agreement along the same lines as the engine license agreement. As soon as this is consummated we will have both the engine and airplane business in the Argentine more or less tied up for the next ten years.

C. W. WEBSTER.

Washington file: "Argentine."

EXHIBIT No. 319

[Copied from original]

CURTISS-WRIGHT CORPORATION

#9

INTEROFFICE MEMORANDUM

From: Mr. C. W. WEBSTER.
To: Mr. B. S. WRIGHT.
Subject: "Argentina".

EXPORT DIVISION.
Date: Feb. 23, 1932.
Place: New York,
Place: Washington.

In connection with your memorandum of Feb. 20th, I now have a more complete and accurate picture of the proposed Argentine naval mission and I am inclined to believe that the entire agitation was started by Commander Jordan, U.S. naval attaché in Buenos Aires, in misinterpreting a conversation with Captain Zar, Chief of Argentine Naval Aviation.

It seems that some time ago Captain Zar and Commander Jordan met and Zar mentioned that his budget for 1932 would permit him to buy a certain number of new ships and that they would be of U.S. make. Jordan asked which make and, as Captain Zar didn't wish to tell him he was negotiating directly with us and on the other hand didn't care to say he didn't know what he wanted, he told Jordan he planned to ask the U.S. Navy to give

him advice when the proper time came. It seems Commander Jordan immediately communicated with the U.S. Navy in Washington informing them that the Argentine Navy would send some of its men to the U.S. to solicit the advice of the U.S. Navy in the matter of purchases. Captain Zar, in discussing the situation with us, claims that he now realizes he made a mistake in mentioning the matter to Jordan, because if Washington gives the matter any publicity our British competitors will possibly get busy and make it a little harder for us on account of their lower prices. Captain Zar is one of our most intimate friends and when the time comes to purchase equipment he will buy from Curtiss-Wright insofar as he is able to do so. His budget this year allows him only about \$250,000 for new equipment, which he figures is about enough for eight Helldivers or similar ships but the cash will not be available for four or five months.

We will receive an order for two engines and spares and possibly three sets of smoke screen apparatus but the complete airplanes will not be ordered for some little time.

I am giving you this picture of the situation for your confidential information and I believe we should let the matter drop insofar as Washington is concerned. Our contacts with Zar are of such an intimate nature that we have nothing to fear from other competitors, unless something very radical happens.

It was Zar's intention to keep the entire matter quiet and get his purchase through for us before any other manufacturer heard of it, but unfortunately he made a chance remark to Jordan which opened up the entire subject.

je

C. W. WEBSTER.

Washington file: "Argentine."

EXHIBIT No. 320

[Copy]

JULY 18, 1933.

CAPTAIN C. K. TRAVIS.

% Webster & Ashton,
Casilla 144, La Paz, Bolivia.

DEAR CLIFF: I am addressing this letter to La Paz, hoping it will catch you there before you finish your present job and return to Lima.

We received a cable this morning from Webster & Ashton advising us that a letter of credit for \$98,500 had been established in the Chemical Bank here to cover the amount of the spares and the three planes on the last order. We have not yet checked with the bank to determine exactly the conditions of the credit, but we assume they are satisfactory.

According to Webster & Ashton's recent letters and cables, it appears that considerable more business is possible in the very near future. We certainly can use it.

The two Hawks and one Osprey on the last order are going through the factory as per schedule and we anticipate no delay.

The other day, Mr. Decker, the New York consul general of Bolivia, came into the office with a cable from the Government instructing him to arrange for someone to inspect a number of tri-motor Fokkers and a large number of spare engines offered for sale by the American Airways in Chicago.

I believe we convinced Mr. Decker that this would be a bad deal as the ships were built in 1929 and had had a hell of a lot of service. From the tone of his conversation I believe he will recommend to the Government that they give up the idea of buying second-hand equipment. Use your own diplomatic persuasive powers to talk them out of the idea if you can. I believe they offered three ships and a large number of engines for \$30,000, but this is only the beginning of the expense. The ships would have to be completely overhauled, crated, and delivered to Bolivia, and before they got through it would cost them at least \$75,000—instead of \$30,000.

The Argentine Falcon is due to leave the factory today and should be shipped from New York on next Saturday, July 22nd, arriving in Buenos Aires about the ninth or tenth of August. I am hoping that conditions in Bolivia and Peru will adjust themselves satisfactorily and in time for you to be in B. A. when the Falcon gets there. We will order Shorty to proceed from Santiago to meet you there.

Immediately upon your arrival you should contact Colonel Zuloga and Captain Zar. Colonel Zuloga is director general of aeronautics and chief of the Army air corps and Captain Zar is chief of naval aviation. Arrange if possible to dispatch the ship to El Palamar, the Army air station. Work through Zuloga and Zar and follow their suggestions. In a recent letter from Zar, he suggested that we first get the plane to Palamar and possibly later transferring over to Puerto Indio, the naval land station. As in the case of the United States Army and Navy, there is a certain amount of friendly rivalry between the Argentine Army and Navy services, so, watch your step and proceed cautiously and diplomatically in handling your negotiations.

Our object, naturally, is to sell the Falcon to the Argentine Government and, in due course, arrange a contract for them to purchase the manufacturing rights to construct this plane for the Government at Cordoba. All of these arrangements will be handled by Leon when he arrives there, probably around the fifteenth of September. His relations with Zuloga and Zar are very intimate, so do not attempt to sell but merely handle the plane for the time being and put on your show and the necessary demonstration. When Leon arrives he will probably take you into his confidence and give you a line on our set-up, so do nothing that will interfere with the negotiations which Leon and myself have already started.

You will find that the International Petroleum Company has eighteen or twenty drums of 85 octane gasoline on hand for our use. You will draw this gasoline as you need it. I would suggest that the demonstration work be done with 87 octane fuel—but the engine is such that 80-octane fuel can be used later if necessary. This fuel can be purchased any time from the International Petroleum Company.

If any questions are asked regarding the price of the Falcon, cable us and merely state that you will have to obtain the figures from the New York office.

I have already written you regarding Captain Wooden's D-12 Falcon in Santiago. We have purchased this from the Government and my intention is to have you pick it up in Santiago as soon as convenient and fly it to Lima. I believe that Jerry has already arranged this permission with the Chile Government and you may have to also obtain permission from the Peruvian Government to have it entered duty free. Follow this line with the statement that we wish to demonstrate it in Peru. There is a quantity of spares to go with it and which Jerry can ship by steamer to Callao. The Government has already requested Jerry to sell them the landing gear and other spares, but I have instructed him to hold them, as I would prefer to sell the entire outfit at a stipulated price. I gave you this information in a previous letter.

In selling this Falcon to Peru, please handle this, if possible, in the same manner as the other Falcon and Hawk we sold. Payment to be made to me personally and not to the company, as I have certain commissions that will have to be paid.

All of these contacts, which you are working now—Peru, Bolivia, Argentine, Chile—will, naturally, keep you pretty busy, and do not feel that I have forgotten my South American geography in asking you to cover this territory single-handed. However, there is work to be done, and I know you are capable of handling it.

Owing to the serious illness of Leon's only boy, who is now in California with him, it will not be possible for him to reach Buenos Aires much before the middle of September, but he feels that if you can handle the demonstration during the previous month, he can arrive, say, about the middle of September, and pick up in plenty of time the necessary selling negotiations.

In asking you to lay off all sales negotiations, please do not feel that we do not believe you capable of handling them, but Leon has spent so much time in Argentina and knows his contacts so well and intimately, that I believe we should not upset them in any way. I know that you will appreciate this situation.

We have three Ospreys to deliver to San Salvador, which you and Shorty will not be able to handle, as they will be going there about the same time as the Bolivian ships and the Argentine demonstrator. I am attempting to get Jack Hodgson, who spent four years at the head of the Army Air Corps mission in Cuba, but I believe, unfortunately, that Jack has been transferred to a reforestation camp in Massachusetts for six months. He has applied for a two and a half months leave of absence and I will probably know definitely tomorrow if he can make the grade. If we cannot get him it will be necessary

to find someone else who speaks Spanish and is capable of handling the job. However, do not worry about this—we will take care of it.

It was unfortunate that you had to leave Peru when you did, but the Bolivian job seemed very important and you may have time to finish that and get back to Peru before it is necessary to go on to Buenos Aires.

I had planned to meet you somewhere on the West Coast about the middle of this month, and also be with you in Buenos Aires, but certain other matters are coming to a head here in connection with our mutual friend, Mr. Jones, which I believe are important enough to keep me here for the time being. Perhaps around the first of October I will be able to leave and pick you up somewhere along the line.

Please give my kindest regards to any of my friends that you may meet, and with the best of wishes and all good luck, I am,

Sincerely yours,

(Sgd.) C. W. WEBSTER.

CWW:js

EXHIBIT No. 321

CURTIS WRIGHT EXPORT CORPORATION,
New York, January 19, 1934.

Mr. C. W. WEBSTER,
c/o Webster & Ashton,
Casilla 144 La Paz, Bolivia.

DEAR WEB: I thought I had better send you the enclosed copy of letter from Lawrence as there may be something in it that you should have. It will certainly be very unfortunate if we do not get the order for the thirty engines within the next thirty days—I finally succeeded in getting Guy Vaughan to agree to extend the old price for 30 days and I doubt very much if we can get any further extension after that. Also, the longer the order is held up, the more likelihood there is of it not coming through at all.

"Ta" in the letter means our friend who was at Paterson.

I do not think we will be able to get Mason as Mike Gordon tells me they have been swamped and they cannot possibly spare him. Mike is taking the matter up with several others in the Wright Company and they may have a recommendation to make in the near future.

I will, of course, constantly advise you on this as I am fearful that unless we get somebody down there very soon all the good work Lawrence has done there during the past will have been offset and if we lose out there it will be just too bad.

OWEN SHANNON.

EXHIBIT No. 322

[Copy]

JANUARY 17, 1934.

Your letter came a couple of hours after our telephone conversation. By all means do your best to get Mason to go down at once. Hewlett may be a better man but if this boy is a salesman and is loyal, his knowledge of Spanish will take him farther. He will not have much to do for a few months but that will give him a chance to get acquainted, and Zu is happier when somebody from the office is near at hand. Somebody has to be there to be on the inside of things or the business goes elsewhere. Those fellows detest writing me, with good reasons, and are getting tired of being told that I'll soon be back, with the result that I am gradually getting out of touch with the real situation. Men in the various departments are changed periodically and new friends must be constantly made. I feel pretty bad about all this, but as explained in another letter I cannot leave the family in the shape it is, and to go for a few weeks now and come back would be just a waste of money.

Trouble from W was to be expected. He is paying L's expenses and L does all he can for him. L has done a lot for Za on one occasion and Za arranged this spree for L and is giving him free hand. Very likely this man will be in Za's place three or four years from now when both are due for promotion.

He and his brother owe me a few favors of more than ten years' standing and I am in position to make any arrangements with him to counteract W's influence, once we are all together. Just now he is not answering my letters which, I suspect, fell in W's hands.

With your letter also came the one I was expecting from Ta. I had asked him to write the real reason for changing their minds about the Falcon and Hawk license. He says that while Travis' demonstration was pretty good it was not good enough to convince everybody. That is one reason. The others are curtailment of appropriations and the necessity of the engineering staff to get busy and do something of their own or explain what they were doing in Europe when they were sent there to study for five years. He says that neither my presence nor Web's can for the moment rush orders, and that the only thing which could overcome all these obstacles at once would be for the jingos advocating preparedness to get the upper hand or for me to resort to the "old maneuver." He means the trick we turned in 1931 when we sold the engine license. Unfortunately, this is not possible with the present set-up in the War Department, the key man being one of the very few not amenable to anything of that kind. But he is due for retirement this year. At the time Ta wrote they were about to decide about the order for twenty engines but he doubts if it can be placed before three or four months.

Web already knows who the men are and should be the only one to handle commissions when the time comes. Mason, if he goes down there, should not be entrusted with anything of this kind until he has been there six months at least and have proven that he can handle the business. It would be a mighty good idea if you went through the files and took out all letters mentioning names and commissions.

EXHIBIT No. 323

CURTISS WRIGHT EXPORT CORPORATION,
New York, September 25, 1933.

MR. J. S. ALLARD,
Brazil Mission.

You will be interested in the following quotation from a letter received from our Brazil agents today:

"We are pleased to say that we have had occasion to talk at length with Major Oliveira and Captain Mello since their return from the United States, and that they are highly gratified with all they saw and very much appreciated all the courtesies lavished upon them by your company.

"We may confidentially advise you that the reports which have been submitted by the mission to the Minister of War, are highly satisfactory to your organization and likely therefore to yield good results."

OWEN SHANNON.

EXHIBIT No. 324

NEW YORK, May 10, 1934.

MR. E. S. CRAMER.
(Copy to Mr. J. Sanderson.)

Mr. Pawley stated in a recent letter, or cable, that he had a fund of about \$2,000.00 to take care of the entertainment of General Wong and his party from Canton. During their visit to this country they were entertained by the following: Mr. Buchanan in San Francisco; Mr. Moseley in Los Angeles; Ralph Damon in St. Louis; Buffalo, Paterson, and the New York office group, mainly Mr. Dooley.

I wish you would get together the expense accounts from these various organizations and submit them to Mr. Sanderson of Intercontinent so that we can be reimbursed for these expenses.

JSA
BMN

EXHIBIT No. 325

[Copy]

URUETA & SAMPER,
Bogota, Colombia, S.A., April 21, 1934.

No. 47/507.

Mr. W. F. GOULDING.

*Vice President, Curtiss-Wright Export Corp.,
30 Rockefeller Plaza, New York, N.Y.*

DEAR MR. GOULDING: I am in receipt, today, of your letter No. 375 of the 16th instant, together with enclosures, for all of which I am very thankful.

Both the situations of the Condor deliveries, and the machine guns from Colt, I hope will not bear at all on the Government to molest you on that account. They have been duly informed by me that there have been a series of strikes in all airplane factories in the States. They know too that the Consolidated plant was also under the same circumstances, so they will have to recognize "force-majeure" as affecting the schedule of deliveries in the January 31, contract. Should the consul make trouble for you please let me know to see if I can render my services with that aim.

Mr. Love's visit to this city was of so little importance, that I overlooked the matter completely, and even forgot to inform you of his endeavors. All he accomplished was to create trouble for Dr. Triana, by presenting him with a Boeing model for his desk. They discussed an order for six Corsairs, but it was considered advisable to have only the Falcon and make the equipment uniform, then add a series of other types. I met Mr. Love and was very friendly with me. The agency they gave to Manuel Toro, and both he and Love asked me to cooperate with them, offering reciprocity should I need their help. I sincerely thank them both. While here, Love was after the Cuban pilots who have absolutely no bearing on the Government. As you may know by this time, they were all taken out of prison to come to Colombia, and have had no flying at all for the best part of eight months now. They will have to be trained here. One of them met death, as I told you in my last letter.

Through my good friendship with Comm. Strong, I will be able to meet not only Mr. Trunk, but most of the important men that may have come with him. I have enjoyed the confidence and friendship of Comm. Strong, practically since his arrival, and in spite of his complete and unbreakable reserve as far as military matters are concerned, I have been able to ascertain that he is not in the least antagonistic to your products. He is really an excellent man. To my understanding he will be placed by the Ministry as actual head of the aviation activities in this country; I am confident that once he knows all about the German competition and antagonism to all foreign influence other than theirs, he will take measures to stop their career.

With reference to the order for the spare parts and the electric starters, I can inform you that the ministry wired the consulate over \$37,000 for the initial payment on these two orders. You will please keep me informed, in order to see that all is done properly and quickly.

I have just received from Irvin some scarfs to distribute among the pilots here. I am afraid that the propaganda was sent too late, because I was informed definitely that the Government had ordered the consul to place orders with our competitors (Switlik), for the parachutes they are in need of. Since I had to pay something like 20 pesos duties on these scarfs, I will ask you to request from Irvin to deposit in my account, as usual, the corresponding sum in dollars. I am sending them the corresponding vouchers.

With reference to the pilots and mechanics, I have received a letter from Dr. Triana in which he informs me that the Jan. 31, 1934, contract covering these points was duly sanctioned by the executive on the 13th of this month and he requests me to ask you to immediately investigate the possibility of sending the mechanic down without delay. You will please inform what you do in the matter.

Next mail I will forward you a complete list of the equipment the Government has, and has ordered, which list you will keep for your private and strictly confidential files.

With best wishes I remain,

Yours very truly,

J. SAMPER.

EXHIBIT No. 326

[Copied from original]

CURTISS-WRIGHT CORPORATION, INTEROFFICE MEMORANDUM

From: J. S. Allard.
 To: Mr. Burdette S. Wright.
 Subject: Mexico.

Export division.
 Date: December 5, 1930.
 Place: New York City.
 Place: Washington, D.C.

With reference to yours of December 2d on the above subject, first let me tell you that Mr. Titus is not going back to Mexico in our employ, as results he has obtained so far have not justified the expense of keeping a steady representative down there. I do not believe that it is any discredit to Titus but merely is a condition existing in Mexico at this time.

With reference to Colonel Aguilar's statement to Mr. Farnsworth that Azcarate has some rather sizeable orders from South America, according to Titus this is not quite true because Azcarate is planning now on building three small training planes in his own factory, and flying them down through Central America in an endeavor to drum up some business for them. Further, according to Titus, Azcarate's plane is just another plane and unless they are frightfully cheap, he probably won't have much luck selling them.

I realize fully that Colonel Aguilar is not doing all his sales promotion work for us as a kindly gesture and I would welcome the opportunity of talking with him, inasmuch as we have no representative in Mexico, on the subject of his suggesting some representative through whom he could get his compensation for the work he is doing for us. We really have quite a problem in Mexico both on sales and service. There are quite a few Wright motors in service in Mexico that require servicing, and, frankly, I would welcome some real suggestions from Colonel Aguilar as to who would make the best sales and service representatives for Curtiss-Wright in his native country. And, incidentally, if he does suggest somebody, I would not hesitate in telling him to plan on getting his compensation through that party rather than direct from us, as I do not think it is a good ball for us to show the payment of any commission on any sales to anyone other than our authorized distributors.

Please ask Bob Farnsworth to let me know as far in advance as possible when he and Colonel Aguilar will be here and I will plan to give them both some time.

(sgd.) J. S. ALLARD.

Washington file: Mexico.

EXHIBIT No. 327

[Copy]

WASHINGTON OFFICE.

New York City, November 29, 1933.

(Mexico: Report of recent contacts—prospects for business with Mexican Government.)

Mr. J. S. ALLARD: This report is intended to outline briefly contacts made during my recent visit in Mexico City, present my impression of the effectiveness of our representation there, and to give an estimate of possibilities for the sale of Curtiss-Wright equipment to the Government of Mexico.

On October 19, 1933, I visited the offices of Watson, Phillips and Co. at Av. Uruguay 103, Mexico D.F., where I met its president, Mr. Chas. E. Phillips, Mr. Eric Huebner, and others. The firm, which is a trading company of British origin, has been in Mexico a little more than 100 years, seems well established and reputable, and represents a great variety of manufacturers and other companies, including a British shipyard, an artificial silk manufacturer, two American insurance companies—including Marsh & McLennan—and two American aircraft firms, i.e., Curtiss-Wright and Stinson. Mr. Huebner, who is of Austrian birth and English citizenship, has been in Mexico eleven years, speaks Spanish fluently, and seems very energetic, handles the aircraft and Speery Gyroscope contacts with the government. With him, I visited and talked with several officials, who received us very well.

During the six days in Mexico City I had occasion to meet and talk with the following:

General J. Azcarrate, at that time chief of the presidential staff and now military attaché in Washington.

General Rodriguez Familiar, now chief of the presidential staff, whose appointment was announced while I was there, to become effective November 1st.

General Salvador S. Sanchez, subsecretary of the presidential staff.

General Francisco J. Aguilar, until recently military attaché in Washington, and now in the intendencia in the war department.

General A. Ruiz, chief of aviation.

Colonel A. Lezama, subchief of aviation.

Colonel Gustavo G. Leon, commanding officer of the Second Aviation Regiment.

Captain G. Villasana, director of shops.

Lieut. R. Lezama, brother of Col. Lezama and an aviator, on duty in the Aviation Department.

Mr. Ponce de Leon, the leading design engineer for surface ships in the Navy Department.

The situation now is approximately as follows. With the transfer of *General Azcarrate* to Washington, his influence over purchases by the Government is apparently at an end, and one of the most serious obstacles to Curtiss-Wright progress removed. It will be remembered that he has an interest in the factory that built Vought Corsairs under license, and since has done a great deal to push the purchase of Boeing fighters. After he was forced to change his attitude in favor of Curtiss Hawks recently, he tried to give the impression that he was out of patience with Boeing for having unexpectedly increased their prices, but he can hardly be counted on as a loyal Curtiss-Wright supporter.

With *General Rodriguez Familiar* as the new chief of the presidential staff, it appears that we may expect to receive very favorable consideration. During a very satisfactory conference with him, he expressed admiration of our equipment and agreed entirely with my statement to the effect that the Mexican Government could not afford fighters having performance inferior to the Hawk when so many governments have already adopted it as standard equipment. From all indications Watson, Phillips have arrived at a satisfactory understanding with him regarding methods of handling the financial phases of the contracts, although he, of course, has nothing to do with the actual drawing up of same. He is a relative of President Rodriguez, to whom Watson, Phillips have access through a firm of lawyers.

General Ruiz, who is the chief of aviation, leaves matters of technical recommendation and conferences with representatives of manufacturers almost entirely up to Col. Lezama, his subchief. In leaving us to Col. Lezama, he said that he would back up whatever plan of action we arrived at.

Colonel Lezama, who was trained at Brooks and Kelly Fields, is very favorable toward us. He said that with General Azcarrate now out of the way, the course ahead would be comparatively clear, and that he would do all he could to push the purchase of Curtiss-Wright equipment. He has direct access to General Rodriguez, and it was he, in fact, who arranged for the conference which Mr. Huebner and I had with the general. Lezama and Rodriguez F. appear to be in accord and in close touch with each other concerning all negotiations for aircraft.

Colonel Gustavo Leon, who has been designated to make a nonstop flight from Mexico City to Buenos Aires, has apparently full latitude in choosing the airplane in which to make the flight, such purchase to be paid for, of course, by the Government. He was at first interested in the Lockheed, but Watson, Phillips have swung him over to a preference for the Northrop, on the assumption that we would be able to arrange for handling this type for the Northrop Company. Leon seems so disposed to take the recommendation of Watson, Phillips concerning type of ship (probably due considerably to certain financial arrangements), that I seriously doubt if the builder of a suitable type airplane will be able to sell it there unless the deal is handled through this firm.

General Aguilar claims that he is to be the next chief of aviation, but since he has made this claim during the four years that I have known him, it is difficult to put a great deal of stock in his assertions. Add to this the fact that he is now being punished by assignment to a relatively unimportant post for the publishing of a pamphlet in Washington casting discredit on the Mexican Minister of Finance, for which act he was recalled, and his story

seems even less plausible. He insists that the transfer of General Azcarrate to Washington does not mean that any of his influence is lost, but I see no reason to believe this. I purposely avoided calling on Aguilar until the last day, as I wished to make it only a courtesy call. Watson, Phillips may find it necessary to play along with him to a limited extent for the reason that through his presence in the *intendencia*, which is the contracting division of the War Department, even though his post is not of importance, he might be able to seriously delay the signing of contracts, were he so disposed.

Mr. Ponce de Leon, an engineer in the Navy Department, has the task of working up the design of gear necessary for the carrying and handling of a seaplane on the deck of one of six vessels being constructed for the Mexican Navy, by a shipyard in Spain. One or two seaplanes will be purchased for these experiments, and the selection of type will be up to him to a considerable extent, as its use will depend on the ability of space and gear on the vessel to handle it. He and others in the Navy Department have pretty much crystallized their thoughts on an airplane of not more than 250 h.p. I recommended the Fledgling if they must stay in such a low-horsepower class, but do not see any particular advantage to this, if a plane more compact and not appreciably heavier can be offered. They were considering the use of a catapult, only to enable a plane to be launched when the water is too rough for take-off from the surface. I recommended against trying to design a catapult, for much experimentation is necessary before a satisfactory one can be developed, and it is not possible to obtain design information from the U.S. Navy as this is confidential information. I pointed out that a sea too rough for taking off would be dangerous to land in anyway, and recommended that they confine themselves to hoisting a seaplane over the side for water take-offs. I believe this idea will be followed, and I have agreed to obtain information concerning necessary clearances between wings and the ships' hull, and length of hoists to allow for rolls. I hope that we can avoid having to design export ships for catapulting for the time being at least. Our Osprey as a seaplane should be a suitable plane if the catapulting idea is abandoned.

POSSIBLE BUSINESS

1. There are immediate plans for the development of a *pursuit* squadron, starting with six airplanes. The money that was set aside for this purpose several months ago was used for other purposes, to meet an emergency of some sort in a different branch of the army. They are now endeavoring to dig up enough for a 25% deposit on six Hawks, with the idea of providing the remainder from appropriations for the first half of 1934, which money when and if appropriated would become available after January 1st of 1934. They seem convinced that the Hawk is the ship they want and since proponents of Boeings seem to be out of the way, it appears quite certain that ours is first choice.

One thing which helped interest in the Hawk was the word given by Lawrence Leon to the effect that we would give them a license to manufacture Hawks without any charge for same. There are some who do not believe that they can keep abreast of developments if they manufacture themselves, because of the time required to get new planes into production as the types advance. Since the total number they would build would be comparatively small, this view seems reasonable. With General Azcarrate gone there will probably be less pushing for manufacturing rights. I recommended that they consider only completely manufactured planes for this year, all to be built in Buffalo, and that a license, if desired, could be discussed after delivery of these.

Since returning to this country I have heard that President Rodriguez was financially interested in the factory venture which General Azcarrate promoted, in which the Corsairs were built, and that through it he lost quite a bit of money. If this is true, he might favor a proposition for further manufacturing in that factory, if it held promise of helping him get back some of his losses. If the idea of manufacturing in Mexico were to be entertained, it would of course be necessary for us to send someone to Mexico City to discuss it and work out contractual arrangements.

2. The Aviation Department plans to ask Congress for money for eleven modern *observation* airplanes for next year. If such money comes through, our agents will make a drive to sell the Falcon. If the present apparent good feeling toward Curtiss-Wright continues, we should have at least as good a chance as anyone else, and probably better.

3. There is talk of a *troop transport* for 25 or 30 people, but two transports carrying 15 soldiers each would serve their purposes as well, and the idea seemed acceptable to the few that I talked with about it. I don't believe there would be much difficulty in selling them on the greater flexibility in the use of two 15-passenger transports and the fact that if one should be involved in an accident, half of their investment would still be intact. They hope to get money for troop transport purchases out of next year's appropriations.

4. The new program also includes two *ambulance planes*. These, if purchased, would be comparatively small, single-engined cabin planes. Perhaps we could offer a couple of E.A.T.'s Kingbirds at prices too attractive to turn down. The Travel Air Six should be a desirable type also.

5. There is some discussion of a plane for *coastal survey and photographic work*. Whether this can be a land plane or whether it will have to be an amphibian will depend upon the major jobs selected for it. We will probably hear further from our agents on this.

6. The Navy Department is interested in a *scaplane* for carrying on ship-board, as described previously. I think we should push the Osprey with floats. If a plane of this type is used, they will have to abandon the idea of a catapult, as it would be even more difficult to develop a catapult with a car suitable for launching a twin-float scaplane than for a single-float type.

7. Definite plans are being made for a *nonstop flight* to Buenos Aires by Col. Leon, as described previously. If we succeed in making arrangements with Douglas to sell a Northrop, there seems to be little doubt about making this sale.

Since returning to Washington, I have discussed this with John Rogers of the Douglas Company, at which time I told him that the only chance to sell this plane is through our agents in Mexico City, and explained the reasons. He said he would pass it on to his company at once, and believed that it might change their attitude. He said that some time ago Douglas was dealing through an agent there, and President Rodriguez had asked that it be discontinued and that all future dealings be directly through him, and that this is undoubtedly the reason that Douglas refused to allow us to offer the Northrop. He thinks that with President Rodriguez now being satisfied to deal through an agent, especially with a new chief of presidential staff who is closer to him, that Douglas might permit us to go ahead.

8. There is another independent *nonstop-flight* venture being fostered. This, I understand, will have to be financed mostly by funds outside of the Government itself. A young American engineer who calls himself Dr. Walther, and who is now in the employ of the Government, is working on the design of a ship for this flight. The ship would be designed and built right there, and the flight would be from Yucatan to Spain. General Azcarrate apparently has something to do with pushing the construction of this plane, but officers in the Aviation Department don't favor the idea. Walther plans on the use of a Wasp engine, but I talked Cyclone to him and he asked for installation drawings and performance information. The whole idea seems so poorly founded and lacking for general sympathy that I think it will die of its own weight, and with Azcarrate out of the country now, it has even less to support it. It hardly seems worth while for us to bother about. Walther was at one time employed by Curtiss and when I met him two or three years ago in Washington, he was with Vought.

ENGINES

The sale of engines will, for the most part, be contingent upon sale of airplanes, except that in all cases we will undoubtedly be able to sell spare engines along with the airplanes.

The above summarizes my viewpoint of our possibilities in Mexico at the present time. It has been influenced considerably, of course, by the viewpoint of our agents there, and while I believe it to be accurate, there might be other forces at work, or attitudes existing in the minds of persons up to and including the President, which would make it desirable for us to use other more direct forms of contact. However, I think that for the time being we should continue to allow our agents to handle the situation, and see what they can produce. Appropriations there are, as in many countries now, uncertain; and until the money is actually set aside, it is impossible to obtain contracts.

It might be desirable for an executive of the Export Company to make one or two trips to Mexico City during the next six to eight months, at which time

it might be well to try to talk with the President himself, to be sure that he is in sympathy with us and is satisfied with the way our affairs there are being handled. He seems to be involved in all aircraft purchases. In the meantime I may see a bit more of General Azcarratte in Washington just for the purpose of picking up additional slants which might help us to visualize the situation, although I do not feel that we can accept his viewpoint as an accurate estimate in itself.

Very truly yours,

(Signed) ROBERT L. EARLE.

EXHIBIT No. 328

[Copy]

DEPARTMENT OF COMMERCE,
BUREAU OF FOREIGN AND DOMESTIC COMMERCE.
Apartado 2097, Mexico, D.F., June 13, 1933.

Office of the Commercial Attaché,
Mexico City, Mexico

(Confidential)

CURTISS-WRIGHT EXPORT CORP.,
27 West 57th St., New York, N.Y.

GENTLEMEN: For some time we have been in touch with Watson, Phillips & Co. Avenida Uruguay 103, Mexico City, with respect to their representing you in the possible sale of military airplanes to the Mexican Government. As a matter of fact, we contributed considerably towards interesting them in your planes as their representative has come repeatedly to our office and talked over with us the possible American representations available and for the purposes now under consideration we strongly urged the possibilities of your Hawk type of machines.

We are now confidentially advised that the Mexican Government, Military Department, is contemplating the purchase of anywhere from three to 10 planes of the pursuit type, the requirements of which might be satisfactorily met by the Hawk pursuit type.

The Watson, Phillips representative called on us this morning and showed your letter of June 9th. This firm feels that for the business that they have in mind, your letter is not sufficiently clear on the matter of protecting them in case they make a sale for you. You are undoubtedly aware of the manner in which purchases of aeronautic equipment are some times made by foreign Governments, and it is a reasonable desire on their part to be protected in full in the matter of commission to themselves sufficiently large to enable them to meet all requirements.

Watson, Phillips have already urged strongly your planes with the authorities here and it would be indeed unfortunate if after their preliminary work some other person with pretensions to influence in those circles which determine purchases reap the fruits of their efforts.

Very truly yours,

(Signed) CHAS. H. CUNNINGHAM,
Commercial Attaché.

EXHIBIT No. 329

[Copy]

WATSON, PHILLIPS & CIA. SUCS., S. EN C.,
Avenida Uruguay No. 103, Apartado Postal 67,
MEXICO, D.F., *29th June, 1933.*

MESSRS. CURTISS-WRIGHT CORPORATION,
29 West 57th St., New York.

DEAR SIR: We have to acknowledge receipt of your favor of the 21st inst. from which we note that as you have been in direct correspondence with the aviation officials of the Mexican Government during the past several months regarding their military airplane requirements and have supplied them direct

with complete data together with prices, you do not feel inclined to enter into negotiations for representation in this country.

Naturally if you wish to work this matter directly we can only wish you every success, but we venture to say that unless you have a representative here familiar with the politics of the matter and with influential connections your chances of obtaining orders are very slender, more especially as the Boeing is being pushed very hard and in all probability will now obtain the order as their is no other hard opposition. We may say also that a representative of the Lockheed is now in this city from their factory in Burbank, Calif., but even he will not get far unless he connects with someone who can put him in touch with the right parties.

We regret your decision in this matter, more especially as we had already taken up this matter in the highest quarters, but naturally you cannot expect us to continue our labours unless we can be sure of some protection and also be in a position to quote. We are therefore considering this matter as closed as far as your firm is concerned.

Thanking you also for your quotation for the used plane, which has not been accepted by our client, we remain,

Yours very truly,

CHEP/p

(Signed) WATSON, PHILLIPS & Co.

(" Exhibit No. 330 " appears in text on p. 758)

(" Exhibit No. 331 " appears in text on p. 758)

EXHIBIT No. 332

JULY 24, 1933.

[VIA AIR MAIL, #254.]

MR. LAWRENCE LEON,

634 Lowell Avenue, Palo Alto, California.

DEAR LAWRENCE: Supplementing my other letter of today regarding Mexico. Mexico ordered seven or eight fleet trainers and one of their officers has been at the Consolidated watching their construction.

This officer told Hewlett that the order was secured for Consolidated by a Mr. D. Morgan Hackman, Pasco 156, Mexico City, and that he was in good position to get business from the Government.

He also told Hewlett that Boeing had made a net bid direct to the Government which had not been accepted.

Also enclosed is copy of a letter from Watson, Phillips & Cia, which is self explanatory. We have not replied to them further.

We understand from another source here that Azcarate always wants to be taken care of but is very careful about it and works through some third party. Up to now we have not been able to find out who this party is.

We have not appointed any agents for military sales in Mexico so we could be free to deal with whomever we found was Azcarates' man.

The prices we quoted could provide for a commission of 5% to Azcarate or an agent.

However, before doing anything definite on this you had best check with us. Regards.

Sincerely,

OWEN SHANNON.

EXHIBIT No. 333

CURTISS-WRIGHT EXPORT CORPORATION,
27 WEST 57TH STREET, NEW YORK,
Mexico D.F., August 5, 1933.

DEAR WEB: Here is the situation: First of all I found at Palacio Nacional that a request was forwarded a month or so ago to Washington, thru the Mexican Embassy for permission to send six flying officers to one of our pursuit

fields to receive some training in the event that Boeing or Curtis ships were purchased (this is how General Aguilar in Washington heard that his government was about to buy pursuit equipment and made advances to Bob Earl and probably also to United). It seems that our government turned down the request and this people feel very peeved about it, knowing that many foreign officers have been trained at U.S. Army fields.¹ Azcarate spoke very frankly to me stating that a contract with Boeing, which was all ready for signatures, was canceled by order of the President and it has been decided that this equipment shall be purchased anywhere but in the States. He also said that inquiries have been already dispatched to England and Italy for sending the men there as well as purchasing the ships there.

I, naturally, told Azcarate that if he had spoken to us about it we would have solved the problem by either getting the necessary permission from our War Department or by having the six men brushed up on fast ships at some of our own fields but he insists that the men must go to a military school. Azcarate is out for Boeing and he only inquired about our prices in order to show that they are higher than Boeing quotations. He told me the higher performance is not necessary as Mexico is not going to fight the United States. He is not interested in the Osprey and wants to standardize on P. & W. engines because they already have sixty of them on hand.

These difficulties can be surmounted. My problem was to contact and interest another man with as much influence and this I did thru Watson, Phillips & Co. Our man in the Presidencia now is Col. Rodriguez Familiar, a very close friend of the President and his protegee. There will be a lot of squabbling but I believe the colonel will have his way in a few weeks time. I have never seen any country where graft is so freely taken for granted.

Watson, Phillips & Co. is the oldest British firm in Mexico, having been in business over a hundred years. They are very active and the financial rating is high. I looked up two other firms but was not as favorably impressed. We need not fear their being partial toward British products, they have been too long in this country and will favor whoever gives them a better deal. They have some American employees, use only American cars and only recently could have sold a British plane to the British Charge d'Affairs but preferred to sell him an American ship instead.

Before seeing these people I inquired about them from different sources, including Mr. Glover, the commercial attaché who recommends them, the National City Bank, and the officers at the Army aviation field and shops. They represent, among many others, John Thornycroft, Ltd. (ships and marine engines), Merryweather & Sons, etc. They are, naturally, interested in having an agency contract, but I told them that we would prefer to try them on this deal first and see how things come out. It's mainly on account of their connection at the national palace that I wrote them the letter, copy of which is enclosed. It's an agreement that can easily be terminated by simply writing them another letter, if we want to do so at any time.

Pass the above information to Sperry who, as you know, cabled me to make inquiries as to who would make a suitable agent for their products. Watson, Phillips signed up the Mexican Government for a lot of equipment to go on the boats which are being built in Spain and inquired about Sperry instruments, but could not get anywhere with Schmidt who represents Sperry here. They are very anxious to get the Sperry agency.

Besides the six Hawks, sixteen engines are needed, and the technical staff at the shops are working on a report showing all the reasons why a change from P. & W. to Wright should be made. I promised a Dodge sedan to the chief engineer in charge of the shops if he is successful in switching this initial orders to us.

I gave Watson, Phillips the revised engine price list, dated April of this year, from which I cut off agents' discounts and Curtiss-Wright Export costs, leaving only list prices, and told them that we would give them ten percent discount up to ten engines and 15% on orders for more than ten engines. They are to advise us if they find it necessary to increase the prices. Naturally, all expenses connected with sales must be borne by them, except this particular gift to the factory engineer, if the deal goes thru, on account of the fact that Watson, Phillips would not make any money on the six Hawks, as 5% is barely enough to pay all rake-offs and the price cannot be increased, we having

¹ The Am. Embassy knows nothing of this request.

quoted \$24,000 to Azcarate. There is a chance that Azcarate will be kicked out soon, though, in which case things will change quite a bit.

This country has been neglected and I wish I could remain here a few months. They are going to buy a lot of stuff in the future, no doubt about it, but I must get out of here, am pretty sick, don't know if it is the altitude or what. Besides I must go and get my family ready to return to B. A.

I knew there would be more grief about the smoke screen equipments sold in the Argentine. The Navy had to junk theirs, and I expect a lot of kicks and trouble when I get back. I suggest you write Zuloaga and tell him that we raised hell with Federal and made them refund three hundred dollars which Zuloaga may deduct from the balance he owes us on this order (1,332 dollars). Very likely not even this will satisfy Zuloaga because by this time they probably found out, as the Navy did, that this equipment is absolutely useless. I collected \$1,332, or half of the total, but had to pay \$400 commissions. As I already told Owen, I had my doubts about our being able to collect the balance, after seeing the Navy's experience with the things, therefore I told the boys that if we could not collect the remaining \$1,332 we would have to deduct the \$400 I gave them from the commissions due on the tool contract. Accordingly, when you send me the balance of commissions, keep \$400 and I will advise the parties in B. A. that they will get these \$400 if and when we receive the balance due on the apparati. In this way we will not lose any money.

Our friend wrote me that he needs money to pay for a few things, including a new car, before he goes back home next month, and asks me to send his share as soon as possible. Hope you told him I would write him as soon as I get back home as per my cable of today. The contract must have been liquidated by this time but I suppose it will take a few days before you get the last payment.

According to my cable, this letter should be air-mailed from here but I have changed my mind, too dangerous not only on account of its contents but also because in order to avoid a lot of red tape and a deposit of \$250 at point of entry, I came as a tourist instead of as a business man. If I were caught it would be an expensive affair, so I thought a couple of days delay are preferable to taking the risk. Will air-mail from San Antonio.

So long and best regards to all.

Yours sincerely,

(Signed) LAWRENCE.

EXHIBIT No. 334

[Copy]

WATSON, PHILLIPS & CIA. SUCS., S. EN C.

IMPORTADORES Y EXPORTADORES

AVENIDA URUGUAY NO. 103

APARTADO POSTAL 67

MEXICO, D.F., 23d August 1933.

[Confidential]

MESSRS. CURTISS-WRIGHT EXPORT CORP.,

27 West 57th Street,

New York, U.S.A.

DEAR SIRs: Further to our letters of the 9th and 16th inst., we wish to give you the following further information with regard to the state of affairs in the various Government departments connected with the purchase of the six pursuit planes.

We are glad to say that, as far as we can be sure, everything is progressing very satisfactorily in your interests. The Aviation Department has made an official report to the Presidencia on the various planes offered for the purpose, Boeing, Bristol, and Curtiss. This report has been seen by our representative and is distinctly favourable to your machines. We are also pleased to say that matters have been satisfactorily arranged in other quarters and we believe that we can count upon support in the necessary quarters when this

question comes up for decision, which should be within the next ten days, if all goes well.

We expect to be requested to submit our official quotation in the near future, and for your guidance we wish to state that this will be \$26,000 U.S. cy per plane, if six are ordered. Should you by any chance receive any further direct communications in regard to prices we earnestly request you state that you have been obliged to revise your original quotation, either on account of rise in price of material or due to our intervention as agents, and support this figure. This has been done for reasons which you will doubtless appreciate, and we can assure you that same will in no way prejudice your chances of obtaining the order, on the contrary.

We also have to inform you that Colonel Lezama, Assistant Chief of the Air Department expects to be in Tulsa, Okla., within approximately one week to receive the Fleet planes recently purchased by the flying school. This would be a good opportunity for you to interview this gentleman and submit any additional information which you may deem advisable, but we would impress upon you that this should be done in a discreet manner, and without any advertising, as Mr. Lezama does not wish it to appear that he is favoring any particular make of plane.

We have been in touch with the Presidente del Comité pro Vuelo, Mexico-Buenos Aires, Colonel Gustavo, G. Leon, with a view to impressing upon him the benefits of using either a Curtiss-Condor or a Northrop model for this flight. The authorities are still desirous of building a plane here for this purpose, but all those in a position to know are convinced that this will be entirely impracticable, and that the plane will have to be bought, if the flight is ever made.

We do not believe that the funds available for this purpose will suffice for a Condor model, and we would therefore be glad if you would submit an estimate for a Northrop Sky Chief with all details and prices. We would also be obliged if you would furnish us with detailed specifications and prices of your Wright Cyclone 700 h.p. as also your 14-cylinder Whirlwind model. Any information which you can submit in this regard will be of great assistance to us.

We await with interest your reply to our various letters, and can assure you that we are dealing with this whole subject with all energy.

Yours very truly,

(Signed) WATSON, PHILLIPS & CIA.

CHEP/p

P.S.—We wish to state that we have been able to convince the Air Department that Wasp motors should not be furnished with your planes, and they are in agreement that should you receive the order Wright engines will be supplied, and will in all probability be standard for all planes here in the future.

EXHIBIT No. 335

[Copy]

H. O. CLAYWELL,
MEXICO, D.F., *September 23, 1933.*

New address, % American Club.

CURTISS-WRIGHT EXPORT CORPORATION,
29 West 57th Street, New York.
Attention Mr. Owen Shannon.

DEAR MR. SHANNON: Thanks for your favor Sept. 12th. I regret misunderstanding. However, this would not have happened had I not received the military catalogs.

I congratulate you upon your representative who actually is not a commercial one at present but one of the very highest Government authorities and a very expert one—a splendid gentleman and an excellent friend of mine.

Regarding representatives as mentioned in the third paragraph of your letter Aug. 8th wherein you stated that you have decided not to designate anyone as our representative or deal through any agent on the sale of military or commercial planes and engines to the Government of Mexico, this is what confused me when you wired later 8/14 you were already represented here, etc.

Will you please quote me air mail on your model A16C. Sport Biplane complete with cowling and motor mount, including everything less engine but with metal prop and also with wood prop with engine installed.

Me to furnish engines Comet 7-cyl. 165-hp. model 7 E.A.T.C. #47 radial total weight dry 400#.

For a quantity of five to be taken individually over a period of six months. Awaiting your early favors.

Very truly yours,

H. O. CLAYWELL.

EXHIBIT NO. 336.

[Copy]

OCTOBER 28, 1933.

Mr. ROBERT L. EARLE,

Curtiss-Wright Export Corp.,

29 West 57th Street, New York City.

[Confidential]

DEAR Mr. EARLE: The order for six Hawks may be obtained sooner than we expected. Since you left Mexico City very important conferences have taken place between ourselves and several parties of whose names you are aware. We are not able to give you all inside information, but please have full confidence in our actions in the near future, and would add that prompt action is absolutely necessary in this case.

The most important point at this moment is the "financial" end. According to your company's letter of Sept. 7th the price of \$24,000.00 still stands good and for important deals in the future with the same department, and other reasons, please ask your director to kindly cable us confirming that you maintain above-mentioned price for this deal. For various reasons we have to ask you if you could increase our commission on the above amount from 5 to 10%, because in this case we could perhaps obtain the sales contract immediately. If possible our sales price to the Government of \$26,000.00 should be maintained as this is of utmost importance. Delivery should be as soon as possible and the money for this deal is already set aside.

Please take great care that no news about this proposition should reach Mr. Azcarrate. If he should inquire about certain moves in Mexico, please keep him in suspense as this matter must be kept secret until everything has been definitely decided.

When cabling, please refer to the price only, and do not mention anything which refers to the aviation department.

Please send some forms of Curtiss-Wright contracts such as usually used in such cases. May we sign contract for your account and delivery.

Yours very truly,

(S/d) WATSON PHILLIPS.

EXHIBIT NO. 337

WATSON, PHILLIPS & CIA SUCS., S. EN C.
 AVENIDA URUGUAY No. 103, APARTADO POSTAL 67,
Mexico, D.F., March 2nd, 1934.

Messrs. CURTISS-WRIGHT EXPORT CORP.,

30 Rockefeller Plaza,

New York City, U.S.A.

[Strictly confidential]

MILITARY AVIATION DEPARTMENT.

DEAR SIRs: We have not reported for some time on this matter, but today we are in a position to let you have news of importance. We shall give you all details as far as we can by letter but many other details will have to be kept pending till the matter is ready for final discussion, and when we shall have an opportunity of talking to one of the officers of your company.

Sr. Lezama just arrived from a four-weeks trip with the son of Mr. Calles, to whom he gave instructions in flying. Mr. Calles jun. is going to purchase a plane in the near future for his private use.

A special commission which was very busy at the aviation department for the last few weeks in making a close study of conditions and movements during 1933, just finished their study and a new program together with new ideas about this Dept. are under consideration.

We were informed confidentially of the exact position in this matter, and also were asked confidentially to make out a certain report, which will be modified after we have given same in, according to the conditions and possibilities of the department. An entirely new arrangement and system will be established. The Talleres del Departamento de Aviacion will be taken over by a new management and transformed into a factory, similar to the one which Gral. Azcarrate once had in Mexico. The civil, as well as military aviation construction program, will be taken into consideration, but the military aviation depart. will furnish only the funds necessary for construction, repairs, upkeep of planes for this department. We can tell you that Mr. Calles jun. himself is active in this work already and that his father might be the main stockholder and perhaps director of the new company.

Mr. Calles already received all the information we could give him, after which we were asked for further data which we mention below.

They requested us to write to you asking you if you could furnish us with a rough sketch and outline of a plant for assembling and also for manufacturing for the most essential parts. They would like to make an arrangement with you whereby you help them to establish the plant and to break them in, in connection with manufacturing and assembling Curtiss-Wright motors, planes, etc. We know that you cannot possibly give them details for such a plant without knowing the exact plan of their work and their resources, but perhaps you can let us have some idea of what you would propose to be a suitable plant for Mexico, giving them a rough idea about the cost of such a plant approximately.

We now have to give them only an idea of the prices for the following models of planes, and under which condition you would let them manufacture same here. Also how many of each type they had to buy in order to give them the licence and facilities of manufacturing same in the new plant.

1. Trainer, Osprey, Falcon, Hawks.
2. Price each (ordinary sales price).
3. Quantity of planes to be purchased in order to obtain licenses.
4. Material and motors to be purchased only through you for your planes.
5. In what way would you help them to start assembling and manufacturing your planes in Mexico.
6. Other conditions to be put forward in regard to this matter.

Prices: at factory. Including 10 percent commission, but do not mention the amount of commission in future letters.

For each of your models we have sufficient data and catalogues, but we must make a short description for each model in our next proposal, and therefore ask you to state this in your letter, too, as maybe some changes have taken place in the meantime, and we want to have the exact description of these models at present.

In the meantime we are busy keeping in touch with all the responsible parties and we do our very best in pushing the matter wherever we can. We shall advise you at once of any news in the matter. We expect to see your Mr. Webster in Mexico in the very near future on his return trip to New York.

Yours very truly,

WATSON, PHILLIPS & CIA.

EXHIBIT No. 338

[Copy]

FRANK SHERIDAN JONAS,

277 Broadway, New York, December 27, 1933.

Mr. OWEN SHANNON,
C/o Curtiss-Wright Aviation Corp.,
New York City.

MY DEAR OWEN: Thanks very much for your most amusing Christmas card, which gave me a laugh, and Lord knows we need one these days.

The Paraguay and Bolivia fracas appears to be coming to a termination, so business from that end is probably finished. We certainly are in one hell of a business, where a fellow has to wish for trouble so as to make a living, the only consolation being, however, that if we don't get the business someone else will. It would be a terrible state of affairs if my conscience started to bother me now.

I am sorry I missed Webster when he went thru'. I was in Sao Paulo the same day as he, but I only learned of this after he had left. Candara tells me that he is returning shortly, so I hope I will see him when he does.

How does it feel to be able to get legally drunk? It will probably lose all its zest and interest, and we all will be on the wagon. The heat is simply terrific here, which upsets my stomach, so perforce I have been walking the straight and narrow. You probably shivered all day Christmas, while I very nearly had a sunstroke playing golf.

Owing to the Government in Argentine taking off the lid on exchange, it has raised hell here with imports, as the peso fluctuating to such an extent, that nobody can calculate what the landed cost of goods will be upon arrival. Every day some new ruling goes into effect, and we are all up in the air.

From all indications, unless I receive orders to the contrary, I should be home about the first week in March, and I am looking forward to seeing you all. Wishing you a Happy & Prosperous New Year, I am

Sincerely,

(Signed) FRANK.

FSJ: RJ.

EXHIBIT No. 339

[Copy]

Urueta & Samper H. (Sucesores) Joaquin Samper H.

NEGOCIOS Y REPRESENTACIONES,

Bogota, Colombia, S.A., December 12, 1933.

No. 476

Mr. W. F. GOULDING,

Vice President, Curtiss-Wright Export Corporation,

30 Rockefeller Plaza, New York, N.Y.

DEAR MR. GOULDING: Thank you indeed for the information contained in your letter no. 345 of the 5th inst., and for the enclosures received therewith. These we have read with extreme interest and pleasure for it is evident that efforts to convince the Government of the need and advisability of making immediate additions to our air force have been effective. The likelihood of failure of the Rio Conference has aided us considerably in this endeavor.

As a matter of fact, we have been constantly discussing with the Seccion de Aviacion the advantages to be obtained in making new purchases now, emphasizing to them the fact that in addition to obtaining more satisfactory deliveries they would make a considerable saving over the prices they would have to pay if they waited until the emergency occurred and then had to rush the manufacturer, which would cause higher manufacturing costs, due to the necessity of employing overtime. For a long time they held the idea that it was to their advantage to hold off buying as long as possible in order to obtain the very latest innovations when they did purchase. We were finally able to convince them of the fact that basic changes in design were very improbable and that the minor improvements in detail could be easily incorporated in models already in their possession.

With reference to the Condors we have been concentrating on these and hope to obtain results. At the present time there seems to be more interest in advanced trainers, particularly at the school at Cali, and we are keeping after them quite closely.

With reference to the contemplated order for the Hawks and Falcons, we sent you last night our telegram, copy enclosed, which reads:

"Please make immediately courtesy call in my name Pradilla, Hotel Pennsylvania. Explanation Air Mail tomorrow."

From very reliable sources we obtained the information, confirmed yesterday, that Mr. A. M. Pradilla, business man, partner of the firm G. Pradilla & Co. of this city, who was going to the States on business, has been appointed by the Government, by means of a confidential decree duly signed by the President, head of the armament commission which will operate both in the

States and in Europe. Though Mr. Pradilla has no knowledge whatsoever of armaments, etc., he will act as a business man in order to negotiate with the different manufacturers once the equipment has been picked out by the commission.

The Government is putting the finishing touches to a contract to be entered into with the local banks here for the loan of \$10,000,000 for national defense, of which, immediately they are obtained, \$5,000,000 will be drawn for the use in mentioned purchases by the consulate in New York. The other \$5,000,000 will be sent to Europe, to our consulate in London.

Funds, hence, will be made immediately available and all purchases will be paid by the consulate against shipping documents as it has been the custom.

Going back to Mr. Pradilla, he is a personal friend of mine and has been for many years. His personal reputation is good, though it has been said that his firm has used methods not quite in accord with a proper moral ethic. You will find him rather pompous, but really he's O.K. As a merchant he is clever and knows how to use the "chisel", generally obtaining advantages in as far as prices are concerned.

In requesting you to make a personal call in my name, I have sought two objects: One, to put you in contact, personal contact, with this gentleman, so that if and when the case arrives, you will be known to him and be in a better position to negotiate; second, that, he being a personal friend of mine, he will appreciate the call, without suspicion that there is a purpose behind it. As I informed you, his mission is not known, since his appointment has been kept strictly under cover. I will sincerely appreciate any information which you may be able to give me as to the activities of Mr. Pradilla, as well as to the outcome of your call and further contacts you will have with him.

Before he left, he informed me that he would be located at the Hotel Pennsylvania; however, you may also locate him through the Central Hanover Bank.

Any additional information which you may be able to give me with reference to the order for Hawks, Falcons, and Condors will be sincerely appreciated. In turn, we will keep you duly posted as to developments at this end. Of course we will push the orders as much as we can, both with Minister Araujo (with whom I enjoy very good friendship) and with the aviation section.

With sincere good wishes and best personal regards, I remain,

Yours very truly,

(Sgd.) J. SAMPER.

P.S. As you know, all planes purchased by the Government are set up and test flown by the Scadta, who charges a high percentage for their services, amounting sometimes to over 20 percent of the value of each box received. I have been discussing with the Government the advisability of having you quote the prices on airplanes on the basis of delivery in Colombia after each ship has been test flown here by yourselves. For this service you would be entitled to a higher price, of course, and both the Government and yourselves would have the advantage that each unit would be delivered by the factory, so, to say, doing away with the services of Scadta, which have not been as satisfactory as it may seem. Will you kindly give your ideas on this point, to further discuss the matter with the Government? An early reply would be sincerely appreciated.

EXHIBIT No. 340

[Copy]

MAY 20, 1934.

DEAR PARM: The rather colorful and buoyant days of the Minister of War are finished and I am now back to the normal procedure of testing airplanes again. Trunk, commander of the American outfit at Cartagena flew the Minister back to Barranquilla on Tuesday with a 3-Hawk escort and I tagged along in another Falcon with the Minister's aid. I told you that the Minister is sold on Falcon transportation, and sure enough I received a request thru the Minister's Aid to fly him to Palanquero, Thursday, on his way to Bogota. I was not overly anxious for this trip because there are many miles of tough jungle between Barranquilla and Palanquero and the War Minister is quite a responsibility on such a jump, however, I took him and everything turned out fine. He had a smooth, comfortable ride which is something the Scadta pilots never seem to care to give their passengers, so I am convinced that he will use a Falcon at every opportunity from now on.

During my contacts with the Minister he seemed to think that he should have the 37 mm. gun installed on the Falcons and Condors probably as a result of the urging of Comm. Strong and Miranda (American Armament Co.) but I think I effectively discouraged the installation, principally by giving him the experience of the U.S. Army with the big guns.

The Minister had to rush back to Bogota because of the progress made at the Peace Conference. Last night's Bogota paper stated that an agreement had actually been signed and, as nearly as I can gather from other sources and the report is authentic. It therefore looks as tho there is no call for the purchase of more airplanes at this time. My general impression is that we don't have to do any more boosting of our products, that every one takes for granted that their equipment is the best which can possibly be bought. However, their maintenance organizations are terrible and, no matter how good the airplanes, they won't take care of themselves. I therefore intend to do some urging in the direction of good maintenance before leaving. I have done quite a bit of talking about the value of the demonstrations over Barranquilla and Cartagena from the viewpoints of satisfying the people as to where their taxes have gone. I have also tried to paint a picture to the Minister's aid of the value of such a demonstration over Bogota. If these people can become air-minded enough they will be willing to appropriate enough money to take care of their air force which will of course work out ultimately to the mutual benefit of Curtiss and Colombia.

With regard to my departure. I could stay here indefinitely and still find things to do, however, after the setup of the present order of planes is completed I believe I will have finished what I came for and then I have had just about enough. The 3rd Falcon has been flown, the 4th will be ready Monday or Tuesday, the 5th is about 30% along and will probably be ready sometime this week. They will start on the 6th this week and it should be ready the middle or latter part of next week. I should therefore be thru in Barranquilla in less than 2 weeks. As I have previously written I want to spend a short time in Cartagena before leaving the country which I will do after all planes are assembled here and then I think I can leave. Anything I might stay for beyond that would be in the nature of conducting a grammar school for Colombians which is a hopeless and endless task.

Regarding Moloy's departure, I brought him back from Palanquero the other day and took him over to Cartagena where I want him to spend a week or so with the Americans. They like him very much at Palanquero and hated to let him go but he was spending his time on old equipment and at this time I think the new equipment is much more important. He can go back to Palanquero later for a while, say for 2 weeks, and by the end of that time I hope they will have assigned a few Americans there. At this time I believe that a service man should be here for the setup of the coming order of planes. I have made several requests for some of the American mechanics to be stationed here during the current setup but because of general chaotic conditions none have been assigned. Trunk has agreed to send one over Monday and I have offered to even help out with his expenses for a few days, if necessary, because I believe it will be a good investment to have one or two of those fellows familiar with these planes. Whether Moloy has to stay for the coming setup or not, the more knowledge of these planes that we can distribute, the better they will be taken care of. I am going over to Cartagena Monday to get set on the possibility of setting up the new planes there and I will make full report for the next mail. I will have to reserve final recommendation on Moloy's return until later on after I have worked with these Americans. I will appreciate advice from you as to when we may expect delivery of the new order.

I do believe that we should as diplomatically as possibly get the setup of the coming order out of Scadta's hands. I have no complaints other than negligence but they simply don't take the interest that Americans would take, nor do they have the knowledge of this type of construction that Americans would have. For instance we have had several cases of ribs being broken by men walking on the wings. I found one airplane (the 3rd Falcon) where the hinge pins for the rear beams of both lower panels had been too short (Buffalo's fault), had gone ahead and left the hinge pin in unsafeties. In Moloy's absence I do all the inspecting and fortunately caught it before flight but occurrences of this nature are frequent and lead me to believe that whereas it is very convenient to have full use of the Scadta plant here (machine shop, welding apparatus, etc.), with careful inspection on the part of Buffalo we will be better off in if the work is done elsewhere.

Guess I have about run down for this time. I am still looking forward to hearing from you in connection with the gas tank troubles, what you want me to do about the trainer, and various items mentioned above. I am enclosing some Barranquilla newspaper clippings in connection with the Minister's visit which you will undoubtedly find interesting. Let me know what you think of the various discussions above and anything you might want me to do before shoving off.

With best regards to you, and I will write again for Thursday mail.

Sincerely yours,

WILLIAM J. CROSSWELL.

[Copy.]

EXHIBIT No. 341

[Copy]

JULY 28, 1933.

Via air mail—#126.

Captain C. K. TRAVIS,
Casilla 1429, Lima, Peru.

DEAR CLIFF: Your letters nos. 29 and 30 of the 19th and 20th came in just as Web was leaving on a trip that will take him out of town for the next week or so.

We noted that there are good prospects of another order for six to nine planes and sure hope that this comes through soon. As a matter of fact, I was talking with the consul general, Decker, today and he is firmly convinced that the scrap down there will be over within the next month, and in that event we doubt very much if they will purchase any more of the Hawks or Ospreys.

Another point to keep constantly in mind is that all factory costs here are increasing rapidly since our Government started on its inflation program and unless the orders for the new ships come in within the next few weeks we will have to increase our prices considerably. In this connection, will you please let us know by return air mail what your ideas are as to the amount of commission we should pay to Ashton & Webster on the present order and on future orders, bearing in mind that our costs are increasing continuously and at the present prices there is very little margin of profit for anyone.

I am passing on to the factory your suggestions on the Osprey and will let you know by next air mail what they suggest can be done.

We will arrange to have fifteen or twenty cartons of Chesterfields packed in one of the plane or spare cases and will let you know later the case in which they are placed so that "Shorty" can be on the lookout for them and you can hand them out to the pilots there. Neither Web or I remember receiving a letter from you before on this subject.

I cabled you to let Donnelly make his own arrangements with the Bolivian Government for his salary, traveling expenses, etc.

We cabled Ashton & Webster that we would ship all of the plane and engine spares with the three ships, excepting the propellers, but now we find that the Buffalo factory will be unable to ship the Hawk spares out until about the first week in September. We are doing everything possible to better this delivery but at present it looks as though Buffalo would not be able to improve it much, if any. The engine spares will go out with the plane.

The principal reason for the delay in getting out these Hawk spares is that we did not receive the payment for them until a few days ago and at the same time Buffalo received another order for ten Hawks for China, which in addition to the twenty-six Hawks and thirty-some-odd A-S attack jobs they are building for the United States Government has pretty well swamped the factory at this time.

Regards,

Sincerely,

OWEN SHANNON.

OS: D
CC: La Paz

EXHIBIT No. 342

CURTISS-WRIGHT EXPORT CORPORATION,
New York City, August 14, 1933.

Via air mail

No. #137

Capt. C. K. TRAVIS,
% American Commercial Attaché,
Buenos Aires, Argentina.

DEAR CLIFF: Your letters of July 19th and 20th arrived while I was away from the office. I believe Owen Shannon has answered them fully, and I can only add that I hope the job in Buenos Aires progresses satisfactorily and that you will be able to get back to La Paz in time to take care of the arrival of the last three ships.

If Webster & Ashton are able to work fast enough they may be able to get the additional nine or sixteen planes closed before the war ends. The consul general in New York seems to feel quite certain that the mess will be cleaned up within a month. I certainly hope we will be able to get some more business before this happens.

With reference to the suggested changes for the Osprey by Jordan, these suggestions arrived here too late to be incorporated in the last machines ordered for Bolivia, but on any future orders I believe they should be taken care of. It means an additional cost of about \$250, but possibly this can be absorbed.

The cost of raw materials have increased considerably, and it may be necessary to raise our price of \$18,000, especially if we intend to pay Webster & Ashton the five percent commission that they are asking for. Incidentally, please write us or cable us as soon as you receive this letter, giving us your suggestions as to the commissions that Webster & Ashton are entitled to.

Sincerely,

C. W. WEBSTER.

CWW.js

EXHIBIT No. 343

CWW #35

LA PAZ, BOLIVIA, Sept. 13, 1933.

Mr. C. W. WEBSTER,
Curtiss-Wright Export Corporation,
27 West 57th Street, New York.

DEAR WEB: The 2 Hawks and the 1 Osprey will be ready to test early next week and can be delivered immediately with the exception of one of the Hawks. We cannot deliver that until I receive the propeller hub nut that I cabled for. There was a slip-up somewhere on that and one of the Hawk propellers came down with a nut for the other type of crankshaft, the one that has the threads all the way out to the end of the shaft. Consequently the nut is too short and cannot be used. I will send it back as soon as the other one arrives.

There was some damage done to the crates in shipment and we found one Hawk stabilizer badly smashed up. The second rib from the inside was completely crushed and the rear spar was twisted and kinked. The fabric was also badly torn. The wing crate for the Osprey was evidently dropped somewhere along the line and all the leading edges of the wings were dented at the support point of the crate. That was fixed up without any difficulty, as we were able to smooth out the dents without going into the wing. As I advised you by cable, Lloyds agent here has adjusted the matter of the stabilizer and it will be replaced by a new one without any effort to repair it, inasmuch as it belongs on a new plane. We will repair the damaged one here as well as we can and use it for a spare. The certificate on the adjustment should go out on this air mail or the next, direct from Lloyds.

An effort should be made in the New York office to get the shipping documents down here without so much delay. In the case of the last shipment of spares the documents were mailed by steamer mail and got here 3 weeks after the spares had arrived in La Paz. In the meantime the spares couldn't

be dispatched and there was hell to pay. It was just yesterday that the documents arrived and they were able to unload the cases. In the past there have been several cases where the documents were late in arriving and held up the detail. Sometimes it has been due to having sent the letters by ordinary mail which only arrives here every 2 weeks, and sometimes due to mis-addressing the letters. There was one case where a package was sent to "the Chilean Consul, Arica, Bolivia."

The model of the Hawk caused quite an impression here and of course everyone wanted one. We are going to have some more made here at the field. The original will be presented to the aviation school which is perhaps the only way to dispose of it without causing any hard feelings. It will be kept in the Casino.

The kicks that Colonel Bilbao turned in to the General Staff on Curtiss planes and engines seems to have been squashed very definitely and effectively. There was quite a fuss about it if you will remember a few weeks ago. It was our staunch friends here among the pilots that turned the trick. They who have been flying our equipment went to the Contralor and General Staff on their own initiative and made written statements regarding the planes. These statements were by no means vague and every one boosted our stock. As far as I have been able to find out, there was not a complaint made by anyone but Bilbao. Colonel Jordon took the matter up directly with Bilbao and General Kundt and vociferated as follows, "I have had nearly 500 hours in Hawks and more than 250 hours in Ospreys and they are absolutely satisfactory in every respect. When you birds begin to know something about flying, you will see why the Curtiss planes are the best that we have ever had."

When I left Buenos Aires I bought 3 pairs of Meyorwitz goggles with triplex lenses to present to 3 of our best supporters here. I have arranged so that it can be done without any hard feelings to the others. I felt that some appreciation should be shown some of the pilots such as Jordan, so I went ahead and bought the goggles. I had mentioned the matter several times to New York in past months and suggested that they send down a few pairs of goggles but had no reply of any kind. I am putting the charges on my expense account and consider it money well spent. Lopez told me in a confidential and friendly chat yesterday that if it hadn't been for Jordan and two or three others that he named, that the last order for planes would have been canceled and that our competitors would have been given a chance. Lopez also told me that Kundt recommended the purchase of 3 more Ospreys and 3 Trainers on the strength of pilots' reports. The order has been approved but there will be the usual delay in getting the money.

In connections with new planes, please let me know as soon as possible if we will have to quote higher prices. I received some information to that effect some time ago but nothing definite. It was simply stated that in view of the inflation and consequent increase in cost of labor and material that it might have to be necessary to raise our prices and not to quote until advised.

There is an order pending at present for plane and engine spares amounting to about \$66,000. The order has been approved and the money appropriated but they are planning to convert most of that amount into planes in addition to the six that they are about to order. That is right up our alley as spares will have to follow sometime.

The war will probably last for months yet according to the looks of things. It will all depend upon how long Paraguay can keep going. At any rate, the government is financing the war for another 6 months and making provisions for a year. They have made arrangements for a loan of B\$30,000,000 which they will receive in a very few days, and arrangements for an additional loan of B\$25,000,000 if needed. Just how much of that will be converted into foreign currency, I have not been able to find out, but I presume that the greater part will go to war materials and planes. They can and will use their credit for internal purchases and army pay roll.

I cabled today for quotations on bombs and to find out if we can sell direct from Federal Laboratories or if Grace & Co. here have an exclusive agency. They sold the last order of bombs and are after this order. We must beat them to it if humanly possible. The order calls for 500 fifty-pound fragmentation, 300 one-hundred-pound, 500 one-hundred-ten-pound, and 200 two-hundred-twenty-pound demolition bombs. Those seem like odd sizes but we ought to be able to furnish them with bombs of approximately those weights.

There is going to be some business in ground machine guns, but I understand that there is an exclusive agency here for Colt and they are already quoting on the deal. They have a lot of Vickers guns in the Army here and it was planned to keep them standard but it seems that Vickers can't deliver under seven months from order and that Colt can deliver 50 guns in five weeks and at forty percent under Vickers prices.

Three Junker bombers have recently been purchased, but we had no chance at that business, inasmuch as Lloyd Aereo Boliviano is in the deal and have agreed to take the planes for their line after the war. They are convertible jobs and Junkers is standard equipment on the Lloyd Aereo line.

I am making up some lists of machinery and other things that we may be able to sell in a few months. There is no chance now to get the stuff across, as they consider anything except actual fighting equipment as an unnecessary luxury. Camera guns, lighting equipment, Sperry horizons, radio, etc., come under that head in their eyes also.

In connection with the Trainers, will it be possible to mount a larger engine for use in La Paz? I doubt very much if the standard 165 would get off the ground up here with a student. I wish you would take that up with the factory and see if they can put out a job with a supered-up seven-cylinder job. The R-540 I think it is. It is possible that the training school will be established at Villamontes after the war (that is where it is now) and La Paz will be the base for fighters. But whether the school will be at sea-level Villamontes or 14,000 foot La Paz, it would be necessary to have a trainer that could operate from both places.

It is certainly too bad that Leon is unable to proceed to Buenos Aires soon. Of course I don't know a thing about the business arrangements there, but it looks like my work there was wasted, at least partly, in not having a follow-up immediately after the demonstration. I hope that the delay will not have any detrimental effect on business there. As you know, I was unable to do much without knowing what it was all about, but we will hope for a better schedule next time. We cannot neglect Bolivia; they are our best customers at the present time. A small country but they have come across with nearly half a million dollars in the past year and are good for quite a bit more if the war lasts.

Donnelly is still here and seems to have a job for several weeks or months more. They have made him a captain at his request and has been a couple of weeks in the Claco on welding. He is due to arrive here tomorrow to fix up another wreck that happened last week. One poor devil had terrible luck. He made three successive flights here with an Osprey and had a minor crackup on each one. On the fourth flight he unwisely let the ship swerve on him on the take-off and he just about had flying speed when he connected with a large rock pile at the edge of the field. Sheared his landing-gear clean off and rolled him end over end three times but didn't hurt him a darned bit. Don gets \$75 per week plus living expenses, but he will earn it when he repairs that wreck.

They have two old Fokker D-7's here that have been lying in the hangar for seven years come December mas o menos and they are going to have Don weld them up and get them on the job again. I have tried to talk them out of it on the grounds that the tubing is bound to be rusty and eaten inside and that they will turn out to be coffins for someone, but they have just received new wings and engines for them. That was some of Vargas Guzmans' doings las year before they got wise to him and kicked him out of the service.

Can think of nothing more except the mater of commission for Webster & Ashton and am not finished with that yet.

I am going to Lima as soon as I can leave things here and will meet you there on the 11th of October as per your plans. This is a hell of a place and the customary cold in the head is again upon me and I've cried a quart of tears while writing this letter. I've had summer, winter, autumn, and fall; cold weather, hot weather, and indifferent weather during the past six weeks and forgot to bring my red flannels up here.

Best of luck, Web, and I'm sure looking forward to seeing you soon.

Sincerely,

(Sgd.) CLIFF.

EXHIBIT No. 344

CURTISS-WRIGHT EXPORT CORPORATION,
Casilla 3098, Los Cerrillos, Santiago, Chile, 2/15/33.

Mr. C. W. WEBSTER,
Curtiss-Wright Export Corporation,
29 West 57th Street, New York City.

DEAR WEB: I was pleased to receive last Saturday your letter #70 of 30th January.

Regarding the idea put forward by Comandante Aracena for the building of 12 Falcons for Ecuador, we have not heard any further news on this subject. All the data we gave the comandante has been forwarded to the Eucadorian Government and that is where the matter stands at the moment. Perhaps you could find out from your representative in Quito, Senor Flores Guera, something definite on this question, but suggest, of course, you do so in a casual way, so that it will not interfere with any plans the government may have in view.

With regard to the Falcon and Hawk, I confirm cables exchanged in this connection. Since cabling you this morning, Pancho phoned to tell me that he had been promised permission to fly the planes out tomorrow, and if this be the case I will cable you immediately we know that authorization has been given by the Chilean authorities.

Senor M. Cruchaga, the Foreign Minister—and who, at the same time, has been Acting Minister of National Defense—presided recently at an antiwar meeting held in Mendoza with the Argentine authorities, the object being to try and induce Bolivia and Paraguay to cease hostilities and go to arbitration. It was also agreed that neither Chile or the Argentine would lend any assistance to either country with arms or munitions. So, in a nutshell, we can see why it has been so difficult to dispose of the Falcon and Hawk to Bolivia or Paraguay.

The newly appointed Minister of National Defense, Senor Emilio Bello Codecido, arrives from the States by the *Santa Clara* today. By the same steamer is arriving Senor Zalles, the Bolivian Minister in Santiago last year, who, you will recall, came to see us in the factory in July and wanted to buy Falcons for his Government, but nothing matured. Senor Zalles probably has instructions about the purchase of the Falcon and Hawk, and we must wait a day to see what transpires.

I do not know from whom Pancho obtained permission, as only yesterday we received notice, passed down from the Foreign Minister, that on no account must the Falcon and Hawk leave the factory. The only way to get these ships out is for an agreement to be made between the Bolivian and Chilean Ministers, and I am anxious to know what news Pancho will give us tomorrow.

At the same time Jim Spencer is still working on selling the machines to Paraguay, but apparently he is meeting with more difficulties than Pancho.

We cannot do any more than we have already done to dispose of the Falcon and Hawk, and you must not lose sight of the fact that Chile represents herself as a peace-making nation and has promised not to provide or assist in providing war material to any of the belligerent S. American countries.

Since writing your letter under reply you will have received mine in reference to the Rambler and now await your instructions.

As matters now stand it would seem very difficult for us to get an offer for the European Hawk. There is no hope whatever of the Chilean Government acquiring this machine, and the only way I think you could dispose of it would be your dealing direct with other countries at S. America at present engaged in warfare. Jim Spencer has been trying to get an offer from the other side, but nothing has come of it.

I note what you write about Jim Spencer and quite appreciate your attitude before dealing direct with him. In conversation the other day, he told me he had received your letters, so I did not make any comment on what you wrote me.

The whole trouble in trying to make deals of this nature is that there is excessive graft to contend with. The Bolivian and Paraguayan Ministers know of our offer and yet they prefer dealing through agents. They both know our figure and the agent's figure, so you can imagine who has to take a share between sale and purchase prices. Jim has been working the deal for Bolivia and Paraguay through the Argentine. His figures are the same as Pancho's and he knows perfectly well that his commission is included in anything he

can get over \$15,000. If he could make \$1,000 on each plane for himself, I think he would be lucky. The other \$2,000 would be paid to the other intermediaries.

Have not seen Salvador for at least a month. He must still have the hump.

We have just received a letter from the Air Corps stating that in view of the high quotation for the Sikorsky spares, they have decided not to place the order and will effect the repair with what element they have in the Maestranza in El Bosque.

The dope and other material arrived here yesterday, all O.K. The Santa Barbara shipment is the only one still pending and we expect the decree will be signed this week.

Work on repairs is proceeding steadily; except to complete the 3rd ship (Hawk #7) by week-end. Falcons Nos. 2 and 29 have now been officially handed over to the Air Corps. Total costs on these two machines will be advised New York by next mail, so that you may deduct same from the Air Corps funds in your possession.

Thanks for your kind wishes. Kesler is still hanging around waiting for a chance to fly away the Hawk and Falcon.

Best regards,
Sincerely,

J. V. VAN WAGNER.

EXHIBIT No. 34b

[Copy]

Air Mail #93

MAY 15, 1933.

Mr. V. J. VAN WAGNER,

Casilla 3098, Santiago, Chile.

DEAR JERRY: With reference to your several private cables and also your letter of May 6th, regarding Aracena and Bofil, it seems to me that if the Peruvian Government is anxious to acquire equipment we should be able to work out some sort of deal with them. I cabled you this morning, as per confirmation attached, in an effort to find out who Bofil is. Is he a direct representative of the Peruvian Government and, if so, what delivery must they have and how much are they prepared to pay?

It seems strange to me that you have not been able to sell them the Wooten "Falcon." There is a ship for immediate delivery along with a quantity of necessary spares. My only object in flying the ship out of Chile into Peru is to make it available for sale to the Peruvian Government and to circumvent any possible sudden decision on the part of Chile to prevent the delivery of munitions to Peru. I have given you full instructions on the Wooten Falcon, so please stick to them in making a deal.

It seems to me that Aracena's requirement of receiving the price of new Falcons and Hawks for his obsolete and worn present equipment is absolutely unreasonable. In my opinion, it would be a very satisfactory deal for Aracena to trade, if necessary, 2 used Falcons or 2 used Hawks for one new Cyclone-Falcon or Hawk. It would naturally cut down the number of planes in service but would give them modern equipment. He evidently is still remembering the deal of last summer and fall, which was more or less of an accident but, at the same time, we were delivering new and unused equipment, although we admit that it was under-powered and more or less obsolete—nevertheless, it was new and had not been flown over many years as in the case of the present Hawks and Falcons.

If Bofil, in representing Peru, is anxious to buy equipment and, as you expressed it, "urgently", I wish you had cabled us when you first met him and given us the opportunity of shooting at the proposition in some form. You mentioned that you had told Bofil that you could not deal with him. Never make this blunt statement to any prospective customer but always string along with them leaving the door open for some kind of negotiation. We might have been in a position at the Buffalo factory whereby a production order was coming through for another customer on which we were ahead of schedule and that some of these planes could have been diverted to another customer in an emergency. Such would have been the case several weeks ago when we were delivering Cyclone "Hawks" to China. Unfortunately all of these Hawks have just been delivered. Bear this in mind and in the future always keep us fully informed.

Air mail me immediately all the information you can secure regarding the possible action on the part of the Chilean Government in connection with the proposed closing of Chilean ports to Bolivia. I hardly believe that this drastic step will be taken but, nevertheless, the newspapers here are predicting it. Follow all these political events as closely as you can and keep us supplied with information.

If there is a possible chance of making a deal between Bofil, Aracena, and ourselves, I think I would make a quick trip down the West Coast to sit in on it but I naturally do not wish to leave at this particular time unless it is absolutely necessary.

Your letter of May 6th states that President Alessandri and the Minister of National Defense and Aracena are very anxious to keep the factory operating and commence on new production. How in the world does anyone in Chile expect to do this unless they find some dollars? My letter of May 4th, instructing you to close the factory tight unless Aracena and the Government finds some business for us still stands. The Government cannot possibly expect us to keep operating for the benefit of the Chilean Government and at our expense.

I also cabled you this morning asking if Wooten had turned over his Falcon. I have been urging the Air Corps in Washington to cable him instructions and they have agreed to do so. Please follow this up and keep me advised. Regardless of whether you sell the Wooten Falcon in Santiago, please get it started for Arica as soon as you can and notify us by cable when you expect it to be there so that we can arrange with Faucett to have one of his pilots pick it up. In connection with this ship, do not rely upon or request Pan American Grace to supply the ship with gas and oil. You will have to make an arrangement with Chilean National Airways for fuel.

In shipping your spares to Peru, do so in the most efficient way without using the Grace Line, consigning the shipment to Faucett and immediately notifying him by cable and also cable us. In other words, move this equipment into Peru as rapidly as possible.

Also keep me advised as to what action you take in delivering the "Rambler."

During this period of political unrest all over South America, circulate as much as you can among officers and people in an effort to obtain information pertinent to our business situation which may effect sales and shipments in all of the South American countries.

Also please bear in mind that the deal for Wooten's Falcon is absolutely confidential. Do not permit stories to be circulated around Santiago about our purchasing the ship, to whom we are trying to sell it, and the price we get for it.

Sincere good wishes,

C. W. WEBSTER.

EXHIBIT No. 346

ANKARA, April 7th, 1934.

(Personal & Confidential)

Mr. T. A. MORGAN

*Curtiss-Wright Export Corporation,
R.C.A. Building, 30 Rockefeller Plaza, New York.*

DEAR TOM: I'm writing this to you direct, as I assume Jack will be on his way out here before this letter arrives in New York.

Here are some important factors which must be kept in mind, as of great possible influence on affairs out here. A few days ago Mussolini made a speech in Italy in which he talked very frankly about his views regarding Italy's future lying in Asia and Africa. It probably didn't create any stir at home—you may not even have noticed it. But you can believe that it has caused a great stir out here. The Turkish ambassador has called on el Duce to ask him "what do you mean, Asia etc." El Duce, of course, replied that he didn't mean Turkey. And on the surface all is quiet. But if you know anything at all of the background of Italy's aspirations in Turkey—tangible evidence of which lies always at Turkey's front door in the form of the Italian mandated islands—you can well believe that these last utterances of el Duce's have made a most profound impression, which mere diplomatic assurances will not dispel.

And under the surface there is every evidence of a determination to see that no stone is left unturned to see that Turkey's defenses are in shape. And

aviation defenses are receiving the most serious attention of the big shots in the government.

The machine gun episode for Hawks is just one indication. When I cabled you the other day that we have been asked to consider this one as a national emergency, I can assure you that I wasn't kidding. They're in deadly earnest about this.

There is every evidence that the long delay in the Kayseri project has now received the renewed attention of the Prime Minister and Chief of Staff, and I should not be the least bit surprised to see a break come almost any day. When I was in Zejai's office today, I walked the Prime Minister in person—all unannounced, a most unusual procedure. I don't know what was the purpose of the visit, because I, naturally, withdrew at once. But several indications are that the Kayseri affair was very much in the foreground.

There is every reason why they should press this matter to conclusion, and I'm rather expecting that Ismet Pasha will take it in hand to see that it is concluded, and that very shortly.

Pretty well-confirmed reports are that a tentative decision has been reached also to start active and energetic efforts at once to augment their air program greatly. There is talk of an immediate budget for 170 planes to be purchased this summer. Also rumors of a separate aviation department.

All this may be just idle talk, but I am strongly of the opinion that it is really firmly founded. If it is—and if (as appears to be the case) the Prime Minister and the Gazi are really taking it upon themselves to push this matter—we may look for some real action at any time.

Greece has much the same underlying attitude toward Italy that Turkey has. The Duce's speech took place since I left Greece, so I have no way of knowing what is the reaction there, but knowing the general political background, I would expect the Greek reaction to be similar to that in Turkey, and I should not be surprised to hear that Greece's indecision on aircraft matters has been converted into a definite program.

It's too early yet to say exactly what will happen. I feel quite certain that there is no likelihood of any open breaks. But I do believe that this little speech of el Duce's is going to result in a material augmentation and acceleration of Turkey's aviation program, and may have a very similar result in Greece.

Please don't forget this background. It is very important.

Yours sincerely,

(Sgd.) BRUCE G. LEIGHTON.

An incident.—I complained yesterday to the Minister that a number of materials for Kaiseri had been delayed in the Customs House Ankara for two months. Today there was great to-do over the fact that the officer in charge of the Ankara warehouse—a major—has been ordered to ten days under arrest for dereliction of duty. I have an idea that the delays will be less long in future.

(Sgd.) B. G. L.

EXHIBIT No. 347

[Air Mail 78]

JANUARY 31, 1933.

Captain CLIFTON K. TRAVIS.

Compania de aviacion Faucett, S.A.,

Apartado 1429, Lima, Peru.

DEAR CLIF: According to your last letter, you planned on being in Lima on February 6th; therefore, I am addressing this letter to Lima.

Bill Goulding and Shannon have been exchanging cables with you regarding the payment, and I hope that you were able to straighten out this financial situation before you left La Paz. If we can in any way allocate the funds already cabled up here so as to cover the remaining portion of the Osprey and the spare parts, I believe it is the thing to do. In any event, we do not intend to release the 2 remaining Hawks that are now in New York until the contracted payments have been made. In view of present conditions in Bolivia, I believe we would be making a grave mistake to permit the Bolivian Government to get too far behind in their payments. The situation at Chaco is liable to blow up any time and if it does, the natural move for the Bolivian Govern-

ment to make, and in view of their past performance, would be to default on any payments that are due. Therefore, let's hold them to their contracted payments. If the show does not end this coming summer, they naturally will have to have additional equipment. I realize that the Government is about broke at the present time, but they generally find the funds for munitions when necessary. In the future, if you have to make additional contracts, try to get your last three payments in New York, eliminating the final payment in Arica as called for in the two previous contracts. I know this is going to be rather difficult, in view of the precedent established, but do the best you can.

I had a talk with Mr. Nichols of the Colt Co. last week and they have given their representation to a former Army officer, and according to our agreement with the Colt Co., we are entitled to commissions only on machine guns installed on airplanes or shipped with airplanes, which eliminates us from participating on contracts for gun spares unless those contracts are placed directly with us. Bear this in mind and follow this situation closely so when the Government anticipates purchasing spare gun parts or complete spare guns, see that these contracts are placed directly with you. I understand that the Colt Co. is not favorably impressed with their representative and would prefer working with us, providing it does not complicate their contract with their agent.

Sincerely hope that the Peruvian Hawks gave you no trouble.

Please give my kindest regards to Jack Jennings when you see him and also give him any and all breaks that you can. He is down at Ancon as an assistant mechanic with Jugielski in setting up the Hawks. Also give my kindest regards to Slim Faucett, Dan, Slim Carlton, and the rest of the boys.

With the best of good luck and sincere good wishes to you and Mable,

Yours sincerely,

C. W. WEBSTER.

P.S.—As soon as possible let us have the full report on the Peruvian Hawks by cable and follow it up in detail with a letter. Also, what opportunity of selling Peru a few more Hawks? Have turned over your receipt to Mr. Jones.

C. W. W.

EXHIBIT No. 348

[Air mail #84]

FEBRUARY 8, 1933.

Capt. CLIFTON K. TRAVIS,

% Compania de Aviacion Faucett, S.A., Apartado 1429, Lima, Peru.

DEAR CLIFF: Your two letters of January 26th, addressed to Shannon and myself, have just arrived, also your cables regarding the delivery of the first two Hawks for Bolivia.

It was a great satisfaction to know that the Bolivian Government was entirely pleased with the performance. I agree with you entirely on the policy of nondelivery of equipment until all government accounts have been settled. Someone in our organization slipped up on the shipment of the first two Hawks in consigning this material to La Paz, and when the other two Hawks go South, they will be shipped to your order so that it will be impossible for the Government to take them out of Customs until you have personally cleared them. I realize the difficulties that you have been up against and we can only do our best.

Although you say there is an apparent scarcity of government funds, I still believe that Bolivia will be required to purchase additional aircraft equipment, and the dollars will be found somewhere when required. In my opinion, the real activity is just beginning, not only in the Chaco, but around Leticia as well. National pride and stubbornness will not permit these countries to quit until they blow up through absolute bankruptcy, and while the show is going on, it is our job as distributors of munitions to get our share. If we don't, someone else will.

I am firmly convinced through personal conversation, while in Buenos Aires, that moral and financial support is coming and will continue from Argentine on behalf of Paraguay, and Bolivia will be required to find similar support either through the Standard Oil Company, or through wealthy nationals, such

as Patino, whose business and financial interests are at stake. I am still of the opinion that before these two "comic opera wars" are finished in the north and south that practically all of South America will be involved—so watch your step and play your cards accordingly.

I am anxious to get down there again as quickly as possible, and will probably make the grade between 6 to 8 weeks at most.

We can look for considerable activity on the part of Mr. Jones and his friends sometime during their coming winter (June, July, August).

While in Peru, and as soon as convenient, give me a frank picture of the Peruvian situation, and do what you can to assist Faucett in closing additional business there. For your confidential information, their friends to the extreme north are still purchasing heavily. You might use this in your official conversations but in a very careful and diplomatic manner.

I have just heard that they intend to assemble the Hawks at Las Palmas instead of Ancon, which indicates that they intend to take them through to the Marañon River on wheels and shift to pontoons to reach the Amazon.

In connection with the Cueto situation, he has written us that the Government has officially advised him that they did not request us to withhold his commission. Will you kindly mention this to Lopez and, if possible, have Lopez write you or us a letter stating that the Government will not sanction payments of commissions to any agent and insist upon direct dealings with the Curtiss Company.

Jerry Van Wagner has informed me that efforts are being made to dispose of the Hawk and the Falcon now in our factory, and with which you are familiar, to Bolivia for a certain price. Do what you can to promote the sale of these two ships, as such sale will have a direct bearing on my future dealing with "Jones." I would like to unload them as quickly as possible so that I can begin other negotiations for the near future.

Shall be very glad, indeed, to purchase for Melgar the equipment which you itemized, and will immediately take the matter up with the Consul General in New York. I would like to make Melgar a present of this equipment but it is impossible to do so, but we will give him the advantage of our best prices. We can also take care of the flight instruction of Melgar's son at the Valley Stream field, and will secure the dope on costs as quickly as possible, and take this up with the Consul General.

The office sent to you on December 7th the photographs and specifications you mention. These were sent to you, care of Lopez. If you were unable to pick them up, let us know. We are also sending you immediately a supply of stationery, air-mail envelopes, etc., in care of Faucett in Peru. These will go forward in possibly several packages in order to get by the Customs.

By the way, for our records, is the parachute which you are using the one with my name stenciled on the harness?

I think of nothing more at this time.

The best of good luck and good wishes to you and Mable and the youngster.

Sincerely yours,

C. W. WEBSTER.

EXHIBIT No. 349

CURTISS-WRIGHT EXPORT CORPORATION,
La Paz, Bolivia, October 26, 1933.

DEAR OWEN: Am writing this letter at midnight—just returned from dinner after a late session with Lopez and the Minister of War. Our plans have somewhat changed. Cliff, instead of going along with us tomorrow, is leaving for the Chaco on Saturday with the Minister of War and the chief of staff for a conference with Gen. Kundt and aviation officials at the front. The Government wishes to acquire 10 large bombing planes and it is a choice between Junkers and ourselves. Lopez and the Minister suggested that Cliff fly down there with them and the job is so important that we decided that if necessary we will have to delay the Argentine business. I'll go along to Santiago and across to B.A. and he will join me there just as soon as he can make it. He may be a week late but we'll have to make the best of it.

The financial end of the job is naturally all important. Lopez wishes to make a deal with us for the bombers and probably other material which will run to possibly between \$800,000 and \$1,000,000. His suggestion is that

they make an advance payment of 25% with a possible contract and the balance in monthly payments over a period of 18 months with the Banco Central of Bolivia guarantee back of the contract. The only thing I could tell him was that I'd take it up with the New York office. Personally, I am sure that such a contract is as good as gold, but, of course, JAB and the others will have to be satisfied. The Banco Central is naturally the Government bank and receives all the Government's income. The income from tin alone is about \$200,000 a month. This letter will reach you about the time I arrive in Buenos Aires and if JAB and the others think it is important enough they can phone me at the Plaza Hotel in B.A. It is my opinion that no definite decision will be reached until I have returned to New York but, on the other hand, they may rush their program. It is my intention as I told you in my other letter to return here the latter part of January. If we cannot accept the Government's proposition the business will probably go to Junkers or United or the British who seem to be inclined to accept similar terms. Please take this proposition up with JAB and in fact let them read this letter and then give me their reaction by cable in B.A.

Hope we can come to some kind of agreement as there is plenty of business here. Lopez told me tonight frankly and confidentially that Bolivia had no intention of making peace until they got what they were after and, if necessary, the entire Patino company could back their stand. Will be waiting for JAB's opinion.

Sincerely,

WEB.

EXHIBIT No. 350

[Copy]

APRIL 20, 1933.

DEAR LEON: Thanks for your cable. Sorry things turned out as they did, but possibly I can be of use to you even though I'm not on the pay roll. The thing I'm most interested in now is the matter of representation. Your cable gives me the impression that you are not interested in improving the quality and efficiency of your representation here. If that is the case, I'm afraid you are making a great mistake, for there is a fine order in the air and I should like to see you get it—and if I were with you I'd hope to share to a small degree in the profit.

I refer to an order for 16 Loenings. The Government is, for some reason that I have not figured out, in a great hurry to acquire that number of amphibians and I know that they are giving preference to Loening. They are also thinking of Douglas. That latter company has a representative here who is about as effective as yours. I am definitely informed that Loenings are wanted and in all probability you will be hearing of this through Castro Lopes, though so far as I know he had not even gotten wise to the business yet. The clique that makes the purchases does not feel that it can do itself justice by dealing with them.

I have written to Web today, and am writing you to give you the picture as it looks to me. The Cia Provedas is a fine outfit for this type of business. I have given Web an idea of the firm and of its good connections. The firm of Souza Sampacio & Cia, Ltda, Rua General Camara 73, which used to live exclusively on government business and which like Mayrink Veiga has staged a comeback, is an excellent house. This outfit I believe to be as good as Provedas, and I doubt that there is little to choose between these two and Mayrink Veiga. So for the love of Mike, get some action up there in the matter of an agent. Almost every day I have the question put to me by army, navy, or business people as to why Curtiss does not make an effort or show some interest in this market.

I realize that Web is not losing sight of the financial end of things. To my mind, that is one of the most important, and I can say that I feel certain that if exchange is given to anyone in Brazil it will be given to suppliers of the Government, and of all classes of suppliers, those handling war materials come first in the present set up. If dollar credits are not available in advance, then sufficient milreis to enable you to buy your exchange in the bootleg market will be given. That's where it would be well for you or some other representative to be on the job.

Let me hear from you as how things are going, and when you will be coming through here.

Sincere regards,

PIERROT.

Hope you can plan to stay over here a few days, it will pay you. I'm sure. But arrange to have your present connection canceled before you get here to facilitate your work.

Cable address : Amcomat, Rio.

EXHIBIT No. 351

[Copy]

W. H. SMYTH-BEOGRAD,
Belgrade, March 18, 1934.

Mr. MELVIN HALL,
% American Consulate, Ankara, Turkey.

DEAR MAJOR HALL: On March 13th, I received your telegram from Ankara reading as follows:

"Do prospects justify visit of Vaughan President Wright now northern Europe. Telegraph Melvinhall Amembassy Ankara."

I investigated the matter thoroughly and wired you last night to Ankara as follows:

"Yes for eventual rush orders. Gould of Pratt Whitney working here."

For your information, it appears that the French Legation in Belgrade has been bringing very heavy pressure to bear on the Yugoslavian Ministry of War and that as the result, the Yugoslavian air force will probably take Jupiter 7-cylinder and Jupiter 9-cylinder motors for their main requirements and possibly some K-14 for a few special cases. There is talk of using Jupiter 9-cylinder motors on some old planes which are reported of doing 400 kilometers an hour, and there is a possibility that this plane will also be adopted as standard.

Somebody has put the rumour around here that you have been spending such a long time in Turkey because the Turkish Hawks have not come up to their promised speed and that you are having a lot of trouble with the Turkish Government about this. This rumour has probably been put out by the French, but in any case if you have time on your way back from Istanbul, it might pay you to stop here and to go to Novi Sad to refute the rumour in person.

At the same time you could break the good news to Stanojevic about the reduction in price and the announcement of the SR-1820-F-5 plane.

Even if the French should secure the general order for motors and planes, I believe we should be able to sell at least a few motors to the air force on the basis that if and when a war breaks, the Curtiss-Wright Company will be one of the first in the position to give them quick delivery on date, and it will be well for them to have some practice on these motors so as to know what to expect from these planes.

I understand that Mr. Gould of the Pratt & Whitney Co., has been here for the past week working hard on the air force.

Hoping to have the pleasure of seeing you in Belgrade on your way to Paris, I remain,

Yours very truly,

(S.) W. H. SMYTH.

("Exhibit No. 352" appears in text on p. 778)

EXHIBIT No. 353.

[Copy]

FEBRUARY 17, 1932.

A. B. MERCANTILE,
Helsingfors, Finland.

(Attention: Engineer Schroderus.)

GENTLEMEN: We are pleased to advise you for your information that the Lithuanian Ministry of Defense has ordered from us five (5) Challenger

engines for installation in their training planes. We believe that you will desire to communicate this information to the Finnish Ministry of Defense.

We would also advise you confidentially that the Turkish Government has passed an order to us for twenty-four (24) Curtiss-Hawk single seater pursuit planes with Cyclone engines, six (6) Fledgling training planes with Whirlwind engines, together with a quantity of spare engines. This information is not for publication and is to be communicated by you only in a confidential manner, should you deem it desirable to inform the Ministry to this effect.

We enclose herewith a confirmation of our telegram to you of this date, informing you briefly of the new type of light observation and reconnaissance plane which we are now in a position to offer at a remarkably low price. This plane has a very high performance and is equally satisfactory mounted on wheels, floats, or skis. Should the Ministry be interested we would be pleased to forward full details of specifications and performances.

With kind personal regards from the undersigned.

Yours very truly,

CURTISS-WRIGHT EXPORT CORPORATION,
MELVIN HALL,
Vice President & General Manager.

MH
EMG
enc. 1.

(There was no exhibit marked "No. 354")

EXHIBIT No. 355

Air Mail
185

FEBRUARY 9, 1933.

MR. ELMER J. FAUCETT,
*Compania de Aviacion Faucett, S.A.,
Apartado 1429, Lima, Peru.*

DEAR SLIM: Just received a letter from Jerry Wagner stating the Peruvian Government is insisting upon a duty of 5 percent on a declared value of \$3,000 for bringing the "Rambler" into Peru from Chile, and is also insisting that the duty be paid in Chilean pesos at an exchange of 45 pesos to the dollar. This is the bootleg rate of exchange—the official Government rate being 16.50 pesos to the dollar. The Peruvian Government is entirely out of order in their demands. Will you kindly see what you can do about it?

If the "Rambler" is taken into Peru, please have it definitely understood that the machine does not belong to you, but is the property of the Curtiss-Wright Export Corporation of New York. This is for the purpose of preventing any possibility of confiscation during the period of the Government's little comic-opera war.

Sincerely hope the work of setting up and delivering the Hawks will progress smoothly. Jack Jennings' dad had a letter the other day stating that it was probable that the Hawks would be assembled in Las Palmas, instead of at Ancon. This leads me to believe that they intend to ship the pontoons up the Marañon River, and fly the ships on wheels to that point, instead of going in directly from the west coast over the hills to the Amazon with the pontoon equipment.

Is there any possibility of selling Peru additional Hawks or additional equipment of any kind?

I am very anxious to get back to Lima as quickly as possible and may be able to leave here within the next 4 or 6 weeks.

Please remember that no spare engines have yet been purchased for the Hawks, so please bring a little pressure to bear on the Air Corps officials and on Mr. Fardo, and see if this business cannot be concluded in the near future. For your confidential information, you might diplomatically inform interested parties that your neighbor to the extreme north is still purchasing in large quantities. Do not overlook such items as bombs, ammunition, machine guns, equipment, etc.

My kindest regards to all the boys and best of luck.

Yours sincerely,

C. W. WEBSTER.

P.S.—Are you serious about the little party on March 4?

EXHIBIT No. 356

[Copy]

338

NOVEMBER 1ST, 1933.

Mr. JOAQUIN SAMPER H. (UMETA & SAMPER),

Apartado Postal 536, Bogota, Colombia.

DEAR MR. SAMPER: Sorry to say that the press of other matters has prevented my writing you recently.

Lt. Gonzalez arrived here and delivered the two films which we have found very interesting to see. I am having copies made and will return your negatives when this is completed. I am somewhat at a loss, however, just how to return them as I imagine there would be all kinds of custom difficulties if we simply mailed them to you. Please let me know, therefore, the procedure we should follow in this connection.

I am very favorably impressed with Lt. Gonzalez, and we have arranged, together with Mr. Olano, to take him into our factory in Buffalo just as soon as the necessary government permission is obtained, where he will have an opportunity to study the methods which we employ in the manufacture of our aircraft. Mr. Olano felt that this was the purpose to which he wished Lt. Gonzalez' efforts directed. You may be sure that we will do everything to see that his stay in Buffalo is pleasant, interesting, and instructive.

We have recently signed with Mr. Olano a contract covering one more Trainer. The price at which the plane was to be sold is \$6,225.00 f.o.b. our factory, St. Louis. While the contract is prepared and signed here, Mr. Olano explained that, due to the emergency situation no longer existing, it was necessary to have this contract approved in Colombia before we could proceed with the order and receive the customary deposit. Although this contract was signed on October 16th, we have not yet been instructed by the consulate here that authorization has been received from Colombia. You might look into this matter in Bogota and see if you can hurry it up.

In one of your recent letters you refer to the attack-type military monoplane which we are building under contract for the U.S. Army—Army designation A-12. We have not sent you any information on this plane other than the official release due to the fact that we are not permitted to give out any information on this plane by the U.S. Government. This is in accordance with their customary policy whereby newly developed planes are not released for export sale until they have been one year in operation by the U.S. Government. We will be very pleased indeed to submit full specifications and details on this plane just as soon as it is permitted by the Government here. It will be very interesting for Lt. Gonzalez to be in Buffalo while we are building up these forty-six planes now on order for the Government. We expect the first of these to be completed along in December, so he will be there just at the right time.

When we will be able to offer these planes for export sale, we do not know, but it may be several months before we can do this. Meanwhile, I think you should concentrate your efforts in endeavoring to get further orders for Hawks and Falcons, as we feel that the Colombian Government, now that they have made such a splendid advance in building up an air force, should not permit these efforts to lag. There is no telling when they will need a very strong air force.

We also suggest that you give very serious consideration to the Condor bomber, full particulars on which we have recently submitted to you. We know of no better plane in the world which is available to the Colombian Government to be compared with this Condor bomber.

Sometime ago you indicated that the Colombian Government would replace the Hawks and Falcons which had been lost. We are very anxious to know what the developments are along these lines.

According to Lt. Gonzalez, the current opinion in Colombia is that the negotiations with Peru will come to naught, in which case Colombia will again be faced with the necessity of a strong air force. We know, as a matter of fact, that Peru has not been idle in adding to their equipment, and, unless Colombia maintains and increases their air force which they have now started, they will lose the advantage which they now have.

We note with interest your activities in appointing a representative in Cali to be near the school, and we should be very interested to receive reports of the school's operation and advices in connection with our planes operating there. You will recall that some time ago you submitted reports in connec-

tion with various complaints about the Trainers. We have written you fully in this connection and are awaiting your advices as to what action we should take. We want the Colombian Government to be thoroughly satisfied with the equipment which they have purchased from us, and as you know we have offered to make good any defects that there are, but we must know what these are.

We have sent, as you requested, a number of booklets to your Cali office. We will, of course, continue to correspond directly with you in Bogota as in the past.

I think you know that Mr. Olano has resigned as consul general here in New York and has now gone in for aviation in a serious way. He has arranged, together with Mr. Santos, to take the United States Navy course at Pensacola, where he is now. I have been in conference with him on this program for many months past, but as he requested that I treat this confidentially, I have not felt free to tell you anything about it. I have done everything possible to assist him in his plans and will continue to do so.

It will be an excellent thing for Colombia to have these Navy-trained officers available. Mr. Olano is very enthusiastic about the development of aviation in Colombia, and with the thoroughly practical groundwork which he will obtain during the next year while undergoing his training, it should make him not only a most competent pilot but give him great experience and knowledge of aviation in general. I am very pleased indeed that he is taking this course. He has the great natural ability as a pilot, and I have cooperated with him here in arranging for him to do quite a little flying before he went to Pensacola.

Mr. Oscobar is now acting consul in New York and I am confident that our friendly relations will continue there.

We must, however, look to you to actively push the sale of our equipment in Colombia, and we trust that you will spare no efforts in endeavoring to arrange for the Colombian Government to place some further orders. Any information you can give us in connection with this matter will be greatly appreciated.

Kindest personal regards.

Sincerely,

CURTISS-WRIGHT EXPORT CORPORATION,
(Sgd.) W. F. GOULDING, *Vice President*.

WFG/f

P.S.—Have the models for the minister of war been located?

P.P.S.—Have just received your letter dated Oct. 28th, #465. We have not received any report from Todhunter outlining further details in connection with the troubles experienced with the Trainers. Kindly check up on this and send us a copy.

I have noted your remarks about the models and hope that these will be located very shortly. Please keep us advised regarding the developments of your investigation.

W. F. G.

EXHIBIT No. 357

LIMA, *December 16th, 1933.*

Mr. OWEN SHANNON,

Curtiss-Wright Export Corp., New York City.

DEAR MR. SHANNON: I have a number of notes and communications on my desk not pertaining to any direct interchange of letters between ourselves but that I felt like writing to you about if for no other reason than that of giving you a feel of the pulse in Peru.

Sales of airplanes are off for the time being, principally for lack of funds. The arrival of the last of the English ships together with the arrival of the first batch of French airplanes has probably been just as important in slowing up my work. The political situation in the country has taken a turn towards the bad, and I understand from Web that the Rio conference will turn out to be useless.

The Peruvians apparently have just received a good burning on the Fairy Fox. This ship at sea level cannot catch up with our old Stinsons, with the Stinson cruising at 1,750 r.p.m. and the Fairy running wide open. I'm thinking the Colombians will have a few good chuckles with their new Falcons at all altitudes under 15,000 feet and in all probability at the high altitudes as well. These things are being pointed out to all the officers not concerned with the purchase of the English and French equipment.

The first French airplanes to arrive have been Morane trainers with 120 hp. Lorraine engines. The ship looks flimsy compared especially with the Fledglings and the Consolidated jobs here. The French pursuit ships are the Petrel (probably a Nieuport) with 500 hp. Lorraine engines. This ship is a high-wing monoplane with *wing radiators*. The French claim 35,000 feet ceiling but in South America, very few people believe a Frenchman anyway.

I am unable to get a decent figure for the Wooten Falcon. They have offered a price of \$5,000.00 which is ridiculous and it appears improbable that they will pay more unless we get a change of inspector generals, at which time I could bring the matter up again. Please advise Web in this connection. This ship needs recovering badly and I feel that the price agreed to between Web and Faucett is reasonable. This ship should be flown at least once a month in order to keep the motor from rusting, even though the motor is being turned over a few times once a week. I think the Ecuadoreans might buy this ship if it was recovered; why not contact Flores Guerra about it?

The trigger motors have arrived and I am attempting to have orders issued whereby I can be assured that they will return the old ones.

On our bomb quotations, we are lower than any other American quotation but still a little higher than the Vickers people. Our deliveries are far superior, however, and we stand a good chance of securing this business.

As regards your #10 of the 28th ulti., better send me along the three instruction books as requested. All the ones previously sent to the Faucett Company have been properly distributed.

I understand thru Web that Casey has a new portable boundary light. We might be able to sell some here for use down in the jungles. Web had with him a working model that I would like to get if he brought it home with him.

Will you be kind enough to mail me a pair of "American Transport" goggles with calobar lenses. These are for my own use. I will mail you the necessary funds the moment I hear from you.

Proposals have been submitted on all the items we have exchanged correspondence about. I am still waiting for prices on horizons and directional gyros. Will appreciate this information as soon as available.

Sincerely yours,

DAN E. TOBIN.

EXHIBIT No. 358

MARCH 15, 1934.

To: Tobin, Lima Peru.

From: Webster.

Good work have received deposit. Stop. Airmail contract immediately and have minister marine instruct bank Chase to establish irrevocable credit balance Stop. Confidentially your competitors have just placed order 23 additional Falcons, 15 Hawks, but no deposit yet. Stop. Strongly recommend Peru make deposit immediately additional Hawks, Falcons, for delivery priority. Stop. Your present schedule ends May 28 but starting May 14 can deliver two additional airplanes each week until June 1st, then four each week until July 1st, then nine per week but you must act immediately. Stop. Can begin delivery Ospreys forty days at rate of two possibly three each week depending quantity c.i.f. price \$18,500 each including two bomb racks, machine guns, and \$1,000 commission. Stop. Have guns for nine Falcons, three Hawks, but Colt factory swamped possibly necessitating European guns for additional contracts will this be satisfactory. Stop. Recommend using Cyclone two engine and aluminum finish. Advise will telegraph later regarding Condors and used planes but sell Wooten Falcon for \$10,000 including \$1,000 commission. Stop. How about parachutes.

EXHIBIT No. 359

[Copy]

[Via air mail—#1011]

MAY 3, 1933.

Captain C. K. TRAVIS,

c/o American Consulate, La Paz, Bolivia.

DEAR CLIFF: The Fairchild Company is anxious to know what the prospects are for the sale of some of their aerial camera guns in Bolivia, catalogues and prices on which were sent you with our letter of March 9th. As I advised you at that time, Fairchild have given us temporary exclusive representation on their guns, which will not be made permanent unless we can produce some business for them. As we expect this gun to be a good seller, we are anxious to get their permanent sales rights on it and hope you can get an order for some in the near future.

During the past few days the New York papers have carried stories of the Bolivian planes bombing some of the Paraguayan rail centers with considerable success. We are glad to see they are at last making some real use of their planes, and hope their success will convince them of the advantages they would gain by getting more of the Hawks and Ospreys.

From one of your recent cables, we thought this might be the case and that they planned ordering three more Hawks and six Ospreys.

We hope these orders will be forthcoming quickly, as Buffalo will soon be cleaning up their present Hawk production, and if the order came in now we could give them much better delivery than later on.

If there are any prospects of getting some business for cartridges, links or bombs, let us know the sizes and quantity, as we believe we can now quote prices that should get the orders, particularly if we do not have to include any agent commissions.

As Web probably wrote you, Jimmy Doolittle put on a successful demonstration of the Hawk at Shanghai and is now on the way to Canton to demonstrate the first of the lot of eighteen ordered by them.

What is Bolivia using for training ships?

Our Trainer with the five-cylinder Whirlwind boosted to 220 hp., would give them pretty good performance at La Paz. We could also equip it with slots, if desired.

You could offer them the standard two-place Trainer with the 220 hp. Wright in lots of six at \$6,000.00 c.i.f. Arica. The slots would cost an additional \$300.00.

We could ship the first Trainer in five to six weeks and at the rate of two per week thereafter.

We have supplied some of these Trainers to China, and are now building six for Colombia.

We are also building three Fledglings for Colombia and if we could get an order in the next few weeks for some for Bolivia we could start shipment in about six to seven weeks and one per week thereafter.

On a lot of at least six Fledglings, equipped with the seven-cylinder Whirlwind boosted to 340 hp., without armament, you can quote \$15,000.00 c.i.f. Arica.

The armament, consisting of one synchronized gun, one flexible scarf mount and flexible gun, and two A-3 bombracks, would cost \$2,000.00 per plane extra.

The 340-hp. Whirlwind Fledgling will give a performance at La Paz of 110 m.p.h., high speed, landing speed, 30 m.p.h., ceiling, 23,000 feet.

Until we started building the three for Colombia we had not been in production on the Fledglings since 1930. However, it should be especially suitable for primary military training at La Paz. As you probably know, Brazil still has, I think, eight in use of the ten (used) ships they bought in 1931. These ships had all had considerable use here before being sent to Brazil.

Colombia also has three Fledglings still in use that they bought in 1931.

In September we offered used Fledglings through Cueto, but no more of these are available now.

Colombia now has on order three more Hawks, three Falcons, three Fledglings, and six Trainers with the 195-hp. 5-cylinder Whirlwinds.

We have heard a rumor that Peru has bought two Corsairs, but have not yet gotten confirmation of it.

I sure hope you can close some more orders soon, as things have been slowing up here during the past few weeks, and there does not seem to be much other

business in sight, except possibly Argentina and China. Several of the Central American countries are talking about planes, but they are all so broke we can't expect to get much from them.

I hope you are not finding that altitude too much for you.

Regards from the crowd here.

Sincerely,

OWEN SHANNON.

OS: D

EXHIBIT No. 360

CURTISS-WRIGHT EXPORT CORPORATION,
New York, February 10, 1933.

Mr. LAWRENCE LEON,

Avenida Roque Saenz Peno 890,

Buenos Aires, Argentina.

DEAR LAWRENCE: Newspapers the last few days have been carrying stories about the pending and probably political and revolutionary upheaval in Uruguay.

I believe it would do no harm to slide over to Montevideo as soon as convenient and contact the proper officials in an effort to promote the sale of aircraft or any class of munitions. Also, in this connection, do you think it advisable to make a personal contact with Paraguayan Government officials in Asuncion.

I know that this is a rotten trip to make up the river, but it seems to me that the Bolivia-Paraguay trouble has not yet reached its peak and the conditions instead of becoming better are gradually getting worse. If such is the case, it will be absolutely necessary for Paraguay to find the money for the purchase of aircraft and other munitions. If we are able to sell them anything, we will have to work very carefully and quietly, and possibly work through you, as an individual, as the Bolivian Government would naturally raise "merry hell" if they believed that we were dealing with their enemies.

Yours sincerely,

C. W. WEBSTER.

P.S. This morning's newspaper carried a short story about Berrisso's proposed flight to New York, up the west coast. Do you think he will actually start this time and, if so, let me have any information you can as we will naturally like to see something of him when he arrives.

C. W. W.

EXHIBIT No. 361.

[Copy]

CURTISS-WRIGHT EXPORT CORPORATION,
La Paz, Bolivia, May 17, 1933.

OS #10

Mr. OWEN SHANNON,

Curtiss-Wright Export Corporation,

27 West 57th Street, New York.

DEAR OWENS: This will acknowledge your letter #101 which was received today. Thanks for sending it c/o the consulate; that enables me to get this letter off on the mail tomorrow morning.

Regarding the camera guns, I went to work on that as soon as your letter and description was received, or rather, as soon as I arrived back in La Paz in March. The Government here has a flock of French camera guns that were purchased some years ago and I was informed definitely that they were not in the market for more guns. As a matter of fact, the attitude here seems to be against anything that cannot be used for actual fighting. For example, the practice bombs did not go over at all. I pointed out that actual money could be saved by training their pilots to some degree of efficiency in bombing, but no interest nor action was taken. They still have a number of old porcelain practice bombs but there has been no effort made to use them. I will tackle the camera-gun proposition again, but I am sure there will be no results. All

attention here is centered on actual fighting and they lose sight of the fact that the only way to produce efficient fighters is through proper and intensive training.

You are quite right in assuming that the Bolivians are making good use of our planes in bombing. They have created a real menace to the Paraguayans as well as a deep fear. The Chief of Operations in the Chaco (Air Corps) has been urging the Government for several weeks to buy six more Ospreys and three additional Hawks, and the decision now, after having passed all the minor departments and the General Staff, rests with General Kundt, Commander in Chief of Field Operations. As I wrote Web, I expect a definite answer from the Government late this week or early next week. Slowness and red tape is still the order of the day here. There also might be a chance to sell some Travelair bombers. Some of the Brass Hats who are in positions of power here, although they know nothing whatever of aviation, seem to think that the answer to the whole situation is a flock of 4,000-pound bombers. The remark was made that the Ospreys and Hawks were toys because they only carried some 460 pounds of bombs. That, of course, is the natural reaction of these people after all of these bombing expeditions with really good results. They have gone bomb-minded.

As regards bombs and cartridges, Europe has that pretty well sewed up as they can offer them at much lower prices than we possibly could on account of the exchange and cheaper labor.

I was sure surprised to learn that Jimmy Doolittle is in China. I'll bet my last dollar that he sure put on a real show for the Chinese. Sure would like to be over there to test and deliver the Hawks.

Bolivia still has a few Vickers Vendaces of a near pre-war vintage that they are using for trainers. They also plan to repair and place in service some old French Caudrons that have been lying around in the hangars for a number of years. They are not interested in new trainers at present. Fighters is what they want.

I am pushing our equipment with every ounce of energy but I think that aside from the Ospreys and Hawks, and possibly the Travelair bomber, there is little chance of introducing new equipment. Anyway, it is a consolation to know that aside from three Junkers tri-motors presented to Bolivia by Patino, there hasn't been a single plane sold here with the exception of our own.

Webster & Ashton will soon be able to take over here on business details and as soon as I finish the technical side of the negotiations I am going to shag my fanny out of here and go down to the coast where I can get a breath of air with some oxygen in it.

Best of regards to the gang in New York.

Sincerely,

(signed) CLIFF.

EXHIBIT No. 362

[Copy]

(Casilla 627. Cable address "Recneps")

JAMES H. SPENCER,
Santiago, Chile, February 14, 1933.

MR. C. W. WEBSTER,
*Curtiss-Wright Export Corporation,
27 West 57th Street, New York.*

DEAR WEB: Your letter of Jan. 31st duly received and you have of course been advised by Jerry of my negotiations with him. It was for this particular reason that I did not reply to your cable of December 30th.

The situation at present is as follows:

Paraguay, with whom I have been dealing thro' the minister here in Santiago, and also thro' an official of the same Government in Buenos Aires, have show^d an interest in at least the "Hawk" that is here. They made a counter offer for this machine equipped with armament and bomb racks, but the offer was so ridiculously low that Jerry told me that it was no use even to consult you. Only yesterday the subject came up again, and I have stood pat on the price of \$20,000, including armament, which, as you will see, does not cover very much margin, as against your figure of \$15,000 without guns.

I am of course in hopes of something materializing, but all these countries seem to take a month of Sundays to decide anything.

On the other hand, Bolivia with whom I was also negotiating, showed an interest, and the Bolivian Minister here did quite a lot of cabling over the subject.

Then Echenique started negotiations at a lower figure—with the result that my early work was lost. As I now understand the situation, Bolivia will buy *if Chile will concede* the permit to fly these two machines to La Paz.

The difficulty of more than one person dealing on this kind of business is obvious, and governments will not go very far with any intermediary unless he can show proper credentials. In the present case it was one of lower price, and a desire to buy two planes so that they should not go to the enemy.

It now remains to be seen who will eventually, if at all, obtain possession of these machines. I have advised Paraguay that the one who puts up the money first in New York will be the owner.

Chile, Argentine, Peru, and Brazil are trying to bring about a settlement of the Chaco dispute, and the two first countries (on the surface at least) are trying to prohibit any war munitions reaching destinations thro' their respective countries.

I don't see how they expect to force such an issue, as both the warring countries have international treaties on this point, which gives them full privilege.

In the meantime both countries are fighting, with the long odds in favor of Paraguay.

If you plan returning here before long, please let me know, as I would like to take advantage of your trip to ask you to bring me a few things.

With kind regards,
Sincerely yours,

(Sgd.) JAMES H. SPENCER.

EXHIBIT No. 363

CURTISS-WRIGHT EXPORT CORPORATION,
CASILLA 3098, LOS CERRILLOS,
Santiago, Chile, March 15th, 1933.

Mr. C. W. WEBSTER,
Curtiss-Wright Export Corp.,
29 West 57th St., New York City.

DEAR WEB: We cabled you on the 13th that the Peruvian Ambassador demanded immediate action with regard to delivery of the Hawk and Falcon, and the following day received your cable "O.K. delivery." From this message we understood that the \$36,000 held by the Chase National Bank had been placed to your credit without restrictions.

Now, the whole trouble is in getting permission to fly the ships out of the country. Since the money was first deposited in New York, Pancho has come along almost every day to say that he expected authorization the following day, and we are now in just the same fix as we were then. The Peruvian Ambassador came out to the factory on Monday and took up a very furious attitude over the business, saying that he had complied with his part of the contract and that it was up to us to deliver the goods. It seems quite evident that Pancho has been bluffing the Ambassador all along by saying that as soon as the money was paid the ships would fly away, little thinking of the difficulties to be met in trying to do so. With the present action taken by the Chilean Foreign Minister to foment peace in S. America, he cannot possibly give his consent to allow war material to leave Chile, especially to a country engaged in warfare. Consequently, we are stuck in the mud.

Pancho has just left the factory for the ministry in an endeavor and as a last resource to obtain permission to ship the machines by steamer to Callao and the Peruvian Ambassador has offered to pay all expense to be incurred in boxing and freight. This will not hide the fact that the planes are intended for Peru and will become known by everybody sooner or later. So we really think the minister will not offer any kind of facilities. We are at a loss to imagine what to do further, as we have thought out every possible way of getting the machines out of the country, even going so far as trying to get permission to fly them to the States.

Pancho sold the ships placed at the factory ready for flight so he says, so what more can we do? He has requested us to cable you place the \$3,000, on each ship to his credit in the National City Bank, but we have deemed it necessary to wait until something definite has been arranged about getting the planes away before doing so. If the ships cannot leave the factory (we have specific instructions from the authorities that under no circumstances must the leave the hangar) we may even be asked by the Peruvian Ambassador to refund the \$36,000 and consider the contract rescinded. Should anything develop one way or the other we will cable you immediately.

You will doubtless have heard of the unfortunate mishap which befell McMillen last Saturday in the flying from Mendoza to Santiago in a Fairchild, resulting in his death and that of the radio operator. From official reports he apparently had motor failure and tried to make a landing on the top of a small mountain, but in trying to get in short, Smithy seems to think that he caught a down current which made him crash into the side just a few meters from the top. Both McMillan and his companion were found burnt to a cinder. The accident happened only 30 kilometers from Mendoza.

The Rambler is ready to fly up to Peru and Kesler will take off as soon as we head from Faucett as to destination.

No expense has been incurred on export dues, these being waived by the Peruvian authorities on instructions from Lima.

Hoping to see you down here very soon and may you bring some of your usual luck with you.

Kindest regards and wishes.

Yours very sincerely,

J. V. VAN WAGNER.

EXHIBIT No. 364

[Copy]

CURTISS-WRIGHT EXPORT CORPORATION,

New York, March 30, 1933.

MR. JERRY VAN WAGNER,

Casilla 3098, Santiago, Chile.

DEAR JERRY: Your March 22 air-mail letter arrived this morning.

Was glad to hear that the Hawk and Falcon got away safely and with official permission.

Again please remember to refrain in all of your letters sent to this office from mentioning the name of Orsini. You can always refer to him as "Jones." Also do not converse with anyone regarding sales of machines or equipment going to other countries or any transactions concerning them. As mentioned in my previous letter, conditions are becoming very acute and I do not wish our files to contain anything with a bearing on this business. You can always send any necessary letters to my home and thereby keep them out of our files. It is perfectly all right for Pancho to mess around with things providing his activities and statements do not conflict with our present arrangements in other countries.

It is true that the French closed a contract with the Peruvian Government for 23 or 35 million francs credit which is to be spent exclusively for French equipment—complete airplanes, armament, radio, photographic, and other material. The Peruvian Government agrees to pay 700,000 francs per month, and is calling for complete delivery in 8 months. If the amount is 35 million francs (\$1,400,000) the payments of 700,000 francs (\$24,000) monthly will extend over a period of 5 years. A contract of this nature is not at all acceptable to us and we would not even consider it. I am quite sure that after the material has been delivered, the French outfit will find itself very much out of luck on the remaining payments. This contract is identical in many ways with the previous contract with United Aircraft, except that the amount has been increased and the time has been extended. In view of past Peruvian Government performances and the fact that United Aircraft is still holding the bag for about \$700,000, I cannot possibly conceive of anyone stepping into another and similar situation. I believe it is merely a move on the part of the French, with French Government backing, to make a gift to the Peruvian Government of this aircraft equipment for the purpose of establishing French equipment in Peruvian Government service. I also believe that the

French will follow their usual practice in handing the Peruvian Government a lot of junk and that the ultimate reaction will be very much in our favor. I hate to think of the Peruvian pilots flying this French equipment against Colombia and the 700 h.p. Cyclone Hawks.

I am giving you this information so that you may be in a position to offset any adverse publicity which may be passed around Santiago.

At the present time, I understand that 12 Breguet, 12 Potez, and 12 Morane machines have been designated and that training planes also will be provided.

Please see Commandante Aracena or other Air Corps officials and advise them that you have been instructed by the New York office to close the Los Cerrillos factory unless the Government sticks to its agreement to provide necessary work to keep it going. This means that the Government will have to order the necessary material to rebuild additional Hawks and Falcons.

Also, you have not replied to my previous question as to what has become of the dollars that were sent to Chile for the credit of the Chilean Government. Has this money been spent for the purchase of material in foreign countries or is it still in the National City Bank?

It is absolutely impossible to maintain the factory on an inoperative basis as its costs are prohibitive.

Another matter which I wish you would take up immediately and possibly through Dias Lira is the question involving the possible manufacture in the Santiago plant of airplanes intended for other South American countries. This is in view of a possible embargo on the part of the League of Nations and the United States Government. In other words, would we be permitted to ship material into Chile for assembly and fabrication for such countries as Colombia, Ecuador, Peru, Bolivia, etc.

Another point which you brought up in a previous letter is the fact that the Chilean Government would undoubtedly require us to pay a tax on the 10 Falcons which were sold last summer and fall. If this matter comes to a head, please remind the Chilean Government that we paid to them \$3,000 commission on each of these airplanes and that we certainly do not intend to pay the Government additional sums on this business. You can remind Aracena, but I do not believe that he is in back of such an idea, or any other officials, such as our two young lawyer friends, that they are in no position to ask us to pay a tax on this business. I think you understand what I mean.

Give Rogers of Irving Air Chute Company all the assistance you can. I told the Irving Company that the Chilean Government had not repacked their parachutes since the day they purchased them two or three years ago and it is highly advisable that some steps be taken to install a parachute department in the Army Air Corps for the proper handling and servicing of their chutes. Also remain as closely as you can to Rogers and see that he makes no price proposals without first consulting us. He did this in one or two other countries and it seriously embarrassed our business dealings. He must remember that Curtiss-Wright Export is selling representative of Irving in South America and that he must be guided by our policies and our prices. He is a direct factory representative but has no authority whatever to quote prices to our customers without first consulting us.

Regarding Byrne and the story you told Woodling, I feel that there is some action that you can take to prevent him from circulating around Santiago and recounting stories of his connections with Curtiss-Wright. If he is still a British subject, why not take this matter up with the British Embassy and see if something cannot be done to curb his activities.

Is Merino still in Santiago and what is he doing? The last time you mentioned him he was connected with the National Air Lines but recently MacGregor told me that he had left his outfit and was doing nothing.

Also is Marcial Arredonda still in the Air Corps and what is his connection?

Our particular situation in Chile involving the factory is slowing up considerably and it is imperative that something be done immediately to make the Air Corps realize the factory faces a complete shut-down unless they step on the gas, order some material and permit us to proceed with the overhaul of some of their cracked-up ships.

It is highly advisable that you ascertain what has become of the dollar account which we established in the National City Bank in Santiago for the Government's credit. It is naturally our desire to draw on this particular

account for the purchase of necessary factory material in preference to using the dollar reserve in our own hands in New York and which is rapidly disappearing. As soon as this is spent, the factory cannot possibly operate.

Not having been in Santiago for a few months, I have not the true picture of affairs but my impression is that Aracena has slowed up and is doing practically nothing to keep the ball rolling. Please see him immediately and bring this matter forcibly to his attention.

Do not forget that we still have available Conqueror Hawk in Holland. You might mention that to your friend, the ambassador, but in all correspondence regarding this particular individual and subsequent sales, I believe it advisable to carry on your correspondence with me, personally, instead of running it through the office in case of possible future percussions. If you were able to secure the release of the Hawk and the Falcon going to Peru, it is assumed that additional permission could be obtained for other operations. Get onto this job immediately and let me have all the information obtainable and what we could possibly expect in the way of Chilean Government cooperation or in the way of cooperation from individuals.

In one of your last cables, you state that the Hawk and Falcon were delivered without armament. What happened to the material in the tail of the Falcon?

Kind regards and best wishes to you all.

Yours sincerely,

C. W. WEBSTER.

P.S: Have you sent the Rambler to Peru?

EXHIBIT No. 365

[COPY]

URUETA & SAMPER H.,
Bogota, Colombia, S.A., April 3, 1934.

43/504

Mr. W. F. GOULDING,
V. pres., Curtiss-Wright Export Corp.,
30 Rockefeller Plaza, New York, N.Y.

DEAR MR. GOULDING: Since writing you last, March 24, I have received your letter #369 of March 22. This has served to confound me further, for as you know from cables exchanged between us I have been working under a continual series of assertions, denials, and confusion. I have only recently been assured by the highest executives that the order for the six Hawks and eight Falcons had been definitely placed at last, but your letter under reference, listing the difficulties which had been encountered there, together with previous contradictions, causes me to again doubt that the business has been actually consummated and so until I receive your written or cabled confirmation I shall continue to suffer the harassing uncertainty as to what has or has not been done.

Whereas, I can appreciate your viewpoint regarding your policy of not restricting sales to any one country in a certain geographical division, you can likewise understand that the position taken by the directors of your firm to sell to Colombia's potential enemy has greatly jeopardized future sales possibilities to this country. I have, of course, expended every effort to counteract the unfavorable impression created at the ministry when they received the information, but what the result will be over an extended period of time only time can tell. As you have undoubtedly guessed the usual confusion prevails in that sector and any definite prophesy would be of little value.

Referring again to the discussed order of 14 additional units, I should appreciate being informed at the earliest opportunity under the supposition that the order has been placed, what arrangement was decided upon regarding the machine guns.

The list of recommended spare parts has been delivered to the proper authorities of the aviation department and I hope to soon be able to advise you of a favorable decision regarding the placing of the order.

Yours very truly,

URUETA & SAMPER H. (SUCS)
J. SAMPER.

EXHIBIT No. 366

CURTISS WRIGHT EXPORT CORPORATION,
Casilla 3098, Los Cerillos, Santiago, Chile, May 6, 1933.

Mr. C. W. WEBSTER,
*Curtiss Wright Export Corporation,
29 West 57th Street, New York City.*

DEAR WEB: Your letter dated April 27th, #86, to hand this morning.

With regard to the shipment of material to Peru, we have already cabled that according to the Chilean customs law, transshipments are permitted in any port, without being called upon to pay import duties, but as the material is for war purposes, it would be necessary for you to get definite information from the Chilean consul general in New York, before embarking on such a venture.

Regarding the other question you wished us to take up with Diaz Lira, and about which we have written you previously, we confirm our cable of the 4th inst. as follows:

(Part) "Government issuing decree making effective paragraph 7 your agreement Jessen dated 30th Sept. 1932."

Aracena and the Minister of National Defense are very anxious that the factory should be kept going, and if possible commence on production again. The President, Senor Alessandri, is very interested in the factory and would like to see our activities increase.

In my letter of 29th April I wrote about a visit we had from Mr. Bofil, who was interested in buying six planes, with armaments for Peru. We have had another visit from Mr. Bofil, and he showed us a letter he had received from the Peruvian commercial agent in Valparaiso, which proves that the Peruvian Government is actually interested in acquiring six airplanes as soon as possible. According to Mr. Bofil the commercial agent has more power in these questions, than the ambassador, as he is responsible for the purchase of material and produce for the Peruvian Army. We advised Mr. Bofil that we could not do anything in the matter and it would be necessary to make some arrangement with the Chilean Government if Peru wanted six plants urgently. It seems that Mr. Bofil is well-known in the Government and has been at work trying to get the Air Corps dispose of the three last machines repaired in the factory and three others undergoing repair. The director of material was sent out yesterday by Aracena to talk the matter over with us, and the idea is for us to take over the six planes—in a figurative way—and for us to sell them to Peru. The Air Corps will fix the price and the money will be placed to your credit in N.York. This money will then be utilized in buying modern equipment for Chile. Everything looks pretty hopeful and the Air Corps are anxious that the business results. As soon as anything definite has been arranged I will cable you.

To our cable referred to above we added: "Permission Falcon ready few days."

We expect early next week to have Capt. Wooten's Falcon ready for flight to Arica with all papers in order. Marcial Arredondo will not be able to fly the machine up the coast, but we will get hold of another reliable pilot. Up to now Capt. Wooten has no word from Washington that we have taken over the Falcon, so we cannot very well take off the numbers and signs until he does. Perhaps he will receive this week-end some instructions from the States in this connection. The only work which will be done is painting out the U.S. signs and we will also dope the fuselage. With this covering of dope, I think the fuselage will be O.K. and remain in first class condition for a long time.

As requested we will send the accessories and spare parts to Faucett by an early steamer. You suggest British or Italian lines. I think it will be more convenient to have them shipped up by one of the Chilean boats, if there are no restrictions on such materials leaving the country for Peru.

Best regards and wishes.

Yours very truly,

J. V. VAN WAGNER.

EXHIBIT No. 367

CURTISS WRIGHT EXPORT CORPORATION

Casilla 3098, Los Cerillos, Santiago, Chile, 29th April, 1933.

Mr. C. W. WEBSTER,

*Curtis Wright Export Corporation,
29 West 57th Street, New York City.*

DEAR WEB: I confirm the recent cables exchanged regarding Capt. Wooten's Falcon. After advising you that the Peruvian Ambassador had told us no reply to our offer had been received from his Government, we received a visit from a Mr. Bofil on the 20th of this month, with the object of making a deal for some interested party in Peru. He gave us to understand that the Peruvian Government wanted to acquire urgently 6 airplanes with armaments. It all seems very queer to us that outsiders are allowed to deal in these matters and from the foregoing it would appear that the Ambassador is playing some card with Mr. Bofil. Outside Aracena and the Paraguayan Minister, no one else other than the Peruvian Ambassador should have known that Capt. Wooten's plane was for sale. As you apparently wished us to dispose of the U.S. Army Falcon to anybody, we therefore made the same offer to Mr. Bofil who seemed to know the machine was for sale. The day we received your cable advising us to have the Falcon sent up to Arica with destination Lima, Mr. Bofil came to tell us that his "client" was about to close the deal. In view of your instructions we had to tell Mr. Bofil we could not do the business. We have had the Falcon registered in my name and taken out the necessary documents; we are still short of the most important item, and this is the Government's permission to fly the ship to Arica and then out of the country. Aracena is trying to use his influence with the Foreign Minister and Minister of National Defence, and will let us know how he makes out in a day or two. You must not forget the great trouble we had in getting the other Falcon and Hawk away. Arredondo will return from his vacation next week and we will see if it will be possible for him to fly the plane to Arica.

We cabled you this morning that Capt. Wooten is still without news from Washington about the ship being taken over by us, and we hope instructions will be cabled him in this respect at any moment, so that we can proceed to take out the U.S. Army signs and paint on the new registration number.

The Rambler has been ready to fly since Thursday, but has not been able to get away owing to bad weather. We secured the services of Senor Echegaray (Salavador's friend) and he took off on Thursday morning but returned after an hour as he could not get through the clouds. We had to install a reserve tank in the front cockpit to carry sufficient gas to make the hops up the Coast to Arica. Also we put in new spark plugs. All expense incurred on the Rambler will be charged to New York through our books in the usual way.

Donnelly left for LaPaz yesterday. He will fly as far as Arica and take the train from there to the Bolivian capital. Cliff Travis cabled to say that an autocarril may be sent down for Donnelly. You must remember that from yesterday we lose Donnelly's time, whilst he is away, at the rate of one dollar per hour.

The other day we received at the factory one of the two extra fuselages the Air Corps wish to have repaired, but I found it in even worse state than the rejected fuselages lying on the floor, and in my opinion is beyond repair. I am consulting the director of material as to what should be done with this fuselage.

I am obliged for the photographs and information sent with your letter #83 of 5th April, and will turn over to the right quarter the material required for publication in the historical album of the Chilean Air Service. I do not think any further information will be necessary.

With regard to your cable enquiry as to whether it would be possible to transship material in Arica for Callao, we confirm our reply after consulting Diaz Lira on the matter, that the Chilean customs law permits reshipment in any port for any outside destination. We suggested, however, that, as yours is material for war purposes, you consult the consul general in New York whether any difficulty would be met in effecting transshipments in Arica. Such material, of course, could not leave the customhouse, and therefore would not pay import duties. You would have to appoint a shipping agent in Arica to

attend to the transshipments and customs formalities, and we suggested Messrs. Grace (Arica Agencies, Ltd.), who have the best facilities in that port.

We have not heard a word from Pancho yet; presume he is still in Lima, but have no idea what he is doing up there.

Kindest regards.

Sincerely yours,

J. V. VAN WAGNER.

EXHIBIT No. 368

CURTISS WRIGHT EXPORT CORPORATION,

New York, March 28, 1933.

Mr. JERRY VAN WAGNER,
Casilla 3098, Santiago, Chile.

DEAR JERRY: Enclosed is a clipping from a New York newspaper regarding the delivery of the Hawk and Falcon to Peru. I am quite sure that you did not deliberately hand out this information as in times like these it is advisable to refrain from any kind of publicity in connection with contracts in South America and especially with those countries that are in the state of war. In fact, do not release publicity of any kind unless instructed from here.

Today we received a cable from Lima asking us for prices on Colt-Browning gun equipment for both the Hawk and the Falcon. I immediately cabled you asking what armament, if any, was supplied. I recall that possibly the Falcon might have been partially supplied.

If you have not already done so, please advise immediately by cable to my personal address any developments in connection with Wooten's Falcon. I prefer to bury this transaction as much as possible as far as the office goes in order to prevent any possible adverse publicity.

The situation involving Peru is becoming very acute and is liable to be more so in the very near future. It looks to me like an embargo.

Best of luck and good wishes.

Yours sincerely,

C. W. WEBSTER.

EXHIBIT No. 369

[Via Airmail]

CASTRO LOPES & TEBYRICA

RUE DA ALFANDEGA 81-A-4 AND TEL. 3-5304

CAIXA POSTAL 2101, RIO DE JANEIRO

RUA S. BENTO 36-2A S/LOJA, SALA 17 TEL. 2-1459

CAIXA POSTAL 2672, SAO PAULO

RIO DE JANEIRO, November 4, 1932.

Mr. C. W. WEBSTER,

President Curtiss-Wright Export Corp.,

27 West 57th Street, New York City.

DEAR SIR: Not having heard from you, since your departure for the South, we assume that you have returned to the United States via the Pacific coast, contrary to your intention of passing through Rio on your way back.

Complying with your verbal instructions, we withdrew the proposals we had submitted to the Government in behalf of your company. Orders were placed for 23 Voights, 14 Boeings, and 15 Wacos, and in view of the delay in shipping these planes, due to lack of cover for exchange, additional orders were placed for other types: 2 Belancos and 20 Faireys.

Recently 28 more Wacos and 20 Moths have been purchased by the Government. Of the previous orders, 7 Voights, 15 Wacos, 2 Belancos, and 20 Faireys have so far been delivered.

Among the planes seized from the Sao Paulo Government after the close of the revolution, there are seven Falcons which are believed to have been smuggled via Argentina. We have been interpellated at the Ministry of War regarding this business, which is still being investigated by the Federal authorities, and as they mistrust that during your stay in Buenos Aires you were

instrumental in getting the Falcons in Sao Paulo, we would suggest that you send us a memorandum clarifying the situation, in order to enable us to act in your interest in the event of a possible incompatibility being attributed to your company in connection with future government business in Brazil.

The experience derived from the Sao Paulo revolution has prompted the Federal Government to expand its aerial preparedness. Accordingly, two or three new military airports are being projected and the establishment of a local airplane factory is being seriously considered, also a further increase of the military air fleet is being strongly advocated at both ministries (War and Navy).

If we are to continue as your exclusive agents for Brazil we would naturally expect your formal appointment to this effect, followed by your support in the form of sales ammunition (airplane illustrations, specifications, performances, pricing tables, etc.) to enable us to go after the prospective business herein outlined.

Thanking you beforehand for an early reply, we are,

Yours cordially,

CASTRO LOPES & TEBYRICA.

EXHIBIT No. 370

[Copy]

CURTISS-WRIGHT EXPORT CORPORATION,
New York, January 21, 1933.

MR. S. SAMPAIO,
Consul General of Brazil,
17 Battery Place, New York.

MY DEAR MR. SAMPAIO: Confirming our conversation regarding the airplanes sold to the Santiago factory, and which later in some way seem to have found their way into Brazil, I wish to advise you that this entire transaction has been definitely closed, no material is left undelivered, and all funds paid to us have been entirely used. In other words, the contract is closed with no surplus.

We are still very anxious, as I advised you, to open negotiations with the Brazilian Government for the sale of aircraft and aircraft material and also for the sale of spare parts for the Wright Whirlwind engines installed in many of the airplanes now in use in the Brazilian Army Air Corps. It would be very much to the advantage of the Government to purchase these parts direct from us instead of through one of the airplane builders, and these builders naturally would have to purchase them from us and would expect their commission. This is a matter which you intended to take up with the proper Government officials.

Another matter of great interest to us is the idea of an airplane factory in Brazil. The proposal in connection with this was submitted to the Brazilian Government about a year ago, but up to the present time no action has been taken. I should like to have some information along these lines at your earliest convenience.

Yours very truly,

CURTISS-WRIGHT EXPORT CORPORATION,
_____, President.

C. W. Webster
jc

EXHIBIT No. 371

[Copy]

[Seal—57]

BRAZILIAN CONSULATE GENERAL,
New York City, January 23, 1933.

C. W. WEBSTER,
President Curtiss-Wright Export Corporation,
27 West 57th Street, New York City.

MY DEAR PRESIDENT WEBSTER: I received today your letter of January 21st and I want to thank you very much for sending it. May I quote below the first paragraph of that letter:

"Confirming our conversation regarding the airplanes sold to the Santiago factory, and which later in some way seem to have found their way into Brazil, I wish to advise you that this entire transaction has been definitely closed, no material is left undelivered, and all funds paid to us have been entirely used. In other words, the contract is completely closed with no surplus."

Inasmuch as you are so kind as to confirm by letter our conversation, understanding my necessity of sending a document about it in my final report of the matter, I am sure that you will understand my request for a detail of the referred conversation which it did not occur to you to mention, and which it is my duty to make clear to my Government.

In our conversation you said to me that all the airplanes, which you *numbered at eleven*, were all delivered, the respective funds received, and payments made for them about the end of September 1932, but positively before the end of the revolution in Sao Paulo. In other words, the contract in question was completely closed with no surplus before the end of that revolution.

I will be grateful to you if you will confirm also by letter this detail, which I consider necessary in my report.

About the other matters referred to in the second and third paragraphs of your same letter, I am giving to them my best attention and will write to you very soon about them.

With anticipated thanks for the new favor I am requesting, I remain,

Very sincerely yours,

(Signed) SEBASTIAO SAMPAIO,
Consul General of Brazil.

EXHIBIT No. 372

[Copy]

CURTISS-WRIGHT EXPORT CORPORATION,
New York, January 28, 1933.

MR. SEBASTIAO SAMPAIO,
Consul General of Brazil,
Brazilian Consulate General,
New York, N.Y.

MY DEAR MR. SAMPAIO: Complying with your request of January 23rd, and confirming our conversation regarding the airplanes that were sold in Buenos Aires and delivered at our factory in Santiago, Chile, and which you state eventually found their way into Brazil; all of the machines contracted for were delivered and the payments received by the end of September 1932, which was before the end of the revolution in Sao Paulo.

I trust this is the information that you require.

We are still awaiting information from you regarding the possibility of supplying the Federal Government with engine spare parts, and trust that we may hear from you regarding this project in the very near future

Yours very truly,

CURTISS-WRIGHT EXPORT CORPORATION,
C. W. WEBSTER, *President.*

CW/W

("Exhibit No. 373" was marked for identification only)

EXHIBIT No. 374

[Copy]

[Air Mail #92]

MAY 13, 1933.

MR. V. J. VAN WAGNER,
Casilla 3098, Santiago, Chile.

DEAR JERRY: Your cable reading as follows was received yesterday afternoon at the house.

"Aracena offers sell outside ten Falcons, three Hawks on condition be replaced latest type. Quote price, c.i.f. Valparaiso water-cooled Conqueror Falcons, Hawks excluding all commissions."

I have studied carefully this cable but it infers several possibilities and being uncertain, I cabled you today as follows:

"Retel don't entirely understand proposition. Has Aracena customer for Falcons, Hawks; if so, where or must we find a customer? Price ten Conqueror Falcons, two guns, bomb racks, twenty-nine thousand dollars each. Three Conqueror Hawks, two guns, twenty-five thousand each. Same ships with Cyclone deduct one thousand dollars each and get much better performance."

A doubt exists in my mind whether Aracena, himself, has a customer for his used Falcons and Hawks and will handle the sale, or whether he is merely giving us the opportunity of finding a customer for his used equipment and expects to obtain a price sufficient to cover the same number of the late type of Falcons and Hawks. If this is so, he must still believe in Santa Claus, as I certainly do not know of any country in South America willing to pay \$28,000, for used D-12 Falcons and \$24,000, for used D-12 Hawks. Assuming that this is the case, he must be thinking of the deal last summer and fall when we cleaned out the Los Cerrillos factory. I do not expect that this opportunity will present itself again. On the other hand, he might be privately dealing with Paraguay, Bolivia, or Peru, and possibly Ecuador, but it seems ridiculous on the face of it that any of these countries would be willing to pay such fantastic prices for used equipment unless they were in desperate need of these planes and wanted immediate delivery.

In view of the present situation in South America, with Argentina, Chile, and Peru, considering the closing of its ports to Bolivian munitions shipments and in general declaring their neutrality, it appears that Aracena might have considerable difficulty in securing permission to ship any kind of airplanes out of Chile.

There are so many possibilities connected with this whole project that I hope you have already air-mailed me the detailed particulars. If any deal is consummated, please bear in mind that payment must be made in dollars in New York and be entirely free from any Chilean Government taxes.

You called for prices on the Conqueror Falcon and Hawk. The Cyclone-equipped machines would not only be \$1,000 each cheaper, but would have a better performance and we certainly would recommend them.

The enclosed photographs were taken in Buffalo the other day during flight tests of a Falcon on floats, equipped with the F-2 Cyclone of 700 hp., with full military load, consisting of pilot, gunner, 300 pounds of bombs, and 5 hours of fuel, it showed a maximum speed in excess of 175 miles per hour. Bearing in mind that these tests were made with floats, it is reasonable to assume that the ship will do at least 180 miles per hour with wheels. This same plane is also built for attack purposes with 2 additional guns installed in the lower wings. These would make practically no difference in the performance.

For your information we are building a demonstrator to send to Buenos Aires and should be ready for shipment in from 4 to 6 weeks. This will go down on wheels for inspection of the Argentine Army and Navy and probably will also be demonstrated in Rio.

This really is a flying machine and for its price cannot be equalled anywhere in this type of plane that can be offered for sale in foreign countries. Of course, we have other and more modern planes coming through the experimental department, but which we are unable to offer except to the United States Government.

Please continue to send me all the information you can on the Aracena project and it would possibly be advisable to continue to contact me at the house as I have a sneaking idea that Peru might be involved and I do not wish to embarrass other sales negotiations with other countries.

My sincere good wishes,

C. W. WEBSTER.

mw.
encls.

EXHIBIT No. 375

[Copy]

CURTISS-WRIGHT EXPORT CORPORATION,
New York, February 28, 1933.Mr. SALVADOR SANFUENTES,
Casilla 3098, Santiago, Chile.

DEAR SALVADOR: With reference to your cable of February 27th and your letters to Mr. Woodling and myself of November 29th:

You have apparently forgotten our conversation in Santiago covering this matter. At that time, I explained to you that you could not expect a commission of 5 percent on the sale of the last 10 Falcons, but that I would handle the matter of adjustment and take care of your interests to the best of my ability. You were apparently satisfied at the time of our conversation, and the tone of your letter of November 29th was somewhat of a surprise to me.

Going back to the original contract with the Chilean Government, you will remember that 40 machines were specified, 20 to be Falcons, on which a one-third deposit was made, and 20 more of a type to be decided upon later. Only 10 Falcons were ever delivered and paid for, and these in pesos, which we were unable to withdraw from the bank, and it then became necessary to close the factory and maintain the cost of an inoperative plant at great expense to the Curtiss-Wright Company. Later we had the opportunity of selling the 5 Falcons to another customer and subsequently the remaining 5 Falcons to the same individual. The arrangement of disposing of these 10 Falcons, however, involved the cancellation of the remaining 10 Falcons on order for the Chilean Government and also the cancellation of the 20 additional machines specified in the original contract. This naturally caused a complete upset and breakdown in our entire financial set-up for the expense of building and equipping the factory in Santiago, training the 25 mechanics in the United States, and the attendant cost of their transportation to and from the United States.

The selling price to our new customer on the first 5 Falcons was \$31,000 each, but it was necessary to pay the Chilean Government a commission of \$3,131.51 on each plane, in addition to a commission of \$4,000 on each plane to other parties in Buenos Aires in order to close this contract. The Curtiss-Wright Company, therefore, received only \$23,868.49 each on the first 5 planes, which was \$3,000 per plane under the price called for in the Chilean Government contract. On the succeeding 5 Falcons, we received from our customer only \$27,500 each, but it was necessary to pay the Chilean Government a commission of \$3,151.51 on each plane, and to other people \$500 each on the first 3 of these planes, and \$1,500 each on the last two planes. Therefore, on the 10 Falcons cancelled by Chile and sold to the other customer, Curtiss-Wright received only \$236,684.90 instead of the contract price of \$268,684.90, or a loss of \$32,000 on the Chile contract.

In your letter of November 29th you were demanding 5 percent commission on a contract for 10 Falcons sold to the Chilean Government, which the Chilean Government was unable to go through with and cancelled. It is true that you worked on the ultimate sale of the cancelled material to another customer and you are entitled to some commission, but I cannot conscientiously recommend to my company that they pay you 5 percent on the full Chilean contract price which was never received by my company. The matter will have to be thoroughly discussed and an adjustment made, as I explained to you while in Santiago.

The other matter of 20 percent commission on armament sold to us by Chile is entirely out of order, as our customer refused to pay us a higher price than that quoted by the Chilean Government, and this armament was delivered by us to our customer at exactly cost price. This money was retained by Curtiss and applied against the Chilean debt to Curtiss-Wright. This arrangement assisted us in delivering the spares which were on order, and on which you are entitled to your 5 percent commission.

You also refer to one-third payment to Curtiss by the Chilean Government on the original contract price. This one-third payment was returned to the Chilean Government when the contract was canceled.

According to our books, we owe you 5 percent commission on the contract for spare parts, which amounts to \$58,269.60; your commission being \$2,913.48. Against this there is charged \$59.56 for automobile tires purchased for you by Jerry in 1931, and charged against your commission account, leaving a balance in your favor of \$2,853.92. This is all the company owes you, with the exception of the commission on the 10 Falcons, which will have to await a mutual adjustment.

Any time you wish to confirm the foregoing statements or figures, we will be very glad to place the books of the Curtiss-Wright Export Corporation at your disposal.

I had planned to return to South America in March, but now my plans are rather uncertain, so if you are coming to the States, we can adjust everything very quickly, I am sure.

Mr. Woodling is opening an account in your name in a New York bank, and depositing your balance of \$2,853.92, and will send you the bank-deposit book and a check book.

I sincerely hope that everything is progressing smoothly. I am sorry we could not accept your proposition of selling the two planes in the Santiago factory for \$15,000 each, delivered in Argentina, this price to include your commission and delivery expense. It will be necessary for us to receive at least \$15,000 each, delivery "as is" at the Santiago factory. You know that it will be impossible to secure official permission to deliver this material in Argentina.

My sincere good wishes to Marianita and yourself, and I am looking forward to seeing you both soon.

Sincerely yours,

C. W. WEBSTER.

EXHIBIT No. 376

COMPANIA DE AVIACIÓN "FAUCE",
HOTEL BOLIVAR No. 296, LIMA,
Lima, 19th May 1933.

Mr. C. W. WEBSTER, *New York*.

DEAR WEB: Regarding the sale of aeroplanes here, many things went against us which we could not help; first, the Douglas 0-38-S were at least 15 miles slower than Douglas stated, did not have the cruising speed nor range nor ceiling. When the "Hawks" arrived without electric starters and Bank & Turn instruments, they did not like it at all; than as we all know, the "Hawk" is slow on floats, but I believe they would have bought more if it had not been for Secretary of State Stinson's note to Peru, of course it was true but it created a very bad feeling against the North Americans. Everyone was very angry, Luis Pardo told me that he would never buy any more American aeroplanes under any consideration.

Then you remember that Peru's products, such as sugar, cotton, copper, wool, etc., cannot enter the U.S. on account of high tariffs, thanks to Hoover, but go to England; Peruvians do not like it at all. Then they talked of embargoes in the States and the possibility of delays in getting ships that did not touch in Colombian ports to bring the goods from the States; delays in delivery caused Peruvians to turn elsewhere for their goods. We know that they bought 6 "Faireys" from England, they got immediate delivery from stock; these seaplanes are *supposed* to have a top speed of 200 per.

Then some French interests gave their up to 25,000,000 francs, and I believe they soon expect to receive some 27 aeroplanes. Web., it is the biggest mess you ever saw in your life, no head or tail to the show, until just recently when the new president appointed a person to control all purchases.

I suppose you know that all our planes are on the other side of the "Hill", Dan and Red also. The Government stopped our coast service on 21st of April, and Dan, Red, and Pinillos went over on Sunday, 23rd, April, in nos. 4, 2, and 6, and I took no. 8 over on 4th May. We are just now finishing no. 5 and it will have to go too, unless the was should be called off soon. Dan and Red are with the Government now.

As soon as I finish no. 5 I want to start a new job, and install a "Cyclone" (our rebuilt Stinsons carry 1,400 lbs. of pay load at 115 m.p.h.). I have everything except some tubing and the tie rods for the wings. I got the spares from Posey, Portland, Oregon, a long time ago, and they cost us \$65.00 for four spares in the rough against Stinson's \$130.00 for one finished one. I want to build this

ship with 30 square feet more of surface, 4' wider and 4' higher and about 12' longer. I am sure this job would cruise at 140 or 150 m.p.h. by cleaning up the landing gear.

The Government is highly pleased with our Stinsons and I am sure if I can get this job out within 3 or 4 months, I can control the commercial field in Peru, and then get connected up with Chile. I must do something as prices asked in the U.S. are so high that we cannot ever expect to buy the lowest priced job on the market now. I do not expect that this job, outside of the motor propeller and instruments will cost me over \$4,000—dollars gold to build—based on the experience and labor costs of rebuilding our Stinsons. This job would go to any place in Peru and get off again with a full load.

Could you get me a man experienced in building fuselages from the Travel Air Factory, and at what price? Just make a few inquiries and let me know, *do not tell anyone just yet*. Also what about a stress engineer, or who could we get to stress the job? Curtiss Stoner has helped me a good bit, he is good but has not the time to spare.

The public is complaining every day, and wants our service back. Panagra is in a hell of a fix now, they cannot very well raise prices now, and they also cannot afford to run a Ford where they do not get the \$1.80 per, and so they put on the Lockheed, and the public does not like it at all.

We are certain that the new president will put the country straight soon, exchange has improved considerably, all Peruvian products have gone up and everybody is looking forward cheerfully.

What have you heard in New York regarding "Faucett's outfit" since P. A. took over the China company? Westervelt wrote me some time ago that all their stock might fall into the hands of P. A. *This is private*. Everyone is disgusted with the Ford that Jasper sold to the Government, it cost \$5,000, plus \$8,000 freight. Red took the Ryan over the "Hill" yesterday, the "Fledglings" are in daily use and everybody is happy. They are fitted with "Challengers" and they also have three spare motors; I expect to send you an order for spares soon. Jack is working at "Las Palmas" now.

The "Rambler" had a forced landing in Chile and broke the propeller, so it is still there.

With regard to shipments to Peru, why ship anything by Grace unless very urgent? They even refused to ship two sets of cylinders to New York yesterday, so we are shipping by the Pacific Steam. These are the last two sets of cylinders to be reground. We now have 5 motors reground, all with the new forged pistons, new valves, new front sections of crankcase, new propellers on all ships, oil radiators, instruments and shock struts, motors equipped with 10-1 blowers. On my way over to San Ramon, I reached 19,000 feet with four passengers and about 100 lbs. of baggage. No. 2 turned out to be a good job with the new Wright J-6. The next day after it went over the "Hill" a Peruvian pilot taking off with a Fairchild (Panagra) crashed into the left wing of No. 2 and completely destroyed the wing and lift struts (the only damage) the Fairchild was completely wrecked.

Hope to hear soon from you, keep your chin up and your nose dry. Best of luck,

Yours,

(Sgd.) SLIM.

EXHIBIT No. 377

[COPY]

CURTISS-WRIGHT EXPORT CORPORATION
27 WEST 57TH STREET, NEW YORK CITY
FABRICA CHILENA DE AEROPLANOS

CASILLA 3098, LOS CERRILLOS, SANTIAGO, CHILE, August 22nd, 1933.

Mr. C. W. WEBSTER,

% Curtiss-Wright Export Corp.,

29 West 57th Street, New York City, U.S.A.

DEAR WEB: I have just received your letters nos. 107 and 108, and it was good to hear from you after such a long absence.

I appreciate very much your remarks on the factory administration, and am glad you do not hold me responsible for the bad luck we have had. I am

also glad at the way you have treated Shaw and he is very grateful to New York for their consideration. Donnelly is in the Chaco and I have not had any news from him since he left. I still have his checks so cannot get a signed receipt for them until he comes back.

Referring to cables exchanged in regard to the Government's offer of nitrate for new equipment, we have still been unable to get complete details from the Minister of National Defence. He has been doing a round of inspection during the last few days and it has not been possible to interview him. Salvador expects to see him tomorrow, and will then again refer to this matter. I have already written that Horace Graham is in Europe so cannot consult him in this connection.

I intend calling on Messrs. Buchanan & Co. this evening or tomorrow and discuss with them the proposals given in their letter to you of 13th July last. It occurs to me that they are mixed up in the nitrate business and probably want to pull off a deal for the Government. I cannot think of any customer other than the Chilean Government, but it seems rather strange that we should be asked to consult you with a view to carrying out the business, and at the same time Messrs. Buchanan state in the last paragraph of their letter "that the possibilities of business are great and when this purchase is put through it will only be by us." It sounds interesting and will let you know probably by this mail the outcome of my interview with Buchanan & Co.

We are still pushing forward the law for tax exemption; Aracena advised us some time ago that it was on the verge of being signed, but it appears to be still awaiting the signature of the President. We can only keep asking about it until the final stage be passed.

My farm is looking in good shape after having planted a few hundred more fruit trees and cleared all the rough stuff away. I am moving out there about the middle of next month and will let my house in town for the summer.

Thanks for your kind wishes, which both Diana and myself heartily reciprocate.

Very sincerely,

(Signed) JERRY.
P.T.O.

CORREO AEREO

P.S.—I was into see Messrs. Buchanan & Co. this morning and, as I thought, they are in the nitrate market for the Chilean Government and wish to purchase new equipment for the Air Corps, Línea Aerea, the Militia Republicana, and private individuals. Buchanan & Co.'s agents in New York are Gibbs & Sons, and they will attend to all the negotiations from that end. I suggest, therefore, that you get into contact with Messrs. Gibbs and find out complete details, as I really think there is a great possibility of good business.

Messrs. Gibbs are nitrate distributors, so they will find a market for this product, and you will merely have to quote your prices for airplane equipment and spare parts, etc.

Salvador was in to see the minister of national defense on this same matter last evening, but do not know how he made out. I will keep you posted of future developments from this side and will thank you to advise me how you make out at your end.

(Signed) JERRY.

EXHIBIT No. 378

Ex 113

CURTISS-WRIGHT EXPORT CORPORATION,
New York City, November 8, 1933.

To Mr. J. A. B. SMITH,
cc Mr. Allard, Bolivia:

Mr. Webster writes as follows regarding the terms of payment on the prospective order for Condors from Bolivia:

"I had no time to write you from La Paz just before I left as every minute was spent with Government officials right up until the train left. Bolivia wants to acquire 10 bombing planes and will take at least 7 and possibly all of them from us, providing we can make a mutually agreeable deal. They will spend from \$800,000 to \$1,000,000 with us if we can get together. Their proposition is this: Pay 25 or 30% cash with the contract and the balance

in equal monthly instalments over a period of 18 months. The entire contract to be guaranteed by the Banco Central. Of course, this is their proposition and I believe I can probably get a larger cash payment and possibly a shorter period of time. The Banco Central, while not a government bank, holds all the government's gold reserve and also the "Miners Drafts" which are really monthly taxes from the tin mines, are paid directly into the bank to the extent of about \$200,000 per month. I went over to see the President of the Banco Mercantile, whom I know, W. A. Pickwood, who is also General Manager of the Antofagasta-Bolivian Railroad and who has lived in Bolivia for a great many years. The Banco Mercantile is Patino's bank, and I believe also that Pickwood represents Dillon, Read & Co., although I am not sure. Pickwood told me that if I were able to have the President pass a law through Congress covering such a proposition and authorizing the Banco Central to make such monthly payments and then draw my contract under that law—specifying that money from the miners' drafts were to be used for the contract—the Banco Central to make such payments monthly direct to us and not through the government—that such a contract was absolutely sure. I went back to Lopez and the Minister of War and put that proposition up to them. They both told me that such an arrangement could be made and requested that Travis go down to the Chaco immediately in company with the Minister of War, Chief of Staff, and President of the Banco Central and go over the entire aircraft program with Gen. Kundt. Travis started down by train and 4 days on trucks and will come out through the Argentine frontier after this session and meet me in Buenos Aires the latter part of the week.

"Take this letter up to JAB and Tom Morgan and Jack Allard and let them read it. Here is the way I figure it might be done, providing, of course, that New York is inclined to consider such a proposal. The price I would quote would take care of an 'extra commission' and delivered in La Paz by air, the Condors would be sold for around \$70,000. For example, if the contract was \$800,000 and we were paid around \$250,000 cash, the balance, or \$550,000, would be spread over 12 or 18 months whichever was decided upon. It would require 6 months or possibly a little less to turn out the 10 ships and if the period was 18 months we could have been paid at the expiration of that time, in round figures, about \$430,000, consisting of the original \$250,000 deposit and 6 months instalments of about \$30,000 each, so that the gamble would not be great. No commissions would be paid to anyone until the entire contract had been paid for. This entire project, of course, will have to be thoroughly discussed with New York and I believe I will have time to get back home before they will wish a definite answer, and can start back here again within a few weeks after my arrival in New York.

"We have Junkers to compete with as well as the British and both have expressed their willingness to play with Bolivia. I was told frankly by Lopez, who, by the way, is just about as strong as the president, and by the Minister of War, that they have no intention of quitting the war until they get what they are after. Patino himself in Paris is supplying funds constantly and with the backing and guarantee such as I have outlined I believe that a contract would be absolutely safe. I was also asked to secure about 8 good Army bombing pilots who might be available and out of jobs and looking for a little excite and money, to come down with the ships and go to work in the Chaco for the government. This was a confidential request so do not mention it even to the Consul General. I believe your figures on costs of flying the ships down are somewhat high, as Panagra fly down their Fords and the cost is considerably lower; however, this is a matter that can be worked out later. If this project is interesting to New York, you can phone me at the Plaza Hotel in Baires but cable me first and let me know what day and time you intend to call.

"We have not been able to get very far in Chile. Today is a 'fiesta' with everyone off their jobs. Have an appointment with Aracena tomorrow morning and have spent the last two days with Merino. While he is only connected with the Linea Nacional, he is the only individual that seems to be getting any money to spend on aviation. Aracena seems to be a weak sister. Merino claims that he will have in the neighborhood of a million dollars next year for aviation and frankly and confidently urged us not to let go of the factory, but, nevertheless I intend to talk it over with the President. Merino is very close to the President and is consulted about everything in connection with aviation, to the extent of going over the head of the Minister of War. I would not be surprised to see Merino back at the head of Army aviation by the first

of the year. He told me today that he wants commercial ships as well as Hawks and Falcons and also training jobs. I can give you no more information than this until I have gone further into it tomorrow or next day.

"Harvey Brewton is here and have spent much time with him. He expects to leave on Sunday's plane for Bolivia and will also probably go down into the Chaco. Shorty Berger is also down there and additional spares, including engines, will undoubtedly be purchased. I did not answer your cable about the Osprey payment as you will undoubtedly have it within a day or two. Last Friday in the Minister of War's office I saw the signed order to cable the funds to New York but it usually takes a few days of red tape to get it through. The full payment for the Trainers was also signed by Lopez but had not reached the Minister of War, so that should go through this week or early next week. Remember that we have had exceptionally good business from Bolivia so try to be as patient as you can on the payments.

"As I told you in a previous letter, the Peruvian Government wishes also to make a similar deal with us for material as the French accepted. The French have been paid everything on schedule time and are asking to double the present contract. It is possible to work out a plan whereby we would be paid directly by the International Petroleum Company from taxes due the government for material in the neighborhood of a million dollars. Both this project and the Bolivian project can be discussed with New York when I arrive there just before Christmas. In the meantime, I wish JAB and the others would give it some thought. As I told you before, Peru expects to mix things again with Colombia. In this connection, if there is trouble on the part of Colombia objecting to us selling Peru, we can make a deal whereby the material would be intended for the Bolivian Government and shipped along with their orders to Mollendo. Bolivia and Peru are working very closely together. Chile has now lifted the ban on shipments to Arica for Bolivia and is asking for the business through her ports but Lopez told me that he did not wish to hurt Peru's feelings and although it was more difficult to ship through Mollendo, he intended to play ball with Peru."

(Sgd.) O.A.S.

OWEN SHANNON.

OS:js

EXHIBIT No. 379

[Copy]

LA PAZ, December 15, 1933.

Mr. C. W. WEBSTER,
Curtiss-Wright Export Corporation,
New York.

MY DEAR WEB: Thanks for your letter of December 6. Your other letter mentioned therein has not turned up yet. The mail service here is slow and you must be careful what you say in letters.

Condors.—Two of the ministers are at present down in the Chaco. One of them is the new Minister of Defense—Benavidez—who you met in Lopez' office, and the other is Jose Antonio Quiroga, the new Minister of War. A list of new acquisitions has been made up by the Contraloria, amongst which we have managed to place 5 Condors, but there is some talk of the Estado mayor increasing this quantity to 9 units. In their list each machine appears at \$70,000, U.S.C. The position today is that they await the report of these Ministers and more important still nobody knows whether the war will last or not. At present the League of Nations Commission is in La Paz, but everything is kept so quiet that nobody knows what is happening. The general feeling is that the war will go on and at present the Government is busy making its financial arrangements. As you know, as from January 1 Bolivia's tin-export quota is being increased by some 4,600 tons of fine tin per annum and the Government's intention is to take up 2,000 tons of fine tin for itself in order to acquire more sterling. This would bring them to £400,000. This scheme may prove difficult to work, as it will mean that the Government itself will have to buy and ship its own quota of tin, so it may happen that the miners will be obliged to deliver 100% of their monthly shipments in drafts on London to the Banco Central de Bolivia. At present they deliver 60% nominally; I say nominally because the miners are supposed to hand over as little as possible against their shipments.

With regard to our proposition, the Government's idea would be to get as long a credit as possible—say, up to 24 months, which, of course, is far too much. With the increase in the tin quota we have suggested that as they must have credit that the sale of 5 Condors be guaranteed by Patino Mines in New York, or Simon I. Patino himself, both guarantees being perfectly good, and I have no doubt you will agree to this in the event of our pulling this deal off. Naturally, our aim is to give them as little credit as possible and with the safest guarantees. No doubt the Government will also make the consul in New York intervene in the price question and probably also in dealing with Patino Mines, but before doing anything please cable us in case you are approached.

There is absolutely no doubt that things are moving in the right direction for us, and if they do buy anything, our Condors will be bought. It will interest you to know that a sale which was being negotiated by Junkers, together with the Lloyd Aereo Boliviano, for 2 tri-motors was cancelled yesterday. This was a difficult job because in the event of purchases being made the Lloyd Aereo assist the Government financially by paying for part of the machines for their own account.

We are right on top of matter and any developments will be cabled up immediately. I have the feeling that even if we do not—well, the full 5 or 9 machines—that we shall get something.

Cyclone engines.—This has been a worrying and unpleasant business and for some days it looked as if we were all in the soup in spite of the fact that most people saw through Bilbao's game. Fortunately, however, things have now completely changed with the assistance of Colonel Jordan. His telegraphic report from Cochabamba, and his personal expose here were both excellent and the whole affair, we think, has blown over to a great extent. One important thing is that Bilbao is to get out and Jordan will be made chief of aviation down there which is a God send for us. Both Cliff and Brewton are still down there and I have again wired Travis that he should stay there as long as possible specially whilst the two Ministers are still there. It is possible that Lopez will be going down as well in which case I shall ask Cliff to wait for him in Munoz or Villamontes.

I think our position as regards the Junkers' competition will also change, as Kundt is now out of it. Penaranda and Toro are now the chiefs down below, and Toro specially is a good friend of mine, and a great admirer of the Osprey. He told me this himself when he was up here a few days ago.

I am sorry that I cannot give you more definite news, but everything is undecided at present. My own feeling is that unless Paraguay comes across with some fair proposition on the war, will carry on and meanwhile Bolivia is making her own financial arrangements in case she has to carry on and meanwhile Bolivia is making her own financial arrangements in case she has to carry on. Fortunately, we are in the happy position of being able to export a valuable metal like tin, and with exports actually about to increase.

Travis's presence in the Chaco is most important, as the pilots are very friendly indeed towards him and he is very discreet in his ways. Brewton, with his knowledge, of course, is also very valuable, so between the two some excellent work must have been done. Berger is here and he started assembling the first Osprey this morning. The other two have not arrived yet, but we expect on the Alto at latest on Wednesday next. We have no news from you as to the shipment of the trainers, and if no advice has come by mail when you receive this letter you might cable us, as they are anxious to get up quickly. We may sell another two trainers. I am pushing hard on this because this will make all the pilots, specially the new ones, think Curtiss-Wright, which is bound to have influence on future purchases.

My respects to Mrs. Webster, and with best saludos from Webby and self,

Yours aye,

(Sgd.) TONY.

P.S.—If the deal looks like coming off, your presence here early in January will be indispensable. We shall cable you about this later, however. Meanwhile, I hope you will also pull off your other Condor sale.

EXHIBIT No. 381

[Copy]

APRIL 5TH, 1934.

Mr. ROBERTO ESCOBAR,

*Acting Consul General, Consulate General of Columbia,
21 West Street, New York, N.Y.*

DEAR MR. ESCOBAR: You know from copy of agreement which I handed you that we had agreed to furnish and recommend certain personnel to go to Colombia. The agreement I have reference to is one dated January 31st, 1934, under which we were to furnish an expert in the flying of Condor planes, to accompany the planes to Colombia, and remain there for a period not to exceed three months to give instruction at the school fields in the handling of the Condor planes.

We have selected one of our pilots from St. Louis who is expert in the operation of the Condor. His name is Harvey Grey, and he will be ready to go to Colombia when the first Condor is ready. Quite probably you will wish to take advantage of his services to fly the first plane to Colombia.

Under the terms of the agreement this pilot will actually be employed by us and the Colombian Government will, in turn, reimburse us on account of his services. While we would be quite agreeable to his flying this first plane to Colombia, due to this question of the pilots being in our employ, it must be clearly understood and agreed that no responsibility attaches to us after our delivery of the planes on floats, as per the contract, at our airport in North Beach. The third clause of this agreement is intended to take care of this situation.

In addition to this one pilot, we also agreed to recommend for employment by the Colombian Government, the personnel necessary to fly the Condor planes to Colombia. Assuming that Mr. Grey would pilot the first plane there would remain the requirement of two additional pilots. Due to the nature of the flight, and the importance of safe arrival, we feel that only the most competent pilot personnel should be considered in this connection: men who have had experience in flying planes of this type over long water hops.

Therefore Mr. Damon, president of our company in St. Louis, who is constructing the Condors, after considerable selection, recommended the necessary two men for this work. We have been in touch with both of these gentlemen and have discussed, tentatively, with them, the nature of this employment. They are both available, and ready to go when the planes are ready. They would both, however, like to know, as far in advance as possible, whether or not they are to be employed on this mission. I would suggest, therefore, that this matter be decided as soon as possible.

One of these men is Harry D. Copland, whose address is Garrison Road, Hingham, Mass. The other is Ira Smalling, room 501, Beaver Bldg., Madison, Wis., c/o Oscar Schwartz.

Both of these men have had considerable naval experience flying multi-engine seaplanes, so that they are thoroughly familiar with water flying and navigation, both of which subjects are of the utmost importance in this flight to Colombia. Both men have been flying continuously for a number of years, and their experience and hours of flight on multi-motored planes, both land-plane and seaplane, is well over 1,000. Both men have previously been employed in the Curtiss-Wright organization, and are well and favorably known to us. We have no hesitation whatever in recommending them for this mission, both on the basis of their experience and personality. Both men have suggested that if they are to make this trip that they be definitely assured as far in advance as possible to give them an opportunity to gather all of the data possible in connection with the particular route to be followed. Both have had flight experience in this southern area, having been airline pilots on similar routes. They wish, however, to post themselves fully on existing conditions and to determine exactly the particular route to be followed, and they point out that on account of weather conditions and the scarcity of facilities, they cannot plan too carefully on such a flight.

Both men feel that they should receive for this particular mission \$500 and expenses—assuming, of course, that the entire mission would be completed within one month from the date of their employment, and if the trip exceeds a period of 1 month they should receive additional compensation at the rate of \$500 per month. It has been our experience that for a mission of this kind it would be very difficult to interest a sufficiently high-grade pilot for

less than the amount specified, and we really feel that in consideration of the nature of the task and experience required, also the responsibility attached thereto, that this would not be a high amount to pay.

If you should desire any mechanical personnel we will be pleased to recommend them in addition to the pilot personnel. Of course, a copilot is desirable. At the time I was in Colombia the possibility of certain Colombian pilots coming up here was discussed, but if this is not done you may wish to use certain other personnel which you are organizing for Colombia, in the capacity of copilots.

One of our St. Louis mechanics seems especially interested in making this trip. His name is George Clark, who formerly made trips for us to Latin-American countries. He is a very expert mechanic and has a very pleasing personality, speaks Spanish, and in addition to his aircraft mechanical knowledge is an expert on armament.

Of course, we assume you will have radios installed in these planes. This is practically a necessity for this trip, and we will be glad to make recommendations with respect to radio operators. Frankly, we think that it would be easier and better to have these recommended by the company which furnishes the radios.

In addition to the foregoing personnel, we also agreed to recommend an expert Wright engine mechanic competent to instruct and supervise the maintenance and care of Whirlwind and Cyclone engines. This requires a very high grade, intelligent mechanic with a certain amount of instruction experience and, in this connection, we recommend Mr. George Langille, whom the writer introduced to Mr. Pradilla on April 3rd. I understand Mr. Pradilla was favorably impressed with this man and it is simply a question of whether the Colombian Government wishes to employ a mechanic as mentioned in our agreement under which we agreed to make certain personnel recommendations. The foregoing will, I believe, discharge our obligations in connection with this agreement, and we urge you to advise us promptly just what you wish us to do. I assure you it is our desire to cooperate with you to the fullest extent and assist you in every way in obtaining the services of expert personnel. If we can be of any further assistance in connection with the employment of the men mentioned above, do not hesitate to call upon us and we will do everything we can to help you.

Sincerely yours,

CURTISS-WRIGHT EXPORT CORPORATION,
W. F. GOULDING, *Vice President.*

WFG/f.

EXHIBIT No. 382

[Via air mail]

No. 53

MARCH 30, 1934.

Mr. ANTHONY ASHTON,
*Messrs. Webster & Ashton,
Casilla 144, La Paz, Bolivia.*

DEAR TONY: I have been so terribly busy here the last few weeks that I have not been able to write as frequently as I wished. In order to bring you up to date, I am covering the entire situation as it stands today.

In answer to your letter of March 17th, we are very glad that you finally were able to get a definite decision from the Government. The matter dragged along to such an extent that if you had not acted when you did we would not have been able to get machine guns. As a matter of fact, it was not until this week that we finally received a definite delivery schedule from the Colt Company. In addition to that, our own factory found it necessary to increase prices and I was forced to cable you to withdraw our quotation. Your deposit arrived March 20th and it was not until March 26th, or last Monday, that I was able to get the company to accept the order. If I appeared to be curt with you, it was because I was having a hell of a job here trying to save the business. I realize that you have your own troubles, and many of them, but so do I. I returned from La Paz on February 8th and advised the company that the contract was closed, just as the Minister and Lopez indicated. Both of these

gentlemen had asked me to do certain work up here in connection with the delivery of Condors, while arrangements were being made in Bolivia for the contract. As time dragged on and nothing happened, I was in a very embarrassing position. Then the Government began asking for lower prices. I had made myself very clear, definite on price, during conversations with the Minister and saw no reason for further discussions along this line. In fact, if they had waited any longer the price would have been higher.

We were also dealing with other customers, and your original delivery promise, owing to your delay, had been given to another purchaser. However, despite this fact, we will stick to our original promise and have the first ship ready at the factory in about seventy-five days.

In this connection you cabled last night asking for date of delivery on the first Condor. I replied as per copy enclosed. You will remember, Tony, that my promise while in La Paz was seventy-five days. You instructed me to make it forty-five days and "not to worry." This was done, so it is now up to you to smooth over any argument.

Delivery inspection: During my conversation with the Minister he asked me if we would permit the Bureau Veritas to inspect before delivery. I inquired as to what that organization consisted of and about the expense and was told that the expense would be very small. So I agreed to it. I have since made inquiries about that organization and found it to be a French outfit, which is not so good, but I will have a talk with their representative on Monday. I cannot give you any other information in this letter.

The entire idea of having the Bureau Veritas inspect the Condors before they leave for La Paz is the most ridiculous thing I have ever heard of. It is merely useless expense and a nuisance. They probably never saw a Condor before and what good can be gained by having their man in St. Louis? Haven't we delivered enough airplanes to convince the Government that we are more to be depended upon than an outside party? Does the Government believe for one moment that we would start a bunch of American pilots, all friends of ours, on a 6,000-mile flight unless the ships were O.K., and what good could the Bureau Veritas do? We certainly do not intend to permit them to come into our factory and instruct them what goes into the manufacture of a Condor. This would result in considerable delay and much expense and would necessitate a higher cost. The only thing that we will permit the Bureau Veritas to do is to receive the ships at our factory in St. Louis in lieu of having complete airplanes inspected in Bolivia as in the past. However, I will write you more about them on Monday.

Pilots: While in La Paz I offered my own services gratis and as a friendly gesture, to handle the delivery of the Condors. I also agreed at the request of the Government to secure some pilots who would remain in Bolivia and handle them in service. I told the Government that it would cost from \$150 to \$200 per week for good pilots. I can now secure them as I cabled you for \$600 for one chief pilot, \$500 for three first pilots and \$400 for copilots. The Government now decides that these men have to accept 30% of their salaries in National currency. All the good pilots want American dollars and will not accept any part of their salaries in National currency. You must have this adjusted quickly.

Delivery costs: While in La Paz I told the Government that it would cost approximately \$8,000 per machine for insurance and flight expenses. It will not be less than that. I also asked the Government to transfer \$32,000 to New York to apply against those costs. I do not care if they send me the money or send it to the consul. In fact, I do not care if they send it at all, but if they wish to get these Condors to La Paz, they should send it to someone in New York and quickly.

Within a few weeks we will have to start spending money in connection with that job and you cannot send to La Paz for funds each time it is necessary to do a little traveling or to order gas and oil to send to each place en route. You do not realize the time and work it will require of me to handle this job. First we must apply to the Department of Commerce for ships' licenses and numbers and these will have to be issued in my name. We must then apply for and receive permission from each of the countries over which we will fly and then secure permission to land at the various overnight stops. We must also contract and pay for gas and oil and have it placed at each of the overnight stops. We must also station a man at each of these places to handle fuel and make necessary arrangements for the ships when they arrive. All of this costs money and the Government must make it available for me if they

wish me to do the job. They cannot expect me to cable La Paz each time that I need a few dollars. I have a man in Washington on permits now and I am advancing his expenses myself.

Insurance: I spent all morning with the insurance people arguing about costs. On Monday morning I will have their definite proposal and will write you again.

Bomb racks: In answer to your cable of March 27th, the racks on the Condor wings will carry bombs from 30 to 120 lb. each and in the fuselage from 300 to 1,100 lb. If the Government intends to use bombs of more than 600 lb. these same racks in the fuselage will accomodate them.

A few days ago Mr. Decker, the consul general, came to the office, acting upon cable instructions from the Minister of Defence, to discuss various phases of the Condor situation. He argued about the high-priced pilots and the cost of flying the Condors to La Paz. Please be good enough to advise the Government that if they believe our estimated costs are too high for pilots and the delivery of the Condors, we will only be too glad to have them take over the job themselves. There is absolutely no profit in it for us and we are doing the job merely as a friendly act and would be greatly relieved if they would have the consul or someone else do it for us. It would seem advisable to us to deliver all four Condors at one time, but judging from your cable last night, asking for a delivery date on the first Condor, that you wish us to send them down separately. I am fearful that if we follow this procedure that considerable conversation and possibly criticism will result from some source and that obstacles will be encountered in order to delay some of the ships. However, if the Government wishes us to send them separately, we will be very glad to undertake to do so, but please have it understood that we will not be responsible for any diplomatic move that might be made by other countries to prevent us from flying these ships to Bolivia.

I believe this covers the entire situation to date and on Monday, I will write you regarding insurance costs and the Bureau Veritas.

My sincere good wishes and the best of luck.

Sincerely yours,

C. W. WEBSTER.

P.S.—Please extend to Shorty our best wishes for a speedy recovery and keep us constantly advised as to his condition.

P.P.S.—It will also be necessary for the Government to place an order for parachutes for at least eight pilots and copilots for the Condors and while they are about, they might just as well increase this number to 25 or 30 to take care of their necessary requirements.

EXHIBIT No. 383

[Copy]

HOTEL DEL PRADO,
Barranquilla, Colombia, South America, April 25, 1934.

DEAR PARM: I am enclosing herewith copies of other correspondence with the usual set for Burdie and one copy of this letter for Ralph Damon.

I spent last week-end in Cartagena with Comm. Strong and the American pilots and mechanics who have recently arrived, 24 pilots and approximately the same number of mechanics. Comm. Strong is in a little hot water and it is mostly in his interest that I am writing this letter. It seems that Comm. Strong left the States with the understanding that pilots were to be recruited who are willing to fight if necessary and instruct Colombian students otherwise. Contracts were drawn up accordingly and every one was very happy until the press got wind of the movement. The State Department then had to take official cognizance to which they were forced to react negatively in order to maintain a strict neutrality in South America. The pilots were told that passports would not be issued with the fighting clause in their contract and that should they engage in actual military combat after arriving here the consuls would be instructed to take up their passports and they would automatically lose their citizenship. A new contract was therefore drawn up, with the permission of Bogota, which eliminated the fighting clause. It seems that Comm. Strong was not consulted regarding this new contract and it was his understanding and intention all along that these pilots immediately organize as a fighting squadron and begin training as such at Cartagena.

When Comm. Strong met the pilots and was informed of the above happenings he asked for an immediate decision as to which of the two contracts they intended to keep, letting them know that he would not compromise. If they intend to instruct only they will fly only training planes and vice versa if they intend to fight. They unanimously decided to stick by the second contract, in other words, instruct only.

Comm. Strong is quite incensed as a result of their decision and I presume that he is sincere in giving the impression that he didn't know of the second contract. At any rate he wants to take immediate steps to get other pilots down here who are willing to fight. He indicated to me that he will be in hot water with the War Minister who also thought this group would function as a fighting unit (as to who gave the permission for the second contract in Bogota, Quien sabe?). I therefore told him that I would give you all the dope in order that you may help recruit new pilots if you so desire.

He thought that Ralph Damon could interest the Naval Reserve unit at St. Louis as some of these fellows had previously indicated a willingness to go in for flying of this sort. Please understand, however, that there is no obligation whatever for any action on the part of the Curtiss Co. He wanted you all to know just as another agent so to speak for contacting the type of pilot who is desirable.

He wants men with military flight training (or naval) who have been trained in dive bombing and airplane gunnery. A high type of individual is necessary in order that Colombia may have the best impression possible of Americans which impression will be reflected by their use of American goods and equipment.

Comm. Strong has consulted a lawyer here who advises that it is impossible for anyone to lose citizenship unless it is renounced or allegiance sworn to another flag. This may or may not be true but it does seem to me that citizenship could not be taken away for so small an offense as fighting in a foreign country.

With regard to the inducements, Comm. Strong advises that a contract with the fighting clause will be given for one year. This country has a big aviation expansion program afoot and there will be considerable opportunity in the field for five years to come. Contracts will in all probability be renewed if the pilot party so desires. The pay will be \$500.00 per month, half deposited in the U.S. and half payable in Colombia in pesos at the official rate of exchange which incidentally is considerably below the commercial rate.

I don't know whether you will wish to do anything about this or not, my opinion is probably not. At any rate if you do, I would suggest having the pilots write Comm. Strong at Hotel Granada, Bogota, addressing him as Mr. J. H. Strong. I would suggest that of course in any contacts with pilots it be made perfectly clear that the Curtiss Co. is in no way responsible for anything other than merely letting them know that Comm. Strong is interested. Since Ralph Damon's name was mentioned by the Comm., he may or may not wish to acknowledge receipt of this information to the Comm. direct.

I think I will have to bear some of the brunt of this holocaust by giving some of the Cuban pilots now in the country instruction on floats in order that they may begin training as a tactical unit.

With best regards,

Sincerely yours,

WILLIAM J. CROSSWELL.

EXHIBIT No. 384

[Copy]

FEBRUARY 6, 1934.

MR. ROBERT L. EARLE,

c/o Curtiss-Wright Corporation,

501 Southern Building, Washington, D.C.

DEAR EARLE: Jack Allard has asked me to write and see if you could obtain from the Army a list of about twenty-five recent graduates of Kelley Field, together with their service records, from which we could pick a number for ferrying airplanes to a foreign country with the possibility that they might obtain employment with that foreign government.

We understand that a number of Kelley graduates have been discharged recently and these are the men to whom we refer.

There exists an opening for a man in China to act as machine-gun instructor who may also be selected from this list.

Thanking you in advance, I am

Sincerely yours,

INTERCONTINENT AVIATION, INC.

pgz/mk.

EXHIBIT No. 385

[Copy]

FEBRUARY 13, 1934.

Mr. ROBERT L. EARLE,

*Curtiss-Wright Corporation, 501 Southern Building,
Washington, D.C.*

DEAR EARLE: I talked with Mr. Allard regarding the specifications for pilots and he advised that he does not wish to disclose any information regarding what countries the pilots are to go to. He wishes you to obtain the names of pursuit, bombardment, attack, and observation pilots who are interested in going to a foreign country and a specification from them as to what country they would like to go.

From time to time we have occasion to send men out and we would like to have in our files information concerning a number of such pilots.

We also suggest that you approach the Navy on this subject and obtain a list of Navy-trained pilots who may be available for such work as we at times have occasion to send out airplanes on floats.

I would suggest that you have Lt. Hollidge write us fully giving complete information as to himself with references whom we may contact and that you supply us with as much information as you can concerning him in connection with the position of machine-gun instructor in China.

We are not sure that this position is still open but it will pay about \$800 Hongkong dollars a month and should afford an opportunity for an Army-trained man to continue his work along military lines.

Sincerely yours,

INTERCONTINENT AVIATION, INC.
PAUL G. ZIMMERMAN.

pgz.mh

EXHIBIT No. 386

CURTISS WRIGHT EXPORT CORPORATION.

New York, April 27, 1933.

Mr. JERRY VAN WAGNER,

Casilla 3098, Santiago, Chile.

DEAR JERRY: We cabled you today as per confirmation attached.

The Grace Co., owing to considerable pressure from the Colombian Government, has refused to accept shipments consigned to the Peruvian Government or to Faucett, which makes it necessary to ship to the Canal for reshipment on British or Italian vessels.

The thought occurred to us that we might circumvent the difficulty by shipping to Arica and reshipping from there to Callao. Inasmuch as the Chilean Government has closed the port of Arica to Bolivia, it is possible that they will take similar action with Peru. I would suggest that you take this matter up with Dias Lira and see if permission can be obtained to go into Arica and then come back up north to Callao.

In connection with Wooten's Falcon, we have taken this over from the Army and wish to have it recovered as quickly as possible and spend as little money as possible in putting it in presentable condition. Begin immediately with your application for permission to fly it north to Lima. This particular matter will have to be handled very diplomatically and carefully. If Pancho Echenique could obtain permission for the Hawk and Falcon to go into Peru, you should have no difficulty in securing permission for this Falcon. The object is to get it out of Chile as quickly as possible, and arrange for Arrendonda to fly it up to Arica possibly, and for one of Faucett's pilots to take it up to Lima.

The accessories and spare parts will have to be shipped on a British, or Italian, or another steamship, consigned to Faucett. It will be impossible for you to use the Grace Line. Please make arrangements as soon as you can and advise me when the material has actually been delivered into your hands and send me a complete list of all equipment.

Sincere good wishes.

Yours very truly,

C. W. WEBSTER.

EXHIBIT No. 387

[Copy]

JAVIER DIAZ LIRA, ATTORNEY,
Santiago, April 20, 1933.

Mr. J. VAN WAGNER,
Manager Curtiss-Wright Export Corp., City.

DEAR MR. VAN WAGNER: After a number of conversations that I have had with several officials, I want to confirm to you what I mentioned in my letter of the 10th inst., to the effect that there is not any difficulty, as respects the Government of Chile, in the Curtiss Company extending its activities of building planes for sale and exportation to other countries. There is no regulation, neither in the law nor in the contract which resulted in the setting-up of the factory in Chile, that might prevent that activity of the company which you represent.

On the Government's part, the initiative of the factory is considered not only with acceptance but even with evident pleasure, I have today discussed this matter fully with Mr. Diego Aracena, Chief of the Air Force, who told me that he accepted with enthusiasm the notice that the factory would intensify its work and production of airplanes for sale in Chile or in foreign markets, and, knowing the importance and benefit that this would mean to the country and to the advantages that would also accrue to the National Air Force, he would support all protection with reference thereto before the Government.

On my part, although I don't see any legal reasons that could hinder Mr. Webster's plan, nevertheless, as a measure of prudence and courtesy to the Government, I recommend that you send a letter to the Chief of the Air Force, informing him of the company's plan and request his conformity with the assurance that it will be well received.

With this in view, I am enclosing a proposed letter that you can study and consult with Mr. Webster on same if you deem it necessary.

Very truly yours,

(Sgd.) JAVIER DIAZ LIRA.

EXHIBIT No. 388

[Via airmail, no. 22]

APRIL 15, 1933.

CIA DE AVIACION "FAUCETT"; S.A., APTDO 1429,
Lima, Peru.

GENTLEMEN: We just received advice by telephone from the Barr Shipping Corp., our forwarding agents, that the Grace Line notified them they would be unable to accept any shipments consigned to you that moved on their steamers via a Colombian port. Evidently the Grace Line is taking a strong hand due to the fact that they have been subject to considerable pressure on the part of Colombian Government authorities in carrying material of a military nature. Our information is that the Colombian Government knows you are buying material for the Government of Peru, and consequently, is making every effort to prevent such material from reaching Peru.

While we have not been officially informed of this from the Grace Line direct, we will take this matter up with them on Monday with a view of having them change this ruling. As far as we can see, there is no reason why they should refuse shipments consigned to you when the same thing may apply to hundreds of other concerns in Peru buying material which ultimately may reach the government. At any rate, if the refusal is definite, we could arrange to ship all your goods via the Canal. This would necessarily delay delivery of material to you considerably in view of the infrequency of sailings from Europe of

steamers that do not touch Buenaventura. We understand the service from Europe of steamers via the Canal direct to a Peruvian port is about once a month.

It may be possible that you might be able to appoint your shipping agents in Callao to receive goods in your name, and in that way avoid the Grace Line from putting a stop to direct shipments for your account. You could no doubt arrange to have the government and, likewise the Peruvian counsul in New York accept shipments free of consular fees and duties, so that the Government may continue to get material through you. We could declare the material by other terms on the bill of lading so as to throw the steamship company off the track; e.g., we could declare engine parts as "internal combustion parts"; "spark plugs"; other aeroplane parts could likewise be changed; e.g., "steel tubing" in place of aeroplane parts; "lacquer" instead of "dope", etc., etc. We suggest you act on this immediately and give us the name of your forwarders by cable, referring specifically to this letter number for our guidance. We will write you further as soon as we have had an opportunity to discuss this matter with the steamship company.

Very truly yours,

CURTISS-WRIGHT EXPORT CORPORATION,
S. J. ABELOW.

("Exhibit No. 389" appears in text on p. 810)

EXHIBIT No. 390

[Copy of telegraphic message]

To: Aeroexco, New York.
From: China Co., Shanghai, China.

Date: April 3, 1933.

About 1 to about 2 months ago I suggested Minister of Finance enter(s) (into) contract(s) acquiring large number(s) (of) military airplane(s) as protection against possible American embargo (upon) Stop Minister of Finance have signed contract (with) Intercontinent Aviation, Inc., March 29th for 96 military airplane(s) subject to cancellation 15 days notice either party(ies) (to) Stop No description(s) plane(s), no price(s), no delivery date mentioned Stop Please notify Department of State of this contract stating that Chinese Government aviation expert(s) to decide about on type(s) at a later date No publicity of any kind must not be given this matter as Minister of Finance exceedingly anxious (to) transaction not to be known anyone except Department of State official(s) Stop It must be understood that this is not purchase(s) agreement(s) and is a contract(s) (for) the purpose(s) (of) protecting Government against embargo (upon) this contract give us moral advantage(s) over competitor(s) Stop Writing fully.

mf cc Messrs. Morgan, Smith, Webster, Goulding, Shannon.

[Copy of telegraphic message]

To: Aeroexco, New York.
From: China Co., Shanghai, China.

Date: April 3, 1933.

Jouett recommended purchase 40 Northrop Aircraft Corp. bomber Stop He has suggested that he be authorized (to) return to United States in order to negotiate purchase(s) at not more than \$40,000.00 each Stop If you can work out some extremely attractive deal on the basis of 30 and 40 Northrop Aircraft Corporation and 27 Curtiss Hawks consider it advisable quote immediately Stop Love United Aircraft Exports pressing hard for business understand offering attractive price Stop British very active effort to sell I am doing everything possible.

cc Messrs. Morgan, Smith, Webster, Goulding, Shannon.

EXHIBIT No. 391

[Copied from carbon copy. Written in pencil: South American Tour 1931]

JULY 8, 1930.

Mr. J. S. ALLARD,
Curtiss-Wright Export Corp.,
 27 West 57th Street, New York City.

DEAR JACK: The following is a more or less complete outline of the conversion Mr. Farnsworth had with Fowler Barker this afternoon. Undoubtedly you are cognizant of all these facts, but it will do no harm certainly to jot them down.

It seems that Mr. Young recently received rather lengthy reports from the Commercial Attaché at Buenos Aires and Montevideo expressing their apprehension over strong European aeronautical competition. There is to be a British aircraft carrier in a river Plate around December 21st, carrying about 20 assorted airplanes of English manufacture. Italy has stationed de Pinedo as Air Attaché in Buenos Aires and is evidently making a strong bid for business. The French position was greatly strengthened by the recent trans-Atlantic flight carrying mail to South America.

There evidently was a consultation between Captain Fleming, our Military Attaché for Argentina and Uruguay and the two Commercial Attachés in these countries, and Leigh Wade, who as you know, is down there representing the Consolidated people. This conference resulted in the determination to attempt to arrange some sort of a demonstration from the United States to counteract the European activities. The Department of Commerce will possibly interview the leaders of the aircraft industry here and see what their attitude would be toward sending a group of planes to South America, possibly some of those participating in the national air tour this year. It is thought possible that if the manufacturers so desire, a delegation of them will interview Secretary Ingalls and gain his consent for the use of one of our carriers to transport the planes to South America, citing the action of the British as a precedent. Undoubtedly this demonstration if ever made tangible would visit the international aeronautical exhibition to be held at Montevideo during the first half of February 1931.

I am quite sure that this idea has not been broached to any of our competitors and nothing may ever come of it, but in the event that something does materialize we will at least have had a little bit of warning.

Very truly yours,

RPF-MB-4571

Washington File: "South American Tour, 1931."

EXHIBIT No. 392

[Copied from carbon copy]

WASHINGTON OFFICE, *September 29, 1930.*

BURDETTE S. WRIGHT, *Washington, D.C.*
 J. S. ALLARD, *New York City.*
 Carrier Trip to South America.

I was in Mr. Ingalls' office this morning and his office urged that we push in every way possible the completion of the arranging for the carrier to go to South America. Comdr. Moulton believes that we must take the matter up with the White House by possibly a head of the Aeronautical Chamber of Commerce. I know that you are handling the matter as representative of theirs, together with the help of the Department of Commerce. It looks as though I may be out of town Wednesday of this week at Dayton, but I am hoping that I may be able to delay the trip until Thursday in order to be here when you are here on Wednesday.

Very truly yours,

BSW/LH-5641.

Washington office: "Carrier Trip to South America."

EXHIBIT No. 393

[Copied from original]

CURTISS-WRIGHT EXPORT CORPORATION,
October 7, 1930.

Inter-office correspondence.

From: J. S. Allard.

To: B. S. Wright.

Subject: Naval carrier to South America.

Thanks for yours of October 3d on this subject, and as a result, Leigh Rogers and I are today drafting the letter for Fred Rentschler to present to Mr. Hoover.

We will try to get this thing through in the very near future.

Sincerely yours,

(Sgd.) J. S. ALLARD.

EMN.

Washington file: "Naval Carrier to South America."

EXHIBIT No. 394

Inter-office memorandum.

[Copied from original]

CURTISS-WRIGHT CORPORATION,
EXPORT DIVISION,
March 11, 1931.

From: Mr. C. W. Webster, New York.

To: Mr. Burdette S. Wright, Washington.

Subject: Chile, visit of Comandante Merino.

In line with my telephone conversation this morning, Comandante Arturo Merino B., Sub-Secretario of the Interior for Aviation, is the chief of all Chilean aviation—Army, Navy, and civilian. He is the biggest foreign customer we have and is entirely responsible for all our business in Chile.

During the recent visit of the Prince of Wales to Chile, the Prince personally invited Merino to visit him this spring, which invitation was accepted. His original plan was to proceed to England first, and then visit the United States, but we have persuaded him to visit the United States first in order to witness the Air Corps manoeuvres during May. He has agreed to this program providing an official invitation is extended to him by the U.S. Government through the War Department as a foreign observer.

This means a great deal to us, as Merino has never been out of his own country and has always been partial to European methods and materials until we began to supply him with equipment a few years ago. It is up to us to lean over backward in selling Merino American ideas, methods, and equipment, and upon his arrival here we are arranging an elaborate and extensive program calling for visits to various airports in this country. If possible, we would like to have you arrange for permission to visit various Army and Navy stations and have him meet the Army and Navy Secretaries, and, if possible, President Hoover. This seems advisable and necessary in order to offset the efforts of the Prince of Wales.

Until 1926 the entire Chilean Air Service was equipped with British material. It is now about 90% American.

If Merino comes to the United States, he will fly as far as Miami as the guest of Pan American Airways. We intend to pick him up at Miami with a private machine and bring him to New York. It is possible that I will have finished my work in Chile, so that I can accompany him back to the States.

Your efforts to supply an official invitation promptly will be appreciated, as I would like to extend our own personal invitation not later than the first of next week.

I am leaving Wednesday, March 18th, for Miami, where I will pick up the Pan American Airways, arriving in Chile the last of March.

In order to further emphasize the importance of making these arrangements for Comandante Merino I should mention that we have at present orders

amounting to \$1,200,000 for the Chilean Government with another million or million and a half ready to be closed within the next month or so.

Many thanks for your kind cooperation.

C. W. WEBSTER.
(Sgd.) WEB.

jc
Washington file: "Chile."

EXHIBIT No. 395

[Copied from carbon copy]

WASHINGTON OFFICE, *August 12, 1930.*

Burdette S. Wright, Washington, D.C.
J. S. Allard, Curtiss-Wright Export Corp., 27 West 57th St.
Poland

Colonel Foy of the Military Intelligence Division called Farnsworth to his office this morning and showed him some correspondence received from Major Emer Yeager, Military Attaché at the American Embassy, Warsaw, Poland. Major Yeager, among other things, said that the performance of our pilots, planes, and motors, made a profound impression in Bucharest and Rumania. He happened to be standing by the side of the Chief of Rumanian Aviation in Bucharest while Doolittle was doing his stuff. The chief apparently expected the wings to drop off the Hawk at any moment during a power dive and had never seen anything at all like Doolittle's performance.

In Warsaw, Captain Cannon seems to have carried off the honors with his superb handling of the Fledgling. He apparently put it through completely its paces leaving a firmly seated conviction of the stability, steadiness, and remarkable performance of the plane. As one Pole expressed it, he made it do everything but dance. All in all, the officials, including French and British Attachés, were deeply impressed with the power of the motors and the strength of the ships.

Another dispatch deals with the jealousy of the French and English aroused by this flight. Shortly after our demonstration was finished, France made an official flight with high ranking officers to Warsaw and Baltic countries.

This trip was made very secretly and with a minimum of publicity. Major Yeager tells of a flight of British airplanes to twelve Balkan and Scandinavian countries to be made in September. This is supposed to be merely an official flight of the Royal Air Force, but Major Yeager learned from reliable source that it was definitely planned to off-set any good impressions of American aviation made by our Curtiss-Wright tour.

Colonel Foy also had a dispatch from Warsaw enclosing what seems to be Polish pilot's licenses awarded to the members of the flight by the Chief of Polish Aviation as a mark of his appreciation. These insignia and accompanying letter are being sent to me here and I shall in turn forward them to you.

Yours very truly,

RPF/LH-4965

Washington File: Poland.

EXHIBIT No. 396

HELSINGFORS, FINLAND, *February 18, 1931.*

THE AMERICAN CHARGÉ d'AFFAIRS,
American Legation,
Helsingfors.

SIR: Pursuant to our conversation of this date, and complying with your suggestion, I beg to submit herewith a copy of communication prepared by the undersigned for translation into Finnish and submission to the Minister of Defense and certain other high authorities of the Government of Finland who have some interest and voice in the choice of a suitable high-powered aviation motor for the Finnish Air Force. This communication will be submitted in original to the Defence Minister tomorrow.

It appears probable that a decision will be reached in the very near future with respect to a moderate initial order of new motors, which immediate order will in all probability lead to further and more important orders for the same type of engine later in the current year. I am assured that the responsi-

ble technical authorities of the Finnish Air Force, while not in unanimous agreement, favor our Wright "Cyclone" R-1820. Should the decision be in our favor, it will be the first important aeronautical business in the Baltic countries placed with American manufacturers.

I have warning, however, that the decision may be influenced by political considerations, and I have good reason to believe that the Gnome et Rhone Company (French) are bringing considerable pressure to bear in an effort to secure this business for their "Jutiper" or "Mercury" engine which they build under license from the Bristol Aeroplane Co. (British). This pressure is of a nature which reflects little credit on the business ethics of the Gnome et Rhone Co. The Finnish Air Force possesses a certain quantity of Gnome et Rhone "Jutipers" and I believe that some fourteen of these engines are now in the Gnome et Rhone factory near Paris for overhaul. The company apparently agreed to carry out this overhaul free of cost, but once having received the motors they appear now to be using them as a lever, coupled with threats of making difficulties in future with respect to spare parts for the other "Jutipers" in Finnish hands, to force the Finns to divert their projected order for new motors to Gnome et Rhone.

Our European competitors are undoubtedly using both economic and political arguments against American manufacturers, and have succeeded in convincing certain of the Finnish officials in high authority that America is out of the question, or at least not dependable, for geographical and political reasons, as a suitable source of supply for military equipment. I believe their arguments fundamentally unsound and have attempted to combat them in my communication to the Minister of Defence.

It has been suggested to me, and quite strongly, that it would be very helpful if the American Legation should use its good offices in this instance to combat this propaganda of our European competitors and accredited representatives of their respective governments. Confidentially, I may mention that Colonel Vuori, Chief of the Finnish Air Force, who has stated frankly that he favors the "Cyclone" advised me last night that it would do a vast amount of good if the Chargé d'Affaires could talk personally with the Foreign Minister, the Finance Minister, the Defence Minister, and possibly the Minister of Commerce, on the politico-economic situation as it may affect the subject of this memorandum, stressing especially the fact that the United States would be a dependable and rapid source of supply for Finland under all conditions that might conceivably arise. It may be that certain of the grounds for such a contention that I have advanced in my communication to the Minister of Defence will meet with your concurrence.

It is possible that trade arguments will also be advanced against us, which would seem answerable in view of America's friendly relations with Finland, the recent decision of our Treasury Department respecting "dumping" and the vast amounts of money loaned to Finland by the United States and potentially available for future loans.

Any assistance in this matter that you may deem proper to afford will undoubtedly be of value to American export business in general, as well as being greatly appreciated by the undersigned and the interests represented by him.

Respectfully,

CURTISS-WRIGHT EXPORT CORPORATION,
MELVIN HALL, *Vice President.*

EXHIBIT No. 397

MEMORANDUM

JUNE 19, 1934.

To: THOMAS A. MORGAN.

From: ALBERT I. LODWICK.

Subject: Importance of the export market to the aviation industry.

1. From a national defense standpoint, it is essential that a large number of men be trained in the manufacture of aircraft in order to produce large quantities of aircraft in case of an emergency. Therefore, it is a distinct advantage to this country to maintain the greatest possible sales volume of

American aircraft and engines abroad in order to provide employment for the largest number of men.

2. It is estimated that 75% of the cost of producing an aircraft engine is for labor, that is, including the labor involved in the material and accessories furnished for the production of an engine.

In the manufacture of airplanes it is estimated that 66% of the total cost of an airplane is for labor, that is, including the labor involved in the manufacture of accessories and materials required for the production of the airplane.

The export business of the aeronautical industry during 1933 provided 10,620,000 man-hours of labor.

3. The export business has enabled a number of American aviation companies to continue operation. Without this business many American aviation factories would have been forced to close their doors, resulting in further unemployment as well as reducing the sources of supply for military and commercial aircraft which would be of vital importance to our Government in case of an emergency.

4. All aircraft and aircraft engines of a military nature must first be released by either the Army or Navy before an American manufacturer is permitted to ship these products to a foreign country. This policy definitely protects the United States from a national defense standpoint by retaining the latest plane and engine developments exclusively for our own military and naval air forces.

5. The export aviation business reduces the cost of airplanes and engines to the United States Government due to the fact that a proportion of the fixed charges and overhead is charged to the foreign business.

6. The greater the number of countries purchasing our airplanes and engines, the greater our knowledge of the potentiality of their air force. Our pilots, mechanics, and salesmen procure very valuable knowledge of flying conditions, terrain, available landing fields, in foreign countries, which would be of great military value in case of an emergency.

7. Licenses to manufacture American aircraft and/or engines in foreign countries have been granted, after approval by the United States Army or the United States Navy, in several cases to foreign manufacturers. It usually takes from two to three years for foreign companies to manufacture the American product, by which time that product would be in the obsolescent stage in the United States. Any restrictions upon the exporting of American aviation products will doubtless cause our foreign customers to divert their trade to foreign competitors, thus building up the aviation industry in foreign countries, to the detriment of American aviation. It will also encourage foreign countries to establish their own aircraft and aircraft engine manufacturing plants rather than depend on the United States and their source of supply. Such action by many of our present export customers would seriously affect the status of the aviation industry in the United States who are dependent upon the export field for over 35% of their sales volume.

8. The following table indicates the increasing importance of exports to the total production of the aviation industry. In 1933, over one-third of the entire production of aeronautical products was shipped to foreign countries. Aeronautical exports were larger in 1933 than any other year in aviation history. The important part played by exports in relation to our total production is due not only to the sales promotion efforts and the high quality of our products, but is also due to the cooperation the industry has received from the commercial attachés and other United States Government representatives located in foreign countries. These figures are of even greater importance when it is realized that American aircraft available for export is in the obsolescent stage and that it must compete with foreign products which are released for export in many cases after passing the experimental stage. Foreign countries have likewise assisted their commercial companies in developing business by sending their naval aviation units to foreign countries to demonstrate their latest types of flying equipment. An example of this was the visit of the British Navy to Turkey in 1929, and the flight of 35 Savoia Marchetti Torpedo and Bombing planes from Italy to Athens, Constantinople, Varna, and Odessa, in June 1929.

Total United States production as compared to exports of American aircraft, aircraft engines, parts and accessories

	Total production ¹	Aeronautical exports	Percent of total		Total production ¹	Aeronautical exports	Percent of total
1928.....	\$64,662,491	\$3,664,723	5	1931.....	\$54,520,627	\$4,867,687	8
1929.....	70,334,107	9,125,345	12	1932.....	34,861,185	7,946,533	26
1930.....	60,486,177	8,818,110	14	1933.....	25,676,165	9,203,978	32

¹ Production figures are used due to the fact that reliable sales figures are not available for years prior to 1930.

The above table indicates that the export business is more essential now than at any previous time. This business enables many factories to continue operation which will be of inestimable value to the Nation in case of an emergency. Any restrictions placed on the exportation of aeronautical equipment will divert this business to foreign competitive manufacturers as well as encourage foreign nations who are now our customers to establish their own factories to manufacture the products which now give employment to thousands of laborers in this country. Many factories must be kept in operation in times of peace if they are to meet the demands that an emergency creates.

9. During the past two years, the aeronautical exports of the United States have been larger than those of any other country. The following table indicates that the United States exports in 1933 totaled \$9,203,978 compared to \$6,210,171 for the United Kingdom, our nearest competitor. The United States exports in 1933 almost equalled the combined exports of the United Kingdom and France. However, this enviable position has only been held by American aviation during the past two years. This situation has been brought about by the satisfactory operation of American airplanes and engines abroad which have resulted in large repeat orders during the past two years. Undoubtedly, some of our foreign competitors would welcome an embargo in those countries which have transferred their purchases of aeronautical equipment to the United States, and in this way injure the aviation industry of this country.

An examination of the following figures will indicate the increasing importance of American aeronautical products in the export field:

Exports of aeronautical equipment from the United States, Great Britain, France, and Italy, 1928 to 1933

	United States ¹	United Kingdom ²	France ³	Italy ⁴
1928.....	\$3,664,723	\$6,466,898	\$5,469,027	\$2,160,909
1929.....	9,125,345	10,620,086	8,455,283	1,157,080
1931.....	8,818,110	9,971,900	8,278,452	332,055
1931.....	4,867,687	8,441,734	4,559,979	1,179,032
1932.....	7,946,533	6,107,130	2,693,393	1,272,236
1933.....	9,203,978	6,210,171	3,035,907	2,218,974
Total.....	43,626,376	47,817,919	32,492,041	8,320,286

¹ Department of Commerce, Bureau of Foreign and Domestic Commerce, Trade Statistics Division.

² "Accounts Relating to Trade and Navigation of the United Kingdom", December 1933, December 1931, and December 1930.

³ "Statistiques Mensuelle du Commerce Exterior de la France", December 1933, December 1931, and December 1930.

⁴ "Statistica del Commercio Speciale de Importazione e di Esportazione", December 1933, December 1931, and December 1930.

10. In connection with the rivalry between the United States and European nations for the export business of the world, it is interesting to compare the wages paid in order to determine those countries which have a price advantage. An examination of the following figures indicate a decided advantage in favor of our European competitors.

Average cost of labor per hour in aircraft and aircraft-engine manufacturing plants

	United States	England	France
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
Aircraft manufacturing.....	64	33	40
Aircraft engine manufacturing.....	70	34	43

In spite of the fact that England and France pay lower wages for skilled labor required in the manufacture of aircraft and aircraft engines, they pay far higher prices for their military aircraft engines, as is indicated by the following figures. The prices paid by England and France doubtless enables their engine manufacturers to carry on an aggressive experimental engineering program as well as show a profit from their operations. Such a policy keeps alive production facilities which would be of inestimable value in case of an emergency.

PRICE PER HORSEPOWER PAID FOR MILITARY AIRCRAFT ENGINES

England, \$15,000 per horsepower.

France, \$18.35 per horsepower for liquid-cooled engines.

France, \$12.50 per horsepower for air-cooled engines.

United States, \$11.50 per horsepower for liquid-cooled engines.

United States, \$7.98 per horsepower for air-cooled engines.

SUMMARY

During the past few years the United States exports of aeronautical products have increased to such an extent that the United States leads the world today in the export field. The export business constitutes a large part of the total aviation production in the United States. The establishment in foreign countries today of American aviation products is extremely important, due to the fact that many nations are today formulating the nucleus of an air force.

In future years the demand for aircraft products will undoubtedly increase. This not only means added aircraft purchases but means annual purchases of spare parts and accessories to keep their planes in operation. Further, it is necessary for these countries to purchase and set up equipment for the maintenance and repair of aircraft. If this machinery is set up for American planes, and relations with these countries are satisfactory for several years, it will be very difficult for our foreign competitors to obtain the expert business we now enjoy. These countries who are now building up an air force will purchase aeronautical equipment from France, England, Italy, or some other foreign country, if they believe that trade restrictions in the future may prevent their procuring spare parts for the American flying equipment they are purchasing today. Thus, the aviation industry of foreign nations will benefit to the detriment of the aviation industry in this country. Congressional investigations, embargoes, pacifistic talk, and propaganda will doubtless cause some of our present customers to buy abroad, due to the uncertainty of delivery and the uncertainty of obtaining spare parts in the future. The greater the volume of aviation business in this country, the better our national defense.

Restrictions on aviation exports will not only send business to our foreign competitors but will tend to cause more unemployment in this country, decrease the productive capacity of our factories, and weaken our national defense.

A policy of continued investigation, uncertainty of the future, and trade restrictions will likewise encourage many foreign nations desirous of building up an air force to establish their own airplane and airplane-engine factories rather than depend on the United States as a source of supply.

The problem settles down to a question of whether factories in Europe or the United States will enjoy this foreign business.

ALBERT I. LODWICK.

EXHIBIT No. 398

DECEMBER 10, 1929.

Mr. LEIGHTON W. ROGERS,

*Chief Aeronautics Trade Division,**Bureau of Foreign and Domestic Commerce, Washington, D.C.*

DEAR MR. ROGERS: The Curtiss Aeroplane Export Corporation has recently consummated contracts for sale of military pursuit airplanes to the Dutch East Indies and to the Siamese Government. These contracts have finally been obtained after several months of work through the combined efforts of our representatives and those of the Bureau of Foreign and Domestic Commerce.

We wish you to know how much we appreciate the splendid cooperation of your Division and of the Bureau and of the assistance given by your men in the field and your office in Washington. It is very probable that the contracts might not have been obtained had it not been for the service which your organization was able to extend, as, of course, there are certain angles of situations and information which can be obtained by an official representative of the United States Government, which would be impossible for a private individual to gain.

I certainly hope that the relation between this company and your Division may always remain as happy as they have been in the past and that you will continue to allow us the privilege of calling upon you for assistance in the furtherance of our foreign business, not only in the countries where you have already assisted us but, I hope, also in more extensive fields included in our future program of expansion. I can see where the assistance you might be able to give us in newer fields which we have not yet reached, could be of even greater service to us than in those where we have already carried on negotiations, as, of course, making the initial step in new territory is the most difficult part, unless contracts have already been established ahead of us and we are able to use them for guidance.

Again thanking you for the splendid cooperation I wish to remain,

Very truly yours,

(Sgd.) BURDETTE S. WRIGHT.

RLE/CC-2244.

Washington file: General.

 ("Exhibit No. 399" appears in text on p. 819)

EXHIBIT No. 400

[Copied from carbon copy]

JANUARY 31, 1930.

Mr. LEIGHTON W. ROGERS,

*Chief Aeronautics Trade Division,**Bureau of Foreign and Domestic Commerce,**Washington, D.C.*

DEAR MR. ROGERS: You, I know, understand the difficulties which are confronting American aircraft manufacturers in the field of sales. The over production of the past year, and the reorganizations and mergers in the industry are bringing about a general reorganization and intensification of sales methods. It will be necessary for us to indulge in much more intensive effort in foreign markets during the coming year than it was in the past.

The recent stock market conditions and their effect on the business of the country as a whole emphasize the need for such efforts in foreign markets by the aircraft industry.

My company has expressed its appreciation in no uncertain terms of the assistance which it has received from the Department of Commerce, and in sales problems, especially exports, from the Aeronautics Trade Division. As an example, your aeronautics specialist in South America was instrumental last year in paving the way for, and in the consummation of, a sale for six of our airplanes in Brazil—a market from which we had not received any business for years. Such contributions to marketing constitute aid of original and outstanding value.

Because of the strong competition offered by European aircraft manufacturers in the Far East, the embargo against United States aircraft in Australia

(which it has been impossible to have lifted through diplomatic channels and by correspondence) and the missionary work which should be done at this time in the Far East in general, we are naturally very much interested in having an impartial observer for the aeronautics industry cover those territories in the same manner in which South America has been covered by your Bureau. The time is particularly opportune to have a qualified aeronautics man visit Australia, New Zealand and, if possible, South Africa. The Chinese market needs attention particularly because of the price competition offered by European makers.

We have known for some time that the Department was asking Congress for funds to enable it to carry on and extend this foreign field work for the aeronautics industry, and this letter is being written to ask you about the status of that request for appropriations. Frankly, the company wants the assistance which these appropriations will bring into being.

Very truly yours,

BURDETTE S. WRIGHT, *Vice President.*

Washington file: General.

EXHIBIT No. 401

[Copy]

DEPARTMENT OF COMMERCE,
Bureau of Foreign and Domestic Commerce,
Washington, May 12, 1933.

Confidential.

In reply refer to 45.

Mr. C. W. WEBSTER,

President Curtiss-Wright Export Corporation,
27 West 57th Street, New York, N.Y.

DEAR MR. WEBSTER: Kindly refer to my letter of April 14, about the visit of the Brazilian Army Air Service officers who arrived yesterday on the "Southern Cross." It would be impolitic, I believe, to mention the proposition mentioned below to the Brazilian group now here.

In connection with their visit, I note from correspondence from our Rio de Janeiro office that Captain Henrique Dyott Fontenelle was not included in the mission and, according to our office, was the principal advocate of Brazil's purchase and virtual standardization upon American aeronautics equipment.

The Rio de Janeiro office suggested that some American manufacturers, or group of them, might desire to pay Fontenelle's way to this country, taking advantage of the present low steamship rates. First-class round-trip passages from Rio de Janeiro to Chicago and return now available for about \$250.00, such round-trip passages being good for a period of six months in connection with the Century of Progress Exposition at Chicago.)

It is understood that Captain Fontenelle can arrange to make the trip insofar as leave from his duties is concerned. This man has been placed in charge of the organization of the observation group of the Army.

I quote from a report dated April 13 from Mr. Pierrot, and am pleased to attach the statement referred to therein:

"I have just secured a copy of the recommendations made by Fontenelle during the first two weeks of the revolution, when the War Dept. was in a quandary as to what type of equipment to purchase, and when a tremendous amount of pressure was being brought upon War Dept. officials by French and British manufacturers to buy their equipment. This translation of Fontenelle's report is of particular interest in substantiating the statements I made in my letter to the effect that he, more than any other single flying officer, had been responsible for the purchases of the large number of American planes acquired by the Army during the latter months of the revolution."

I am passing this suggestion on to you without any recommendation on my part, as well as to other United States manufacturers likely to be interested, and who have been active in the Brazilian market.

Please let me have your reaction.

Very truly yours,

(Signed) LEIGHTON W. ROGERS,
Chief Aeronautics Trade Division.

Inclosure 68209.

EXHIBIT No. 402

FEBRUARY 18, 1931.

Confidential.

Memorandum for Mr. Dickson, Charge d'Affaires.

Referring to previous conversations on the subject of the pending purchase of aeronautical equipment by the Finnish Air Corps, for which they have appropriations totalling approximately SMKs 60,000,000 (residue from 1930 to 1931 new allowances), the immediate purchase of 10 airplanes engines, possibly 18, at around \$6,500 each, which has been debated for a number of months is, according to my latest information, to be decided on within a week or 10 days.

As you know, two American companies, the United Aircraft Export Corporation of New York, with their Pratt & Whitney "Hornet B", and the Curtiss-Wright Export Corporation of New York with their Wright "Cyclone 1820" are competing with French Gnome et Hrone "Bristol Jupiters", English Armstrong, Siddeley's "Jaguar Major" German Siemens-Halske's SH 20", and a German made Pratt & Whitney "Hornet A". I have in confidence from responsible officials of the Air Corps that the consensus of opinion of the Technical Board appointed to examine engines suitable for the needs of the Air Corps is in favor of the Wright "Cyclone", with a noticeable amount of sentiment favoring also the other American engine—the "Hornet B". Undoubtedly, however, at this particular moment, the "Cyclone" is most favored. There is too a body of opinion which has grown out of experience with French, English, and German engines, and training of the air force personnel, in the countries mentioned, strongly favoring respective French, British, and German engines. The ramifications of the tendencies to favor European engines involve personal inclinations, friendships, former alliances, and various other unidentified reasons.

It now appears, within the past several days, that while on the whole the American engine is best liked, it is doubtful if a decision to give the order for this particular group of engines will be tendered to America—and undoubtedly the company receiving the first order will logically be given the orders to follow—because no one in the council considering the purchases is willing to take the responsibility for giving the order to America. There have not been heretofore any American engines used in Finland (there is one engine from America now on test with the Ministry of Defense—a Wright "Cyclone 1750"), because of a more or less inherent belief that the Finnish Government would prefer to turn its orders to European countries on account of possible closer political affiliations with European countries in the event of war. The argument used is the above in a general way, but specifically it is stated that the comparative distance of the United States from Finland, and of the European countries mentioned, makes the possibility of securing supplies when needed must more problematical. As a matter of fact, it is the experience of importers of American goods here such as machinery, automobile, and other manufactured articles, that their orders to the United States are frequently filled and deliveries made to Finland in much quicker time than orders for similar products sent to European countries. A case in point is the Wright "Cyclone 1820" test engine sent to the Air Corps for trial. This engine was shipped from New York on June 27, 1930, and arrived in Helsingfors, July 15, 1930. The order had been placed for the shipment a week or so before June 27. The Armstrong-Siddeley "Jaguar" so I am told by people in the Ministry of Defense, took a considerable longer time to get here, being shipped from England, due principally to the length of time between receipt of the order and the actual shipment of engine. The relative shortness of deliveries from America is due to several factors inherent in American business methods (1) fast production, (2) prompt attention to orders, and (3) direct steamship connections between New York and Helsingfors each week with a scheduled time of 14 days between the ports.

This present engine order is of considerable importance to American aeronautical manufacturers; it represents the first order of any importance for engines for military use to be made available to American manufacturers in as advantageous a prospect; it is definitely the first order for airplane engines which American manufacturers have had as good a chance to get in Finland; if this order goes to America, it opens up very good prospects for future business in Finland, and would very much strengthen the chance for doing business in surrounding countries, in the Baltic States and Scandinavia. One of the American companies, the Curtiss-Wright Export Corporation, has devoted considerable time and money in following up this opportunity, which I uncovered in

October 1929; in June of last year they sent a demonstrating mission of three airplanes to Finland at large expense and since then have had three highly paid men visit Finland for varying lengths of time. The United Aircraft Export Corporation have also sent one man to Finland in connection with this matter, having shown an active interest in it some months after Curtiss-Wright had earnestly taken it up.

In view of the apparent political sentiment in the government here against the purchase of American engines, even though the Technical Board in the General Staff prefer the American engines, I believe that it would be of considerable assistance if certain government officials who might have a say in the final decision could be informed of the facts in the matter, as to American deliveries, etc.

Cordially yours,

OSBORN S. WATSON, *Commercial Attaché.*

EXHIBIT No. 403

DEPARTMENT OF COMMERCE,
BUREAU OF FOREIGN AND DOMESTIC COMMERCE,
Washington, March 24, 1931.

In reply refer to 45.

Mr. J. S. ALLARD,

*Vice President and General Manager Curtiss-Wright Export Corporation,
27 West 57th Street, New York, N.Y.*

DEAR JACK: Attached is a copy of a confidential letter from Commercial Attaché Watson at Helsingfors, and of a memorandum which he wrote to the Chargé d'Affaires of the Legation there, concerning the status of the Finnish airport engine order.

As you will see, the recent delay on the part of the Finnish Government in placing the order is due to increased pressure being brought to bear on the part of some of your European competitors.

Very truly yours,

(Sgd.) LEIGHTON W. ROGERS,
Chief, Aeronautics Trade Division.

Inclosure 38875.

EXHIBIT No. 404

OFFICE OF THE AMERICAN COMMERCIAL ATTACHÉ,
Helsingfors, Finland, February 23, 1933.

DIRECTOR BUREAU OF FOREIGN AND DOMESTIC COMMERCE,
Department of Commerce, Washington, D.C.

(Attention: Mr. Leighton W. Rogers, Chief, Aeronautics Trade Div.)
Subject: Finnish Purchase of Czechoslovak Airplanes.

SIR: I have inquired into the method of construction used by Smolick on the airplanes which the Finnish Government has contracted for and for which they also have a building license. From what I can gather, the construction used by Smolick is the dural and welded steel tubing plan as used in the United States. I believe that the wing construction is with wood longeron and dural ribs. This is the construction which is referred to in Jane's All the World's Aircraft with respect to airplanes preceding this model.

In connection with this Czechoslovak purchase, even though it was a proposition of a kind of barter, the very fact that the Finns bought from the Czechs instead of from the English makes me believe to a certain extent that all of this official pressure by the English is not as effective as it might be. I have heard the sentiment voiced recently that perhaps this official pressure proposition has gone a little too far up here. I sincerely trust that this is the case. A few days ago at a dinner the secretary of the legation was talking to Mr. Ryti, the Governor of the Bank of Finland, about Finnish Government purchases, and Mr. Ryti categorically stated that it was a Finnish Government policy to buy the best things they could at the cheapest price, regardless of political considerations. This sounds rather funny to me in the face of some-

recent Finnish Government purchases from England, but I am taking a spark of hope from this Czechoslovak order. I expect our two big companies at home, who really have spent a considerable amount of money up here in Finland, are more or less inclined at this time to let this particular small territory ride for the time being. They have not had anybody up here at all since I came back. Both of them have very good agents, but I do not think that pressure from headquarters from time to time is a very salutary thing. I certainly hope that it may be possible within the not too distant future for some sort of cooperation to be brought about between the American aircraft firms who do a good deal of export, as referred to in Mr. Warner's article about which I wrote you a few days ago so that we may then be able to take off our coats and drive right into the middle of these government orders.

("Exhibit No. 405" appears in text on p. 821)

EXHIBIT No. 406

[Copy]

In reply refer to 45.

DEPARTMENT OF COMMERCE,
BUREAU OF FOREIGN AND DOMESTIC COMMERCE,
Washington, March 12, 1932.

[Confidential]

Mr. C. W. WEBSTER,

*President Curtiss-Wright Export Corporation,
27 West Fifty-seventh Street, New York, N.Y.*

DEAR MR. WEBSTER: As you may have already heard, there is an aviation mission on the west coast from Canton which arrived in Seattle on March 8. It consists of Brigadier General Woo G. Garr, commander of the second squadron of the Canton Aviation Bureau, and Colonel S. K. Yee, Director of the Cantonese Intelligence Bureau. These officers are representing General Chang Wei Jung, Commander of the Canton Aviation Bureau whom you will recall as former Chief of the Nationalist Air Force at Nanking. According to Trade Commissioner Edward P. Howard, they came to inspect aircraft factories and advise the San Francisco Chinese regarding airplane purchases for presentation to China.

I could not advise you of their presence in the United States before, since I was requested not to from China. For obvious reasons I urge your keeping the information contained in this letter in strict confidence. Under no circumstances should any publicity be given out about the mission.

I understand that the two officers arrived from Seattle at San Francisco yesterday, where they will stay for approximately two weeks. They will then proceed to Los Angeles, Chicago, Detroit, Washington, New York, and Boston. I shall endeavor to arrange it so that they will visit Buffalo.

You will be interested to learn that there is in San Francisco a joint committee of the Chinese Chamber of Commerce and six Chinese trading companies which requested our San Francisco office to help make a preliminary survey for the use of the mission of pursuit bombing and observation planes. This joint committee has raised some funds from Chinese-Americans for the purchase of planes. Whether the Chinese-Americans in other cities who are reported to have raised, or to be raising, funds for this purpose will see the delegation is unknown. It is assumed that the officers will survey this field while here, if these activities have not already been consolidated by the San Francisco committee, since, as you know over 90 percent of the Chinese-Americans are Cantonese. Cleveland, Buffalo, Syracuse, Boston, and Detroit have been mentioned by the press in this connection.

When our office in San Francisco asked our help we sent out one of the catalogs of Curtiss military planes; also, photographs of the YP-20 and the O2C2 "Hell Diver" with statements of performance and specifications. In passing this information, we mentioned, because of the Chinese preference for air-cooled engines, that some other Curtiss-Wright planes, as made for the United States military services, were liquid-cooled and if the committee and

delegation were interested in these, your corporation would be pleased to furnish details.

You can get in touch with the mission through our Mr. Wesley Ash, District Manager, U.S. Bureau of Foreign and Domestic Commerce, at 310 Custom-house, San Francisco. In doing so please make no mention of the fact that I suggested this action.

Very truly yours,

(Signed) LEIGHTON W. ROGERS,
Chief, Aeronautics Trade Division.

(" Exhibit No. 407 " appears in text on p. 823)

EXHIBIT No. 408

FEBRUARY 21, 1933.

Mr. H. P. MACGOWAN,

Acting Commercial Attaché,

Edificio del Banco Hipotecario de Colombia,

Bogota, Colombia.

DEAR MR. MACGOWAN: I want to acknowledge receipt of your letter of February 1st and extend our appreciation of the great assistance we can always get from your office.

The Department in Washington advised us that they had a cable from you asking us to submit information on the planes that we are able to offer. As we have already passed this information, by cable, to Joaquin Samper, and knowing his close contact with you, I have simply cabled you in reply that he has all the necessary information. We have, I think, made a most advantageous offer on more Hawks and Ospreys and I hope something will result. Delivery is always an important factor and on these two planes I think we are in a position to make deliveries that cannot be equalled by any other company. My own opinion is that they should have more of both of these planes, and with the equipment consisting largely of these planes they will have a fighting air force which would give them command of the air.

Mr. Samper has advised me of Benny Mendez accident in one of the Hawks, and while I have written him a brief note expressing our best wishes for his speedy recovery. I should appreciate it if you see him personally to tell him we are indeed sorry to learn of his accident and trust that he will soon be all right again. We are, of course, following the press advices with respect to developments, but always appreciate hearing from your office what is going on.

The service man, Osborne, whom you mentioned, did not go to Colombia. We are sending another man, Harvey Brewton, who will probably arrive in Colombia within two weeks, and if he gets up to Bogota I told him to get in touch with you.

Kindest personal regards.

Sincerely yours,

W. F. GOULDING, *Vice President.*

WFG/f.

EXHIBIT No. 409

[Copy]

PARIS, *May 23, 1932.*

JULIEN E. GILLESPIE, Esq.,

American Commercial Attaché,

American Embassy, Istanbul, Turkey.

DEAR JULIEN: The attached copy of a letter to the Secretary of Commerce, which I am enclosing for your information, is self-explanatory.

I am indeed appreciative of the cooperation which we have received from the Department of Commerce and particularly from yourself. Your assistance and wise counsel have been invaluable, and when I say that we are counting greatly upon your good advice and collaboration in our future dealings with the Turkish Government, you know what I mean.

I have lately received extremely bad reports from both Italian and French constructors with respect to their dealings with the Turkish Government, and the difficulties which have been created in practically all contracts with the Turkish governmental departments as an excuse for delaying and reducing the payments called for by the contracts. It seems to me that the Turkish Government is now very much on trial with respect to American business. We are calling upon them to meet their obligations promptly and honorably, as we propose to meet ours, and when they do so I am convinced that this favorable experience will be of assistance to the Turkish authorities in future dealings with the United States. Should the occasion happen to arise, which I trust it will not, I suggest that this might properly be pointed out to the authorities concerned by you or the Ambassador.

With kind personal regards and best wishes,

Sincerely yours,

MELVIN HALL.

MH/rbs.

EXHIBIT No. 410

[Copy]

MAY 11, 1933.

Mr. JULIAN GULLESPIE,

American Commercial Attaché,

American Embassy, Istanbul, Turkey.

DEAR GILLIE: Yesterday I wrote Henry the first letter simply because I wanted to hold up your letter until I could give you some definite information about what we are going to do on the Kayseri situation. I would most rather have written you first as I have the deepest appreciation for your many courtesies to me while I was in Turkey, but I thought you would understand by reason for holding up the letter and I assure you that my appreciation is none the less sincere by making this the second letter to Turkey since my return.

In the first place, I cannot begin to thank you or Inez for what you did to make my stay in Turkey pleasant. Also your courtesies, when the two Helens were with me, were equally appreciated by them. With all the fussing and fuming I did about my long stay in Turkey, I really had a good time and enjoyed the experience. The good time was solely enjoyed with and through you. The experience was gained in my work with the Government and our agents. Your courtesy in letting me use your office as you did will always be remembered and your good nature and sound judgment and assistance to me in our discussions of my many problems were priceless.

Yesterday I received your cable about the Kayseri situation and I am grateful for your thoughtfulness in sending it to me. When you send such cables or incur any expense on Curtiss business will you please collect the costs from Bob Farnsworth. There is no reason in the world why your office should stand these expenses and I want your definite promise that you will collect them from Bob.

I have the complete approval of the board of directors to replace Capt. Coon at the factory and to send out the necessary personnel to step up production to completely satisfy the Turkish Government. Today I am interviewing Bob Simon who has had a vast amount of experience in factory management with Fairchild, Berliner-Joyce, and ourselves. He has been highly recommended by Ted Wright of our Buffalo plant and if my interview with him satisfies me he will probably be the man we will send out and you may rest assured that we are working just as fast as it is humanly possible, and will get him out there on the earliest boat. Substantially, my plan is to do as I told you when we discussed this problem in your office. Nothing will be said to Coon until his replacement arrives and the replacement will tie in with Emin Bey and Bob Farnsworth before proceeding to Kayseri. Then if Bob is available, he and Emin Bey should take this replacement down to Kayseri and introduce him and get him started. If Bob is not available I would suggest that Ferdie Hulse be the man to go with him. The replacement will have a suitable letter to Capt. Coon outlining the situation and Bob or Hulse will be instructed as to the procedure to follow to get Coon back home. Fortunately, my board of

directors understand the situation in Turkey much better than I had hoped for and they are with me 100% in my present plans and I look for results that we can be proud of and which will satisfy the Turkish Government.

I have the approval of submitting a counterproposal to the Government on the new air-lines proposition and work is progressing most satisfactorily here on drafting a proposal. I hope to send it out by steamer within the next week and believe that the Turkish Government will realize from the proposal the sincerity of Curtiss-Wright in working on all of their aviation problems with them.

I am sorry that the Hawks have not been accepted as yet but I have had some encouraging news from Bob and I cannot help but feel that the Turkish Government are doing all that they can to protect themselves against criticism in the procedure they are following on these further tests. I am sure everything will come out all right and the net result of our experience has been that we have learned a valuable but very expensive lesson.

I showed the two reels of my movies last night and the picture that I took of you and Henry coming out of the Embassy is excellent, Helen and I will cherish this picture and show it many times just to have a good view of your good self.

Please give my very best, in which Helen joins me, to Inez and the children and tell Mary Howard that I still love her and will come back to Turkey some day to see her. Also again many thanks for all you did for us and here's hoping things work out to your entire satisfaction as I am sure they will. The best dope I can get on the situation in the future for Department of Commerce is that even though the Department's activities in foreign fields are curtailed the good men such as yourself will be retained on the job under either the State Department or the Consular Service, or in some manner, and I am sure that nobody will replace you in the matter of value to the Government. Don't work. We all hope for the best and you may rest assured that you have some great boosters working for you here.

Most sincerely,

J. S. Allard.

BMN.

EXHIBIT No. 411

[Copy]

PAA—Via Pan Air.

APRIL 20, 1933.

DEAR WEB: Had Leon's cable this morning, and want to tell you that I appreciate Leon having thought of me, and that I realize that conditions are not such now as to justify you in adding to the expense of your organization.

I have intended writing to you for some time, that is, for the past two weeks, in connection with your representation here. You've got to get a good outfit with the best possible Government connections. Don't lay off this market now in the hope that there will be another mix-up which will put the ins out. Even if that occurs, it is no reason why you should sit by and see chances for business go by the boards. There is considerable talk right now, and some degree of certainty that there is going to be some more buying by the Government.

I know that there is definite interest in the acquisition by the army of a number of bombers. That business could be worked up if you had a good outfit here to handle it for you. I know that Mayrink Veiga is working on it. I also know that M.V. are working actively on a proposition for an amphibian. The Government wants 16 amphihs—Loening preferred. I have told Lafayette I would communicate with you to see what could be done in the matter of having you quote him. If Loening or Douglas are not yet bought, they will buy French stuff. Here's a chance for you to knock off a pretty piece of business. I know that you are wondering where the dollars are coming from. Has anyone lost any money yet on the supplies they made during and after the last revolution? Don't worry about money. This Government, which will elect itself for at least four more years, is giving the War Dept. pretty much everything it asks for, and so long as Americans continue to drink coffee there will be dollar exchange. The financing can be handled, with a little managing at this end.

There has been a tremendous amount of interest recently in your representation. Several firms have asked us to communicate with you but most of them

have been of the sort that I did not feel that it was worth while to call to your attention. The Cia Provedas (Cia. Promotora de Vendas) Edificio A Noite, sala 1316, is the best of the lot, and has all sorts of good things to recommend it. It is all set so far as its ability to handle Government business is concerned, particularly in the War and Navy Depts. One of the directors of the firm is a brother of the interventor of the State of Rio de Janeiro, and others are all tied up with politics. Obviously, the crowd would not be so hot if there were a change of Government, but I have never seen things quieter here than they have been in the last four months. The local boys took all the fight out of the Paulistas, for the time being, at least, and I feel certain that we can expect a few more months of calm, at least, unless the elections result in some local disturbances. I don't think that you can count on another real revolution for some time.

Coincidence—just now Castro Lopes called me on the phone to ask me to have you advise him of his standing. He wants to know whether you are still interested in having them continue to work for you. He also said that there is considerable interest in your equipment. Write him a letter and tell him that you have decided to cancel the arrangement you had with him, in view of the unfortunate financial situation and the inability of Curtiss to get any business from the Federal Government in the past two years.

The group of Brazilian pilots (Army) that is going to the States is scheduled to leave on the Southern Cross, arriving in N.Y. on May 11. You will want to see to it that you or someone from your organization meets them and take care of them.

Maj. Plinio will be in charge of the group. Mello and Wanderly and Julio, all friends of mine, will be on the junket. They will visit the principal factories, and I am depending on you impressing them sufficiently in Buffalo to sell them the idea of buying Curtiss. They expect to go as far as Seattle.

Let me have a word from you personally about your intentions in this market. Do me the favor not to just let things go along as they are now for I'm telling you, you will regret it. There is going to be some more money made here soon, and you should be in on it. Let me have a reply immediately as to the Loening business. These planes are intended for Amazon service. On this business it would be well to let me know what you think of handling it through Mayrink Veiga. They are hot on the business, and I feel sure they can put it across. Provedas also could handle it, and are in a great stew because you have not communicated with them. Inasmuch as Leon will be coming back soon, you may want him to do the appointing when he gets here. In that case, it would be advisable to cancel with Castro Lopes before that time so that he will have a clear field.

With best regards to you, Leon, and the other boys in the office I have met.
Sincerely,

(Signed) PIERROT.

Pan American Airways System. A Maior Rede de Transportes Aereos do Mundo.

("Exhibit No. 412" appears in text on p. 828)

EXHIBIT No. 413

[Copy]

Aer-P-1-EMN
L11-4 (2)

NAVY DEPARTMENT,
BUREAU OF AERONAUTICS,
Washington, D.C., August 5, 1933.

From: Chief of the Bureau of Aeronautics.

To: All Inspectors of Naval Aircraft, U.S.N.

Subject: Policy Concerning Sale Abroad of Airplanes, Motors, and Accessories.

References:

(a) Aeronautical Board Case No. 13, approved by Secnav. 10/13/26.

(b) Aeronautical Board Case No. 34, approved by Secnav. 1/6/30.

(c) Aeronautical Board Case No. 52, approved by Secnav. 10/12/32.

(d) Buaer. ltr. Aer-A-ML, A2-14 (3), A7-1, dated 5 June 1933.

1. References (a), (b), and (c) serve as a guide for this Bureau in its action relative to requests received concerning the release for export sale of airplanes, aircraft engines, and accessories. These references have been ap-

proved by the War Department as well as by the Navy Department and consequently the policy based thereon is a joint policy followed by the Chief of Air Corps, U.S. Army, and by the Bureau of Aeronautics.

2. The following is a summary of the provisions of references (a), (b), and (c) insofar as concerns matters which affect inspectors of naval aircraft and contractors for aeronautical material.

POLICY

3. The War and Navy Departments will encourage the American aeronautical industry in developing foreign business and assist in such development so far as consistent with national policy and the needs of the national defense.

The following general policy governs the consideration given the differing military values of various items of equipment. This policy is subject to exception when desirable in any particular case, and each case is determined upon its merits. Decisions will be made by the War and Navy Departments in specific cases.

(a) Release for foreign sale, or public description, will be withheld indefinitely on equipment containing features so novel as to constitute new inventions of purely military use.

(b) Designs including such features of marked novelty, either in general layout or details of construction, which have prospect of commercial usefulness, may be sold outside the services or abroad one year, generally, after going into regular production. The exact time of such release will depend upon the importance of the novel features concerned and will take into consideration the practicability of maintaining secrecy if the airplane is to be used from flying fields open to the public. Due consideration will also be given to the magnitude of the potential demand for the commercial product.

(c) Release will, in general, be withheld for approximately one year after going into production in the case of airplanes of purely military types, without prospective commercial value, whose performance or flying qualities are of such special interest that their early test by pilots outside the American services may be considered unwise.

(d) Airplanes, engines, and equipment which contain no strikingly novel features, but only efficient assembly of well-known elements, may be permitted foreign sale at an early date. Such permission may follow immediately after the completion of an experimental order and its test by either service. Such sale of any service type abroad shall be made without military equipment installed which either in itself or its mounting involves any important feature of novelty or consists of ordnance and armament equipment in use in combat and/or fleet operating organizations. No release of such ordnance and armament equipment for foreign sale will be made either with the airplane or separately unless a precedent for this release has already been established, or unless equipment of that model has been declared surplus.

(e) No negotiations for the sale abroad of aircraft power plants, or aeronautical accessories, which have been developed primarily for or with the assistance or direct encouragement of the War or Navy Departments, or whose usefulness is primarily or exclusively military, should be initiated without the permission of the Department interested. Similar permission should be required prior to any public exhibition or the publication of any description of such items.

PROCEDURE

4. The following procedure will be used in carrying out the above policy:

(a) The Aeronautical Board will not be required to consider all requests for the release of aeronautical equipment, but in lieu thereof

(b) The Chief of the Army Air Corps or the Chief of the Bureau of Aeronautics, according to which Department may have paramount interest in the case in question, is authorized to investigate the request in the light of existing policies and, after joint conference when a proper course of action has been decided upon, prepare an answer for the signature of the appropriate Secretary. Action taken in all such cases will be reported to the Secretary of the Aeronautical Board as a matter of record.

(c) In cases where the Chief of the Army Air Corps and the Chief of the Bureau of Aeronautics fail to agree, the matter shall be referred to the Aeronautical Board for action.

5. It is directed that the foregoing information be conveyed to all contractors who now or in the future may be expected to be under contract for any of the material in question.

6. Attention is invited to reference (d) for instructions relative to the measures to be taken for safeguarding material in a confidential status.

(Signed; facsimile) E. J. KING,
E. J. KING,
Rear Admiral, U.S.N.,
Chief of Bureau of Aeronautics.

Copy to: CNO, DNI, Comdts. 3d, 4th, 5th, 9th, and 13th N.D.

EXHIBIT No. 414

OCTOBER 12, 1932.

Mr. F. C. NICHOLS,
Colt's Patent Fire Arms Manufacturing Co., Hartford, Conn.

DEAR MR. NICHOLS: The Automobile Tire and Tractor Co. has sent us copy of their letter, dated October 1st, addressed to you, which I believe you will find of considerable interest, particularly with respect to the tests which your gun is undergoing in Turkey.

With respect to Emin Bey's closing paragraph, relative to remuneration for their efforts in developing business, I think that this is something that can best be covered through ourselves as, naturally, we always arrange to pay him a commission on sales and I think that all we need to take into consideration at the present time is in connection with aircraft type guns which we hope will be ordered for installation in our Hawks in Turkey. Of course, if this develops to a standardization of the Colt gun for all aircraft for the Turkish Air Force, you may be running into some complications with your Vickers arrangements, but that is something we could probably work out later. I should appreciate it if you would send me a copy of your reply to Tatco's letter and hope that you will not get involved in any question of commissions with them without discussing the matter with us.

In another letter which I have just received from Mr. Farnsworth, he refers particularly to the recent visit of General MacArthur to Turkey, and the fact that General MacArthur was received with great pomp and enthusiasm by the Turkish dignitaries. Naturally, the General was made familiar with the business which we are carrying on with the Turkish authorities and, apparently, he talked up American military equipment to the skies in discussions which he had with the Turkish general staff. Bob Farnsworth says that for safety sake he is not putting down in black and white what was said, but I rather gather that your equipment and ours did not suffer from lack of praise. This, of course, is for your confidential information.

Very truly yours,

CURTISS-WRIGHT EXPORT CORPORATION,
W. F. GOULDING, *Vice President.*

WFG/f

EXHIBIT No. 415

[Copy]

NEW YORK, May 28, 1934.

Mr. P. A. HEWLETT,
Sperry, Central America:

In reply to your memo of the 17th, we regret that as all of our business with Salvador and Panama is direct with the Government, we have no knowledge of the financial responsibility and credit standing of either Dada-Dada & Co., or Guardia & Cia., our agents in the above respective countries.

We have no agent in Guatemala but make all of our contacts through General John A. Considine, who is a major in the United States Army, loaned to the Guatemala Government.

Major Considine suggests that it would be more satisfactory for us to deal directly with the Government through him rather than attempt to deal through any local agent, as his recommendations are followed by the President in the purchase of all types of military equipment.

The Government of Guatemala has not recently made any purchases of aircraft and it is not likely that it will do so in the near future.

OWEN SHANNON.

OS.ja.

EXHIBIT No. 416

FEBRUARY 3, 1932.

Mr. LAWRENCE LEON,

Arroyo 880, Buenos Aires, Argentina.

DEAR LAWRENCE: For your information, I enclose herewith a letter which I wrote Burdette Wright, who is in charge of our Washington office, in regard to the assignment of a U.S. naval officer to accompany the two Argentine naval officers who, we understand, will shortly arrive here for the purpose of selecting and purchasing aircraft equipment.

We are proceeding very cautiously in Washington and believe that when the request is made to our Naval Intelligence, if it is not already made, we can more or less guide their choice and see that an officer is selected who would most properly fit the job.

This letter also acknowledges your letter of January 18th regarding the Fokker situation. It is comforting to know that he is definitely out of the picture and I sincerely hope the matter will adjust itself in the near future so that we can proceed with the Argentine contract.

The information regarding the possibility of Sperry business has been transmitted to Messrs. Gillmore and Patterson at Sperry. I had lunch with them several weeks ago and the information I gave them is practically the same as you gave me in your letter.

Conditions in Brazil are becoming more active and it seems advisable that someone from our organization stop in there as soon as convenient and see what can be done. I had a couple of letters from Figueira in the last mail, one of which outlines the proposition which they are working on for the export of between 500,000 and 600,000 tons of manganese to the United States through a New York concern, the dollar proceeds of which would be devoted to the transaction involving the building of 40 military ships, probably Hawks, in a Brazilian factory along the lines of our proposal. Since making them a factory proposal, however, conditions here have changed considerably and we would prefer to have the Government operate along the same lines as the Government of Argentina is doing at the present time—build and operate a factory of their own, purchasing the manufacturing rights from us together with technical assistance and information.

Independent of a factory proposal they wish us to quote on 12 each, Cyclone Hawks, Hell Divers, and Falcons. They state that they have about \$800,000 to spend this year on aircraft equipment and urge us to send down a demonstrator, a Hawk, Hell Diver, or Falcon type. Figueira mentioned that the British are sending down fighters and that the Fleet Company has Leigh Wade down there at present with two training type machines and that the German Junkers also has demonstrator jobs on hand. It is impossible for us to send any demonstration machines into Brazil with the exception of a Cyclone Hawk, and in order to do this it would be necessary to bring back from Holland and rebuild with a Cyclone engine, bring the entire ship up to date, the Hawk used two years ago on the European mission. This would require at least three months' time.

Figueira mentioned that Brazil just purchased 35 Irving chutes.

I believe it is necessary that you spend a week or two in Brazil on your way home as it is beginning to look as though the Government intends to start something in the very near future.

Matters pertaining to our present contracts with the Argentine Government seem to be running along smoothly although not as rapidly as we might wish. Taravella finds that jigs, tools, and fixtures will cost considerably more money than the Government at first anticipated, and he is now reducing the list of material as much as he can so that the total amount when he cables it to Argentina will not scare the Government off the entire project. It is our belief that the entire list of material as submitted to us by Taravella will not be required by the Cordoba plant, as the Government will probably not be able to build as many engines as they expect to and that many operations could be handled by hand instead of by machine, thus making it unnecessary to acquire all the equipment they are calling for.

We have not yet heard from Pita in Paris regarding the advance payment on the seven Cyclones. Taravella cabled him again last night. It is Taravella's opinion that Pita is about to be recalled to Buenos Aires and for that reason is stalling on the job.

I hope the general situation is coming along satisfactorily and that we may soon be able to receive our advance payment on the 50 sets of Cyclone parts. My sincere good wishes and hope the physical condition is steadily improving.

Yours very truly,

C. W. WEBSTER.
jc.

("Exhibit No. 417" appears in text on p. 830)

EXHIBIT No. 418

[Copy]

Inter-office memorandum.

CURTISS-WRIGHT CORPORATION,
EXPORT DIVISION,
Washington, D.C., June 12, 1933.

To: Mr. R. L. Earle.

Subject: Central America.

We are informed that a Major A. R. Harris has been acting as U.S. military attaché to the legations in all five Central American Republics and Panama.

If this is so, it would probably be very much worthwhile for you to see him and load him up with Curtiss-Wright dope, catalogs, etc. If he is to be in New York before his return South, we would like to have an opportunity to see him.

Of these six countries, we believe we have fairly good agents in Panama and Salvador, both of which have bought Curtiss-Wright equipment. By the way, we just received an order from Salvador last week for three Ospreys, which, we understand, is the first military equipment purchased by them.

We understand Guatemala, Honduras, and Nicaragua are contemplating purchasing planes as soon as they have funds, and, as you already know, Honduras is planning to buy two or three ships now.

It is, therefore, important that we use every possible channel to put Curtiss-Wright planes across to all of these countries and Major Harris might prove helpful.

Up to this writing, we have had no contacts in Costa Rica and it might be worthwhile to stop in at their legation and give them the dope on our ships, particularly the Osprey and Trainer. Also find out to whom we should send information down there and what the prospects are of their making any purchases in the near future.

Sincerely,

(Signed) OWEN SHANNON.

Owen Shannon.

mw.

Washington file.

("Exhibit No. 419" appears in text on p. 831)

Exhibit No. 420

[Copy]

WRIGHT AERONAUTICAL CORPORATION,
Paterson, N.J., May 23, 1934.

To: Curtiss-Wright Export Corporation, New York City.

Subject: Proposed contract with Argentine Government for Cyclone and Whirlwind engines.

In view of the fact that we believe it would be to the advantage of all concerned if the Argentine Government purchases Cyclone F-2 engines instead of

Cyclone F03 engines and keeps spare sets of F-3 blowers on hand (S:3-1), we are offering the following to the Argentine Government:

The Cyclone F-2 is the same as the Cyclone F-3 except that the Cyclone F-2 engine has 7:1 blower gear ratio and the Cyclone F-3 engine has 8:31:1 blower gear ratio. Both engines have NA-F7 carburetors (four barrel).

When operating Cyclone F-2 engines it is possible to change them to F-3 Cyclones in from two hours to one day, depending on installation and facilities. This is done by changing the 7:1 blower gear to the 8:31:1 blower gear in the rear section of the engine. In certain installations where the rear section can be removed without interference, it is possible to make this change without removing the engine from the plane.

By stocking spare 8:31:1 blower gears for each Cyclone F-2 engine it is possible to have F-3 engines available on short notice in the event of national emergency requiring the use of the F-3 Cyclones.

The F-2 Cyclone at 1,950 r.p.m. from sea level to 5,500 feet altitude is superior in horsepower to the Cyclone F-3 engine—averaging from 40 to 50 more h.p.

The F-2 Cyclone at recommended cruising output of 1,750 r.p.m. from sea level to 7,500 feet altitude is superior in horsepower to the Cyclone F-3 engine, averaging about 25 more h.p.

Inasmuch as the majority of flying is generally done in the above ranges it is evident that the Cyclone F-2 engine will have more h.p. available in the ranges where most often operated. This means that for average operations in the above ranges the Cyclone F-2 will give better take-off, superior performance, and owing to the lower gear ratio of blower, have less wear on the engine.

In the ranges up to 5,500 to 7,500 feet altitude the F-2 Cyclones will not deteriorate as easily as the F-3 Cyclones. Therefore using 87 octane fuel it is possible to fly the F-2 Cyclones wide open without damage. This cannot be done with the F-3 Cyclones and if the F-3 Cyclones are operated full open in the customary ranges, difficulties may be experienced with attendant expenses.

At the same time by having 8:31:1 blower gears in reserve, all F-2 Cyclones can be quickly converted to F-3 Cyclones in times of necessity or when special diets are required. In this case, an F-3 Cyclone is readily available having from 55 to 60 h.p. more at 1,950 r.p.m. above 5,500 feet altitude and from 45 to 50 h.p. at 1,750 r.p.m. above 7,500 feet altitude than the F-2 Cyclone.

REVIEW OF CONTRACT

We have had various members of our organization look over the proposed contract and offer the following suggestions:

1. Page 1.—(a) Article 1. *Material contracted for*.—We believe the word "unit" should be "units."

(b) Under "Description."—Please correct "Hornet" to read "B.G."; add to equipment supplied with Cyclone engine—"one cylinder head thermocouple with 15 feet lead and indicating gauge;" *take out*—"corresponding collector ring complete."

As you know, we do not supply collector rings with our Cyclone engines. Exhaust collector rings are not considered standard equipment with Cyclone engines as various installations differ and require different exhaust collectors. The type of exhaust collector is 100% dependent on the space inside the cowl. Different securing for each type and different shapes. They are wholly dependent on design of the individual airplane. This should be explained to the Argentines with respect to the Cyclone engine.

However, we will furnish B P of typical exhaust collector systems and data showing the area necessary to prevent back pressure. If the Argentines are unable to manufacture their own exhaust collector rings in the Argentine, we would be willing, upon their sending us complete drawings and full data of their installation, to have collector rings made up for them at their own expense.

2. Page 1 and page 2. *Hamilton standard propellers*.—We assume we will not supply these but that you will take care of matter. We would suggest in any event that you secure the following information from the Argentines:

(a) Maximum diameter of propeller that it is possible to use on the given air planes—still maintaining proper ground clearance—proper ground clearance in the U.S.A. is 9 inches.

(b) Give the estimated high speed of the airplane in question at the critical altitude of the engine, and designate whether it is one of the Whirlwind- or one of the Cyclone-powered planes.

3. Page 3, time of delivery.—We can make following deliveries F.A.S. New York.

(a) 2 Cyclone SGR-1820 engines and 2 Whirlwind 250 H.P. engines, 30 days after notification that contract has been signed.

(b) 13 Cyclone SGR-1820 engines and 13 Whirlwind 250 H.P. engines—90 days after shipment of above engines (a).

4. Page 6, technical documents.—(a) "3. Assembly drawings of each type of motor, where dimensions of same may be determined exactly." We do not have these and therefore could not supply. However, the information which we believe they actually want would be supplied under "2—besides the longitudinal and cross-sectional cut drawings."

(b) "4. Installation drawings of the oil, gas, and * * *." Would supply drawings of typical installations.

(c) "5. The constructive 'Ternend ring' or NACA cowling * * *." This should be secured from the manufacturer of cowls.

(d) 6. Installation drawings and instructions for propellers. You would have to secure from Hamilton Standard.

5. Page 9, new orders.—Please rewrite this to read as follows:

"The Government reserves the right of increasing the constituent items of all or any one of the materials called for in the present contract, in whatever limits it may deem desirable, and the supplier agrees to furnish same on the same terms and under the same technical conditions set forth in contract 452, article 5, last subdivision, provided, however, such right is exercised by the Government within 90 days from the date on which this contract is executed by the Supplier and provided the required deliveries are not beyond the manufacturing capacity of the supplier.

6. Inverted flight, acrobatics.—The carburetors, both 2 and 4 barrel, on the Cyclone engine have a "bypass" which has a metered fuel flow at rated power. This permits inverted flight (acrobatic) at full throttle rated power without difficulties.

If inverted flight (acrobatics) are done when the Cyclone is "throttled back" (or less than rated power), the Cyclone engines will run "rich" owing to the fact that the "bypass" meters the fuel flow for rated power, but otherwise no difficulties will occur.

7. U.S. Army inspection.—If the Argentines desire U.S. Army inspection of their Cyclones when being built at our plant, this can be arranged by getting in touch with us, and we will contact the Army inspector now stationed here at our plant, who will arrange the matter. The Army inspector has been contacted and we have been given assurance that he will be able to arrange this. The inspection he will give the Argentine engines will be identical with the inspection he customarily makes for the U.S. Army and will include full inspection, right through manufacturing, through testing, and to shipping. The Argentines will be required to pay the Army inspector the following for the inspection:

Cyclone geared.....	\$125.00 per engine
Whirlwind 250 direct.....	100.00 per engine

The following will apply to generators and starters:

Per generator.....	\$5.00
Per starter.....	3.00

Will you please also inform us on this point as to whether or not the Argentines are interested. In most respects such an arrangement as outlined above will be to the best advantage of the Argentines if they require other inspection than ours. It would, undoubtedly, cost them much less than if they had their own inspector on the job and they will have the assurance of the U.S. Army inspector who is stationed at our plant and who is entirely familiar with our engines.

8. Certification of shipping papers.—If the Argentines so desire, arrangements can be made so that the U.S. Army inspector certifies the shipping documents to the effect that the engines being shipped are the same as those which A. T. C. has been granted for the type in question.

9. Proof of use by U.S. Army and U.S. Navy.—It is not definite whether the U.S. Army or U.S. Navy would issue any written statement to the effect that they are or had bought certain materials. However, we believe we can supply you with copies of statements issued by the Aeronautical Chamber of Com-

merce, giving the Army and Navy contract awards and showing contract numbers of same. This will also show type and kind of engine. If this will be satisfactory, will you let us know?

WILLIAM A. REEKS.

CC: Messrs. George Chapline, T. M. Lucan, W. D. Kennedy, W. E. Colvin, Philip Shepley.

EXHIBIT No. 421

LIMA, PERU, April 23, 1934.

INSPECTOR GENERAL OF AVIATION,

Lima, Peru.

SIR: We wish to submit herewith our proposal for the combination Curtiss bomber, troop transport and ambulance plane. Specifications, performance data, and photographs are contained in the catalog attached.

The price on a quantity of three Condors, delivered in flying condition at our factory in St. Louis, equip with 5 Colt machine guns, bomb racks, bomb sights and containing the necessary equipment for troop transport, 12 litters for ambulance work, complete blind flying instruments, etc., is \$72,500 each. The additional cost for pontoon equipment is \$11,000 each.

We can deliver the first plane at our factory in St. Louis within 90 days of receipt of first payment and deliver one additional plane each 10 days thereafter.

The best terms of payment that we are able to offer is one third of the contract price at the time of contract and the balance in four equal monthly installments to begin 30 days after the first and advance payment, which means that the payments would extend over a total period of 5 months. It is understood that the balance of the two thirds payments would be covered by an irrevocable credit in a New York bank. Owing to fluctuating costs and other pending contracts this proposal is valid for only a 30-day period from this date.

We also wish to submit herewith a proposal for the latest type of Curtiss Attack plane, known as the U.S. Army model A-12. Complete specifications and photographs are attached.

This plane is the most modern fighting unit of its type ever developed and has been furnished only to the U.S. Army Air Corps. Providing we have a contract for at least 10 planes we will be able to secure permission from the U.S. Government to build it for Peru. The selling price for 10 planes CIF Callao, equip with 5 machine guns and bomb racks is \$48,950 each and \$6,500 each additional for the pontoon equipment.

We believe we can secure prompt permission from the U.S. Government to accept a contract from Peru and depending upon this we could probably deliver the first machine in Buffalo within 90 days and continue at the rate of one plane each 10 days thereafter.

It is also probable that we could extend the same payment terms as on the Condors.

Yours very truly,

("Exhibit No. 422" appears in text on p. 836)

EXHIBIT No. 423

[Copied from carbon copy]

WASHINGTON OFFICE, October 16, 1931.

Burdetts S. Wright, Washington, D. C.

Mr. W. F. Goulding, New York City.

(China, possible release of Navy 02C-1.)

I understand there are about five or six undelivered 02C-1's coming through at Buffalo for the Navy. As I wired you, Comdr. Dillon is very much against our taking these ships but I have talked to him and know that we will not lose his friendship should we go over his head, Capt. Cook, the Assistant

Chief of the Bureau of Aeronautics of the Navy Department, told me that if it was urgent he would certainly look with favor on helping us out.

I accordingly ask by wire as to the urgency of the matter. We will go right after it if it is bonified and worth while.

Very truly yours,

BSW/1h-3673.

Washington File: "China".

EXHIBIT No. 424

[Copy]

ISTANBUL, TURKEY, February 19, 1933.

Captain HAMDİ BEY,

Technical Section, Ministry of National Defense,

Ankara, Turkey.

MY DEAR CAPTAIN: In compliance with your request, I have pleasure in giving you a brief memorandum on the subject of the most recent types of bombardment aircraft developed in America. American experience has indicated that the slow-moving and unmaneuverable heavy bomber with a very large bomb load is a less effective weapon than the high speed, more maneuverable type carrying a moderate bomb load. For that reason all the latest type of bombers designed for the American Army are built for a bomb load of approximately 900-100 kgs. only, but with a very high speed which renders them much less vulnerable to attack either by hostile aircraft or anti-aircraft cannon.

The most recent of these medium bombers are the Martin, the Douglas, and General Aviation, all of which are built with two model F Cyclone engines as their power plant. Between these there is little choice in performance and general design, but the new Martin is the fastest of them all, and is not only the fastest bomber in the world, but also is the fastest airplane in the world powered with more than one engine. I enclose a photograph herewith for your information of the Martin bomber which is known as the B-907. This plane is still on the secret list of the United States Army and consequently we have not available any detailed performance figures. Should the Government of Turkey be seriously interested in this or any other of the latest types of American bombing planes, we believe that it will be possible to secure release by the United States Army on special application.

The Martin bomber is a semilow wing monoplane with a large wing spread. The fuselage is of metal monocoque design and every effort has been made to reduce wind resistance by careful stream lining. The wings are internally braced which eliminates the necessity for exterior struts or wires. The landing gear is so designed as to be retractable in flight.

The entire airplane is constructed of aluminum alloy consisting of thick smooth sheets riveted to the framework of channel and tubular sections. This form of construction is very expensive, and the cost of building the Martin bomber is very high. I cannot give you exact figures at the present time but will be glad to obtain these in due course should the Turkish Government be really interested.

For your confidential information the speed of the Martin bomber is very considerably over 300 km. per hour.

This is all the information that I am able to give you at the present time concerning this airplane. The Glenn Martin Company is not a part of the Curtiss-Wright Corporation but is entirely independent of any other group and is on most friendly basis with Curtiss-Wright. We are therefore in a position to secure the greatest possible consideration and the best terms in respect to any orders placed by the Turkish Government. In bringing this airplane to your notice, though it is not built by ourselves, we are following our policy of cooperation with you to the end that the Turkish Government shall have the best possible aviation equipment which can be obtained anywhere in the world.

Yours very truly,

MELVIN HALL.

EXHIBIT No. 425

[Copy]

Export

FEBRUARY 23, 1932.

W. F. GOULDING, New York Office.
Mr. RALPH S. DAMON, Bristol, Pa.

KEYSTONE BOMBERS FOR CHINA

This will confirm telephone conversations with you today, relative to prices and deliveries on Keystone Bombers, of the B-6-A type. We understand that, based on the present production situation and provided the order is received without delay and prior to completion of your present Army contract, you would undertake to supply us with bombers of any quantity up to ten, at a net price to you at Bristol of \$42,000 each, less engines and armament—your price to include internal bomb-rack installation, together with all bomb-release mechanism and mount for the floor gun. In other words, the plane complete, less the following which we would furnish:

- 2 Cyclone engines.
- 3 Browning guns.
- 2 flexible-scarf ring mounts.
- Gun sights for the 3 guns.

With respect to deliveries, we understand that you can furnish the first plane within sixty (60) days, two planes per week for the ensuing four weeks, and three each week thereafter. Furthermore, if release of any of the planes which you are now completing for the Army is accomplished, that you would be in a position to give us the first one of these planes in forty (40) days.

We understand that export packing would be extra, and that the price as quoted in your letter to us of November 13th relative to the Argentine inquiry, of \$2,500.00 per plane would apply.

We are today telegraphing to San Francisco a quotation based on the foregoing and will inform you of any further developments.

W. F. GOULDING.

WFG/f

EXHIBIT No. 426

CURTISS-WRIGHT CORPORATION
INTER-OFFICE MEMORANDUM
EXPORT DIVISION

No. 55

OCTOBER 3, 1932.

W. F. GOULDING, New York Office.
Mr. BURDETTE S. WRIGHT, Washington, D.C.

(Brazil)

Thanks very much for your letter of September 29th which I am passing along to Web.

Of course it is embarrassing to answer questions as to why United secured this Brazilian business. I think probably the best answer is as you have given it, to the effect that United was able to get release on United States Government contracts to give the best deliveries.

Another matter is the question of financing. Apparently United was able to work this out to their satisfaction, but just how it was done I am not entirely aware. As a matter of fact, I think it was worked out in connection with the Farm Board's coffee, but you don't need to tell people this if they don't know it.

If you can get any really reliable reports from the Department as to how the situation is shaping up, I would certainly appreciate it. Newspaper reports seem to indicate that the Federal Forces have all the best of it, but I wonder if this really is the case.

W. F. GOULDING.

WFG/f

EXHIBIT No. 427

CURTISS-WRIGHT CORPORATION

INTER-OFFICE MEMO.

EXPORT

OCTOBER 3, 1932.

W. F. GOULDING, New York Office.
Mr. GUY VAUGHAN, Paterson, N.J.

BRAZIL

Jack Allard has passed me your letter of September 28th giving information which you gathered from Gene Wilson that fifteen Vought Corsairs with Hornet engines have gone to Brazil. We understand that this is entirely correct and that further shipments have been made.

This is the order that United got which involved considerable financing and which United has featured on the financial pages of the newspapers to boost their stock.

There are many phases of this Brazil situation which do not appear in the newspapers and, while it may be somewhat embarrassing to explain why United has secured all this Brazil business and apparently we have gotten none, nevertheless if you knew the actual situation I don't believe you would feel that United is doing all the business in South America.

You, no doubt, realize that United had under construction for the Government a number of Corsairs and Boeings which the Navy released to permit them to offer excellent deliveries to Brazil. Unfortunately, Curtiss-Wright had no Government contracts which could be diverted for such prompt deliveries. The fact remains, however, that United, having taken this Brazil business, is not in as good a position to give deliveries on other orders for other countries as we are.

You are aware, I believe, of the orders which we have recently taken for the so-called "Osprey" which we are building in St. Louis, and there are excellent possibilities of getting some Hawk business, due to the fact that we are now in a better position to give deliveries than United.

Don't think for a minute that we are asleep at the switch in this South American situation; Web is down there and he went to Rio first. He has done some very good business for us since he reached South America.

W. F. GOULDING.

WFG/F

EXHIBIT No. 428

CURTISS WRIGHT EXPORT CORPORATION

NEW YORK

BUFFALO, N.Y.,

January 7, 1933.

P. A. HEWLETT.

We have just received a telegram from Cuba saying that 4 pilots will be here Monday and will probably go to Buffalo Tuesday to fly the ships away. We quote below their telegram so you can take action on it.

"Referring to your letter December 27th I advise you that Lieutenants Gustavo Alfonso, Jose Barrientos, Pedro Duarte, Carlos Torre, sailed yesterday on Steamer *Santa Barbara* to bring planes to this country stop and machine guns and parachutes should be shipped in one case stop Insignia same as Curtiss Hawk numbers 19, 20, 21, and 22. I ask you to do the necessary with Army or Navy for four winter-flying suits which will be returned to them immediately."

Pack the 4 guns and 2 chutes as directed. Mark the case—

SECRETARIA DE LA GUERRA Y MARINA

CUERPO DE AVIACION

HABANA #1

and ship freight to Barr in the usual way.

You will know what to do about the flying suits.

Most important of all the ship are not to be flown by the Cubans until we wire you that we have received money. It was expected today but has not yet arrived.

If there are any questions that we can answer, phone us Monday morning or acknowledge by wire that everything is O.K.

A. B. CARRINGTON.

EXHIBIT No. 429

FEBRUARY 7, 1934.

Memorandum for Lieut. H. E. Regan.

Subject: Loan of propellers.

When talking with you yesterday concerning the need for propellers to meet deliveries on a certain foreign contract, I thought that three 2-bladed propellers would take care of the situation. However, I have since found that our export Falcons do not use the same propeller as the export Hawks and therefore we really need a total of six instead of three. The propellers needed are as follows:

1. Three 2-bladed propellers 10 feet in diameter having no. 1½ blade root and according to Navy drawing no. 5868 or Navy drawing no. 5704.

2. Three 3-bladed propellers 9 feet 6 inches in diameter having no. 1½ blade root and according to Navy drawings nos. 5868 or 5704.

The need for these propellers is occasioned by our having negotiations with a certain foreign government for a number of airplanes, which must be delivered within a short period of time. The delivery of the first three Hawks and the first three Falcons, both of which are powered by direct drive Cyclone engines, must be earlier than we are able to obtain deliveries on propellers. We have contacted all propeller manufacturers and find that Hamilton-Standard can give us the best deliveries but even these will not be early enough to meet our needs for the first three Hawks and the first three Falcons referred to above. Inasmuch as the entire contract is contingent upon our meeting the delivery requirements of the customer, we are exceedingly anxious to somehow make arrangements to obtain these propellers within the required time.

It would therefore be greatly appreciated if the Bureau of Aeronautics could arrange to loan us three each of the two types of propellers described above, upon our guarantee to replace them in the very near future. We would desire to take delivery on the two-bladed propellers within the next two weeks and will guarantee replacement of them by not later than the first week in April. The three-bladed propellers will be needed before the middle of March and we would guarantee replacement of them by the middle of April. It is presumed that arrangements could be made to have the replacement propellers inspected by the Navy inspector at the Hamilton-Standard Co. as they are built.

The Bureau's kind consideration in arranging for the loan to us of the above six propellers will be sincerely appreciated.

Yours very truly,

ROBERT L. EARLE.
Washington Representative.

EXHIBIT No. 430

[Copied from carbon copy]

SEPTEMBER 10, 1929.

HONORABLE F. TRUBEE DAVISON,

*Asst. Secretary of War for Aeronautics,
War Department, Washington, D.C.*

DEAR MR. SECRETARY: The Curtiss Aeroplane Export Corporation is negotiating a contract with the Peruvian Government for a quantity of airplanes, including 12 biplace planes which accordingly require 12 sets of rear gun installations.

It is requested that authority be granted by the War Department for the sale of the following material to the Curtiss Aeroplane Export Corporation, it being understood the same is on hand in the Ordnance Department:

- 24 Lewis flexible machine guns, model 1918
- 72 ammunitions pans or magazines
- 12 carriers for six magazines

- 24 deflectors for shells for Lewis guns
- 24 extension charging handles
 - 2 fillers for magazines
 - 2 handles for magazine loading.

It is similarly requested that authority be granted for the sale of the following equipment, which it is understood is available in the Air Corps, at Wilbur Wright Field, Dayton, Ohio:

- 12 duplex Lewis mount, type G-2
- 12 double trigger control, Type H
- 12 double gun brace, type OA-259
- 12 scarf ring mounts
- 12 ring sights for flexible Lewis
- 12 wind vane sights for flexible Lewis.

Yours very truly,

Washington File: "Peru." _____

EXHIBIT No. 431

[Copied from original]

WAR DEPARTMENT,
Washington, D.C., January 21, 1930.

In reply refer to G-4/25057-1

MR. BURDETTE S. WRIGHT,

Curtiss Aeroplane Export Corporation.

501 Southern Building, Washington, D.C.

DEAR MR. WRIGHT: With reference to your letter of September 10, 1929, relative to the sale of certain Air Corps and Ordnance material to the Curtiss Aeroplane Export Corporation, it has been finally determined that the items listed are in excess of prospective War Department needs in the quantities enumerated.

Before the transaction is consummated, however, it will be necessary for you to obtain the approval of the State Department as to the exportation of the property in question for the purpose mentioned.

Sincerely yours,

(Sgd.) F. TRUBEE DAVISON,
Assistant Secretary of War.

Washington file: "Peru." _____

EXHIBIT No. 432

[Copied from original]

CURTISS-WRIGHT EXPORT CORPORATION

INTEROFFICE CORRESPONDENCE

OCTOBER 30, 1930.

From: J. S. Allard.

To: Burdette S. Wright.

Subject: Air Corps policy on exporting of aeronautical equipment.

DEAR BURDIE: Thanks for yours of the 29th on the above subject and also on the subject of how certain munitions of war can be declared surplus, and whether or not commercial firms can buy such equipment and resell it to foreign countries at a profit.

It would certainly be nice if it develops that we can buy bombs from the War Department and sell them again, at a profit, to an approved foreign government.

Now, with reference to the work Captain Beveridge is doing in revising the Air Corps policy, I do not know what suggestions we can make in addition to what apparently Farnsworth has already made to the captain. It goes right back to the same subject that we have discussed many times in the past, and that is, if we can have a definite workable policy that is not too tied up with red tape and a lot of detail work, it will answer our purpose, but if the Air Corps is going to insist on a policy that precludes quick action in the handling of preliminary negotiations, it is going to be a serious detriment to us

in the securing of any foreign business. It would seem to me that they could outline a clear, concise policy of just what equipment they will be interested in with reference to export, and give us blanket approval on certain equipment; and on other equipment on which they want to know to which country it is going, require us to make a report of the countries to which we are quoting such equipment, as soon as we make the quotation, and without having the Air Corps give us a prompt answer, so that before our negotiations have proceeded too far, we can have something definite for our prospective customer. I believe that a simple policy can be formulated that will be more along the lines of business procedure rather than service procedure. We all know that service procedure is a complicated process and we have got to sell the Air Corps on the idea that when we are doing business it is most detrimental to have to conduct part of the business on the service-policy basis, and that, while we are most anxious and willing to cooperate with the Air Corps and do everything to their complete satisfaction, we would appreciate it if they would consider our position in the matter and try to draft up a policy that is simplified and workable under the conditions which we must operate, and these conditions frequently require rapid cable quotations and information which cannot be delayed several hours, days, or weeks.

If there are any details that you want from us, I will be glad to give them to you, but, on the whole, I think the above covers the situation.

Very truly yours,

(Sgd.) J. S. ALLARD.

Washington file: General.

(" Exhibit No. 433 " appears in text on p. 841)

EXHIBIT No. 434

[Copy]

CURTISS-WRIGHT CORPORATION,
INTEROFFICE MEMORANDUM,
EXPORT DIVISION,
Washington, D.C., March 31, 1933.

Subject: Argentine.

MR. BURDETTE S. WRIGHT.

Attached is a copy of a letter to Mr. Morgan which may be of interest to you.

For your information, we are giving you a line on the possible future contracts with the Argentine Government.

As you know, we have already delivered 50 sets of the model E Cyclone engine to be machined up and assembled in the Argentine Government factory at Cordoba. In addition to this, we are supplying the entire tool equipment for the factory. This is in addition to between 35 and 40 complete engines of the Whirlwind and Cyclone models already delivered.

We now have pending a contract similar to the Cyclone parts contract which will call for between 50 and 100 sets of Whirlwind engine parts to be machined up and assembled in the Government factory. This will also probably involve the purchase of the necessary factory tool equipment.

In addition to this, we have pending the contract for between 15 and 20 complete sets of Cyclone Hawk parts to be assembled in the Government factory and which also involves the purchase of the necessary Cyclone engines.

We also have pending a contract for the conversion of 8 twin engine British Southampton flying boats to Cyclone engines instead of Lorraine-Dietrich engines. This involves the necessary engineering work and 16 engine mounts. It is possible that sufficient funds for the conversion of all 8 planes will not be available this year and in that case 4 or 5 will be converted.

We are also negotiating for 8 or 10 Cyclone Falcons for the Argentine Navy to replace Vought "Corsairs" now in service. We are up against a serious obstacle in that the Falcon has never been in U.S. naval service, except the Marine Corps, and the Argentine Navy will not accept equipment not having been used or specified by the U.S. Navy.

It is the desire of Captain Zar, Chief of Naval Aviation, to use the Falcon or any other suitable and capable Curtiss-Wright plane in preference to

United Aircraft equipment but we must provide him with all possible data and conversation in support of his ultimate selection of our material. Will you, therefore, kindly supply me as quickly as possible as much information as you can in support of this idea. For instance, How many Falcons were used by the Marine Corps; officials to supplement our sales arguments? Also how many Falcons used by the Army and their written reaction as to their service and efficiency?

Your usual prompt cooperation will be appreciated.

C. W. WEBSTER.

CWW/w.
encl.

WASHINGTON, D.C.

EXHIBIT No. 435

[Copy]

(Ex. 159 from Navy files)

CURTISS-WRIGHT CORPORATION.

27 West 57th St., New York, April 6, 1933.

Please address reply to
Southern Building,
Washington, D.C.

The Honorable SECRETARY OF THE NAVY,
Navy Department, Washington, D.C.

SIR: In connection with possible sale of aircraft to South American countries, we have received a request that we obtain from the Navy Department and from the War Department a statement of the experience these two departments have had with the Curtiss Falcon type of airplane in service. The questions involved include:

- (a) The number of planes of this general type purchased to date.
- (b) The type of missions they have been engaged on such as observation, attack, and light bombing.
- (c) The experience with this type of construction from maintenance and overhaul standpoint.
- (d) Statements that the plane has been adopted as a service type and has rendered good service.

We would more than appreciate a short statement along the above lines which we could forward to our agents for them to use in connection with the possibility of obtaining contracts on this type of airplane.

Any assistance that the Navy Department can give us in this regard will be of great advantage.

In view of the War Department having had extensive use of this type, similar letter is being addressed to the War Department.

Respectfully,

(Signed) BURDETTE S. WRIGHT,
Vice President.

BSW/CC-749

EXHIBIT No. 436

[Copy]

Aer-P-6-ems
L11-4(2)
QM (28)

APRIL 20, 1933.

MY DEAR MR. WRIGHT: The Secretary of the Navy has referred to this office your letter of April 6, and accordingly the following information is furnished:

(a) Four OC-1's and twenty-one OC-2's were delivered between January and May 1928; there are at present seven of these operating with Aircraft Squadrons WCEF, San Diego, Calif.

(b) Seven of these planes were used in Nicaragua from February 1928 to June 1931 on observation, ground attack, and light bombing missions; nine were used in China on observation missions; this type has been used in

the United States for observation and attack training; individual planes of this type have been used for aerial photography.

(c) The following notes apply to the type of construction, maintenance, and overhaul:

(1) Trouble was experienced with the fuselage cross brace at the forward landing-gear fitting. This brace has to be reenforced with steel.

(2) The webs from the tail skid assembly all pulled out and had to be replaced with steel.

(3) The wing fittings in the center section had to be reenforced.

(4) After the above changes were made overhaul and maintenance conditions were excellent; many of these planes were flown 700 hours between overhauls; engines and parts needing attention were easily accessible.

(5) The following observations may be of interest:

(a) One plane which had been submerged in salt water for 36 hours was corroded so badly that it had to be surveyed.

(b) Longerons struck by bullets were shattered by the impact, there being considerable tearing around the bullet hole.

(c) These planes were originally designed to be powered by the D-12 water-cooled engine; when the P. & W. Wasp was installed a great deal of trouble was encountered with fixed gun fittings.

(d) This plane was used for several years as a Marine Corps observation plane and as such rendered excellent service. The long cruising range was a particularly advantageous characteristic.

Sincerely yours,

(Signed) A. B. COOK,
Captain U.S.N., Acting Chief of Bureau.

Mr. BURDETTE S. WRIGHT,
*Vice-President, Curtiss-Wright Corporation, Southern Building,
Washington, D.C.*

EXHIBIT No. 437

[Copy]

CURTISS-WRIGHT EXPORT CORPORATION,
Washington, D.C., May 5, 1933.

Mr. BURDETTE S. WRIGHT,
Argentine.

DEAR BURDIE: With further reference to the letter from the Navy Department, (Capt. Cook) would it be possible to go back at the Bureau with the explanation that the letter requested was for the purpose of assisting us in competing against foreign aircraft manufacturers, especially the British, who are making a very definite effort to crash into the Argentine territory.

We have the inside track on this business and Captain Zar, Chief of Naval Aviation, who was trained at Pensacola and who is anxious to see the Falcon installed in the Argentine Navy, is requesting us to supply him with something to back up his action should he be able to place this business with us. This particular information regarding Zar, of course, is confidential and is intended for you, and should not be passed along to the Navy, but if the Bureau could reword their letter eliminating the objectionable features, it would serve our purpose.

Using their present letter as a basis, the following suggestion taken from Capt. Cook's own letter would help us a great deal. Please bear in mind and impress upon the Bureau that it has been the policy of the Argentine Navy to use only such ships as are standard or have been used by the navies of the countries from which they purchase.

"The Secretary of the Navy has referred to this office your letter of April 6th, and accordingly the following information is furnished: Curtiss Falcons have been used since 1928 in Nicaragua and China on observation, ground attack, and light bombing missions and in the United States for ground attack and observation training and aerial photography. After a few changes made in the early types, overhaul and maintenance conditions were excellent, many of the planes having flown 700 hours between overhauls."

It is highly important that we get such a letter and it seems to us that the Navy would be perfectly justified in writing such a letter to assist us in over-

coming foreign competition and establishing American aircraft in Argentine naval service.

At the present time we are building a Cyclone-Falcon observation plane in the Buffalo factory which is to be sent to Argentina and possibly Brazil within the next 6 or 7 weeks for demonstration purposes. Also, for your information, United Aircraft, we are convinced, are sending one of the latest type Corsair observation planes on a similar mission. Our purpose in the Argentine is to close about 6 planes with the Navy, and also a contract with the Army involving the license to manufacture the Falcon in the government factory at Cordoba, together with the necessary material for building these planes. We are now concluding a contract with Argentina for the license to manufacture the Hawk, which involves the purchase of material for at least 15 planes this year, including the complete engines and also another contract for the license to manufacture our single-blade metal propellers, together with material for 100 propellers and the necessary tools, dies, etc.

Your usual efficient cooperation will be greatly appreciated.

(Sgd.) C. W. WEBSTER.

CWW/w.

("Exhibit No. 438" appears in text on p. 844)

("Exhibit No. 439" appears in text on p. 845)

EXHIBIT No. 440

[Copied from carbon copy]

WASHINGTON OFFICE, *February 5, 1932.*

BURDETTE S. WRIGHT, Washington, D.C.

Mr. J. S. ALLARD, New York City.

O2C-1's for Dominican Republic.

I am attaching hereto a letter signed by Admiral Moffett replying to my letter in which I requested information on the O2C-1 airplanes in connection with our interest in selling to the Dominican Republic.

This is not a very elaborate statement, but represents what was finally decided upon after they had written two or three different samples. This can be used as an official letter in connection with the Export Company's efforts to sell to the Dominican Republic.

It would be well if you could suggest to the Dominican Republic that they send an inquiry to the Navy, through diplomatic channels, asking for information on the O2C-1 type in use by the Naval Reserve at its bases in this country and the Marine Corps in its operations in Nicaragua.

Very truly yours,

RLE/mb-350.

cc-W. F. Goulding.

Washington file: Santo Domingo.

("Exhibit No. 441" appears in text on p. 845)

EXHIBIT No. 442

[Copy]

SALES,
WASHINGTON, *July 19, 1933.*

(Mexican air officer.)

Mr. R. L. EARLE: At the present time there is stationed at Consolidated Aircraft inspecting some trainers which are being built for Mexico, a Captain David Chagoya Rodriguy of the Mexican Air Corps, who has requested per-

mission to visit our plant at the earliest possible opportunity. Captain Chagoya is not particularly interested in anything outside of training activities, however, in view of the fact that the Mexican Government at this time has under consideration the purchase of a number of pursuit airplanes, on which the Export Company has been negotiating and the further fact that he is interested in our Hawks I believe a special effort should be made to secure permission for this visit.

In the above connection, you will recall that we were turned down by the Naval Intelligence Division and the U.S. Air Corps some time ago due to a letter which we had written, reflecting upon the fact that we had on our production floor, certain Army and Navy experimental jobs, which we did not consider it desirable for foreigners to view. However, since that time these experimental jobs have all been removed within the experimental department, with the exception of the A-12 production job and this has not proceeded to the point that, within the next 15 days, there should be any objection by the Air Corps for anyone to see same, as practically all the parts built up are in detail and are located in our feeder shops and in reality no one could see anything worth while or of such interest to allow them to copy.

At the time we wrote this letter, you recall, that same was considered desirable inasmuch as certain Japanese officers desired to visit the plant and we were building numerous planes for the Chinese. Really, at the present time we do not wish to open up the plant, due to the condition of our having on order ten additional Chinese Hawks for construction and also will have, without doubt, shortly a quantity of spare parts to build for that country.

However, recently we have secured permission from our Government allowing General Chang Hung Wan of the Chinese Army to visit our plant which permission was signed by Lt. Col. Nulsen and we therefore feel that by regulated contact you can, without doubt, secure permission for this Mexican.

In view of the condition that he is interested in making an immediate trip to the plant it would be appreciated if you will advise me by wire as to the results of your contact with the Intelligence Bureau.

With kindest regards, I am

Sincerely,

P. A. HEWLETT.

PAH:EV-7980.

CC: W. F. Goulding.

EXHIBIT No. 443

[Copied from original]

CURTISS-WRIGHT CORPORATION,
INTER-OFFICE MEMORANDUM,

Date: *January 29, 1932.*

Place: New York, N.Y.

Place: Washington, D.C.

From: J. A. B. Smith,
To: Mr. B. S. Wright,
Subject:

I understand from Mr. Webster, that two Argentine Navy officers are being sent to this country to look over aviation materials and that we were named by the Navy intelligence to have a Navy officer designated to accompany them to this country.

If you will look into this and let me know the name of some Navy flyer who is friendly to our equipment and who would be acceptable to the Bureau of Aeronautics, I think I can get Captain Ellis, who is head of the Navy intelligence, to ask for the particular officer whom you might pick out.

(Sgd.) J. A. B. SMITH.

J. A. SMITH.

H.

s.h.

Washington file: "Argentine."

EXHIBIT No. 444

[Copy]

CURTISS-WRIGHT CORPORATION,
WASHINGTON OFFICE,
NEW YORK CITY, *May 24, 1934.*

Mr. J. S. ALLARD,
Cy: Mr. P. A. HEWLETT,
Export General.

When talking to Capt. Kenney, the working Air Corps representative on the Joint Aeronautical Board, today he said that, while we do not have to do it, he thought as a matter of courtesy we should submit copies of all contracts and agreements with foreign governments to the Joint Aeronautical Board in order that they might know that the interests of the United States Government were being safeguarded, insofar as concerned military secrets. He said that this would help a lot when they were considering whether or not they should permit foreigners to visit our plants, in that if they knew we had a contract or agreement with the government represented it would expedite and possibly insure favorable action.

We told Capt. Kenney we knew nothing about our practice in matters of this kind but would be glad to forward his suggestions to you. The matter was called to Capt. Kenney's mind when talking about a couple of Rumanian inspectors and he would also like to know if we have a contract or an agreement with that country.

Yours very truly,

ROBERT L. EARLE.

CC-712

EXHIBIT No. 445

Ex. 168.

CURTISS-WRIGHT EXPORT CORPORATION, NEW YORK,
WASHINGTON, D.C., *June 25, 1934.*

Mr. ROBERT L. EARLE,
Export General.

I have delayed answering your letter of May 24th on the subject above mentioned—CC-712—as I wanted to check into the matter very carefully. It is my opinion that our business does not permit of our furnishing copies of contracts and agreements with foreign governments. As a matter of fact, many times our business is done without any written contract or agreement. However, as you know, the interests of the U.S. Government are very well safeguarded, as we do not sell at export any equipment not released by the U.S. Government services.

I shall be very happy to show the Joint Aeronautical Board, at any time, just what business we have done in the past, which will bear this out, but it must be borne in mind that our business with foreign governments is strictly confidential, as it is obvious that one government is not interested in having other governments know all of the details of the business.

The Black committee has a complete analysis of the type of aircraft and engines that we have exported in the past five or six years and, as previously stated, we have never, nor do we ever, intend to export any equipment not released for export by the U.S. Government.

J. S. ALLARD.

BMN

EXHIBIT No. 446

[Copied from carbon copy]

WASHINGTON OFFICE, *March 14, 1931*

(Personal and confidential)

Mr. Robert P. Farnsworth, Washington, D.C.

Mr. C. W. Webster, New York City.

Army maneuvers—Chile.

DEAR WEB: I have been able to secure for you G-1, G-2, G-3, and G-4 plans for the Air Corps exercises of 1931. This information is definitely not for publication, was secured by me in the face of a definite order prohibiting its issuance, and I beg you to be very careful in the manner in which you give this information to Merino. There are no particular military secrets contained therein, and I know that if there were the War Department would not object to Chile's knowing them, but the point is, they would prefer to give this to Chile themselves rather than through another agency such as us. Please keep tight hold on these four pamphlets and bring them back with you when you return. If they do get in other hands in Chile, it won't take much of a master intellect to discover their source, which would eventually be our Washington office, and this discovery might put us in considerable hot water.

I am also enclosing a copy of a cable which the Aeronautics Trade Division sent to their office at Santiago. This cable is not much good and errs in speaking of expense, but you can probably correct this when you are in Chile.

Again best wishes for a successful trip.

Sincerely,

rpf-mb-1118.

Enclosures.

Washington File: "Chile."

EXHIBIT No. 447

CURTISS-WRIGHT CORPORATION

NEW YORK

ISTANBUL, TURKEY, *August 24, 1934.*

MR. BRUCE G. LEIGHTON.

DEAR BRUCE: I am enclosing copies of two self-explanatory letters to one W. A. Hansley. All I need to tell you in addition to these letters is a brief report of who Hansley and Blankman are and what they are doing in Roumania. L. V. Blankman has been interested in aviation ever since 1912. He was at one time with the Curtiss Company. He is basically a promoter and has been quite successful from all I can find out in the past. Hansley was formerly associated with Detroit Aircraft and the Lockheed Company as a test pilot and sales engineer. I don't know how he and Blankman got together, but they did, and made some Roumanian connections, with the result that Hansley went to Roumania a year and a half ago and has been there almost continuously ever since. He was successful in getting from the Roumanian Government an air-line concession, on the basis that he and his associates would finance the purchase of equipment and furnish the operating personnel, and the Government would furnish suitable airports, hangar facilities, etc., etc. He and Blankman personally raised sufficient money to purchase six Lockheed Orions formerly used by Varney Air Lines. These ships are being entirely reconditioned in the Lockheed plant at Los Angeles and will be shipped to Roumania around the first of the year. They get a guarantee of 75¢ per mile, which is really the Government subsidy. They think they can make some money, as they have some Roumanian interests in the company, and their tie-in with the Government officials is apparently very good.

Mr. Hansley returned from Roumania about three months ago, and I had a meeting with him and Mr. Blankman in Los Angeles about one month ago. The Roumanian Government asked Hansley to contact various manufacturers in America to see what, if any, plan could be worked out whereby the Rou-

manian Government could build American aircraft, both military and commercial, in their airplane factory. The Roumanian Government had asked that some manufacturer go over there and finance the entire operation and control it, on a guaranteed volume of business from the Government, and on a cost-plus basis. Obviously, the idea didn't strike me with any favor, and I spent four hours selling Blankman and Hansley on the plan that I have briefly outlined in one of the attached letters—which you will readily note does not involve us in any cash investment or outlay. They have fallen for it one hundred percent, and Hansley sailed today at noon, and as I have stated in the closing paragraph of one of the letters, he expects to be in Bucharest around the 15th of September. He will wire you when as and if conditions warrant either you or Bob getting up there to work out the final details of the technical cooperation contract.

You will note that I have agreed to give them a ten percent commission on the purchase price, when as and if we receive payment for the technical cooperation contract and ten percent on the purchase price when as and if received by us for the various airplane licenses. With reference to a sales agreement, you will note that I have purposely refrained from making any commitments—because I think they have a problem in finding out how the Government wants to purchase raw materials, finished products, etc., etc. They may want to set up a Roumanian agency or they may let Blankman and Hansley personally handle the purchases, and until we know the details of the plan I thought it best not to make any commitments. However, whatever arrangement is satisfactory to the Roumanian Government would be agreeable to us, and we can then make arrangements for commissions, which should be flexible enough so that the commissions could be reduced, should price competition enter into the picture.

The following is obviously very confidential, but I thought it might prove of some value to you as an example to the Turks of how lousy their business procedure is, and how the so-called "heathen Chinese" lives up to contracts and agreements and is really progressing so much more rapidly in aviation development than the supposedly cultured Turk.

This is an extract from a letter from Jim Doolittle written from Shanghai on June 23: "Jack Jouett's original five-year plan for the development of military aviation in China has been rigidly adhered to up to the present time. Funds, ships, and personnel have been provided him and he is now right up to the minute as regards his original plan. This original plan called for the training of about 500 pilots and the purchase of between 400 and 500 airplanes during the five-year period. For your own confidential information the military powers here and now considering making aviation their first line of defense and Jack has already presented his formal proposal along these lines. This new plan calls for 42 additional primary trainers at about \$4,000 apiece, 26 additional basic trainers at \$18,000 each, 13 advance trainers at about \$30,000 (11 of these are bombers and 2 pursuit) and 3 tri-motors for ambulance and transport planes at \$40,000 each. This is a total of around \$1,180,000 gold.

"In 1934 his plans call for the purchase of six and a quarter million dollars worth of additional airplanes and in 1935 thirteen and a half million dollars are to be spent for airplanes. In 1936 something over fourteen millions more. From then on the purchases will be only enough to keep up the 1936 strength. Jack Jouett figures about 15% a year attrition, so even this amount is not to be lightly sneezed at."

Obviously the foregoing was given to me in strictest confidence by Jim, and I don't want to do anything to violate his confidence or our very friendly relations with Jack Jouett. Anyway, if I were a Turk I would feel very much ashamed of my Government's development of this important arm of national defense, as compared to the Chinese program.

This letter may run on for days and days. I am going to try to answer those portions of your many letters which have not already been taken care of by someone in the organization, and will dictate from time to time as time is available.

First, yours of July 17th, with reference to Child. Your action in this matter was, of course, absolutely correct. You hit the nail on the head when you said that I saw him at work when I was out there. That is why I know you have done the right thing. I have been wondering if he hasn't possibly tried to get in touch with Marguerite Brill. Perhaps mother has noticed a change in her son. I wonder.

Yours of July 22nd—certainly your conference with the Chief of Staff produced action, and nobody knows better than I do what you were up against to get action. These Turks certainly make promises and then forget all about them. It is hard to believe that they intentionally break their promises, but I am of the firm opinion now that I wouldn't take a promise from anyone over there, and the only language I understand is dollars. No doubt you are in the same frame of mind.

In paragraph five of your letter of the 22nd you state that a letter from the Ministry says that a decision has been reached to purchase the Kingbirds outright. This is one month and two days later, and still no payment. I am delighted to know that the attitude of everyone you have come in contact with recently has materially changed toward CW. The job is difficult enough under ideal conditions, without having to fight against people who feel that we have been wrong and that they have always been right.

The Turkey-Russia situation, just as you say, doesn't look so dumb, and the gift of the first Fledgling from Kayseri to the Shah of Persia by the Chazi is certainly a nice strategic move. I agree with you that it is a big jigsaw puzzle, but I never saw one yet that couldn't be solved. I quite thoroughly agree with your program relative to the length of your stay in Turkey as a result of Tom's cable, and also that Bob Farnsworth is thoroughly competent to keep things moving, and that you play the role of important director from New York. However, this Turkish situation is about the most important and messed up one that we have at the present time in the whole Curtiss-Wright group, and that is why our most important director from New York is there to straighten it out. There isn't any job that I know of that you can do with as much advantage to the company and yourself as this job of cleaning up that lousy Turkish situation.

As far as the demonstrator Hawk is concerned, I don't want to say now that we will or will not send a Hawk to Turkey for demonstration purposes. However, unless future business is handled in a more businesslike manner by the Turkish Government, and unless there is some margin of profit in it, I can't see how this company is justified in spending any more money or as a matter of fact taking any more Turkish business at a loss. I don't mean by that at all that we don't want Turkish business, but we do want it on a fair businesslike basis, and I think the results of your present negotiations and the conditions under which this present business is wound up will control a great deal the position we will take relative to future Turkish business. You alone can give us the answer, and I think that until the answer is received we had better leave in abeyance the matter of sending anything more to Turkey. I can't conceive of the necessity for cable decision of the sending of a demonstrator over there, and when you write us a picture of the situation and at the same time recommend a demonstrator being sent over, then we can give better judgment to our decision than we can now because our judgment is biased by the most unsatisfactory arrangements on Turkish business that we have ever had in our export experience.

In answer to your question as to how the economic furor now going on in the United States is going to affect our export prices—my guess is that prices are going to be slightly increased not only on our products but on every American product. The dollar has gone down in foreign countries, and that fact together with the new N.R.A. code which means shorter hours for present personnel and the consequent employment of more persons, can result in nothing but increased prices. Right now our raw materials have advanced in a great many instances from five to as much as fifty percent.

With reference to the dollar depreciation in connection with Bob Farnsworth pay and per diem allowance—Bob is being paid now \$300 per month or \$3,600 per year, and his per diem allowance figures \$3,650 per year, or a total of \$7,250 per year, which is considerably more than some of the officers and minor executives of the Export Company are receiving. When the dollar was high Bob and the other foreign personnel reaped the benefits and I think under present circumstances the fact that the dollar has depreciated is not sufficient reason for any increase in pay or allowance. I know you will handle this delicately with Bob. There isn't anybody in the whole outfit who doesn't appreciate the job he is doing. On the other hand, Turkey is practically Bob's home and has been for some time, and he is a lot better off to have the \$10 per day allowance and to still be considered on a travelling basis. There will be, as rapidly as possible, adjustment on the up side of pay roll, but there are still being reductions made in salaries at home, and my advice to Bob

is to sit tight—knowing that his work is appreciated and that his job is as nearly permanent with the organization as any job can be, and that he will be taken care of to the best of our ability. Bob's base pay is less than an air line pilot's, but his gross income is considerably more when you figure in his per diem allowance.

I am terribly sorry to learn that "old man sciatica" had thrown you for a temporary loss. I know how difficult it is to get appropriate sleep and exercise, and probably my caution to you to get it won't do much good, but we do want you to take good care of yourself.

Your next letter is July 28th. It is a very interesting letter as all of yours are, and I couldn't help but smile at the request that Bob run some additional tests using both tanks after he had finished the final endurance trials and the papers had been forwarded to the Ministry. You certainly can't beat those birds. I think you are absolutely right in not submitting any proposals on air lines or additional Hawk orders until this gang settles up its long overdue accounts and obligations.

I am delighted at the excellent reports you make on Hunter, and it certainly must be a relief to you, because all of the three months that I was there in addition to all the other annoying situations I had Coon and the Kayseri mess hung around my neck all the time. I am glad that you are at least spared that unpleasantness.

I can't understand how the mix-up occurred on the salaries of the new boys that went out with Hunter, as compared with Garrold's and Purdy's salaries, because Bob's cables and letters to me on the subject of additional personnel were on the basis of the same salary as Garrold's and Purdy's, which Bob stated was \$250 per month. I think you handled the matter in the only possible way. Be sure to add the additional \$34 per month for Garrold and Purdy to the Fledgling spare-parts order coming through, or to any other order that will reimburse us. You did not state in your letter when you wanted to start Garrold and Purdy on this New York account to their order for the extra \$34 per month. I have arbitrarily started it as of July 1st and hope this is satisfactory.

Everything that could possibly be of interest to the Wright Company or C. A. & M. in your letters is sent to them. I have asked them to give you the answers through Export, as obviously we can't do it here in most instances. If you don't get the answer you want, let me know and I'll follow them up.

I am thoroughly in accord with all of your statements in this letter about what we are up against in the way of competition and what we have got to do to meet it, and it has all been passed on to Ted Wright, Mait Bleeker, and Arthur Nutt, and their combined thinking ought to give you the answer.

On my way back from the west coast, I stopped at Buffalo and spent about three hours with Burdette Wright. Ted was out. We discussed how to get the information to you in view of the American Government's present very rigid attitude on the release of information on new and experimental aircraft. There is a new espionage act in the United States which has caused the Army and Navy to become all the more definite and determined in preventing information from getting out on these planes. We can't give out any information on the YO-40, the A-12, the F11-C-3, or the F11-C-1. I know how important it is to you that you have information on the results of tests on these ships so that you can quote on a Turkish plane of high performance. Our position with both the Army and Navy is such that we are not justified in pushing them any further. It is downright dangerous, and I don't think it would do any good, and it might do some harm, for you to go direct to Admiral King or anybody else.

As I said in a previous letter to you, I believe you can read through ambiguous remarks, so here goes. Jane's All the Worlds Aircraft has published some data on the YO-40. Information already published on the A-8 is pretty good, and you know what a different motor installation might do. I have already told you how much retractible undercarriage adds to airplane performance. A 14-cylinder motor for small planes of around 200 mph. can be expected to improve performance from three to six miles per hour, as compared with equivalent horsepower from a Cyclone. When you get back from this trip you will have a better idea of what you will require in the future under similar circumstances, and I think we can load up your mind and your inside vest pocket with enough dope so that the situations can be handled. They are doing everything possible in Buffalo to complete flight tests on the Demonstrator Hawk with four-barrel carburetor, but there was a hitch in the

program due to the Navy's borrowing the only four-barrel we had, and we are just receiving from Wright a replacement. On the Douglas transport the use of the four-barrel carburetor as compared to the two-barrel added about 30 horsepower per motor. Every new single-motored or bi-motored transport I have seen recently has retractable landing gear and controllable pitch propellers, which, I am told, add from three to ten miles per hour to the top speed.

Do you get it? It's almost like a code.

The subject of a Condor demonstrator for Europe might possibly be worked out, but I think the determining factors will better be known after you proceed through Europe when, as, and if. Incidentally, a letter has just come in from Sabena asking for quotation and delivery on a Condor, but they state on a trial basis. George Page is planning on spending his vacation in Europe and as long as he is going to be over there we have asked him to go see Sabena and find out just what their problems are and what their proposition is. We are obviously not interested in sending out a Condor on a trial basis, but we may find it possible to sell one to them on guaranteed performance. George Page can do an awful lot to survey their problems and tell them definitely whether or not the Condor will do what they want it to do. If we got one Condor in on Sabena or any other European air line, the necessity for a demonstrator in Europe would pass away.

With reference to your trip to Russia, when, as, and if you get out of Turkey, I suggest that before making any plans to visit Russia you await further instructions from this office. The Russian situation varies from day to day as you well know, and in our judgment there is no need of your going there at the present time. Confidentially, there is a possibility that Tom may run over there for a week or two in the near future, but anyway cut it out of your itinerary or plans, subject to dope from this office at the time you are ready to go on your trip through Europe.

I hope this long drool brings us up to date, and pending another long trip on my part I will promise to answer your letters as soon as they are received.

Under the new Export set-up in the office here, as per the memorandum recently sent you, Morrie Caldwell is going to be responsible for the proper handling of cables and correspondence, and taking care of requests for literature, follow-up letters, etc., so if you or Bob have any ideas on what this office can do to assist you to keep customers better posted, both present and potential, or any suggestions on how this office can function better for the field personnel, shoot your belly aches and suggestions into Morrie.

My very best to you and Bob and Kiki and the rest of the gang. You know that I know better than anyone else here what you fellows are up against, and we are trying to make your jobs as easy as possible. If we are not doing it we are open to kicks and complaints. If we are doing it you don't need to say anything—results will speak for themselves.

Sincerely yours,

EXHIBIT No. 448

[Copied from carbon copy]

WASHINGTON OFFICE, *October 8, 1932.*

ROBERT L. EARLE, *Washington, D.C.*

Mr. A. B. CARRINGTON, *New York City.*

Bomb sights ref: Your letter of Oct. 5th, 1932:

I do not believe that determination of whether or not horizontal bomb sights are available in either the Army or Navy will be a logical answer to your problem. If we inform our prospective customers that such are not available, what then will we tell them if they ask us at some future date for quotations on airplanes which are employed for horizontal bombing? On the other hand, if we find that such sights are available, then we will only have to seek some other answer anyway for the present instance.

It will not be possible to offer any dissertation in detail on the method employed by the Navy in dive bombing, for as we have advised the Export Co. before, the Navy considers this information as confidential and will not permit it to be passed out. The following statement, however, may serve your purposes:

"Single-seater and two-seater airplanes in use by the U.S. Army and Navy are not constructed to enable bomb sights to be used for the dropping of bombs while in horizontal flight. It is impossible to locate such a sight where a pilot or his gunner could effectively employ this instrument with the needed degree of accuracy. For this reason such sights are used only in large slower airplanes especially constructed for this type of bombing.

"Both branches of the American service have found that greater accuracy can be obtained in the placing of bombs of comparatively small size such as used with single-seater and two-seater airplanes, by the releasing of these bombs while in a dive. In the dropping of bombs in this method the pilot uses the same sight which he employs in connection with fixed guns. He simply aims the airplane itself at the target, drops his bomb or bombs while the airplane is in a dive, then pulls out and resumes normal flying. It is for this reason that airplanes constructed for the U.S. Army and Navy are built to withstand considerable diving but do not make provision for the installation of bomb sights of the type used in horizontal bombing."

The above is simply my own statement of the bombing methods employed, but I hope it will suit your purposes. Please note attached copy of a letter I have written to Owen Shannon on the above subject.

Very truly yours,

ROBERT L. EARLE.

RLE/lh-257G.

cc—Mr. Owen A. Shannon.
Washington file: General.

EXHIBIT No. 449

[Copy]

#77.

AMERICAN EMBASSY,
Ankara, Turkey, January 18, 1934.

MR. BRUCE G. LEIGHTON.

DEAR BRUCE: This will acknowledge receipt of your letters of December 12th, 23rd, and 28th from Ankara. I am answering them in rotation.

LETTER OF DECEMBER 12TH

With reference to your remarks on the Hawk and Fledgling prices, Eddie Cramer, I think, has already written you on these matters, and if he has not, he will do so within a few days.

As to the agency arrangement, I am sure that we understand each other thoroughly, and I am delighted to know that Emin is cleaning up his indebtedness so readily. As far as the Sperry account is concerned, I am taking that up also with Eddie Cramer and Jack Sanderson, and we will give you an answer on that.

By now, you probably know Morrie Caldwell's itinerary. He has been sticking pretty close to K. L. M. and the Persian situation in the Hawker plant, and I just cabled him today asking him how much longer he thought he would have to stay there, and what his plans were for covering the other places we sent him over to cover, namely, Spain, Portugal, Norway, Sweden, and Finland.

With reference to your remarks about the establishment of agents who are competent to handle this aircraft business through the negotiation stage and to final conclusion alone, I think you are absolutely correct that, with practically no exception, none of the agents that are available are technically smart enough to do it, and, of course, that is one of our reasons for having you and Bob and Caldwell and everybody else travelling over there—to assist in the preliminary negotiations, and when you get up against a stiff technical problem to be able to call on an engineer. And, of course, that is what I call doing real selling, just as you undoubtedly do. You are also absolutely right about the necessity for you and Bob getting home fairly frequently in order to keep up to date with developments, and we have all been hoping for a long time that Bob would be heading for the States. However, in handling this business, it seems to be impossible to make definite plans in advance due to the very nature of the business we are doing, and the people with whom we are doing it, and we all know that you will see that Bob gets back here as soon as it is possible.

As far as the length of time it takes to close deals in Europe or, as a matter of fact, in any place in the world except America, you may rest assured

that we all appreciate it. It has so happened that I have spent a long time in this Export Co., dating back to before the merger of Curtiss and Wright, and we have worked as long as three and four years at a time on one customer before we have been able to pull through any business. So do not think that we do not all appreciate the slowness with which these people act.

I quite agree with your statement that it is best to concentrate your efforts on customers who look the most promising, always, however, keeping as close a contact with the others as is possible, either direct or by mail, and, as you know, from our policy here, which we have instituted under the able guidance of Parm Hewlett, we are trying to keep the name "Curtiss-Wright" and its products before all of the important people in each country in the world. It ought to help some, plus what you and your able assistants can do in Europe.

On the subject of dive bombing which you refer to in your letter of December 12th, and which is apparent in copies of your proposals to the Government on new business, this is a matter that is most delicate by nature. You refer specifically in your protocol to the Ministry of Defense on the Kaiseri factory project, under the heading "Test Flights of the Planes", page 6, as follows: "Diving bomb tests will be included this time in the official tests." We have been nosing around in the Bureau in Washington, discreetly, and find that they hold as most strictly confidential their dive-bombing tactics and procedure, and they frown upon our even mentioning dive bombing in connection with the Hawks or any other airplane to any foreign powers. It is absolutely unwise and unethical at this time, and probably for some time to come, for us to indicate in any way that we know anything about the technique and tactics of dive bombing and to include such tests in official tests, or to have any pilot demonstrate or instruct in dive bombing, would be just about the worst thing that could be done at this time. I can see no objection to your referring to dive bombing in conversation, but you should plead absolute ignorance as to the technique employed or why or how we use dive bombing in our services here. If any Navy officials, or any of the Navy officers now located in Turkey, or who might visit there, or replace the present officers, should get hold of any proposal from us in which we refer to dive bombing, it would snap right back to Washington and I am afraid it would seriously react against our Navy relations, which are too good now here to upset in any way. I know you can appreciate this and I also know that you will take the necessary steps to remove from present negotiations any reference to dive bombing, and keep the mention of them out of any formal contracts or even proposals. I cannot stress the importance of this too much.

I realize that you are fighting against European competition that seems to have airplanes that are a little faster than ours. However, I know that you also know of all the sales arguments against the extra high speed and, particularly, how they obtain it in foreign equipment.

It is done at a definite sacrifice on the life of the engine and, probably, the airplane; it is done at a sacrifice of maneuverability and military load; and if those features in the Hawk do not offset a few kilometers' difference in speed, plus the fact that the ship will withstand power dives of high velocity and stand a punishing to which this type has been subject for years in our services at home, I do not know how you can compete.

It may be all right for Bob to put on a dive-bombing show to show the strength of the airplanes, but to refer in contract to dive bombing, or endeavor to teach dive bombing, is what I am cautioning you against doing.

While we are on the subject of speed, the situation regarding retractable landing gears looks as though it might change. That is, it looks as though we might get a release of this gear for Hawks. I am merely giving you this now as a bit of encouragement, although I cannot guarantee that we will get the release. But you may rest assured that we are doing everything possible to get it. The preliminary discussions on this subject rather indicate that the Navy might release the retractable gear, but not the metal wings, therefore, it might be a case of retractable gear with the present wooden wings; and if so, there is a question of what the terminal velocity of the ship might be with the wooden wings and retractable gear, and a lot of details like that which we are working out in Buffalo. If we do get the retractable gear with the wooden wings, you will get your high speed, but you will probably have to lower the terminal velocity in a dive over what it is now, for the ship with retractable gear and metal wings. I am not technical enough to give you all of these points in detail. You will get them further from Parm Hew-

left, if you have not already done so by the time you receive this letter. And again I state that my hopes are not founded on anything except hope that we can get a release of the retractable gear. My own personal feeling is that we will get it and when is the question. I know that if I were sitting in your place combatting this speed mania, I would like to know, at least, that it looked a little bit favorable, and you may rest assured we will give you the go-ahead by cable the minute we get it.

Now about the airline and in confirmation of my cable to you of January 10th. As I told you in that cable, we agree in general principle with your remarks about the air lines and your preliminary proposals to the ministry. Obviously, as I state in the cable, a detailed contract will require very careful consideration in New York before it could be signed. There are so many bugs in a deal of this sort that we would want, for your own protection, as well as ours, to have the contract sent to us to study, with your comments, because in a contract of this kind, you can get your tail feathers badly burned if you do not follow such procedure.

Referring specifically again to page 9, item 2: As I said in the cable, we are agreeable to a percentage fee, but must have a minimum guarantee to cover our cost of this supervisory work. You know perfectly well that in Turkey materials can be purchased at a pretty low price as can construction and installation, or in other words, general labor can be gotten for a song; and we can visualize that a 15% fee of the actual costs involved of materials, labor installation, etc., might not anywhere near cover our supervisory expenses, particularly if the time element lags as long as it apparently is bound to lag, in this business in Turkey. That is why we specify a minimum guarantee must be given.

On page 10, item 3-B. The period of the various 25% payments after the initial cash payment of 25% covers a period of entirely too long a time. We just cannot finance our sales to the Turkish Government on that basis and if you include in your outside purchases, as referred to in this paragraph, anything not manufactured by us, it is just out of the question. I assume that you do not include items not manufactured by us, but rather refer to items purchased outside of Turkey; and that such financial terms as are necessary for items not manufactured by us, would be subject to the acceptance of the specific manufacturer, and we, of course, cannot guarantee on what terms he will accept business. More frequent payments of lesser amounts than 25%, but with the total paid for eighteen months after delivery, would certainly seem to me to be about the maximum that we could consider.

I also stated that we must be assured of our ability to discount immediately all drafts that we receive into dollars promptly in New York. It is easy enough for the Turkish Government to say that we can discount their drafts, but so far we have not been able to find anybody who would discount them; and the Turks may have in mind that you can discount them in Turkey, but there, again, comes the question of how we are going to get dollars in New York. That will have to be worked out and I feel sure it can be worked out satisfactorily. Also, what would it cost us to discount these drafts, including conversion, into dollars, etc., etc.

Referring to item 5 on page 10, I state we cannot agree to Curtiss-Wright Corporation becoming general contractors. Our participation in this connection would be supervisors of constructions and managers of operations. Your item 5 states that if the Turkish Government desires that we should act in the capacity of general contractors, etc. We cannot possibly do this in any way that I can see. We are not in the general contracting business and do not want to be. We will supply personnel under suitable arrangements, to supervise general contracting work that might require the supervision of an aviation expert because laying out hangars and flying fields is somewhat different from building a village or an office building. As general contractors, I can well visualize our employing crews of several hundred people and I do not think that any fee could be given us sufficiently large to make this interesting in any way. So, for heaven's sake, keep away from even indicating that we would be interested in becoming general contractors and that all we will do is supervise construction and manage operations by supply proper personnel.

I then referred to item 6 on this page as having the same objections as item 3-B on the same page, and item 7 and item 8 on this page, having the same objection as item 2 on page 9.

As I said at the beginning of this topic, in general principle your proposal is very interesting and goodness knows we want to do a good job for the Turkish Government, and I do not think anyone can question our endeavor to assist them. In connection with our requiring a detail study of any contract or committing proposal to them, before it is submitted or signed, if they object to the delays entailed in this procedure, you can just recall to their mind that we have spent over two years in awaiting their pleasures in acting on a lot of things that have cost us money and, of course, have cost them money, and that they cannot expect to come out of their trance suddenly and expect us to snap right back with the answer. The work you have done with the big shots in Turkey in showing them the fallacy of their ways and the needless delays that they have instituted and what it has cost them in results and money, has been a most excellent job. I know what you have been up against in selling it, but it is a job that requires, as you well know, a constant following up, because you are trying to change their entire method of doing things which has been inborn into them for centuries. However, our one hope in working out a reasonably rapid, business procedure in Turkey is the fact that they have shown the world not only a desire to progress and live and act in a modern, up-to-date manner, but that they have actually shown astounding results in this regard in the last ten years. I cannot help but feel that they must realize, as you do, that they are just on the threshold of making one of their biggest advancements, both commercially and from a military standpoint by the manner in which they get in line on this negotiation with us. We can help them more at this time—a help that will have the influence and effect that will last for a number of years—and I think they do realize it. Nevertheless, it is a fact that if they will really take us into their confidence and let us guide them, through your good offices, we can put them ahead of the rest of the parade in most of Europe and the Near East, and at a much lower cost than anybody else in the world. This brings me right to the point on page 12 in your letter where you say "in looking this proposal over don't forget that this set-up will have a very definite influence on prospective dealings in Greece, Roumania, Bulgaria, and Persia." My answer to that is, substantially, what I have just said. I know that it will help us in our negotiations in these other countries but, by the same token, it will show these other countries how progressive, and businesslike, and decided the Turkish Government is if they go after and conclude the plans you are discussing with them, in an efficient businesslike manner.

Now, just a bit personal. I am most sincerely sorry that you could not get up to Switzerland for the holidays, and don't think that we all do not appreciate your foregoing not only the pleasure but the rest and change you so well earned, to stick on the job.

The postscript on your letter of the 12th in which you state that Ferdie Hulse had just come in with a letter from the Ministry saying he was fired, is hard to understand, because in my time in Turkey I found Ferdie about as hard-working and conscientious as anyone could be, and particularly anxious to do a job for the Turkish Government. I haven't heard anything more from you on this subject since your letter of the 12th, and Ferdie has not shown up here, so I am hoping your conference with the Ministry has gotten him reinstated and iron out his troubles. My slant on Americans, particularly those who are in Turkey in more or less what we would call minor capacities, as compared to yours and mine, have a particularly difficult row to hoe, because in doing their jobs efficiently, they are bound to create hard feeling and step on somebody's toes, and it is an easy thing for the higher-ups to discharge these people without completely understanding the case. And then, too, when you are dealing with the class of people that you must deal with who will occupy such positions in a foreign country, you have got to realize that they have not the capacity to handle all situations diplomatically. However, I honestly feel that with two exceptions and both those have been removed, all of the American personnel that we have supplied to the Turkish Government are conscientious, capable, and devoted to the job of making a good showing for Turkey in Turkey. And if the higher-ups can only overlook some of their minor shortcomings and give them the backing and help that they must have, they will be better off in the long run.

Letter of December 23rd.—With this letter you enclose the English version of your letter and report to Ismet Pasha and Fevzi Pasha with copy to Zekai Bey. Needless to say, I think your letter and report are excellent. My par-

ticular attention is focused on the proposed services that you have offered without increased cost, as follows:

(a) Deliver the materials for the first airplane in the form of a completely fabricated demonstrator. First, let me ask you if that means that we cannot expect now any order for Buffalo-built Hawks? If it only means that you want a demonstrator there and this is your way of getting it, and we can well expect an order for some Buffalo-built Hawks I think we could arrange to do as you suggest. I quite thoroughly agree with your remarks on the necessity for a demonstrator and its value to you, and I think, under proper conditions, which means obviously sufficiently attractive potential business practically assured, that I can put this demonstrator idea across.

Of course, your remarks as to the criticism of the Hawk as a type, such as poor idling, inefficient gas tank, minor troubles with with gas gauges, etc., are all ridiculous if taken in the aggregate, and I know you fully appreciate this. There is not an airplane built, and I do not care who builds it, which does not have its minor difficulties and those they are experiencing with the Hawks certainly are not any worse than they have experienced in the past with other manufacturers' types, or that they will experience in the future on any airplanes they buy. They are difficulties that we hasten to straighten out when we know they occur and while our competitors, both foreign and domestic, may use them in an endeavor to sell their equipment, the best argument that I can think of to counteract this is the fact that every airplane manufactured has its certain number of minor bugs. They always have had and they always will have, and Curtiss-Wright equipment does not have any more than anyone else, and from what I can gather, in this country, we have considerably less.

I can fully appreciate how a sample ship will help Chuck Hunter in his work. It will probably reduce the length of time required to do the job at Kayseri, but that, in itself, is not sufficient to warrant building up the first ship here. The airplanes can be built without a sample ship but if the Turkish Government want to speed up their production which is of vital importance to their national defense program, and a completely built ship is essential, they ought to be willing to pay for it, and if you could get them to pay for it and use it as a demonstrator before shipping it to Kayseri, it would be a grand piece of business; because while in itself the added cost of building the ship here and sending it over complete is not an item that will break us, we have learned from experience that all of this business has unforeseen things cropping up that cost a few dollars here and there, and in the aggregate, help swell an already sizeable red figure.

(b) Supply a motor man. I am rather inclined to agree with your ideas except that I do not like the permanency of your suggestion. A good motor man ought to be able to thoroughly instruct Turkish personnel on the maintenance and upkeep of the motors in, let us say, a year's time, plus what he could do with the American personnel who are bound to be in the plant and on the airline. And he should be able to leave at the end of this time, and then service contacts by Naidment or whoever else is in Europe at regular intervals should carry on the job efficiently. However, if we operate the airline, we will have to have motor experts working as chief mechanics and they should be available to service the military equipment when it becomes necessary.

I quite agree with you that we ought to have the American personnel on our pay roll so that we can control them providing the allowance you have made in your price is ample to cover them. It looks ample at the present time, but again, we do not know the details involved, so we cannot tell definitely whether they are ample or not. Time alone will tell that as we get more detailed information from you. Just as you yourself say, the longer they delay the more our costs rise and that is one of the factors that makes it difficult to tell whether allowances have been ample or not. I fully appreciate that you are not going to write any contract out there that will lose us money.

I will be interested in knowing whether United's man Gould has given you any real dirty competition.

Letter of December 28th.—This is your further thought on Bill Smyth's letter of December 17th, I think the matters of speed and competition I have already covered in this letter, providing we can get the release on the retractable gear, and like yourself, I do not like the idea of a super super Conqueror Hawk if we can get away with the speed on a standard Cyclone Hawk with retractable gear. And as to the demonstrator, I think I have answered that, although I will say that it will be a lot easier for me to sell the demonstrator idea to our Board if we have further indication of definite and prompt and

profitable action on the part of the Turkish Government in completing the present negotiations and in cleaning up bonds, etc., on the last order.

Referring to your P.P.S., there has been a lot of talk about the Government making it practicable to extend foreign credits. It is a policy that is getting a lot of attention at the White House at the present moment. Tom Morgan, Cheever Cowdin, Jab Smith, and I have all had sessions both here and in Washington on this subject, and will continue to follow it up. I cannot say that it looks particularly hopeful. On the other hand it has not been flatly turned down. How it will be worked out and whether it will mean that the Government will help us finance, as manufacturers, a part of our business without recourse, is still an unknown quantity. If it is with recourse, we are not interested, because we can borrow money from the banks with recourse. There are a lot of laws and rules governing the use of governmental funds at the present time, which must be changed or modified in order to permit the extension of any credit for financing foreign business with or without recourse, and it is all going to take time. All I can say is that work is being done on the subject, Washington is lending a more or less attentive ear, but it is too early to tell what the outcome will be. I will keep you posted, however, as soon as we have anything definite.

This more or less answers your three letters without going into details that require information from the factories on matters that do not involve general principles. I am working on the basis of my replying to your letters more or less on a personal basis and giving you our reactions to major suggestions that you make. Parm Hewlett and Bill Goulding take your letters and digest them and answer detailed and technical questions and follow your suggestions for the sending out of literature, etc., etc. I will be interested in knowing what your reactions to this plan are and whether you are getting complete answers to your specific queries, and in general, if everything is going all right from this end. We have what I consider an excellent set-up here now with Parm Hewlett down here from Buffalo as a permanent addition to the Export Company. He is the expert on airplanes and our liaison with airplane manufacturing units. Phil Shepley is the liaison with Wright, as you know, and in addition, Parm Hewlett is handling the promotional sales work and distribution of information, catalogues, etc., etc. The only way that we can be sure that our work is being done efficiently is by receiving your reactions from a long range, but in the field. We are all trying our best to do a good job and help to make your job easier, so do not hesitate to tell us if we are falling down any place and how we can be of more service.

We all send our best to you and the rest of the American personnel in Turkey and, more particularly, Helen joins me in our best to Ethel and you and Kiki and Bob. Here's hoping we will see you all real soon.

Sincerely yours,

JSA.
MBN.

EXHIBIT No. 449A

WAC—FILE: Releases of Engines for Foreign Sale—Misc. *Army*.

Mat. Div. A. C. 304—Wright Field 5-4-33-20M

WAR DEPARTMENT, AIR CORPS,
MATERIAL DIVISION, OFFICE OF THE CHIEF OF DIVISION,
Wright Field, Dayton, Ohio, November 2, 1933.

AJL:lmf

Subject: Release of aircraft engines for domestic, commercial, and/or foreign sale.

To: Wright Aeronautical Corporation, Paterson, N.J.

1. You are informed that the practice of obtaining release for a type of engine by trade name and interpreting that release as a blanket release for the particular type of engine through all the stages of its development and improvement will not meet the sanction of the Air Corps. The Material Division will release engines by Air Corps type designation only, and approval will be given only to release of specific models upon the merits of each specific case as presented to the Air Corps. Formal requests for release of current models will include a detailed list of all engine accessories.

2. In this connection you are advised that the Material Division will approve release of the R 1820-F series which bear the following Air Corps designations: R-1820-13, R-1820-17, R-1830-19, R-1830-20-21, and R-1820-23. It is desired that a formal request for the release of these engines be forwarded to the Chief of the Air Corps in order that the matter may be referred to the Bureau of Aeronautics in accordance with the existing policies.

For the Chief of the Material Division:

(Sgd.) C. W. HOWARD,
Major, Air Corps, Chief, Engineering Section.

Cy. to Inspector in Charge, Air Corps, U. S. Army.

(Pencilled notations: Comp. blower; R. 1830 13 Fl 6.4/1 5.95/1; 17 8/5 6.4/1 7/1; 19 8/5 6.4/1 7/1; 21 Fl 6.4/1 5.95/1; 23 8/5 6.4/1 5.95/1.)

Not included: 4 bbl. carb. 16/11 gears.

EXHIBIT No. 449B

WAC—FILE: Releases of Engines for Foreign Sale—Misc.—Army.

(Pencilled Memorandum on Yellow Paper.) Not dated—but filed between letters of 11/2/33, 10/31/33.)

C. W. Howard—Letter of Nov. 2, 1933.

Release in future to be Air Corps type designation only—requests to include detailed list of all engine accessories.

Will approve release of R-1820 F series, 13, 17, 19, 21, which include 6.4/1 compression and blower ratios 5.95 & 7/1.

Excluded are: 4 bbl. Carburetor 16/11 gears, 10/1 blower Hydro control (?),

1. This subject first brought up in May (?) 1933 during negotiation for approval of U.S.S.R. agreement.

2. At that time sales and deliveries had already been made of advanced Cyclone Models as follows: China, 52; U.S.S.R., 2, also license: Bolivia, 8; Udet Germany, 1 (?); Adler, 10 (?).

3. Gov't business at low ebb. Engineering program (WAC) greatly reduced early in year.

4. However, by great effort commercial sales secured totalling more than either Army or Navy total.

5. Manufacturing overhead absorbed 500,000.

6. Were all set as result to reduce Gov't prices—NRA upset plan.

7. Engineering program boosted again.

8. New procedure set up during summer following conversations at Dayton and Washington.

9. Now all set to function properly.

10. U.S.S.R. already turned down on many items.

EXHIBIT No. 449C

WAS—FILE: Releases of Engines for Foreign Sale—Misc.—Army.

(Pencilled memorandum on yellow paper. Not dated—but filed between letters of 11/2/33 and 10/31/33.)

Mr. GORDON.

First F3 Cyclones (8.3: Imp.) were shipped abroad as follows:

Country	Engine no.	Date shipped
Bolivia.....	21029	Dec. 7, 1932
Russia.....	21020	Feb. 9, 1933
China (Shanghai).....	17936	Feb. 18, 1933
" (Canton).....	17927	Feb. 27, 1933

(Pencilled mark here looks like—"NNL" Might be "T. M. L.") 11/9/33
P.S. Total shipments are shown on attached report.

P.P.S. No. 4 bbl. carbs. or 16/11 gears have as yet been shipped abroad altho complete data has been given. Hispano U.S.S.R. and KIM, etc, and Car. & engines are scheduled for shipment soon.

T. M. L.

EXHIBIT No. 449D

WAC—FILE: Releases of Engines for Foreign Sale—Misc.—Navy.

(Penciled Notations:

"CC:

Material Division.
Mr. Nutt.
Mr. Taylor.
R. L. Earle.")

DEPARTMENT OF THE NAVY,

OFFICE OF THE SECRETARY,

Washington (stamped dates): April 25, 1934.

April 24, 1934.

VV/111-3(22) (340419-1)

DEAR SIRs: Your letter of 16 March 1934 with enclosure has been referred to me for action. By this letter you request approval of certain changes to be incorporated in engines for foreign and domestic commercial sale.

In reply, I am pleased to inform you that, insofar as concerns military secrets, which is their sole cognizance in the matter, the War and Navy Departments have no objection to the release of the changes outlined in the enclosure to your letter in your engines for domestic and foreign commercial sale. It is desired that this release and future releases of a similar nature be restricted to engines manufactured in this country, and that separate releases be requested not more frequently than semiannually for changes to be incorporated in engines manufactured abroad under license. It shall further be understood that this release does not extend to provision for four-barreled carburetor or two-speed supercharger, upon which items the views of the Departments have been previously expressed.

Sincerely yours,

(Sgd.) H. L. ROOSEVELT,
Acting Secretary of the Navy.

WRIGHT AERONAUTICAL CORPORATION,
Paterson, N.J.

(Penciled notation: "The six-month restriction relates only to engines manufactured abroad not to those made in this country."—M. B. G.)

EXHIBIT No. 449E

WAC—FILE: Releases of Engines for Foreign Sale—Misc.—Navy.

MAY 4, 1934.

To: Chief of the Bureau of Aeronautics, Navy Department, Washington, D.C.
Via: Inspector of Naval Aircraft, U.S.N., at Wright Aeronautical Corporation,
Paterson, N.J.

Subject: Release of Wright Aeronautical Engines for Export.

Reference: Letter from Office of the Secretary of the Navy VV/L11-3 (22) (340419-1) dated April 24, 1934.

1. Referenced letter advises that the War and Navy Departments have no objection to the release for foreign and commercial sale of engines incorporating the changes outlined in this company's letter of March 16, but states that it is the desire of the Government that this release and future releases of a similar nature be restricted to engines manufactured in this country, and that separate releases be requested not more frequently than semiannually for changes to be incorporated in engines manufactured abroad under license.

2. Attention is invited to the fact that due to the extensive flight operation of Wright engines during the past few months, a number of minor engineering changes have been made to increase the reliability of the engines or to facilitate the manufacturing and maintenance of the engines. None of these changes are so novel as to constitute new inventions but some of them are desirable to overcome the possibility of engine failure under certain flight conditions. It is believed that all of the essential improvements have been incorporated in Wright engines built as of April 15 and, therefore, it is respectfully requested that this date be taken as the starting point for the semiannual Government releases for engines to be manufactured under foreign license. Upon the

assumption that this request will receive favorable action we are attaching hereto a list of the engineering changes made by this company from March 1 to April 15, 1934. Lists of all other changes made by this company since the adoption of the new Government policy have been previously forwarded to the Government and have all been approved except as mentioned below.

3. Referenced letter advises that the Government has not released the four-barrel carburetor or the two-speed supercharger for use in engines to be exported or manufactured under foreign license. In the list of detail changes previously submitted to the Government this company mentioned a modification of the crankcase rear section to adapt it for a two-speed supercharger. This modification consists only of additional bosses cast into the crankcase rear section. The pattern which permitted the additional bosses was made to enable this company to obtain castings for experimental Government projects and the bosses can in no way be identified with a two-speed supercharger by anyone not thoroughly familiar with the supercharger developments project. It is not the intention of this company at this time to request the release of the two-speed supercharger or any of its parts either for domestic or for foreign use.

4. In connection with the release of the four-barrel Stromberg carburetor, attention is invited to the fact that this carburetor was exported before this company was advised of the Government's new policy applying to foreign releases. It contains no novel features but is merely a larger size of the obsolescent two-barrel carburetor, and most of its parts are interchangeable with the obsolescent two-barrel carburetor.

5. It is the desire of this company to fully cooperate with the Government in connection with experimental projects and all confidential projects are jealously guarded by this company. In view of the fact that the Stromberg four-barrel carburetor has now become a standard commercial article, since it is the only type of carburetor used by this company and since it was exported prior to this company's knowledge that such export would not be approved by the Government, it is respectfully requested that the decision given in referenced letter be reconsidered and that approval be given for the foreign shipment of engines equipped with four-barrel carburetor and for the manufacturing under foreign license of engines equipped with the four-barrel carburetor.

6. Change B-1312 covering provisions for gun synchronizer gears and support of "Adco" gun synchronizer has not been approved for export. This change has always been considered a confidential project by this company and will be so considered until released by the Government.

7. Change B-1224-b covers provision for oil-heated instead of exhaust-heated four-barrel carburetion. This change was made at the specific request of the Transcontinental & Western Air Express Company for engines to be installed in the Douglas transport and will be confined to engines sold in this country until released for export use by the Government.

WRIGHT AERONAUTICAL CORPORATION,

T. M. LUCAS,

Manager Order and Contract Division.

TML: SS

CC: INA. USN at WAC

G. W. Vaughan

M. B. Gordon

George Chapline

Arthur Nutt

P. B. Taylor

R. L. Earle

R. K. Brown

The list printed below was requested by the committee and furnished by Mr. Allard on November 2, 1934. (See text, p. 855.)

FORMER NAVY, ARMY, AND RESERVE CORPS OFFICERS NOW CONNECTED WITH
CURTISS-WRIGHT

CURTISS-WRIGHT CORPORATION

President, Thomas A. Morgan, United States Navy, 1908-12, chief electrician; major, United States Army, 1926-33, Reserve; major, United States Air Corps (S. R.), 1926-33.

Senior vice president, J. A. B. Smith, ensign, United States Navy, 1902; resigned commander, 1920.

Vice president, J. S. Allard, aviation section, Signal Corps, 1917-19; Air Service Officers' Reserve Corps, 1920-31.

Vice president, B. S. Wright, Reserve Officers' Training Corps, Aug. 27, 1917-Nov. 27, 1917; commissioned first lieutenant Coast Artillery Reserve Corps with active duty Nov. 27, 1917; commissioned captain Air Service, Feb. 18, 1919; resigned, January 1928.

Treasurer, J. A. B. Smith. (See above.)

Secretary, R. R. Reger, entered United States Army Signal Corps December 1917; discharged June 1919.

Assistant secretary and assistant treasurer, E. S. Cramer, February 1906-10, United States Navy; May 1918-July 1919, United States Army.

CURTISS AEROPLANE & MOTOR CO.

President, J. A. B. Smith. (See above.)

Vice president, T. P. Wright, lieutenant United States Naval Reserve, November 1918 to October 1921.

Vice president, B. S. Wright. (See above.)

Vice president, B. G. Leighton, Naval Academy July 1909-June 1913; commissioned in turn lieutenant and lieutenant commander, United States Navy; resigned United States Naval Service November 1928; appointed lieutenant commander United States Naval Reserve, 1928.

Treasurer, George S. Lapp. No service.

Secretary, R. R. Reger. (See above.)

Assistant treasurer and assistant secretary, Joseph P. Healey, first lieutenant, Infantry Reserve, February 1925.

WRIGHT AERONAUTICAL CORPORATION

President, Guy W. Vaughan, lieutenant commander, United States Naval Reserve, October 3, 1927.

Vice president, B. G. Leighton. (See above.)

Vice president, Arthur Nutt. No service.

Vice president and assistant general manager, M. B. Gordon, second lieutenant, aviation section, Signal Reserve Corps; enlisted, February 1918; discharged, December 1918.

Treasurer, J. J. Donahue. No service.

Secretary, R. R. Reger. (See above.)

Assistant secretary and comptroller, C. C. King. No service.

CURTISS WRIGHT AIRPLANE CO. (MISSOURI) (DELAWARE)

President, Ralph S. Damon, enlisted Signal Corps Reserve, February 5, 1918; commissioned in the Air Corps Reserve, December 1918; discharged, active duty, May 14, 1919; resigned Reserve commission, December 1923.

Vice president, G. J. Brandeweide, United States Army, November 1918-July 1919.

Treasurer, G. M. Ebert. No service.

Secretary, R. R. Reger. (See above.)

Assistant secretary, G. M. Ebert. (See above.)

CURTISS WRIGHT EXPORT CORPORATION

President, J. S. Allard. (See above.)

Vice president, W. F. Goulding, aviation section, Signal Corps, September 1917; commissioned first lieutenant; discharged, February 1919.

Vice president, W. P. Pawley. Information not available.

Vice president, B. G. Leighton. (See above.)

Treasurer, E. S. Cramer. (See above.)

Secretary, R. R. Reger. (See above.)

MUNITIONS INDUSTRY

HEARINGS

BEFORE THE

SPECIAL COMMITTEE

INVESTIGATING THE MUNITIONS INDUSTRY

UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

PURSUANT TO

S. Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 5

SEPTEMBER 12, 13, 14, 1934

E. I. DU PONT DE NEMOURS & CO.

Printed for the use of the
Special Committee Investigating the Munitions Industry



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON: 1934



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BEFORE THE

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UNITED STATES
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WASHINGTON : 1934

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SPECIAL COMMITTEE INVESTIGATING THE MUNITIONS INDUSTRY

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ARTHUR H. VANDENBERG, Michigan

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W. WARREN BARBOUR, New Jersey

HOMER T. BONE, Washington

JAMES P. POPE, Idaho

STEPHEN RAUSHENBUSH, *Secretary*

II

Charged to credit acct.
with Sect. of Documents

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INVESTIGATION OF THE MUNITIONS INDUSTRY

WEDNESDAY, SEPTEMBER 12, 1934

UNITED STATES SENATE.
SPECIAL COMMITTEE TO INVESTIGATE
THE MUNITIONS INDUSTRY,
Washington, D. C.

The hearing was resumed at 2:15 p. m. in the caucus room, Senate Office Building, pursuant to taking of recess, Senator Gerald P. Nye, presiding.

Present: Senators Nye (chairman), George, Clark, Bone, Pope and Vandenberg.

Present also: Stephen Raushenbush, secretary.

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order. It will be recalled that during a recent day of these hearings the assistant to the Secretary of State had assured us that certain information that was requested concerning a treaty of 1858 with Bolivia and another of 1859 with Paraguay might be sent for incorporation in the record, at the point where Mr. Green's testimony left off. Such information, accompanied by a letter from the Secretary of State under date of September 11, is here offered for the record.

(The letter and memorandum above referred to are included in the record following the testimony of Joseph C. Green, given on Sept. 11, 1934, see part III, p. 628.)

The CHAIRMAN. I also offer for the record a letter by Mr. L. du Pont, president of the E. I. du Pont de Nemours & Co., presented to the committee this morning revealing the presence of those of the corporation who can speak authoritatively upon the various phases which are under investigation, which I think ought to be made a part of the record.

(The letter referred to is as follows:)

E. I. DU PONT DE NEMOURS & Co.,
Wilmington, Del., September 11, 1934.

HON. GERALD P. NYE,

*Chairman Special Committee Investigating the Munitions Industry,
408 Senate Office Building, Washington, D. C.*

MY DEAR SENATOR NYE: In accordance with the request contained in your letter of September 4, 1934, I shall appear tomorrow, September 12, 1934, before your committee.

As suggested in your letter I shall bring with me such officers, advisors, and consultants as may be of assistance to your committee in the presentation of such information and data as the committee desires.

More specifically, we shall be pleased to make available for your examination the following gentlemen:

Mr. P. S. du Pont, president of this company from 1915 to 1919, inclusive, and now chairman of the board. Mr. P. S. du Pont is specifically informed with regard to the operation of this company and its contacts with the U.S. Government during the war. He is especially familiar with the construction of the Old Hickory Powder Plant for the U.S. Government. Mr. du Pont's long experience with the company has given him a thorough knowledge of the advantages of peace-time operation as compared with war-time operation.

Mr. Irénée du Pont, vice President and vice chairman of the board of directors, and former president of the company from 1919 to 1926. Mr. du Pont was particularly active during the difficult period of transition following the conclusion of the war.

I succeeded Mr. Irénée du Pont and am now the president of the company. I am, of course, familiar with the current affairs of the company.

Dr. Fin Sparre, member of the board of directors and director of the development department of the company, has been actively concerned with the negotiation and operations of the agreements with Imperial Chemical Industries, Ltd., including other foreign companies, and will be present. He has intimate knowledge concerning the licenses and patents and the interchange of information specified in your letter.

Mr. J. Bayard Eliason, treasurer, and Mr. A. C. Nielson, comptroller, will be prepared to assist the committee in an examination of the war-time profits of the company.

Both Mr. A. Felix du Pont, vice president and general manager of the smokeless powder department, and myself will be prepared to testify concerning the relations of the company with the United States Government. Mr. Felix du Pont will be assisted by Mr. F. W. Bradway, assistant general manager and by Maj. K. K. V. Casey, director of sales of the smokeless-powder department.

Very truly yours,

L. DU PONT, *President.*

The CHAIRMAN. Mr. Pierre du Pont, are you president of the company, or chairman of the board?

Mr. PIERRE S. DU PONT. I am chairman of the board.

The CHAIRMAN. You were president of the company during the period of the war?

Mr. PIERRE S. DU PONT. During the war period; yes.

The CHAIRMAN. So that we shall be examining you primarily to start with, Mr. Pierre S. du Pont.

CORPORATE ORGANIZATION OF E. I. DU PONT DE NEMOURS & CO.

TESTIMONY OF PIERRE S. DU PONT

(The witness was duly sworn by the chairman.)

The CHAIRMAN. For the record, I am offering as "Exhibit No. 450", a history of and certain data concerning the E. I. du Pont de Nemours & Co. as taken from Moody's Manual of Industrials, 1933.

(The statement referred to was marked "Exhibit No. 450," and is included in the appendix on p. 1269.)

The CHAIRMAN. Also, I shall offer for the record as "Exhibit No. 451", a statement compiled from Poor's industrial volume and from other sources, as noted, concerning the directors and the directorates of E. I. du Pont de Nemours & Co. and subsidiary corporations, revealing the subsidiary companies wholly owned and those not wholly owned, but showing their percentage of ownership by the E. I. du Pont de Nemours & Co.

(The statement referred to was marked "Exhibit No. 451," and is included in the appendix on p. 1270.)

The CHAIRMAN. Senator Bone, will you proceed?

Senator BONE. Mr. du Pont, the form of this inquiry is of such a character that it will probably not be necessary to introduce exhibits. I think perhaps we might expedite the inquiry of this particular bracket of it and hurry through without the necessity of the introduction of a lot of papers if your answers will cover the questions that I shall ask on the data that I have before me.

Mr. PIERRE S. DU PONT. Before we start, Senator, may I explain that I have been out of active business for quite a number of years and am not acquainted with any of the details of the business as it stands today and naturally with regard to the past, I am probably a little hazy. But I have endeavored to post myself and I may be able to answer quite readily on some things and have reference to my associates on others. I shall try to do my best to give to you the information that you wish.

Senator BONE. I may suggest that these questions are of such a general character as affecting your business that you can give us the information very readily. This is going to be a very short inquiry.

Will you give us the full name of your present corporate organization?

Mr. PIERRE S. DU PONT. E. I. du Pont de Nemours & Co.

Senator BONE. In what State is that incorporated?

Mr. PIERRE S. DU PONT. In Delaware.

Senator BONE. Can you give us the date of the incorporation?

Mr. PIERRE S. DU PONT. It was in 1915.

Senator BONE. Let me suggest September 4, 1915, as the date of the incorporation.

Mr. PIERRE S. DU PONT. I believe that is correct.

Senator BONE. I have some of this data before me and I will use it and if I make an error, please correct me.

The record that I have before me indicates that your stock set-up consists of the following items:

Preferred or nonvoting debenture stock, \$150,000,000.

Voting debenture stock, \$10,000,000.

Voting common stock, \$80,000,000.

Your corporate structure consists altogether of \$240,000,000 of stock. Is that correct?

Mr. PIERRE S. DU PONT. That sounds correct.

Senator BONE. This is taken from your own records.

Mr. PIERRE S. DU PONT. That is authorized stock, not the issued stock.

Senator BONE. The newly organized corporation, that is the one to which we have just referred, took over all of the assets of the E. I. du Pont de Nemours Powder Co. of New Jersey?

Mr. PIERRE S. DU PONT. Right.

Senator BONE. That other organization, the E. I. du Pont de Nemours Powder Co. of New Jersey, was shown to have assets of \$90,847 883; munitions contracts of \$29,152,116; or a total of assets of \$120,000,000.

Mr. PIERRE S. DU PONT. That sounds about right.

Senator BONE. When your new corporate organization was formed, how did you allocate this stock in the new company to the stockholders of the old organization?

Mr. PIERRE S. DU PONT. That was allotted to the stockholders of the old corporation in proportion to their stockholdings.

Senator BONE. It appears on the face of this record that the new company had a capital set-up of approximately twice the size of the old corporation?

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. So that for one share of stock in the old company, two shares of stock in the new organization were given in exchange; that is the way the change was effected? Is that correct?

Mr. PIERRE S. DU PONT. My brother suggests that that was a dividend paid out from the old company to the new company.

Senator BONE. Was that in the nature of a stock dividend?

Mr. PIERRE S. DU PONT. I imagine it was a liquidating dividend. I am not sure that I can differentiate.

Senator BONE. It had the practical aspect of a stock dividend. Am I correct in that?

Mr. PIERRE S. DU PONT. I think so, yes.

Mr. IRÉNÉE DU PONT. The Government took the stand that that was a sale.

Mr. PIERRE S. DU PONT. My brother on my right says that the Government took the position that that was a sale of assets, and that was brought out on a question of taxation. That decision stood, I believe.

Senator BONE. What I am trying to get at now is that the practical situation was that it amounted literally to an exchange of stock. That was the practical effect of it, was it not?

Mr. PIERRE S. DU PONT. I think so, yes. Technically, possibly not, but practically, yes.

Senator BONE. I mean in practical effect?

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. Your business, I gather from this statement before me, was founded originally in 1802?

Mr. PIERRE S. DU PONT. Right.

Senator BONE. Its original purpose was to manufacture powder?

Mr. PIERRE S. DU PONT. Yes. That was the black powder, the only powder known in those days for sporting and commercial purposes; but then largely sporting and military purposes.

Senator BONE. I shall be stating some conclusions on facts, as I proceed, so that you may agree with them or disagree with them as we go along. That will save us a lot of time.

The E. I. du Pont de Nemours & Co., the present company, was organized as a holding corporation and acquired the ownership of about 100 different corporations through an exchange of their capital stocks with the preferred and common stocks of the du Pont Co.?

Mr. PIERRE S. DU PONT. That was the E. I. du Pont de Nemours Powder Co., the predecessor of the present one. The transfer was made in 1915.

Senator BONE. I was in error then. The present company took over the assets of the powder company, and when it did so it took over these other companies that had been brought into this powder company, is that right?

Mr. PIERRE S. DU PONT. But they had been merged into the powder company and they no longer existed.

Senator BONE. They had lost corporate identity, is that right?

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. These older corporations were dissolved when they were taken over; this powder company was dissolved, as I understand, by a decision in the Federal courts, is that right?

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. As a result of that decree of the Federal courts, which was brought, I believe, under the Sherman Act, at least two of these companies which now exist as your affiliates, were separated from the parent company, one being the Hercules Powder Co. and the other the Atlas Powder Co.?

Mr. PIERRE S. DU PONT. Yes.

Mr. IRÉNÉE DU PONT. Not affiliates, but separate corporations over which we have no control at all.

Senator BONE. Let me digress for a moment and ask what control the du Pont Co. holds over the Hercules Powder Co. and the Atlas Powder Co.?

Mr. PIERRE S. DU PONT. None whatever.

Senator BONE. Have you any stock ownership in them?

Mr. PIERRE S. DU PONT. Not the company; no.

Senator BONE. Do the individual officers of your corporation; that is, the heavy stockholders in your company, do they have an interest in those companies?

Mr. PIERRE S. DU PONT. Formerly. At the time of the dissolution, the stockholders received the stock of the Hercules and Atlas Powder companies as a dividend, the theory being that that stock would soon be dissipated and the companies would cease to have any common ownership. That has actually occurred. I believe that the large stockholders, practically all, parted with their stock, but I have no information in regard to the Hercules and Atlas. But I believe that that is the case.

Senator BONE. Do you and your brothers, Mr. du Pont, have an ownership of any size in the two powder companies that I have named, the Atlas and the Hercules?

Mr. PIERRE S. DU PONT. I think I have a very few shares of both of them. But it is a very small interest.

Senator BONE. Can you advise us?

Mr. PIERRE S. DU PONT. I could find out for you.

Senator BONE. Of the extent of the holdings in either or both of those companies by your brothers?¹

Mr. IRÉNÉE DU PONT. I can answer for myself. I have no Atlas Co. stock.

Senator BONE. Mr. Chairman, I think it would be well to have all these gentlemen sworn and then they may answer questions for the record as they come up.

The CHAIRMAN. I will call on Mr. Irénée du Pont, Mr. Lamnot du Pont, Mr. A. Felix du Pont, Mr. Fin Sparre, and Mr. J. Bayard Eliason to rise and be sworn.

Irénée du Pont, Lamnot du Pont, A. Felix du Pont, Fin Sparre, and J. Bayard Eliason were thereupon duly sworn by the chairman.

¹ The holdings of the du Ponts in Atlas and Hercules Powder Co.'s stock were later submitted to the committee and appear in the appendix on p. 1397.

Senator BONE. I will repeat that question. Will you advise me, after this dissolution was effected and these companies split off from the parent company, whether you retained stock ownership of any consequence in either of these powder companies? That question goes to each of you gentlemen.

Mr. IRÉNÉE DU PONT. I can answer for myself with certainty. I have no Atlas stock whatever. I disposed of it long since. I have exactly—the shares of Hercules I believe that we got as dividends originally—if I remember correctly 13,000 shares. I can give it to you correctly by referring to a memorandum.

Senator BONE. You can supply that later, if you wish. Will each of you gentlemen indicate your answer to that question?

Mr. LAMMOT DU PONT. I have some Hercules stock and some Atlas stock.

Senator BONE. Can you advise us the extent of it?

Mr. LAMMOT DU PONT. I cannot give you the exact figures. But it is less than I held at the time of the dissolution.

Senator BONE. Will you just approximate it?

Mr. LAMMOT DU PONT. I would say it was two or three thousand shares of each.

Senator BONE. And you, Mr. Felix du Pont?

Mr. A. FELIX DU PONT. I have some Hercules and I think I have some Atlas. But it is a rather small amount. I cannot remember the amount.

Senator BONE. Would you approximate it?

Mr. A. FELIX DU PONT. I am afraid not.

Senator BONE. The record will, of course, indicate that you are not answering in categorical fashion. You are just giving your best recollection.

Mr. IRÉNÉE DU PONT. My proper amount is 12,264 shares.

Senator BONE. The record indicates that both of these companies that is to say the Hercules Powder Co. and the Atlas Powder Co. began active business January 1, 1913. In connection with an income tax statement of the du Pont Co.—I am now referring to the present du Pont Co.—the information submitted by the company indicates that the invested capital for the three years immediately preceding the outbreak of the World War was as follows:

1911: \$50,067,155.23.

Let me say parenthetically that these figures I think have been supplied to us by your auditors.

Mr. RAUSHENBUSH. They were supplied by the Bureau of Internal Revenue, Senator.

Senator BONE. By the Bureau of Internal Revenue?

Mr. RAUSHENBUSH. Taken from tax returns.

Senator BONE. In 1912 \$51,854,515.53.

In 1913 \$36,106,128.01.

Are those figures correct?

Mr. PIERRE S. DU PONT. It does not correspond with my recollection of the statement.

Senator BONE. Would you kindly look at that exhibit, which is a photostat. I think you will observe that Mr. John J. Raskob signs that return.

Mr. PIERRE S. DU PONT. I was mystified by the 1913 account of \$36,000,000. That was after the transfer of assets, was it not?

Senator BONE. I was about to suggest that that was after the transfer or the separation of the Hercules Powder and the Atlas Powder Companies from the parent company, which accounted for this loss in invested capital as shown on this record.

Who was Mr. John J. Raskob?

Mr. PIERRE S. DU PONT. I believe he was the treasurer of the company at the time.

Senator BONE. He is the one who signs this report. If there is any question about this, we can put it in the record. Otherwise, if those figures are agreed upon, it will not be necessary for us to do that. Do you desire to have it in the record?

Mr. RAUSHENBUSH. I do not.

Mr. PIERRE S. DU PONT. It is immaterial to us.

Senator BONE. Is there any question in your mind about the accuracy of the figures?

Mr. PIERRE S. DU PONT. I have no question about it.

Senator BONE. Then we will not put it in the record. The taxable income reported by your company—and when I say your company from now on I am referring to the present company—the taxable income reported by the company for the years 1911 to 1913 is as follows:

1911, \$5,132,470.30.

1912, \$6,012,632.94.

1913, \$4,642,534.68.

It is evident here at this particular showing that the separation of the two powder companies from the du Pont Powder Co. resulted in a lowering of the taxable income of the companies as recorded.

Mr. PIERRE S. DU PONT. I should like to differentiate between the taxable income and the income as stated in our annual report. It is not surprising that the figures are different. But that is a fact. They are calculated on different basis.

Senator BONE. What is that Exhibit, Mr. Raushenbush?

Mr. RAUSHENBUSH. This is Bureau of Internal Revenue Exhibit No. 2.

Senator BONE. Does that bear the signature of the company, also?

Mr. RAUSHENBUSH. Yes; it does. The point is well made there. There are different ways of computing incomes and this is the net taxable income as computed for purposes of taxation.

Senator BONE. Would you kindly examine that, Mr. du Pont?

Mr. PIERRE S. DU PONT. I am perfectly willing to accept this as the proper statement of amount for taxation purposes, yes.

Senator BONE. In that event I will not go further into the matter. Based on these figures, the returns on invested capital for the three-year war period were—and this computation was made from these figures—1911, 10.25 percent; 1912, 11.59 percent; and 1913, 12.86 percent.

Those are the computations of taxable income as against the invested capital.

Is that correct?

Mr. PIERRE S. DU PONT. If that is shown by the figures, I will accept it, surely.

Senator BONE. Can you tell us when you made your first important foreign contracts, for smokeless powder?

MR. PIERRE S. DU PONT. The first negotiation started, as I remember right, in September of 1914 and the first contract, which was with the French Government, was closed in October of that year and the second part of the same contract in December.

Senator BONE. Of course, you are speaking from memory and you cannot be expected to give the exact dates. But the record before me indicates that October 12, 1914, was the date when the first contract was signed.

MR. PIERRE S. DU PONT. That is substantially correct. May I add there, Mr. Felix du Pont prompts me in saying that the first actual contract signed was one with Mitsui Co. which was for some powder for Russia.

Senator BONE. We are somewhere in the correct neighborhood of the date. There may be an error of a day or two. The record indicates that other orders aggregating \$20,000,000 were received from September to December in the year 1914. That is indicated on page 9, section A of exhibit 1. Will you read that language, Mr. Raushenbush?

MR. RAUSHENBUSH. Do you wish to identify it?

Senator BONE. I want that exhibit identified, because I shall have to refer to it briefly in passing.

MR. RAUSHENBUSH. This is an exhibit labeled "Specific protests of E. I. du Pont de Nemours & Co. and subsidiaries against additional assessments proposed in Treasury Department letters dated October 30 1924", and bears the stamp of E. I. du Pont de Nemours & Co., auditing department. In section A on page 12, paragraph 4, it states:

War orders in 1914 and 1915. The Du Pont Co. was probably the first American corporation to receive war orders of any magnitude, the only possible exception being the Bethlehem Steel Co. The value of the war orders received was in round figures as follows:

September to December, inclusive, 1914, \$20,000,000.

January to June, inclusive, 1915, \$108,000,000.

July to September, inclusive, 1915, \$137,000,000.

Total, September 1914 to September 1915, inclusive, \$265,000,000.

October to December 1915, inclusive, \$78,000,000.

Total, September 1914 to December 1915, inclusive, \$343,000,000.

Senator BONE. Now, Mr. du Pont, I would like to have you and your brothers take a glance at that so that you may recognize it. That is the record which your company filed, I believe, with the Bureau of Internal Revenue in connection with some tax questions.

MR. PIERRE S. DU PONT. Yes.

Senator BONE. I merely desired to have it identified by your company because there will be one or two more references to matters in the volume itself.

MR. PIERRE S. DU PONT. The figures sound correct to me, but I have no way of checking them. Undoubtedly if it was a signed statement of the company, the figures are correct.

Senator BONE. I understand that that is your statement filed with the Bureau of Internal Revenue in connection with a tax case that was pending.

MR. PIERRE S. DU PONT. Yes.

Senator BONE. The year of 1915 appears to have been really the turning point in your company's business. The record indicates that during that year war contracts aggregating \$323,000,000 were

received by the company. That appears in this book which we will now identify as exhibit 1, section A, page 12. Mr. Raushenbush, will you kindly read that and show that statement to the witness?

Mr. RAUSHENBUSH. That has been read, Mr. Chairman.

Senator BONE. This exhibit 1, which we are referring to now, Mr. du Pont, is a record prepared by your company and filed in the Bureau of Internal Revenue of the United States.

Mr. PIERRE S. DU PONT. Then it is undoubtedly correct and I accept it.

Senator BONE. Well, that is a fact. I wanted to set at rest any question about that.

Mr. PIERRE S. DU PONT. My figures, drawn from the books are \$319,000,000 in 1915. This says \$323,000,000. That is an insignificant difference.

Senator BONE. Would there be any explanation on that? While you indicate this is a very slight difference, what explanation would there be for the figures that you have as against the figures of this book, that book being your own statements sworn to.

Mr. PIERRE S. DU PONT. It is possible that there was a difference in the division of contracts as to the dates when they were taken or executed, or something of that kind. But I accept this as being correct.

Senator BONE. That is to say, the exhibit 1 to which I have referred.

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. Have you anything in the figures before you indicating your gross military sales on the du Pont Co. and affiliated companies for the years 1915 to 1918 inclusive?

Mr. PIERRE S. DU PONT. I have for 1915 a gross value of \$319,700,000; 1916, \$182,300,000; 1917, \$313,700,000; 1918, \$410,200,000 (corrected).

Senator BONE. What would be the total of those sales?

Mr. PIERRE S. DU PONT. I did not name 1914, which was \$19,000,000. The total would be \$1,245,000,000.

Senator BONE. That would indicate the total sales of the du Pont Co. and its affiliates?

Mr. PIERRE S. DU PONT. Of the du Pont Co. I think there were no affiliates. It was all together.

Senator BONE. Those companies which it directly controlled?

Mr. PIERRE S. DU PONT. Yes. That takes in everything.

Senator BONE. That indicates the gross business that they did in that period?

Mr. PIERRE S. DU PONT. That is the military end only. That takes no account of the commercial end. That might account for the difference there which I had not thought of until my brother mentioned it to me.

Senator BONE. I call your attention to a document which will be marked for introduction in evidence as "Exhibit No. 452" which is the annual report of the E. I. du Pont de Nemours & Co. for the year 1916.

(The document referred to was marked "Exhibit No. 452" and is on file with the committee.)

Senator BONE. You recognize this?

Mr. PIERRE S. DU PONT. Yes, I do.

Senator BONE. I direct your attention to a statement on page 3 of that report which I desire to read into the record as follows:

The reduction in prices doubtless enormously increased our volume of sales which in the year 1916 aggregated \$318,845,685, which amount is better appreciated when compared with the average sales of the years 1913 and 1914, which amounted to \$25,927,478, an increase of 1130 percent.

Senator BONE. If you have copies of your annual reports, I will refer to them as we go along and I suggest that you might have them before you.

Mr. PIERRE S. DU PONT. I know these figures are correct. That figure for 1913 and 1914 I know to be correct.

Senator BONE. The figures I am going to use now will be taken from a number of exhibits, and I think it well to have them introduced unless we can be in agreement on these amounts. During these years 1915 and 1918, inclusive, the amount of invested capital in the du Pont Co. was as follows:

In 1915, \$128,596,450.40; in 1916, \$202,346,832.64; in 1917, \$222,613,553.34; in 1918, \$199,543,168.66.

Mr. PIERRE S. DU PONT. I could not accept those figures to explain the total assets of the company. Its gross assets employed in the business exceeded those figures by quite a great deal.

Senator BONE. I am using this comparison with respect to invested capital. In order that we might clarify that, will you get exhibit 3, and refer to page 14?

Mr. RAUSHENBUSH. That is the report for 1919 to the stockholders.

Senator BONE. The reference to the invested capital in the business should be shown on page 14.

Mr. PIERRE S. DU PONT. May I explain the total assets in 1915. That included not only the stock put in by the stockholders and the surplus, but it also included \$116,000,000 of money that had been advanced by our customers, and that capital actually was in the business, used in buying materials and in erecting plants, and was a necessary part of the capital. There was no surplus corresponding to that \$116,000,000, but it was actual capital, and the actual capital invested in our company was \$258,000,000, and not the smaller sum you mentioned in 1915 to 1918. It was the larger capital, including the moneys loaned by our customers actually invested in the plants of the company. In addition to that there was written off from our books the value of the plants which were built and in actual operation, and actually necessary for producing the results in 1918. In 1918 we had as much capital invested in plants as at any other time, although we had written off those plants against the contracts as they were filled. The actual capital used in 1918 was \$308,000,000 and not the small sum which you read.

Senator BONE. Will you let me see that exhibit?

Mr. PIERRE S. DU PONT. Yes. That all comes about from having written down the plants, although they were in active use, and also having in use a large amount of capital which our customers had supplied.

Senator BONE. Will you indicate what your invested capital was in the year 1916?

Mr. PIERRE S. DU PONT. May I pass you this tabulation which I think sets it forth, and you can follow it down, if you please. That

is the gross capital involved in the business actually at work at the time the profits were made.

Senator BONE. I am not concerned now with what your assets were, but I am concerned in this inquiry in the matter of the invested capital.

Mr. PIERRE S. DU PONT. That was the invested capital.

Senator BONE. I am taking your own statement for the year 1919, your own statement to your stockholders, and I am wondering where this difference comes.

Mr. PIERRE S. DU PONT. If you will take that statement, you will see the gross assets which is the capital employed in this case is stated as you have it on that sheet.

Senator BONE. Do you offer this now to the committee for its use?

Mr. PIERRE S. DU PONT. Yes; gladly.

Senator BONE. Can you tell us from this statement then what your invested capital was?

Mr. PIERRE S. DU PONT. I do not know whether I made clear my point that the total assets of the company during these war years was active in the production of powder and producing profits to the company, that capital came from several sources; first, from the stockholders, paid into the company; second, the surplus that had been accumulated during the years; and, third, a very large amount of money which the customers had loaned to us to build plants and provide materials for their contracts.

Senator BONE. You proceeded during the period of the war just as rapidly as possible to amortize a large amount of that investment?

Mr. PIERRE S. DU PONT. Yes; but it was only amortized in the books.

Senator BONE. You wrote those plants off, a large number of them?

Mr. PIERRE S. DU PONT. Not during the war.

Senator BONE. Did you not liquidate a number of them immediately after the war?

Mr. PIERRE S. DU PONT. After the war; yes.

Senator BONE. The process of writing them down, liquidating them and getting them out of your financial picture was accomplished during the period of the war. That is to say, did you not amortize that investment which I presume you took to be a temporary capital?

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. Will you now state what your invested capital was in 1917?

Mr. PIERRE S. DU PONT. \$263,393,000.

Senator BONE. And in 1918?

Mr. PIERRE S. DU PONT. \$308,846,000.

Senator POPE. Were these loans you referred to as being customers' loans later repaid?

Mr. PIERRE S. DU PONT. MAY I explain how that came about? When the war first started and the French Government approached us on the subject of contracts we told them we had nothing but a small plant, and in order to produce the powder we would have to erect new factories, and if we undertook the contract it would be with the understanding that the amount paid for the powder would cover the erection of these plants and enough money to secure

all or part of the raw materials. As a result of that we engaged to deliver powder to them at \$1 per pound, although the price to the United States Government, or possibly I should say to foreigners at that time was 80 cents per pound, so that we advanced the price 25 percent of our original foreign price. That was to take care of the necessary plants which we desired to erect. That French contract took up all of the capacity we had, and there was nothing left for our own Government, and we immediately started to erect new factories. That proceeded very rapidly as new contracts came in, and it was not until well on during the beginning of 1916 that we had factories sufficient for the prospective business. At that time we reduced the price from an average of about 90 cents to about 53 or 54 cents. As soon as the amortization was accomplished we immediately reduced the price.

Senator POPE. This really amounted to advance payments on materials furnished?

Mr. PIERRE S. DU PONT. Yes; it amounted to advance payments, but it was all invested in factories and raw materials which we had to supply ahead of time because of the tremendous advance in prices. All of our nitrate of soda was imported from Chile and there was great danger of embargo on that or enemy interference, so immediately when we made a contract we imported the nitrate of soda. We were so successful in that, that every pound of nitrate of soda amounting to over a million tons came into this country on time in the face of threatened accidents on the Panama Canal, in one case necessitating the bringing of the nitrate of soda across the continent in order to arrive at the plant in time.

Senator BONE. The figures before me indicate that the net taxable income of the new du Pont Co. during the four years of the war period—that is to say, 1915, 1916, 1917, and 1918—are as follows:

In 1915, 3 months, \$29,429,391.81—and if I am in error in this, will you correct me—in 1916, \$127,574,725.75; in 1917, \$78,296,541.20; in 1918, \$13,345,294. That would be spread over the 4-year period at approximately \$64,000,000 a year taxable income. 1915 and 1916 were the very high years, tapering off in 1917, and then this \$13,345,294 (corrected) in 1918.

Mr. PIERRE S. DU PONT. The total is substantially what appears on this sheet of mine.

Senator BONE. The total is \$248,645,953.32 (corrected).

Mr. RAUSHENBUSH. Senator Bone, may I interject a comment? From observation of the figures discussed by Mr. Pierre S. du Pont a moment ago, on that basis of assets the return on invested capital would be that, but on the basis of assets, or earnings on the assets they are larger by a considerable sum than those listed here.

Mr. PIERRE S. DU PONT. The total of earnings I have on this sheet is \$265,000,000 as against \$255,000,000, but that might well come about through the difference in figuring for taxation and other purposes.

Senator BONE. Some of the published statements of the company indicate somewhat larger figures than even the committee figures?

Mr. PIERRE S. DU PONT. If those were taken from the tax sheets, they are undoubtedly correct for the purpose. May I state, Mr. Senator, these earnings appearing on the sheet are after the taxes.

are taken from our annual report, which would be the difference you have mentioned there.

Senator BONE. The earning statements I have called your attention to are from the files of the Internal Revenue Department.

Mr. PIERRE S. DU PONT. They are undoubtedly correct. May I suggest the complication of this change from one company to another brought up a great question as to the taxation. We figured our idea of how the taxes should be drawn, and before those reports were made, a suit was brought by one of our stockholders in connection with the taxes and resulted in a Supreme Court decision deciding how this taxation problem was to be settled, which was adverse to the stockholder and adverse to our idea. We refigured our taxes afterwards and that may be part of the reason why these figures on this sheet which were drawn from the company's annual report do not agree with the taxes as formerly drawn.

Mr. RAUSHENBUSH. Senator Bone, since this matter has come into discussion, may I point out that what you have was the invested capital taken from the Internal Revenue figures, consisting roughly of stock plus bonds, plus surplus, and you can, if you care to go into it, get the exact number of the Revenue Bureau documents where each of these capitals can be secured, and it will be found that it differs a great deal from the earnings on assets as given in the statement Mr. Pierre S. du Pont has offered to the committee. The committee exhibit figures you are discussing show undertaxation income in 1915 of \$29,429,000, and the earnings on assets under these figures are \$86,992,874. The committee figures are lower by the difference between \$86,000,000 and \$29,000,000. We are discussing two different bases, and there is no attempt to make any comparison between them. I think you will find on these revenue figures based on taxable income that the percentages that follow are correct. Is that a fair statement, Mr. du Pont?

Mr. PIERRE S. DU PONT. As far as income is concerned, I believe they will be correct, but there is quite a discrepancy, according to our belief, because these advances by customers were in the nature of bonds—that is, were returnable as a part of the capital invested in the shape of notes or bonds for financing purposes, as we could not have done the business without that capital. That point of view is not taken in figuring for taxation in your reports at all.

Senator BONE. The Government does not accept that theory as a basis for taxation.

Mr. PIERRE S. DU PONT. I am not sure that figure would be taken for taxation.

Senator BONE. Mr. du Pont, can you give the committee any idea, just briefly, as to what major uses the profits of the corporation were put? The profits arising out of the war transactions; were they distributed as dividends or invested by the company?

Mr. PIERRE S. DU PONT. Some were distributed as dividends to the stockholders and the balance invested for corporate purposes.

Senator BONE. What were those corporate purposes?

Mr. PIERRE S. DU PONT. One of chief investments was the investment in the dye industry, which had been very small in this country before the war, all dyes being made in Germany. It was the general belief that the dye business should be started in this country and

increased, in order that the importance of dyes in military affairs should be availed of.

Senator BONE. Did you acquire existing plants, or did you extend your own plants?

Mr. PIERRE S. DU PONT. We had to start new; it had nothing to do with our military plants, and we had to acquire entirely new land and build the plants, and that investment amounted to about \$50,000,000 in new properties at least, and it was a big development. I think it was about 10 years before we made any money out of it.

Senator BONE. When did you actually get launched off into this chemical work in a major way?

Mr. PIERRE S. DU PONT. Just after the war.

Senator BONE. Did you immediately acquire the German chemical patents seized by the Alien Custodian?

Mr. PIERRE S. DU PONT. No; we did not acquire them, we took licenses from the Chemical Foundation.

Senator BONE. The Chemical Foundation was the organization that took over the German patents?

Mr. PIERRE S. DU PONT. Yes, sir.

Senator BONE. Is that an independent organization, or is it affiliated with your organization?

Mr. IRÉNÉE DU PONT. It is not affiliated in any way with our organization, but we subscribed to a certain amount of the preferred stock in it when it was started as did all others in the chemical industry. We have never made anything out of it, but we considered that it is a great help to the chemical industry.

Senator BONE. I call your attention to a report of 1917, and will you direct your attention to page 2, at the top of the page. This merely amplifies what we have been discussing here, and it says:

A large part of the profits arising from the military business of recent years has been reinvested in the expansion of the company's affairs, so that today's profits must be measured in comparison to capital employed exclusive of goodwill, of \$240,000,000 as against a total of \$51,000,000 prior to 1914.

That statement is along the lines we have been discussing.

Mr. PIERRE S. DU PONT. Yes, sir.

Senator BONE. On page 5 appears some further observations by the company to its stockholders, as follows:

Announcement was recently made of the acquisition of a large interest in the General Motors Corporation and Chevrolet Motor Company.

Can you tell us the nature and extent of that acquisition?

Mr. PIERRE S. DU PONT. That acquisition, if I remember right, was originally \$47,000,000. We added to it afterwards, but that additional investment was resold in the course of a few years and the principal amount in the General Motors as our investment, remained at practically \$47,000,000.

Senator BONE. Was this investment in the General Motors and Chevrolet Motor Car Co. an investment of the du Pont de Nemours Company or an investment of your own and your brothers?

Mr. PIERRE S. DU PONT. It was entirely the company's.

Senator BONE. There was no ownership of stock in that company by you and your brothers?

Mr. PIERRE S. DU PONT. No.

Senator BONE. How does that stock which your company still retains in General Motors stand as to percentage of control?

Mr. PIERRE S. DU PONT. It is about a 25 percent interest.

Senator BONE. Of the common?

Mr. PIERRE S. DU PONT. Of the common, yes, and no preferred.

Senator BONE. What is your control in the Chevrolet?

Mr. PIERRE S. DU PONT. The Chevrolet Co. was afterwards dissolved and it was all merged into General Motors.

Senator BONE. Was it dissolved after your acquisition of the stock?

Mr. PIERRE S. DU PONT. Quite shortly afterwards; yes.

Senator BONE. What happened to your stock?

Mr. PIERRE S. DU PONT. It was converted into General Motors stock.

Senator BONE. After that conversion did your holdings in General Motors then remain at 25 percent—was that the total holding after this conversion?

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. So that the total original investment in Chevrolet and General Motors is now reflected in your stock in General Motors, and that is about 25 percent of the common of General Motors—that is, about 25 percent of the total issue of common stock?

Mr. PIERRE S. DU PONT. Yes. May I explain I was a stockholder in General Motors at the time of this du Pont acquisition but my brothers I think were not. I have held that stock since then, and acquired more.

Senator BONE. Can you tell us the amount of investment that the company made in General Motors and Chevrolet?

Mr. PIERRE S. DU PONT. \$47,000,000.

Senator BONE. That is somewhere near the figure, and I assume you are speaking from memory, but I call your attention to your report of 1926, where it shows that the investment is \$48,758,253?

Mr. PIERRE S. DU PONT. That covers the additional stock we acquired and then resold it. I think the total, \$47,000,000, is substantially what we have held on to. But that has been increased by the increased value, but the shares are held on our books at their book value in General Motors.

Senator BONE. Since 1919 and the issuance of the report, have you acquired some stock in General Motors?

Mr. PIERRE S. DU PONT. Only as I explained, what we have resold, and I think there has been nothing since then. I would like to refer to an assistant, if I may. I find we have about 200,000 shares additional.

Senator BONE. What would be the normal value of that, does it have a par value or is it nonpar stock?

Mr. PIERRE S. DU PONT. I think it has been both, but I am not sure what it is now.

Senator BONE. What did the 200,000 shares cost you?

Mr. PIERRE S. DU PONT. It cost about \$24 a share; about \$4,800,000, is my recollection.

WAR PROFITS OF E. I. DU PONT DE NEMOURS & CO.

Senator BONE. On the picture of the capital set-up as it is revealed in the documents I have discussed here, these governmental documents filed with the Internal Revenue Department, it would appear your 1916 profits were in excess of 60 percent of your invested capital?

Mr. PIERRE S. DU PONT. I would not accept that from my point of view. They figure that out in their way of figuring capital invested.

Senator BONE. It would appear from these figures that 1915 was 22.89 percent, 1916, 63.05 percent; 1917, 35.17 percent; 1918, 6.35 percent (corrected).

Mr. PIERRE S. DU PONT. My figures should be about the same with respect to earnings. It is 37.6 for 1916 and 18.7 for 1917 and 15.3 for 1918. The 1917-18 figures reflect a great reduction in price, and the large profits of 1915 and 1916 resulted entirely from this high price charged for the powder covering amortization on the theory those plants would never be used more than 1 year and the investment would have to be amortized through that 1 year and the expectation was the war would end before the year was up. As a matter of fact the war was prolonged 4 years, so the amortization covered over four times as much as we had figured originally, and that accounts for the figures you have here for 1915 and 1916, which you have rightly attributed to those years.

Senator BONE. Going back to the 3 years preceding the war, 1911, 1912, and 1913, showing a total taxable income in those 3 years of \$15,097,000, we find that in any one of the years from 1915 to 1917 your net taxable income during that period exceeded the entire 3 years' net taxable income of the preceding period I have mentioned, 1911, 1912, and 1913.

Mr. PIERRE S. DU PONT. That is so; yes.

Senator BONE. In this document, Bureau of Internal Revenue Document No. 1, which is the protest of the du Pont Co. against additional assessments which was filed with the Bureau of Internal Revenue, section "A", page 8, the company has this to say to the Government:

As a matter of traditional pride, the du Pont Company has for generations kept itself in readiness to act as the right arm of the Government in the production of military explosives during the time of war; to do this when the United States was at war without regard to profit. * * *

These matters are referred to, in part to dispel any illusions as to the effect that the generous increase in the earnings and the profits of the du Pont Company during the World War were derived in any part from profiteering at the expense of the United States Government or its people.

Now the tax protest goes on further to say:

The du Pont Company's own experience in the manufacture and sale of trinitrotoluol prior to and during the war affords another striking illustration of the same character.

Perhaps you may care to follow this. I am reading my type-written copy, but it is taken out of here [indicating report] (reading):

At the outbreak of the war in August 1914 the manufacture of TNT, in this country was practically in its infancy. The du Pont Company was, it is believed, a pioneer in the manufacture of this product, and started the erection of a small plant about 1912, gradually increasing it until at the outbreak of the war the total depreciated investment amounted to \$360,000 with a maximum capacity of 300,000 lbs. per month, of which up to that time less than 10 percent has been used.

My reason for directing your attention to this, Mr. du Pont, is because of our reference here to the amortization feature, which of course exists in any financial picture. [Continuing reading:]

During 1912, 1913, and the first seven months of 1914, the selling price was approximately 25¢ per lb. and the manufacturing costs per pound were 31½¢, 27¢, and 24¢, respectively, indicating losses of 6½¢ and 2¢ per lb., respectively, for 1912 and 1913, and a profit of less than 3¢ for the first seven months of 1914. An urgent demand for this commodity in practically unlimited quantities came with the outbreak of the war, enabling the company to operate at full capacity with a resultant lowered manufacturing cost and a greatly increased selling price. The net result was that the profit of less than 3¢ per lb. in the first seven months of 1914 was increased to 52½¢ per lb. in the last five months, so that the total profits in the short latter period were sufficient to retire the entire investment and leave a net profit equal to 100% on the investment, in addition to retaining possession of the plants for future use. The actual total net profits during the war from this original TNT plant amounted to \$6,889,500.

That plant represented depreciated investment of \$360,000. This statement of the company goes on to say:

The selling prices obviously were fixed by urgent demand and the plants enhanced enormously in physical value for the sole reason of immediate availability.

Mr. du Pont, do you still have that TNT plant?

Mr. PIERRE S. DU PONT. No; I think the large plant is entirely gone. As you know, trinitrotoluol is a highly explosive material and the original factory was built for commercial purposes.

Mr. IRÉNÉE DU PONT. Do you recall that, Mr. Swint?

Mr. SWINT. That original plant at Repaunno was destroyed by an explosion.

Mr. PIERRE S. DU PONT. I think that is a fact. Maybe one of the others can answer it, but I think that we added to that capacity during the war.

Mr. LAMMONT DU PONT. Very largely.

Mr. PIERRE S. DU PONT. It was not all the original plant which produced this war profit.

Senator BONE. Of course, this plant must have been some sizable plant, sizable in a financial way at least, to have produced total net profits during the war from the original plant, referring now to the net total of the original TNT plant, amounting to \$6,889,500.

Now I am coming to the post-war period—

Mr. PIERRE S. DU PONT. Just a moment, Senator; I think the original plant must refer to the total investment, because if we added to the plant, the profit surely related to the plants which produced it. I am not trying to fight the figures, because no matter what the figures are, the profit was very large.

I would like to explain at this time that the risk of taking those contracts was something enormous. Toluol, as a commercial article, was selling at 30 cents a gallon before the war and during the war the high was \$4.50 a gallon, and we had to buy against that rise in price, without any knowledge on our part of what the price might be eventually. We had to buy an enormous quantity, with no control of the market and no means of getting toluol in any way. The price declined in 1918 to \$1.50 and finally in the fall of 1919 to 26 cents. It went from 30 cents a gallon to \$1.50 a gallon and back again to 26 cents. You can see the enormous risk of buying against a market of that kind, in the largest quantities ever known, and that accounts very largely for the high price charged, and the profits were due to the fact that we were able to take on our orders at the lower prices and hold the materials and actually resell them later, but had

we been left with the toluol at the price we had to pay, it would have been a very certain loss.

Senator BONE. I am going to see, Mr. du Pont, if I can more particularly identify this plant and for that purpose I will take the report you filed with the Bureau of Internal Revenue. [Reading:]

At the outbreak of the war in August, 1914, the manufacture of TNT in this country was practically in its infancy. The du Pont Company was, it is believed, a pioneer in the manufacture of this product—

That is to say, TNT—

and started the erection of a small plant about 1912. * * *

You will remember that.

Mr. PIERRE S. DU PONT. That was a commercial plant.

Senator BONE (continuing reading):

gradually increasing it until at the outbreak of the war the total depreciated investment amounted to \$360,000 * * *.

Mr. PIERRE S. DU PONT. Yes, sir.

Senator BONE. You are identifying that plant very completely in this statement to the Government.

Mr. PIERRE S. DU PONT. Yes, sir.

Senator BONE (continuing reading):

with a maximum capacity of 300,000 lbs. per month * * *.

Do you have any particular difficulty in identifying the plant or factory?

Mr. PIERRE S. DU PONT. That must have been the plant.

Senator BONE (continuing reading):

of which up to that time less than 10% has been used.

Then you go on with the recitation about increasing prices and add:

The actual total net profits during the war from this original TNT plant amounted to \$6,889,500.

Mr. PIERRE S. DU PONT. Is the capacity of that plant given?

Senator BONE. Three hundred thousand pounds.

Mr. PIERRE S. DU PONT. We sold during the war 226,000,000 pounds, which could not possibly have been produced at that plant.

Senator BONE. I imagine 300,000 pounds during a certain time.

Mr. RAUSHENBUSH. Three hundred thousand pounds per month.

Senator BONE. Three hundred thousand pounds per month.

Mr. PIERRE S. DU PONT. That is roughly 20,000,000 pounds per month which we sold. We added to it, maybe not to that plant, but the TNT plants.

Mr. LAMMOT DU PONT. May I offer a word of explanation? I think the text of that report means profits that grew out of the original venture in the TNT plant. It does not mean that that TNT plant originally constructed manufactured all the TNT during the war.

Senator BONE. I have no way of interpreting the statement except to accept the words as they appear in the report itself, indicating the depreciated value there of \$300,000 plus, with profits which of course were some times nonexistent in the early days, I take it, but which, barged into the picture when the war began and there was demand for TNT.

Mr. LAMMOT DU PONT. Those additional profits came from additional investments beyond \$360,000 which existed at the beginning of the war.

Senator BONE. This report does not indicate that.

Mr. RAUSHENBUSH. May I clarify that by pointing out the purpose of the tax protest, which was to claim at that time, in 1915, that the valuation which should be put upon the plant for tax purposes was very considerably larger than the valuation which the company originally put upon it at that time when it changed hands. If I may be allowed to summarize the whole tax protest, I will do so.

Senator BONE. Go ahead.

Mr. RAUSHENBUSH. That was the purpose of it. It was not started by the company until after a case had been brought, and then the company raised the question and tried to prove all through here (which is of interest to the constructive purposes of the committee, so far as the possibility of taxing profits), it describes military contracts in hand and great emergency demand and other factors, covered in these various sections, which gave the plant at that time a value far greater than it had on the books, and this one illustration fits into a long pattern—I think I am interpreting this correctly—fits into a long pattern of proof that the expected profits were, as the phrase is used here at various times, shown to be very generous, to say the least. And, giving that significance to the whole thing, does it not seem sound on the face of it that they were talking about this one plant as a part of the case for making out that the whole investment should be valued on a different basis for tax purposes than the Bureau had up to that point done?

Mr. PIERRE S. DU PONT. The reference there to the original plant, it does not seem to me could have been restricted to that plant, because the sales of TNT in 1918 were 3,318,000 pounds a month, or over 10 times the capacity of that plant.

Mr. IRÉNÉE DU PONT. I think the explanation there is very clear; the amount of profits which could be applicable to that plant represented \$6,000,000 in the period in question.

Senator BONE. That may be the case.

Mr. IRÉNÉE DU PONT. That would be one and one-half million dollars a year, and if it produced three and a half million, that meant something over 45 cents per pound profit.

Senator BONE. At the end of the war, that is to say, the post-war period, there was brought about considerable change in your business, was there not?

Mr. PIERRE S. DU PONT. Yes, sir; a great change.

Senator BONE. How many war contracts were canceled?

Mr. PIERRE S. DU PONT. I believe the canceled contracts were \$260,000,000.

Senator BONE. The figures I have before me indicate a cancellation of \$260,000,000 in contracts. I am going to read the figures covering your gross sales for 1919 and 1920, and if I am in error in any respect, I wish you would please correct me. In 1919 they were \$121,391,912.24, which appears in Exhibit No. 12 there in our exhibits, if you care to check it, and in case any question is raised.

In 1920 your gross sales were somewhat larger, amounting to \$129,766,522.87. That appears in exhibit 18.

Mr. PIERRE S. DU PONT. If those were taken off the tax records, I am sure they are correct.

Senator BONE. We have used the tax records wherever possible because they give us not only something we could work on but give us statements.

Mr. PIERRE S. DU PONT. Yes, sir.

Senator BONE. Let us come back again to the question of invested capital, Mr. du Pont, and the record before us shows an invested capital in 1919 of \$201,763,745.37. That is made up from your own balance sheets.

Mr. PIERRE S. DU PONT. In the same way as before?

Senator BONE. It is possible we disagree again as to the proper interpretation of those figures. Our figures indicate that in 1920 there was an invested capital in the du Pont Co. of \$215,248,364.90, probably also subject to the same suggestion we made before.

Mr. PIERRE S. DU PONT. To a very much less degree than before.

Senator BONE. Does that more nearly approach your understanding?

Mr. PIERRE S. DU PONT. That was gradually changed.

Senator BONE. In other words, there have been withdrawals from the funds which we have discussed?

Mr. PIERRE S. DU PONT. Yes, sir.

Senator BONE. Your company reported net losses in 1919 of \$2,255,359.52 (corrected). Can you tell us how you came to claim that loss?

Mr. PIERRE S. DU PONT. May I ask Mr. Walter Carpenter, our vice president, to reply to that. He had charge of the taxation matters and I would not be able to explain it in detail.

Senator BONE. Will you hold up your right hand and be sworn, Mr. Carpenter?

TESTIMONY OF W. S. CARPENTER, JR.

(The witness was duly sworn by Senator Bone.)

Senator BONE. What is your official connection with the du Pont Co.?

Mr. CARPENTER. I am vice president.

Senator BONE. Vice president?

Mr. CARPENTER. Yes, sir.

Senator BONE. How long have you been with them?

Mr. CARPENTER. About 24 years.

Senator BONE. What is your particular work with the company?

Mr. CARPENTER. In the finance department.

Senator BONE. You say in the finance department?

Mr. CARPENTER. Yes, sir.

Senator BONE. Do you have charge of their auditing and their books?

Mr. CARPENTER. I am chairman of the finance committee at the present time.

Senator BONE. You are fully apprised of what is in the books and you know the records of the company thoroughly?

Mr. CARPENTER. Yes, sir.

Senator BONE. You have indicated here a loss, shown by your company, I presume, in the income-tax statements to the Govern-

ment of \$2,255,359.52 (corrected) in 1919. Against what factor was the loss charged?

Mr. CARPENTER. There are a great many items which enter into the reconciliation of those tax figures with our published figures. We have all of them here.

Senator BONE. Give us the major items. We do not want to go into detail, because it is probably a lengthy statement. What were the chief items constituting that statement of loss?

Mr. CARPENTER. The principal items in connection with that seem to be the loss in value in connection with plants abandoned in 1919. Some of our plants carried over to 1918 were still in use at that time, and abandoned in 1919.

Senator BONE. Then we might suggest that that was a drastic write-down in value which was claimed and charged off as a loss to the company?

Mr. CARPENTER. Yes, sir.

Senator BONE. That property not being destroyed but being property which lost its value so far as your company is concerned?

Mr. CARPENTER. At the end of 1918 some of our war properties were sold to a company which was set up for that purpose, and the stock of that company was distributed to the stockholders of the du Pont Co.

Senator POPE. What was that company?

Mr. CARPENTER. That company was the du Pont Chemical Co. All properties were sold as to clear up the du Pont Co. and its balance sheets. Then that company was liquidated and the plants were sold and later on in connection with the final tax adjustment, the department required that we consider those properties disposed of at the price at which they were eventually disposed of by the Chemical Co., and in that way we have those elements of amortization entering into 1919.

Senator BONE. These plants that were no longer used and useful in the service of making TNT and purely military powders being shipped abroad, were they dismantled?

Mr. CARPENTER. Yes, sir; they were dismantled and sold.

Senator BONE. I believe Mr. du Pont stated in the early part of his statement that you had amortized that investment out of the original prices charged during the war?

Mr. CARPENTER. Yes, sir.

Senator BONE. Did you succeed in that?

Mr. CARPENTER. Yes.

Senator BONE. You evidently were very successful in amortizing the TNT plant, for as to the small plant, to which there were allocated earnings of over \$6,000,000, you certainly had amortized that plant completely out of the picture. That is correct, is it not?

Mr. CARPENTER. Yes, sir; when you asked the very first question, you are considering the company profits as reported to our stockholders. They are quite different from the profits which are allowed by the Government. For instance, in 1916 we might have charged off \$30,000,000 or \$40,000,000 amortization against our earnings, whereas the Government might not have allowed any of that. In fact, I think they did not allow amortization at all until 1918.

Senator BONE. But the practical side of this problem—I am not concerned with the technique of the Government or your method of

accounting or anything—but the practical thing is that the Du Pont people wrote off all the loss by the time the war contracts ended in profits. That is right?

Mr. CARPENTER. That is right.

Senator BONE. Do we understand, then, from your statement, that it is your position that under the existing revenue laws of the country, you could not have had it written off in any other way than at the end of the war?

Mr. CARPENTER. I think that was the position of the Government.

Senator BONE. That meant the charging it off again as against profits, did it not?

Mr. CARPENTER. No; you have two entirely different sets of figures. One is that of the company, which through its conservatism writes it off from the earnings of the company. They charged off large amounts for plant investment in 1915, 1916, and 1917, and when the returns were made, the Government in the figures which you have there apparently, the Government would not allow a charge off, but merely depreciation over a period, and made us withhold any amortization until 1918. I think that is the confusion in endeavoring to reconcile some of the figures you are using; you are using our taxable earnings, whereas Mr. du Pont is using our commercial earnings.

Senator BONE. As a matter of fact, the policy of the company was such—and, of course, we cannot blame you any in that—as far as possible in this business, which is recognized as being somewhat hazardous, to literally, as far as possible, amortize the whole plant in war profits, if you could, not knowing when the war was coming to an end. Is not that correct?

Mr. CARPENTER. Surely.

Senator BONE. That is what made me ask about the other matter. You showed net losses to the Government of \$2,255,359.52 in 1919 (corrected).

Mr. CARPENTER. I do not reconcile the figure. I have \$2,000,000.

Senator BONE. Will you look at our "Exhibit No. 13"?

Mr. RAUSHENBUSH. Mr. Carpenter has that.

Mr. PIERRE S. DU PONT. We cannot identify that.

Mr. RAUSHENBUSH. There is the final report of the Solicitor of Internal Revenue in that. [Handing paper to Senator Bone.]

Senator BONE. These figures, I may say, are taken from a report of the Solicitor of Internal Revenue, directed to the attention of Mr. Alexander. Is he one of your staff?

Mr. CARPENTER. I think he was in the unit.

Senator BONE. This, I take it, was brought to your attention, probably. This, I may say, is from the records of the Internal Revenue Department. Under the caption of "Net Profits", as disclosed by Bureau letter dated October 30, 1924, you are showing a loss of \$2,255,359.52. If that is not correct, will you indicate the correct figure?

Mr. CARPENTER. Yes: the correct figure I have here is \$2,275,369.

Senator BONE. Will you kindly indicate the figure of net loss which was reported to the Government for taxation purposes in 1920, for the year 1920?

Mr. CARPENTER. Yes, sir.

Senator BONE. We want to distinguish between the year the report was made and the year covered by the report. I take it this

was for the year 1919. Will you indicate what the tax situation was for the year 1920? I do not mean the report made in 1920, but for the year 1920.

Mr. CARPENTER. The income was for the final report, 1920, the taxable income was a loss of \$2,953,376.

Senator BONE. I have almost the identical item. I have \$2,951,376.68. Where would come this great discrepancy in the 1919 figure?

Mr. CARPENTER. I do not know, I am sure. The figures were made up the same way for each year.

Senator BONE. Would you say that that loss was occasioned practically in whole by the elimination of these plants which were perhaps not obsolete, but no longer useful in the business in which they were engaged?

Mr. CARPENTER. Are you talking about 1920?

Senator BONE. The thing that occasioned these showings of loss on the part of the company.

Mr. CARPENTER. As you get away from 1918 that evidence of loss in the use of or value of the old war plants becomes less and less. There are a great many other adjustments, of course.

Mr. RAUSHENBUSH. Just to come back to that TNT plant, Mr. Carpenter. Mr. Pierre S. du Pont testified a little while ago that that was originally started as a commercial plant and it says in this statement, that has been read several times now, that the total profits in the period of 5 months of 1914 were sufficient to retire the entire investments and leave a net profit equal to 100 percent on the investment.

A plant like that, a TNT plant, built for commercial purposes originally, would that be written off as a war plant?

Mr. CARPENTER. Yes. If you are talking about that particular plant, that was blown up, and of course, if a plant was a commercial plant and merely used temporarily in production of goods to be sent abroad, that was maintained and there was no write-off in connection with that. I am talking about a taxable write-off.

Senator BONE. What dividends, if any, were declared by the company in the years 1919 and 1920? What were the amounts?

Mr. PIERRE S. DU PONT. We have our statements now.

Senator BONE. Your own yearly reports which show the amount of dividends, would they not?

Mr. PIERRE S. DU PONT. In 1920, the preferred stock dividend is \$3,800,000 and the common stock is \$6,267,000 or a total of practically \$10,000,000.

Senator BONE. Will you take the figures from 1919?

Mr. PIERRE S. DU PONT. In 1919, the amount is \$14,242,578.

Senator BONE. I call your attention to your report of 1918, page 4. I should like to read a brief extract from that report.

From 1915 to 1918 the gross capital employed by the company has increased from \$83,432,000, to \$308,846,000, or 270 percent.

Did you include in that gross capital the money that you suggested was extended to the company in these war operations?

Mr. PIERRE S. DU PONT. Yes, and also the plants that were still in operation.

Senator BONE. You were carrying them on your books at 100 percent value, or were you carrying this amortization figure through your books during the war operations?

Mr. PIERRE S. DU PONT. My recollection of the amortization was this; that we started in at a very full amortization, maybe 25 or 30 cents a pound on powder produced, but as soon as the war developed sufficiently so that we were sure that we could average over a larger amount of powder, we proceeded to average and reduced the amortization to about 14 cents a pound. So that it was a composite of several changes.

Senator BONE. Did you during the war operations beginning in 1914 and 1915, when you were dubious about the course of this war, in your own accounting system begin to write these plants off?

Mr. PIERRE S. DU PONT. I understand so, until about 1916.

Senator BONE. Were they constantly depreciated and written off?

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. That was reflected in the higher cost of powder made necessary by this amortization process, was it not. In other words, the higher cost of powder was made necessary, in your judgment and from your viewpoint in order to write these plants off?

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. I was wondering if, as a financial operation and bookkeeping transaction you actually wrote the plants off on your books.

Mr. IRÉNÉE DU PONT. I do not think we did. I think we simply set up a reserve in 1915 and 1916 and thereafter charged off military expenditures against the amortization fund currently.

Mr. CARPENTER. The effect would be the same?

Mr. IRÉNÉE DU PONT. The effect would be the same, but the actual transaction was that we set up a reserve.

Senator BONE. You were accomplishing by that method the same thing as though you had written it off.

Mr. IRÉNÉE DU PONT. Yes.

Senator BONE. Continuing with this quotation from your report of 1918, on page 4:

In addition there has been distributed to stockholders \$140,983,000, making a total increase during the war period of \$366,397,000.

That total increase to which you referred of something over a third of a billion dollars during the war period was the result of war activities on the part of the company.

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. Reading further:

The resulting gross business has amounted to \$1,049,000,000 including the cost of construction work.

On page 8 there are some further observations as follows:

The operation of the factories of this company above mentioned has resulted in production of 1,466,761,219 pounds of military explosives of all kinds furnished to the United States and the allied nations. The importance of this work is better realized from the fact that this output is estimated at 40 percent of the amount of the explosives made throughout the world for the Allies during the war.

Mr. PIERRE S. DU PONT. May I correct that statement; it is not quite accurate? That is, 40 percent of the total propellant powder used. The word propellant should appear. It is not 40 percent of all the explosives including TNT. The report is correct.

I understand that it is 40 percent of the powder used to project the projectile from the gun.

Senator BONE. I am going to read for you a statement of the dividends paid on the common stock of the du Pont Co. during the years 1916 to 1918. These seem to indicate the huge profits of your company from the war contracts that we have referred to. What was the regular dividend on your common?

Mr. PIERRE S. DU PONT. Before the war?

Senator BONE. Was it 2½ percent?

Mr. PIERRE S. DU PONT. I should not wonder.

Mr. IRÉNÉE DU PONT. That, of course, would vary.

Senator BONE. You had a number of special dividends, did you not?

Mr. PIERRE S. DU PONT. Special dividends—

Senator BONE. Prior to the war.

Mr. PIERRE S. DU PONT. I think that the 1½ percent was the regular dividend prior to the war.

Senator BONE. Apparently the records indicate that on September 30, 1917, the company paid the largest dividend in its history. That amounted to 32 percent, did it not?

Mr. PIERRE S. DU PONT. If you have the record there, I imagine that is correct.

Senator BONE. I am going to read these dates and the dividends according to the dates when they were payable.

February 29, 1916, the regular dividend of 1½ percent, together with a special dividend of 22½ percent, payable March 15, 1916.

May 31, 1916, a regular dividend of 1½ percent and a special dividend of 23½ percent, payable June 15, 1916.

A dividend voted on August 31, 1916, regular of 1½ percent and special of 23½ percent, payable September 15, 1916.

December 1, 1916, a regular dividend of 1½ and a special dividend of 24½ percent payable December 15, 1916.

February 28, 1917, a dividend of 4½ percent was directed to be paid and the date of payment was March 15, 1917.

On May 31, 1917 a dividend of 4½ percent was directed to be paid on June 15, 1917.

On June 13, 1917, there was a 1 percent Red Cross dividend payable on June 23, 1917.

What was that 1 percent dividend?

Mr. PIERRE S. DU PONT. One percent dividend in connection with which the stockholders were advised to contribute to the Red Cross. I think there was no compulsion, but it was a dividend which was offered to them suggesting that it be paid into the Red Cross.

Senator BONE. A 1-percent dividend?

Mr. PIERRE S. DU PONT. Yes.

The CHAIRMAN. That was a request?

Mr. PIERRE S. DU PONT. Or advice; yes.

Senator BONE. On August 31, 1917, a dividend of 4½ percent, to be payable September 15, 1917.

On November 30, 1917, a dividend of 4½ percent, to be payable December 15, 1917.

On November 30, 1917, a special dividend of 32 percent, to be payable December 22, 1917.

On February 28, 1918, a dividend of 4½ percent, payable on March 15, 1918.

On May 31, 1918, a dividend of 4½ percent, payable on June 15, 1918.

On August 31, 1918, a dividend of 4½ percent, payable September 16, 1918.

On October 30, 1918, a 1 percent United War Work Campaign dividend, payable on November 11, 1918.

What was that 1-percent dividend?

The CHAIRMAN. Was that at the time when they combined the Red Cross and the Y.M.C.A. and the other units that were at work in one drive?

Mr. IRÉNÉE DU PONT. There was a list of about eight different organizations of that kind including the Y.M.C.A.

The CHAIRMAN. It was work of that character.

Mr. IRÉNÉE DU PONT. Yes.

Senator BONE. We need not go into that now. We may pass this.

On November 30, 1918, there was a payment of 4½ percent, ordered payable December 16, 1918.

Now, going back to this 1-percent Red Cross dividend which was declared on June 13, 1917, was there any compulsion on the part of stockholders to turn that over to the Red Cross?

Mr. PIERRE S. DU PONT. No.

Senator BONE. There is a note somewhere in the files that the stockholders were not compelled to turn this dividend over to the Red Cross; is that correct?

Mr. PIERRE S. DU PONT. That is correct.

Senator BONE. We will now proceed with this dividend record. On December 23, 1918, a dividend was declared of 5 percent, payable in 6-percent preferred stock of the du Pont Chemical Co., and payable on December 26, 1918. Is that correct?

Mr. PIERRE S. DU PONT. That sounds right; yes, sir.

Senator BONE. In 1918 there was again a 2-percent dividend to the Red Cross.

On February 27, 1919, there was directed a dividend of 4½ percent, payable March 14, 1919.

On May 31, 1919, there was voted a 4½-percent dividend, payable on June 14, 1919.

On August 30, 1919, there was voted a 4½-percent dividend, payable September 15, 1919.

On November 29, 1919, there was voted a 4½-percent dividend, payable December 15, 1919.

The records that I have show a total of dividends paid on the common stock for each year 1916 to 1919 as follows:

In 1916 there was paid 100 percent in dividends on the common.

In 1917 there was 51 percent in dividends on the common stock of the Du Pont Co.; in 1918, 26 percent; and in 1919, 18 percent.

Mr. PIERRE S. DU PONT. That is correct, according to our statements.

Senator BONE. What stock do you have in your set-up which is known as "debenture stock"? What is the nature or character of it?

Mr. PIERRE S. DU PONT. It is in the nature of a preferred stock. The contract is slightly different from the preferred stock, but that is what it is essentially.

Senator BONE. It contains something of the usual contract relationship of the company with the stockholders.

Mr. PIERRE S. DU PONT. It has no maturity.

Senator BONE. It receives a quarterly dividend of $1\frac{1}{2}$ percent, or a total of 6 percent.

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. That was paid regularly in every year from 1916 to 1919, I take it.

Mr. PIERRE S. DU PONT. Yes.

Senator BONE. This record indicates that. Now, I want to indicate some of the market quotations on the stock—

The CHAIRMAN. Senator Bone, with your consent, I would like to offer the suggestion that the average profit on the common stock, the average dividend on the common stock running from 1916 to 1919 was not quite 49 percent.

Senator BONE. That would be averaged over the 4 years.

The CHAIRMAN. The 4-year average is 49 percent on the common stock.

Senator BONE. Forty-nine percent per annum.

Mr. LAMMOT DU PONT. Forty-nine percent on the par value.

The CHAIRMAN. That is correct.

Senator BONE. What is your par, Mr. du Pont—a hundred dollars?

Mr. LAMMOT DU PONT. I do not recall.

Senator BONE. You know the par value of the stock of the company, do you not?

Mr. IRÉNÉE DU PONT. It was originally \$100 but it has been changed since. It went to no par at one time.

Mr. CARPENTER. During that period it was \$100.

The CHAIRMAN. During that 4-year period the par value was \$100.

Senator BONE. I do not know that all of this is material to the inquiry, but it is nevertheless a part of the picture.

The high quotation of the stock in 1916 was \$376.50 and the low was \$258.25.

In 1917 the high was \$285 and the low was \$221.

In 1918 the high was \$303 and the low was \$250.50.

In 1919 the high was \$380 and the low was \$259. It would appear from this that the high in 1919, after the war ended, was higher than it was during the war period. Is there any rational explanation of that?

Mr. PIERRE S. DU PONT. If that is correct, it was because the profits then were sufficiently realized to warrant a valuation of that kind.

Senator BONE. Of course, your company had had a very beautiful record of earnings over this period and naturally it kited your stock. But is there any explanation other than what we have suggested for this extremely high figure in 1919 when apparently your profits had dropped? What was the condition of your reserves?

Mr. PIERRE S. DU PONT. The balance sheets will show that. I think, as a matter of fact, the cause of that rise in the stock was that it was a continuation of an upward rise. The public perhaps overestimated the value of the stock at the time or underestimated—I do not know which. The realized profits were very much better

than those that were not realized. It is very difficult to account for market operations, Senator.

Senator BONE. I have before me your annual report for 1918 which perhaps offers some explanation of this situation. Your company, in its report to its stockholders, has this to say:

The stock of E. I. du Pont de Nemours Powder Company, the predecessor of E. I. du Pont de Nemours and Company, sold during the early months of the war at \$125 per share. The share of the debenture stock and two shares of common stock of E. I. du Pont de Nemours and Company which were exchanged for the former security are worth in today's market (December 31, 1918) \$593.00 or an increase in value of 374 percent.

That terrific enhancement in value could only have been accomplished by a very fine showing of earnings, is that correct?

Mr. PIERRE S. DU PONT. Yes, sir; surely.

Senator BONE. Extraordinary earnings. Continuing with this report:

In the meantime (1915-1918) the total dividends on the common stock of E. I. du Pont de Nemours Powder Company and on the exchange securities of E. I. du Pont de Nemours and Company have amounted to 458 percent on the par value of the original stock. It is difficult to imagine a more satisfactory financial result, especially in view of that fact that the liquidation of the balance of the military powder investment as it stands today cannot materially alter the conditions above recited.

You were being somewhat modest even in that statement, were you not, about these extraordinary earnings?

Mr. PIERRE S. DU PONT. I doubt if any other company made such a record.

Senator BONE. It is doubtful if any other company in this country ever showed a better balance sheet or a record of earnings than that.

Now, the so-called "amortization" or liquidation of these plants, the writing off of these plants, did not reflect itself in any real financial injury to your company. You had fortified yourself so that when you wrote that stuff off, it was no longer used or useful and your company and your stockholders sustained no loss.

Mr. PIERRE S. DU PONT. I would not go that far, Senator, because if the loss had not been there, the profits would have been that much greater.

Senator BONE. But you took care of the loss in the high prices charged the people that you did business with in the early part of the war. You really dealt at arm's length with the Allies before we got into the war, did you not?

Mr. PIERRE S. DU PONT. Surely, yes.

Senator BONE. In other words, it was a cold straight out business proposition of charging enough to write all of this stuff off, because of your doubt of the length of time that the war was going to continue. Of course, that was a perfectly normal thing to do. But it is what you did.

Mr. PIERRE S. DU PONT. There is no question about it. There was no question about any of the contracts between us and the Allies. But I do not want you to think, Senator, that there was anything in the nature of writing these plants off twice. Our profits were figured after writing off the plants because we could carry them as assets no longer. The net profit which I have spoken of in that annual

report is the net result after that was done. But we did not turn around then and write them off a second time for taxation purposes.

Senator BONE. I am going to read into the record a short statement of the taxes paid by the company and if you have any similar figures before you, I wish you would follow them, and if there is any difference between our figures, please call them to our attention.

The income and excess profits paid by the du Pont Co. for the years 1911 to 1920 are as follows: In 1911 the amount is \$49,569.95.

As I proceed, Mr. du Pont, if there is any question about these figures, let us refer to our exhibits here, which is your report to the Government. These figures are for the earlier years when the smaller amounts were paid.

1912, \$50,178.35; 1913, \$59,209.88; 1914 is missing—perhaps that can be supplied some other time; 1915, the figure is \$294,293.92; 1916, \$2,551,494.51 (corrected).

Mr. CARPENTER. Did I understand you to say that this would include all taxes?

Mr. RAUSHENBUSH. Income and excess-profit tax.

Mr. CARPENTER. That does not include munitions tax, which is a very large item. Whereas the income and excess-profits tax was \$2,551,000, the munitions taxes were \$13,157,000.

The CHAIRMAN. That was in addition to this.

Mr. CARPENTER. In addition to this figure that you have.

Senator BONE. Was that paid through the Bureau of Internal Revenue?

Mr. CARPENTER. Yes. That was a special munitions tax. I think it was 121½ percent.

Senator BONE. The figure I have for 1917 is \$21,925,144.50; 1918, \$1,384,163.41; in 1919, no taxes were paid; is that correct?

Mr. CARPENTER. Yes, sir.

Senator BONE. In 1920 no taxes were paid; is that correct?

Mr. CARPENTER. I think that is correct, but I will check it.

Senator BONE. In order that we may have the figures on the munitions taxes, the items that you mentioned, will you indicate what those are for the record?

Mr. CARPENTER. In 1916 the munitions tax was \$13,157,055.

Senator BONE. Was that in addition to what I have already indicated?

Mr. CARPENTER. That is correct. In 1917 the munitions tax was \$3,943,927.

Senator BONE. Why is it that? It was \$13,000,000 in 1 year and only \$3,000,000 the next year?

Mr. CARPENTER. The higher profits in 1916 and also there was a higher rate, I think. I think it was 121½ percent in 1916 and only 10 percent in 1917. Also, I think that after the United States came into the war, the munitions tax was stopped.

Senator BONE. It was stopped?

Mr. CARPENTER. I am not sure of it, but I think that accounts for the difference.

Mr. RAUSHENBUSH. Were those the only 2 years when a munitions tax was paid, or does that go back further?

Mr. CARPENTER. That is all.

Mr. RAUSHENBUSH. Those two should be added in all fairness, to the total of the taxes paid. The total, therefore, of income, excess profits, and munitions taxes for these years outside of 1914, for which we have not been able to secure any figures from the Bureau of Internal Revenue, is \$43,395,036.

Senator BONE. After those taxes were paid, the company's annual report for 1918 was issued—and I take it that was issued in 1918? Is that correct?

Mr. CARPENTER. Yes.

Senator BONE. The statement that I have just read concerning which I inquired of Mr. Pierre du Pont—that is to say, this statement showing this very flattering financial condition and the total of dividends of the company amounting to 458 percent of the par value of the stock between the years 1915 and 1918 inclusive, remains unchanged; that is to say, that is still a fact. In other words, the burden of taxes which is shown by these figures that we have quoted still enabled your company to pay 458 percent in dividends in the years 1915 to 1918 inclusive on the par value of its original stock.

Now, in your 1916 report, which came out in 1917, your company seems to have been somewhat critical of the fact that it paid out as much as it did in taxes on these profits. There were numerous adjustments, were there not, in the form of refunds, in connection with your taxes?

Mr. PIERRE S. DU PONT. In what period—at the end of what period?

Senator BONE. During the period we have been discussing.

Mr. CARPENTER. It eventually developed, about 6 or 8 years after that.

Senator BONE. Were these refunds based largely on the decreased valuation of your property?

Mr. CARPENTER. On the amortization of the property?

Senator BONE. Yes.

Mr. CARPENTER. Oh, yes.

Senator BONE. Despite the large profits that have been shown here, the income taxes imposed on the company constituted a matter that was complained of rather bitterly in your 1916 report, where you say to your stockholders:

It is regrettable that the United States Government has made our stockholders victims of excessive taxation.

Did you think it was excessive for the Government to take what it did in view of these numerous dividends that were being paid to the stockholders?

Mr. PIERRE S. DU PONT. We thought it was excessive under the law.

Senator BONE. But you do not draw that distinction in this report. You merely say that it is excessive.

Mr. IRÉNÉE DU PONT. Senator, I think I can enlighten you a little on that. During this first year, we got a munitions tax slapped on after the contracts had been made, so that we could not change them. It just came on us without warning, and it was retroactive. I came to Washington and had an interview with Senator Saulsbury and complained bitterly—he was the Senator from Delaware—saying

that it did not seem to me that a retroactive tax of that kind was proper. He smiled good humoredly and said, "Mr. du Pont, you ought to be thankful that it was not double as much. We need the money."

That is one reason that I felt a little bit upset about it.

Senator BONE. The poor old Government did need the money, didn't it?

Mr. IRÉNÉE DU PONT. I do not know. That was before we got to spending it so fast.

Senator BONE. I imagine you will agree now that we needed it, will you not?

Mr. IRÉNÉE DU PONT. We had not gotten to spending it quite so fast in those days.

Senator BONE. The tax was on your net income and not on your gross income?

Mr. IRÉNÉE DU PONT. Yes; it was on the net. It was quite a high percentage.

Senator BONE. But even so, this tax concerning which you complained rather bitterly, did not prevent your company from making a very good showing?

Mr. IRÉNÉE DU PONT. But we were singled out as a munitions company to be taxed retroactively in amount of some \$12,000,000 that year. I do not think that that was a very fair thing.

Senator BONE. Were there not other powder companies or any other companies manufacturing powder that had to pay such a tax?

Mr. IRÉNÉE DU PONT. Practically none of them had large profits except the Hercules and the Atlas companies, and they were very small as compared to ours. I undertake to guess that we paid 90 percent of the total of the munitions tax—our company did—and it was retroactive, put on after we had made our contracts.

We might have been a little rough, Senator, in that criticism, on that account. That may account for this little squib in the report.

Senator BONE. Your report says [reading]:

Under the corporation tax and ammunition tax laws, the tax levied against our company for the 1916, under these laws will aggregate an amount equal to 170 percent of our entire net earnings for the year 1912—

That is going back pretty far—

in which year we had the largest earnings in the history of the company.

That was prior to the war. But the point that I am making now is that even with this tax, the du Pont Co. showed surprisingly large earnings and were very generous with its stockholders.

Mr. IRÉNÉE DU PONT. There is no doubt about that.

Mr. LAMMOT DU PONT. You have in mind the figures that include the dividends after the year 1916.

Senator BONE. Yes. That is this dividend statement that I have read.

Mr. LAMMOT DU PONT. Of course, we do not know what those dividends were in 1916 when that report was written.

Senator BONE. I think that is all I have, Mr. Chairman.

Mr. IRÉNÉE DU PONT. May I add a little to the quotation that you read, Senator? This says that—

Under the corporation tax and ammunition-tax laws, the tax levied against our company for the year 1916 alone will result in our paying to the United

States Government an amount equal to the entire profit made on sales of military powders to the United States Government by this company and its predecessors since the inception of the industry about 20 years ago.

Senator BONE. The United States Government itself has operated some of its own powder plants, has it not?

Mr. IRÉNÉE DU PONT. Yes.

Senator BONE. In other words, it has made a lot of powder for its own use?

Mr. IRÉNÉE DU PONT. Yes, sir.

Senator BONE. You did not sell the United States Government all the powder that it used, so that your sales to the United States Government to which you are referring do not represent all of the powder that the Government was using. How much would it represent, would you say 50 percent?

Mr. IRÉNÉE DU PONT. I could not guess, but I should say something of that order, in the latter years. The Government did not manufacture powder, if I remember correctly, in the earlier years of the industry. It is something of the order of 50 percent.

Mr. A. FELIX DU PONT. You do not mean during the war?

Mr. IRÉNÉE DU PONT. This was before the Government entered the war that I am speaking of.

Senator BONE. We understand that. The Government, however, had not been buying a tremendous quantity of powder; they had been buying small amounts of powder, so that your profits, in any event, on that powder, would not be very great.

Mr. IRÉNÉE DU PONT. Substantially all the powder that we made in the years prior to the war had been sold to the United States Government and the entire profits on that, during the whole period, were wiped out by a tax in a single year during which the Government did not contribute anything to us, except protect us from invasion.

Senator BONE. Did you feel that the Government was wronging you in taking this tax?

Mr. IRÉNÉE DU PONT. If it had given notice to us in advance so that we could have protected ourselves on contracts, I do not think we would have said anything about it. But being retroactive, it did not seem fair to us and I do not think you would think it was fair, either.

Senator BONE. In the light of our experience during the war—

Mr. IRÉNÉE DU PONT. We had not had that experience at this time. This was before the United States entered the war.

Senator BONE. But in looking on it now, we are convinced ourselves, are we not, that no harm was done in levying this tax, because the amount of your profits would indicate that very clearly.

Mr. IRÉNÉE DU PONT. I would not say that no harm was done. But I do not think that we would have put it in the report, if we were writing it today.

Senator BONE. You could not feel that your stockholders were injured in the face of this dividend record, could you?

Mr. IRÉNÉE DU PONT. It came out of their pockets. But I do not think we would have written it, if we were writing the report today.

Senator BONE. Well, let us go over this again. Let us just refresh our memories on this. Here are 12 to 15 dividends in one year, 1917. There is one dividend of 32 percent. There is a stock dividend

here and several large dividends. Of course, you do not want us to feel that you think that your stockholders were hurt by what the Government did?

Mr. IRÉNÉE DU PONT. Well, it did not seem to be fair at the time. If you will take that amount of taxes paid to the Government up to 1916 and divide it by our capital stock, I think that they got about 100-percent dividend on the stock, something of that order.

Senator BONE. In 1916 your stockholders got a 100-percent dividend on their stock; 100 percent on the par value of the stock. No stockholder of any corporation can complain of that.

Mr. IRÉNÉE DU PONT. They usually do not.

Senator BONE. Do you think that any stockholder in this country ought to complain if during war time, when we were assured that the Republic was in danger, and during which time he gets a hundred-percent dividend on his stock—do you think he should complain if the Government levies this kind of tax?

Mr. IRÉNÉE DU PONT. Senator, the country at that time was only in danger of a possible future German invasion. We were not engaged in the war.

Senator BONE. But if we were threatened with a German invasion, even in the face of that threat, do you think that a stockholder ought not to be satisfied—

Mr. IRÉNÉE DU PONT (interposing). I think you are anticipating just a little bit, are you not, Senator?

Senator BONE. Everybody was anticipating. We were assured that preparedness was necessary and the whole country was getting ready for it. That is right, is it not?

Mr. IRÉNÉE DU PONT. That was not right; no, sir.

Senator BONE. We were assured that there was a threat of a German invasion.

Mr. IRÉNÉE DU PONT. Mr. Wilson gave it out that we were too proud to fight, and we were not going to fight, in those days.

Senator BONE. Nevertheless, we were getting ready for it, were we not?

Mr. IRÉNÉE DU PONT. No, sir.

Senator BONE. We were not?

Mr. IRÉNÉE DU PONT. No, sir.

Senator BONE. Then most of us do not read the daily papers with an understanding mind, because while we were told that we did not want to fight, we were preparing for it.

Mr. IRÉNÉE DU PONT. No—maybe we are talking at cross purposes, Senator—but the greatest preparation that was going on in the United States was in the activity of the du Pont Co.

Senator BONE. You were preparing for it, then?

Mr. IRÉNÉE DU PONT. By reason of our foreign orders. That enabled us to prepare, to be able to fill in the niche when we were caught.

The CHAIRMAN. Mr. du Pont, this is 1917 you are talking about?

Mr. IRÉNÉE DU PONT. 1916.

The CHAIRMAN. Then perhaps you are talking at cross purposes.

Mr. IRÉNÉE DU PONT. That is what I was afraid of.

The CHAIRMAN. You were talking of 1916 and the Senator was talking of 1917.

Mr. IRÉNÉE DU PONT. I thought that we were discussing the year 1916.

Senator BONE. In 1917 your common stockholders received dividends of 51 percent. Everybody in this country was being told that they must give until it hurt.

Mr. IRÉNÉE DU PONT. Yes, sir.

Senator BONE. And that the Republic was in danger, that our very civilization was in danger?

Mr. IRÉNÉE DU PONT. Yes, sir.

Senator BONE. Did you believe it?

Mr. IRÉNÉE DU PONT. I believed it.

Senator BONE. You did believe it?

Mr. IRÉNÉE DU PONT. Yes, sir.

Senator BONE. Do you believe it now?

Mr. IRÉNÉE DU PONT. I do.

Senator BONE. Do you think that 51 percent of profits is a fair amount of profit for a stockholder in a private corporation in time of war?

Mr. IRÉNÉE DU PONT. Those profits were all made out of foreign contracts. The amount of taxes that we paid that year offset entirely all of the profit that we had made from the United States Government since the inception of the industry.

Senator BONE. We were helping our Allies; we went into the war in 1917.

Mr. IRÉNÉE DU PONT. Yes, sir.

Senator BONE. And our civilization was threatened; that is what the world was told, was it not?

Mr. IRÉNÉE DU PONT. Yes, sir.

Senator BONE. What I am trying to get at here by my questions is whether or not you as a business man think that a 51 percent profit to your stockholders, which is permitted by the Government in time of war, is treating stockholders unfairly?

Mr. PIERRE DU PONT. Certainly not. The only complaint registered was because this was practically a special tax on one company. Naturally, if a man is singled out and they say that he shall be the only one subject to a tax, he feels a bit sore, even if the tax may be a just one; in other words, if applied to everybody, it would be different. But this was practically a one-company affair.

But that is neither here nor there. There was no great complaint. That item in the annual report was the only thing that has been said or done about it. The stockholders naturally were not very much concerned about it. They made extremely good profits.

Senator. I am afraid you have the wrong point of view on this matter. When the du Pont Co. went into this military preparation there was no obligation to do so. I was a party to the first contract and I was extremely doubtful and reluctant whether we should do it or not, but we were ready to do it because of the assurance the Allies were perfectly willing to put up the money in advance and that was a thorough understanding. We took all of the risk of purchasing under those contracts, and if you will examine the 1918 report you will see that risk was not a small one because we made these investments without a guarantee that the profits would come

out. If the war had ended we would have been in a bad condition, because I know there was one case in which we owed \$100,000,000. We were obligated to return a hundred million dollars to the Allies who furnished the money to go ahead with our contract. We had spent that \$100,000,000 and about \$60,000,000 more in plants and furnishing money for materials, and our company would have gone broke if we had been compelled to return that money.

The CHAIRMAN. Mr. du Pont, let us assume that the war had come to an end in March 1917, before the United States entered, what would have been the result enjoyed or suffered by your company?

Mr. PIERRE S. DU PONT. I never figured that out, but at that time we had very large advances which were returnable to the Allies.

Mr. IRÉNÉE DU PONT. What date was that?

The CHAIRMAN. The month before the United States entered the war?

Mr. IRÉNÉE DU PONT. I do not believe it would have been as disastrous as a year earlier. That would be my guess.

The CHAIRMAN. It would not have been what?

Mr. IRÉNÉE DU PONT. Not as bad in 1917 as it would have been in 1916—that is, the financial effect on the company would probably not have been as bad.

The CHAIRMAN. If the end had come a year earlier than March 1917?

Mr. IRÉNÉE DU PONT. It would have been worse in 1916 than 1917. That is my estimate.

The CHAIRMAN. How do you account for that?

Mr. IRÉNÉE DU PONT. Because we had not got that much profit back in. You see we had another year's operation at March 1917.

The CHAIRMAN. Through late 1916 and early 1917 were you not engaged in plans that looked to our possibly entering into the war?

Mr. IRÉNÉE DU PONT. To a certain extent we were looking at it. We were looking for possible sites in connection with the United States Government, trying to find them powder sites and plants, but I do not think we had taken any active steps.

Mr. PIERRE DU PONT. It was in the summer of 1917 that we were looking for those plants?

Mr. LAMMOT DU PONT. We made no preparations for the United States until after the United States went into the war.

Mr. IRÉNÉE DU PONT. Didn't we have someone going around looking for plant sites before that? Is Major Casey here? When we went out aiding the Government in looking for plant sites, when was that?

Major CASEY. I think it was in early 1917 we were looking for them, because of the possibility of our being involved in the war and not knowing what the outcome would be at that time. Our plants were poorly located from a strategic standpoint, subject to ocean raids and from the air. I went to Mr. Pierre du Pont and took a map and drew two circles on it and said, "If we have to do any further expansion we should put these two powder plants within these two circles, one of those being west of the Alleghenies, east of the Mississippi and south of the Ohio and the other east of the Rockies, west of the Mississippi, and south of the Missouri.

The CHAIRMAN. When did you establish your plant at Washburn, Wis.?

Mr. IRÉNÉE DU PONT. That was long before this. That was purely a dynamite plant.

The CHAIRMAN. It became a powder plant during the war?

Mr. IRÉNÉE DU PONT. We made TNT there and TNX for the Navy.

Mr. RAUSHENBUSH. In talking about the TNT plant, we will not refer to TNT for commercial purposes, but in the examination of Senator Bone it was stated when the company went into the manufacture of powder for military purposes, and Mr. Pierre du Pont has testified the company made that decision reluctantly.

Mr. PIERRE S. DU PONT. I made it reluctantly.

Mr. RAUSHENBUSH. In this Internal Revenue Exhibit No. 1, prepared by the auditing department of your company, they speak about various transactions between the company, and one particular item of \$4,644,818, which consisted, we are informed, of an agreement between the International Co. and the du Pont Powder Co., whereby the International Co. undertook not to solicit military business, in consideration of the du Pont Powder Co.'s turning over to them a certain percent of the military business that the du Pont Co. obtained. The value, I take it—and I want to be fair about it—of getting the International Co. out of the soliciting of military business was \$4,644,818. Now, I would like to ask for the date of the transaction referred to which is reported in the report dated 1924 and involved the whole tax question of what the basis should be for the transfer of the old company into the new one.

Mr. PIERRE S. DU PONT. The International Co. was a company that was absorbed into the du Pont Co. before 1913, because we owned that company at the time of the dissolution suit. That International Smokeless Powder & Chemical Co. was a corporation that was started to manufacture and sell smokeless powder and other chemicals. It was absorbed into the du Pont Co., and apparently it was kept alive up to that date, but it was in the Government's dissolution suit, at which time it was decided the du Pont Co. should retain all of the powder plants, notwithstanding they were the only military powder plants at that time.

Senator BONE. Can you advise us whether or not the Government junked its powder plants after the war?

Mr. PIERRE S. DU PONT. No; it has them yet.

Senator BONE. Has it discarded any of them?

Mr. PIERRE S. DU PONT. I believe the plant in West Virginia has been scrapped and also the plant we built at Nashville, for them.

Mr. RAUSHENBUSH. According to what you have said, that the company was involved in the dissolution suit back in 1912 and 1913, then the contract whereby the \$4,000,000 plus was paid by it to the International Co. not to solicit military business was entered into before your preparation for war purposes?

Mr. PIERRE S. DU PONT. I cannot explain that, I will have to look it up. I thought that company had been dissolved long since, because we owned it substantially in its entirety in 1913 at the time of the dissolution suit. I know it did have outstanding an issue of bonds, and possibly the company remained alive, and this had some connection with the bond issue, but that is a mere guess.

The CHAIRMAN. Just one question, Mr. du Pont. In addition to the dividends that were paid, were there any bonuses paid to the officials of the corporation?

Mr. PIERRE S. DU PONT. Yes.

The CHAIRMAN. Will you come tomorrow morning prepared to reveal what bonuses were paid during the years 1916, 1917, 1918, and 1919?

Mr. PIERRE S. DU PONT. I can give you the totals now.

The CHAIRMAN. Let us leave that until morning; then you can have it accurately and ready for presentation.

Mr. PIERRE S. DU PONT. Would you like an explanation of this International Smokeless Powder matter?

Mr. RAUSHENBUSH. Very much.

Mr. CARPENTER. I have a record of that one figure. We were unable to reconcile that \$10,000,000 loss and \$2,000,000 loss, and, if it is agreeable, I will be glad to give it to the secretary.

Senator BONE. Give that to Mr. Raushenbush.

Mr. PIERRE S. DU PONT. You would like an explanation of this International Powder matter, and while I don't think it is material, I think I can explain it.

The CHAIRMAN. This would be as good a time as any to clear it up.

Mr. PIERRE S. DU PONT. We will bring an explanation in the morning.

The CHAIRMAN. The committee will be in recess until 10 o'clock tomorrow morning, when we will resume with the same witnesses.

(Thereupon the committee recessed until 10 a.m., Thursday, Sept. 13, 1934.)

INVESTIGATION OF MUNITIONS INDUSTRY

THURSDAY, SEPTEMBER 13, 1934

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE,
THE MUNITIONS INDUSTRY,
Washington, D.C.

The hearing was resumed at 10 a. m. in the caucus room, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), George, Clark, Bone, Pope, and Vandenberg.

Present also: Stephen Raushenbush, secretary.

The CHAIRMAN. The committee will be in order.

TESTIMONY OF PIERRE S. DU PONT, IRÉNÉE DU PONT, LAMMOT DU PONT, A. FELIX DU PONT, FIN SPARRE, J. BAYARD ELIASON, AND W. S. CARPENTER, JR.—Resumed

The CHAIRMAN. Mr. du Pont, upon recessing last night we were contemplating the availability this morning of some tangible reports concerning the bonuses that were paid. Do I understand that bonuses were paid employees and executives as well?

Mr. PIERRE S. DU PONT. Yes.

The CHAIRMAN. What are you prepared to advise us concerning that this morning?

Mr. PIERRE S. DU PONT. Might I interject, Senator, last night I felt that there was an entirely wrong impression in regard to this whole situation, largely from the fact that it seemed that information was being brought out that had never been brought out before, and was read from the annual reports of the company, which it was not made clear were public property. All of those reports were published at the time in full in the newspapers, given out to 100,000 stockholders, and were all well known to our customers and everybody concerned. There was nothing brought out yesterday that has not been public property for 10 years or more.

We do not want the generation that has grown up in that 10 years to think that this is a revelation kept secret by the company all of these years and finally dragged out against our wishes.

Our records are open in every way to everybody that has any concern in it, and you have concern; and there is no record of the company that is not always open.

The CHAIRMAN. I think, Mr. du Pont, there has been no misimpression on the part of the committee. They have understood those reports were public property, public knowledge, but sometimes a

thing that is made public today may not have the meaning, or may not bear the import that it will 10 years from now in the light of other developments.

Mr. PIERRE S. DU PONT. That is what I am leading up to, that everything brought out yesterday related to the very large profits of the company as if it was something quite extraordinary and something reprehensible to have taken during the time of war, and nothing was said or tried to be brought out on the other side as to what we have accomplished.

We went into this war business at the solicitation of the Allies, not at our solicitation. They wanted powder, and the reason they wanted it was they could not manufacture it themselves. It required anywhere from 4 to 9 pounds of raw materials to be taken across the water to produce a pound of powder on the other side. We know what the shortage of vessels was at that time. The Allies did not want to take four times as much material over there to make the powder in the plants that they were obliged to build at a greater cost than we could build them on this side.

They came to us because we could serve them, because nobody else could serve them, and nobody else would serve them. They were glad to pay the prices, they knew what powder could be made for at their own factories, and they knew what it cost. We were obliged in making this powder for them to substitute materials, we made powder for 60 different guns used over there, guns that we had never seen before, and it was entirely done by calculations made by experts, and there is not a pound of powder that went to the Allies that failed of its purpose, and there was not a single pound of powder returned.

That was an accomplishment that nobody else on earth could have made. The Allies were glad to pay the price for it, and we saved them as much money as they paid us by our efforts.

I think it is unbecoming to have in the record anything to indicate that these prices were wrung out of the Allies, who were at our mercy. There was nothing of that kind ever contemplated, and nothing of that kind desired. They were glad to pay it, and they all thanked us at the end for what we had done.

As to the United States, the United States had no facilities for the manufacture of powder, larger than ours. We came into this war with plants capable of making 400,000,000 pounds annually in our own country. The United States could have seized these plants if they wished to, but they did not, because the Allies needed them. Our Government had nothing, they did not have a situation in which a plant could be furnished. When they came to realize the amount needed, which was in the fall after the declaration of war, in the fall of 1917, we were able to offer them two sites which we had selected as being the best in the United States and that we knew we could get.

Those two sites were taken by the Government, and I think taken gladly, but ground was not broken for either of those plants until the spring of 1918, 9 months after war was declared.

Our Government had not means of getting a pound of powder in all of that time, and no preparation for it, excepting what the du Pont Co. had made for them. We had anticipated the necessities

of the Government. Our plans were taken by the Government at the time, one factory was built by themselves, using every bit of the experience we had and the other plant we built for them at a cost of \$85,000,000, and the record in 1918 is in our annual report of what was accomplished there.

I have here a check that was written to the du Pont Engineering Co., the branch of the company in charge, for its commission for doing that work, and I would like to read into the record, with your permission, what was said of that work in the report of 1918, if I may.

The CHAIRMAN. Mr. du Pont, just what is the general nature of the report?

Mr. PIERRE S. DU PONT. It is all taken from our 1918 report, but in a very much more condensed and readable form. I do not wish to burden you with the reading of it, and if you have no objection I will offer it.

Mr. RAUSHENBUSCH. If that deals with the Old Hickory Powder Plant, we would very much prefer to have the evidence on that brought out at a later time in the hearing.

The CHAIRMAN. Is that what it does deal with, Mr. du Pont?

Mr. PIERRE S. DU PONT. That is part of it, but not the entire report altogether.

The CHAIRMAN. Since a phase of this study has been in that direction, I suggest you hold that until that point is reached in the hearing.

Mr. PIERRE S. DU PONT. May I further state what the commission was for the \$85,000,000 plant erected at Old Hickory? I have a photostatic copy of the check for \$1 that was the agreed commission.

The CHAIRMAN. Now, Mr. du Pont, what of the bonuses that were paid?

Mr. PIERRE S. DU PONT. The total bonuses paid—can I read by years?

The CHAIRMAN. Yes; please do. Can you divide it as to bonuses to executives and bonuses paid to employees?

Mr. PIERRE S. DU PONT. The division I have here is the total bonuses. The officers and principal salaried men, which I think covers it, and may I read the total bonuses to give you an idea.

For the year 1914, \$171,000, or 3.43 percent of the earnings of the company.

For the year 1915, \$3,775,000 or 4.37 percent of the earnings of the company.

For the year 1916, \$6,514,000 or 7.93 percent.

For the year 1917, \$2,927,000, or 5.94 percent of the earnings of the company.

For the year 1918, \$3,170,000, or 7.36 percent of the earnings of the company.

For the year 1919, \$857,000, or 4.85 percent of the earnings of the company.

I have not that totaled, but it is about \$17,000,000 altogether.

The CHAIRMAN. That is not inclusive of the bonuses paid to the employees?

Mr. PIERRE S. DU PONT. That is everything. Now, I find that I have only sample years here that are divided. I will give you them,

if you desire, and I think the others will correspond and give you some rough idea at any rate. Will you read them, Mr. Eliason?

Mr. ELIASON. These are typical years, as we did not have time to get the information on each year. The year before the war, 1913, the published earnings were \$4,533,000 and total bonuses are \$143,000 or 3.18 percent. The bonuses paid principal men other than officers amounted to only \$15,272, or 0.34 percent.

Senator CLARK. That was the year before the war?

Mr. ELIASON. Yes; the year before the war.

In 1917 the total bonus was \$2,927,000, of which the officers' bonus was \$530,000, and the principal men, other than officers, \$184,000. The officers' bonus in 1917 amounted to 1.08 percent of the earnings, and the bonuses to principal men other than officers was thirty-seven one-hundredths of 1 percent of the earnings.

The CHAIRMAN. Now, I take it your statement is a very carefully prepared one, and so far as the Chair is concerned it is quite content to leave that subject now if you would offer the statement as an exhibit for the record.

Mr. ELIASON. We will be glad to.

(The statement referred to was marked "Exhibit No. 454", and is included in the appendix on p. 1278.)¹

The CHAIRMAN. Do these years for which you have reported constitute the inauguration of the bonus system, or had that been in vogue for some time prior to this?

Mr. IRÉNÉE DU PONT. I can tell you from my own experience, I received a bonus in 1905, and know it was in vogue then, because I was very much surprised to get \$2,500.

The CHAIRMAN. Now, for the purpose of clarifying the record of yesterday I want to inquire as to the increase in capitalization from 1914 to 1915. How was that increased capital provided? I have a note here that your 1913 capital was at \$51,000,000, 1914, at \$36,000,000, or am I mistaken in that figure?

Mr. IRÉNÉE DU PONT. That was due to splitting off the Hercules and that was called attention to yesterday.

The CHAIRMAN. Then from 1914 to 1915 it was jumped to \$128,000,000.

Mr. PIERRE S. DU PONT. That was in the recapitalization of the company when the name was changed to the present company. That capitalization was earnings that had been made in previous years and also that capitalization included certain contracts on hand.

The CHAIRMAN. Your earnings then were converted into capital?

Mr. PIERRE S. DU PONT. Yes, sir.

The CHAIRMAN. No new stock or bond issues floated at that time to create capital?

Mr. PIERRE S. DU PONT. Not at that time; no. That was a sale of property from one company to another and practically is a new valuation, but there was no new money put in at that time.

If you will pardon me, Senator, before we go further, I made yesterday a statement in regard to the capital employed and in regard to the contracts, in which I said if the war had terminated that money that we had on the contracts was returnable. Now, that is not strictly true, as has been pointed out to me. And the contract

¹There was no Exhibit marked "No. 453."

did not provide for that. The contract provided that if the powder was not delivered to the Allies according to contract that we could pay back the money and be relieved of any claim for damages. We then had the alternative of continuing to make the powder after the cessation of war or to pay the money back. Now, my personal feeling is, and I think others would agree with me, it would be impossible to force the Allies to take that amount of powder after the cessation of hostilities. Therefore, our obligation was the return of the money, but it was not the strict obligation of the contract.

The CHAIRMAN. I have before me the financial statement of the E. I. du Pont de Nemours Co., successors in 1914 to the E. I. du Pont de Nemours Powder Co., 1910 to 1913, compiled by the Federal Trade Commission from published sources, and which you are acquainted with. This report shows company assets from the years 1910 to and including 1927.

I am going to ask that this statement be incorporated in the record.

(The document referred to was marked "Exhibit No. 455", and is included in the appendix on p. 1280.)

The CHAIRMAN. This statement, "Exhibit No. 455", shows the total assets 1910, \$81,000,000, and then shows the following assets for the following years:

1911-----	\$83,000,000	1920-----	\$253,000,000
1912-----	86,000,000	1921-----	252,000,000
1913-----	74,000,000	1922-----	259,000,000
1914-----	83,000,000	1923-----	279,000,000
1915-----	258,000,000	1924-----	275,000,000
1916-----	217,000,000	1925-----	305,000,000
1917-----	263,000,000	1926-----	322,000,000
1918-----	308,000,000	1927-----	351,000,000
1919-----	240,000,000		

From this statement, Mr. du Pont, it is very evident that your assets were considerably larger after the war than they were during the war.

What is the conclusion to be drawn?

Mr. PIERRE S. DU PONT. It is increased by the profits made as set forth yesterday, of about \$260,000,000.

The CHAIRMAN. Your profits had been greater in the years following the war than they were during the war?

Mr. PIERRE S. DU PONT. Yes.

The CHAIRMAN. Your assets have grown larger during this time than during the war.

Mr. IRÉNÉE DU PONT. I think you are wrong there. The profits after the cessation of the war went down very much.

The CHAIRMAN. I am speaking now of the assets of the company. Your assets increased after the war to a point greater than that which was reached during the war.

Mr. PIERRE S. DU PONT. Yes. That was largely through the introduction of new capital. Do you have that statement, Mr. Carpenter?

Mr. CARPENTER. I do not have the full details of that, but of course we had increases in stock, we had a bond issue, and sold additional common stock and also the accumulation of earnings and the consolidation of certain other companies.

DU PONT INVESTMENTS IN OTHER COMPANIES

The CHAIRMAN. I take it, Mr. du Pont, that after the war, starting in 1919, your problem, in addition to others, was that of finding an outlet and places for proper investment of the profits that had been won during the war?

Mr. PIERRE S. DU PONT. The large problem then was this question of the dye industry, which the war had proven absolutely necessary as a matter of preparedness of every country for its future wars, and we endeavored to go into the dye business not only as an investment, but also to supplement the assets of the United States in that respect, and \$50,000,000 was invested in that industry and is still invested in it. In addition to that we went into other things to help use the facilities, largely the men, engaged in producing things allied to our own industry. For instance, we went into the manufacture of the so-called "pyralin", which is practically the same thing as celluloid, made from nitrocellulose, which is the basis of smokeless powder also.

The CHAIRMAN. All of that we will come to later on, but we will pursue this line now.

Really it was a problem you were forced to a decision on in 1919 as to what you would invest this accumulated capital in, that had become yours during the war.

Mr. PIERRE S. DU PONT. I rather look at it the other way; it was a question of how to take care of the property left over from the war, consisting not only in physical tangible property, but also in the great number of men, experts and otherwise, who would have to leave the company's employ otherwise.

The CHAIRMAN. Very well; but in addition to dividends which were declared from earnings during the war, bonuses paid, taxes paid, you had an accumulation of profits from earnings?

Mr. PIERRE S. DU PONT. Yes, sir.

The CHAIRMAN. Certainly you were not going to want them to lie idle, but wanted the field for that capital to operate in, and you were looking for fields in which to invest it?

Mr. PIERRE S. DU PONT. We were hardly looking, but choosing them.

The CHAIRMAN. Put it that way. Now in the 1919 report to stockholders, in a paragraph starting at the bottom of page 6, this language appears:

It is opportune here to call your attention to the origin of this investment.

Meaning by that your investment in General Motors.

Your vice president, Mr. J. J. Raskob, with extraordinary foresight, interested himself as early as 1915 in the General Motors Corporation to the extent of becoming a large stockholder and director in that company, and by exercising great perseverance was able to convince the directors of your company that the very unusual step of making a huge investment in an industry largely foreign to its business was warranted by the opportunities afforded thereby.

Then the report goes on with an explanation of how effective that investment has been. I think I shall read it [reading]:

The earnings on General Motors Corporation stock for the year 1919, after setting aside a suitable amount for excess-profits tax, will be about \$37 a share, and the value of your company's investment as measured by the

present market quotations has more than doubled since its acquisition. This statement is perhaps stronger than any recommendation of Mr. Raskob's work which would be made in this report.

So that that investment was a very successful one?

MR. PIERRE S. DU PONT. Very successful; yes. Might I at this time contrast that investment, because I think it would be interesting in the result of it. It won't take but a few minutes.

The CHAIRMAN. I would suggest that you make a note of that, and if we do not cover it in the order which is followed, then you are at liberty to call our attention to it and exercise the contrast.

Mr. du Pont, on September 8, 1927, you addressed a letter to Col. William Donovan, Department of Justice. Was that the Col. William Donovan who was an Assistant Attorney General at that time?

MR. PIERRE S. DU PONT. I do not remember. I think that was from my brother Irénée. I have no recollection of the letter.

The CHAIRMAN. That was Mr. Irénée du Pont. Do you recollect that letter, Mr. du Pont?

MR. IRÉNÉE DU PONT. Frankly I do not recall it at this time but it looks like it might have been written by me, judging from the signature. I do not know. If I read it through, maybe it will bring it back to me.

The CHAIRMAN. Were you having difficulties at that time in connection with determining what the law would permit you to do regarding your acquisition of interests in other companies?

MR. IRÉNÉE DU PONT. We were under, you might say, the guidance or at least the okay of the court with respect to the monopoly on explosives under the decree of 1913. I am quite clear that I was on my guard on that phase of it. I had forgotten that General Motors might have been in it.

The CHAIRMAN. The Federal Trade Commission was interesting itself in those questions; was it not?

MR. IRÉNÉE DU PONT. I do not know; apparently so.

The CHAIRMAN. The concluding paragraph of your letter to Mr. Donovan might serve as a reminder. In that paragraph you state:

On July 29, 1927, the du Pont Co. received a notice from the Federal Trade Commission stating that they had directed their chief economist to investigate relations, directly and indirectly, between the United States Steel Corporation, the General Motors Corporation, and the E. I. du Pont de Nemours & Co. We are sending you a copy of this letter and shall be glad to supply both you and them with any additional information pertinent to this inquiry upon request.

MR. IRÉNÉE DU PONT. That refreshes my memory. I had forgotten the incident. Newspaper cartoons came out, one a rhinoceros and another a hippopotamus, marked "General Motors", and an elephant marked "U. S. Steel", each swallowing the other one, beginning at the rear end. I think the common public was looking on and saying, "What is going to be done when they get done swallowing each other?"

We thought United States Steel was a good investment and bought something equivalent to 1 percent of the stock of the Steel Corporation. At that time I went abroad on a trip, I believe, and when I came back I discovered what a furore happened on account of that purchase. I think this was the outgrowth of that situation. If I

wrote a long letter, somebody probably wrote it for me and I signed it, but it was entirely an incidental thing and had nothing to do with this particularly, that I could find out.

The CHAIRMAN. In this letter from you to Colonel Donovan I find this language [reading]:

As previously stated, the du Pont Co.'s investment in the General Motors common stock was an investment of capital funds and in general an obligation on the part of the du Pont's Co.'s part to assume responsibility in part for the management of the affairs of the General Motors Corporation.

Just what was the meaning of that particular language?

MR. IRÉNÉE DU PONT. As I recall it, Durant was the head of General Motors when we made the acquisition, and he was an operating man and a salesman, a very high grade man in both those things. His ability from a financial point of view I think he recognized was not all it might be. He was very anxious to get us in, on the theory that we were clever financiers—and just what that is I do not know, but it worked out beautifully. We were put on the finance committee, and I think the handling of the financial phase of General Motors has been a wonderful thing—not that I had anything to do with it. I think John Raskob did the heavy work, but it was eminently successful and brought General Motors into the line of being one of the most properly organized companies from the point of finance in the country, and its record has demonstrated that in the years since.

The CHAIRMAN. Do you recall offhand what was paid for that stock in General Motors at the time?

MR. IRÉNÉE DU PONT. My recollection is that we bought both Chevrolet and General Motors at about the time they were consolidated. We put in \$47,000,000, if I remember right on that. It was quoted yesterday. Our interest in that, I think, represented 23½ percent, but it was represented as about 25 percent yesterday. It was substantially 25 percent, but a little bit under that.

The CHAIRMAN. The point I am trying to raise is this: The price which you paid for the stock was this—there was a difference between the price as actually paid of \$37 per share, by reason of a dividend which was declared at about the time you bought it.

MR. IRÉNÉE DU PONT. I think the price per share on General Motors is almost meaningless, because once it was \$100 par and then \$20 par and then something else, at different times, and price per share is absolutely meaningless.

The CHAIRMAN. Right after you did buy, Mr. du Pont, a dividend was declared on General Motors?

MR. IRÉNÉE DU PONT. It has paid dividends right along.

The CHAIRMAN. About \$37 a share that year.

MR. IRÉNÉE DU PONT. I do not follow what that \$37 a share is. It certainly has nothing to do with present shares of General Motors.

The CHAIRMAN. Very well.

MR. PIERRE S. DU PONT. May I interject to clarify the situation? We have today 10,000,000 shares of General Motors and paid \$47,000,000 for substantially that investment. That would be at the rate of \$4.70 a share, but the number of shares at that time, I think, was very much smaller; but I think that will give you the picture, that today's shares cost us about \$4.70 per share.

The CHAIRMAN. In the report of 1919 to the stockholders you said that the earnings of the General Motors Corporation stock for the year 1919 would be about \$37 a share. Did Mr. Raskob advise you before the purchase of that great block of stock that there would be so sizable a dividend declared?

Mr. CARPENTER. That is not a dividend. It is an earning.

The CHAIRMAN. Very well.

Mr. PIERRE S. DU PONT. I think he advised us so far as he knew. Whether it was fairly well known at the time, I am doubtful.

The CHAIRMAN. You were aware of the fact that General Motors, as a corporation, was earning splendidly?

Mr. PIERRE S. DU PONT. I think we knew everything that was to be known at the time; yes.

The CHAIRMAN. How many corporations did you create or invest in after the war?

Mr. PIERRE S. DU PONT. I can name the principal ones which are cited in the annual report. The General Motors and Pyraline industries—

The CHAIRMAN. For the purpose of the record—just giving it roughly now—what percentage of your entire holdings in other corporations became your possessions after the war?

Mr. PIERRE S. DU PONT. I cannot answer that.

The CHAIRMAN. You were shown with investments in 30 or 40 corporations, at least according to your own statement. What part of those became your possessions after the war?

Mr. PIERRE S. DU PONT. May I ask Mr. Carpenter to answer that? I am familiar enough to explain the results.

The CHAIRMAN. All right.

Mr. CARPENTER. This gives a list of the various industries in which we are interested, if that is what you mean, entirely apart from whether or not they are separate corporations.

The CHAIRMAN. Those corporations in which you have interests or which you own?

Mr. CARPENTER. I can name those, if you choose, and let us note which ones we had at the time of the end of the war.

The CHAIRMAN. Very well; do that.

Mr. CARPENTER. This organic chemicals industry, which includes the dye industry, which was started in the later years of the war; this fabrics and finishes industry, which we had in part even at the beginning of the war; the Grasselli Chemical Co. we acquired since the war. Is this what you want?

The CHAIRMAN. Let us take this from another point of view. I offer for the record "Exhibit No. 456", that being a statement furnished by the E. I. du Pont de Nemours & Co. to the committee of its investment in other companies, other companies involving an investment by you of more than \$200,000,000. Have you that before you?

Mr. PIERRE S. DU PONT. Yes, sir.

The CHAIRMAN. Let us take the time now and will you tell us the number of those that you came into possession of during or after the war?

Mr. LAMMOT DU PONT. During or after?

The CHAIRMAN. During or after. Or will you just go through it and read the names of those that you did possess during or after the war?

Mr. PIERRE S. DU PONT. That we acquired during or after the war? The Grasselli Chemical Co., the Krebs Pigment & Color Corporation; du Pont Rayon Co.; du Pont Cellophane Co., Inc.; Perth Amboy Chemical Works; Niacet Chemicals Corporation; du Pont Viscoloid Co., which was purchased first during the war; then the Italian Celluloid Co.—I do not think I can pronounce the name; and also the Italian Coloid Co. (Societa Anomima Mazzucchelli). We have a small interest in the Italian Celluloid Co. Then the National Ammonia Co.—

The CHAIRMAN. According to your statement you are shown in possession of 100 percent.

Mr. PIERRE S. DU PONT. There are two companies. In one we had a small interest.

The CHAIRMAN. In one you have 70 percent of the stock and in the other 100 percent.

Mr. PIERRE S. DU PONT. Mr. Carpenter corrects me. I think maybe Mr. Lammot du Pont and Mr. Carpenter better answer this. It is a little too modern for me.

The CHAIRMAN. Very well.

Mr. CARPENTER. These are the ones which have been acquired during and since the war: The National Ammonia Co., Inc.; the Pacific R. & H. Chemicals Corporation; International Freighting Corporation, Inc.; the Mexican Explosive Co., du Pont Film Manufacturing Corporation, which was acquired during the war; Acetol Products, Inc., acquired after the war; Remington Arms Co., Inc.; the Peters Cartridge Co.; Remington Cutlery Works, Inc.; Bakelite Corporation—

The CHAIRMAN. How about the Remington Cash Register Co., Inc.?

Mr. CARPENTER. We did not acquire it. I do not know why that is on this statement. That was just the shell of a company which was left after they left entirely the cash-register business.

The CHAIRMAN. But this statement shows that you have 96.7 percent of the outstanding stock.

Mr. CARPENTER. I think that company had no assets at all, but was just a shell left of the former activity of the Remington Arms Co. The statement shows no investment.

Nobel Chemical Finishes, Ltd., French Duco Co., the German Duco Co., South American Explosives, and this Argentine company is brand new. There was small holdings in the German I.G and the D.A.G., also the Scheideanstalt.

The CHAIRMAN. That is a Dutch corporation?

Mr. CARPENTER. German; and, as we pointed out, these General Motors securities were acquired at different times in 1917 and 1918.

The CHAIRMAN. Very well. Then it would be fair to say that three-quarters of these investments were acquired during or after the war by the E. I. du Pont de Nemours & Co.?

Mr. CARPENTER. In number, I should think that is certainly correct.

Mr. PIERRE DU PONT. Senator, may I ask Mr. Carpenter something? I think many of those corporations were organized by ourselves for developing our own business.

The CHAIRMAN. That is quite aside from the question.

This statement of your investments, involving \$200,000 or more in other companies—

Mr. CARPENTER. \$200,000,000?

The CHAIRMAN. In companies of over \$200,000, is that it?

Mr. RAUSHENBUSH. In which the du Pont Co. has an investment of \$200,000 or more.

The CHAIRMAN. That was my previous remark. This shows an investment in capital stock in other companies than the E. I. du Pont de Nemours & Co. totaling \$202,765,782.55.

I do not know whether the exhibit which is before you is totaled or not.

The advances by the du Pont Co. to these companies as of July 25, 1934, amount to \$65,084,295.80. The advances by the holding company as of July 31, 1934, amount to \$3,564,444.88, showing a total investment of \$164,445,641.91.

Now we have totaled these figures, your own figures, and how are we to account for the difference between that total investment that is shown and the investment in capital stock that is shown?

Mr. ELIASON. The investments shown on this statement are the investments of the Delaware Corporation, E. I. du Pont de Nemours & Co. Now you will observe, if you look at that statement, that many of those companies, such as the du Pont Rayon, du Pont Cellophane, and Grasselli are 100 percent owned by the company. Our published statement to which you refer, this published statement, is a consolidated statement in which the subsidiary companies 100 percent owned are consolidated with the parent company, and these investments in the stock of those subsidiaries naturally cancel out in making a consolidated statement. It is all shown as one consolidated statement. Does that explain it?

The CHAIRMAN. I am afraid I am not following you on that. I wonder if you have gotten the question which is in my mind. The total of investments in capital stock shown in these companies is \$202,000,000, in round figures.

Mr. ELIASON. Yes, sir.

The CHAIRMAN. Then the totals in the final column of that exhibit are only \$164,000,000 in round figures.

Mr. ELIASON. The final column there?

The CHAIRMAN. Yes, sir.

Mr. ELIASON. There is an error in the total which you have given me, Senator, because there is one item of General Motors of \$157,000,000, and there are a number up there which are large.

The CHAIRMAN. It may be that in our totals we have evaded or avoided including that General Motors total.

Mr. ELIASON. I think that is where your trouble is, perhaps, if General Motors is not included in the other column.

The CHAIRMAN. If that is the case, if we have missed the General Motors total, then the total investment would be shown to be about \$315,000,000.

Mr. LAMMOT DU PONT. Senator, that total investment column is the sum of the preceding three columns.

The CHAIRMAN. Yes, sir; it should be.

Mr. LAMMOT DU PONT. If it does not add up, the arithmetic is wrong.

The CHAIRMAN. I think perhaps the clerk who had this in hand must have missed that \$157,000,000 item which is the total investment in the General Motors Securities Co.

Mr. LAMMOT DU PONT. It does not look that simple.

Mr. PIERRE S. DU PONT. I think I will come to the rescue of the accountants, Senator. It is \$157,000,000, whereas it is \$154,000,000 on the other side, and probably was not included in here as an investment and was left out and it is somewhat separate.

I have a question which I have asked our people, and maybe I am not so dumb after all. We have, first, the capital investment of \$202,000,000, and then an account of the money advanced to the companies by the du Pont Co. The natural inference is that the sum of the two should be greater than the original investment, but some companies may have declared dividends in the meantime, and that would reduce the investment again.

The CHAIRMAN. That is your investment as of this date?

Mr. ELIASON. Yes, sir; on the books of the parent company. I might point out this: That there are subsidiaries of subsidiaries here, that is, for instance, the du Pont Co. owns a subsidiary. That subsidiary may own a subsidiary of its own 100 percent. So you see, when you add together the capital of two or three of those companies, you do not get the correct picture, because, after all, it is all ownership which belongs to the parent company, and in the consolidated statement those capital investments clear out and become property or assets and liabilities, as the case might be.

The CHAIRMAN. If the total of the first column of investment in capital stock is correctly stated as \$202,000,000, and if the advances by the du Pont Co. as of July 25 and the advances by holding company as of July 31 are to be added together to show the total investment of the E. I. du Pont de Nemours & Co. in these other companies, that total investment should be in the neighborhood of \$270,000,000.

Mr. PIERRE S. DU PONT. I would think so; yes, sir.

Mr. LAMMOT DU PONT. Senator, I do not think your arithmetic is right either. Just adding up the first column roughly, it comes to more than \$202,000,000.

The CHAIRMAN. I am inclined to believe now that the clerk who had this in hand excluded all of the General Motors figures.

Mr. LAMMOT DU PONT. That won't bring the answer either. Whoever put these blue-pencil figures on there must have had something else in mind than adding up the columns.

Mr. PIERRE S. DU PONT. I have added up the million figures, which add up to 278.

Mr. CARPENTER. Senator, I wonder if these brief figures will give you the point which you are striving at, which I do not know yet: In 1933 the total capital and surplus of the du Pont Co. was about \$500,000,000. In 1918 it was \$187,000,000. That shows a change in capital and surplus of about \$313,000,000 over that period. That money has gone into a very great variety of things; to old industries and new industries as well, but that does show the increase in the capital funds of the company compared in that way over the course of that period. Maybe that will be of some help.

The CHAIRMAN. Perhaps it is.

Mr. LAMMOT DU PONT. Are you interested to know where the increased capital came from?

The CHAIRMAN. No; I am interested now in knowing what the total investment is, in companies in which you have investment. I do

not suppose you are prepared to say off-hand what they are. You have given us this showing, this Exhibit, which we are offering, but it was not totaled.

(The statement referred to was marked "Exhibit No. 456" and is included in the appendix on p. 1282.)

Mr. CARPENTER. I am afraid that Exhibit won't help you very much. You have these figures which I have given you, showing an increase in the capital funds of the company, an increase from 1918 to 1933 of about \$313,000,000. Those funds are all employed in one form or another in the companies. The difference shows the increase, of course, over that period.

The CHAIRMAN. Very well. How were your investments carried on the books? At book or market value?

Mr. CARPENTER. They are carried on our books at their book value; generally speaking, if we acquired a small interest, for instance a stock-holding in this German I.G., we would just carry that on our books at the purchase price. If we acquired a manufacturing operating company, that would go on to our books at the value of the assets of that company, as of the time we took them over.

Now, General Motors is a striking departure from that. We acquired General Motors and paid out about \$47,000,000. From time to time we felt our position there was best represented by reflecting in that value, as shown by our books, the book value as shown on the books of the General Motors Corporation. That stands today between \$15 and \$16 a share, so that our General Motors holdings on our books today stand something around \$154,000,000, which for 10,000,000 shares is about \$15.45 a share.

The CHAIRMAN. Are we to assume, then, that what you have conveyed to us as your investments is a rather conservative statement of the investment, or have you gone and taken the high mark of the market?

Mr. CARPENTER. I think we have tried to show the correct figures. The accountants differ as to the proper way of showing an item, such as that General Motors item. We have tried to disclose what we have done and put in our best judgment.

The CHAIRMAN. So that the market value has not persuaded you necessarily to use that as a basis in determining that investment?

Mr. CARPENTER. No.

Mr. PIERRE S. DU PONT. That is quite clear in the General Motors case, Senator. We hold the General Motors stock at \$15 a share, which is the book value of the assets of the corporation. The stock on the market is twenty-eight or twenty-nine dollars.

The CHAIRMAN. I notice your investment of \$154,546,875 in the General Motors Security Co., and your statement also reveals that your voting rights in connection with that holding of stock are 94.3 percent. That means just this: that the E. I. du Pont de Nemours & Co. control 94 percent of this General Motors Securities Co. stock and votes it?

Mr. PIERRE S. DU PONT. Yes; the General Motors Securities Co. is a holding company, for all our shares in General Motors.

The CHAIRMAN. You own 100 percent of it?

Mr. PIERRE S. DU PONT. No; 94 per cent. Am I right in that?

The CHAIRMAN. The percentage of the total outstanding stock owned of the General Motors Securities Co. is 100 percent.

MR. PIERRE S. DU PONT. The General Motors Securities Co. is marked here 84 percent ownership.

MR. IRÉNÉE DU PONT. That is voting rights.

THE CHAIRMAN. That is voting rights. You own 100 percent. Why do you not possess 100 percent voting right in that stock?

MR. CARPENTER. The General Motors Securities Co. owns all of our holdings, all of what we call our 10,000,000 shares of General Motors stock. In addition to that we have several million shares more. That company is owned in part by the du Pont Co. and in part by the important employees in the General Motors Corporation. Originally, when the sale of that stock to the General Motors employees was made, we had a 70 percent interest in there. That has been somewhat increased, because of the fact that the holdings of the General Motors employees has been somewhat lessened; in other words, their 30 percent has been somewhat lessened by liquidation of part of their holdings.

MR. PIERRE S. DU PONT. Do you understand that, Mr. Chairman?

THE CHAIRMAN. I think I understand that.

MR. PIERRE S. DU PONT. I am afraid I do not understand it.

THE CHAIRMAN. Behind your purchase of General Motors stock was an understanding of certain employees' rights in General Motors?

MR. PIERRE S. DU PONT. May I make this statement, Senator?

THE CHAIRMAN. So that possession of 100 shares of stock would not necessarily give you right to vote the full 100 shares; is that correct?

MR. PIERRE S. DU PONT. May I ask this question? We want to be sure that we are clear on this. My understanding is that originally we owned a certain number of General Motors shares, which were held in this General Motors Securities Co. We sold a part interest in that to the chief men in the General Motors Corporation. That reduced our voting interest, of course.

THE CHAIRMAN. But you were still owning that stock?

MR. PIERRE S. DU PONT. Is that right?

MR. CARPENTER. We still held control of that company, yes; and always have had control of that company.

MR. PIERRE S. DU PONT. The stock we sold, then, is General Motors Securities Co. stock?

MR. CARPENTER. Yes, sir.

MR. PIERRE S. DU PONT. And therefore being 94 percent owners of General Motors Securities Co., we can vote that whole block of stock, which is a larger block than we show on our books?

MR. CARPENTER. Yes; we can.

MR. PIERRE S. DU PONT. As we have a 6 percent greater voting right than would appear in our own stock ownership.

SENATOR CLARK. Was this stock to which you have been referring held by your employees or General Motors employees or employees of both companies?

MR. PIERRE S. DU PONT. No; the General Motors employees entirely.

SENATOR CLARK. Some executives of General Motors simply put their money in your holding company, is that right?

Mr. PIERRE S. DU PONT. I think that is just the way of it; yes. But it came out a little different way. The General Motors Corporation wanted stock to sell to its employees in a considerable amount and it was perfectly impossible to buy that stock in the market at any reasonable figure. The du Pont Co. sold this interest.

SENATOR CLARK. You simply sold stock in your holding company?

Mr. PIERRE S. DU PONT. Yes.

The CHAIRMAN. In addition to these holdings by the General Motors Securities Co. of which the E. I. du Pont de Nemours & Co. owns 100 percent, your company holds shares of the General Motors Corporation to the extent of an investment of \$2,453,125.00: is that correct?

Mr. PIERRE S. DU PONT. Yes. We count the 10,000,000 share interest as our permanent holding in General Motors. These 200,000 shares were the excess over the 10,000,000 that we held and we do not feel that we are in any way obligated to hold those. The 10,000,000 shares we announce as the firm's investment and the public and the stockholders have a right to believe that that will not be thrown on the market; and as far as I know and as far as anybody else knows, it will not.

The CHAIRMAN. In that particular block of stock, you show a total voting right of 23.45 percent. What is the explanation there?

Mr. CARPENTER. That figure of 23.45 percent is the percentage of the total outstanding General Motors stock that our entire interest in General Motors bears. That is figured in this way. We have 10 million shares actually in General Motors which are held almost entirely through the General Motors Securities Co. In addition to that, we have 200,000 shares. The sum of the 10,000,000 plus the 200,000 shares makes 23.45 percent of the entire outstanding stock of General Motors, which is about 43,000,000 shares.

The CHAIRMAN. What percentage of the total of General Motors stock issued does your company and the General Motors Securities Co. control?

Mr. IRÉNÉE DU PONT. 23.45 percent.

Mr. CARPENTER. That is not correct; that is not the answer.

Mr. PIERRE S. DU PONT. That does not include the voting rights of the stock of the General Motors Securities Co. that we have sold.

Mr. IRÉNÉE DU PONT. They are not talking about the voting stock. You are talking about ownership, are you not, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. IRÉNÉE DU PONT. It was referred to yesterday as about 25 percent. I computed it last night roughly and it is about 23½ percent. This seems to be practically the same figure, 23.45 percent.

The CHAIRMAN. What influence now does your company through its holdings of General Motors stock and the holdings of the General Motors Securities Co. have?

What part of the total do you control?

Mr. CARPENTER. About 28¼ percent.

The CHAIRMAN. Of the total issue of General Motors Corporation?

Mr. CARPENTER. That is right.

The CHAIRMAN. What are your individual personal holdings of General Motors stock? I should like each of you gentlemen to answer that. Mr. Pierre du Pont?

Mr. PIERRE S. DU PONT. I cannot state that. I think it is 150,000 shares.

The CHAIRMAN. Yours?

Mr. PIERRE S. DU PONT. Yes. I am making a good deal of a guess on that. I believe that is about it.

The CHAIRMAN. And as for the others, what are your holdings?

Mr. LAMMOT DU PONT. My holdings are approximately 30,000 shares.

Mr. IRÉNÉE DU PONT. I think about 16,000, as far as I know.

Mr. A. FELIX DU PONT. I have not that figure at all. I think it is less than 10,000 shares.

The CHAIRMAN. Assuredly you must know, you must have given consideration to the percentage of the total of General Motors Corporation stock that you controlled in your family and in your corporation?

Mr. PIERRE S. DU PONT. I have never figured it at all. I have looked at it as about a 25 percent investment, which is practically what the company owns.

The CHAIRMAN. But you have much more in addition to that?

Mr. LAMMOT DU PONT. Not a great deal.

Mr. PIERRE S. DU PONT. Just what we have said, which does not change the percentage very materially.

The CHAIRMAN. You speak of your holdings as being about 150,000 shares, Mr. Pierre du Pont?

Mr. PIERRE S. DU PONT. Yes.

The CHAIRMAN. You sold a considerable amount of General Motors stock in 1929; did you not?

Mr. PIERRE S. DU PONT. I had about 600,000 shares, I think, at one time.

The CHAIRMAN. Was that sold in the open market?

Mr. PIERRE S. DU PONT. In the open market; yes.

The CHAIRMAN. Is it true that your receipt from the sale in 1929 of General Motors stock, was in the neighborhood of \$36,000,000?

Mr. PIERRE S. DU PONT. I should say it was about that; yes.

The CHAIRMAN. Mr. Pierre du Pont, does General Motors Securities Co. control the voting stock of the General Motors Corporation?

Mr. PIERRE S. DU PONT. No. It has this 25 percent interest only. That percentage is of all the voting stock of the General Motors Corporation.

The CHAIRMAN. We all understand that it is not necessary to own 50 percent or 51 percent of stock to declare that you control; do you feel that the General Motors Securities Co. does control the General Motors Corporation?

Mr. PIERRE S. DU PONT. No; I would think quite differently. I believe the leading men in the General Motors Corporation and their following are quite as powerful, if not more powerful, than the General Motors Securities Co.

The CHAIRMAN. But you have a very powerful control not only through direct investment, but through your interlocking directorates; do you not?

Mr. PIERRE S. DU PONT. No; I would not think so. The interlocking directors are Mr. Sloan, president of the General Motors Corporation; Mr. F. D. Brown, who is vice president of the General Motors Corporation. I think they are the only two. Of course,

Mr. Irénée du Pont and Mr. Lammot du Pont and I are directors of the General Motors Corporation.

The CHAIRMAN. I offer now for the record as "Exhibit No. 457" a list of directors of the General Motors Corporation, with a compilation prepared for the committee of the additional connections of those directors in other corporations.

(The document referred to was marked "Exhibit No. 457" and is included in the appendix on p. 1285.)

The CHAIRMAN. I would like to make the point now that the Poor's Manual for 1933 shows that in 1932 General Motors' assets were \$1,115,228,641.

Mr. du Pont, on this list of directors of the General Motors Corporation, the number totaling 33, I find the name of Sir Harry McGowan. Who is Mr. McGowan?

Mr. PIERRE S. DU PONT. He is president or chairman of the board—I do not know which—of the British Chemical Industries.

The CHAIRMAN. The Imperial Chemical Industries?

Mr. PIERRE S. DU PONT. The Imperial Chemical Industries; yes, sir.

The CHAIRMAN. I notice also the name of Arthur B. Purvis, of Montreal, Canada. Who is he?

Mr. PIERRE S. DU PONT. I think he is president of Canadian Explosives, Ltd.; Canadian Industries, Ltd.

The CHAIRMAN. The correct name is Canadian Industries, Ltd.?

Mr. PIERRE S. DU PONT. Yes.

The CHAIRMAN. Who owns Canadian Industries, Ltd.?

Mr. PIERRE S. DU PONT. It is owned jointly by the Imperial Chemical Industries and the du Pont Co.

The CHAIRMAN. Does the Canadian Industries control the Dominion Cartridge Co.?

Mr. LAMMOT DU PONT. Yes.

The CHAIRMAN. How largely? It is a complete control, is it not?

Mr. LAMMOT DU PONT. In capital, you mean?

The CHAIRMAN. Yes.

Mr. LAMMOT DU PONT. I have not that figure in mind.

Mr. CARPENTER. It owns it entirely.

Mr. LAMMOT DU PONT. It is 100 percent owned. It is a comparatively small part of the Canadian Industries, Ltd., total investment.

The CHAIRMAN. Before me is information that Canadian Industries, Ltd., had assets in 1932 of \$47,807,243. Poor's Manual for 1933 is the authority for that statement.

I notice also upon this list of directors the name of R. S. McLaughlin, of Oshawa, Ontario. Who is he?

Mr. PIERRE S. DU PONT. He is a resident of Oshawa and was formerly manager of the General Motors Canadian plant. But I believe he is retired now, although he is a director of the General Motors Corporation still.

The CHAIRMAN. I notice also the name, among the directors of General Motors Corporation, of Fritz Opel, Russelsheim, Germany. Who is he and what are his connections?

Mr. PIERRE S. DU PONT. He is the former owner of the German Opel Co., manufacturers of automobiles. But I think he is not connected with the industry except possibly as a stock owner in that company still.

Mr. LAMMOT DU PONT. Senator, you referred to a list of directors, interlocking directors?

The CHAIRMAN. Yes.

Mr. LAMMOT DU PONT. I would like to have a copy of it.

The CHAIRMAN. A copy is being supplied to you right now by Mr. Raushenbush.

I notice also among these directors the name of O. D. Young. Is that Owen D. Young?

Mr. PIERRE DU PONT. Yes.

The CHAIRMAN. Is Owen D. Young associated with you in your company or in any companies in which you are interested?

Mr. PIERRE DU PONT. No; only in the General Motors Corporation.

The CHAIRMAN. Mr. Young is a director of the Radio Corporation of America, is he not?

Mr. PIERRE DU PONT. I do not know.

The CHAIRMAN. He is also listed as a director of the National Broadcasting Co.; of R.C.A.; Photophone, Radio Keith Orpheum Corporation; R.C.A. Victor Corporation; and R.C.A. Communications, Inc.

Mr. PIERRE DU PONT. I was not aware of that. It is undoubtedly true.

The CHAIRMAN. Mr. du Pont, in last week's hearings—

Mr. LAMMOT DU PONT. Senator, may I interject for just a moment? Your secretary has just handed me a document which I presume is the one you have been referring to, which is quite antiquated. It is dated 1927.

The CHAIRMAN. This information was compiled from Moody's Manual of Investments, American and Foreign, 1934.

Mr. LAMMOT DU PONT. The secretary handed me a document dated 1927 which purports to show the interlocking directors.

Mr. RAUSHENBUSH. The document handed to Mr. Lammot du Pont was by way of explanation of interlocking directorates and is compiled by the Federal Trade Commission. The document already introduced showing the interlocking directors has not been indicated clearly on the exhibit that you have just entered, Mr. Chairman, but it is simply a matter of tracing through the names of the various people.

Mr. LAMMOT DU PONT. But the names have changed.

The CHAIRMAN. This takes the names of all the directors of General Motors Corporation and then traces the holdings and the directorates occupied by the same individuals in other corporations. I have no objection to your studying it, if it is the only copy we have here.

Mr. LAMMOT DU PONT. That old document is of no value?

The CHAIRMAN. No; not in this connection, except that it reveals what the nature of this up-to-date document is.

In last weeks' hearings, a letter was brought into evidence written by Henry R. Sutphen, vice president of the Electric Boat Co., to Basil Zaharoff and was offered as "Exhibit No. 50." It was dated November 22, 1930. I shall read a single paragraph from that letter [reading]:

I had a very interesting trip.

This is Mr. Sutphen writing, remember. [Reading:]

Messrs. Kettering and Codrington accompanying me, stopping first at the Sulzer plant in Winterthur, where they were very busy, but found a falling off of new orders. As you know, they have a company in France which builds engines for French submarine boats.

What is the meaning there? Does that mean that this Sulzer plant have a company in France, or does it mean that Messrs. Kettering and Codrington or their company, General Motors, have a plant there? Do you know?

MR. PIERRE DU PONT. I do not know.

MR. LAMMOT DU PONT. I do not know at all. I never heard of any of those gentlemen excepting Mr. Kettering.

THE CHAIRMAN. The plain implication of the letter is that General Motors have a company in France which builds engines for submarines.

MR. PIERRE DU PONT. That certainly is not true.

MR. LAMMOT DU PONT. Certainly not General Motors.

THE CHAIRMAN. You know that to be not true?

MR. LAMMOT DU PONT. I am quite sure it is not. I would have heard of it if they had. What is the German plant that they visited?

THE CHAIRMAN. The Sulzer plant at Winterthur.

MR. LAMMOT DU PONT. I never heard of it.

MR. PIERRE DU PONT. Mr. Kettering has always been greatly interested in aviation. He used to fly a great deal himself at one time. He has always followed it very much.

THE CHAIRMAN. Both Kettering and Codrington, I think the testimony reveals, are officers or directors of the General Motors Corporation.

MR. PIERRE DU PONT. Not Codrington: he is neither an officer nor a director. He may be in the employ of General Motors. I do not know.

MR. CARPENTER thinks that he is in the Winton Engine Co., which is a subsidiary of General Motors.

THE CHAIRMAN. Then, if that is not true, the alternative is that a German company, the Sulzer Co., has a plant in France. Do you suppose that could be true?

MR. PIERRE DU PONT. For all I know, it may be true.

THE CHAIRMAN. Well, in the light of the testimony we have had, it would not be altogether surprising if that did develop, would it?

MR. PIERRE DU PONT. No: I would not be surprised in the least by anything, any more.

INTEREST SHOWN BY DU PONTS IN LEGISLATIVE ACTIVITIES

THE CHAIRMAN. Mr. du Pont, there is one more matter that I want to take up. On March 2, 1933, your company or yourself, someone for the company, received a memorandum from the legal department of the General Motors Corporation which I will offer as "Exhibit No. 458."

(The letter referred to was marked "Exhibit No. 458", and is included in the appendix on p. 1296.)

The CHAIRMAN. This letter is by Denton Jolly, of the legal department, and is addressd to the E. I. du Pont de Nemours Co., Wilmington, Del., attention Mr. W. W. Rhodes. [Reading:]

Pleased be advised that the following bill has been introduced in the California Legislature:

California Assembly joint resolution 9 memorializes and petitions Congress to enact legislation to end all patent rights for arms, ammunition, and other equipment used for war and that the same should be acquired by the Government and manufactured by governmental establishments.

How large an interest does your company take in legislative matters?

Mr. PIERRE DU PONT. You can answer that better than I can, Lammot.

Mr. LAMMOT DU PONT. We take a very large interest in legislative matters that pertain to our business.

The CHAIRMAN. Whoever received this memorandum from Mr. Jolly addressed it to Col. Aiken Simons, of the Smokeless Powder Department, which I will offer as "Exhibit No. 459."

(The memorandum referred to was marked "Exhibit No. 459", and is included in the appendix on p. 1296.)

The CHAIRMAN. That memorandum reads:

I am attaching letter received from Mr. Denton Jolly, of the legal department of the General Motors Corporation, Detroit, and have suggested to Mr. Jolly that all matters pertaining to arms, munitions, etc., be taken up with you.

I presume that this is a complimentary service they are offering us as they are constantly watching legislative bills.

Do you have a department that devotes itself to a study of legislative activities?

Mr. LAMMOT DU PONT. No.

The CHAIRMAN. Do you exercise any active influence in legislative halls by reason of lobbies?

Mr. LAMMOT DU PONT. Certainly not by lobbies; no.

The CHAIRMAN. You have representatives who do wait upon legislative committees?

Mr. LAMMOT DU PONT. When called. I think we also attempt to set before Members of Congress a correct view of situations of which we have knowledge.

The CHAIRMAN. I asked you if you had an organization looking after legislative matters. That question, of course, referred to your own company. Does the General Motors Corporation maintain a legislative service?

Mr. LAMMOT DU PONT. I think not. Perhaps I answered your question too literally, Senator. You asked if we had a department which devoted itself to that matter—following legislation?

The CHAIRMAN. Yes.

Mr. LAMMOT DU PONT. I said we have not. Our legal department, among a great many other things, does look—

The CHAIRMAN. That is left to the legal department?

Mr. LAMMOT DU PONT. They do accumulate information as to legislation that is pending.

The CHAIRMAN. Finally, Mr. du Pont, I have a letter from one Ernest B. Benger, general assistant director, to Mr. E. A. Taylor, director of the chemical department, Grasselli, Cleveland.

I will offer this letter as "Exhibit No. 460."

(The letter referred to was marked "Exhibit No. 460", and is included in the appendix on p. 1296.)

The CHAIRMAN. This letter says that a large production of war materials has been tentatively allocated to the du Pont Co. but that no prices have been fixed. The letter is dated March 5, 1934, and it is titled "War Department Inquiry for Supply of Chemicals."

The letter reads:

I talked with Maj. K. K. V. Casey about your letter of March 28 and the War Department inquiry attached. Major Casey tells me that this is a part of a general program of industrial preparedness for the war and that the War Department has been making tentative allocations of production of the various materials required in volume in time of war. Major Casey also indicated that the du Pont Co. has worked closely with the War Department in this matter and that a very large production of war materials has been tentatively allocated to the du Pont Co. I understand from him that the company's policy is to go rather far in cooperating with the War Department in this matter, both in the way of giving information and in assisting them in planning. Of course, no promises in connection with prices are made.

The major indicated that he would be interested in receiving copies of correspondence between you and the War Department on this subject.

Now, we are not wanting to go into any details regarding these plans. We are all more or less conversant with their general nature. But, as we would have every right to expect, there would be a plan looking to such an emergency as might confront us some day in the way of another war, and this letter refers to that, does it not?

MR. LAMMOT DU PONT. Senator, would you mind reading the note at the foot of that letter?

The CHAIRMAN. That note is in the form of a stamp which appears upon a great many communications which have been taken from your files and that stamp declares just this [reading]:

Upon instructions of the War and/or Navy Department, this document is entrusted to Mr. Donald Y. Wemple, for use by United States Government agents only.

E. I. DU PONT DE NEMOURS & Co.
By K. K. V. CASEY.

By whose authority was that stamp placed upon this particular communication?

MR. PIERRE S. DU PONT. May I call Mr. Casey to testify?

The CHAIRMAN. Yes; if Mr. Casey is present.

TESTIMONY OF K. K. V. CASEY

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Casey, give the reporter your full name and address.

MR. CASEY. K. K. V. Casey, Wilmington, Del.

The CHAIRMAN. What are your official connections?

MR. CASEY. Director of sales, smokeless-powder department

The CHAIRMAN. Mr. Casey, the question has been asked, by whose authority was this stamp placed upon this communication of March 5, 1934?

MR. CASEY. We received from the Acting Secretary of War a communication to which was attached a copy of a letter directed to

you from the same source. Under that letter we were practically given the responsibility of seeing that nothing in connection with the Government war plans was made public. It was very difficult to determine exactly what came in that category. So, in order to play the safe way on my instructions, this label was put on any communication that might come in that category.

The CHAIRMAN. Mr. Casey, is there a single thing in that letter that the entire public of America and of the world might not well know?

Mr. CASEY. Not in this particular letter, but it might—

The CHAIRMAN. Not a thing. Let us get this clear. Who was Acting Secretary?

Mr. CASEY. General MacArthur.

The CHAIRMAN. Was acting Secretary of War?

Mr. CASEY. At that time. I think Secretary Dern was on the west coast and I am not sure where the Assistant Secretary might have been at the time.

Senator VANDENBERG. What was the date of those instructions?

Mr. CASEY. August 8.

The CHAIRMAN. 1934?

Mr. CASEY. 1934.

Mr. PIERRE DU PONT. May we have that letter read, because we are acting on what we consider instructions.

The CHAIRMAN. Let it be read.

Mr. RAUSHENBUSH. This is a copy of a document written on War Department stationery, addressed to the president, du Pont de Nemours and Co., the du Pont Building, Wilmington, Del., and reads as follows:

DEAR SIR: The War Department has just learned that investigators from the Special Senate Committee Investigating the Munitions Industry are now engaged in examining the files of your company in connection with munitions production.

Your attention is invited to the fact that there are in your files secret data pertaining to War Department procurement plans for munitions in the event of a national emergency. It is desired to call your attention to the necessity of safeguarding these secret data from being made public.

A letter [copy enclosed herewith] has been forwarded, this date, to the chairman of the Senate committee informing him of the presence in your files of War Department secret data pertaining to munitions procurement and requesting his committee to take necessary steps to safeguard this information. The chairman of the Senate committee has been informed that the procurement plans in question may be made known to the committee in executive session at such time as he may desire.

A copy of this letter is being furnished to the Chairman of the Senate committee.

Very truly yours,

DOUGLAS MACARTHUR,
Acting Secretary of War.

The document is dated August 8, 1934.

Mr. PIERRE S. DU PONT. I should like to object to any information that bears the stamp of Mr. Casey being revealed to the public. We are not the proper judge of what is private information of the War Department.

The CHAIRMAN. Mr. Casey, as to these copies of correspondence where they bear these stamps to which we have just been referring, are we to conclude that the War Department has passed upon that

before you placed the stamp upon them?

Mr. CASEY. They have not.

The CHAIRMAN. They have not necessarily.

Mr. CASEY. No; I made the interpretation, to be on the safe side. It might readily have been that some letter which for the moment might have been an innocent letter by itself, but it might have lead to something else than the first one, and before you know it, you would be over the borderline.

The CHAIRMAN. Are we to conclude you did not submit this particular letter I have read, to anyone in an official capacity in the Army before placing the stamp upon it?

Mr. CASEY. No one whatsoever.

Mr. RAUSHENBUSH. Mr. Chairman, to clarify the record on that point, somewhat later in the proceedings Colonel Slaughter of the War Department, Bureau of Intelligence called upon this committee and stated that he knew that the War Department had not authorized that stamp, and he was informed that the Navy Department had not authorized it, either.

Mr. PIERRE S. DU PONT. If the conclusion is that all of this correspondence is proper, we have no objection to its being put in, but I should like the stamp we have referred to, authorized to be placed on the letter recorded, because it may be of material interest to us later.

The CHAIRMAN. You mean if any of those that have been so stamped are offered in evidence you would like to have the record know that they were so stamped?

Mr. PIERRE S. DU PONT. Yes, sir.

The CHAIRMAN. The stamp referred to is as follows:

Upon instructions of the War and/or Navy Department, this document is entrusted to Mr. Donald Y. Wemple, for use by U.S. Government agents only.

E. I. DU PONT DE NEMOURS & Co.

By K. K. V. CASEY.

The CHAIRMAN. In concluding the testimony of this morning, Mr. du Pont, you came through the 4 years of war with large profits which you were taking credit to yourselves as having accrued through ability and necessary services performed during the country's emergency. A part of those profits, a large part, went to the stockholders of the corporation, you paid taxes to the Federal Government, and it still left a large sum which, after the war you were investing in other companies. By reason of those investments in American industrials and industrials elsewhere your assets since the war have increased over what they were during the war.

Mr. PIERRE S. DU PONT. Exactly.

The CHAIRMAN. But your success, your increase in assets, your increase in the general business you have done is traceable very directly to the war, is it not?

Mr. PIERRE S. DU PONT. To the profits made during the war, exactly.

The CHAIRMAN. If you had not had the profits made during the war you could not have made your General Motors investment, could you?

Mr. PIERRE S. DU PONT. I am not sure we could not; we had borrowing power.

The CHAIRMAN. Certainly if you had not had that money that came to you as profits during the war you could not have made the last investments you did in the industrial field after the war.

Mr. PIERRE S. DU PONT. I think we could have. I think we had financial power to do it, exclusive of the war profits.

Mr. LAMMOT DU PONT. Senator, may I interpose here?

The CHAIRMAN. You think you had a credit you might have resorted to?

Mr. PIERRE S. DU PONT. Yes; that was of very material assistance.

The CHAIRMAN. You would not have had the money if it had not been for the war profits.

Mr. PIERRE S. DU PONT. Certainly not.

Mr. LAMMOT DU PONT. Senator, you have an entirely wrong impression of this matter, and I think Mr. P. S. du Pont has allowed you to continue with that impression.

The CHAIRMAN. Wherein can there be any misunderstanding?

Mr. LAMMOT DU PONT. For this reason, that the vast bulk of those investments occurring since the close of the war have been paid for, not with anything earned during the war, but very largely by the issue of the company's common stock. When we purchased going companies we did not always pay for them in cash, we paid for them in many cases with the company's stock, and that obviously had nothing to do with the profits made during the war and should have no connection with it.

The CHAIRMAN. Would you say that of your investment in the General Motors?

Mr. LAMMOT DU PONT. No; but you lumped together the investments of the company made during the 15 years or more since the war.

The CHAIRMAN. Now, Mr. Lammot du Pont, what was back of these issues of stock which you sold and used to raise the capital that was needed?

Mr. LAMMOT DU PONT. After it was issued the purchased property was back of it. We acquired the Grasselli Chemical Co., and we paid the former owners with a block of common stock. Those people now own the common stock, and the du Pont Co. owns the company.

The CHAIRMAN. Yes; but you own a very large percent of the stock in all those companies, and what did you purchase them with?

Mr. LAMMOT DU PONT. With common stock of the du Pont Co.

The CHAIRMAN. With earnings of the du Pont de Nemours Co.?

Mr. LAMMOT DU PONT. With new capital. It is just the same effect as though we sold a block of the common stock to the public for cash, and then took the cash and paid it to the Chemical Co. for its purchase.

The CHAIRMAN. Then you sold a part of this stock to yourselves?

Mr. LAMMOT DU PONT. No; we sold it to the former owners of the Grasselli Chemical Co. For instance, here is the Grasselli Chemical Co. composed of a large number of stockholders and the du Pont Co. buys that company and gives the owners of its stock shares of stock in the du Pont Co.

The CHAIRMAN. Here you are holding 70 percent of the stock of the Krebs Pigment & Color Co. and you own 100 percent of the stock in the Grasselli Chemical Co.

Mr. LAMMOT DU PONT. That is not the same company that we purchased the assets of, although it is almost the same name.

The CHAIRMAN. What has become of that corporation?

Mr. LAMMOT DU PONT. I do not know; it may be dissolved as far as I know.

The CHAIRMAN. You own their properties now?

Mr. LAMMOT DU PONT. We bought the properties and own them now.

The CHAIRMAN. You own 100 percent of that company?

Mr. LAMMOT DU PONT. Of the properties; yes.

The CHAIRMAN. And in paying for that company you issued your stock in the E. I. du Pont de Nemours Co.?

Mr. LAMMOT DU PONT. When we bought the stock of the Grasselli Chemical Co.; yes.

The CHAIRMAN. Then why did you say it was not the earnings of the E. I. du Pont de Nemours Co. that was invested in this company?

Mr. LAMMOT DU PONT. Because we gave them new stock.

Mr. RAUSHENBUSH. At this point it might be well to have the company place in the record a list of acquisitions made during and after the war out of the profits, and out of new stock and bond issues.¹

The CHAIRMAN. I think that would be very much worth having and would clarify this whole question.

Mr. CARPENTER. It is difficult to identify any particular money put in one place and any particular money put in another place.

The CHAIRMAN. Why difficult?

Mr. CARPENTER. Because all of your cash you may have is in a bank account, and how can we say this part of the money paid for this company and this part of the money came from any other particular source, and some other money came from another source.

The CHAIRMAN. Did you pay for the General Motors stock with du Pont's stock?

Mr. CARPENTER. No.

The CHAIRMAN. How many cases like that were there?

Mr. CARPENTER. I can give you a detail of all of them.

The CHAIRMAN. Then let us have that, please.

Mr. CARPENTER. I can give it to the Secretary.

The CHAIRMAN. That is what the Secretary was suggesting we should have from you primarily.

Mr. LAMMOT DU PONT. Senator, I would like to point out that this Grasselli Chemical Co. was as large, or nearly as large as the investment in the General Motors.

The CHAIRMAN. It showed a total investment on your part of \$41,000,000.

Mr. LAMMOT DU PONT. Yes; as against \$47,000,000 in General Motors. Now, that Grasselli was paid for entirely with common stock.

Senator GEORGE. Was that paid for after or before the issue of the stock?

¹The list of acquisitions made during and after the war out of profits and out of new stock and bond issues was later furnished to the committee and will be found in the appendix on p. 1398.

Mr. LAMMOT DU PONT. It was paid by stock issued for that purpose.

Senator VANDENBERG. It is new stock out of your new stock issue?

Mr. LAMMOT DU PONT. Yes.

Mr. PIERRE S. DU PONT. I wonder if I could say this, that at the end of 1915, the first year of the existence of this company, the balance sheet of the company showed a surplus of \$8,900,000 over its stock issued.

Senator GEORGE. What date is that?

Mr. PIERRE S. DU PONT. That is December 31, 1915. At the end of 1918, which was the last year of the war, that had increased to \$68,300,000 and the capital stock outstanding was the same, so that shows that all that was left of the war profits at the end of 1918 was \$60,000,000.

Senator CLARK. In other words, it shows the rest of the war profits had gone into surplus or dividends?

Mr. PIERRE S. DU PONT. The rest was declared in dividends or given elsewhere.

The CHAIRMAN. What do you mean by "given elsewhere"?

Mr. PIERRE S. DU PONT. For taxes and such. But, we say all that was left of the war profits is this increase of \$60,000,000, that is all with which we could invest in the new plant at the beginning of 1919. The rest of the investment came in sales of common stock and the proceeds of common stock invested.

Senator VANDENBERG. The Grasselli Co. was a merger rather than an investment.

Senator CLARK. You simply bought the stock of that company and paid them in common stock in the du Pont Co. Wasn't that what was done?

Mr. CARPENTER. That is what was done; that is the effect of it.

The CHAIRMAN. Were there large earnings accruing through the Grasselli Co., was that a very profitable company?

Mr. LAMMOT DU PONT. That purchase was made in 1928, and I think Mr. Pierre du Pont is not very familiar with it. It was a going concern, a profitable concern and had paid dividends before we acquired the property. After we acquired the property we, of course, owned that 100 percent and their earnings accrued to the du Pont Co.

The CHAIRMAN. The fact remains, however, that in a very large measure your war profits have entered into the creation of your holdings and your returns in large industrial holdings today?

Mr. LAMMOT DU PONT. Senator, that is absolutely incorrect.

The CHAIRMAN. Why is it incorrect?

Mr. LAMMOT DU PONT. I just stated one reason was the large purchases were largely paid for by new du Pont stock. I have here a memorandum on new issues I could submit.

The CHAIRMAN. What did you do with the war profits?

Mr. LAMMOT DU PONT. The \$60,000,000?

The CHAIRMAN. Yes.

Mr. LAMMOT DU PONT. Part of it went into new investment.

The CHAIRMAN. All right, in some part the war profits have entered into the creation of this great dominion of industry that is yours today?

Mr. LAMMOT DU PONT. In some part, but not a large part.

The CHAIRMAN. Having created the dominion, as I put it, you are now in possession of agreements and understandings that in event of another emergency you are going to have a large slice of the business the Government is going to do in the next war?

Mr. LAMMOT DU PONT. There are no such agreements in existence, Senator.

The CHAIRMAN. We will not go into that.

Mr. PIERRE S. DU PONT. Senator, apart from that, if we should have another war, if that misfortune should come on the country, we have no means of imposing on the Government. If the Government can make a deal with us to its advantage well and good.

The CHAIRMAN. All right, we will not argue about that.

How much of your work during the war was on a cost-plus basis?

Mr. PIERRE S. DU PONT. The only deal we had with the Government on the cost-plus basis was the operation of the Nashville plant, but that was not altogether cost-plus for us.

Mr. CASEY. We can give you a statement on that.

Mr. PIERRE S. DU PONT. Yes; we could give a statement of that, and it is a comparatively small amount.

The CHAIRMAN. I think we should have it.

Mr. IRÉNÉE DU PONT. Would you consider cost-plus an operation such as the Nashville plant which we built at a profit on a cost-plus basis, of \$1.

The CHAIRMAN. Was that the consideration?

Mr. IRÉNÉE DU PONT. It was more than that, because there were some bills submitted afterwards that they would not pay.

The CHAIRMAN. In that connection were any of your organization associated with the Government in the classification of those known as dollar-a-year men?

Mr. IRÉNÉE DU PONT. I think Colonel Spruance, one of our organization, was called in, but he afterwards entered the Army and resigned from our organization.

Senator CLARK. Did you say, or did I understand your statement to be, that your actual investment of the du Pont Co. in this General Motors stock was about \$40,000,000?

Mr. PIERRE S. DU PONT. It was \$47,000,000.

Senator CLARK. That was 10,000,000 shares that you owned?

Mr. PIERRE S. DU PONT. That is correct, and we afterwards had a substantial amount more of that stock after the first purchase, and that was the stock we sold to the General Motors chief employees.

Senator CLARK. But \$47,000,000 of stock being 10,000,000 shares was your permanent investment.

Mr. PIERRE S. DU PONT. That was our permanent investment; yes.

Senator CLARK. In 1918 you had on hand a surplus of roughly \$68,000,000 of which approximately \$60,000,000 had been earned during the war?

Mr. PIERRE S. DU PONT. Yes, sir; that is right.

Senator CLARK. So that of your present assets the amount properly allocable to war profits would be the \$60,000,000 you had in 1918 plus whatever has been earned on that \$60,000,000 since?

Mr. PIERRE S. DU PONT. Surely.

Senator CLARK. So that, if I understand you correctly, of your present assets you count the General Motors stock at \$157,000,000?

Mr. PIERRE S. DU PONT. Yes.

Senator CLARK. It has been testified here that is less than the market value, the book value being about \$15, and I understood you to say the market was about \$28?

Mr. PIERRE S. DU PONT. Yes.

Senator CLARK. So that of your present assets at least \$157,000,000 would be allocable to your war profits, because they represent an investment of your \$60,000,000.

Mr. PIERRE S. DU PONT. No; that is not quite right, because even though we invested some money from war profits, the war profits are not responsible for the growth of the money.

Senator CLARK. I understand, but that is allocable to the \$60,000,000.

Mr. PIERRE S. DU PONT. You might say the war profits, \$60,000,000 were used to go into the dye industry to the extent of \$50,000,000, which has not produced anything.

The CHAIRMAN. Now, that 65 or 68 million dollars; is that all of the profits from the war that entered into this business and industrial structure that you so largely control today?

Mr. PIERRE S. DU PONT. Let us be clear on that question. I understood we were dealing with the investment of profits after the war.

The CHAIRMAN. That is right.

Mr. PIERRE S. DU PONT. I said there was \$60,000,000 left. Prior to the termination of the war we had made some investments, and I think the General Motors stock was in that.

The CHAIRMAN. I think that is clear, but was that all of the profits that came to the du Pont de Nemours Co., that entered into this business structure following the war?

Mr. PIERRE S. DU PONT. All that came in following the war.

The CHAIRMAN. That is not the case, because one year you declared a hundred percent dividend, and during the period of 4 years you declared dividends of something like 200 percent, and you got some of that and your brothers got some of it, as well as the others associated with you. By any chance, was any of the dividends you collected invested in this industrial structure you created since the war?

Mr. PIERRE S. DU PONT. I just said I invested some of my surplus in General Motors stock.

The CHAIRMAN. You all did.

Mr. PIERRE S. DU PONT. I do not know what the others did; I only know my own. We did not invest collectively. What we invested was perfectly free to be re-sold; and as I testified, I re-sold a great deal of my General Motors stock. Whether the others did or not I do not know anything about it, but it has nothing to do with the company, of course.

Senator GEORGE. Mr. du Pont, I believe you have referred to the Imperial Chemical Industries, Ltd., in the course of the prior examination?

Mr. PIERRE S. DU PONT. Yes.

The CHAIRMAN. I beg pardon, Senator George, there is a matter that has come for the attention of the committee within the last half hour, being a letter from General MacArthur, which should be made a part of the record at once. This letter is dated September 13, 1934,

addressed to Hon. Gerald P. Nye, United States Senate, and reads as follows:

MY DEAR SENATOR NYE: The Washington Post in this morning's edition, reporting your committee's hearings of yesterday, quotes a letter from a Mr. W. F. Goulding with reference to my visit to Turkey in 1932 in which he says that the American Chief of Staff "apparently talked up American military equipment to the skies in discussions he had with the Turkish General Staff. * * * Rather gaffer that your equipment and ours did not suffer from lack of praise." I wish to state that there is absolutely no foundation for the conjecture made by Mr. Goulding. I never discussed American military equipment with the Turkish General Staff or with any other Turkish authorities. Neither directly nor indirectly did I have anything whatsoever to do with any attempt to influence American sales in Turkey. Your inference, as quoted in the Post, that "It looks to me like General MacArthur was pretty much of a salesman" has no foundation of fact.

May I ask that this letter be made a part of the hearings of your committee.

Very sincerely,

DOUGLAS MACARTHUR.

Senator CLARK. Senator George, may I ask one further question?

Senator GEORGE. Yes.

Senator CLARK. Something was said a while ago about a letter from General Motors Co. which was referred to Colonel Simons. Who is Colonel Simons?

Mr. LAMMOT DU PONT. It is Colonel Simons, and he is a member of our smokeless powder company.

Senator CLARK. Where is he located?

Mr. PIERRE S. DU PONT. Wilmington, Del.

Senator CLARK. Is he contact man for legislative matters in Washington?

Mr. PIERRE S. DU PONT. No; that is purely relating to matters referring to smokeless powder, I think.

Senator POPE. You mean to say he did not make contacts with officials in Washington or with Members of Congress?

Mr. LAMMOT DU PONT. I think not.

Mr. A. FELIX DU PONT. Not on legislative matters.

Senator CLARK. You are sure of that?

Mr. A. FELIX DU PONT. Yes; I am sure.

RELATIONS WITH IMPERIAL CHEMICAL INDUSTRIES, LTD.

Senator GEORGE. Mr. du Pont, in your testimony, reference has been made to the Imperial Chemical Industries, Ltd., and I shall ask you particularly about the munitions end of the du Pont Co., and if there are any other of your associates here who have not been sworn, and whom you would like to have with you in connection with this phase of the investigation, you may call them around at this time.

Mr. PIERRE S. DU PONT. I know of none just now, but I could call upon them if it is necessary for any information.

Senator GEORGE. You may, and I make that suggestion at this time. I believe the Imperial Chemical Industries, Ltd., is a British corporation?

Mr. PIERRE S. DU PONT. Yes.

Senator GEORGE. Its business is general in character?

Mr. PIERRE S. DU PONT. It is in the chemical industry, but I do not know whether its business is exclusively so or partly so.

Senator GEORGE. Is it somewhat like the du Pont organization, or is it confined strictly to production and distribution of chemicals?

Mr. PIERRE S. DU PONT. Yes, sir.

Mr. LAMMOT DU PONT. I do not know this certainly, but my impression is they are broadly spread through the chemical industry and some other industries, but we have no definite information on that, and I do not follow their investments or their activities.

Senator GEORGE. In this industry of yours, you have divisions, as I understand it; for instance, for the manufacture and sale and distribution of particular products?

Mr. PIERRE S. DU PONT. Yes.

Senator GEORGE. And in this field of munitions you have the division that has in hand both the production and distribution, if only one division is involved, of let us say explosives?

Mr. PIERRE S. DU PONT. Yes.

Senator GEORGE. Now, let us get out of the field of technical language. You also stated that production and distribution by you of what we may call the military explosives, distinguished from the sporting or ordinary commercial and nonmilitary classes, was in one division?

Mr. PIERRE S. DU PONT. That is correct.

Mr. LAMMOT DU PONT. I think perhaps if I give you a little statement you will get the picture of our activities. These activities are mostly divided into 10 branches, explosives, rayon, cellophane, dyestuff, heavy chemicals, organic chemicals, artificial leather, and I cannot remember the names of the other 3, but there are 10 of them. One of those is the commercial explosives department, another of the 10 is the smokeless powder department, and that department, by the way, is the smallest of the 10, and includes the smokeless sporting powder and the smokeless military powder; and the other department, the smokeless, together with the explosive, are both manufacturing for the United States Government and for the foreign governments.

Senator GEORGE. In that department as you call it, do you both manufacture and distribute your powder?

Mr. LAMMOT DU PONT. Manufacture and sell; yes.

Senator GEORGE. Now, with particular reference to the Imperial Chemical Industries, Ltd., which we may call the I.C.I., as it has been denominated, the relations between that organization and the du Pont Co. have been close and cordial over a long number of years?

Mr. LAMMOT DU PONT. Yes, sir.

Senator GEORGE. At this point I would like to put in the record the directors of the Imperial Chemical Co. as furnished to the committee, and note for the record that the chairman and managing director of the Imperial Co. is Sir Harry McGowan, and the president is the Marquis of Reading, and the other names of the directors are as follows [reading]:

The Rt. Hon. Lord Ashfield of Southwell, P.C.; Sir Christopher Clayton, C.B.E., M.P.; W. H. Coates, LL.B., B. Sc., Ph. D.; The Rt. Hon. Lord Colwyn, P.C., D. L.; The Rt. Hon. Lord Melchett; H. J. Mitchell; Sir Max Muspratt, Bart.; J. G. Nicholson; Lt. Col. G. P. Pollitt, D.S.O.; J. Rogers; E. J. Solvay; B. E. Todhunter; H. H. Wadsworth; The Rt. Hon. Lord Weir, P.C., G.C.B., D.L.

Senator GEORGE. The chairman and managing director of the Imperial is the same Harry McGowan, who is connected with the General Motors. I believe it was testified he is a director of that board also?

Mr. PIERRE S. DU PONT. Yes, sir.

Senator GEORGE. I would like to offer for the record, to be properly numbered, a statement of the list of the subsidiary companies and the investment and contractual interest in them of the Imperial, furnished under date of March 7, 1928.

(The document referred to was marked "Exhibit No. 461", and is included in the appendix on p. 1297.)

Senator GEORGE. If that list is compiled upon the basis of fact as of 1928, of course it may be subject to certain corrections and additions, but so far as certain purposes are concerned, I would like for it to be noted that the properties in which the Imperial has a direct interest or which are counted as the Imperial companies in Great Britain are 11 in number.

These companies, that is, Nobel Industries, Ltd., Brunner Mond & Co., Ltd., United Alkali Co., Ltd., and British Dyestuffs Corporation, Ltd., really entered into a merger out of which came the present I.C.I.?

Mr. PIERRE S. DU PONT. I have no knowledge of that.

Mr. LAMMOT DU PONT. I think that is correct.

Senator GEORGE. That seems to be indicated, and it is not controverted.

At the time the I.C.I. owned, or the interests back of the I.C.I. owned substantially all the stock of these four companies named. The companies in which the I.C.I. is mentioned as having an indirect interest in Great Britain number 45, and cover substantially the whole chemical field and the foreign companies outside of Great Britain in which the I.C.I. is listed as having some kind of direct interest number 55. Of course, I am not asking you gentlemen but I am simply making those statements as a part of the record.

The statements of these holdings of the I.C.I. also indicate the fair percentage of interest and the character of the interest of the I.C.I. in these companies, whether they be subsidiaries, mere investments, or otherwise.

Now may I ask if the du Pont Co.—and I am calling your company by that shortened name—has any stock interest, any shareholding interest in the I.C.I.?

Mr. LAMMOT DU PONT. No.

Senator GEORGE. May I ask if the I.C.I. has any interest in the du Pont Co. other than that which appears here from a document?

Mr. LAMMOT DU PONT. What appears here?

Senator GEORGE. A very minor interest of some 17,000 shares, which your records would indicate was acquired more by accident or inheritance than otherwise.

Mr. LAMMOT DU PONT. I did not think they had any interest in the stock. I did not think they owned any shares in the du Pont Co.

Mr. PIERRE S. DU PONT. Thirty-seven one-hundredths percent holding.

Mr. IRÉNÉE DU PONT. It does not appear on our stock list, does it?

Mr. PIERRE S. DU PONT. This is a statement in 1928, it appears.

Senator GEORGE. That does appear to be a statement in 1928.

Mr. LAMMOT DU PONT. I do not think they hold any shares now.

Senator GEORGE. Could you verify that?

Mr. LAMMOT DU PONT. Certainly.

Mr. IRÉNÉE DU PONT. It might be in somebody else's name, you know. There is nothing in our stock listing indicating that. I made inquiry about it before I left Wilmington, and that is what they told me.

Mr. LAMMOT DU PONT. That is all the information we can get, then, Senator. If their name does not appear on the stock list, we do not know whether they own anything, and they say it does not appear on the stock list.

Mr. IRÉNÉE DU PONT. I did not examine that stock list personally and it might be better to examine it.

Senator GEORGE. I will direct your attention to another document appearing here. For the present, and in 1928, a very negible interest in du Pont was acquired by the I.C.I.

Mr. PIERRE S. DU PONT. Pardon me, Senator; I believe the I.C.I., or its predecessor corporation, did have a number of our shares at one time, and it might be of record. They had some General Motors.

Mr. IRÉNÉE DU PONT. They had a very large block of General Motors. That was the time that Sir Harry was nominated to the board.

Senator GEORGE. I will ask you about that next. The Imperial does have an interest in General Motors, and that interest I believe continues to date, so far as you know?

Mr. PIERRE S. DU PONT. I am not sure what the records show. Do you know?

Mr. LAMMOT DU PONT. I do not know, either.

Senator GEORGE. Sir Harry McGowan is still on the board of directors?

Mr. PIERRE S. DU PONT. Yes, sir; he is still on the board of directors.

Senator GEORGE. Is he active?

Mr. PIERRE S. DU PONT. I doubt if he attends any meetings.

Mr. LAMMOT DU PONT. He very rarely attends.

Senator GEORGE. But he is still a member of the board, so far as your knowledge does?

Mr. LAMMOT DU PONT. I think so.

Senator GEORGE. I believe also that the Imperial in 1928 at least was shown to have an interest in the Allied Chemical. Was your company also interested in that company?

Mr. LAMMOT DU PONT. No, sir.

Senator GEORGE. And the North American Chemical Company. Were you interested in the North American Chemical Company?

Mr. LAMMOT DU PONT. I do not think so. I do not recall ever having heard the name.

Mr. PIERRE S. DU PONT. They have a 100 percent holding in that, according to this list; do they not?

Senator GEORGE. I beg your pardon; that is true. You have also referred to the Canadian Industries, Ltd., here. That company I believe is owned by the Imperial and du Pont?

Mr. LAMMOT DU PONT. Approximately 90 percent.

Senator GEORGE. Approximately 90 percent is owned by the two companies?

Mr. LAMMOT DU PONT. Yes, sir.

Senator GEORGE. And the holding of the du Pont Co. is about 44 percent?

Mr. LAMMOT DU PONT. Yes.

Senator GEORGE. And the Imperial has substantially the same interest?

Mr. LAMMOT DU PONT. About the same, but I think not identical.

Senator GEORGE. Are there other joint companies, companies jointly owned by the Imperial and the du Pont Co.?

Mr. LAMMOT DU PONT. Yes, there are.

Senator GEORGE. I mean without going into details.

Mr. LAMMOT DU PONT. I should say there is, because I can think of only one. Mr. Carpenter has a better memory than I have and he mentions two.

Senator GEORGE. Mr. Carpenter, is one the Chilean company?

Mr. CARPENTER. Yes, sir; the Chilean Explosives Co. we both are interested in.

Senator GEORGE. Is that owned practically by the two companies named, the Imperial and the du Pont?

Mr. CARPENTER. There is a minority interest there, I think, of about 15 percent, if I remember correctly.

Senator CLARK. You mean a minority interest not owned by these two companies?

Mr. CARPENTER. That is correct. I am not sure of those figures, Senator.

Senator GEORGE. What other company have you in mind in which the two companies have a joint interest?

Mr. CARPENTER. There is a trading company in the Argentine, a very new set-up.

Senator GEORGE. Is it a producing company?

Mr. CARPENTER. I think they produce some chemicals.

Senator GEORGE. Is the Chilean company a producing company?

Mr. CARPENTER. Yes, sir.

Senator GEORGE. I believe it is engaged in producing explosives, is it not?

Mr. CARPENTER. Manufacturing dynamite.

Senator GEORGE. Manufacturing dynamite?

Mr. CARPENTER. Industrial explosives.

Senator GEORGE. Exclusively?

Mr. CARPENTER. I think exclusively.

Senator GEORGE. Do you recall to mind any other company?

Mr. CARPENTER. There is the Naylor Bros. Co., which is the name of the other company I can think of, which manufactures paints and varnishes, an English company, and the Nobel Chemical Finishes I think is the other name. They are all involved in manufacturing paint and varnishes in England.

Senator GEORGE. The du Pont Co. is interested in the Naylor Bros. Co.?

Mr. CARPENTER. We have an interest in it.

Senator GEORGE. And so has the Imperial?

Mr. CARPENTER. I.C.I.

Senator GEORGE. But I was referring specifically and particularly to those companies like the Canadian Industries, Ltd., in which the greater portion, 90 percent or some large percentage, of the stock was owned by the Imperial and the du Pont companies, where those companies own stock. I merely wished that to be indicated.

Can you say briefly when your association with the Imperial began? I must embrace in that question both the predecessor companies of the Imperial as well as the present du Pont Co. In other words, how long have you maintained a close and friendly relation in a business way with the Imperial?

Mr. PIERRE S. DU PONT. It is beyond my connection with the du Pont Co., or the connection of any one here. I have been with the du Pont Co. since 1890, and there were relations between the British Explosives at that time and the du Pont Co., but I do not know the nature of them. I was not in the administration part then, and I do not know what the relations were, but I know there was a relationship. The first agreement that I know of any kind that would be a stamp of relationship was I think in 1907.

Senator GEORGE. That particular agreement embraced what, Mr. du Pont?

Mr. PIERRE S. DU PONT. That was an agreement concerning the sale of explosives and I think—I would like to refer to a memorandum in that connection, if I may, because I do not want to have to go back to it.

Senator GEORGE. I have no purpose to go into it in detail.

Mr. PIERRE S. DU PONT. I have a memorandum of those agreements. I think there are two or three of them.

Senator GEORGE. Did the 1907 agreement cover exchange of inventions, methods of manufacture, and so forth?

Mr. PIERRE S. DU PONT. May I refer to it? I have the abstract here which will show that [referring to paper]. This is an abstract of the agreement. It is between the E. I. du Pont Powder Co., our predecessor, Nobel Dynamite Trust Co., the predecessor of I.C.I., and the Vereinigte Koln-Rottweiler Pulverfabriken, which was the German organization at that time. It was a territorial agreement on use of patents and secret processes. Under that agreement the du Pont Co. was to pay to the German and European companies collectively 36½ percent on excess manufacturing profits above 6 percent on new capital employed; and the European companies paid into the du Pont Co. 63½ percent on the profits on their new capital employed. That was outlined as a measure of patents and secret processes, but the Europeans were not to pay in excess of \$175,000 per annum and the du Pont Co. was not to pay in excess of \$300,000 per annum. The agreement was effective January 1, 1907, and to run until December 31, 1921.

After December 31, 1911, the agreement might be terminated on 12 months' notice by payment of the maximum payment due for the uncompleted years. Government objections or prohibitions shall be a valid plea for failure to disclose or reveal an invention.

An amendment was made on June 30, 1911, under which it was agreed that the ingredients of a military propellant shall not stamp that propellant as an invention unless the chemical and ballistic qualities are affected. That was, of course, a modification. The

agreement was terminated January 1, 1913, and the invention returned to the original owners.

Senator GEORGE. May I ask if that agreement did not in fact provide for exclusive and nonexclusive sales territories and, of course, did include military powders?

Mr. PIERRE S. DU PONT. I have not a memorandum on that, but my impression is that the du Pont Co. granted its rights for anything they had outside the United States, Mexico, and Central America, and that the Europeans granted us rights for the United States, Mexico, and Central America.

Senator GEORGE. Mr. du Pont, may I ask you if you know Mr. T. J. Hanley?

Mr. LAMMOT DU PONT. Yes, sir.

Senator GEORGE. What is his connection with your company?

Mr. LAMMOT DU PONT. He is connected with our legal department.

Senator GEORGE. With your legal department?

Mr. LAMMOT DU PONT. Yes, sir.

A VOICE. It is T. R. Hanley.

Mr. LAMMOT DU PONT. Maybe I had the wrong name.

Senator GEORGE. Do you also know Mr. J. K. Jenney?

Mr. LAMMOT DU PONT. Yes, sir.

Senator GEORGE. Is he connected with your legal department?

Mr. LAMMOT DU PONT. No; he is connected with our foreign-relations department.

Senator GEORGE. If I may read from a memorandum prepared by him, Mr. Jenney, to Mr. Hanley, under date of August 31, 1934, perhaps it will refresh your recollection, because I did not want to go into great detail in this matter [reading]:

This agreement was later canceled—

speaking of an agreement made in 1897 with some subsequent modification—

as the price provisions were deemed to be contrary to the Sherman law. An agreement was drawn up and signed in 1907 covering exchange of inventions and methods of manufacture. This agreement had provided for exclusive and nonexclusive sales territories, and military powders were included. It is my recollection that a provision was inserted providing that governmental objection should be an adequate reason for withholding any information, although I presume this had always been understood.

That is the memorandum from Mr. Jenney to Mr. Hanley as of August 31, 1934.

Mr. PIERRE S. DU PONT. Does that provision relate to the agreement of 1907 or the 1890 agreement, or whenever it was?

Senator GEORGE. The memorandum states that that related to the 1907 agreement.

Mr. PIERRE S. DU PONT. As I have said, there was an agreement before that, but I do not know the nature of it, and I have not been able to find out anything about it. It was referred to in the case of United States Government against the du Pont Co., but, as far as I can find, it was not spread on the record.

Senator GEORGE. This memorandum also states that the "1907 agreement was abrogated as of December 31, 1912."

Mr. PIERRE S. DU PONT. January 1, 1913, was it not?

Senator GEORGE. And a patents and secret-processes agreement was prepared, "but I think never signed due to the advent of the war."

Mr. PIERRE S. DU PONT. Yes; that was prepared in 1913 or 1914, but was never signed, but a similar agreement was signed in 1920 and dated 1919.

Senator GEORGE. That memorandum also states [reading]:

In 1919 a patents and processes agreement covering explosives, including military explosives, was negotiated (signed 1920) with Explosive Trades, Ltd. (later Nobel Industries, Ltd.). There was a provision excluding passing of information contrary to governmental objection.

This is substantially a correct statement, in a general way, and without going into detail?

Mr. PIERRE S. DU PONT. Yes, sir.

Senator GEORGE. Now, under this agreement of 1919 or 1920, Nobels were licensed under what you call your I.M.R. patents? That is in 1923?

Mr. LAMMOT DU PONT. That is correct.

(The first page of the document referred to was marked "Exhibit No. 463" and is included in the appendix on p. 1299).¹

Senator GEORGE. Coming further into the postwar period—

Mr. LAMMOT DU PONT. Senator, I do not know whether it is important to you, but the fact that those I.M.R. patents were licensed under this agreement is not the whole story. Before that license was granted I believe the I.C.I. had all the information regarding those patents and processes and had used them.

Senator GEORGE. During the war period?

Mr. LAMMOT DU PONT. Correct, but the licensing was done under this agreement.

Senator GEORGE. I think that would be accepted as true, but well within the war period you entered into an agreement dated at least the 1st day of July 1928. That agreement—

Mr. PIERRE S. DU PONT. Is not that 1929? I do not know whether it is very material.

Senator GEORGE. 1928 seems to be the date. The agreement provides that [reading]:

This agreement shall take the place of and supersede the agreement made on November 16, 1926, between the parties hereto with respect to naval and military powders and explosives, and shall remain in full force and effect for a period of ten years beginning on the 1st day of July 1928.

I would like to offer for the record, to be appropriately numbered as an exhibit, copy of the agreement dated July 1, 1928, between the Imperial and du Pont Co.

(The document referred to was marked "Exhibit No. 464" and is included in the appendix on p. 1300.)

Senator GEORGE. The 1928 agreement, in the first numbered paragraph, that is, the paragraph following the "whereases" specifies the products, or at least some of the products, which were covered by this agreement. It states:

The terms and conditions of this agreement shall apply solely to the following products for naval and military purposes only, to wit:

Nitrocellulose powders—

¹There was no Exhibit marked "No. 462."

I believe those are the du Pont Co.'s powders?

Mr. PIERRE S. DU PONT. Yes, sir.

Senator GEORGE (reading):

Nitroglycerine powders.

Are those the du Pont's?

Mr. PIERRE S. DU PONT. No; those are the British powders.

Senator GEORGE (reading):

Trinitrotoluol and tetryl.

Mr. PIERRE S. DU PONT. They are common to both companies.

Senator GEORGE. And "nitrocellulose for propellent powders."

That is the du Pont product?

Mr. PIERRE S. DU PONT. That is the ingredient of the du Pont nitrocellulose.

Mr. LAMMOT DU PONT. That was common to both.

Senator GEORGE. That was common to both. But the nitrocellulose powder is peculiarly your own powder, is it not?

Mr. PIERRE S. DU PONT. Yes, sir.

Mr. IRÉNÉE DU PONT. Nitrocellulose itself enters into the nitroglycerine powder also.

Senator GEORGE. Yes; this agreement provided for a division of sales territory, both exclusive and nonexclusive, and provided also for the method of adjusting the sales made within the territory of these particular products.

Mr. LAMMOT DU PONT. I do not think you are quite right on that statement, Senator, that this provided for a division of territory.

Senator GEORGE. I direct your attention to the second paragraph, or perhaps I may have spoken a little broadly, which states:

From and after the date hereon all sales of the foregoing products made on behalf of either du Pont or Imperial in France, Belgium, Holland, Denmark, Sweden, Finland, Esthonia, Latvia, Lithuania, and Poland shall be under the supervision of the manager of du Pont's office, the expenses of which office shall be exclusively borne by du Pont * * *.

Mr. LAMMOT DU PONT. It sold for both. There was no division of the territory between du Pont and I.C.I. on that.

Senator GEORGE. It did provide for the continuation of the Paris office?

Mr. LAMMOT DU PONT. Yes.

Senator GEORGE. As a mutual agency of the two companies?

Mr. LAMMOT DU PONT. Correct.

Senator GEORGE. It also provided for the creation of a like agency at Vienna in Austria?

Mr. LAMMOT DU PONT. Yes, sir; and that was under the direction of the I.C.I.

Senator GEORGE. That was under the direction of the I.C.I. And then the third paragraph of this agreement reads:

The aforesaid offices of du Pont and Imperial shall use their best efforts to apportion the total annual sales of the above products

covered by the agreement in accordance with the terms specified in that particular paragraph. In other words, it undertook to regulate them?

Mr. LAMMOT DU PONT. That is correct. You will observe that that distribution was in conformity with the characters of powders made by the respective companies.

Senator GEORGE. That is quite correct.

Mr. LAMMOT DU PONT. Also the territorial arrangement had a bearing on that, the territory which was assigned to the Vienna office being that which normally used an I.C.I. powder, and that which was assigned to the Paris office was that which normally used the nitrocellulose powder.

Senator GEORGE. Roughly speaking, you were attempting to preserve what you used, that is, the status quo, or at least you wanted a fair and equitable apportionment?

Mr. PIERRE S. DU PONT. I do not think that is quite right, Senator. Countries have different guns and use certain powders for those guns. Nitrocellulose powder is not interchangeable for a gun made for cordite, for the British powder. During the war we succeeded in fitting nitrocellulose powder to any gun. It had to be done and we did it. Normally some have to buy the British powder. Contrariwise, those using nitrocellulose cannot buy it from the British because they do not make it, and we do not make cordite. The wishes of the customer governs it.

Senator GEORGE. The powder must be made for the gun?

Mr. PIERRE S. DU PONT. Yes, sir.

Senator GEORGE. The agreement will speak for itself and will go in the record.

Mr. PIERRE S. DU PONT. It is the customer's choice as to the kind of powder. We made one kind and they made another.

Mr. LAMMOT DU PONT. They recognized the status quo of the customer but not the status quo of the business.

Senator GEORGE. The percentage is indicated in the agreement.

Mr. LAMMOT DU PONT. Yes, sir; in two cases to 100 percent, they being the particular products which are only made by 1 of the 2 companies.

Senator GEORGE. In the case of nitrocellulose powder, the du Pont's, it was recognized at 70 percent for that product.

Mr. LAMMOT DU PONT. Yes, sir; both the nitrocellulose and the TNT and the tetryl were divided between the two.

Senator GEORGE. Did this agreement continue down to the present year, or was it affected by a subsequent agreement?

Mr. LAMMOT DU PONT. I think that is still in effect.

Mr. A. FELIX DU PONT. That was superseded in 1932.

Senator GEORGE. The memorandum would indicate it was modified or superseded in certain important respects in 1932. Did you experience any difficulties under this agreement? Did any objection arise upon the part of your Paris office?

Mr. LAMMOT DU PONT. I think Major Casey could answer that question better.

Mr. CASEY. I did not get the question, Senator.

Senator GEORGE. I say, did the du Pont Co. experience difficulties under the 1928 agreement?

Mr. CASEY. The principal difficulty we found was one of expense. The volume of business was so small that neither company found that they were really justified in continuing their sales effort, and we

therefore considered that we perhaps should make an attempt and try it for a couple of years to see if all sales in Europe could be handled by one company for both, realizing the fact that the individual country determined the type of powder that went into it, and they would elect whose powder they would take, and in that way we might be able, without too much loss, to continue our efforts. It was really a consolidation, you might say, of sales effort to save expense in selling.

Senator GEORGE. Now, Major, do you refer to the G. W. White memorandum agreement?

Mr. CASEY. Yes.

Senator GEORGE. Which purports to have been executed or completed I believe in October 1932.

Mr. CASEY. That is right.

Senator GEORGE. It was not actually completed at that time. was it?

Mr. CASEY. I do not believe so.

Senator GEORGE. There were some subsequent amendments and interpretations at least added?

Mr. CASEY. Yes, sir.

Senator GEORGE. In this G. W. White memorandum, as we may denominate it, and in the statement of general principles, it is provided:

The party securing an order shall pay a commission to the other party for assistance rendered.

among other things.

The products are also enumerated. I believe it is true that this memorandum does not cover military powders, broadly designating powders and explosives as such, and distinguishing them from commercial or nonmilitary usages.

Mr. CASEY. This is strictly military.

Senator GEORGE. The White agreement?

Mr. CASEY. Yes, sir.

Senator GEORGE. That agreement may be entered in the record appropriately numbered as an exhibit.

(The document referred to was marked "Exhibit No. 465" and is included in the appendix on p. 1302.)

Senator GEORGE. In connection with that agreement I would also like to offer for the record a memorandum from Major Casey, as a director, to the general manager of the du Pont Co., dated April 6, 1932, which particularly states some of the inconveniences or at least objections which have been found to exist under prior agreements, among other things.

(The memorandum referred to was marked "Exhibit No. 466" and is included in the appendix on p. 1305.)

Senator GEORGE. In the G. W. White agreement of 1932 there is contained a definition of sales areas. The first is [reading]:

South America will comprise all countries in the South American Continent including Cuba, Haiti, Santo Domingo, Mexico, and Central America.

2. Europe will include all countries currently known as Europe with addition of Turkey and Persia.

3. Asia will cover all countries concurrently known as Asia except Turkey and Persia.

4. It is understood that the United States, its possessions and dependencies, as well as the British Empire, its possessions and dependencies are specifically excluded from the scope of this agreement.

Mr. LAMMOT DU PONT. You are reading from the agreement?

Senator GEORGE. I am reading from the agreement, the second page of the agreement. General subdivision D deals with organizations and reads:

Both companies wish to adopt the most efficient method of promoting sales that can be devised.

It is believed that this will be accomplished by having sales handled as much as possible by persons entirely devoted to and experienced in military sales.

Therefore, it is proposed to:

Divide the sales area as shown in section C.

Which I have just read.

Have available for each territory a salesman, assisted if necessary, entirely devoted to the sales of these products.

Then the duties of these salesmen are set out and on page 3 of this agreement there is a paragraph 6 which says:

To decide as to which company's products to offer in a certain case, bearing in mind the chances of sales, and the customer's desire for the products of one or the other company. In each territory, the salesman in charge must make this decision in view of his close knowledge of the field.

This continued a dual agency between the Imperial and the du Pont companies. I believe on that point there is substantially no change from the older agreement, although it did differ in minor particulars.

Attached to this are certain explanatory notes, and these explanatory notes indicate, or at least give the basis of the answer to the question which I asked before, that the agreement was not actually completed in October, but was completed at a later date in 1932.

A provision is made for the continuance of the Paris office and offices as under previous agreements and provision is also made for the expense of these offices.

There is a further interpretation of explanatory note 1, to the effect that I.C.I. will be the source of supply for cordite and du Pont for the particular products peculiar to it or in which it played an important part, more important than the I.C.I. I read from this explanatory note:

Bearing in mind the desire of both parties to discourage as much as possible the erection of factories, it is understood that no project of this kind will be undertaken in South America and China without prior consultation and mutual agreement depending upon circumstances.

In Europe there will also be collaboration between the parties before any factory scheme is proceeded with by either party, and it is understood that due to their various commitments in Europe no factory scheme shall be carried out without the express agreement of I.C.I.

That reference there is, of course, to the interest of the I.C.I. in subsidiary and other companies in which it had some interest.

Mr. PIERRE S. DU PONT. Senator, when you make a statement concerning that, it is your statement, not ours. I cannot say whether that is true or not. What you are reading is entirely foreign to me. Do not think that I am assenting to its being true, because I know nothing of it.

Senator GEORGE. You are not assenting to that statement?

Mr. PIERRE S. DU PONT. I do not object to it.

Senator GEORGE. I thought that was a rather obvious reason, that it appeared upon the face of the paper. May I ask if this is correct and was this observed? [Reading:]

As regards Spain, Portugal, and Czechoslovakia it is clearly understood that there is to be no sales activity without prior consent of I.C.I. so as to take into consideration their relations with the Union Espanolo de Explosives and the Czechoslovak Explosives Co.

Perhaps that statement would indicate the reason for the general understanding preceding that.

Mr. LAMMOT DU PONT. I think that is correct.

Senator GEORGE. I read from the next to the last page of this agreement the following:

The salesmen for Europe and South America should report any information and particulars of enquiries for military small arms ammunition and components to I.C.I. without being concerned directly in that business.

In order to avoid any possibility of their disturbing the general policy of either of the parties, the salesmen will consult fully with the authorized representatives of the parties in their respective territories.

That agreement has been introduced in evidence as "Exhibit No. 465."

Mr. LAMMOT DU PONT. Senator, at an appropriate time, would you care to have a statement as to the reasons and objects for this whole set-up between du Pont and I.C.I.?

Senator GEORGE. I have no objection.

Mr. LAMMOT DU PONT. When you are through with these agreements that referred to those joint efforts.

Senator GEORGE. You may do so, of course.

I offer as "Exhibit No. 467" a letter from Mr. William N. Taylor to A. C. Major, Esquire, Imperial Chemical Industries, Imperial Chemical House, Millbank, London.

(The letter referred to was marked "Exhibit No. 467" and is included in the appendix on p. 1308.)

Senator GEORGE. Mr. Taylor was in charge of the Paris office, I believe?

Mr. LAMMOT DU PONT. Yes.

Senator GEORGE. As the agent of the du Pont Co?

Mr. LAMMOT DU PONT. Yes.

Senator GEORGE. But acting, of course, in his joint capacity or as joint agent under this general arrangement and agreement with the Imperial Co.?

Mr. LAMMOT DU PONT. Yes.

Senator GEORGE. In his letter, this is to be noted [reading]:

The salesman should, without taking direct part in the sales of military cartridges, report to the manager of the Paris office of Imperial Chemical Industries any information he may obtain along these lines and assist the cartridge salesman in every way in his power.

That letter is dated November 30, 1932.

May I ask if at that time the du Pont Co. had acquired the Remington Arms? Was the Remington Arms Co. acquired subsequently?

Mr. LAMMOT DU PONT. I think it was acquired subsequently.

Senator GEORGE. At this date the Remington Arms was not owned by the du Pont Co.

Mr. LAMMOT DU PONT. No.

Senator GEORGE. This further statement appears, and I wish to have confirmation of it [reading]:

The salesman for South America will be Mr. N. E. Bates, jr. The Du Pont Co. shall pay all expenses covering his work in South America.

Mr. Bates is the salesman in the South American territory?

Mr. LAMMOT DU PONT. Yes, sir.

Senator GEORGE. He is the agent of the du Pont Co.?

Mr. LAMMOT DU PONT. Yes, sir.

Senator GEORGE. But acting, of course, in his joint capacity under this agreement?

Mr. LAMMOT DU PONT. I believe so.

Senator GEORGE. There is no question concerning the joint agency in these respective territories indicated in this agreement; the agent of both the Imperial and the du Pont companies acting in accordance with this agreement does act for both companies?

Mr. LAMMOT DU PONT. I think the agreement speaks for itself on that point.

Senator GEORGE. I meant, as a matter of fact; I am now inquiring, as a matter of fact, the agent does act as the joint agent of the two companies?

Mr. LAMMOT DU PONT. Yes, sir.

Senator GEORGE. I would now like to read and offer as an exhibit, to be numbered "Exhibit No. 468", a cablegram.

(The cablegram referred to was marked "Exhibit No. 468" and is included in the appendix on p. 1310.)

Senator GEORGE. It reads:

Send the following to Col. W. N. Taylor by telephone. Replying to your letter no. 2511 if 50/50 arrangement on all sales decided upon for Europe there is no occasion for setting up a clause providing how profits are to be determined. In the meeting with H. J. Mitchell it was agreed that we would do as we had in the past in South America. We accept each other's figures without question. Payments are called commissions, and no mention should be made of profits in agreement. Any chance setting up methods of determination of commissions extremely dangerous both of us. This agreement based on mutual confidence and should be so regarded.

The Mr. Mitchell referred to in the cablegram, H. J. Mitchell—will you please identify him?

Mr. LAMMOT DU PONT. He is an important official of Imperial Chemicals. I do not remember just what his title is.

Senator GEORGE. He is an official of Imperial and is an important executive.

Mr. LAMMOT DU PONT. Yes.

Senator GEORGE. Now may I ask if it is not a fair inference that all of the agreement between the two companies is not necessarily in writing? From this cable, is not that inference justified, that some of it may lie outside of the written memoranda or statements?

Mr. LAMMOT DU PONT. No; I do not think so.

Senator GEORGE. Do you interpret this statement in the cablegram [reading]:

There is no occasion for setting up a clause providing how profits are to be determined. In the meeting with H. J. Mitchell it was agreed that we would do as we had in the past in South America. We accept each other's figures without question. Payments are called commissions * * *.

Mr. LAMMOT DU PONT. That sort of agreement is subject to change without any notice. If it was written in the agreement, it would not be subject to that change.

Senator GEORGE. No inference whatever is to be taken from my question that it was anything but a legitimate arrangement as between the companies, so far as that goes. But your relationship with the Imperial Co. has been very long and as you have testified it has been a close business relationship.

Mr. LAMMOT DU PONT. Yes, sir.

Senator GEORGE. There is a very close understanding between the two organizations, the two companies?

Mr. LAMMOT DU PONT. Yes.

Senator GEORGE. I ask that there be made a part of the record, as "Exhibit No. 469"—which, before being marked, I should like to exhibit to Mr. du Pont, because I am not sure whether it would come within the class of communications which Mr. du Pont had in mind as being of such a confidential nature as not to be made public. There is something in this document that does indicate that there is something private and confidential about it.

Mr. PIERRE S. DU PONT. I have no objections, of course, to the committee having it, but if it is confidential I would ask that it be not spread in the public record.

Mr. LAMMOT DU PONT. This is a letter from one of our own men to one of our own departments and I do not think there is anything confidential with respect to a third party.

Senator GEORGE. I do not think so and I was not offering it on any point that I think you had in mind.

Mr. LAMMOT DU PONT. Unless the text of the letter so states, which I doubt.

Senator GEORGE. I do not think there is anything disclosed in it, but inasmuch as it is marked in the fashion in which it is, "private and confidential", I thought I would direct your attention to it. Then if there is no objection to it, that letter will be received as "Exhibit No. 469."

(The letter referred to was marked "Exhibit No. 469" and is included in the appendix on p. 1310.)

Senator GEORGE. I direct attention at this time merely to the recitation in this letter, the reference in the letter to a report covering the operations of the Imperial and the du Pont Co. in military explosives in China. That refers, of course, to the territorial agreement as contained in the agreement of October or November or December 1932.

Mr. LAMMOT DU PONT. It refers to the joint selling arrangement.

Senator GEORGE. Yes; of 1932.

I would like to offer for the record a letter addressed to Major Casey, dated January 12, 1933, by William N. Taylor of the Paris office, both of whom are agents for the du Pont Co. according to the testimony.

(The letter referred to was marked "Exhibit No. 470" and is included in the appendix on p. 1313.)

Senator GEORGE. If there be any confidential information in that letter—

MR. LAMMOT DU PONT. I do not think there is anything confidential in that, unless it is so stated in the text.

Senator GEORGE. I do not recall any reference to anything confidential in that letter. This letter is offered merely for the purpose of showing the course of dealing under the agreement about which there really has arisen no controversy, anyway.

MR. PIERRE S. DU PONT. There is no objection.

Senator GEORGE. The letter which I now ask to be inserted in the record as "Exhibit No. 471" is a letter dated the 4th of July 1933 to Mr. G. W. White, signed by Mr. J. Laing.

(The letter referred to was marked "Exhibit No. 471" and is included in the appendix on p. 1316.)

Senator GEORGE. The general purpose of putting that letter in the record is precisely stated with reference to the foregoing letter and I presume there is no objection to that.

MR. LAMMOT DU PONT. There is no objection to it.

Senator GEORGE. If there is anything in it that appears confidential, I would be glad if you would direct my attention to it.

A subsequent letter of September 25, 1933, to Mr. N. E. Bates, Jr., from Mr. Casey is offered as "Exhibit No. 472."

(The letter referred to was marked "Exhibit No. 472" and is included in the appendix on p. 1316.)

Senator GEORGE. Special reference is made here to the acquisition of the Remington Arms and with the acquisition of the Remington Arms by the du Pont, which may have some bearing on the relationship with the Imperial Co.

I would like to say, speaking for myself and I am sure for the committee, that it is not the purpose of the committee to spread any confidential information on the record here that would be harmful; nor is there an assumption that the du Pont business in munitions is other than that of any other manufacturer of character and standing.

The committee's obligation is, of course, to inquire into the subjects committed to us for the purpose of making such recommendations to the Congress as we may feel impelled to make.

MR. PIERRE S. DU PONT. I am satisfied of that, Senator.

Senator GEORGE. On the basis of facts.

MR. PIERRE S. DU PONT. We are in a very delicate position, Senator, in this respect; we have dealings with the Departments here in Washington and with Europeans with whom we have connections, because of their obligations to their governments, which make all these matters very delicate.

Senator GEORGE. Mr. du Pont, speaking for myself again, I appreciate that fact and certainly the object of the investigation would not be to strain the relations between your company or any other American producer or distributor, and his government or with other companies abroad.

MR. PIERRE S. DU PONT. Certainly; I appreciate that.

Senator GEORGE. Now may I direct your particular attention to the agreement between the two companies, that is the Imperial Co. and the du Pont Co., dated January 1, 1926, which I will offer as "Exhibit No. 473."

(The agreement referred to was marked "Exhibit No. 473" and is included in the appendix on p. 1317.)

Senator GEORGE. Also this agreement relates particularly, according to the memorandum which I have before me, to patents and secret processes. And in connection with that agreement, I should like to offer the agreement between the two companies as of the 1st day of July 1929 relating also to patents and processes.

(The agreement referred to was marked "Exhibit No. 474" and is included in the appendix on p. 1322.)

Senator GEORGE. These agreements are lengthy and the committee would like to have them in the record, if there is no objection.

Mr. PIERRE S. DU PONT. May I note that this agreement does not relate to military powders.

Senator GEORGE. Mr. du Pont, I would be very glad if you did, because that is a very pertinent matter of the inquiry.

Mr. PIERRE S. DU PONT. It covers all explosives other than military powders.

Senator GEORGE. Are you reading from the agreement of January 1, 1926?

Mr. PIERRE S. DU PONT. 1929 agreement.

Senator GEORGE. May I ask that the clerk to the committee read both clauses that deal with the products that are covered by these patents and processes?

Mr. RAUSHENBUSH. On page 5 of the Exhibit marked "No. 474", being an agreement of the 1st of July 1929 [reading]:

III. PRODUCTS

The exchange of information provided in section I, and the rights to acquire licenses granted in section II, shall apply to all inventions relating to the following products and industries, subject to the exceptions set forth below:

(a) Explosives, other than military powders.

(b) Compounds of cellulose and its derivatives, including nitrocellulose compounds such as plastics and film, but excluding rayon, cellophane, explosives, and products covered under subparagraph (c) below; provided, however, that the activities of Societa Italia Celluloid and Societa Anomina Mazzucchelli (in which Du Pont has substantial stock interests), in this industry within the exclusive license territory of I.C.I., will continue until such time as may be mutually agreed upon between the parties hereto.

Mr. LAMMOT DU PONT. That shows that military powders were excluded.

Senator GEORGE. Acids are covered, I believe, in this agreement. You will note paragraph (f) on page 5 says [reading]:

Acids, both organic and inorganic, for both the heavy-chemical industry and special industries.

Then on the next page, page 6, mention is made of synthetic ammonia and fertilizers. Those are covered in subparagraphs (i) and (j). Now, in reference to the earlier agreement, that of January 1, 1926, the language pertinent to this particular point is as follows [reading]:

* * * for the manufacture, production, transportation, handling, selling, or use of one or more of the following products, viz: black powder in all varieties, smokeless propellants for sporting purposes, disruptive explosives of all kinds for industrial purposes, detonators, electric detonators, safety fuses, powder fuses, detonating fuses, electric igniters, and generally all devices for initial detonation or ignition, the components which form the ignition and propellant charges of sporting ammunition, and the ingredient and component parts of the above insofar as they are applicable to explosives, and * * *.

By terms, of course, these two agreements dealing with the patents and secret processes undertake to refer not to military products.

Mr. LAMMOT DU PONT. I believe so.

Senator GEORGE. I believe that is a fair statement that on the face of these contracts you are attempting to exclude the military product.

I may ask you, as practical men, however, if many of these products are not for practical purposes and under conditions easily converted into military uses?

Mr. LAMMOT DU PONT. Some of them are, but not the ones that are important commercially.

Senator GEORGE. The transition from the nonmilitary to the military use of them, however, is both swift and easy; is it not?

Mr. LAMMOT DU PONT. In some cases it is. But those cases are items of minor importance in commercial business.

Mr. PIERRE S. DU PONT. Is it not true, however—correct me if I am wrong in this—that the prime ingredients of military propellants are the same as used in sporting powders and in some disruptive explosives? For instance, gun cotton and nitroglycerin are both used in military propellants and are used very largely in sporting powders. So that the fundamentals bear direct relation to both branches of the industry, military and industrial.

Mr. IRÉNÉE DU PONT. Senator, I think your point is well taken and I think its weight is greater than has been stressed.

Industrial manufacture in the chemical industry will tie into the production in a large way and economically, of military explosives. I think that information of this kind may cheapen the costs and make available more military supplies by reason of having it.

I have been in on the research end a great deal more than I have on the selling end, in the du Pont Co. I am just a little bit enthusiastic about research. I think that the great advantage to this country of having the private manufacturers of munitions is very largely the fact that progress in that and the ability to produce can be made much greater by a great chemical organization.

I think that has been recognized by a number of the previous administrations and recognized too, by this administration.

I do not know that it would be in order here, but I would like to read you a clause from one of the codes, the Chemical Industry Code, which I think is quite pertinent to this affair. It is article II of the Code of Fair Competition for the Chemical Manufacturing Industry, which has the approval of President Roosevelt.

At this point I would like to read article IX of the Code of Fair Competition for the Chemical Industry which has the approval of President Roosevelt, if I may.

The CHAIRMAN. You may proceed.

Mr. IRÉNÉE DU PONT. This article of the code reads:

In all activities under this code, the peculiar relation of the chemical industry to national defense, national health, national industry, and national agriculture must be constantly borne in mind by its employers, stockholders, directors, executives, and employees. The present products of this industry should be regarded as only by-products; its main product and purpose the extension of chemical knowledge in the public interest.

That hits the nail right on the head. Progress has been made in the chemical industry at a most prodigious rate in the last seven years. Thirty years ago a chemical engineer was almost un-

known, and when I went with the company 30 years ago I was one of the best equipped chemical engineers, having a college education and the whole thing has grown up since that time, and the whole progress made in the chemical industry meshes in with everything, including military preparedness, and that should be borne in mind in any findings you gentlemen may make as a result of these hearings.

Now, these agreements on patents and secret processes are an endeavor to obtain from abroad whatever progress they make in invention, and underlying this, their application to the industry, and I have been very keen on that relationship of obtaining information from abroad, although we spent enormous sums on research here. The aggregate spent over there must be very great also.

Mr. RAUSHENBUSH. Mr. Chairman, since the chemical code has been mentioned, may we have that code now inserted in the record as a part of the record.

The CHAIRMAN. I think that code should be included in the record and it is so ordered.

(The code referred to was marked "Exhibit No. 527" and is included in the appendix on p. 1389.)

Mr. CASEY. Our endeavor there was specifically to exempt military propellant and explosives information from any interchange of information, realizing that ordinary black saltpeter powder or any black powder becomes military material in time of war, and black powder is the same today as it was 200 years ago.

Senator GEORGE. It can be used for military purposes, though?

Mr. CASEY. Yes; but this was to avoid any interchange of information on military purposes.

The CHAIRMAN. If it is agreeable to Senator George, the committee will be at recess at this time until 2:15 p.m.

(Thereupon the committee took a recess until 2:15 p.m. this day.)

AFTER RECESS

(The committee reconvened pursuant to the taking of recess, at 2:15 p.m.)

The CHAIRMAN. The committee will be in order.

Mr. LAMMOT DU PONT. Senator, at the time we broke up this morning the question of these agreements with these other companies was being discussed, and you probably got a rather confused idea of some point, and I want to clear up your mind on that. The man who actually negotiated those agreements, and who is connected with our experimental department, would give you a brief statement so that we will have a clear statement of what they are all about if you would permit us to have him do that. So, may I have Dr. Sparre, who is thoroughly familiar with these agreements, explain them to you?

The CHAIRMAN. Just before that is undertaken, we had considerable controversy this morning concerning the totals that entered into the investment of the E. I. du Pont de Nemours Co. in other companies. That has been very carefully checked, and the column "Investment in capital stock" totals as announced this morning, \$202,765,782.55 is correct. The total of advances of the du Pont Co. as of July 25 is \$59,115,414.48, if the items within parentheses in that column are excluded, and totals \$65,084,295.80, if all items are in-

cluded. The total of advances of holding company as of July 31 is \$3,564,444.88, and the total investments, again including figures of advances stated in parentheses is \$364,445,641.91, and if those items are excluded the total is \$365,445,641.91.

You may proceed now, Mr. du Pont.

Mr. LAMMOT DU PONT. We would like to have Dr. Fin Sparre make a statement at this time.

Dr. SPARRE. I have been employed by the du Pont Co. for 31 years, and the agreement of July 1, 1929, which now governs the relationship as to patents and processes between the du Pont Co. and the Imperial Industries, I negotiated in that year. The purpose of that agreement is to enable the two companies to acquire from each other for a consideration, suitable licenses for patents and processes in the chemical industry, which they may be able to use to advantage in their business.

In order to have a correct understanding of that agreement it is necessary to review previous agreements. There are important differences, yet there is considerable similarity. The agreement of 1907, which is as far back as it is necessary to go, was between the British company and a German company, the Vereinigte Koln-Rottweiler Pulverfabriken, and the du Pont Co. That agreement included military explosives.

Senator CLARK. That is the agreement of 1907?

Dr. SPARRE. Yes. The patents and processes, or rather information in regard to patents and processes, are exchanged between the parties in order to enable the companies to determine which patents and processes they could use in their business and would like to acquire.

The du Pont Co. obtained both from the British and from the German company very valuable information in regard to the manufacture of TNT. That was before the war, or in other words I should judge about 1909 or 1910, something of that sort. That had not been manufactured by the du Pont Co. before, but that information enabled us to manufacture that important explosive of suitable quality and at proper cost. The du Pont Co. also obtained from the German company very important information about the stabilization of military smokeless powder, which they obtained through the addition of some diphenylamine.

Senator BONE. When was that information obtained?

Dr. SPARRE. I should say 1908 or 1909. Up to that time the matter of stability of smokeless powder was a question of great anxiety on the part of the United States Government and all other governments. The difficulty is that you cannot demonstrate whether you have stabilized a powder except by many years of service. Now, the Germans could place at our disposal valuable experience over a great many years, of which we took advantage, and introduced diphenylamine into smokeless powder for the United States Government. All of that information and experience we placed at the disposal of the United States Government without cost.

On a visit in 1909 I believe, to the German factories, I observed there the manufacture of a new type of smokeless powder which is usually known as "surface-coated powder." The purpose of that is to satisfy the urge for great ballistic properties, especially in the higher velocity of small arms ammunition.

That is accomplished by that type of powder, which makes it possible to obtain this higher velocity without excessive pressure and without other disadvantages.

On my return to the United States I directed experimental work along the same lines to be undertaken by ourselves, and after several years' work we developed the powder which fulfilled our requirements, as well as the requirements of the United States Government, to which powder we gave the name I.M.R., and which, essentially in the same form, has become one of the standard powders of the United States Government. Complete information in regard to that powder has been given to the United States Government without cost.

On our side we had very little to give to either the British or to the Germans.

The British use nitroglycerin powder, and our information was of no value to them. The Germans use a similar type of powder, but we have very little of interest to give them. Our development had been to a large extent along mechanical lines, such, for instance, as the physical form of powder leading to multiple perforation of the powder grains. That was not accepted by the Germans, and I do not know that they used any information we gave them. The result of that relationship on the military explosives was that we obtained most valuable information from both the British and the Germans and it was conveyed to the United States Government without cost and of which the Government has made extensive use for many years and still uses it. On the other hand, I think our company gave very little of value under this contract to the German and British companies.

In regard to sporting powder, we purchased the business in America and information as to manufacture of the well-known sporting powder, Ballistite, and for that we paid cash.

With regard to the commercial explosives, I think the most important information in that connection is with regard to safety explosives for coal mines. During the same years I am here discussing, there had been a great number of very disastrous explosions in coal mines in this country leading to a loss of thousands of lives for the reason of the coal mines becoming filled with dangerous gases, due to the type of explosives used, the high temperature igniting the gases. The same problem had been met in Europe many years before, because their coal mines were already of great depth and the gaseous condition had been with them for some time. We obtained from the British companies very valuable information about everything they had obtained in that time, and many other things we obtained from experience and information about one of their explosives, monobel, which we made up in similar form.

From the German company we obtained even more valuable information, because they had developed the most complete set of testing conditions and testing apparatus to show the degree of danger and the relative safety of explosives. We purchased from them this apparatus which could not be acquired anywhere else, and with the use of that apparatus as well as their experience, especially their knowledge and information which they gave us about the manufacture of their safety explosives, the so-called "Carbonites", we developed some explosives of quite similar types.

That was a most valuable contribution to this country; it saved thousands of lives and by which we were able to serve our customers. That was paid for by the du Pont Co. in cash, and no charge to anybody except insofar as the cost had to be absorbed in the cost of the explosives.

With regard to what we contributed to the British and German companies, the situation was peculiar in this sense, that the market for explosives in this country was so much larger so that a great deal of the du Pont efforts had been given to the development of safe manufacturing methods, applicable to very large scale operations. We were relatively new as a chemical concern, and our research was not to any extent along chemical lines, but we did develop a great many mechanical improvements.

However, the British and German markets are very small as compared to the American standard, and they either would not or could not use the machines and manufacturing methods which we have developed. We had, for instance, a dynamite packing machine, which, as I remember right, was a machine by which one man could in one day pack as much dynamite in its containers as something like 60 girls or thereabouts can do in the European countries. In other words, we would expose one operator to the danger whereas in the European factories they would expose 50 or 60 to that danger. For instance, if we had an explosion, we might possibly kill one man while if they had an explosion they might possibly kill 50 or 60.

But, for government reasons or other reasons they used very little of our information.

The result was we had comparatively little to convey to the European companies, and therefore during this early relationship up to the beginning of the war we obtained a great deal of valuable information for which we paid large sums of money in cash, but we had comparatively little to give, or rather to sell to our associated companies. Perhaps I should not say associate, but say, to our friends.

The war, of course, upset everything, their patents were forgotten, everybody was too busy doing other things. When the war was over, as has been explained here, the du Pont Co. launched into a large expansion in order to get into the chemical industry in a large way, in which it has been ever since then.

One of our reasons for success was the employment of a larger force of professionally educated chemical engineers and the liberality of the management in placing large sums of money available for development.

Senator BONE. That was a sort of a brain trust you were organizing?

Dr. SPARRE. Well, they were college-educated men.

Senator BONE. That is what we refer to as a brain trust.

Dr. SPARRE. We have to have, Senator, a trained chemist to handle chemicals and to do research work.

Senator BONE. It is a very good idea to have trained men in all walks of life.

Dr. SPARRE. Yes, sir; these college men were working in laboratories; we did not put them in other positions.

The liberality of the management could be measured in dollars in this way, that the du Pont Co. has spent as much as \$5,000,000 yearly upon research.

Now, the result can be measured in two ways. One is that until around 1925 the du Pont Co. was paying large sums of money in cash to the European companies for patents and processes we had acquired. Since sometime in the 1920's—I have forgotten the year—I do not think we have paid anything to the British or German companies. On the other hand in 1925, I think it was, we sold our manufacturing patents and processes for the well known Duco to the British company. They organized a new company, the Nobel Chemical Finishes, to handle their business and it has been very profitable to them and also to us because we got a large interest in that company for our contribution of patents and processes.

That is the first time, I believe, the du Pont Co. was on the receiving end as far as money is concerned for patents and processes.

In 1930 or thereabouts we made another settlement with regard to a number of patents and processes. The money involved was comparatively small, but the du Pont Co. again received money and paid out nothing. That was the second time in the history that the du Pont Co. received money and had nothing to pay.

That was the result of the management's liberality in research in our company, in developing chemical processes.

You understand, Senator, that the importance of these chemical developments is not merely in developing a new product like Duco which may yield direct profits but it is improving what already is being done.

I can give you a typical example. You take nitroglycerin, when in the old days 100 pounds of glycerin would give 200 pounds of nitroglycerin, with a great deal of research the yield of nitroglycerin was brought up to about 230 pounds and the advance of 30 pounds of nitroglycerin represents profits. A manufacturer who in these days could make only 200 pounds of nitroglycerin would not make any profit on that basis, and the profit is in the saving. It is important in bringing up the yields which means conservation. We would call it saving, and the Treasury Department would call it profit. That is only one of the ways we can show you what the research department can do, and that is just as important as the development of new products.

There is a third factor, and that is the cost which has been mentioned as before here. If we spend \$5,000,000 a year in research, half of that is what you might call waste. I am sure over half of research leads to negative results, which leads to nothing except possibly some little education to the young chemist. I am sure we are spending several millions a year with no result whatever, unless you count the educational value. In this patent and process arrangement which we have with the British company, it is obvious that we are saving large sums of money annually telling each other of the result of the experiments, and where one company has learned in a certain type of experiment, there is a negative result, the other company is saved that work, and therefore I think the actual money payments between the two companies

is not necessarily the biggest factor. I think the advantage of research may be even more important.

Now, there are important differences between the agreement of 1929, which now governs our relationship, and the old agreements. The first difference of course is that previously we had an agreement with the German company as well as the British. Our agreement under which we now work is only with the Imperial Industries, and the German company is not included.

The second important difference is that military explosives are entirely excluded.

The third difference is that the old agreements covered practically speaking only explosives and the present agreement covers practically speaking all of the chemical industries with a couple of exceptions in which we are engaged.

In other words the agreement covers industries of maybe five times the value of the agreement which we used to have.

Another difference is that on account of the much greater importance of the du Pont Co. and the development work we have done, the exclusive territories which we have, and in which we can operate under the present processes, is very much larger than was the case under the old agreement.

There is still another difference which is of some importance and that is on the advice of counsel we were told that the old agreements with our somewhat imperfect knowledge of some of the newest statutes might be open to objection from a legal point of view. We therefore have corrected that in the agreement of 1929.

In the older agreements, for instance, there would be licenses granted for all processes and patents at the commencement or on the execution of the agreement. Under the agreement of 1929 no licenses are given until after receipt of information about the subject and when one of the companies signifies its desire to operate under such a patent and process, then for a consideration licenses may be given. If no license is requested or granted, then there is no change in the ownership or operation of the patents and processes.

I have differentiated in my remarks about military explosives and commercial explosives. There is, of course, not a very sharp line there, but there are certain distinctive differences that can be drawn. Certainly commercial explosives dynamite should need no explanation, it is an explosive used in everyday life, and its war use is no more than that of its peace use. TNT, which is an explosive of shattering effect, is practically of no importance for commercial purposes except to a minor extent which need not be mentioned while on the other hand it is a very important military explosive. As far as smokeless powder is concerned there is quite a difference between the two types, and yet there must be some overlapping as far as small arms are concerned. But, to the men who are familiar with the art it is not difficult to draw the line between the two. There is a similarity, of course, in the raw materials such as cotton, nitric acid, and sulphuric acid, which are the same, and a man skilled in the art of manufacturing one would not have a great deal of difficulty about manufacturing the other, but the specification, the compositions, and the formula are totally different.

I have tried to make my speech rather short, but I will be happy to answer any questions.

Senator GEORGE. Doctor, it is a fact, however, that the conversion of many of these nonmilitary products and military products, as well, into military powders and explosives is quite an easy process, is it not?

Dr. SPARRE. No; by no means easy. It is for this reason that the mechanical apparatus which is used for the manufacture of cannon powder, for instance, is totally different from the manufacture of sporting powder.

Senator GEORGE. I was not speaking of that particular illustration. Take, for instance, your gases and acids. You can use them for war purposes, of course.

Dr. SPARRE. Acids, of course, are the same. Those raw materials are the same; yes.

Senator GEORGE. And chlorine can be used, of course, for war purposes?

Dr. SPARRE. Yes, but not used in the manufacture of explosives.

Senator GEORGE. No, but it is used for war purposes, is it not, doctor?

Dr. SPARRE. Yes, but it is not produced in the same plants.

Senator GEORGE. Then, of course, admittedly even so-called "small arms" do use what may be called the sporting powders or the nonmilitary powders?

Dr. SPARRE. Yes.

Senator GEORGE. And becomes a military munition, a munition of warfare, when conditions demand it, and does play some part in every system of national defense, does it not?

Dr. SPARRE. Sporting powders. Senator?

Senator GEORGE. The small arms.

Dr. SPARRE. I do not believe so. You might have in mind, possibly, pistol powder or rifle powder.

Senator GEORGE. Yes.

Dr. SPARRE. To some extent.

Senator GEORGE. It is not ordinarily classed as a military powder, is it?

Dr. SPARRE. No.

Senator GEORGE. But, nevertheless, it can be used for military purposes. That is the point I was getting at. You have given us the information about the advantages of these agreements for the interchange of patents and secret processes to the du Pont Co., and while the du Pont Co. may not have had so many valuable patents and secret processes to give to the British Government, confining this inquiry now to that, nevertheless the thing is reciprocal, of course. Whatever the du Pont Co. did have that the Imperial desired, why it could acquire it under these same patent agreements?

Dr. SPARRE. Under the earlier agreement.

Senator GEORGE. Yes, broadly speaking. I say, and for a long time prior to the World War, and down to a period after the World War, to about 1925, these agreements in actual practice at least for the interchange of patents and secret processes were applied alike to the military and to the nonmilitary products?

Dr. SPARRE. Yes, sir.

Senator GEORGE. About January 1925 or some time in 1925, when the first agreement which we have been discussing here was made, and subsequently in 1929 an effort was made by the du Pont and

Imperial companies to separate their grants and agreements to grant licenses for patents and secret processes and so forth, and to confine the interchange of patents, both exclusive and nonexclusive uses, to the nonmilitary or what we may broadly refer to as the peace-time products or products used primarily in peace times and primarily for peaceful purposes. Is not that true?

Dr. SPARRE. That is right.

Senator GEORGE. Now, Doctor, we would not want to confuse still another phase, an important phase of activity of the two companies, that is, of the Imperial, with its world-wide, far-flung selling and distributing agencies, with both producing, distributing, and selling agencies, and du Pont's. Their agreement with respect to the product itself has generally, and up to now does, cover both the military as well as the nonmilitary products. I am not speaking of the inventions now and the processes but of the sales agreement.

Dr. SPARRE. Sales only.

Senator GEORGE. Sales only. It does of course cover both the military and nonmilitary?

Dr. SPARRE. Yes, sir.

Senator GEORGE. Explosives and powders, all types of powders, etcetera, used for military purposes?

Dr. SPARRE. Yes, sir.

Senator GEORGE. One relates of course to the product and sale of that product and the other, these two latter agreements which you have explained, relate to the exchange of patents and patent rights and processes.

Dr. SPARRE. That is right.

Mr. LAMMOT DU PONT. Senator, would it not be interesting to you to hear a similar statement from Major Casey as to this joint-agency agreement which we had up before lunch?

Senator GEORGE. Mr. du Pont, we would be glad to cover that. I am almost through and maybe some of the other Senators may have a little questioning.

Mr. LAMMOT DU PONT. I thought Dr. Sparre's statement was very illuminating, and I thought Major Casey's statement would be equally illuminating.

Senator GEORGE. There are some questions on this and he will have an opportunity later.

Senator BONE. Doctor Sparre, there have been repeated statements in your testimony and in the record as to patents and processes. Will you tell the committee how you protect yourself on your patents as they are developed, on these processes as they are developed? Let me go a step further and ask you when they are developed if they are protected by patents from the Patent Office of the United States.

Dr. SPARRE. We always protect ourselves as soon as practicable by application for patents.

Senator BONE. I naturally presumed that your company, with its world-wide experience, would be advised of the necessity of protecting its patents elsewhere as well.

Dr. SPARRE. That is right.

Senator BONE. Where there are recording statutes which permit the recording of patents.

Dr. SPARRE. You are right, Senator, but we have one year under the international convention, so that we do not have to file applications right away.

Senator BONE. That field or avenue of protection is offered by treaty arrangements between this Government and other governments?

Dr. SPARRE. That is right.

Senator BONE. So that the right exists through treaty as well as through filing in the different countries and you take advantage of these in handling your products?

Dr. SPARRE. That is right.

Senator BONE. That is to say, as soon as a process or combination of elements is found which serves your purpose, and proves to be something new and useful, you take steps to protect yourself and your company by filing a patent?

Dr. SPARRE. That is right.

Senator BONE. Claiming a patent right?

Dr. SPARRE. That is right.

Senator BONE. You stated a moment ago in your statement that during the war these patents were forgotten. What did you mean by that?

Dr. SPARRE. Certain patents were suspended.

Senator BONE. What do you mean by "suspended"?

Dr. SPARRE. For instance, it was impossible for American companies or American inventors to apply for patents in a large number of countries.

Senator BONE. I understand that, but is that what you meant when you said they were forgotten? Did you mean that you did not make any effort to file them?

Dr. SPARRE. We did in this country. In this country we could file patents.

Senator BONE. You could have filed them in France, could you not?

Dr. SPARRE. In certain countries.

Senator BONE. And in the Allied countries during the war you could, could you not?

Dr. SPARRE. They urged the manufacture of explosives, and while we would file applications for patents and would take out patents, our chief effort during the war was to manufacture the quantities required. Furthermore, there was a great deal of exchange of information at the request of the United States Government.

Senator BONE. Of course when you allocated territory under one of these agreements, which of course is dividing the territory of the world for sales purposes under patents—

Dr. SPARRE. Oh, you are absolutely wrong there, Senator. There was no allocation of territory at all. If you will read the agreement, Senator, you will see that what it says is that each of the companies is given the opportunity to examine information placed before it in order to determine whether or not it desires to acquire, for a consideration, a license to operate under certain patents and processes offered. If the company does not take that license, then there is no change in the situation. It has no effect on sales at all.

Senator BONE. Perhaps you misunderstood my question. Do we understand, or are we to understand that if you make a sales arrangement with some organization covering a certain territory, that you would go in there and sell also, or would you permit them to have the exclusive right to sell in that territory under your patents?

Dr. SPARRE. That is right. For instance, when we sold the license for Duco patents and processes to England, then of course the British Duco Co. was given the license, and the du Pont Co. obtained as consideration for such license a large interest in the company, in the British company, Nobel Finishes. That was an outright sale.

Senator BONE. Did that extend to them the exclusive privilege of selling in that territory without competition from you?

Dr. SPARRE. That is right.

Senator BONE. That is what I am getting at. I do not know whether I made my question plain.

Dr. SPARRE. They have the right on account of the license under the patents. In other words, the statutes, as regards patents and processes, are very definite.

Senator BONE. The statutes may be different—

Dr. SPARRE. I say very definite.

Senator BONE. Very definite?

Dr. SPARRE. In other words, if a man acquires a separate license under a patent, he has acquired property and his government guarantees him that nobody can infringe on that property. He is operating under government protection.

Senator BONE. In other words, he acquires a property right in that patent?

Dr. SPARRE. That is right.

Senator BONE. As long as nations protect property rights, he is protected under it, if he paid valuable considerations for it?

Dr. SPARRE. That is the universal patent law.

Senator BONE. We all know that.

Senator CLARK. Of course as to patents you took out before the war, you have no protection from a hostile country during the war?

Dr. SPARRE. That is what I had reference to.

Senator CLARK. If you had patents in Germany and the United States Government got into war with Germany, they had no effect?

Dr. SPARRE. That is right.

Senator CLARK. And the United States did the same thing?

Dr. SPARRE. Yes, sir.

Senator CLARK. And every country therefore was put in possession of the processes of the company that were known in the other country?

Dr. SPARRE. That is right.

Senator BONE. Doctor, the very thing we have been discussing, this very protection of property rights, places at the disposition, if need be, of every foreign power every single patent filed in their patent office. Is not that right?

Dr. SPARRE. Yes, sir.

Senator BONE. We had evidence by a witness that the German submarine which sunk the *Lusitania* during the war was built under American patents. That was done pursuant to the common practice of filing patents in foreign countries, including Germany among other countries.

Dr. SPARRE. Senator. I do not think you express that correctly. You must consider that a patent is a contract between the Government and the inventor.

Senator BONE. I am not losing sight of the fact that the patent is filed in a foreign country, open to inspection.

Dr. SPARRE. That is not the point at all.

Senator BONE. That is the point I am making.

Dr. SPARRE. I do not think it has any importance so far as patents are concerned.

Mr. IRÉNÉE DU PONT. It seems to me you are talking at cross-purposes, Senator.

Senator BONE. I hope I am making it plain because I am endeavoring to do so. If I were a German draftsman or chemist, I could go to the German National Patent Office, where your patents on powder are filed, examine such patent, and know exactly how that patent was made.

Dr. SPARRE. You are mistaken there, Senator.

Senator BONE. Then you correct me. I am trying to get some light on this.

Dr. SPARRE. In the first place, a patent is really a contract between the government and the inventor who makes that contract.

Senator BONE. You are assuming that I am assuming that the man can use that patent. I am not at all. I am asking you if I may go there, as a German, for instance, and look at that record and know what that thing is made of?

Dr. SPARRE. That is not the point I was going to make.

Senator BONE. That is the point I am going to bring out. I think we can understand each other correctly. I am going to ask the question again so that you can get it. If the du Pont Powder Co. files a patent or a process for making certain types of explosives in the German Patent Office, your company is protected in the use of that patent in Germany. Is not that correct?

Dr. SPARRE. You are absolutely mistaken, Senator. If you will permit me, I will tell you where you are mistaken.

Senator BONE. Let us take it a step at a time.

Dr. SPARRE. The contract between the United States Government and an American inventor is that if the inventor will disclose the invention to the public, then the United States Government will give the inventor a 17-year monopoly. Therefore, in order to obtain this 17-year monopoly, the American inventor is compelled by the Government to make a full and complete disclosure of his invention. The moment that patent is issued by the Government, that becomes published all over and it becomes public knowledge in Germany.

Senator BONE. That is right.

Dr. SPARRE. Even if there is no patent applied for in Germany.

Senator BONE. That is right. I quite agree with that.

Dr. SPARRE. The United States Government is the one which publishes that, not for the benefit of the Germans.

Senator BONE. That is right. That had been made clear in all the hearings. Perhaps the question was unnecessary and it is so much surplusage to say that it would be known in Germany, because the Germans could come over here and look at it.

Dr. SPARRE. He does not have to come over here.

Senator BONE. Of course he does not have to come over here, but anybody can look at it. Once a patent is issued it becomes public knowledge to the world, as far as knowledge of it is concerned?

Dr. SPARRE. That is right.

Senator BONE. It is not necessary to go outside this country to know it, because the whole world knows it the moment you file it.

Dr. SPARRE. Not the moment you file it, but the moment it is issued.

Senator BONE. The moment it is issued and becomes public property.

The CHAIRMAN. Thank you, Doctor.

Mr. IRÉNÉE DU PONT. Senator, am I to understand that you are objecting to patenting things?

Senator BONE. Not at all. I am seeking to get some information.

Mr. IRÉNÉE DU PONT. I do not see where it comes in.

Senator BONE. The patent laws have been on the statute books for many years and I do not know of any challenge to them. When we talk about secret processes and hiding things, we might as well try to hide the Capitol from some one going down Pennsylvania Avenue; and that applies to patents in the Patent Office.

Mr. IRÉNÉE DU PONT. That is not the distinction. The point which we make is that everybody learns of a subject when it is patented but that is taken into consideration before we arrive at a conclusion to patent it, whether it would be wiser to keep it a secret process. A great deal of information which might be kept as a secret process might not get to the Patent Office at all.

Senator BONE. That is true.

Mr. IRÉNÉE DU PONT. I take it your argument refers to the advisability of making known a secret in general. That is taken into consideration before we apply for a patent.

Senator GEORGE. Referring to the Canadian Industries, Ltd., I offer for the record, to be appropriately numbered as an exhibit, the contract between the Imperial Chemical Industries, Ltd., the E. I. du Pont de Nemours & Co., and Canadian Industries, Ltd.

(The document referred to was marked "Exhibit No. 475" and is included in the appendix on p. 1331.)

Senator GEORGE. Among other things, the contract provides for the furnishing upon request and the granting of [reading]—

the exclusive right to practice any and all inventions now or during the term of this agreement owned or controlled by I.C.I., and to make, use, and sell any and all products embodying such inventions, within the Dominions of Canada and Newfoundland; subject, however,

to certain exceptions.

A similar provision is inserted with respect to the du Pont Co.

The safeguarding provision is there, however, that grants by the Imperial shall confer no right on du Pont, and grants by du Pont shall confer no right upon Imperial to practice said inventions, or to make, use, or sell the products embodying the same.

The Canadian Industries, Ltd., is the Canadian producing and selling company, as I understand it, in which 90 percent of the stock is owned, in substantially equal proportions by the Imperial and the du Pont Co. Is that not right?

Mr. LAMMOT DU PONT. Yes, sir.

Senator GEORGE. As illustrating the manner in which the joint sales agency operates on products, to which reference has already been made, I offer for the record a report which seems to be addressed to Maj. Casey by William N. Taylor of the Paris office, and particularly call attention to that portion of it which is marked, and ask that it be inserted in the record and appropriately numbered as an exhibit.

(The document referred to was marked "Exhibit No. 476" and is included in the appendix on p. 1335.)

Mr. LAMMOT DU PONT. Would this be an appropriate time for Major Casey to make a statement regarding the joint offices?

Senator GEORGE. I think we will get to that in just a moment, Mr. du Pont.

Mr. LAMMOT DU PONT. Very well.

ATTITUDE OF DU PONT TOWARD EMBARGOES AND LEGISLATION REGARDING EMBARGOES

Senator GEORGE. Also as bearing upon the same question of joint agency within territories described in the 1932 agreement between the Imperial and du Pont companies, I offer a copy of a letter from Mr. N. E. Bates, Jr., the South American agent of du Pont, but the joint agent of both the du Pont and the Imperial companies, addressed to Imperial Chemical Industries, Ltd., under date of June 11, 1934, and draw particular attention to the paragraph of the letter which refers to the embargo or the restriction of sales by American munition makers to certain South American countries, Paraguay in this case.

(The letter referred to was marked "Exhibit No. 477" and is included in the appendix on p. 1337.)

Senator GEORGE. That letter states in part as follows:

Although the inquiry distinctly states—

referring to an inquiry for prices upon military powders and explosives—

Although the inquiry distinctly states that prices are wanted c.i.f. Montevideo, we suspect that the material is for Paraguay and since we wish to cooperate with our Government in observing the embargo, we deemed it best not to quote.

A subsequent report by Mr. Bates for the South American agency confirms the same statement and discloses that the joint agency asks that the Imperial quote directly on this material.

The cablegram here to the Imperial asks that it make quotations upon this war material, this munitions, because of the embargo and because of the desire of one of the principals represented by the joint agent to meet the obligations of the Government and avoid any breach of the embargo. That is also in the record.

(The table referred to was marked "Exhibit No. 478" and is included in the appendix on p. 1338.)

Senator BONE. It might be pertinent to inquire if the agent in this case, living strictly up to the obligation which would be due to his American principal, nevertheless finds himself in an embarrassing position of having the spirit defeat the very purpose of the

embargo by having the other principal actually quote terms upon the war material, military explosives, for one of the countries which the United States desired to exclude shipments from, so far as this country is concerned.

MR. LAMMOT DU PONT. That is the usual embarrassment, Senator, of anyone who acts as an agent for two people.

Senator GEORGE. That is the usual embarrassment, and, of course, we are familiar with the fact that many joint agents are found, particularly in European practices, and in South American practices, for that matter, but it is an embarrassment that is, I think, disclosed by this particular transaction. While the agent is living strictly up to the requirements—

MR. PIERRE S. DU PONT. Senator, on that very question as to the intent of an embargo, if the intent is to prevent the United States from interfering with the affairs of other countries—it is immaterial whether the British will quote the South American countries or not.

Senator GEORGE. That is what I mean, Mr. du Pont.

MR. PIERRE S. DU PONT. But if the endeavor is to interfere with foreign nations, to prevent them getting supplies which they could get from other people, the point of view is quite as you have put it, I think.

Senator GEORGE. I submit for the record, as the last exhibit which I desire to offer, a letter from Sir Harry McGowan to Mr. Lammot du Pont, I presume, because it is addressed "My Dear Lammot", showing the continued, long-continued and close relations between the Imperial and the du Pont Co., and also making specific reference to recent developments in the United States.

The letter referred to was marked "Exhibit No. 479" and is as follows:

EXHIBIT No. 479

[Copy: Mr. W. R. Swint]

IMPERIAL CHEMICAL HOUSE,

London, S.W. 1, 29th May 1933.

MY DEAR LAMMOT: I have been following with interest and no little satisfaction the improvement in industrial conditions obtaining in the States as a result of the policy introduced by your new President. The improved stock markets and the favorable developments in both business and political fields must encourage in you all that confidence which has, not unnaturally, been lacking during past years.

Particularly am I interested in the press announcements of prospective legislative action, which should give incentive to international industry and, notably, the suggestions of lower tariffs and modifications of the Sherman antitrust laws. In these I can see hope for real progression and, as an early outcome, improved commodity prices and regained prosperity.

The growing realization of the necessity to modify that accumulation of trade restrictions and barriers which the countries of the world have built up—Gt. Britain included—either on the pleas of self-preservation or in a mistaken endeavor to mitigate the effects of the depression on themselves, should eventually bring about altered trading conditions and freedom from restrictions both in Europe and in the States, where public utterances and announcements indicate a readiness to take the initiative. Whatever the changes may be, and however they may affect our individual concerns, on one thing you may rely, they will not be allowed to disturb the harmony of the relations between our two concerns, which have so long and so well withstood the passage of time and its many fiscal variations, and I have warned my people that no fiscal alterations in the U.S.A. must be allowed to affect the interpretation to be placed on our patents and processes agreement and the working out of the cooperation for

which that agreement provides. I feel sure you will approve of what I have done. With a large organization such as we have, I find it is a good thing to issue such warnings from time to time—one went out at the time of the Ottawa conference—so that everything possible is done to ensure that no prospective political or legislative action on the part of governments is permitted to influence between Du Pont and I.C.I.

I hope to be able to visit New York again towards the end of the year, by which time further progress in economic stabilization may have been made. We shall then have an opportunity of talking over the whole position to determine whether any developments call for any alteration in the written document covering the relationship of our companies. I am sure no change will be needed to the spirit in which our respective staffs regard the association.

With kind regards,

Yours sincerely,

(s) H. McGOWAN.

Senator GEORGE. I will quote that part of the letter which, in the opinion of the committee, should be included in the record.
[Reading:]

The growing realization of the necessity to modify that accumulation of trade restrictions and barriers which the countries of the world have built up—Gt. Britain included—either on the pleas of self-preservation or in a mistaken endeavor to mitigate the effects of the depression on themselves—

referring to general economic depression—

should eventually bring about altered trading conditions and freedom from restrictions both in Europe and in the States, where public utterances and announcements indicate a readiness to take the initiative.

The further reference in the letter is to the relaxation of all trade restrictions, such as the antitrust laws, Sherman antitrust laws, and other trade restrictions, and further reference which has simply a bearing upon the cordial and close relationship of the two companies.

[Reading:]

I feel sure you will approve of what I have done.

That is a letter to the agents and representatives of the Imperial.

With a large organization such as we have, I find it is a good thing to issue such warnings from time to time—one went out at the time of the Ottawa Conference—

That conference, we assume, relates to the so-called "Empire trade agreement" between the various members of the British commonwealths. [Continuing reading:]

So that everything possible is done to ensure that no prospective political or legislative action on the part of the Governments is permitted to influence relations between du Pont and I.C.I.

Then this last sentence [reading]:

I am sure no change will be needed to the spirit in which our respective staffs regard the association—

referring to some possible additional agreements that might be found advisable to reduce to writing.

Senator VANDENBERG. Mr. Chairman, I would like to get just a little bit more information about the situation in the Argentine with respect to the apparent nullification of the embargo. Here is another letter from Mr. N. E. Bates, Jr., signed for the du Pont Co. and dated June 11, 1934, and addressed to the Imperial Chemical Industries. I will read one paragraph:

We replied to the above cablegram—

the cablegram being an inquiry apparently from Paraguay—
asking you—

that is, the I.C.I.—

to inform Ferriera—

evidently the spokesman for Paraguay—

that we could not quote because of the embargo on munitions and military explosives promulgated by President Roosevelt on Paraguay and Bolivia. Since there is no embargo obtaining in England, we telegraphed I.C.I., London, to quote to you direct, so that you in turn may quote Ferriera—

which I assume means Paraguay.

Is Mr. Bates or the du Pont Co. under any contractual obligation to notify I.C.I. of an inquiry of that character?

Mr. LAMMOT DU PONT. I think Mr. Bates is, because he was one of those joint agents.

Senator VANDENBERG. But Mr. Bates signs this letter with the E. I. du Pont de Nemours & Co.'s signature. Is your company under any obligation to do that?

Mr. LAMMOT DU PONT. I think not. He signed that letter with one of his official titles.

Senator VANDENBERG. Does not that put your company in a very equivocal position, to be faithfully observing the embargo so far as its own shipments are concerned and yet immediately communicating with I.C.I. so that it can achieve the same net results?

Mr. LAMMOT DU PONT. That, as I said before, is the embarrassment of any joint agent. He must follow the rules of one of his principals and also follow the rules of the other principal.

Senator VANDENBERG. But this communication is signed by your company, Mr. du Pont.

Mr. LAMMOT DU PONT. That is a very difficult proposition to determine, as to how Mr. Bates should have signed that letter. He was writing to one principal. The act he disclosed was the act of the agent of another principal. Do you get the point?

Senator VANDENBERG. I do; and at the same time the exhibit indicates a pious observance of the embargo as a patriotic American upon one hand and then an immediate nullification of that piety on the other hand.

Mr. LAMMOT DU PONT. But he did not nullify the thought of the embargo, as an American agent.

Senator VANDENBERG. He nullifies the effect of the embargo.

Mr. LAMMOT DU PONT. But not as an American agent.

Mr. CASEY. Senator Vandenberg, at the time that Bates took that action, he suspected, he was not sure. Therefore, he really felt he was leaning over backward to observe the provisions of the embargo, because he suspected it might not be intended for Montevideo. Now, he did not trace it down, because that would have taken time and he was not in a position to do so. He was in this country. But he merely suspected that it might have been intended for Montevideo, although there was no restriction about shipping to Montevideo.

Mr. RAUSHENBUSH. Senator Vandenberg, the document you quote from was June 11. I have a report of Mr. Bates of July 9, fully

a month after that, with a copy sent to the Imperial Chemical Industries, Ltd., in which, under a head of Paraguay he says:

"Our agent asked for prices on 200 kilograms picric acid, 2,000 kilograms TNT, 80 kilograms ballistite. I.C.I. London quoted direct to I.C.I. Buenos Aires."

That is a month later.

Senator BONE. Mr. Lammot du Pont, who is McGowan? What relation does he occupy to the Imperial Chemical Industries in London?

Mr. LAMMOT DU PONT. I understand he is chairman of the Imperial Chemical Industries.

Senator GEORGE. Chairman and managing director. That has been put in the record, Senator.

Senator BONE. Can you advise us whether or not since this letter was written in May 1933 there has been any legislative action either in Great Britain or in this country that influenced the relations of the du Pont Co. with the I.C.I.?

Mr. LAMMOT DU PONT. Not that I know of.

Senator BONE. Do you know what Mr. McGowan meant in using this language?

* * * I find it is a good thing to issue such warnings from time to time * * *

What sort of warnings did he have in mind? Did he have warnings to legislative bodies?

Mr. LAMMOT DU PONT. Well, I do not know what was in Sir Harry's mind.

Senator BONE. You know him fairly well. How would you interpret that statement; warnings to whom?

Mr. LAMMOT DU PONT. To his employees.

Senator BONE. I know; but he is referring to some legislative action. Whom would he warn, the legislators?

Mr. LAMMOT DU PONT. No; he would warn his employees not to get too excited about any legislation that might be passed.

Senator BONE. He says here:

* * * one went out at the time of the Ottawa Conference * * *

What sort of warning was that?

Mr. LAMMOT DU PONT. I presume that was a warning to employees not to get excited about anything that they might do at the conference.

Senator BONE. He continues in his letter:

* * * so that everything possible is done to insure that no prospective political or legislative action on the part of governments is permitted to influence relations between du Pont and I.C.I.

I was just wondering about this. It would not do any good to issue a warning to employees. They would not have any influence on the Ottawa Conference or the Washington Government, for instance.

Mr. LAMMOT DU PONT. It would have an influence on what the employees might do. I think that was whom he intended to warn.

Senator BONE. What do you think the employees could do to influence legislation —

Mr. LAMMOT DU PONT. Nothing.

Senator BONE. Or to prevent legislation?

Mr. LAMMOT DU PONT. Nothing.

Senator BONE. Or encourage legislation?

Mr. LAMMOT DU PONT. Nothing. He was warning them as to the effect of legislation.

Senator BONE. That does not seem to be the implication of the letter.

Mr. LAMMOT DU PONT. That was the way I read it. Of course, as I say, I do not know what was in Sir Harry's mind when he dictated the letter.

Senator, I would like to inquire whether the committee has read my reply to that letter of Sir Harry's.

Senator BONE. I am not aware.

Mr. LAMMOT DU PONT. They have a copy of it.

Senator BONE. Mr. McGowan seemed to be very anxious that the antitrust laws should be modified or eliminated. Can you tell us why he would be anxious to have that done? So that they could form a trust or monopoly?

Mr. LAMMOT DU PONT. I do not think that he was so anxious that it should be done.

Senator BONE. He says in this letter:

The growing realization of the necessity to modify that accumulation of trade restrictions and barriers * * *

The CHAIRMAN. Senator Bone, I suggest that you read the entire letter from the beginning.

Senator BONE. The letter has been read.

The CHAIRMAN. I understand, but maybe we could gather a better impression of what the purport of it is, if it was all read at one time.

Senator BONE. He also says in this letter:

Whatever the changes may be, and however they may affect our individual concerns, on one thing you may rely, * * *

I believe Mr. Raushenbush has read this letter?

Mr. LAMMOT DU PONT. Senator Nye, would it be appropriate to ask that the reply to that letter of Sir Harry's be put into the record?

The CHAIRMAN. Certainly, it may be entered into the record if you wish. Do we have a copy of it, Mr. Raushenbush?

Mr. RAUSHENBUSH. I have not got it here. We probably can get it.

The CHAIRMAN. Will you please make a note that we do get it and insert that reply at this point in the record?

Senator BONE. I think the reply might well be inserted right after this colloquy.

Mr. LAMMOT DU PONT. We can read it in right now, if you wish.

The CHAIRMAN. The letter was not read. If you want to insert your reply in the record, well and good. We are behind our schedule now, and let us proceed with the examination. Senator Vandenberg, had you finished?

(The reply of Lammot du Pont to Sir Harry McGowan, dated June 17, 1933, was marked "Exhibit No. 480." A letter from Lammot du Pont to heads of departments and presidents of subsidiary companies in reference to same subject was marked "Exhibit No. 480A." Both exhibits follow:)

EXHIBIT No. 480

I. C. I. General 1-19-33
 Copy: Foreign Relations Dept.
 Mr. George W. White.

JUNE 17 1933.

Sir HARRY MCGOWAN,
*Imperial Chemical House, Millbank, Westminster,
 London, S. W. 1, England.*

DEAR SIR HARRY: Your letter of May 29th, commenting on the improvement in the industrial conditions in this country, and referring to the prospective changes in international relations, was duly received.

I am much interested in what you say and heartily approve your attitude toward our patents and processes agreement and the relations between the two companies. I feel the same; namely, that our relations have been so happy and have produced such satisfactory results that we should let nothing in the way of international agreements interfere in any way with the progress we have made, or may make in future. If any legislation or international agreements are brought about which affect these I. C. I.—du Pont relations, I am sure we will be able to adjust ourselves so as to get the continued benefit of our agreement.

It is difficult to say how much of our improved business activity has been due to governmental action either prospective or accomplished. We have certainly had a wonderful improvement in business, but when I look at our chart showing the course of our sales from 1929 up until to date, it is perfectly apparent to me that something happened about a year ago which changed the trend materially. Since July 1932, every month, after allowing for the normal seasonal variations, has shown either an improvement or holding steady as to volume of business, except February and March 1933, when our volume suffered a terrific slump, due, of course, to the financial situation which ended in our "bank holiday." Since the bank holiday, the improvement has been very much more rapid, so that I think the public, generally attribute the improvement in business to something which the Administration has done.

I am enthusiastic about many of Mr. Roosevelt's policies, but cannot go along with him as to others, but I think the facts and figures show that the putting into effect of his policies was not what made business "turn the corner."

Yours sincerely,

LAMMOT DU PONT, *President.*

LduP/MD

 EXHIBIT No. 480 A

I.C.I. General 1-19-33

Copy

WENDELL R. SWINT,

Wilmington, Delaware, June 17, 1933.

To: Heads of departments and presidents of subsidiary companies.

From: L. Du Pont, president.

I have received recently a letter from Sir Harry McGowan, chairman of Imperial Chemical Industries, in which he refers to the changes in national policies and in international relations, both accomplished and prospective, I would like to call to your attention a quotation from his letter:

"Whatever the changes may be, and however they may affect our individual concerns, on one thing you may rely, they will not be allowed to disturb the harmony of the relations between our two concerns, which have so long and so well withstood the passage of time and its many fiscal variations, and I have warned my people that no fiscal variation in the U. S. A. must be allowed to affect the interpretation to be placed on our Patents and Processes Agreement, and the working out of the cooperation for which that agreement provides."

I have replied to Sir Harry that I highly approve his sentiments, and ask that you do all in your power to further this principle of friendly cooperation under the Patents and Processes Agreement between I. C. I. and du Pont.

L. DU PONT, *President.*

LduP/MD

Senator VANDENBERG. I am not yet quite clear about this embargo matter. A month after that other communication was sent by Mr. Bates to I.C.I., namely on July 9, 1934, again signing the name of the du Pont Co., Mr. Bates says:

Prices asked by Ferreira, who is our agent in Paraguay, but he happened to be in Buenos Aires whence he cabled the inquiry, were quoted direct by I.C.I. London to I.C.I. Buenos Aires for the reason that it was our desire to aid our Government in maintaining the embargo declared against Bolivia and Paraguay. Although the inquiry came from Buenos Aires, we imagined ultimate destination of the merchandise would be Paraguay. Hence our refusal to quote.

In other words, there was a very definite anxiety to observe the American embargo, so far as any shipments from America were concerned; is that correct?

Mr. LAMMOT DU PONT. That is evident.

Senator VANDENBERG. That is evident; yes. But I fail to see how it reflects any desire to aid our Government in maintaining the embargo, except as you consult the letter rather than the spirit of the situation if immediately a way is pointed out to Paraguay to evade the embargo. It does not seem to me that that action is in good faith an effort to aid our Government in maintaining an embargo. Is it?

Mr. LAMMOT DU PONT. It is not an effort to aid the American embargo, but it is a sincere effort to carry out his contractual obligations with his principal I.C.I.

Senator VANDENBERG. That is his personal obligation; that is not the obligation of your company?

Mr. LAMMOT DU PONT. Certainly not.

Senator VANDENBERG. Your company's name is appended to all of the exhibits and I draw the conclusion then, that this is improperly signed?

Mr. LAMMOT DU PONT. Senator, when he addressed I.C.I., he did not sign himself as the du Pont agent. He signed himself as the I.C.I. agent, I presume.

Senator VANDENBERG. No, I beg your pardon, he signs himself "For E. I. du Pont de Nemours and Co., N. E. Bates, Jr." That is the fact in both instances.

Mr. LAMMOT DU PONT. Perhaps he made an error. I should not think he would do that.

Senator VANDENBERG. Your company is not interested—let me put this affirmatively—your company is interested in good faith efforts to maintain embargoes when the President declares them?

Mr. LAMMOT DU PONT. I said so before. We are.

Senator VANDENBERG. And you would not countenance any back-door evasion of the embargo in the name of your company?

Mr. LAMMOT DU PONT. No.

Mr. PIERRE S. DU PONT. Senator, may I ask whether your conception of an embargo is that our agents are obliged to interfere with a friendly nation receiving supplies from abroad?

Senator VANDENBERG. I do not think it is a question of interference with a friendly nation. I think it is a question of an American citizen using his information to defeat a provision of an American public policy.

Mr. LAMMOT DU PONT. He did not do that, Senator. The American public policy was not to stop munitions going from Great Britain to either belligerent.

Senator VANDENBERG. Was not the purpose of the American embargo to stop munitions going to Bolivia and Paraguay?

Mr. LAMMOT DU PONT. American munitions.

Senator VANDENBERG. Why? For the purpose of penalizing American munitions makers or for the purpose of encouraging peace?

Mr. LAMMOT DU PONT. I hardly think the American Government intended to interfere with Great Britain.

Senator VANDENBERG. But the American Government, so far as it could, wanted to stop the shipment of munitions into Paraguay and Bolivia, did it not?

Mr. LAMMOT DU PONT. Wanted to stop American shipments.

Senator VANDENBERG. That is all it could stop, surely—that is, American shipments.

Mr. LAMMOT DU PONT. Yes.

Senator VANDENBERG. The reason it wanted to stop them was not to penalize American manufacturers. It was to keep such munitions as the American Government controlled out of that belligerent zone, was it not?

Mr. LAMMOT DU PONT. Well, I would suspect that that was the reason; I do not know.

Senator VANDENBERG. Obviously. Yet, Mr. Bates, writing in the name of your company scrupulously observes that prescription; but while he does that with his right hand, his left hand is notifying the I.C.I. that some munitions orders are awaiting in Bolivia and Paraguay.

Mr. LAMMOT DU PONT. I see your point, and it was due to his double capacity.

Senator VANDENBERG. Do you not think that that is a very dubious sort of an arrangement?

Mr. LAMMOT DU PONT. It turned out to be dubious. But, of course, that arrangement was made long before the embargo.

Mr. PIERRE S. DU PONT. Surely you do not take the position that the intent of the embargo was to interfere with these countries obtaining munitions?

Senator VANDENBERG. Yes; insofar as we could control the situation. Of course, we could not control the situation beyond our own borders. I take the position that the very fine loyalty which your company exercises in respect to embargoes—and I mean that sincerely—is blemished by the appearance of the signature of your company upon a notification to I.C.I. as a means of avoiding the American purpose.

Mr. PIERRE S. DU PONT. The American purpose, so far as we have any conception of it was to see that America did not permit one side of a contest to receive munitions against the other side. But it was not to interfere with their rights to declare and pursue their war, surely. We have no rights there; at least I hope our Government is not going that far.

Senator VANDENBERG. Certainly, we are not going that far. But the obvious desire of the President, when he promulgates an embargo, is to immunize that area against war materials. He cannot have any other purpose.

Mr. PIERRE S. DU PONT. I sincerely hope he has not that purpose.

Senator VANDENBERG. I think that is precisely his purpose, insofar as it lies within his legitimate power. I am simply inquiring whether it does not become highly equivocal for an American citizen, to put your company in a position of very faithfully observing the American embargo and yet pointing out a way to achieve the same net result so far as the potential purchaser is concerned?

Mr. PIERRE S. DU PONT. If the purpose of the embargo is the one you represent, I hope that we will be instructed that no American citizen should in any way assist either of the belligerents in obtaining supplies from anywhere.

Senator VANDENBERG. Well, I think that was his obligation.

Mr. IRÉNÉE DU PONT. It seems to me, if this letter had been signed I.C.I., N. E. Bates, you would have taken no exception to it. Here is a man who, in his dual capacity, probably signs 99 percent of his letters this way. I do not see how this can be taken as a reflection on the du Pont Co. Here is a joint agent. In this case he is an agent of the I.C.I. and is writing to his principal. He happens to sign our name over his signature. Certainly it is not the desire of anybody in Wilmington, Del., that this letter be written. It never came here. I never saw it until this minute. It is pretty hard for a man who signs a great many letters to be perfectly sure that he is never making an error in just how he signs his name.

In other words, I think if this letter had been written and signed "I.C.I.," you would not have criticized it.

Senator VANDENBERG. I think that if this letter had been signed "I.C.I." and had made no reference to the American embargo—

Mr. IRÉNÉE DU PONT. He would have had to mention the American embargo. He would have written his principal and said "The Americans will not quote on this; here is your opportunity." He would have done that, and you would have taken no exception to it.

Senator VANDENBERG. I would have had no objection, except that I think Mr. Bates, as an American citizen, ought not to be taking upon himself this dual relationship in respect of matters of public policy.

Mr. IRÉNÉE DU PONT. If he had not been there, they would have had another agent at higher expense, who would have done the same thing.

Senator VANDENBERG. That is not our business. Patriotism is not a matter of pay rolls. I object to the fact that he is insisting upon his desire to aid our Government in maintaining an embargo against Bolivia and Paraguay and at the same time is proceeding to operate as indicated. If he had signed the letter "I.C.I." I concede that the situation would be far different.

I agree with you, sir; that your company is not to be castigated for the improper use of its signature by an agent 5,000 miles away.

Senator CLARK. May I direct attention to the fact that the context of this letter as well as the signature would indicate that he was writing as an agent of the du Pont Co. In addition to being signed "For E. I. du Pont de Nemours & Co.," the letter contains this language:

We replied to the above cablegram as per copy attached asking you to inform Ferreira that we could not quote because of the embargo on munitions and military explosives promulgated by President Roosevelt on Paraguay and

Bolivia. Since there is no embargo obtaining in England, we telegraphed I.C.I. London to quote to you direct so that you in turn may quote Ferreira.

The use of the term "we" and the fact that the language is used, "we could not quote because of the embargo", clearly indicates that the letter was written in his capacity as an agent of du Pont.

Mr. IRÉNÉE DU PONT. Your point is very well taken, Senator. There is no question that this man was a little bit muddled because of his relationship in serving two masters.

Senator CLARK. That may be. But that goes back to the point made by Senator Vandenberg of the impropriety of such an arrangement.

Mr. IRÉNÉE DU PONT. He may have been overzealous in working for the company.

Senator GEORGE. To say the least, he was not quite frank when he says in one breath that he wished as an American to observe the embargo, and at the same time he asks Imperial Chemical Industries to make quotations on these materials. In other words, he was not dealing quite frankly in the situation.

Mr. IRÉNÉE DU PONT. I think you are quite right. If he had as much brains as you have he would not have retained a copy of the letter at all.

Mr. CASEY. Senator Vandenberg, after all is not the answer that unless all nations agree to an embargo, the main object of the embargo is not accomplished?

Senator VANDENBERG. I entirely agree; that is perfectly true. But if the world is full of Mr. Bateses who care more about the letter than the spirit of agreements, that is undoubtedly true.

Senator BONE. Might it not be considered another case of the voice of Jacob but the hand of Esau?

Mr. IRÉNÉE DU PONT. I am not up on that part of the Bible. You will have to go a little further.

Senator BONE. I do not know that the committee can qualify as biblical scholars. I do not even know that I have the quotation right.

I am going to ask one more question. This does not apply to your company at all; I want you to understand that, in making your answer. We have had a lot of testimony in this hearing thus far indicating very clearly that munitions—not powder of your type particularly—but munitions of war have been shipped into South America and then transshipped into belligerent territory. That is quite possible, is it not? In other words, it would be quite possible to ship munitions of war of any kind into a South American country and from there transship them into a belligerent territory?

Mr. LAMMOT DU PONT. I should see no reason why it could not be done. I have not been there. I suppose it could be done.

Senator BONE. As a practical thing—this matter does not apply to your company—but as far as the practical application of it is concerned, that would be possible?

Mr. LAMMOT DU PONT. I presume so.

Mr. IRÉNÉE DU PONT. Bootlegging is a well-known art.

Senator BONE. That is right. It might have been a sort of international bootlegging transaction.

Mr. RAUSHENBUSH. May I ask this question? Who pays Mr. Bates' salary?

Mr. LAMMOT DU PONT. The du Pont Co. does.

Mr. RAUSHENBUSH. The du Pont Co. pays Mr. Bates' salary?

Mr. LAMMOT DU PONT. Yes.

Mr. RAUSHENBUSH. I would like to ask one more question. I did not quite understand earlier in the testimony about the commission arrangement between I.C.I. and du Pont. Does du Pont get any kind of commission from the business which the agent whose full salary you pay, Mr. Bates, gets in South America and turns over to I.C.I.? Does du Pont get any commission on that?

Mr. LAMMOT DU PONT. I think the contract will determine that definitely. My impression is that du Pont does get a commission.

Mr. RAUSHENBUSH. The du Pont Co. would have gotten a commission, then, or did get a commission, if this business went through to Paraguay?

Mr. LAMMOT DU PONT. I presume so.

Mr. RAUSHENBUSH. If that is the case, I want to ask you a question about a letter that was addressed to President Roosevelt and signed by the president of the company on June 6, 1934, in which there is a guarded statement [reading]:

In view of the great amount of publicity recently given to the conflict in the Grand Chaco and of congressional action just taken relative to sales of arms and munitions of war to the countries engaged in this conflict, it is perhaps well to give here a statement of sales made by the Remington Co. to Bolivia from the time du Pont acquired its interest in Remington Co. to date. These sales have amounted to 20,700,000 rounds of rifle cartridges with a sales value of \$373,100. During this same period Remington has made no sales to Paraguay. The du Pont Co. has made no sales of propellant powder or military explosives, or other munitions, to either Bolivia or Paraguay for a number of years.

In view of the testimony just brought out, that is not quite the fullest statement that would cover the situation, is it?

Mr. IRÉNÉE DU PONT. What is the date of this letter?

Mr. RAUSHENBUSH. June 6, 1934. The letter is before Mr. du Pont now.

Mr. IRÉNÉE DU PONT. What is the date of Mr. Bates' letter?

Mr. RAUSHENBUSH. There are several of those. The first of them began on July 7, I think—

Senator GEORGE. There is a cablegram dated June 7, 1934, and a letter of the same date.

Senator VANDENBERG. The first one I read was June 11, and the second one was July 9.

Mr. RAUSHENBUSH. We have here a cablegram, which is "Exhibit No. 478", dated June 7, 1934, which says [reading]:

Advise Ferreira cannot quote owing to embargo. I.C.I. London will quote direct to you.

My only question was, that this was not quite as full and frank a statement to the President of a country on such a situation, as could have been made.

Mr. LAMMOT DU PONT. I think it was as full as could be placed in a letter of that kind, Mr. Raushenbush. There were a number of other things that that letter does not touch upon that of necessity had to be left out. It could not cover the whole history of the company.

Mr. RAUSHENBUSH. This may be just a personal interpretation, but it seemed to me that you were trying—I do not want to read words into your mind—but you were trying to give the impression that the company was not really interested in the Bolivia-Paraguayan situation at a time when you had an agent down there who was actively interested, perhaps not as much for American companies as for the British company in that case.

Mr. LAMMOT DU PONT. No, sir; I think you have misinterpreted the letter. We were trying to give the impression that we were living up to the embargo.

Mr. RAUSHENBUSH. You were trying to give the impression that you were living up to the embargo?

Mr. LAMMOT DU PONT. Yes; and I think we did live up to it, as far as we were able to.

Mr. RAUSHENBUSH. And yet you pay the salary of the man in full, do you not?

Mr. LAMMOT DU PONT. Yes.

Mr. RAUSHENBUSH. I.C.I. does not pay it?

Mr. LAMMOT DU PONT. No. There are other agents that I.C.I. pays in full whom we do not pay.

Mr. RAUSHENBUSH. You are not referring to Mr. Taylor in Paris?

Mr. LAMMOT DU PONT. No.

Mr. RAUSHENBUSH. That is a 50-50 arrangement?

Mr. LAMMOT DU PONT. Yes.

Senator VANDENBERG. May I ask any of these gentlemen whether they have ever had the experience of declining an order because of State Department policy and a faithful desire to cooperate and then have discovered that some paraphrase of the order was filled from other sources in the United States, notably from second-hand stocks? Have you ever had any information about the sale of second-hand stocks in the United States upon orders which you had declined to fill because of State Department policy?

Mr. LAMMOT DU PONT. I do not know of any such case, Senator. But this military business is a very small part of our total business. I do not pay very much attention to it individually. May I ask Major Casey to answer that?

Senator VANDENBERG. Yes.

Mr. CASEY. Perhaps I can answer it in this way, Senator: I cannot give you any illustration of where another American manufacturer has supplied material against an embargo where we know about it, for the reason that we do not supply finished rounds of ammunition. We only supply a component. I can give you, though, an illustration of how we handled one particular case. I would prefer not to mention the name of the country. But it was a case which was a rather delicate one, within the last year we will say, in which an order was sent to us. It was to be a c.i.f. order; that is, I mean, delivered in the country. We promptly took it up with the Military and Naval Intelligence. There was no embargo, no way of having an embargo. It was unnecessary to take it up with the State Department, because if there were an embargo, then they would act. This was a question whether there was a desire or not; the people we spoke to said, "Do everything you can to delay that." So we re-

fused to quote c.i.f. They said, "Do not bring us into it." Now, if you feel I should not bring this out, I will keep quiet.

Senator VANDENBERG. No, go ahead, because I wanted to ask you about it. I know what you are talking about.

Mr. CASEY. They came back and said they could make their own transportation arrangements from New York. We said "We will not quote New York. If you want this material you have got to take it at our plant." We so delayed the thing that we were successful in preventing their getting the material, without involving anybody.

Senator VANDENBERG. Were you advised in that connection that equivalent material was or could be obtained from an island in the Hudson River?

Mr. CASEY. Were we advised?

Senator VANDENBERG. Yes, sir.

Mr. CASEY. No; I do not think the material could have been obtained from an island in the Hudson River. They did not have the material. I know the island you refer to.

Senator VANDENBERG. Do the operators upon that island, as far as you know, have any foreign trade?

Mr. CASEY. That I could not tell you. They have been in business for a great many years and I imagine they still continue to do a certain amount of foreign trade when they have material available that suits.

Senator VANDENBERG. You do not know whether in the particular instance we are discussing your refusal to deal was followed by a willingness to deal on the part of anybody else?

Mr. CASEY. I did not hear of anything. The fact of the matter was the material they were after was material that we at that time were the only ones in the country that could supply it. So we felt reasonably sure, if we cooperated with the request that we got, it would serve the very purpose they were after.

Senator VANDENBERG. You evidently did cooperate, and I was wondering if the price you paid was to see the business go into this particular outfit from a bootleg source?

Mr. CASEY. Whether what?

Senator VANDENBERG. Whether the price paid was to see whether the order was filled from an American bootleg source?

Mr. CASEY. How could they do it, they didn't have the materials and they would have to come to us for the materials. If we had any suspicion at all we would not furnish it. We would not sell to any concern in this country unless we knew the ultimate destination of the material.

Senator VANDENBERG. That does not reflect on your company at all, but it is a compliment to your company. I am trying to discover whether after you lived up to your purpose of cooperating with the Government you have ever found the Government circumventing that by shipments from other sources in the United States?

Mr. CASEY. We have heard of it in an indirect way that sometimes that material got through, but who it came from or how, I could not tell you.

Senator VANDENBERG. Are there sources in the United States which are not considered to be, let us say, standard sources?

Mr. CASEY. I presume there is a certain amount of scrap material around in this country which some people might be able to pick up, but where it is I do not know.

Senator VANDENBERG. It is your impression that there is a certain amount of that traffic out of the United States.

Mr. CASEY. I think there is, but I have no way of being sure in making that statement.

The CHAIRMAN. Senator Pope, you may proceed.

Senator POPE. Mr. du Pont, following this designation of your attitude in 1934 with reference to the embargo act, what would you say was the attitude of your company as to previous bills or resolutions introduced in Congress providing for embargoes on war materials?

Mr. PIERRE DU PONT. I was not aware there were any such. I have not been very active in that department of the business, and I do not know of any.

Mr. LAMMOT DU PONT. Senator, I do not know of any.

Senator POPE. You were not aware of any such resolutions introduced in Congress, the Fish resolution, for instance, in 1932?

Mr. LAMMOT DU PONT. I do not recall it.

Senator POPE. Mr. Casey, how about you?

Mr. CASEY. What was it?

Senator POPE. The Fish resolution, No. 282.

Mr. CASEY. Wasn't the Fish resolution in connection with the endeavor to establish a world-wide embargo in which all of the countries would participate?

Senator POPE. Yes; exactly.

Mr. CASEY. Yes; I have heard of that.

Senator POPE. What was your attitude, if you had an attitude towards the enactment of such a measure as that?

Mr. CASEY. If all countries agree, we would have no objection.

Senator POPE. You would have no objection?

Mr. CASEY. If all countries agreed, but if other countries are allowed to ship, then we think it is discrimination.

Senator POPE. Let me ask you again exactly the position with your company of Mr. Aiken Simons?

Mr. CASEY. He is an assistant of mine.

Senator POPE. What are his duties?

Mr. CASEY. His duties are primarily to relieve me of a lot of things I cannot take care of.

Senator POPE. Now, what are some of those things you cannot take care of?

Mr. CASEY. There are some of these things that come very close to that letter of General MacArthur.

Senator POPE. I will ask you, Mr. Casey, whether or not it is the duty or business of Mr. Simons to contact officials in the War Department with reference to legislative matters?

Mr. CASEY. Absolutely not. We take no part whatever in legislative matters.

Senator POPE. You are sure of that?

Mr. CASEY. I am talking for my department.

Senator POPE. What about the other departments?

Mr. CASEY. I cannot speak for them.

Senator POPE. Were you about to say something, Mr. Felix du Pont?

Mr. A. FELIX DU PONT. No, sir.

Senator POPE. I refer you to a memorandum signed by Mr. Aiken Simons under date of January 17, 1933, Wilmington, Del., and dated Washington, D.C., January 16, 1933, it having these two dates on it, and I will read the first paragraph of that memorandum as follows:

The principal object of this visit was to discuss with the War Department officials a bill now pending in the United States Senate authorizing the President to declare at his discretion an embargo on the shipment of munitions to foreign countries. The details of this visit are covered in a separate memorandum.

Did you ever see this memorandum?

Mr. CASEY. This one, yes.

Senator POPE. Were you familiar with its contents?

Mr. CASEY. Yes.

Senator POPE. What would you say as to that first paragraph I have read discussing the visit of Mr. Simons to the War Department to discuss this matter of an embargo?

Mr. CASEY. It was perfectly natural we should discuss with the War Department to find out what their attitude was as affecting the national defense.

Senator POPE. Then I misunderstood you a minute ago when you said Mr. Simons and no one else of your department discussed with the War Department officials legislation of this kind?

Mr. CASEY. Anything attempting to influence legislation is what I meant.

Senator POPE. You did not understand this embargo was passed.

Mr. CASEY. We asked them what was their position. When the War Department or the Navy Department say they have no objection, then we have none. But if they feel it would hurt national defense, then our position might be entirely different.

Senator POPE. In that connection, I call your attention to the memorandum which Mr. Simons referred to in that letter. It is dated Wilmington, Del., January 17, 1933, and marked "Confidential memorandum to Maj. K. K. V. Casey, director, proposed embargo on shipment of munitions", and it states:

Colonel Taylor in his T-2544 of December 28th, which was his annual report for the year, made some very interesting comments on the effect of disarmament in Europe. This was extracted in a memorandum dated January 16, addressed to you, and sufficient copies prepared so that they could be handed to interested officials in Washington.

Did you know about the preparation of that memorandum by Mr. Aiken Simons and its being handed to the officials of the War Department?

Mr. CASEY. I believe that was an extract from Colonel Taylor's letter. He was giving his report on the European reactions.

Senator POPE. What was the nature of those European reactions?

Mr. CASEY. Regarding the effect of an embargo.

Senator POPE. Meaning an embargo already in force?

Mr. CASEY. No; the effect of a possible embargo. We take no action regarding whether legislation is passed or not, but we simply want to know what the effect would be.

The CHAIRMAN. Senator Pope, would you develop who Colonel Taylor is or was?

Senator POPE. Yes; who is Colonel Taylor?

Mr. CASEY. He is our representative in the Paris office.

Senator VANDENBERG. Is he the joint representative of I.C.I. and du Pont?

Mr. CASEY. Yes, sir.

Senator POPE. How long has he been in that capacity?

Mr. CASEY. I think possibly since about 1921 or 1922.

Senator POPE. Do you know whether or not he attended the disarmament conference.

Mr. CASEY. We saw a notice in the New York Times where somebody spied him in the gallery one time. He was not under our instructions, but he was simply there because he thought he would see what it looked like, and went in the gallery one time and a couple of New York reporters saw him in the gallery and reported it to their paper.

Senator POPE. He was there long enough to make this report on the disarmament conference?

Mr. CASEY. 1933 was not the time he was present.

Senator POPE. When was he present?

Mr. CASEY. I think it was maybe 1932, but that was one of the other meetings.

Senator POPE. His report related to the disarmament conference which he attended sometime before the date of this memorandum. Is that correct?

Mr. CASEY. I do not think it related to the conference then, but I think it was relating to the effect of disarmament in Europe.

Senator POPE. I call your attention to this further statement in the report:

On the morning of Monday, January 16th, I called on Major R. D. Brown of G-2 and handed him a copy of the memorandum and asked his opinion on the situation.

Who was Maj. R. D. Brown?

Mr. CASEY. I believe he was an officer in the military intelligence. That is what G-2 means.

Senator POPE. Do you know Major Brown?

Mr. CASEY. I may have met him, because I have been over there.

Senator POPE. This report further states:

Major Brown was concerned, since the authority of the President to declare an embargo on munitions had been presented to the Senate in the form of a bill and this bill is already out of committee. Major Brown's concern is justified. I then called on General Mosely, Deputy Chief of Staff.

By the way, did Mr. Simons tell you orally of his conference with Major Brown?

Mr. CASEY. No; all I got is in here, because this really covered the situation.

Senator POPE. The report further states:

I then called on General Mosely, the Deputy Chief of Staff, waiting sometime while General Mosely was in conference with General MacArthur, Chief of Staff, and Mr. Frederick H. Payne, Assistant Secretary of War. General Mosely received me, and after glancing over the memorandum instructed me to get a copy in the hands of Mr. Payne at once, since Mr. Payne had just been discussing the matter.

Did you also see Mr. Payne or General MacArthur about that time?

Mr. CASEY. Personally?

Senator POPE. Yes.

Mr. CASEY. No.

The CHAIRMAN. You asked, "personally." Who did see him?

Mr. CASEY. What was that, Senator?

The CHAIRMAN. Who did see him, or do you know who saw Mr. Payne?

Mr. CASEY. This letter is signed by Aiken Simons.

The CHAIRMAN. Yes; but who did see Mr. Payne?

Mr. CASEY. I do not see there is any reference in here that he did see him. He says he then called on Colonel McFarland and left the memorandum with him.

Senator POPE. Yes, it says:

I then called on Colonel McFarland.

Who is Colonel McFarland?

Mr. CASEY. Executive officer in the office of the Secretary of War.

Senator POPE. I read further as follows:

Who advised me it would not be possible for me to see Mr. Payne at the moment, but that the memorandum would be placed in his hands at the first opportunity, that Mr. Payne was much interested in it. I then called on Captain Ogan, naval officer of intelligence and handed him a copy and asked him that it be brought to the attention of the Secretary of the Navy. Captain Ogan informed me that he had no method to get it to the Secretary of the Navy and suggested that I call the Chief of Ordnance.

Do you know whether the matter was finally presented to the Secretary of the Navy?

Mr. CASEY. I do not. We felt that our obligation was fulfilled as American citizens.

Senator POPE. Is Mr. Simons here?

Mr. CASEY. No; I understand he was excused on account of a very severe physical condition.

Mr. RAUSHENBUSH. Mr. Chairman, I took the responsibility of doing that. It seems he is rather old and a very ill man, and we asked the company if somebody would stand examination on his correspondence and they said they would do so. And in that case I excused him.

Senator POPE. Now, do you know what particular embargo or proposed legislation was up for consideration at that time?

Mr. CASEY. No; I could not tell you. I probably would remember the incident if I could see what the report of Colonel Taylor was.

Senator CLARK. It was the embargo recommended by the President of the United States, which was immediately after this filibustered to death by the Senator from Connecticut, was it not?

Mr. CASEY. I don't know, I didn't follow that.

Senator POPE. Are you familiar with the general resolution no. 282 introduced by Mr. Fish on February 9, 1932 and printed on March 30, 1932, that was then pending?

Mr. CASEY. I could not say I was familiar with it. I probably had read it, or I may have just read the preamble.

Senator POPE. This is the resolution and we will have this marked "Exhibit No. 481."

(The resolution referred to was marked "Exhibit No. 481," and is included in the appendix on p. 1338.)

Senator POPE. I hand you this printed copy of the resolution and ask you if you are familiar with it?

Mr. CASEY. I think I saw it.

Senator POPE. Was it discussed by you and Mr. Aiken Simons?

Mr. CASEY. No; other than this correspondence here. There was another resolution.

Senator POPE. Another embargo resolution?

Mr. CASEY. Yes.

Senator POPE. What was your talk with him about?

Mr. CASEY. There was nothing at all we could do about it, because we have not attempted at any time, as I said before, to influence legislation.

Senator CLARK. Did Simons have authority from you, Mr. Casey, to call on the various officers of the War and Navy Departments and circulate this memorandum prepared by Colonel Taylor on the effect of this disarmament in Europe?

Mr. CASEY. I think that comes close to the national defense.

Senator CLARK. That was connected with this resolution, because the memorandum is headed "embargo resolution?"

Mr. CASEY. No; there is something I would want to understand in that connection.

Senator CLARK. Did he have authority from you to circulate that among the high Government officials, which he reported to you he had done?

Mr. CASEY. To give them something our representative over there had learned which might affect the United States Government; yes.

Senator CLARK. This memorandum is a report to you from Mr. Simons, and is headed "Proposed embargo on munitions" (reading):

Colonel Taylor in his T-2554 of December 28th, which was his annual report for the year made some very interesting comments on the effect of disarmament in Europe. This was expressed in a memorandum dated January 16th addressed to you.

And that evidently shows that was in connection with the embargo resolution. Had you instructed Simons to do that?

Mr. CASEY. Have you a copy of Colonel Taylor's memorandum?

Senator CLARK. No; I have not, but that report shows it was in connection with this embargo resolution, and what I am asking is, did you instruct Simons to circulate the report among Government officials?

Mr. CASEY. I would not instruct him unless that report was of interest to the Government.

Senator CLARK. Did you instruct him in this case?

Mr. CASEY. In this case I do not know whether I instructed him or not.

Senator CLARK. That report was made to you.

Mr. CASEY. Yes; after the fact.

Senator CLARK. So that your statement a while ago that the du Pont Co. had nothing to do with proposed legislation or discussion of it with Government officials was not correct, was it?

Mr. CASEY. I said we made no attempt to influence legislation. Calling attention to the effect of an embargo in Europe, struck me as being of interest to the officers of the Army and Navy. We had

nothing to do with the matter whatever, but it was a question of advising them what effect this resolution might have in Europe, and that is a matter of military importance to the Army and Navy.

Senator BONE. It would be intensely interesting to the officers of the United States Army?

Mr. CASEY. Yes.

Senator BONE. And can you tell the committee whether it would also be interesting to the people of the United States to know the effect on world politics; do you think it might not be equally interesting to the people of the country to have these facts?

Mr. CASEY. We would not be the proper ones to give that out.

Senator BONE. You gave it to the Army officers.

Mr. CASEY. Yes.

Senator BONE. Army officers are not the only people who suffer in case of war. The mothers and fathers of the boys who go into war also pay the price.

Mr. CASEY. Yes.

Senator BONE. Would you suggest there is any lack of propriety in having the people know what was going on?

Mr. CASEY. We were not the proper ones. The newspapers are covering these matters.

Senator BONE. The people pay the price, and all of the bills.

Mr. CASEY. Yes.

Senator BONE. Can you say that information of this kind should not go to the people of the country? Do you think these things should be kept from the people?

Mr. CASEY. They should not be.

Senator BONE. Do you think there should not be given to the people, the fathers and mothers whose boys go out and pay the price, full information; you would not want to suggest that, would you?

Mr. CASEY. Oh no.

Senator BONE. I was thinking about some of the suggestions of this situation being confidential. Nothing should be confidential when some boy has to shoulder a musket and go out and die. Would you share my view on that?

Mr. CASEY. I would.

Senator POPE. Now, Mr. Casey, I am referring to a document which I should be fair and say contains the stamp to which reference was made this morning, put there either by you or the du Pont Co.

This memorandum is dated Wilmington, Del., April 7, 1932, and Washington, D.C., April 6, 1932, apparently being a report of actions by Mr. Simons on April 6. It says:

I called by appointment on General Hof to discuss House Joint Resolution 282, proposing a resolution whereby the United States Government would join all other nations in renouncing the sale or export of armaments, munitions, or implements of war.

I think you said a few minutes ago so far as you knew, you would have no objection to an embargo for all nations?

Mr. CASEY. Yes, that is right.

Senator POPE. This memorandum further reads:

Since Mr. Fish has introduced somewhat similar resolutions on several other occasions, the Ordnance Department had not taken the bill very seriously and was not aware that it had been reported out of committee and put on the House Calendar.

Senator BONE. Major Casey, one question suggests itself to me in passing here. Can you tell us why, in discussing these embargo resolutions, the suggestion was made there about the vital need of maintaining private manufacture of munitions in this country? What is the association of ideas? Can you enlighten us on that? Why would that question of private manufacture come up in correspondence or discussion about that embargo on munitions?

Mr. CASEY. I might tell you a story there, if you will permit me.

Senator BONE. I do not want to prolong it, but I thought there might be a short reply.

Mr. CASEY. This will be short. Directly after the war, you must realize that the United States had two of the finest powder plants in the world, one at Old Hickory and one at Nitro, W.Va., with probably the greatest capacity of any country in the world. In that situation, together with the fact that there were tremendous stocks of surplus powder left over, our directors gave serious consideration to going out of the powder business indefinitely. When I heard that, I wanted to see whether there would be any objection on the part of the Ordnance Department of the Army, primarily to our going out of the business, so on my next trip to Washington, I think it was in the latter part of May, or in June 1919, I mentioned the matter to General Williams, and explained to him about our powder plants and terrific stocks, and there did not seem to be any reason at all for us staying in the business. As a result of that he wrote a letter to the president of the company, at that time Mr. Irénée du Pont, and that resulted in an exchange of correspondence which Mr. du Pont probably has with him. But, summing it up, they urged us to stay in the powder business in the interest of national defense, one reason being they felt we had the facilities, that means the technical knowledge and the ability to expand to supply the needs in a number of things to the Government in time of emergency.

As a result of that, and the further correspondence, we entered into an arrangement with the Ordnance Department whereby we agreed to undertake experimental research work to try to correct some of the shortcomings of the ammunition and guns that the report of the Westervelt Board had named, that being a Government board.

Senator BONE. Was this your information, or did you understand from the Government that if there was a world-wide embargo on munitions that would put all private plants out of business; or in your judgment would that be the effect of such an embargo?

Mr. CASEY. I am talking about 1919.

Senator BONE. Perhaps we do not understand each other. I am talking about the vital need of maintaining private manufacturing of munitions in this country, and I was wondering if a world-wide embargo would stop that?

Mr. CASEY. If a world-wide embargo would stop all private manufacture of munitions, then we are relieved of our obligations to supply material, and we look upon this thing as a thing we want to do, because we could take the money invested in that and put it into the development of commercial things.

Senator BONE. How would you get the money out of the plants if you had to junk them?

Mr. CASEY. We would take whatever is left, that is all I can say. Of course, as to what is invested in the plant, the working capital is invested in the plant.

Senator BONE. Keeping in mind it is the policy of your company not to oppose embargoes where all of the nations enter into an agreement to impose a general embargo, I call your attention particularly to this joint resolution numbered 282 which has been referred to in this memorandum, and a copy of which has been introduced into the record. This resolution provides:

That the American delegates participating in the general disarmament conference now being held at Geneva, Switzerland, be requested to propose a multilateral agreement renouncing the sale or export of arms, munitions, or implements of war to any foreign nations, in accordance with the intent and purpose of the Kellogg-Briand pact renouncing war as an instrument of national policy.

Now, keeping that in mind, I want to read you further from the report or memorandum submitted to you by Mr. Aiken Simons, as follows:

General Hof called up General Macfarland, of the office of the Assistant Secretary of War, and invited his attention to the above (now that is, H.Res. 282 and the fact it had been reported out of committee), at the same time calling attention to a letter which the Assistant Secretary of War had written to Mr. Morin under date of March 6, 1928, protesting against H.J. Resolution 183, of somewhat similar purport. General Hof suggested that with slight modification the above letter would serve the purpose at the present time.

At General Hof's suggestion, called on Colonel Macfarland and discussed the matter with him. He also was not aware that the resolution had come out of committee.

Called on Admiral Larimer, Chief of the Bureau of Ordnance, U.S.N., and discussed the same matter with him. Admiral Larimer called up Capt. H. K. Cage, chief of the Material Division, Office of Chief of Naval Operations, and called his attention to the resolution and its status, of which neither of these officers had been aware until their attention was called thereto. Captain Cage will take proper action to have the bill opposed on the floor of the House.

Who is Captain Cage?

Mr. CASEY. I believe he is a naval officer, from the reading of that.

Senator POPE. What do you know as to what action was taken by Captain Cage to have the bill opposed on the floor of the House?

Mr. CASEY. I have not the slightest idea. You want to realize the reason we direct their attention to these things is this, as I said before we are in the business because the Government has asked us to be in the business, and if there is going to be any change where the Government does not want us in the business we feel we should take action and notify these people and have them say they still want us in the business. It is their job to fight, and not ours.

Senator BONE. By "they", do you mean the War Department?

Mr. CASEY. They are the only people we have any contact with.

Senator BONE. You are not referring to the Congress of the United States?

Mr. CASEY. No; they are the only ones we have any contact with.

Senator POPE. What else did you do to bring that to the attention of the naval officers and have the bill opposed by naval officers?

Mr. CASEY. We were making no effort to have the bill opposed. We simply directed their attention to the bill because of the effect it might have on their national defense plan. If you will take the office of the Secretary of War, I think you will find he is

specifically charged under the act of 1920 with the duty to take care of what they term industrial preparedness, and if there is a question of cutting out the private manufacturer, then his entire program is changed.

Senator BONE. Do you know what appropriate action was taken by Captain Cage of the War Department?

Mr. CASEY. I have not the slightest knowledge. We never went any further with this matter.

Senator CLARK. Now, the so-called "Fish resolution", which your representative advised various officials of the War Department and Navy Department as to its status, and reported to you by this memorandum of April 6, 1933, was not the same resolution referred to in that memorandum dated in 1933 when he circulated the Taylor report, was it?

Mr. CASEY. That I do not know.

Senator CLARK. In other words, there was another resolution introduced in the Senate by Senator Borah at the request of the President of the United States, which resolution was reported out by the Foreign Relations Committee and filibustered to death by the Senator from Connecticut?

Mr. CASEY. That I do not know.

Senator CLARK. What did you understand when you got these reports?

Mr. CASEY. In order to know what I am talking about I would have to see the memorandum of Colonel Taylor referred to in this report.

Mr. RAUSHENBUSCH. My investigators tell me that they do not have it.

Senator CLARK. Colonel Simons was acting under your instructions when he made these representations to the War and Navy Departments?

Mr. CASEY. Yes; it undoubtedly would mean we would have to decide what our future action would be.

Senator CLARK. What I mean, he was acting under your instructions when he reported to you?

Mr. CASEY. Yes.

Senator CLARK. So he was not a mere irresponsible agent as Mr. Bates was in South America?

Mr. CASEY. Oh, no.

Senator POPE. What was your attitude toward the Nye resolution under which we are now acting?

Mr. CASEY. What is that?

Senator POPE. What was your attitude toward that resolution?

Mr. CASEY. At the beginning we did not know exactly what it all meant, and I believe at one time I had a talk with Fay Brabson of the Military Intelligence, and I have talked to other people about what they felt this proposition meant, but, beyond that, we have had no further conversation except at the time we may have talked about it in a friendly way, but that is all.

Senator POPE. You were the one who talked to Mr. Brabson about the matter?

Mr. CASEY. Yes.

Senator POPE. What was the nature of your talk with him?

Mr. CASEY. I simply talked with him because he is a man I had known for a number of years and I spoke to him about this resolution.

Senator POPE. What did you ask him to do?

Mr. CASEY. I did not ask him to do anything. I said, "Here, Secretary Hull is from your State and you might talk to him about it."

The CHAIRMAN. About what? Having Secretary Hull help accomplish passage of the resolution. Is that what you were referring to?

Mr. CASEY. What?

The CHAIRMAN. Were you urging him to approach Secretary Hull to urge passage of the resolution?

Mr. CASEY. I did not urge passage or nonpassage; nothing of that sort. You must remember, Senator, in writing these reports we tried to make them what you might term chronological.

Mr. IRÉNÉE DU PONT. Senator Nye, might I call on you to make good on your statement yesterday morning that I would be given an opportunity in connection with this investigation to meet statements which come out in the record which I wish to correct?

The CHAIRMAN. Let us permit Senator Pope to finish this particular point first.

Mr. IRÉNÉE DU PONT. Pardon me.

Senator POPE. I think you attempted to make it clear here that so far as you are concerned, and Mr. Simons is concerned, that all you did when you discussed these matters with the naval officers and the Army officers was simply to find out their opinion on the matter.

Mr. CASEY. That is all.

Senator POPE. No other interest?

Mr. CASEY. No attempt whatsoever to try to influence them. It was because of the possible effect on us; yes, sir.

Senator POPE. Who is the president of the Federal Laboratories Co.? Do you know?

Mr. CASEY. John Y. Young.

Senator POPE. John Y. Young. Where are they located?

Mr. CASEY. John W. Young, I guess it is. At Pittsburgh.

Senator POPE. I offer in evidence a letter from Mr. Aiken Simons to Mr. Young, under date of December 28, 1932, just after Christmas, as "Exhibit No. 482."

(The letter referred to was marked "Exhibit No. 482", and appears in full in the text.)

Senator POPE. That letter reads as follows:

MY DEAR JOHN: Thank you for the very handsome dressing case which came to me on Christmas morning. I will find it very useful.

I spent a very quiet but very pleasant Christmas despite the rotten weather. Regarding the attempts of Mr. Hoover and the "cooky pushers" in the State Department to effect embargoes on munitions sent out of the country, I do not believe that there is the least occasion for alarm at present. The President and the State Department both lack authority to do anything now and in the spirit that Congress is in and with the large amount of oral business ahead I feel quite sure that no further authority will be granted.

Wishing you a very prosperous New Year.

And he signs:

Sincerely, Aiken Simons.

The CHAIRMAN. Senator Pope, does that particular letter carry a stamp revealing that upon instructions of the War and/or Navy Department it is of a confidential nature?

Senator POPE. I am interested in that rather "luscious" term, "cooky pushers." Do you know what Mr. Simons meant by "cooky pushers" in the State Department?

Mr. CASEY. I have not the slightest idea, and I could not be responsible for a statement of that kind. That is a personal letter thanking him for a little brief case.

Senator POPE. Do you think it might have anything to do with those people who might have been favorable to embargo acts and similar legislation?

Mr. CASEY. I could not tell.

Senator POPE. Do you know whether he included Secretary Stimson in that category?

Mr. CASEY. I could not say.

Senator POPE. He mentioned Mr. Hoover and the "cooky pushers" in the same breath. Do you know whether he included Mr. Hoover in that category?

Mr. CASEY. Again I cannot say. I have not the slightest idea.

Senator POPE. Did he ever talk to you about who were the "cooky pushers" up there?

Mr. CASEY. No; in fact, I never heard the expression before, because I never saw the letter.

Senator POPE. You think, in the light of this statement here, just after Christmas Day, when he was at peace with the world and he said:

I do not believe that there is the least occasion for alarm at present. The President and the State Department both lack authority to do anything now and in the spirit that Congress is in and with the large amount of oral business ahead I felt quite sure that no further authority will be granted—

that he was making that as a disinterested party, without knowledge of what Congress might do?

Mr. CASEY. Yes, sir.

Senator CLARK. Major, if this was a letter intended to promote "peace on earth, good will among men", do you know how it happened to get into the official files of the du Pont Co., from which it was taken by our investigators?

Mr. CASEY. We opened everything, and that may have been in their personal files.

Mr. IRÉNÉE DU PONT. The investigators did look through personal files in our corner of the building. I do not know whether they found anything.

Mr. CASEY. Anything they wanted to see we gave them.

Senator CLARK. Even though this was a personal letter, it contained a certain clear assurance on this embargo which had been placed by President Hoover.

Senator POPE. Referring back to your statement about the Nye investigation, I want to submit this memorandum by you, Mr. Casey, under date of February 15, 1934, and I will read the first paragraph into the record.

The CHAIRMAN. Which, incidentally, was only a few days after the resolution spoken of had been introduced. That was introduced on the 6th of February.

Senator POPE. Also it contains this stamp which we have referred to [reading]:

Had a talk with Colonel Brabson of Military Intelligence and drew his attention to the Nye resolution. As Colonel Brabson comes from Tennessee and is very close to Secretary Hull, he will discuss this matter with him so that when the matter is referred to the State Department, at least they will be familiar with the situation and the possible disadvantages from the viewpoint of the Army.

Mr. CASEY. That is what I had already referred to, Senator. I say, the only thing that I learned was talking to Fay Brabson.

Senator POPE. You referred to the fact that he had been advised there were disadvantages from the standpoint of the Army.

Mr. CASEY. If there were disadvantages, it was their job, not ours.

Senator POPE. That is all.

The CHAIRMAN. Mr. Raushenbush, before you proceed Mr. du Pont has a matter that he wants to discuss, and which I think he might do at this time.

Mr. IRÉNÉE DU PONT. Senator, it was suggested that I talk to you personally, but I would much rather address the entire committee because the offense which I am accused of having committed in the papers applies to the entire committee and not you, of course.

From time to time I have noticed articles in the papers, of which I will read a short one here from the New York Times of September 10 of this year:

The public study into the huge du Pont's affairs is being made over objections to Irénée du Pont, head of the century-old concern. His criticism of the committee some months ago irritated several members, who sharply answered him. Chairman Nye announced that he had refused the du Pont demand that its trade secrets be withheld from the press.

"These munitions makers have been doing business secretly for so long that it is about time their affairs were made public", he continued. "The very fact protests have come from abroad shows the necessity for continuing. The inquiry will go on."

I was at first mystified by these references as to some dispute in the committee.

On May 22 of this year I wrote a personal letter, which the investigators did not take from my file, although it was there, and possibly you might want to put it in the record. It was a personal letter to one Paul Harris, Jr., an International Y.M.C.A. man. He had made an attack in Washington at the National Cathedral School for Girls on the du Pont Co., and had made statements which have been disproved over and over again, and went back for some 30 years. I tried to correct him on that. Incidentally, I might also say that this had nothing to do with the committee, because I never heard of it on May 22 of this year. It may have been created at that time, but I was not aware of it.

In that letter I stated, in part, as follows:

I have not read Traffic in Arms, but will try to secure a copy of it. Personally, I believe that the attack on munitions makers is caused by three efforts:

(1) A subservient force instigated by the Third Internationale and allied interests to weaken the defensive powers of capitalistic countries;

(2) Effort of idealists to prevent war through a mistaken notion that preparedness is a cause of war; and

(3) A desire on the part of many newspapers and magazines to sell copies by handing out to the public lurid reading which will help their sales.

That, I say, is my opinion [reading]:

Frankly, my belief in the first cause is based on what seems to be a self-evident proposition—that people cannot be held in a state of virtual slavery, without freedom of individual action, as now maintains in Russia excepting by force. The Russian Government admits an army numbering some nine million. They claim to have an enormous number of army airplanes. If and when their hold on Russia is weakened, they must, to defend their position, have war with some foreign country. It would only be the part wisdom of those in control of that unfortunate country to wish to weaken the defense of any prospective antagonist.

There can be no question but that there is an effort by those with high ideals, of which you are doubtless one, to stamp warfare from the face of the earth. It is a most laudable effort, but if turned in the wrong direction may greatly increase the incidence of warfare. Certainly, an unarmed United States, with no preparedness, would be a more enticing victim for Japan or Russia, or perhaps some European power, than any other I can think of. Its enormous wealth alone would make it a coveted prize. Japan's recent attacks in the Far East ought to indicate that we cannot depend on an aggressive nation's respect for the rights of others.

The third case above given hardly needs explanation. It must be apparent to all that newspapers and magazines are financially benefited by selling copies. Any lurid article is grist to their mill and they cannot be expected to be too accurate in checking up the details of the statements which may be made.

Some of that was reported to and copied in the press without my knowledge or consent, over a month after it was mailed to Mr. Harris. I know nothing of it. It was not my action and I am sorry it got into the press, and I certainly would not have been so discourteous to the committee to even have offered that, if it reflected on them, or to have done anything in the matter, but I have been made the cat's-paw in this matter, and nothing of the kind ever entered my head and I did not know the committee had been appointed.

I hope that will square me with the committee.

The CHAIRMAN. Thank you, Mr. du Pont.

Mr. VANDENBERG. I would like to make one comment on that letter. You are arguing, Mr. du Pont, that the net result of this undertaking might be to weaken the national defense of the United States. Am I wrong in the conception, which I confess is one of my dearest dreams—am I wrong in the conception that if we are to create a system under which every American resource is dedicated to the national defense, maintained without profit, in other words, if we create a common reservoir into which everything America has for the purpose of defense goes for the common defense, that that would weaken us? Would it not make us invincible?

Mr. IRÉNÉE DU PONT. Mr. Senator, I think we have exactly that situation today. I think the Army has gone over this country with a fine-tooth comb to find every industry which can be put to use, and if the United States goes to war, there will be no profit to munition makers. We did not make any profit during the war and paid more in taxes than we made in profits.

Senator VANDENBERG. What I want to know is with reference to the objectives of the committee, as set up in this resolution, whether that would weaken our defenses. It seems to me it would immeasurably strengthen them.

Mr. IRÉNÉE DU PONT. Perhaps I have not got a clear comprehension of it. When the letter was written I did not consider this matter because I did not know there was a committee. From what

I have seen in the papers, the object is a plan to nationalize making munitions of war. By "nationalizing" that means putting it in the hands of the United States Government or some branch of it. It cannot possibly be as efficient or as elastic in expanding. The munitions industry of the United States, in order to be of use in time of stress, must be in that situation. It is very important that concerns have the "know-how" and nucleus to expand. Personally I think if a traitor to the United States sold the plans of Pearl Harbor or Diamond Head or something else to an enemy of the United States, that there would be less damage done than if you stopped the manufacture of munitions of war by private individuals.

I will give you a sample of it. You say there is large profit in this. The reason the du Pont Company did so well in making war supplies during the World War was because we had a free hand. I want to give example of a single instance, one of the instances which are innumerable. Alcohol became scarce and there was insufficient to go around, and the Government had a bureau to look after the shortage. We used three-tenths of a pound of alcohol per pound of smokeless powder, and were called down by the official in charge at Washington as to why we put in a wrong report. I said, "That is not a wrong report." They said: "The reports show that it has always taken nine-tenths of a pound", and I told him, "We used to take nine-tenths of a pound", but that the research that we did on alcohol during the war had enabled us to reduce the net amount to three-tenths.

In the 1917 year alone we must have saved 200,000,000 pounds of alcohol by that saving in the consumption of alcohol. It had gone up in price from 4 cents a gallon to 12 cents a gallon, so that our net saving from that was \$24,000,000, by this condition of practical research, not test-tube research in the laboratory, but this is checking up by chemical analysis, by measuring alcohol used here, there, and everywhere, where evaporation takes place, where leaks are happening, and stopping the leaks.

To get that kind of work, we offered rewards. You have asked for reports of bonuses granted. Not only were bonuses paid but good salaries were paid, and those men were kept on their toes, knowing it was to their interest to each and all to do their level best. The reason we made such enormous profits during the war was very largely due to the savings which we were able to obtain by concentration on every detail and rewarding those who were successful.

I think this underlying principle of rewarding those who do good work is an underlying principle which you cannot refuse to recognize as valuable.

I can go back to one of the greatest philosophers of all time who said, "A laborer is worthy of his hire." You Biblical students may know to whom I refer. I would not set myself up in contradiction to him, but it seems to me the intent is good work, honestly done, and good work honestly done saves enormous sums of money and ought to be highly rewarded.

Senator VANDENBERG. I am not going to answer your address, which has powerful persuasion in it, and I am not one of those who favors Government in business, but, on the other hand, I fail to understand how there can be any private character whatsoever to the munitions business.

Mr. IRÉNÉE DU PONT. I agree with that, that there won't be, but it is just too bad. I think we will be a year getting started in case of war, just as we were in the World War, because many must have known it was coming 6 months ahead of the time, certainly after the sinking of the *Lusitania*.

Senator VANDENBERG. Whether or not this committee recommends the nationalizing of the munitions business is in the lap of the gods. I do not know whether it should be nationalized or not. That is one of the things we are to find out. That subject is not prejudged. The challenge which I find in your statement is the premise which you adopt, that we are going to weaken the national defense.

Mr. IRÉNÉE DU PONT. I think you are, sir.

Senator VANDENBERG. Because, so far as I am concerned, the objectives which I have in mind would make the United States absolutely invincible against the world.

Mr. IRÉNÉE DU PONT. Senator, do you appreciate the difficulty of overcoming the inertia and lack of knowledge and organization, to start any large military affair; that is, during a war when it starts?

Senator VANDENBERG. Yes.

Mr. IRÉNÉE DU PONT. Just think of what would happen in the powder industry. I am more familiar with that than I am anything else. I know perfectly well when war was declared in April 1917, that the Government had no plans and were perfectly at sea as to what to do in the matter of powder, and did not know how much they should have. They had never had the experience. We had had experience building powder plants. We were called on to build two large plants and before getting under way, almost, we received a peremptory telegram saying, "Do nothing until you hear from us", signed Newton D. Baker, Secretary of War; and we never heard anything more in that connection. We contracted to operate the other one for them and produce powder at approximately 10 cents a pound lower than the pre-war price, and were able to do that by means of the great efficiency which had been obtained.

Mr. RAUSHENBUSH. Mr. Chairman, evidence is being given on the part Newton D. Baker took or did not take on delaying the war plans. That is a long controversial subject. May I ask that before any evidence is given on that, we have a chance to examine into it?

Mr. IRÉNÉE DU PONT. I am not attacking Newton Baker. We received the telegram, and the purpose of it or the why of it I do not know.

The CHAIRMAN. Mr. Raushenbush, are we developing any part of this in an orderly manner later on?

Mr. RAUSHENBUSH. We are, at some length.

The CHAIRMAN. We are going to have ample discussion on that, and there is going to be ample opportunity for the witnesses to discuss it, when we reach that particular stage of the hearing.

Senator VANDENBERG. I am probably responsible for Mr. du Pont's statement, but I was challenging his statement.

It certainly does not weaken the national defense to make it impossible hereafter that one-half of our people should be in the front-line trenches for \$30 a month while the other half is in the shipyards at \$30 a day.

Mr. IRÉNÉE DU PONT. Why do you not pay the soldiers \$30 a day?

Senator VANDENBERG. Or vice versa.

Mr. IRÉNÉE DU PONT. I know from having seen it, that they lost time and that there was lost motion trying to get together an organization to do these things. And the Government built one plant without any aid except the plans which we had prepared, and never went into operation—

Mr. RAUSHENBUSH. Testimony is being given on the plant at Old Hickory, and I must challenge that.

The CHAIRMAN. The Chair will sustain the objection. We will come back to that later and there will be ample discussion of every part of it.

Senator VANDENBERG. Mr. du Pont, in connection with profits you mentioned your high taxes. The reason your taxes were so high during the war was because your profits were so large. The Government took a small portion of those enormous profits which you made by way of excess-profits tax, and so forth.

Mr. IRÉNÉE DU PONT. Senator, I think you were not present when I made the report. My statement was that it was a retroactive tax on exports.

Senator VANDENBERG. I was present.

Mr. IRÉNÉE DU PONT. I beg your pardon. It was practically an export tax levied retroactively on us, after we made our contracts and could not change the price, and then had to pay a matter of \$13,000,000 for that year. I say that is not a fair thing to do. It is not a question of what taxes the Government should raise at all. To single out one concern and levy on exports retroactively, I say to you it was unfair and I still think so.

Senator VANDENBERG. So far as such profit is concerned, you did get enough profit out of the war to pay out some 250 percent in dividends and still have \$60,000,000 left over in surplus at the end of the war, did you not?

Mr. IRÉNÉE DU PONT. That is perfectly true.

Senator VANDENBERG. So that so far as this profit question is concerned, it is by no means a purely patriotic, humanitarian endeavor on the part of the du Pont Co.

Mr. IRÉNÉE DU PONT. Senator, may I object to that? The du Pont Co. made those profits out of foreign sales. The United States was not in the war when it began over there.

Senator VANDENBERG. I understand, but the United States was in the war afterward. You made profits out of your business during the time the United States was in the war, did you not?

Mr. IRÉNÉE DU PONT. The earnings we had left paid 70 percent of the tax we paid that year.

Senator VANDENBERG. It costs you 24 cents a pound to make TNT and you sold it to the United States Government for 50 cents a pound.

Mr. IRÉNÉE DU PONT. No matter what we charged, it was not enough for the back taxes.

Senator VANDENBERG. You mean by retroactive taxes in that case that they recaptured it?

Mr. IRÉNÉE DU PONT. No, sir; that retroactive tax was in 1916, before the United States entered the war, when the United States could not have been motivated from the standpoint of the war.

Senator BONE. Mr. du Pont, are we to gather from your statement a fair inference, that if preparedness is placed in the hands of the War Department, the whole thing is a "flop" unless private munitions makers look after details? Is that it?

Mr. IRÉNÉE DU PONT. No; the real reason is this: The War Department did not touch smokeless because it knew the du Pont Co. was there.

Senator BONE. What is the War Department for? Just to sit in an office and have no knowledge of these things?

Mr. IRÉNÉE DU PONT. They have got plenty to do.

Senator BONE. Do you not think a very thorough knowledge on the part of the War Department officials is necessary as to how to launch a war in case we got into one? That would be a part of the national defense, would it not?

Mr. IRÉNÉE DU PONT. I am not attempting to run the War Department.

Senator BONE. I understand.

Mr. IRÉNÉE DU PONT. I say a private manufacturer can produce things, if he has an organization from which the men can be drawn and organized, better than the Government can organize such an organization.

Senator BONE. How would we know that when the Government has never done it? I think we can all agree, so far as the War Department is concerned, that it has relied on private companies to create the necessary munitions. That is right. Now, unless we try it out, how do we know that the War Department cannot do it? The War Department can hire specialists and technicians, can it not?

Mr. IRÉNÉE DU PONT. It does not do any good to hire specialists and technicians. You must have an organization.

Senator BONE. Can not they get an organization? Are we to understand that the du Pont Co. now presents to its country this picture: That the United States Government is so inept—perhaps the word is not altogether proper, but let us say it anyway—is so stupid, so inept, so unbusinesslike that it cannot hire and pay large salaries and could not do the work you are doing? I would like to have an answer to that.

Mr. IRÉNÉE DU PONT. I will answer the first question first. You say you have never tried to have the Government prepare for war. The French made their own powder and relied on their own powder factory, and had to come to us and buy hundreds of millions of pounds. The Germans relied on their industrial people and made enough not only for their war purposes, but for Austria. That was done by private concerns. If we had not shipped powder to France and England, the possibilities are that Germany would have won the war, and we would have been taken next and been a German colony.

Senator BONE. Do you think the du Pont Powder Co. kept the United States from being a Germany colony?

Mr. IRÉNÉE DU PONT. I think we were a great influence; yes, sir.

Senator BONE. This country was so helpless that were it not for a private corporation in this country that made \$255,000,000 of profits during the war, we would be a German colony now?

Mr. IRÉNÉE DU PONT. You are trying to put me in a position of being a concealed ass, and I am not. I am reciting facts that I know.

I am trying to convince you gentlemen, because you have got a tremendous responsibility. You must look at what happened in this country when we went into the war and at what will be done in the way of preparedness by a number of industrialists. We could not start tomorrow and make powder the way we did then, but we have a nucleus.

Senator BONE. Do you not think it is a strange situation—

Mr. IRÉNÉE DU PONT. It is a hell of a situation.

Senator BONE. That after 157 years of national life we sit here, in a Senate room, with this matter before the committee, and the statement is made that this country might have been a German province were it not for a few private concerns? Is not that rather a somber picture?

Mr. IRÉNÉE DU PONT. It is a somber picture.

Senator BONE. That this Government is so helpless that we would be a German colony today if it were not for these private companies.

Mr. IRÉNÉE DU PONT. The average man in 1916 thought he was perfectly safe out in the Middle West and was beyond attack by Germany. If Germany had won from France, she would have won from England, too. They started with the motto "der Tag", which referred to their conquest of the world, without any question, and do you suppose that they would not have come over here and fought us?

Senator BONE. Do you suppose we would have had any trouble with Germany if it had not been for our insistence on the exportation of munitions during the war?

Mr. IRÉNÉE DU PONT. I think that depends on how much the Kaiser wanted to rule the earth.

The CHAIRMAN. Please proceed, Mr. Raushenbush.

Mr. RAUSHENBUSH. Before going on to the rest of the outline, I would like to ask one question. Who was the General Williams whose decision the du Pont Co. asked? What is his station in life now?

Mr. CASEY. He has retired.

Mr. RAUSHENBUSH. What activity is he in?

Mr. CASEY. Nothing that I know of. I think he was working for the N.I.R.A. the last I heard. That is the last I heard of him anyway.

Mr. RAUSHENBUSH. I have before me a report of William N. Taylor, your Paris agent, and the I.C.I. Paris agent, put in the record as "Exhibit No. 476", in some other connection, under date of August 2, 1933, and because it brings out from your agent some experience that happened with some of the munitions makers in Holland, which forced the French Government to expend a great deal of money because the question of private munitions had been affected thereby, I would like to read from this report. He has been talking about the question of whether Bofors has or has not a case in Holland, Bofors, I believe, being one of your main competitors in the powder field.

I am reading from page 3 of this exhibit:

In connection with this, you will recall that about a year ago there was a great newspaper excitement in France over the 1,500 half-finished guns in Holland in the possession of the I.I.H. which, the French newspapers

claimed, was a secret stock of heavy guns held in Holland by the Germans. The result of this caused the French Government to buy the most important pieces. It turned out that this whole French newspaper row was originated by Vlessing and Haegen in order to sell this stock and that it was a vast publicity farce which the French newspapers fell for due to their desire for anti-German news. Vlessing said that they managed this whole publicity affair without having to pay a cent to the newspapers. Vlessing and Haegen are extremely proud of this feat and discussed with me in great detail how they got the French press excited on this matter by constantly denying that they knew anything about it and by making it all very mysterious and leaving the journalistic spirit do the rest.

This was addressed to you, Mr. Casey. Does anybody else in the company see these reports?

Mr. CASEY. Sometimes we do refer some of the reports to the committee.

Mr. RAUSHENBUSH. Would the president of the company see the report?

Mr. CASEY. I could not say that he would.

Mr. RAUSHENBUSH. That is a fair story of how a munitions company, in order to get rid of stock, drums up this anti-war feeling, which is constantly raging between France and Germany, and in this case they did it in great glee without paying a penny to the French papers, as they say, and made the French taxpayers pay out a great deal of money for junk.

Is not that a correct outline of what happened?

Mr. CASEY. I would say so.

Mr. RAUSHENBUSH. I should like to go on with some questions that I would like to address to the president of the company, if I may. Mr. Lammot du Pont, you have been president of the company for the last how many years?

Mr. LAMMOT DU PONT. Eight years.

Mr. RAUSHENBUSH. Do you feel pretty well conversant with what goes on, with what the agents of your company do in South America and Europe?

Mr. LAMMOT DU PONT. I am afraid I am not.

Mr. RAUSHENBUSH. You do take some responsibility in public statements about the activities of the company?

Mr. LAMMOT DU PONT. Yes.

Mr. RAUSHENBUSH. The point I am raising is whether you know of these activities. I wonder if, as the testimony goes on, you could indicate to us—because this is important—to what extent you knew of these activities and to what extent you did not?

The first question I want to raise goes back to 1932. There was at that time, and there has been since, a good deal of hostility between the Bolivians and the Paraguayans. You were selling to both sides, were you not—or attempting to?

Mr. CASEY. I do not think we were selling either of them.

Mr. RAUSHENBUSH. I have here before me a report addressed to Major Casey, signed by Mr. Bates, dated August 5, 1932, saying:

Called at the Bolivian Legation, 2830 44th Street, Washington, D.C., and spoke to His Excellency Luis O. Abelli, Envoy Extraordinary and Minister Plenipotentiary of Bolivia to the United States. The Bolivian Minister showed considerable interest in military propellants and explosives and wanted, particularly, information on demolition and fragmentation airplane drop bombs; also the addresses of American manufacturers able to supply the bombs, and addresses of the companies manufacturing armored tanks.

Then in the same letter he goes on:

Called also at the Paraguayan Legation. The Minister was absent, but finally reached him by telephone. He, too, was interested in receiving prices and description of our military products.

Mr. LAMOT DU PONT. I do not think I would have been informed about that at the time.

Mr. RAUSHENBUSH. You would not know that. Later on, in 1934, in May, when the hostilities between Peru and Colombia were only slowly drawing to a close; when the feeling of hostility was only slowly drawing to a close, there is another report signed by Mr. Casey headed "Trend of Business" in which he speaks of selling. He says:

Business worthy of note received during the month includes 50,000 pounds of caliber .50 smokeless powder on order from Frankford Arsenal and 88,000 pounds of TNT purchased by the Peruvian Government. We have also been indirectly responsible for the sale of approximately 340,000 pounds of TNT to the Atlas Powder Company, which is to be used in the loading of airplane drop bombs for the Colombian Government.

That is both Peru and Colombia for which you are taking credit, and through the Atlas Co.

I wish at this time to offer a list of your agents in South America as taken from your files, as of February 24, 1934, as "Exhibit No. 483."

(The document referred to was marked "Exhibit No. 483", and is included in the appendix on p. 1338.)

Mr. RAUSHENBUSH. Somewhat earlier in 1932—and we went over this testimony in the first week to some extent—you were dealing with the Electric Boat Co., having negotiations on munitions for Peru. The negotiations fell through, but they were taken very seriously, apparently. If I may summarize this, the testimony of last week showed that your legal advisers had prepared certain proposed arrangements. At the same time I have before me a report signed by Mr. Bates dated September 29, 1932, discussing these negotiations. This reads:

Called on Mr. Henry R. Carse, president of the Electric Boat Company, 40 Wall Street, New York. The gist of Mr. Carse's conversation was this: The Electric Boat Company some years ago had built four submarines for the Peruvian Government. The Peruvian Government still owes the Electric Boat Company \$600,000. Efforts to collect this amount have proven of no avail.

The letter ends up this way:

Columbian Consul.

I called at the consulate, checked Remington's information that the order for 3,000,000 rounds was forthcoming. We renewed our proffers to the consulate to furnish military propellants to the Colombian Government and our name is now on file with them in the event San Cristobal resumes manufacture.

That was both Colombia and Peru, was it not?

Mr. LAMOT DU PONT. It sounds so, from your reading of it.

Mr. RAUSHENBUSH. Did you know that?

Mr. LAMOT DU PONT. I think it is quite likely that that was referred to me.

Mr. RAUSHENBUSH. The expenses of your Paris office are shared equally, we brought out, I believe, by I.C.I. and the du Pont Co.; is that correct?

Mr. LAMOT DU PONT. I think not.

Mr. RAUSHENBUSH. I beg your pardon.

Mr. LAMOT DU PONT. I think not.

Mr. RAUSHENBUSH. How are they shared?

Mr. CASEY. If you will allow me to answer that. I.C.I. contributes not over half and in no case do they contribute in excess of 2,500 pounds. I think that is the arrangement.

Mr. RAUSHENBUSH. As a matter of fact, about half is what it amounts to, is it not?

Mr. CASEY. It has been running that way, but they agreed to pay half provided that half is not more than 2,500 pounds.

Mr. RAUSHENBUSH. I have before me the annual report of the situation in the territory of the Paris office, smokeless powder department, on December 31, 1933, from which I wish to read several paragraphs and offer this document as an exhibit.

(The document referred to was marked "Exhibit No. 484", and is included in the appendix on p. 1339.)

Mr. RAUSHENBUSH (reading):

Beginning 1933 the Paris office of E. I. du Pont de Nemours & Co. began to take over the territory of Southern Europe from the Paris office of Imperial Chemical Industries, and as I.C.I. had several changes which they wished to make in their agencies in these countries, we waited until these were completed and then adapted our arrangements to theirs. As I.C.I. had suitable agents in the territory, we decided that we would simply take the I.C.I. agents and add to their work the du Pont representation.

* * * * *

The difficulties encountered by the governments in this territory in obtaining foreign exchange, have made the export of powder and explosives extremely small, although all war departments in this territory have announced their desire for larger quantities than previously considered.

This was December 31, 1933, at the time that there was a good deal of war feeling. The report goes on, a little below:

On every frontier, Germany has a delicate problem, and Germany is taking certain steps which the military people agree are destined to make her a very dangerous adversary in case of war.

The following paragraph is:

The prices in Europe have been up to now going down, as competition for the small amount of business offered has been extremely severe. The different manufacturers are making tremendous efforts to sell, mainly in view of being well in with the customers in case of larger requirements, as mentioned above.

The question that I would like to raise there is what knowledge anybody in the company here who is before us had of these tremendous efforts which the different manufacturers were trying to make to sell to these European powers.

Who are your strongest competitors over there?

Mr. CASEY. Bofors is one.

Mr. RAUSHENBUSH. Bofors, of Sweden?

Mr. CASEY. Yes. I think I may have here a memorandum which might be of interest to the committee. I cannot say that it is a complete list, but it represents the entire sales of military propellants and explosives in Europe in the last five years. If you would like, I would be very glad to give you a copy of this.

Mr. RAUSHENBUSH. I think I have seen this. I think perhaps a copy without some analysis as to the time the sales were made and when they jumped, would be valueless. If you will allow us to have this and examine it, I shall appreciate it.

Mr. CASEY. Of course. An interesting summary of that situation would be about as follows: That in the last 5 years, that is 1930 to 1934 to date, inclusive, the total amount of business in military propellants and explosives in Europe was \$2,511,333. That is in 5 years, or an average of about \$500,000 per year.

Mr. RAUSHENBUSH. Major Casey, figures and facts like that really should be accompanied with explanations such as given in your annual reports from Taylor on the growth of the individual powder factories in the countries supplying themselves—Germany and so forth. So, if we may proceed and take up these figures later I should prefer that. This report on the prospects for 1934 ends with this statement—or rather I should say that this report ends with the statement, “Prospects for 1934.” The language used is:

However, as mentioned above, all these countries desire large reserve stocks and our prospects for sales lay largely in getting these orders, which is a very possible undertaking.

These are really reserve stocks in case of war, are they not?

Mr. CASEY. Mobilization stocks, I think they call them.

Mr. RAUSHENBUSH (reading):

It will probably mean some financing on our part, and as these are extra-budgetary operations, they must be handled with different methods than those used in meeting ordinary adjudications.

These agents that you chose in Europe are agents who are close to the Government in some way or have connections that make them valuable to you, because all munitions business is done with governments, is it not?

Mr. LAMMOT DU PONT. I cannot tell you much about the sales of agents, except the policy of the company which is to sell powder. We cultivate that business. We therefore select the agent who, in our judgment, is most competent in the long run.

Mr. RAUSHENBUSH. And the munitions business or the powder business is different from all others in fact, in that you deal with governments abroad; governments only. That is true, is it not?

Mr. LAMMOT DU PONT. I do not think that is literally true.

Mr. RAUSHENBUSH. As far as the military end of it goes, it is true?

Mr. LAMMOT DU PONT. Very largely.

Mr. RAUSHENBUSH. You would not sell military powder to rebels. You would sell to governments?

Mr. CASEY. Recognized governments.

Mr. RAUSHENBUSH. Recognized governments; yes.

Mr. CASEY. Yes.

Mr. RAUSHENBUSH. And being governments, your contacts with them would have to be through people who you believe will be able to get the business; is not that true?

Mr. LAMMOT DU PONT. Will make the contacts; yes.

Mr. RAUSHENBUSH. So what you try to have is influential people in each country who have some sort of contact with the government and from whom you can expect to get a reasonable amount of business; that is true?

Mr. LAMMOT DU PONT. We select individuals who are influential in this particular respect.

Mr. RAUSHENBUSH. I call your attention to a letter of October 21, 1931, from Mr. Taylor to Mr. Casey, which rearranges some of the

agents' contracts in Europe. I do not want to go into European history in 1931, but there were troublesome times there, and if I understand this letter correctly, you are jumping the commissions through these agents from 5 percent to 7 percent. Is that correct?

Mr. A. FELIX DU PONT. I think there is only one there.

Mr. RAUSHENBUSH. And that one is where?

Mr. A. FELIX DU PONT. Klawe in Poland.

Mr. RAUSHENBUSH. You are jumping his commission. Of course, the larger the commission that a man gets, the more interested he is in selling.

Now, when the Electric Boat Co. representatives were here, they mentioned 3 percent as being a very reasonable commission. I believe some other companies had even higher commissions than that. Is 7 percent considered a fair commission in the military business?

Mr. A. FELIX DU PONT. I think so.

Mr. RAUSHENBUSH. Does Bofors give more than that, if you know?

Mr. A. FELIX DU PONT. I could not tell you.

Mr. RAUSHENBUSH. Are they not very important competitors? And is it not very important to know what Bofors gives their salesmen?

Mr. CASEY. We have no way of finding out. We have no contact with Bofors.

Mr. RAUSHENBUSH. Who are your main competitors?

Mr. CASEY. On that list you will find the names of a number of different competitors that appeared in these different adjudications.

Mr. RAUSHENBUSH. You know the main ones, Mr. Casey. Bofors is one. Is there anybody else?

Mr. CASEY. I think there is an Italian company and a company in Holland. Their names appear in that memorandum.

Mr. RAUSHENBUSH. I notice in examining your correspondence that when the sales get to be out of the continent of Europe, very few of the continental companies outside of Bofors are competitors of yours and I.C.I.'s.

Mr. CASEY. Looking at it from the standpoint of world-wide competition, they are the most active.

Mr. RAUSHENBUSH. I have one further item here from Mr. Pickard, vice president in charge of foreign affairs—he is the vice president in charge of foreign affairs of your company, is he not?

Mr. LAMMOT DU PONT. He is a member of the foreign relations committee.

Mr. RAUSHENBUSH. This is addressed to Mr. Casey and reads:

Please advise what steps have been taken to secure military sales business in the unhappy event of hostilities between China and Japan.

There is no indication in that letter as to whom you intended to sell to at all. Can you answer that? Was it to both sides?

Mr. LAMMOT DU PONT. It might have been both sides or either side.

Mr. RAUSHENBUSH. I will offer this letter as an exhibit.

(The letter referred to was marked "Exhibit No. 485," and is included in the appendix on p. 1346.)

NATURE OF DU PONT FOREIGN RELATIONS

Mr. RAUSHENBUSH. I have here a report from Mr. Taylor to Mr. Casey dated August 14, 1933, which I will offer as an exhibit.

(The report referred to was marked "Exhibit No. 486," and is included in the appendix on p. 1346.)

Mr. RAUSHENBUSH. This consists of a discussion already touched on in a discussion of some documents by Senator George, which were put in the record earlier in the day, concerning the method of selling between I.C.I. and du Pont to China. There seems, if I am summarizing this correctly, to be a very considerable difficulty as to whether the sales are sufficiently active there and then it goes on to say, on the second page:

In the memorandum, Japan is mentioned. They handle Japan in a different way and believe it should not be handled by the same people as are handling China. Japan offers no possibility of business except for specialties, of which I.C.I. gets their share. All standard military material is manufactured in the country, and there have been no purchases of powder or explosives abroad.

That seems to indicate, does it not, that I.C.I. is willing or trying to sell in Japan at the same time it is trying to sell in China?

Mr. LAMMOT DU PONT. I would think so; yes.

Mr. CASEY. If they were maintaining neutrality, they would have to do it. They cannot sell to one nation and not to another, if they are observing the laws of neutrality.

Mr. RAUSHENBUSH. And as soon as you sell to one nation and not to another, you are taking part—

Mr. CASEY. You are taking part; yes.

Mr. RAUSHENBUSH. You are, in short, becoming a diplomatic agency, are you not?

Mr. CASEY. Yes.

Mr. RAUSHENBUSH. Mr. Casey, I should like to ask Mr. Lammot du Pont whether you are correct in stating the position of the company. Here a little while ago you told us informally the story of an instance where your company had the only source of explosives available to a government which you would not mention and which I am not going to mention, within the last year, you said.

Mr. CASEY. I said the only source in this country.

Mr. RAUSHENBUSH. The only source in this country?

Mr. CASEY. Yes.

Mr. RAUSHENBUSH. And for various reasons various people requested you to refuse to sell.

Mr. CASEY. Yes. That was at the request of people in our own Government, an unofficial request. They knew that there was no obligation on our part to abide by it, but they asked us if we would not take that action.

Mr. RAUSHENBUSH. Mr. Lammot du Pont, I want to ask that question in another way. When a munitions company becomes so closely an agent of a government that a government, according to what Mr. Casey says, uses it to force recognition or nonrecognition of another government, presumably a friendly government, is it not taking a very close and dangerous diplomatic relationship? Is not that a dangerous diplomatic relationship for a munitions company to get into?

Mr. LAMMOT DU PONT. I would not think it was; no, sir.

MR. IRÉNÉE DU PONT. I do not see what else you could do. After all, we are United States citizens and have got to support the Government. Would you expect us to do contrary to their request?

MR. RAUSHENBUSH. No. I am amazed that the request was made. I do not quite understand the situation, I am afraid. But instead of the State Department, or whoever it was—I shall withdraw “State Department”; I do not know what department the matter was referred to; but whatever department made this request of you, they were really getting you, through your economic power of being able to sell or not sell munitions to keep in power or throw out of power a government of what I presume is some Central American or South American nation.

Now, because of that and the use of the word “interference” that Mr. Pierre du Pont made some time ago in speaking of the embargo, I would like to come back early tomorrow morning to the question of whether a munitions company not only by selling, but refusing to sell powder, cannot overthrow the administration of a foreign country, and whether it cannot also seriously change the whole state of military competition between two countries.

THE CHAIRMAN. Mr. Raushenbush, what is the background of Colonel Taylor?

MR. CASEY. May I answer that? Colonel Taylor, I believe, was educated in Harvard, studied architecture, and I believe spent a good part of his time in France, continuing his studies in architecture. Exactly when he came back to this country, I do not know. But I know he has told me that he attended, I think, the very first Plattsburg camp. During the war he went into the service and at the conclusion of hostilities I think he had gotten no further than Fort Sill, but he was at that time in command of the Nineteenth Field Artillery.

After the war he was taken on when the du Pont Co. organized an export department and, because of his knowledge of French and the French people, was sent to the other side. He was there in the interest of export business. At that time we had only begun to try to sell powder abroad. Before the World War, there were only two attempts to sell powder made in foreign countries, one being in the case of France, after a couple of battleships had been blown up and they felt probably they might like to investigate something else, and two attempts were made in 1912 and 1913, and both fell flat.

The other foreign attempt that I know of was along, I think, about a year after, or maybe at the time that the two Argentine battleships, the *Rivadavia* and *Moreno* were delivered. It was felt that there might be the possibility of interesting the Argentine Government in more powder of that type. Most of their powder was of the English or German type. But those were the only instances I know of before the war. But after the war, in order to try to keep a nucleus of an organization together, for the benefit of the United States Government, and knowing that it would probably be some time before we could possibly expect any business from the Government, we began this attempt abroad and we were just like children in the wilderness when we started.

Senator BONE. Because your company is very close to and has friendly relations with our Government, and because of its ability to arrive at a common understanding with our Government, on matters of policy such as have been discussed here, your company

finds itself in a position of being almost, if not quite, a semi-official agency of our Government, does it not?

Mr. IRÉNÉE DU PONT. I do not think we could properly say an official agency. We may say—I am quite sure—that the War Department and the Navy Department look on us as a material aid.

Senator BONE. When I used the term "semi-official" I am not using it in an ividious sense.

Mr. IRÉNÉE DU PONT. We are not a semi-official agency like Colonel House was during the Wilson Administration. That was semi-official. That is the impression that the word leaves. We feel that we are obligated to the Army and the Navy to tell them all we can about defense; anything that comes to our knowledge, we certainly pass it along and certainly we would be guided by anything that they told us in the matter.

Senator BONE. In respect of refraining from supplying an order of munitions, such as has been under discussion here, in that particular instance, as possibly in others, you have followed suggestions of the War Department, and have been guided by them. That is correct?

Mr. IRÉNÉE DU PONT. I think we have tried to help them in every way we could.

Senator BONE. In some respects, then, your relations with the Government would be similar to those of Soley of England with the British Government?

Mr. CASEY. Senator Bone, I might sum it up in this way, which may establish the principle. We make no move in any foreign country without first advising both branches of the service. If they have any objection, no matter what the objection is, we are satisfied and we stop any effort there.

Senator BONE. Manifestly then, there is a guiding force which is entirely divorced from and independent of your own organization to which you yield allegiance and obedience in matters of that kind.

Mr. CASEY. Absolutely.

Senator BONE. That being the War and Navy Department of the United States. That is what I am getting at.

Senator CLARK. That is substantially the same relationship that was had by Krupp to the Imperial German Government, before the war, was it not?

Mr. CASEY. I cannot say.

Senator POPE. Mr. du Pont, was this agreement that was finally entered into in 1932 with the I.C.I. brought to the attention of the Government either before or at the time it was entered into? I mean brought to the attention of our Government?

Mr. LAMMOT DU PONT. I doubt whether that one was. Senator, because it specifically excluded munitions.

Mr. CASEY. I believe the Senator is referring to the selling agreement, is he not?

Senator POPE. The agreement introduced in evidence here. I think is dated October 10, or something like that.

Mr. LAMMOT DU PONT. You are referring to the agreement providing for the joint agency?

Senator POPE. Yes.

Mr. LAMMOT DU PONT. I believe that was brought to the attention—

Mr. CASEY. Allow me to answer it in this way. They were familiar with the previous arrangements, this being only a slight change from the previous arrangement. We had the arrangement, as you remember, in 1926.

Senator POPE. You mean that the 1926 agreement was brought to the attention of the Government?

Mr. CASEY. Yes.

Senator POPE. At the time that it was entered into, or afterwards?

Mr. CASEY. Well, they knew about the general idea that we had in mind before that.

Senator POPE. Did you show them a copy of the agreement?

Mr. CASEY. No, sir.

Mr. IRÉNÉE DU PONT. The Senator is talking about the joint-sales agreement, you are not talking at cross purposes?

Mr. CASEY. I think I understand the agreement the Senator referred to.

Senator BONE. Did you seek the approval of our Government, of this agreement?

Mr. CASEY. No; we did not.

Senator POPE. Has it ever been brought to the attention of the Government?

Mr. CASEY. The last agreement, in detail; no. But, as I say, the other agreements were known and this last one was merely an amplification of the other. This last agreement was purely an experiment, for this reason: The situation was such that we really felt we were going to drop out of the foreign field, because we could not afford to maintain the effort, because of the lack of return. Therefore, this was, you might say, almost a last attempt to see if, by a combination, which might bring about a reduction of expense, we might not be able to continue. It was an experimental proposition. The agreement speaks for itself when it says that it will be tried for two years.

Senator POPE. Just because of the kind of incident that arose where your joint agent was involved in a matter that concerned the 1934 embargo, would it not seem reasonable that you would bring that situation to the Government so that they would understand it?

Mr. CASEY. Do you mean that particular illustration?

Senator POPE. I mean the agreement.

Mr. CASEY. I think that incident was brought to their attention.

Senator POPE. I am asking whether that does not suggest that the agreement should have been brought to the attention of the Government.

Mr. CASEY. Perhaps it might have. In connection with that agent proposition, perhaps it should. That might have sounded a little worse than it really was, in view of the signature to the letter. But let us assume that Mr. Bates, who got his advice from the I.C.I. office in Buenos Aires, had simply cut his letter off after he said, "In order to conform to the embargo President Roosevelt, we are not going to quote", and left it there. The answer would have been that I.C.I. in Buenos Aires would have promptly notified their home office and we were out of it. The result would have been the same.

Senator BONE. Major Casey, is there anything unique in the relations of the du Pont Co. to this Government or do European govern-

ments frequently sustain to private munitions concerns a somewhat similar relationship?

Mr. CASEY. That I cannot say. I do not know of my own knowledge, anyway, that any manufacturer has ever tried to conform to the wishes of his government any more than we have.

Senator BONE. Senator Clark has referred, very amply, I think, to the relationship of the Krupp concern in Germany to the Imperial German Government prior to the War.

Mr. CASEY. I have no knowledge of that except what I have heard.

Senator BONE. That was a generally understood relationship; was it not?

Mr. CASEY. We have also heard the same thing about the Schneider concern in France.

Senator BONE. In other words, that relationship seems to exist in France between the French Government and the Schneider concern.

Mr. CASEY. I believe so, but I have no knowledge of it.

Mr. RAUSHENBUSH. Mr. Lammot du Pont, addressing you simply because you are president of the company, Mr. Casey is making some statements of significance, of a certain significance, which may be misinterpreted here. He is saying, in effect, that the company does nothing in relation to other governments that our Government does not approve of. Is that it?

Mr. CASEY. I do not say that.

Mr. RAUSHENBUSH. Would you re-phrase it for me, then, please.

Mr. LAMMOT DU PONT. I think you said that we take no new move without informing our Government of it.

Mr. RAUSHENBUSH. The implication in his statement is that the Government assented or consented to everything you did in connection with the foreign governments.

Mr. LAMMOT DU PONT. I do not think so.

Mr. CASEY. They have not the authority to do that. We would not put them in such an embarrassing position when they do not have the authority to do that.

Mr. RAUSHENBUSH. You are testifying to the committee in such a way as to indicate that you stay within the boundaries of what our Government desires you to do.

Mr. CASEY. Why shouldn't we? We are American citizens. I do not see what else we could do.

Mr. RAUSHENBUSH. And it gives the impression, the implication is, that everything you do in connection with foreign governments or refrained from doing, is with the approval of our Government?

Mr. CASEY. There is no intention to give that impression.

Mr. RAUSHENBUSH. So you consult them, but you may do things that they might not approve of?

Mr. CASEY. We could do things that they do not approve of, but the fact remains that we do not.

Mr. RAUSHENBUSH. Then you do say that everything you do is approved by them?

Mr. CASEY. No; we do not say that.

Mr. A. FELIX DU PONT. Allow me to try to clarify that? Our custom and what we have followed for many years, is to inform our Army and Navy and the proper officials of the Army and Navy, of

every move that we make with regard to sales to foreign governments; if it seems advisable, we also inform the State Department. Having done that many times we find there is no particular use in it, because all they will admit they are interested in is whether we are selling to a nation against whom there is an embargo. If there is not an embargo, that is all; they have nothing to say to us.

The CHAIRMAN. Is that policy of your company also common to the companies that your company owns and controls, such as for example, the Remington Arms?

Mr. A. FELIX DU PONT. Our connection with the Remington Arms Co. is quite short, as you know. They have their own organization still.

The CHAIRMAN. That is understood, but you have your directorate there, you have an active interest in it, and does that policy prevail in that company in any form?

Mr. A. FELIX DU PONT. It has not prevailed in the Remington Arms Co. before we took it over, so far as I know?

The CHAIRMAN. Does it prevail now?

Mr. A. FELIX DU PONT. I think so; we are getting towards that. Some of these men are fairly independent still, and not inclined to cooperate in the organization.

Dr. SPARRE. I can answer that the same rule does prevail in the Remington Arms Co.

The CHAIRMAN. How long has it prevailed?

Dr. SPARRE. Since we took control of that company about in June of 1933.

Mr. CASEY. Senator Nye, I might answer this; I have taken several officials of the Remington Co. to Washington to establish the same contacts, in order that they might keep the Army and Navy Departments posted in every phase of arms consumption.

The CHAIRMAN. The committee will stand in recess until 10 o'clock tomorrow morning.

(Thereupon the committee took a recess until tomorrow, Friday, Sept. 14, 1934, at 10 a.m.)

INVESTIGATION OF MUNITIONS INDUSTRY

FRIDAY, SEPTEMBER 14, 1934

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE MUNITIONS INDUSTRY,
Washington, D.C.

The hearing was resumed at 10:45 a. m., in the caucus room, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), George, Clark, Pope, and Vandenberg.

Present also: Stephen Raushenbush, secretary.

The CHAIRMAN. The committee will be in order. Mr. Raushenbush, do you wish to proceed where you left off last night?

TESTIMONY OF PIERRE S. DU PONT, IRÉNÉE DU PONT, LAMMOT DU PONT, A. FELIX DU PONT, FIN SPARRE, J. BAYARD ELIASON, AND W. S. CARPENTER AND K. K. V. CASEY—Resumed

Mr. LAMMOT DU PONT. Mr. Chairman, there are one or two matters in the nature of corrections of the record which I would like to refer to. May I do so now?

The CHAIRMAN. Very well.

Mr. LAMMOT DU PONT. First, the joint agency agreement which was being discussed at the close of our session yesterday was a 2-year agreement and expires some time within the next few months. I thought that was brought out, but the record does not indicate it.

Senator CLARK. That was with the I.C.I.?

Mr. LAMMOT DU PONT. The joint agreement between the I.C.I. and du Pont, dated 1932, being a 2-year agreement, and therefore expires sometime this year—within the next few months.

The CHAIRMAN. Does that contain any provision for renewal?

Mr. LAMMOT DU PONT. I do not know, but the document itself will show that. I thought it was brought out on yesterday, but it was not.

The CHAIRMAN. I do not recall it.

Mr. LAMMOT DU PONT. Secondly, in the testimony of yesterday I asked that my letter to Sir Harry McGowan, in reply to his letter which was introduced, be introduced in the record. I understood that was to be done.

The CHAIRMAN. That was ordered.

Mr. LAMMOT DU PONT. But it does not appear in the record.

The CHAIRMAN. Does the other letter appear in the record in its entirety?

Mr. LAMMOT DU PONT. Sir Harry McGowan's letter, I understand, is in the record, but my reply to it is not, and that is the one I ask be put in.

Mr. RAUSHENBUSH. We can have that inserted at that time, and we can also have inserted, Mr. Chairman, the letter of Mr. Lammot du Pont to the heads of departments and presidents of subsidiary companies at the same time, which follows the letter from Sir Harry McGowan.

The CHAIRMAN. Very well.

Mr. LAMMOT DU PONT. I do not know anything about that letter.

Mr. RAUSHENBUSH. It is a connective letter which seems to follow there.

Mr. LAMMOT DU PONT. The letter to which I referred was a letter of June 17, 1933, from me to Sir Harry McGowan.

Mr. RAUSHENBUSH. I received that this morning and I do not know what happened to it, and I am turning it over to the reporter.

The CHAIRMAN. Let those letters be given suitable numbers and inserted in the record. I refer to the letter from Mr. Lammot du Pont to Sir Harry McGowan and also to the other letter. What was the date of that?

Mr. RAUSHENBUSH. June 17, 1933; also signed by the president of the du Pont Co. to the heads of departments.

The CHAIRMAN. Let that letter be inserted as well.

(The two letters above referred to were marked "Exhibits Nos. 480 and 480-A" and appear in the text in the proceedings of Thursday, Sept. 13, 1934, on p. 1117.)

The CHAIRMAN. Proceed, Mr. Raushenbush.

Mr. LAMMOT DU PONT. There is one other point, Senator, in Mr. Irénée du Pont's testimony, toward the close of yesterday, where he referred to the lack of preparedness on the part of the United States Government. He tells me that he had in mind the situation in 1916 rather than the situation which exists today. I do not think that was clear in the record. Do you wish him to amplify that?

The CHAIRMAN. I think with your explanation that it amply clarifies whatever his thought was at that time.

Mr. IRÉNÉE DU PONT. I thought I brought that out; that I was talking about the World War in 1916 when I spoke about the preparedness of the du Pont Co. and what we could do.

Mr. LAMMOT DU PONT. The record does not show it.

Mr. IRÉNÉE DU PONT. I do not want it to appear that if war were declared tomorrow we would be able to do what we did in 1917.

Mr. RAUSHENBUSH. Mr. Chairman, before getting into the two main subjects which we want to take up this morning, which pick up from where we were discussing on yesterday afternoon the power and influence of a large company with international connections in the foreign affairs of the world and the preparedness of other countries, I want to call attention here and ask a question about a cable from I. C. I., which is dated February 19, 1934, and which I want to read.

(The cable referred to was marked "Exhibit No. 487" and is included in the appendix on p. 1348.)

Mr. RAUSHENBUSH. That cable reads as follows:

I.C.I., Ltd., London. Advise Hercules Powder Co., Rotterdam, Holland, inquiring (about) prices delivery (of) 50 tons diphenylamine for shipment to New York, N.Y. I.C.I. London naturally anxious (to) consummate business suspecting inquiry placed because of your inability (to) supply. However, do not wish to disturb your market and before offering request you to advise if any reason you prefer they do not quote and secondly at which price per ton c.i.f. New York, N.Y., you consider I.C.I. London justified (in) quoting. Cable immediately.

Is it a fair inference that I.C.I. and yourselves on this question of diphenylamine have a market arrangement that practically, to use the stock broker's phrase, "rigs the market" on that product?

Mr. LAMMOT DU PONT. No.

Mr. RAUSHENBUSH. What is the situation as brought out by that cable?

Mr. LAMMOT DU PONT. I think the cable speaks for itself. There is no arrangement with respect to that product.

Mr. RAUSHENBUSH. Yet I.C.I. was still having difficulty as to whether you would allow them to quote because they did not wish to disturb your market, and also at what price you would allow them to quote.

Mr. LAMMOT DU PONT. The cable does not so read to me.

Mr. RAUSHENBUSH. What else would it mean?

Mr. LAMMOT DU PONT. What it says [reading]:

However, do not wish to disturb your market and before offering request you to advise if any reason * * *.

Evidently they are reserving the right to quote and quote any price they see fit.

Mr. RAUSHENBUSH. They ask specifically the price you would consider I.C.I. London justified in quoting.

Mr. LAMMOT DU PONT. They are just asking our opinion.

Mr. RAUSHENBUSH. There is a report before me from Shanghai, dated August 1, 1933, and signed by R. Montague Smith. Who is R. Montague Smith?

Mr. LAMMOT DU PONT. I cannot answer that myself. May I see the exhibit?

Mr. RAUSHENBUSH. The exhibit has been put before you.

(The document referred to was marked "Exhibit No. 488" and is included in the appendix on p. 1349.)

Mr. LAMMOT DU PONT. I am informed that Mr. Smith is a representative of the Imperial Chemical Industries in Asia, the Far East.

Mr. RAUSHENBUSH. On the last page of that document, under the heading of "Canton", he describes a certain situation which only becomes clear if you realize that there was at the time a difficulty between the Cantonese and the Nanking factions. It is a matter of common knowledge, is it not, that those two groups were at various times on the point of severing diplomatic relations?

Mr. LAMMOT DU PONT. There were internal difficulties in China. I do not recognize the names of the contestants, but I guess they are right.

Mr. RAUSHENBUSH. That document starts off on the last page as follows [reading]:

It is expected that the Canton Arsenal will be in the market for powder for shell bombs and hand grenade fillings in the future, as they are studying the

matter very carefully. We are definitely handicapped in this business on account of the fact that the British Government require export permits before they allow the export of any munitions into China. This export permit cannot be obtained until after the Chinese Minister in London has seen the Huchao—

That is the permit, is it not?

Mr. LAMMOT DU PONT. I do not know.

Mr. RAUSHENBUSH (continuing reading):

which has to be approved by the Nanking authorities, and the Cantonese naturally do not favor any arrangement which necessitates their applying to the Central Government for permission to export into their territory.

In the past, Jardines—

That is the I.C.I.—du Pont agent out there, is it not?

have managed to persuade the Cantonese authorities to write to Nanking for a permit, but it must be understood that the only reason why the Cantonese accede to this request is because they have no alternative either because prices submitted were under those of continental firms, or they could not obtain the material elsewhere. The above also applies to shipments from America.

Then you go on, and this is what seems to me to be important in it [reading]:

It would be a great help to conducting business if these restrictions could be lifted, and we suggest that representations be made to the British Foreign Office and the State Department in Washington in this respect. It could be stated in this representation that on no account would military munitions be supplied to the Cantonese Government if a state of war existed between them and the Central Government.

Now, is it not a fair interpretation that with those two governments threatening hostilities, and one government, the Canton Government, was very reluctant to ask the Nanking Government, the Central Government, for a permit, your agent out there makes this proposal definitely that we lift all the restrictions and put pressure on the British Foreign Office and the State Department at Washington, and you make a proviso: "It could be stated that on no account would military munitions be supplied to the Cantonese government"—that is the minor government—"if a state of war existed between them and the Central Government."

You realize that there is a possibility of war, and your people out there are perfectly willing and eager to get munitions to those people who may be conducting the war, and then you come along and say, "Of course, once the war is declared, we would not supply them with munitions."

Is not that a fair summary of your agent's report?

Mr. LAMMOT DU PONT. I do not think it is.

Mr. RAUSHENBUSH. Go ahead.

Mr. LAMMOT DU PONT. What is the question?

Mr. RAUSHENBUSH. That you go ahead and say what is your summary.

Mr. LAMMOT DU PONT. Just what the letter says, which is not very long. It says it would be a great help to our business if something were done, and suggests that representations be made—no pressure. It suggests that representations be made.

Mr. RAUSHENBUSH. To the British Foreign Office and State Department, and it goes ahead and gives the assurance, which is the usual assurance, that, of course, if there were a state of war declared, that no further munitions would be shipped. It is simply dealing

with the problem of supplying a possible insurrectionary or rebel government with munitions on the promise that at the time war is declared the munitions will no longer be sent.

Mr. LAMMOT DU PONT. It is stated in this letter that this statement could be made. It does not say that it is made or will be made, but it could be made.

Mr. RAUSHENBUSH. But the situation which involved getting business led to that sort of thing, did it not, that sort of an attempt to get around the permit system?

Mr. LAMMOT DU PONT. I cannot say what it led to.

Mr. RAUSHENBUSH. Who handles that sort of thing when it comes up?

Mr. LAMMOT DU PONT. Our smokeless powder department, Major Casey. Your question, Mr. Raushenbush, is whether your summary is a fair one, and I say, in my opinion, it is not.

Mr. RAUSHENBUSH. Yes, sir.

Mr. LAMMOT DU PONT. You in your summary refer to pressure being brought to bear, which this does not mention.

Mr. RAUSHENBUSH. This says that it is proposed by the agent, suggested by the agent, that representations be made.

Mr. LAMMOT DU PONT. Yes, sir. I differentiate between representations and pressure.

Mr. RAUSHENBUSH. You never bring pressure. There is no such thing as pressure by your company?

Mr. LAMMOT DU PONT. Not on this subject.

Mr. RAUSHENBUSH. In the matter of selling, you would never say there was pressure by the company on a governmental department or the British Foreign Office? I mean that is "out."

Mr. LAMMOT DU PONT. To do business?

Mr. RAUSHENBUSH. To do business.

Mr. LAMMOT DU PONT. I think that is correct.

Mr. RAUSHENBUSH. There is no pressure, so that the word "representation" is the word to use.

Mr. PIERRE DU PONT. May Major Casey state what was done under that letter from our agent, whether anything was done in regard to it?

Mr. RAUSHENBUSH. By the way, in this connection may I ask the president of the company this question: A great deal of testimony seems to have been going into the record from subordinate officials of the company. May we understand that those statements stand as the official attitude of the company unless corrected by you on the stand?

Mr. LAMMOT DU PONT. Certainly; the company is responsible for the acts of its men.

Mr. RAUSHENBUSH. We would be very glad to hear what happened in that matter.

Mr. LAMMOT DU PONT. I noticed that on yesterday, on several occasions, replies were given which might be construed as statements of policy of the company, and I think some of those were not always exactly correct.

Mr. RAUSHENBUSH. Will you help us out, Mr. du Pont, at that point, when these statements are made which seem to be giving the policy of the company, and check them at that point?

Mr. LAMMOT DU PONT. I think I did.

Mr. RAUSHENBUSH. Did you in every case?

Mr. LAMMOT DU PONT. I think so.

Mr. RAUSHENBUSH. I was particularly interested in that one about when Government consent was not obtained and what it meant or signified.

Mr. LAMMOT DU PONT. The question about this letter has been raised, and I inquire whether you would desire to have Major Casey state what was done in this matter?

Mr. RAUSHENBUSH. The answer is "yes."

Mr. CASEY. I might add that we had had at different times requests from the Cantonese indirectly, and never paid any attention to them, because there was only one source of supply, so far as we were concerned, to China, and that was the Government recognized by the United States. When this particular letter came, we took absolutely no action and did not think it was a matter which we should interfere with in any way. If the Cantonese wanted to be recognized, they had to take that up themselves with the United States Government. We had no intent at any time to interfere in matters of that sort, either directly or indirectly.

RELATIONS WITH MITSUI & CO., LTD., JAPAN

Mr. RAUSHENBUSH. The attitude of your agents on the scene and the things which they suggest seem significant enough to bring that out, but it is not a very important point. I would like to go on to this question of the purchase of the ammonia-oxidation plant by Japan. On July 2, 1930, there is a letter from H. G. Chickering, of the development department, addressed to Mitsui & Co., Ltd., New York. I will offer that as "Exhibit No. 489."

(The letter referred to was marked "Exhibit No. 489", and is included in the appendix on p. 1350.)

Mr. RAUSHENBUSH. Could any of you tell us in a somewhat descriptive way what this Mitsui & Co., Ltd., is and what its relations to the Japanese Government are?

Mr. LAMMOT DU PONT. My understanding is that Mitsui & Co. is a privately owned corporation in Japan of very old standing, hundreds of years, and one of the highest regarded and largest corporations in the country. They are engaged in a number of branches of industry, among others in the chemical industry. But what their relations with the Japanese Government may be, I do not know, except that I know that on some particular commodities they enjoy a monopoly, granted by the Japanese Government.

Mr. RAUSHENBUSH. There are some chemical branches in which they enjoy a monopoly granted by the Japanese Government, are there not?

Mr. LAMMOT DU PONT. I do not know that. I only know about one commodity.

Mr. RAUSHENBUSH. That is camphor?

Mr. LAMMOT DU PONT. That is camphor. I only know that because we purchase camphor from Mitsui.

Mr. RAUSHENBUSH. You use that in your chemical business to some extent?

Mr. LAMMOT DU PONT. Yes, sir.

Mr. RAUSHENBUSH. The letter of July 2, 1930, which I have offered for the record, just described, simply raises the question with Mitsui & Co. and points out:

* * * we regret to note that the prospective clients in Japan have not as yet made any definite move toward the purchase of our ammonia oxidation process.

On April 23, 1931, there was a report from the Foreign Relations Department, signed by J. K. Jenney, assistant director, to various vice presidents of the company, which I would like to introduce as "Exhibit No. 490", being Messrs. F. A. Pickard, vice president, and J. E. Crane, vice president.

(The report referred to was marked "Exhibit No. 490" and is included in the appendix on p. 1351.)

Mr. RAUSHENBUSH. There are some paragraphs in that report which seem to be of interest. [Reading]:

Presumably, if we are to sell the process in Japan at all we would prefer to sell it to the Mitsui interests, not only because they are linked up with the Claude interests—

The Claude interests were the French interests for a somewhat similar ammonia process? Is not that true?

Mr. LAMMOT DU PONT. Mr. Claude was the inventor of a nitrogen fixation process.

Mr. RAUSHENBUSH (continuing reading):

but also because it is a matter of general company interest to keep as friendly relations with this company as possible. The point for the Foreign Relations Committee to decide bears on the I.C.I. relationship involved.

I will skip a paragraph, and the report continues:

I believe this obligates us to take the matter up with I.C.I. before making an offer or carrying on any further negotiations with Mitsui. We have no contractual obligations which would prevent us from concluding the deal with Mitsui, even though such a deal might hurt I.C.I.'s interests considerably, Japan being 1 of their 2 or 3 most important export markets.

Mr. Wardenburg is the president of your ammonia company?

Mr. LAMMOT DU PONT. He is in charge of our ammonia department.

Mr. RAUSHENBUSH. He is in charge of your ammonia department. [Continuing reading:]

Mr. Wardenburg, of course, quite justly points out that Mitsui seems resolved to go ahead with their expansion program, and it is hard to see how I.C.I. can be much worse off whether we sell them our process or whether they go ahead on their own or with some third party.

Mr. PIERRE DU PONT. We operate under those Claude patents, and we have a right to sell them in Japan, have we not?

Mr. LAMMOT DU PONT. I do not think that is correct.

Dr. SPARRE. No; none whatever.

Mr. PIERRE DU PONT. I thought they acquired it.

Dr. SPARRE. The du Pont Co. bought that ammonia process from the French company in 1924. At that time, as far as I recollect, the Japanese company had already bought the same rights from the French company for Japan, but the licensees of the French company had to exchange information under the purchase agreement to acquire the ammonia process from the French company, which is the usual provision in the purchase of patents and processes.

Mr. LAMMOT DU PONT. Mr. Secretary, I think you are getting confused on this, because you have not realized what the subject of this letter is. I will read the first sentence.

Mr. RAUSHENBUSH. Yes, indeed.

Mr. LAMMOT DU PONT [reading]:

I attach herewith copy of a report from Mr. F. A. Wardenburg to the board of directors of the du Pont Ammonia Corporation, relative to the proposed sale of contact conversion process rights to Mitsui in Japan.

The contact conversion process applied to hydrogen and not to ammonia.

Mr. RAUSHENBUSH. All right. Were there two processes being discussed throughout these years?

Mr. LAMMOT DU PONT. A great many more than two.

Mr. RAUSHENBUSH. I mean with Japan, with Mitsui.

Mr. LAMMOT DU PONT. I cannot say that I remember how many subjects were discussed with Mitsui, but this letter refers to the contact-conversion process. That was a process for manufacturing hydrogen.

Mr. RAUSHENBUSH. The other one was described as the ammonia oxidation process. Is that right?

Mr. LAMMOT DU PONT. The ammonia oxidation process is a process for converting ammonia into nitric acid. The contact conversion process is a process for producing hydrogen.

Mr. RAUSHENBUSH. Both of them have some relation to war materials, do they not?

Mr. LAMMOT DU PONT. As baking bread does, they have.

Mr. RAUSHENBUSH. A little more than that; do they not?

Mr. LAMMOT DU PONT. Maybe a little more than that.

Mr. RAUSHENBUSH. Quite a bit more?

Mr. LAMMOT DU PONT. Nitric acid and ammonia are both required as raw materials for some munitions, but they are also both used as raw materials for peace-time use.

Mr. RAUSHENBUSH. Peace-time use as well as military?

Mr. LAMMOT DU PONT. Yes, sir.

Mr. RAUSHENBUSH. The connection of the Mitsui Co. with the Claude process is described in a letter of April 24, 1931, from the foreign relations department to Mr. Wardenburg. This again the contact conversion process. I will offer that as "Exhibit No. 491."

(The letter referred to was marked "Exhibit No. 491" and is included in the appendix on p. 1351.)

Mr. RAUSHENBUSH. The postscript on that letter states:

The Mitsui people, who are Claude licensees in Japan, have heard through London of our part in the development of a contact conversion process and seem to be desirous of purchasing rights for use of this process in Japan. No definite offer has been made, but one will be in the near future. In the meantime Mitsui has asked us to keep this matter strictly confidential as they have to clear up certain commitments they have made with Air Liquide.

Air Liquide is a big French chemical organization, is it not?

Mr. LAMMOT DU PONT. Yes; that is the company with which Mr. Claude was connected.

Mr. RAUSHENBUSH. They used the Claude process, all right.

On March 23, 1932, you prepared a memorandum covering relations between Mitsui and du Pont with respect to hydrogen process. Will

you tell us again just what that is? That is not the ammonia process but the other one?

MR. LAMMOT DU PONT. The hydrogen process referred to, I think, is the contact conversion process referred to there.

MR. RAUSHENBUSH. I put that before you and offer it as "Exhibit No. 492."

(The memorandum referred to was marked "Exhibit No. 492" and is included in the appendix on p. 1352.)

MR. RAUSHENBUSH. The memorandum was addressed to the Assistant Secretary of State, Mr. Rodgers, the 28th of March, 1932, and simply summarizes your relations with Mitsui in regard to this contact conversion process.

There is a further memorandum to the executive committee, dated two days later, March 30, 1932, signed by Mr. Lammot du Pont. I will read a part of that memorandum into the record [reading]:

On March 28 the writer called on Assistant Secretary of State Rodgers, having had an appointment with Secretary Stimson, who, unfortunately, was ill and by doctor's orders saw nobody.

Dr. Hornbeck was called in, and it happened that Mr. P. S. du Pont and Senator John G. Townsend were also present, the latter having arranged the appointment.

The matter of the sale of the rights to our hydrogen process to Mitsui & Co. was discussed. The matter was put before Mr. Rodgers in the light that (1) the deal was an important one to the du Pont Co.; (2) that we were given to understand that the process was not primarily for military purposes; (3) that the plant would probably not be in operation for a year and a half, and certainly not within a year; (4) that having this process did not mean that Mitsui & Co. or the Japanese nation could purchase any more ammonia, nitric acid, or munitions than they could without the process, but that it would mean their ammonia could be produced more cheaply; (5) that there might be some value in a continuation of friendly relations between Mitsui and du Pont from the international point of view; (6) that the desire of Mitsui & Co. to acquire the process preceded any warlike activities between Japan and China—

Let me interrupt at that point. 1932 was a time when there was a great deal of friction between China and Japan, was there not?

MR. LAMMOT DU PONT. I think so.

MR. RAUSHENBUSH. And the nations of the world were considering the possibility of boycotting one of the belligerents; was not that about the time?

MR. LAMMOT DU PONT. I do not recall that.

MR. RAUSHENBUSH. The seventh sentence of this reads:

That du Pont felt some embarrassment in refusing to deal with Mitsui at this time, it being necessary to reverse our previous position, if we were to take the stand of not selling the process.

That is a true statement of what you informed the State Department about it at the time, is it not?

MR. LAMMOT DU PONT. May I read the rest of the memorandum before answering that?

MR. RAUSHENBUSH. Yes, indeed.

MR. LAMMOT DU PONT. Yes, sir; that is a correct statement of what I advised Dr. Hornbeck.

MR. PIERRE S. DU PONT. Should it not be made clear that both this hydrogen and ammonia process are used in connection with making fertilizer either as nitric acid or as ammonia, and that this par-

ticular field was connected with fertilizers, and so represented. That is the way I understood it at the time. I remember the question being brought up.

Mr. RAUSHENBUSH. Mr. Pierre S. du Pont, you will notice that the sentence No. 4 says, among the ways it was put before the State Department—

That having this process did not mean that Mitsui & Co. or the Japanese Nation could produce any more ammonia, nitric acid, or munitions than they could without the process, but that it would mean their ammonia could be produced more cheaply.

Mr. PIERRE S. DU PONT. Yes.

Mr. RAUSHENBUSH. It was not a matter of giving Japan a new military supply or source of supply; it was simply cheapening the way in which they could produce it.

Mr. PIERRE S. DU PONT. That would be a military advantage and also a peace advantage in enabling them to produce fertilizer more cheaply.

Mr. RAUSHENBUSH. From the military angle, a country that can produce a great deal of ammunition cheaply in peace time can prepare at less expense for a war, of course, than otherwise.

Mr. PIERRE S. DU PONT. That is true, but the representation at the time was, I believe, that this process was chiefly intended for the fertilizer industry, to avoid importations from Chile.

Mr. LAMMOT DU PONT. That was our understanding; yes.

Mr. IRÉNÉE DU PONT. Would it not be appropriate at this time to refer to Senator Bone's statement on this subject? This is a patented process. The patent is published the world over. In case of war, what is there to prevent a country from taking the patent and using it?

Mr. RAUSHENBUSH. Then on the 26th day of July 1932, there was a contract signed between you and the Mitsui Mining Co., which I should like to put in the record as "Exhibit No. 493."

(The contract referred to was marked "Exhibit No. 493" and is included in the appendix on p. 1352.)

Mr. RAUSHENBUSH. It provided for a payment of \$300,000 for that process and some help in putting it in, did it not?

Mr. LAMMOT DU PONT. I do not recall those figures, but if they are stated in the agreement that way, it is correct.

Mr. RAUSHENBUSH. I remember it from other correspondence; I refer you to page 2, the second paragraph, which says:

Mitsui agrees to pay du Pont at Wilmington, Del., in United States gold coin of the present weight and fineness, or its equivalent, the sum of \$300,000 payable \$100,000 upon the signing of the contract, a further \$100,000 1 year thereafter, and the remaining sum of \$100,000 2 years after date hereof.

Then, later on, in the third paragraph it goes on to say:

When, however, the total of all payments made under this agreement shall have amounted to \$300,000, exclusive of payments for services as covered by paragraph 10 hereof, no further payments shall be required from Mitsui, regardless of the amount of hydrogen manufacturing capacity installed for ammonia manufacture.

Mr. LAMMOT DU PONT. That is correct.

Mr. RAUSHENBUSH. Then, on page 5, paragraph 10, the language is:

Du Pont agrees to furnish not to exceed three men for a period of not to exceed 2 years each to assist Mitsui or its subsidiary or subsidiaries with the design, construction, and placing in operation of its first unit of pressure contact conversion.

In paragraph 11 they say:

Du Pont agrees that it will, during the period of 7 years from date hereof, permit four visits, not exceeding 4 months each, by not more than three employees of Mitsui during each visit, to du Pont's ammonia plant for the purpose of study and training on those subjects, information relative to which is given hereunder, but on those subjects only, and du Pont further agrees to give every reasonable assistance to such employees of Mitsui.

The agreement is signed by Jasper E. Crane, vice president of du Pont & Co. and by Reisque Ishida, attorney and manager, New York branch, Mitsui & Co., Ltd.

This was not the same thing as the ammonia-oxidation process, was it?

Mr. LAMMOT DU PONT. No.

Mr. RAUSHENBUSH. What happened to that discussion?

Mr. LAMMOT DU PONT. Which discussion?

Mr. RAUSHENBUSH. Concerning the ammonia-oxidation process.

Mr. LAMMOT DU PONT. My recollection is that no deal was ever closed on that. That is my recollection, that we never closed any deal with them.

Mr. RAUSHENBUSH. Why did the negotiations stop; not through unwillingness on your part to continue them?

Mr. LAMMOT DU PONT. I cannot recall at this date, Mr. Raushenbush, but my natural suspicion would be that our price was too high.

Mr. RAUSHENBUSH. Your price was too high. Well, it is the dealing in these processes which cheapens munitions, even if they do not give a country new sources of munitions; they seem to some of the members of the committee who have spoken to me about it, to constitute transactions of equal importance with the sending of divisions of an army; for instance, one gas process or one process might be equal to a division, let us say, or perhaps two divisions, in an army. For instance, take this ammonia process which was discussed at some length. I have before me a letter dated July 1, 1930, from Mitsui to you in regard to that ammonia-oxidation process.

Mr. LAMMOT DU PONT. This is the one that was never sold.

Mr. RAUSHENBUSH. Yes; this is the one that was never sold. But I am talking about the negotiations that were going on rather casually in connection with it. The first paragraph says:

* * * We know that army, navy, and Mitsui Mining Co. have keen interest in your process, and also they will need it sooner or later.

Then a little later there is a discussion again of the contact process. That is the one that was sold?

Mr. LAMMOT DU PONT. The contact conversion process?

Mr. RAUSHENBUSH. I have here a document which I will offer as "Exhibit No. 494", which is headed "Proposed sale of contact conversion process rights to Japan."

(The document referred to was marked "Exhibit No. 494" and is included in the appendix on p. 1355.)

Mr. RAUSHENBUSH. This comes from F. A. Wardenburg, president du Pont Ammonia Corporation, to the board of directors, the du Pont Ammonia Corporation. It is dated April 21, 1931.

After discussing the proposed sale of the contact conversion process rights to Japan, it goes on in the second paragraph of the second page to say:

The present large overproduction of nitrogen in the world makes construction of any nitrogen plant a dubious undertaking, but there seems more justification for additional capacity in Japan than in any other country, perhaps, in view of their large imports and their desire to be self-supporting in nitrogen supply for military purposes, as well as for agriculture.

This was at a time, 1931, when it was already clear to some people that Japan was expanding, and the head of your chemical company reports to his board that there is justification for additional capacity in Japan more than in any other country, perhaps, in view of their large imports and their desire to be self-supporting in nitrogen supply for military purposes as well as for agriculture.

There is another paragraph called "Recommendation", which says:

We appreciate that any increasing capacity in nitrogen manufacture in any part of the world has its effect upon our business, but we believe that our interests would not be hurt by the installation of additional capacity in Japan to the extent of the payments that could be secured for the sale of the Japanese rights.

There, in 1931, you were told by the president of your Ammonia Corporation that that was pretty thoroughly for military purposes.

Mr. LAMMOT DU PONT. No.

Mr. RAUSHENBUSH (reading):

* * * Their desire to be self-supporting in nitrogen supply for military purposes * * *.

That is given preference. That is put first. Then he adds—

As well as for agriculture.

Mr. LAMMOT DU PONT. That is in connection with a different point. It is in connection with a statement that there seems more justification for additional capacity in Japan than in any other country. That is the point that Mr. Wardenburg is making there.

Mr. RAUSHENBUSH. Mitsui already had plants twice as large as your own, did they not?

Mr. LAMMOT DU PONT. Not by this process.

Mr. RAUSHENBUSH. By the other process?

Mr. LAMMOT DU PONT. Yes. I do not accept your figures, but they had very large plants.

Mr. RAUSHENBUSH. And here they are having put in a capacity which would enable them practically to be self-sustaining from the military angle.

Mr. LAMMOT DU PONT. They were simply negotiating for a process. What capacity they built under that process would be a later development.

Mr. RAUSHENBUSH. This is the process that went through, is it not?

Mr. LAMMOT DU PONT. Yes.

Mr. RAUSHENBUSH. This is the contact conversion process?

Mr. LAMMOT DU PONT. Yes.

Mr. RAUSHENBUSH. I want to come back to that memorandum of the discussion that you had with the State Department on the matter. In that connection you said in paragraph 4—

that having this process did not mean that Mitsui & Co. or the Japanese Nation could produce any more ammonia, nitric acid, or munitions than they could without the process, but that it would mean their ammonia could be produced more cheaply.

Mr. LAMMOT DU PONT. That is correct.

Mr. RAUSHENBUSH. So substantially that is correct that they could not produce any more of these things?

Mr. LAMMOT DU PONT. That is correct.

Mr. RAUSHENBUSH. By this process, even if they installed plants as outlined in that contract?

Mr. LAMMOT DU PONT. They could install their additional plants in the use of their other process.

Mr. RAUSHENBUSH. Anyhow, then, they could do it more cheaply?

Mr. LAMMOT DU PONT. That is the reason they can do it more cheaply, but not in any greater volume.

Mr. RAUSHENBUSH. It would simply cost the Japanese less to keep up their army; keep their army prepared for such invasions of Manchuria as were made, than otherwise would have been necessary.

Mr. LAMMOT DU PONT. It might clarify your mind a little, Mr. Raushenbush, if I tell you that ammonia, for which this process is used, is a comparatively cheap article. It sells for around 5 cents a pound. A reduction in cost of the thing referred to is a matter of a fraction of a cent a pound.

Mr. RAUSHENBUSH. But it was worth enough so they were willing to put up \$900,000 for it.

Mr. LAMMOT DU PONT. If they make enough ammonia.

Mr. RAUSHENBUSH. If they make enough ammonia; with \$900,000 right off the bat.

Mr. LAMMOT DU PONT. The big use for ammonia is for fertilizer purposes.

Mr. RAUSHENBUSH. That seems to be in the sphere of argument, in view of these letters.

Mr. LAMMOT DU PONT. No; there is no argument about it. Statistics prove that there are millions of tons of fertilizer used and millions of tons of ammonia used every year.

Mr. RAUSHENBUSH. Did we not have the same argument in connection with Muscle Shoals, which was built supposedly for military purposes, but later on there was a question of diverting it into the manufacture of fertilizer?

Mr. LAMMOT DU PONT. I never had any argument about it.

Mr. RAUSHENBUSH. I am not referring to yourself, but there was a public argument that went on in Congress for a number of years.

Mr. LAMMOT DU PONT. I do not know anything about it.

Mr. IRÉNÉE DU PONT. I was quite familiar with that matter. The method of making ammonia at Muscle Shoals was completely obsolete in 1918; that is, this process of making ammonia costs a fraction of what it would have cost to make it by the cyanimide process, which was proposed for Muscle Shoals.

Mr. RAUSHENBUSH. I want to switch for a moment to the country across the Japanese ocean, China, and ask the president of the company whether he is at all conversant with those matters indicated in a letter dated August 17, 1932, which I lay before him.

Mr. LAMMOT DU PONT. I was not familiar with those matters in 1932, at the time this letter was written, but since then I have referred to our records, and I think I am generally familiar with the subject.

Mr. RAUSHENBUSH. You mean within the last few weeks you have seen the records on that matter?

Mr. LAMMOT DU PONT. Yes.

Mr. RAUSHENBUSH. That deals with commissions to officials?

Mr. LAMMOT DU PONT. And others.

Mr. RAUSHENBUSH. I beg your pardon.

Mr. LAMMOT DU PONT. It deals with commissions to officials and others.

Mr. RAUSHENBUSH. Officials and others; yes. I was not aware myself, Mr. Lammot du Pont, that you knew about these matters. I supposed that in a very large organization this sort of thing would be beyond you, and yet I was interested in your reaction to finding a letter like that in front of you, and I wish, if you would care to do so, you would comment on it at this moment.

Mr. LAMMOT DU PONT. I have nothing further to say about this letter, except that I was not familiar with these matters in 1932, but since then I have familiarized myself with them in a general sort of way.

Mr. RAUSHENBUSH. This is a discussion of the treatment of officials in China, and seems to treat the subject reasonably casually, does it not? As if this were not an unusual thing at all; it names one general and several other high officials.

Mr. LAMMOT DU PONT. Did you ask me a question?

Mr. RAUSHENBUSH. I am trying to have you comment on that without necessarily going into all the details. If this is a casual matter and they treated this casually without further repercussions, then is it not true that you are in a competitive system in which everybody does this? You are not the pioneer in this business of paying commissions to officials?

Mr. LAMMOT DU PONT. Not in China.

Mr. RAUSHENBUSH. Other people do it?

Mr. LAMMOT DU PONT. I understand that is so.

Mr. RAUSHENBUSH. Other competitive companies do it?

Mr. LAMMOT DU PONT. I understand so. I have never been in China myself. Do you wish me to say whether this is in accord with the company's policy or not?

Mr. RAUSHENBUSH. The fact that it took place indicates what the company's policy was at the time, does it not?

Mr. LAMMOT DU PONT. I am afraid not.

Mr. RAUSHENBUSH. Mr. Lammot du Pont, just treating this as people who are trying to be intellectually honest about a situation, the company's policy is what the agents in the field do, not what the president at the head of the company says to the public; is not that a fact?

Mr. LAMMOT DU PONT. No; that is not a fact. I think the company's policy is dictated by the head management. Sometimes

agents in the field deviate from that policy and sometimes their deviation is brought to light.

Mr. RAUSHENBUSH. The head of a police force can say to the citizens, "Gentlemen, we are going to have the cleanest, most honest police force in the world." But if the cop on the beat holds up some prostitute—and it is done often enough—that is the policy of that police force, is it not?

Mr. LAMMOT DU PONT. If it is done often enough, I think your contention would be correct.

Mr. RAUSHENBUSH. This question of commissions to high officials in China in 1932 was unusual?

Mr. LAMMOT DU PONT. You make a statement and ask me a question at the same time.

Mr. RAUSHENBUSH. I am asking you the question, Was it unusual?

Mr. LAMMOT DU PONT. Was what unusual?

Mr. RAUSHENBUSH. The payments by the company's agencies, joint agent of the company and I.C.I. out there, of commissions to high officials in the Chinese military administration, generals, and so forth; was that an unusual policy?

Mr. LAMMOT DU PONT. It certainly was unusual, extremely unusual.

Senator VANDENBERG. May I ask you this question? You can answer it yes or no. I am not interested in going into detail on mere hearsay. We can develop the facts later. In other parts of the world, have you ever been told by your agents that your terms must include what are delicately described as commissions for government officials or their relatives?

Mr. LAMMOT DU PONT. I think we have been told that at times, but not in all foreign countries.

Senator VANDENBERG. But what?

Mr. LAMMOT DU PONT. Not in all foreign countries.

Senator VANDENBERG. Oh, no.

Mr. LAMMOT DU PONT. And not on all occasions in any foreign country.

Senator VANDENBERG. As a matter of fact, have your agents or have they not reported on certain occasions that these so-called "commissions" to government officials or their relatives are a necessary part of the quotations which you must make?

Mr. LAMMOT DU PONT. Yes. We have been told on a number of occasions that that is the general practice in certain foreign countries.

Senator VANDENBERG. Have you ever included cost items of that character in your quotations?

Mr. LAMMOT DU PONT. Not to my knowledge. If that appears from this letter—evidently it appears from this letter to have been done in this case.

Senator VANDENBERG. I am not thinking alone of China at this time. I am thinking of the rest of the world and I am not reflecting on your company's action. I am thinking of the nature of world competition in respect to munitions sales. Do you very often confront the situation that the sales, or the prospect of it, may as well be abandoned except as those so-called "commissions", which we would probably call bribes, are included in the quotations?

Mr. LAMMOT DU PONT. We have been told that.

Mr. PIERRE S. DU PONT. May I amplify that statement from my experience?

Senator VANDENBERG. Yes.

Mr. PIERRE S. DU PONT. I have in mind only three occasions when that question was actively discussed. It dates back to my boyhood. I remember my father stating the policy that such a thing was entirely improper, and I guess it has made a lifetime impression upon me. A Russian contract for powder was ready for delivery and it was announced that it could not be accepted unless a commission was paid. I remember my father saying that the powder could remain there forever, so far as he was concerned, before any such thing would take place. But that is old history. When we first went into Chile, we were told that no operation could be conducted there, no manufacturing operation, unless a commission were paid in order to get machinery, and so on, into Chile. That question was actively discussed and we decided that we would stay out and the machinery remain undelivered in Chile if a commission were necessary. I think our shipments were delayed somewhat. But they went in without any payment.

The third occasion that I remember was in connection with business with Russia in the Great War. We had been told that no such business could be done with Russia without paying a commission. It was the custom of the country and it could not be broken down. Colonel Buckner, who was our chief negotiator for powder in those days, consulted with me. I was president of the company at that time. He consulted with me as to whether we would accede to this custom if necessary, and we decided—we both agreed—that we would not submit to any such thing. A great deal of powder was sold to Russia, but not to my knowledge was any commission passed. I think an investigation of every record that we have would show that nothing of the kind was done. I am firmly convinced that that is the policy of the company.

Under that policy, I am not clear whether this transaction was known to our agent at the time or whether this man who was supposed to have made the distribution did it and then reported it. But whatever was done was entirely contrary to the policy of the company and certainly should not be countenanced in any way, and I am certain that our board of directors and our committee would not countenance any such thing.

Senator VANDENBERG. I am sure that that is so. I am not thinking, in asking my question, about the Chinese incident, because we know that China seems to have a rule unto herself frequently. Is it not a fact, however, that that practice obtains in other countries than those even which you have mentioned?

Mr. PIERRE S. DU PONT. I understand so; yes.

Mr. LAMMOT DU PONT. I understand so.

Senator VANDENBERG. Do you suppose that your agents may find it necessary to pay some of these so-called "commissions" and find some other way of charging it to their expenses?

Mr. PIERRE S. DU PONT. I hope no such thing occurs and, if it does occur, I hope the company will take every precaution to stop it. It is certainly contrary to the policy of the company and if I had had known about it I should have protested absolutely. It might

have been done in possibly one or two cases when a man has gotten overenthusiastic, but certainly it is not the policy of the company and it should be stopped, if there is any means of stopping it.

Senator VANDENBERG. I think it would be very interesting if we could have on the stand, for the presentation of a typical picture, one of these key men in the export field. May I inquire whether, for example, Mr. Bates ever comes to the United States or is expected in the United States in the near future?

Mr. PIERRE S. DU PONT. I do not know a thing about it.

Mr. LAMMOT DU PONT. Yes; he does.

Senator VANDENBERG. Do you know when he is calculated to be here again?

Mr. LAMMOT DU PONT. I think he is in this room now.

Senator VANDENBERG. Mr. Bates is here now?

Mr. LAMMOT DU PONT. Yes, sir.

Mr. RAUSHENBUSH. Under the circumstances I simply want to read a few lines from this letter as to the amount paid in commission to Chinese officials, where he says he told one of the officials of your company on numerous occasions that a certain general and an agent who, I believe is in the financial department, participated in the 5-percent distribution, and several other officials in a certain province, and the paragraph I refer to reads:

It will be recalled that the payment to officials was deemed essential for doing the business we did, and the 5 percent allowed was thought sufficient.

Now, at the time of this Chinese-Japanese trouble you were really getting into a situation where you were securing cheaper powder for Japan on one side and giving bribes to China on the other. That was the situation?

Mr. LAMMOT DU PONT. No; that does not represent it at all, Mr. Raushenbush. We were not furnishing cheaper munitions to Japan. It was clearly our understanding that the process was desired in connection with commercial uses of ammonia.

Mr. RAUSHENBUSH. Now, Mr. du Pont, that does not seem to me quite fair, in view of your testimony and the reports to the department. You say you are very sorry this whole matter had to be discussed at the time of the Chinese-Japanese fracas, and it really came up before then?

Mr. LAMMOT DU PONT. That was the statement to indicate that the Japs did not have in mind a war when they first tried to acquire it.

Mr. RAUSHENBUSH. It was right in the middle of a hot spot where America was, through your company, which is a great company connected with other companies, offering Japan something that would strengthen her in a military way.

Mr. LAMMOT DU PONT. No; it was to strengthen them in the ammonia process, used principally for fertilizer, and incidentally for munitions.

Mr. RAUSHENBUSH. Before getting off of this one incident—and I am almost through with it—there are always a certain number of people in the country who think that sometime we may have to go to war with the great eastern power called "Russia." Testimony was interjected in the hearings yesterday by Mr. Irénée du Pont that possibly this munitions committee sitting here might be giving

aid and comfort to the great Russian Army. Is it not a fact that about this time and before, you were setting up in Russia a somewhat similar ammonia oxidation plant, as you were in Japan?

Mr. LAMMOT DU PONT. No; I think that was a different matter. The process we sold to Russia was ammonia oxidation, and the process we sold to Japan was contact conversion.

Mr. RAUSHENBUSH. Both of them had to do with the military angle.

Mr. LAMMOT DU PONT. No; as I explained before, the sale to Japan was with the understanding the product was desired principally for fertilizer purposes.

Mr. RAUSHENBUSH. I call your attention to a letter dated July 16, 1930, to Mr. W. H. O'Gorman, which speaks of sending two men over there to start on the ammonia-oxidation plant, and right after that discussion of ammonia oxidation in Sweden, on November 27, 1930, there is an extract from a letter signed by Homer H. Ewing. [Reading as follows:]

They asked if we could supply a smaller unit, whereupon I emphasized the importance of having excess capacity available for emergency requirements, such as may be called for in time of war.

That was ammonia oxidation, was it?

Mr. LAMMOT DU PONT. That was not sold to Japan.

Mr. RAUSHENBUSH. We are talking about Russia now, and I am trying to make the point that at the time when a good many people felt there was some danger of our having to engage in war with Russia your company was giving them capital resources which might in some event be used in case of war.

Mr. LAMMOT DU PONT. We were selling Russia a process that could be used in time of war.

Mr. RAUSHENBUSH. In view of that, then Mr. Irénée du Pont's testimony that the munitions committee was the one that was assisting and aiding Russia, should be coupled with the fact that the du Pont Co. was assisting in doing that also?

Mr. IRÉNÉE DU PONT. If you will refer to my testimony, I said if the committee's finding leaves America unprepared for war, we might suffer from an attack. This was selling a process to a country that is starved for fertilizer, and that is actual starvation. You have taken such a great interest in Paraguay and Bolivia that they must not hurt each other, then should Russia be allowed to starve for lack of fertilizer? It does not seem to be very consistent.

Mr. RAUSHENBUSH. The evidence the committee has is what happens in the field. This is what the agents really do when they are out there. You gentlemen are the representatives of a vast organization, and like the President of the United States, who does not know what every N.R.A. boy does out in the field, you are at arm's length from the situation, and it seems to me possible that things are being done in your name and with your consent that have far more significance than you attach to them.

Mr. PIERRE S. DU PONT. I believe those occasions are very rare.

Mr. RAUSHENBUSH. There are Russia and Japan.

Mr. PIERRE S. DU PONT. You have introduced no evidence that indicated anything contrary to our policy, or indicating that anything was done contrary to our policy either in Japan or Russia. You

were talking about the company's right in carrying out the policy of the management.

MR. RAUSHENBUSH. What I mean is that those things seem to give some of these countries capital resources which would be used in war, and a process is as much a capital resource as a factory is.

MR. PIERRE S. DU PONT. The only time that was mentioned was in connection with Sweden.

MR. RAUSHENBUSH. Sweden bore out the Russian situation.

MR. PIERRE S. DU PONT. That was the only time that was mentioned in any exhibit introduced.

MR. RAUSHENBUSH. It seems to me in the one from Wardenburg regarding the use of that process back in 1930 it was merely brought out about Japan getting ready for military purposes.

MR. PIERRE S. DU PONT. That was a communication to the company, and he gave it as his opinion what Japan was contemplating, and he gave it as his opinion that this process was going to be used by Japan for commercial purposes. But he pointed out it could be used for war, and he gave his reasons why he thought this was not going to be used for war.

ARGENTINE POWDER FACTORY

MR. RAUSHENBUSH. Perhaps we can get back to that after we are through with this next incident.

On May 29, 1930, there is a letter from Mr. W. H. O'Gorman signed as assistant director. What is his position?

MR. LAMMOT DU PONT. Assistant director of sales, smokeless powder department.

MR. RAUSHENBUSH. This letter is addressed to Col. W. N. Taylor in Paris, and that starts off the story of the du Pont Co. in the Argentine. This letter reads:

In reference to your letter T-1924 it is noted that H. I. H. may make a bid for cruiser business in South America.

Who is "H. I. H."?

MR. CASEY. That is a Dutch company.

MR. RAUSHENBUSH. Were they the ones described the other day as taking part in selling Dutch junk to the French?

MR. CASEY. No; that other incident, I think, was a man who had been a waiter, and made some money.

MR. RAUSHENBUSH. The letter then proceeds as follows:

The best prospect in South America for the sale of cruisers or destroyers is undoubtedly Argentina. Other South American countries have little money to spend for naval equipment but Argentina is very ambitious in the progress of building up her navy.

Under the present administration, however, little funds will be appropriated in this connection. The President of Argentina is a pacifist and although he has been a bit more broad-minded, insofar as military appropriations go, during his present administration than he was during his last one, it is quite unlikely any large expenditures will be made for military equipment during this administration.

Argentine naval officials frequently told us that only du Pont powders would be used for guns of larger caliber which may be installed on cruisers. Since 1912 the Argentine Navy has been using du Pont nitrocellulose powder, and it is very unlikely that any change will be made. The United States Navy cooperates 100 percent with the Argentine Navy, and on powder or made-up charges the United States Bureau of Ordnance has always functioned as inspector for

the Argentine Navy. This connection in itself is one that the Argentine Navy fully appreciates and, insofar as propellants are concerned, we feel assured that we have enough support through our agent and our friends in the Argentine Navy that du Pont powder will be specified in the event that cruiser and armaments are purchased abroad.

We will take this subject up with our agent in Argentina and see that he does the necessary in connection with spreading good propaganda.

Very truly yours,

W. H. O'GORMAN, *Assistant Director.*

I am simply reading that to refresh your memory on the Argentine question. Were you president of the company when this happened in May 1930?

Mr. LAMMOT DU PONT. Yes.

Mr. RAUSHENBUSH. Could you tell us the connection of the du Pont Co., without my going through all of this correspondence with a powder factory proposed back there in 1930?

Mr. LAMMOT DU PONT. I don't think I can give you the whole history of the case, but I think I can answer your questions in regard to it.

Mr. RAUSHENBUSH. Do you know pretty thoroughly what happened there?

Mr. LAMMOT DU PONT. I think I know pretty much all about it. My recollection, however, after 4 years is not sufficient to give you a very connected account of the whole thing.

Mr. RAUSHENBUSH. Won't you tell us what happened in regard to the Argentine powder factory and the du Ponts?

Mr. LAMMOT DU PONT. My recollection is that the Argentine Government was considering the construction of a powder factory. I am not clear whether they came to us or our agent went to them and indicated we were capable of building such a plant. My recollection is that he indicated to them we were able to build the plant, and that we were able also to supply them their requirements for powder if they desired; that is, he indicated that the du Pont Co. was willing and anxious to do business with them on some basis.

Negotiations were entered into on both basis, if I recall correctly, but I also understand neither of them bore any fruit.

Major Casey says I am wrong in stating the negotiations bore no fruit, and that we did sell them smokeless powder for two battleships, but this is the negotiation of 1930, and my recollection is we did no business at that time.

Mr. RAUSHENBUSH. It carried on until 1934 as far as the powder factory is concerned, and will you tell the story of the powder factory, what you know of it from 1930 on?

Mr. LAMMOT DU PONT. I know we offered our services to construct a factory, and I also know there was competition in that respect.

Mr. RAUSHENBUSH. Competition from whom?

Mr. LAMMOT DU PONT. I do not know, but it was understood we were not the only people who could build a powder plant for them. I think that is an important thing to bear in mind on these other subjects you have brought up, that we had no monopoly on any of these jobs. We had no monopoly on the construction of a powder plant in Argentine; we had no monopoly on furnishing smokeless powder; we had no monopoly on the oxidation of ammonia; and we had no monopoly on the production of hydrogen for use in making ammonia.

Mr. RAUSHENBUSH. You were in a competitive situation and had to do the things that the situation demanded?

Mr. LAMMOT DU PONT. Yes. In many cases we think we have the better, if not the best, processes.

Mr. RAUSHENBUSH. That is the best of your memory on the history of the powder factory in Argentine?

Mr. LAMMOT DU PONT. Yes.

Mr. RAUSHENBUSH. Before going further can we get an agreement that a powder factory is far more important to a country than a battleship; a battleship is something that can be knocked out, and a powder factory is something that can keep supplying the country.

Mr. LAMMOT DU PONT. Yes; if it cannot be knocked out.

Mr. RAUSHENBUSH. Yes; but it produces, rather than being something that can be consumed?

Mr. LAMMOT DU PONT. I do not think there is much distinction between a battleship and a powder plant.

Mr. RAUSHENBUSH. We will let it stay at that; they are very similar.

I want to call your attention to a letter dated November 29, 1930, sent by Mr. O'Gorman to Mr. White of the Imperial Chemical Industries of New York, in which he states that there is a question of proposals for a powder plant down in Buenos Aires, in the Argentine, and that I.C.I. is involved in the question and also advises that Retienne is acting for Koln Rottweiler. That was the company Dr. Sparre testified yesterday was a party to the 1907 agreement, the German company?

Mr. LAMMOT DU PONT. Yes.

Mr. RAUSHENBUSH. The last paragraph on the first page of this letter reads as follows:

We advised you that Retienne, acting for Koln Rottweiler, had presented an offer to the Argentine Government to construct and fully equip the powder mill and have it in operation within 2 years, the price to be \$2,200,000. We understand that I.C.I. can make a tentative offer which will compete with Retienne's bid.

You were in close connection with I.C.I. and the German company there offering the bid?

Mr. LAMMOT DU PONT. It sounds as if we were in close competition rather than close relation.

Mr. RAUSHENBUSH. In close relation with I.C.I.. Was Koln Rottweiler, the German company, later on connected with the South American company you started down there in later years, the Explosive Interests, Ltd.?

Mr. LAMMOT DU PONT. No; I think not. I think it was the D.A.G., if there was any Germany company.

Mr. RAUSHENBUSH. That is the other big Germany company?

Mr. LAMMOT DU PONT. Yes; the explosive company, commercial explosives, I should say.

Mr. RAUSHENBUSH. The second paragraph from the end of the letter reads as follows:

It is the writer's understanding that this new arrangement is felt to be of mutual advantage and that, if either party succeeds in getting a contract the I.C.I.-du Pont partnership agreement will be effective to the extent of the profits derived from such a contract. However, if either party suffers a loss under a contract which may be awarded, the other party will not be charged with any part of this loss.

That is simply stating you and the I.C.I. would share the profit that might be derived?

Mr. LAMMOT DU PONT. Yes; that is correct.

Mr. RAUSHENBUSH. Now, along comes a letter dated March 28, 1930, from Carames to Bates, which letter I offer as "Exhibit No. 495."

(The letter referred to was marked "Exhibit No. 495," and is included in the appendix on p. 1356.)

Mr. RAUSHENBUSH. Mr. Chairman, I suggest that we might have Mr. Bates on the stand at this time.

Senator GEORGE. Would you come forward, Mr. Bates?

TESTIMONY OF N. E. BATES, Jr.

(The witness was duly sworn by Senator George.)

Mr. RAUSHENBUSH. There is a letter here from Carames, Buenos Aires, which has just been offered as "Exhibit No. 495." Was he the agent of du Pont and I.C.I. in Buenos Aires?

Mr. BATES. He was not the I.C.I. agent in that year.

Mr. RAUSHENBUSH. He was your agent—the du Pont agent?

Mr. BATES. Yes, sir.

Mr. RAUSHENBUSH. You mean he was not the I.C.I. agent in that year?

Mr. BATES. No. He was not.

Mr. RAUSHENBUSH. But he was the agent of du Pont?

Mr. BATES. Yes.

Mr. RAUSHENBUSH. Who was the I.C.I. agent in that year?

Mr. BATES. It was the I.C.I. office in Buenos Aires.

Mr. RAUSHENBUSH. Who was in charge of the I.C.I. office in Buenos Aires?

Mr. BATES. I think the manager was Mr. Morgan.

Mr. RAUSHENBUSH. Do you remember his initials?

Mr. BATES. David.

Mr. RAUSHENBUSH. I call your attention to a paragraph in this letter, "Exhibit No. 495", as follows:

I am also sending details of what has been decided lately by the Government, with reference to the powder factory. You must regard this as strictly confidential. In view of the very confidential nature of the matter, and that it is urgent, I am sending it by air mail and promise to send you further details later on regarding explosives. I have been promised further details of a very confidential nature as additions to the proposal.

He is telling you the Argentine Government, its Congress, and the Legislature, and everybody have decided that for better national defense they are going to have a powder factory. That is correct?

Mr. BATES. Yes.

Mr. RAUSHENBUSH. I now call your attention to a letter from G. W. White to E. I. du Pont de Nemours & Co., dated February 4, 1931, which I offer as "Exhibit No. 496."

(The letter referred to was marked "Exhibit No. 496", and is included in the appendix on p. 1357.)

Mr. LAMMOT DU PONT. You will note that letter is a year later than the other one.

Mr. RAUSHENBUSH. Yes; this process has dragged on apparently from 1930 to 1931. This whole discussion is dragging, but they are still talking about the same powder factory.

Mr. LAMMOT DU PONT. My recollection is it was a very long-extended negotiation, but the reason I called your attention to the date is, I think there is a little difference in the consideration and the relationship between the companies in the two letters.

Mr. RAUSHENBUSH. Will you describe that?

Mr. LAMMOT DU PONT. The later letter says the du Pont-I.C.I. partnership scheme is still in operation. My recollection is that the previous letter did not refer to any such relationship with the I.C.I. Perhaps I am in error in that, and it was you who said the relation was closed.

Mr. RAUSHENBUSH. The second from the last paragraph on the second page of the letter which was previously introduced says that the I.C.I. is cooperating closely in the matter.

On April 3, 1931, there is the final bid of the du Pont Co., which ranges between \$3,091,000 and \$3,141,000, and on August 5, 1932, we come to a letter from Mr. White, of the I.C.I. in New York, to the du Pont Co., which letter is offered in evidence.

(The letter referred to was marked "Exhibit No. 497", and is included in the appendix on p. 1357.)

Mr. RAUSHENBUSH. I read from this letter, "Exhibit No. 497", as follows:

Further to my letter of June 15, I.C.I. have now had an opportunity of discussing the value of Señor Carames' services with one of their Buenos Aires representatives. The latter speaks very highly of the work done by Señor Carames in connection with the Government powder factory and has recommended that I.C.I. continue to retain this gentleman. In view of this, you might consider it desirable to make a payment to Señor Carames and I should like to know what you decide in this connection.

There was no powder factory in 1932?

Mr. LAMMOT DU PONT. Are you asking me?

Mr. RAUSHENBUSH. Yes; I am asking you.

Mr. LAMMOT DU PONT. I think there was not.

Mr. RAUSHENBUSH. This letter states that—

The latter speaks very highly of the work done by Señor Carames in connection with the Government powder factory and has recommended that I.C.I. continue to retain this gentleman.

What is the work he had done?

Mr. LAMMOT DU PONT. I presume the work he had done was in connection with the negotiations.

Mr. RAUSHENBUSH. I call your attention to a cable from Mr. Bates dated June 22, 1933, which is offered as an exhibit.

(The cablegram referred to was marked "Exhibit No. 498", and is included in the appendix on p. 1358.)

Mr. RAUSHENBUSH. This cable, "Exhibit No. 498", reads as follows:

Antonio Carames indignant our offer \$1,500. Claim cancelation he obtained competitors powder-plant contract and contract maintained for several years past without any remuneration has been very valuable to E. I. du Pont de Nemours & Co. Imperial Chemical Industries, Ltd., and merits much higher consideration.

Antonio Carames has great influence on present administration. On the \$1,500 offered Antonio Carames absolutely refuses agency and will become very dangerous enemy our business next few years as well as business E. I. du Pont de Nemours & Co., Argentine, S.A. Du Pont Argentina-Buenos Aires which must be avoided.

Have discussed the matter with E. I. du Pont de Nemours & Co., Argentine, S.A., du Pont Argentina-Buenos Aires who agree with me suggesting that we offer Antonio Carames \$6,000 in cash for services rendered and yearly retainer of \$3,000 payable monthly to cease at our discretion, thus avoiding any possible damage our interest.

You must consider company's interest as well as military sales division. Prospects are 2,100 charges 35-millimeter, 50 tons du Pont FNH powder, 100 tons pyro cannon powder, 100 tons rifle powder, and possible Argentine powder factory. Cable reply by Saturday. If you wish to telephone, advise by cable. Forward all letters.

Can you explain the first paragraph in that cable, Mr. du Pont?

Mr. LAMMOT DU PONT. Who was this cable addressed to?

Mr. RAUSHENBUSH. Mr. Bates might answer that.

Mr. BATES. To Major Casey, I think.

Mr. LAMMOT DU PONT. My explanation of the first paragraph is that it is something in the nature of a squabble between the agent and the principal as to what the agent's services are worth.

Mr. RAUSHENBUSH. Take that paragraph word by word—

Antonio Carames indignant our offer \$1,500. Claim cancelation be obtained competitors powder-plant contract and contact maintained for several years past without any remuneration has been very valuable to E. I. du Pont de Nemours & Co. Imperial Chemical Industries, Ltd., and merits much higher consideration.

Mr. LAMMOT DU PONT. That is Carames' claim.

Mr. RAUSHENBUSH. That is Bates' report on Carames' claim?

Mr. LAMMOT DU PONT. Yes; Carames makes the claim his services are valuable. You know an agent does not mind blowing his own horn.

Mr. RAUSHENBUSH. That is your interpretation of it, Mr. du Pont?

Mr. LAMMOT DU PONT. Yes.

Mr. RAUSHENBUSH. I call your attention to cable No. 9, which is offered as "Exhibit No. 499."

(The cable referred to was marked "Exhibit No. 499", and is included in the appendix on p. 1359.)

Mr. RAUSHENBUSH. This "Exhibit No. 499" is a cable from Bates, Buenos Aires, dated June 26, 1933, and reads as follows:

Referring to your cable no. 4 Antonio Carames leaving here for Europe July 6 returning by way of New York, N.Y., presumably sent by President secret mission Imperial Chemical Industries, Ltd. Buenos Aires, Argentina, agrees with me suggesting that we offer Antonio Carames \$250 per month to be canceled at any time by payment \$6,000 in monthly installments.

Remuneration if any (for) services rendered cancelation of powder plant to be discussed in London and/or Wilmington, Del., with Antonio Carames.

Mr. LAMMOT DU PONT. That is referring to the previous claim of Carames.

Mr. RAUSHENBUSH. I call your attention to a memorandum from the files, which is offered as "Exhibit No. 500."

(The memorandum referred to was marked "Exhibit No. 500", and is included in the appendix on p. 1359.)

Mr. RAUSHENBUSH. This "Exhibit No. 500" is a memorandum of a telephone conversation with Mr. Bates and Mr. Casey signs it, showing that the company and I.C.I. were still discussing how much Carames should be paid. I call your attention to a cablegram signed by Nick, dated July 2, 1933, addressed to Casey, du Pont, Wilmington, Del., which I offer as "Exhibit No. 501."

(The cablegram referred to was marked "Exhibit No. 501" and is included in the appendix on p. 1359.)

Mr. RAUSHENBUSH. This cablegram reads as follows:

No. 10 Carames accepts temporary arrangement pending interviews London Wilmington \$125 monthly. Ready sign contract Carames similar Veiga duration 3 years with 6 months cancelation clause. Wire immediately if satisfactory. Suggest don't send White or London my letter no. 13. Writing you fully also London air mail this week.

Then I want to put in an item found in your files, being an extract taken from the foreign trade development division in the month of June 1932.

(The extract referred to was marked "Exhibit No. 502" and appears in full in the text.)

Mr. RAUSHENBUSH. This extract reads:

A number of discussions have been had with Mr. Bates, who is now in Buenos Aires, regarding his negotiations with Sr. Antonio Carames, their agent here for military powders. Mr. Carames has had the idea that it would be only equitable for him to receive a cash payment for work done by him in heading off the Retienne contract and further that he should be paid a retainer in view of the expenses that he has been put to in connection with his work.

That refers to the Koln Rottweiler contract—

I.C.I. has been paying him a retainer of £300 per year. While he will make no definite statement in the matter, we get the idea that he has had in mind a cash payment of something like \$15,000 and a retainer of about \$400 per month. * * * In view of Sr. Carames' very great influence in government circles and considering the character involved—

Mr. LAMMOT DU PONT. You left out something.

Mr. RAUSHENBUSH. Do you want it put in? I would be very glad to put it in.

Mr. LAMMOT DU PONT. Let me read it first.

Senator BONE. What is that gentleman's name, Mr. Raushenbush?

Mr. RAUSHENBUSH. Carames—C-a-r-a-m-e-s.

Senator BONE. What are his connections down there?

Mr. RAUSHENBUSH. It has been brought out that he is now the du Pont agent in Buenos Aires.

Mr. BATES. He is now the du Pont and I.C.I. agent in Buenos Aires.

Senator BONE. What was he at the time this letter was written?

Mr. BATES. He was our agent. He was a partner of Crocker & Co.

Mr. RAUSHENBUSH. Do you want that part in?

Mr. LAMMOT DU PONT. Yes, sir. It is being offered in evidence.

Mr. RAUSHENBUSH. I am perfectly willing to take the responsibility for that. [Reading:]

Mr. Bates has had many talks with him and has advised Major Casey fully in the matter. In view of Sr. Carames' very great influence in government circles and considering the character involved, which is exceedingly self-centered and very vindictive towards those against whom he has a grudge, I have thought it proper to suggest to Mr. Bates that, in attempting to arrive at some mutually satisfactory agency arrangement with Sr. Carames, due consideration be given to the company's considerable present investment in the Argentine and that there be weighed any possible undesirable effects that might accrue from Carames' "nuisance value" were he to be left feeling generally "sore" at the company as a result of the present negotiations. Of course, the figures that we have surmised are probably what Carames would like to have and both Mr. Bates and I agree that he would, no doubt, be satisfied with no cash payment, but with some modest retainer in addition to the amount that I.C.I. has been paying him in the past, and which, under the new arrangement, is to be assumed by Wilmington. However, in all this

Mr. Bates clearly understands that while I have suggested that the matter be looked at from a broad company viewpoint basis, I do not have in mind that any part of any retainer to Carames be assumed by any department other than the smokeless powder, in possible conjunction with I.C.I.

Is not a fair interpretation of that, that Carames, according to this, had killed an offer from your competitors, this Koln Rottweiler Co., and Carames was trying, to use the common phrase, to hold you up for \$15,000, and that your man down there, Bates, points out that now the fellow has a "nuisance value?" You do not get a "nuisance value" unless you know something which you could tell your competitors. Is not that true? That is what a "nuisance value" is in this case?

Mr. LAMMOT DU PONT. No; I do not think so. I think the "nuisance value" there applies to our other interests in the Argentine.

Mr. RAUSHENBUSH. What would Carames know about the company which would give him a "nuisance value?"

Mr. LAMMOT DU PONT. I suppose he could use his influence against the company in its various commercial lines down there.

Mr. RAUSHENBUSH. Would it not be a fact that he would go and tell everybody, if he wanted to, what du Pont and I.C.I. had done in holding up this contract and heading off the Retienne contract?

Mr. LAMMOT DU PONT. I do not think that is the idea at all.

Mr. RAUSHENBUSH. Let us go ahead. We can come back to that later.

Mr. LAMMOT DU PONT. What he probably had in mind was Señor Carames would go around to influential people and say the du Pont Co. was a bunch of crooks, and he knew it because he had been employed by them.

Mr. RAUSHENBUSH. And you think that would be an unfair statement in this case?

Mr. LAMMOT DU PONT. I think so.

Mr. RAUSHENBUSH. There are more cables here, discussing the matter between you, to which I assume you will agree, and I come to one of August 4, 1933, about 3 years after the powder discussion was started.

Mr. LAMMOT DU PONT. Oh, no. It started before that; 1918, Major Casey says.

Mr. RAUSHENBUSH. The country had apparently decided, according to previous evidence today, to do this in 1930.

Mr. LAMMOT DU PONT. Somebody reported it.

Mr. RAUSHENBUSH. Carames reported it. And a bid was in from Koln Rottweiler of 2,000,000 pounds, and later on you put in a bid, and obviously negotiations were started. We have had your bid in as evidence.

Mr. LAMMOT DU PONT. Yes, sir.

Mr. RAUSHENBUSH. The matter was not in the academic stage. Argentine is trying to build, in this way, and then those other events took place. Here is a cable from Laing. He is an I.C.I. man in London, is he not?

Mr. BATES. Yes, sir.

Mr. RAUSHENBUSH. This is addressed to White Impkemix, New York:

191. Have interviewed Carames who will accept whatever arranged with Crocker.

Crocker is the other man in the agency at Buenos Aires?

Mr. BATES. Right.

Mr. RAUSHENBUSH (continuing reading):

His claim, and we cannot seriously question it, is that over the years expense has been 2,000 pounds (stop) We are willing pay half or lesser amount (stop) Bates who we suggest should handle matter for his prestige might satisfy Crocker with 1,500 pounds (stop) Building of factory question reopens December and we are preparing accordingly. For interim period existing contract continues.

I will offer that as "Exhibit No. 503."

(The cable referred to was marked "Exhibit No. 503" and is included in the appendix on p. 1360.)

Mr. RAUSHENBUSH. Now, I am almost through, but here is a letter which I wish to put in as "Exhibit No. 504", under date of August 15, 1933, headed "Antonio Carames—Argentine" and signed by W. N. Taylor, who is your Paris agent.

(The letter referred to was marked "Exhibit No. 504" and is included in the appendix on p. 1360.)

Mr. RAUSHENBUSH. That letter reads in part as follows:

I met Mr. Carames on his steamer on his arrival at Boulogne, and motored him to Paris. I did my best to make his stay agreeable, which he seemed to appreciate.

Here is Mr. Taylor's report, following Mr. Bates' various reports—

Mr. LAMMOT DU PONT. This whole letter here is from Colonel Taylor.

Mr. RAUSHENBUSH. Yes, sir; from Colonel Taylor. I skip two paragraphs. [Continuing reading:]

Carames told me his story, which you know from Mr. Bates' reports. His principal claim was that, in spite of the fact that it did not seem to him probable that stopping the factory could have meant a very large monetary gain to us, none the less both Wilmington and London urged him to stop it, a matter which cost him considerable money, the outlay of which at the time was known to both companies. That having spent this money at our request and having not given an opportunity to earn commissions, he was entitled to reimbursement.

Carames explained that having canceled the contract with the Germans three times, he could not continue to do it any longer, and that at the end of December or the first part of January, if we did not put in an offer for the factory a contract would finally be signed with the Germans, which would be final. In view of this, I.C.I. has agreed to make a serious endeavor to get this contract, and are preparing an offer and prices which they feel will compete favorably with the German proposal.

In our meeting in Paris with Mr. L. Smith, he said that he would be satisfied if the present interim agency contract was continued and if a payment of \$10,000 was made to Crocker & Co. He said he did not wish to settle this matter as his partner, Crocker, was the person to be satisfied. Mr. Smith and I discussed with him different phases of his story, but we did not make any promises of any kind. We told him settlement would be made through Bates with Crocker & Co., and to this he agreed.

After this conversation Mr. Smith talked this over in London and then sent me a copy of their cable to Mr. White under date of August 4, in which they will agree to pay half of the \$10,000 and request Wilmington to make the final arrangements on this matter and suggest that this thing be handled through Bates with Crocker & Co. From our conversation with Carames, it appeared clear to us that it was wise to have this done through Mr. Bates, because Carames appeared to think that Mr. Bates had no authority and could make no decisions and we felt it was advisable to force Mr. Carames to accept Mr. Bates' authority.

It would be wise to have the settlement made with Crocker & Co. before Carames leaves Europe, which will be early in November, as I.C.I. would like to go into the details of the factory proposal with him before he leaves, and they hesitate to discuss this matter in detail until this other matter has been settled.

Certainly your Paris agent takes this story of Carames, that he held up the factory, the powder factory which the Argentine was building because I.C.I. and du Pont gained by holding up the factory, and he took out the competition with the Germans, and Taylor takes it very seriously.

Mr. LAMMOT DU PONT. He does not say that.

Mr. RAUSHENBUSH. He reports it.

Mr. LAMMOT DU PONT. He reports it, that is all.

Mr. RAUSHENBUSH. He also goes on to say that I.C.I. is apparently willing to pay one-half of the \$10,000 which seems to be necessary to satisfy the man.

Mr. LAMMOT DU PONT. To settle the Carames claim.

Mr. RAUSHENBUSH. To settle the Carames claim which Mr. Carames says he has due.

Mr. LAMMOT DU PONT. Taylor says nothing to the effect that he thinks Carames' claim is correct.

Mr. RAUSHENBUSH. He certainly does not say anything in there to indicate that he thinks it is not correct, does he?

Mr. LAMMOT DU PONT. I do not gather that from the letter.

Mr. RAUSHENBUSH. At the beginning he states:

I did my best to make his stay agreeable, which he seemed to appreciate.

This was after Bates had said he had a "nuisance value" down there, and Taylor states:

I did my best to make his stay agreeable.

Mr. LAMMOT DU PONT. Colonel Taylor starts off with a statement:

Carames told me his story.

That immediately indicates to me that Colonel Taylor did not altogether put 100 percent reliance on the story.

Mr. RAUSHENBUSH. He says:

which you know from Mr. Bates' report.

The story is one that was known inside the company.

Mr. LAMMOT DU PONT. That is Carames' claim.

Mr. RAUSHENBUSH. At no point did Mr. Bates question what Carames did, and Mr. Bates, sitting next to you, states Carames held up this contract.

Mr. LAMMOT DU PONT. Did Mr. Bates say that?

Mr. RAUSHENBUSH. Yes.

Senator BONE. Mr. Bates, was the contract with the German organization canceled?

Mr. BATES. It was canceled.

Senator BONE. Three times?

Mr. BATES. It was canceled once to my recollection.

Senator BONE. Carames takes credit for having brought about the cancellation of that agreement?

Mr. BATES. He takes credit for it; yes.

Senator BONE. Did he work on it?

Mr. BATES. He told me he did. I was not there all the time.

Senator BONE. Do you have any reason to believe that he did work at it?

Mr. BATES. I do not know, really.

Senator BONE. You were all together and often observed it. You were reporting on this man's ability and his "nuisance value", were you not? That is correct?

Mr. BATES. That is correct; yes, sir.

Senator BONE. Do you believe he had influence enough in Government circles to bring about the cancellation?

Mr. BATES. I knew he had several friends in Government circles.

Senator BONE. He was apparently working on it?

Mr. BATES. I have no evidence, and I never saw him or heard him say anything to the officials.

Senator BONE. You evidently had something of that sort in mind in reporting to the company.

Mr. BATES. I took Carames' word that he was working at that.

Senator BONE. It was evidently of sufficient importance in your mind to report it to your company and to comment on it frequently and suggest his value as being a "nuisance value." You meant by that to get rid of him in some way and get him out of the picture, did you not?

Mr. BATES. No; I meant if he got mad at us he might do us some harm.

Senator BONE. In Government circles?

Mr. BATES. Not necessarily in Government circles, no; because he has a large circle of friends in Buenos Aires.

Senator BONE. I know, but this large circle of private friends was not buying powder and munitions. The Government was the agency you were trying to sell to, was it not? You do not sell smokeless powder to private citizens, do you?

Mr. BATES. No, sir; you do not.

Senator BONE. Your only clients were the Government?

Mr. BATES. But the company sells other products.

Senator BONE. I understand that.

Mr. RAUSHENBUSH. Then, there is more correspondence?

Mr. LAMMOT DU PONT. Mr. Raushenbush, you made a statement which I thought was incorrect, and you gave me this document to prove your statement is correct, and I find no such proof.

Mr. RAUSHENBUSH. May I have this? (Referring to paper.) This is "Exhibit No. 502."

Mr. LAMMOT DU PONT. Your statement was that Mr. Bates said that Carames had canceled the contract. I did not hear Mr. Bates say that.

Mr. RAUSHENBUSH. Mr. Bates, in your responses to Senator Bone's questions a moment ago, did you not answer that you were aware that that was what Carames was doing?

Mr. BATES. The Government canceled the contract.

Mr. RAUSHENBUSH. I am talking about the reference in here.

Mr. BATES. I could not say that. I do not see how a man can influence a government to cancel a contract.

Mr. RAUSHENBUSH. Let us go over this once more. (Referring to "Exhibit No. 502.") [Reading:]

A number of discussions have been had with Mr. Bates, who is now in Buenos Aires, regarding his negotiations with Sr. Antonio Carames, their agent

here for military powders. Mr. Carames had had the idea that it would be only equitable for him to receive a cash payment for work done by him in heading off the Retienne contract and further that he should be paid a retainer in view of the expenses that he has been put to in connection with his work. I.C.I. has been paying him a retainer of £300 per year. While he will make no definite statement in the matter, we get the idea that he has had in mind a cash payment of something like \$15,000 and a retainer of about \$400 per month. Mr. Bates has had many talks with him and has advised Major Casey fully in the matter. In view of Sr. Carames' very great influence in government circles and considering the character involved, which is exceedingly self-centered and very vindictive toward those against whom he has a grudge, I have thought it proper to suggest to Mr. Bates that, in attempting to arrive at some mutually satisfactory agency agreement with Sr. Carames, due consideration be given to the company's considerable present investment in the Argentine and that there be weighed any possible undesirable effects that might accrue from Carames' "nuisance value" were he to be left feeling generally "sore" at the company as a result of the present negotiations. Of course, the figures that we have surmised are probably what Carames would like to have and both Mr. Bates and I agree that he would no doubt be satisfied with no cash payment, but with some modest retainer in addition to the amount that I.C.I. has been paying him in the past, and which, under the new arrangement, is to be assumed by Wilmington. However, in all this Mr. Bates clearly understands that while I have suggested that the matter be looked at from a broad company viewpoint basis I do not have in mind that any part of any retainer to Carames be assumed by any department other than the smokeless powder in possible conjunction with I.C.I.

He was doing something in connection with the smokeless-powder division, which was to have a factory in the Argentine as a competitor. Can anybody read the letter without coming to the conclusion that the talk about \$15,000, and later \$10,000, was on the basis of stopping those contracts?

Mr. LAMMOT DU PONT. It was all on the basis of Carames' claim, who claimed to have stopped the building of the power plant.

Mr. RAUSHENBUSH. And Bates believed that?

Mr. LAMMOT DU PONT. I did not hear that. You put those words in Mr. Bates' mouth, and I did not hear them.

Mr. RAUSHENBUSH. Those who were dealing with this matter were taking it seriously, certainly.

Mr. LAMMOT DU PONT. Carames claimed to have stopped the contract. Whether he did or not, I do not know.

Mr. RAUSHENBUSH. There are cables here about giving him interim commissions.

Mr. LAMMOT DU PONT. There is no doubt that Carames worked for us. He claimed a lot of things which we did not altogether agree with, and this made a settlement of it.

Senator VANDENBERG. Mr. Bates, in the course of your negotiations with Mr. Carames, did he tell you that he had made any arrangements for special commissions to any intervening persons in connection with the transaction?

Mr. BATES. By intervening persons, he had engaged the services of an engineer who was related to some official there.

Senator VANDENBERG. Who was he related to; do you recall?

Mr. BATES. Yes, sir; the president.

Senator VANDENBERG. The president's son was an engineer?

Mr. BATES. He was, yes, sir; but he had no political position.

Senator VANDENBERG. No political position?

Mr. BATES. Absolutely not.

Senator VANDENBERG. And there is no significance, in your mind, as to the relations with the president's son, other than the professional relationship as an engineer; is that correct?

Mr. BATES. That is correct. Carames wanted to get an engineer to explain the highly technical details of this proposal, and when I arrived there he told me he had engaged the services of this man.

Senator VANDENBERG. In making the arrangements of this nature for technical services, would you say that the compensation proposed as an ordinary, professional compensation, or was it something more than that?

Mr. BATES. It was slightly high, I think.

Senator VANDENBERG. A little higher than ordinary?

Mr. BATES. Considering the man you are hiring, perhaps not. Fees in the Argentine are pretty high.

Senator VANDENBERG. How long have you been in the export business, the munitions business, Mr. Bates?

Mr. BATES. Since 1925.

Senator VANDENBERG. You are an American citizen?

Mr. BATES. Yes, sir.

Senator VANDENBERG. What have you to say as to the general competitive practice—I am not interrupting you, am I, Mr. Raushenbush?

Mr. RAUSHENBUSH. No, indeed.

Senator VANDENBERG. What have you to say as to the general competitive practice in the world-wide sale of munitions as respects the necessity for paying special political commissions, entirely aside from commercial commissions?

Mr. BATES. Senator, my experience has been this: That I have never been called upon to pay any commissions or make any proffers whatever. We try to sell our products on their merits, except for this one instance here.

Senator VANDENBERG. Except in this one instance?

Mr. BATES. That instance which I just told you about; that this man advised me he had engaged this engineer to explain the technical details of the proposal.

Senator VANDENBERG. You say that is an exception to the rule; that you are selling on merit. What do you mean by that? If this is an exception to the rule, what do you mean?

Mr. BATES. I did not exactly mean that. What I meant is that this is probably one instance where you might say that the agent engaged the services of an influential man.

Senator VANDENBERG. And engaged his services for his influence perhaps more than for his technical information?

Mr. BATES. I would not say that.

Senator VANDENBERG. You are also the agent for I.C.I.?

Mr. BATES. Yes, sir.

Senator VANDENBERG. Do you consider that a responsibility on your part runs equally to du Pont and to I.C.I., or does one have a larger responsibility in your view than the other?

Mr. BATES. The responsibility is equal, so far as offering military propellants are concerned.

Senator VANDENBERG. You are under responsibility to tell I.C.I. everything that you tell du Pont.

Mr. BATES. No; I do not think so.

Senator VANDENBERG. In some instances you specifically notify du Pont that you prefer that I.C.I. should not know about some particular thing which you are reporting, do you not?

Mr. BATES. I think we have made that statement; yes, sir.

Senator VANDENBERG. Now I am coming back to the incident respecting the embargo. You evidently have some latitude in respect to reporting to I.C.I. When an embargo incident arises, however, you refrain from making a du Pont bid because of your fidelity to the American embargo policy, but you immediately report to I.C.I. Do you consider that you are under any responsibility to report to I.C.I.?

Mr. BATES. Senator, the way that thing happened was this: I received a telegram from I.C.I. telling me that that man had inquired for prices on TNT. So I cabled and said that we could not quote—that is, du Pont could not quote because of the embargo. Then since I.C.I. already knew of the inquiry, I merely said—by way of tautology—that they should quote. We received the inquiry from I.C.I.

Senator VANDENBERG. In the letter of May 29, 1930, from Mr. W. H. O'Gorman, assistant director, to Col. W. N. Taylor, the final paragraph says—no; I might interrupt myself by saying that the letter referred to the sale of cruisers in South America and in the Argentine—and the final paragraph says:

We will take this subject up with our agent in Argentina—

I assume that is you—

and see that he does the necessary in connection with spreading good propaganda.

Did he take it up with you?

Mr. BATES. I do not remember it.

Mr. CASEY. What is the date of that.

Senator VANDENBERG. May 29, 1930.

Mr. CASEY. I think he refers to Carames.

Senator VANDENBERG. What would be your interpretation of “does the necessary” in South America in connection with spreading good propaganda? Is there anything invidious in that phrase?

Mr. BATES. I do not think so. He refers there, I think, to persuading the Argentine officials to buy du Pont powders for those boats.

Senator VANDENBERG. Have you ever paid any special commissions—let us call them for the sake of delicacy—to either officials or agents of business concerns in connection with your South American work?

Mr. BATES. I have not; no, sir.

Senator VANDENBERG. Never paid any?

Mr. BATES. Not a cent.

Senator VANDENBERG. All right; Mr. Raushenbush.

Senator BONE. Is that your construction of the words “does the necessary”, which you have just given us?

Mr. BATES. Yes, sir; it is. Because there was an instance of buying British cruisers or cruisers built in the United States. As a matter of fact, I think the Argentine bought English war vessels.

Senator BONE. This expression, “does the necessary”, is used in connection with spreading good propaganda.

Mr. BATES. Yes.

Senator BONE. How would you do the necessary?

Mr. BATES. By telling the Argentine Government that our Government and other governments in the world find that nitrocellulose powder for use in guns is better than nitroglycerin powder.

Senator BONE. Then that word "necessary" has no other implications than what you have given it?

Mr. BATES. I do not think so.

Senator BONE. You do not think so, but do you know?

Mr. BATES. I do not know.

Senator BONE. You do not know?

Mr. BATES. I remember the incident in that particular letter, and it referred to that particular propaganda—trying to persuade the Argentine Navy to specify guns made for nitrocellulose powder.

Senator BONE. We have an expression interspersed throughout the entire record about "doing the needful", and I am wondering if "does the necessary" has any similar implication. You assure me that it does not; is that correct?

Mr. BATES. That is correct.

Senator BONE. You want to be understood as assuring us that that does not have any significance such as other witnesses have attributed to similar words?

Mr. BATES. In that particular instance there I do not think it means that at all, Senator.

Mr. IRÉNÉE DU PONT. Do you mean by "does the necessary", Senator, is equivalent to offering a bribe? Is that the idea?

Senator BONE. I am asking the witness to interpret it if it has any meaning. It is a very unusual combination of words to employ in a business letter. The ordinary business man does not talk about "doing the needful" or "does the necessary."

Mr. LAMMOT DU PONT. I disagree with that statement as to this combination of words. That expression is a very common one, Senator.

Senator BONE. It is?

Mr. LAMMOT DU PONT. Yes, sir.

Senator BONE. Let me suggest this, Mr. du Pont: Whenever a similar expression has been found in the exhibits in this case, the witnesses have said, almost without exception, that it means the passing of money.

Mr. LAMMOT DU PONT. It does not mean that to me.

Senator BONE. When we have witness after witness testifying before the committee that that is what that expression means, you can understand why I ask the question.

Mr. LAMMOT DU PONT. I say what I have said, because I use that expression myself a great deal in my business.

Senator BONE. That is precisely why I ask, when I see it in your letters, if it has the same meaning that it has when it is employed by other munitions concerns. We have had witness after witness here saying that "doing the needful" and the like meant "greasing" someone.

Mr. LAMMOT DU PONT. It does not mean that to me.

Senator BONE. It may have an entirely different meaning with the du Pont organization, and that is precisely why I am trying to bring this out.

If you assure us that it has not, why, that's that.

Senator VANDENBERG. Mr. Bates, does the president whom we have been discussing have more than one son?

Mr. BATES. I do not think so; I am not sure.

Senator VANDENBERG. I call your attention to these copies of cablegrams which I am not offering for the record. If you will refer to those, Mr. Bates, you will see that the word is in the plural, "sons."

Mr. BATES. That is an error in decoding.

Senator VANDENBERG. You say it is an error in decoding?

Mr. BATES. Yes.

Senator VANDENBERG. The only son referred to is the engineer to whom you have previously referred?

Mr. BATES. That is true.

Senator BONE. There was one other question that I had in mind. Mr. du Pont, you say that that expression to which we have referred is frequently used by you. What does it mean?

Mr. LAMMOT DU PONT. It means, when I use it, that the person addressed is to do what is evidently necessary in the light of some document. For instance, I receive a communication from someone asking me for a contribution. I pass it to my secretary with a note, "Please do the needful" or "do the necessary." That means to comply with the request and write a courteous letter, something of that kind; "do that which is obvious from the document which I pass along." That is the way I use it, and I use it very frequently that way.

Senator BONE. I am very sure that you can understand our interest in view of what has transpired before in this hearing.

Mr. LAMMOT DU PONT. I think it is correct to say that that phrase has not appeared in any of our documents that have been placed in evidence.

Senator BONE. Well, this is in the exhibit from Mr. O'Gorman, who is the director of sales in your company.

Mr. LAMMOT DU PONT. Is he not quoting someone else?

Senator BONE. No. Your assistant director of sales is writing to Colonel Taylor, your Paris agent.

Mr. LAMMOT DU PONT. Quoting somebody else. He did not tell Taylor to do the needful.

Senator CLARK. No. He says in this letter that your agent in the Argentine would be instructed to do the necessary in regard to propaganda.

Senator BONE. Yes.

Mr. LAMMOT DU PONT. Is there any other place where that has appeared in any of our exhibits?

Senator BONE. I have not observed it in those documents that I have seen.

Senator CLARK. I think what Senator Bone refers to is that in this hearing, in connection with other companies, the phrase "to do the needful" has come to have almost a trade significance, apparently.

Mr. PIERRE S. DU PONT. We have not had the advantage of sitting in at all of your hearings; or disadvantage, as the case may be.

Senator CLARK. That is the reason I am making the explanation that I have made.

Senator BONE. As a matter of fact, one witness after another has testified that it was practically a good old trade custom to use that sort of expression.

Mr. RAUSHENBUSH. There is one more question of fact that I should like to refer to. This concern, the Koln Rottweiler crowd that seems, according to the evidence, to have been taken out of the picture later on, became part of the D.A.G.?

Mr. LAMMOT DU PONT. I do not think that is correct.

Mr. RAUSHENBUSH. Is not that correct?

Mr. LAMMOT DU PONT. There were two commercial powder companies in Germany, D.A.G. and Koln Rottweiler.

Mr. RAUSHENBUSH. Are they hooked up in any way?

Mr. LAMMOT DU PONT. I understand they are both part of the I.G. now.

Mr. RAUSHENBUSH. Let me try and see if I can bring out, by asking some questions, what all this means. We start off with a proposition something like this, that a powder factory is to a country as important as a battleship; I thought perhaps more so and you thought perhaps not. It is a great military resource to a country?

Mr. LAMMOT DU PONT. True.

Mr. RAUSHENBUSH. Argentine had decided that it wanted a powder factory and they had passed legislation to get themselves the powder factory.

Mr. LAMMOT DU PONT. That was at a late stage in the negotiations.

Mr. RAUSHENBUSH. Well, at a very early stage Carames passed on confidential information that the matter was up.

Mr. LAMMOT DU PONT. When he said that they decided on a factory that was about 1930. Major Casey stated that the negotiations started in 1918.

Mr. RAUSHENBUSH. Apparently a more recent law had been passed, because du Pont and I.C.I. were taking it seriously and talking about Koln Rottweiler, and so forth. At that point du Pont and I.C.I., according to the evidence, decided that, regardless of what the Argentine Government thought its proper defenses should be, they should not have a powder factory and they managed to take the only possible competitor that protruded itself into the scene, the German competitor for this powder factory, out of action for a period of many years. The evidence goes on further, as I read it, that the agent, realizing that he was not going to get a commission on business he had been active in promoting, demanded \$15,000, and a discussion was held between I.C.I. and du Pont about a \$10,000 price. The agent was recognized to have some nuisance value. In Colonel Taylor's letter I think there was some eagerness to talk to him before he talked to the Germans when he was visiting there. The nuisance was in some form bought off.

The Argentine Government and the Argentine people probably do not know, and will not until the cables of this moment, why they have not got a powder factory today.

A powder factory is important also from the angle of embargoes. People constantly say that an embargo is not fair to one nation because the other has a powder factory; that is, an embargo is unequal before the fact.

We had testimony from one of your own people the other day that the only fair thing was to sell to both sides in any hostility. That was the only way to keep neutrality.

Here you are creating a situation that gives an excuse for that sort of an argument. The only thing that really interests me to add to this is whether it would be possible that the people in South America or in China would get the same idea that we got yesterday from your people, that du Pont was a semi-official connection of the Government. It was certainly only that feeling that allowed your people to put on this stamp that read, "Upon instructions of the War and/or Navy Departments * * *" when the War and Navy Departments denied having given those instructions or that permission.

MR. LAMMOT DU PONT. Why, Mr. Raushenbush, that is not a correct statement.

MR. RAUSHENBUSH. That was the statement made during your testimony yesterday immediately following the statement that was made that Colonel Slaughter, of Military Intelligence, had come up to the committee and informed the committee that that stamp was not authorized.

MR. LAMMOT DU PONT. That is true. But none of our witnesses ever said that that stamp was authorized, did they?

MR. RAUSHENBUSH. I certainly gathered that that was the testimony.

MR. LAMMOT DU PONT. I thought it was clear that I had given the instructions for the application of that stamp myself.

MR. RAUSHENBUSH. The stamp that read "Upon instructions of the War and/or Navy Departments * * *"?

MR. LAMMOT DU PONT. Yes. I gave the authority for the use of that stamp.

MR. RAUSHENBUSH. Of course, the transcript will show it, but I am very sure that the testimony was that it had not been authorized by General MacArthur.

MR. LAMMOT DU PONT. We received a letter from General MacArthur instructing us, or rather calling our attention to the fact, that some matters in our file were confidential. He asked us to take precautions to see that those documents which were confidential were not given out publicly. I saw that letter, and the wording of that stamp was suggested to me. I approved the use of that stamp as a means of carrying out my understanding of General MacArthur's request. Is that clear?

MR. RAUSHENBUSH. That is clear.

MR. LAMMOT DU PONT. Naturally, General MacArthur would say he had never authorized the stamp. I authorized it. But I thought I was carrying out the suggestion that General MacArthur had given us in safeguarding those documents.

MR. RAUSHENBUSH. Perhaps I am under a misapprehension, but—

SENATOR CLARK (interposing). Mr. du Pont, you realize, or you would have been advised by your legal department if you had consulted with them, that neither General MacArthur nor anybody else has authority to instruct you to disregard the process of the United States Senate.

MR. LAMMOT DU PONT. He did not give us any such instructions.

SENATOR CLARK. You evidently thought so from the stamp that you placed on the letter?

MR. LAMMOT DU PONT. No, sir. I am no attorney, Senator, and perhaps I make errors in respect of the legal interpretation. But the letter of General MacArthur called our attention to the fact that there were certain documents in our files which were confidential and suggested that those confidential documents should be safeguarded. That is the understanding I had of General MacArthur's letter. It may not be a proper legal interpretation of what he said, but that is what I thought he said; and I thought the simple, perfectly proper method of carrying out the suggestion was to place the stamp on every confidential document so that your committee would know and be warned that in the estimation of the du Pont Co. that document was one of the confidential documents to which General MacArthur referred.

SENATOR CLARK. It certainly appears to me, speaking as a member of the committee, if that was your intention, that the wording of the stamp was very unfortunately phrased.

MR. LAMMOT DU PONT. No; it sounded very good to me.

MR. RAUSHENBUSH. Later on, when the secretary of the committee suggested the stamp simply be "E. I. du Pont de Nemours & Co. considers this confidential", that stamp was adopted right away?

MR. LAMMOT DU PONT. That language was never suggested to me, as far as I recall. It seems to me it might have answered the purpose.

MR. RAUSHENBUSH. It was put on later documents, was it not?

MR. LAMMOT DU PONT. I do not know about that.

MR. RAUSHENBUSH. I did not mean to get into this argument. I thought that was all settled. The only point that I was trying to raise was this: Would it be possible for some of these South American and other countries to get the idea that because of this semi-official connection of du Pont, or very close connection—let us put it that way; I think the word "semi-official" was used yesterday—

MR. LAMMOT DU PONT. I do not know that I used that term.

MR. RAUSHENBUSH. Let me finish my question, please: that what the du Pont Co. was doing in South America or anywhere else had in some way the approval of the Government. Could they have gotten that misconception at all, that it had the approval of our Government?

MR. A. FELIX DU PONT. What they were doing in what way?

MR. RAUSHENBUSH. Let us say in Argentina.

MR. LAMMOT DU PONT. You mean in trying to sell a powder plant?

MR. RAUSHENBUSH. Not trying to sell one; trying not to sell a powder plant.

MR. LAMMOT DU PONT. I think trying to sell one.

MR. A. FELIX DU PONT. No; we were not trying to.

MR. LAMMOT DU PONT. Well, they were negotiating.

MR. A. FELIX DU PONT. What we want to do is to sell powder and not build plants.

MR. RAUSHENBUSH. Yes. You are trying to sell powder and not build plants. That was the economic explanation of the action taken.

MR. A. FELIX DU PONT. We will build plants if they tell us to, but we would rather sell powder.

Mr. RAUSHENBUSH. And that is the explanation of this whole matter.

Mr. LAMMOT DU PONT. The record shows that we made a bid.

Mr. RAUSHENBUSH. A very high bid.

Now, I should like to ask you just this question. I am not going to read these five cablegrams into the record. But I should like to ask you this question: If those five cablegrams here combined were read into the record, would it not happen that a very serious situation, a very dangerous situation to life or property might ensue in a particular South American country?

Mr. LAMMOT DU PONT. I cannot answer that; I do not know.

Mr. RAUSHENBUSH. If no such situation would ensue, then the committee would have had no particular reason for withholding those cablegrams?

Mr. LAMMOT DU PONT. I do not know what you are referring to.

Mr. RAUSHENBUSH. You have read the cables?

Mr. LAMMOT DU PONT. The ones that were offered in evidence?

Mr. RAUSHENBUSH. No; they are not offered in evidence.

Mr. A. FELIX DU PONT. The ones that we had before us just now.

The CHAIRMAN. They are not offered in evidence.

Mr. LAMMOT DU PONT. They are not the ones we have seen?

Mr. RAUSHENBUSH. You have seen them.

Mr. PIERRE S. DU PONT. Senator, may I say a word on this Argentine situation?

The CHAIRMAN. Have you finished this particular point, Mr. Raushenbush?

Mr. RAUSHENBUSH. I have not. I was trying to get an answer to that question.

Mr. LAMMOT DU PONT. If you will allow Mr. Pierre du Pont to proceed with what he wants to say, perhaps by that time I shall be able to give it some thought and perhaps give you an answer.

The CHAIRMAN. I would now suggest that you try to get an answer to that question, Mr. Raushenbush.

Mr. LAMMOT DU PONT. Perhaps while Mr. Pierre du Pont is speaking, I will be able to formulate an answer to your question.

Mr. PIERRE S. DU PONT. The impression seems to be that it was decidedly to the advantage of the Argentine Government to have a powder plant and that in some way they were frustrated by our efforts or the efforts of others. That is not necessarily true. If the proposition was to build a plant there without supplying the raw materials, it might very well have been greatly to the disadvantage of the Argentine Nation and possibly this propaganda refers or relates to pointing out to the Argentine Government that the powder plant in itself was useless unless they could get the raw materials. It takes, as I pointed out yesterday, 5 to 9 times as much raw materials to run a powder plant as there is powder made. It is much easier to import the powder than it is to import the raw materials.

So I think before this question is determined one way or the other—I think it is immaterial, really—we should discover whether the proposition was a complete powder plant with safeguarded raw materials or not. If it was not, the Argentine Government or Nation might have suffered severely by thinking that it had a powder plant and finding out later that it had nothing but a shell which could not be operated. I think the question is immaterial to the discussion, but

I do not want it left that we tried to do something to the disadvantage of the Argentine Government.

Mr. RAUSHENBUSH. On that point, if you wish, we could go back over all of this testimony in which I.C.I. and du Pont define what they are bidding on, plant plus machinery plus patents, and so forth, which does not, in any of these letters that we happened to have pulled, indicate that this is a foolish proposition in any sense. We could go over all of that record to convince you, if it is necessary.

Mr. IRÉNÉE DU PONT. Mr. Chairman, I am a little mystified, because if it is wrong to prevent Argentina from having a powder plant, why is it wrong to help Japan have a powder plant? A little while ago we were accused of doing something awful because we helped Japan. Now we are accused of doing something that is not right because we did not help another country. I do not quite follow the logic of that argument.

Mr. RAUSHENBUSH. Mr. du Pont, it is only your feeling that the ethics of a situation are being discussed that leads you to raise that question. It is not the ethics of any of these situations that we are talking about. I mean this 5-percent commission to officials in China—they are ethical matters, perhaps. But what we are trying to get at is what people abroad think of what a company does in helping other countries prepare in a military way, or in preventing them from preparing in a military way. We have had illustrations today of both, it seems to me. Those things are important. I am not passing any ethical judgment on it. In one case you seem to have stopped a country from using a source. As Mr. Felix du Pont said, you do not want them to build plants, you want to sell them powder. In the other case you helped Japan with a process that made it possible to produce powder more cheaply.

Mr. IRÉNÉE DU PONT. I can straighten this thing out. We are not in business to help or harass other nations. We have no right to do that and have no desire to do it. I do not know anything about it particularly, but certainly we are engaged in the business of manufacturing powder among other things; a very minor part of our business, but such as it is, it seems to me it ought to be followed in a businesslike way. If we can make money by showing the Japs how to make their hydrogen cheaper, thereby reducing the cost of their fertilizer a fraction of a cent a pound—well, why not? If they will share it with us. And if we can sell good powder to Argentina, the best powder that we know how to make, why should we not sell it? They do not have to buy it, if they do not want it.

Mr. LAMMOT DU PONT. I am prepared to answer your question now, Mr. Raushenbush.

Mr. RAUSHENBUSH. Mr. Chairman, Mr. du Pont is ready to answer the question that I raised with him about the possible effect of publishing these cablegrams.

Mr. LAMMOT DU PONT. I think it would be undesirable to publish those communications.

The CHAIRMAN. You agree with the committee that it would be undesirable?

Mr. LAMMOT DU PONT. I agree; yes. But that has nothing to do with our alleged semi-official relations with the United States Government.

Mr. RAUSHENBUSH. My question was somewhat different. Are you in a situation where the divulgence of certain things that you do may cause a political repercussion in a certain South American country?

Mr. LAMMOT DU PONT. I think the publication of those might do so; yes.

Mr. RAUSHENBUSH. That is the answer to the question.

Mr. LAMMOT DU PONT. But I do not think our relations with the United States Government—

Mr. RAUSHENBUSH. They do not enter into this.

Mr. LAMMOT DU PONT. No.

Mr. RAUSHENBUSH. Nobody has said that.

The CHAIRMAN. The committee will stand in recess until 2:15 p.m. (Whereupon, at 1:05 p.m., the committee took a recess until 2:15 p.m. of the same day.)

AFTER RECESS

(The committee reconvened, pursuant to the taking of recess, at 2:15 p.m.)

The CHAIRMAN. Let the committee come to order.

The Chair desires to inject for just a moment reference to testimony of yesterday involving an exhibit in the form of a memorandum found in the file of Mr. Casey, which was signed by initial, by Mr. Casey himself. This memorandum is dated February 23, 1934, relating evidently to a visit in Washington on February 15, 1934, and contains the following:

Had a talk with Colonel Brabson, of Military Intelligence, and drew his attention to the Nye resolution. As Colonel Brabson comes from Tennessee and is very close to Secretary Hull he will discuss this matter with him, so that when the matter is referred to the State Department at least they will be familiar with the situation and the possible disadvantages from the viewpoint of the Army.

What report, Mr. Casey, did Colonel Brabson make to you following this time concerning any contact he had had with respect to the so-called "Nye resolution"?

Mr. CASEY. I never heard anything more about it. I simply felt that when I called his attention to it and the possible effect on the national defense, I was through with it.

The CHAIRMAN. I feel I owe, and the committee owes, a very brief statement in that connection for the record. If Colonel Brabson did approach Secretary Hull—which I know he did not do—but if he did, his mission was evidently wholly unsuccessful, as other like missions would have proven, because the committee has enjoyed at the hands of Secretary Hull the fullest measure of cooperation in this investigation, and at the time the resolution was pending—and it had been introduced only a week before this memorandum was written—during that time I had, as sponsor of the resolution, very sympathetic and helpful consideration at the hands of Secretary Hull.

I think the record ought to be made clear with respect to that.

Mr. CASEY. There was at that time really very little knowledge of exactly what this proposition meant, and as Colonel Brabson has been a friend of mine of more than 25 years' standing, I spoke to him

about it, and I stated that the only thing we were concerned about is the possible effect anything of this sort may have on national defense. I said nothing more about it, because I knew he came from the same State as Secretary Hull.

Senator CLARK. Colonel Brabson did not tell you he was going to talk to Secretary Hull?

Mr. CASEY. No; he did not.

Senator CLARK. It so happens I have known Colonel Brabson for many years, and I think he has too much of a sense of propriety to do any such thing.

The CHAIRMAN. Nevertheless, the memorandum says he would.

Mr. CASEY. I don't think he was committed to do it.

The CHAIRMAN. Senator Clark, you may proceed.

Senator CLARK. Mr. du Pont, I have here a memorandum from the files of the Remington Co. in reference to the Rheinisch Westfulisches Sprengstoff, which I offer in evidence under the appropriate number.

(The document referred to was marked "Exhibit No. 505," and appears in full in the text.)

Senator CLARK. This memorandum, "Exhibit No. 505", refers to Mr. Pickard. Who is he? He is a member of your bureau of foreign relations, I believe.

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. This memorandum reads as follows:

Export prices.—When Mr. Pickard talks with I.C.I. and R.W.S. he will probably draw them out on how best Remington can cooperate with them toward a higher level of prices in the foreign field. R.W.S. are bad offenders, so far as prices are concerned on center-fire metallics in Latin America, and should be made to realize that unless they raise their prices ours can very readily be reduced. The usual excuse is French competition, but we know they now have a working arrangement with the French manufacturers. We helped to bring them together about 4 years ago.

Now, R.W.S. in this memorandum is the Rheinisch Westfulisches Sprengstoff, A.G.?

Mr. LAMMOT DU PONT. I believe so. However, that "Westfulisches" is not spelled right; but that doesn't matter.

Senator CLARK. We are not responsible for that; these memoranda were copied by your own office force. However, R.W.S. is the commonly recognized abbreviation for that firm, however it may be pronounced or spelled, is it?

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. In other words, that memorandum indicates that some years prior to the memorandum which is undated, there had been a working agreement between the French and German cartridge manufacturers amounting to a price agreement, at least so far as center-fire cartridges are concerned; does it not?

Mr. LAMMOT DU PONT. I really don't know anything about them, Senator.

Senator CLARK. That is what this memorandum would indicate, is it not?

Mr. LAMMOT DU PONT. This is evidently a reference to ammunition.

Senator CLARK. Yes; it is.

Mr. LAMMOT DU PONT. And I take it to be a reference to sporting ammunition.

Senator CLARK. Center-fire cartridges are used in all high-powered military rifles, are they not?

Mr. LAMMOT DU PONT. They are, but as I say I don't know anything about this, and I would infer this refers to sporting ammunition.

Senator CLARK. There is nothing in this letter to indicate it refers to sporting ammunition as distinguished from military ammunition, is there? At any event, what I am getting at, this does indicate a very definite relationship between a large German ammunition manufacturing agency and a large French manufacturing agency, which had been brought about through the intervention and mediation of an American agency, whether it was Remington, which you now control, or the du Pont Co. itself.

Mr. LAMMOT DU PONT. I don't think you are on the right track, there. This communication is by the R.W.S., is it not—it is signed by R.W.S.

Senator CLARK. Yes.

Mr. LAMMOT DU PONT. That is the German company.

Senator CLARK. That indicates a very definite agreement. Do you understand R.W.S. was writing about itself and saying:

R.W.S. are bad offenders, so far as prices are concerned on center-fire metallics in Latin America, and should be made to realize that unless they raise their prices, ours can very readily be reduced.

Mr. LAMMOT DU PONT. Who did sign that?

Mr. RAUSHENBUSH. Nobody signed it, but it was in your I-G explosives file.

Mr. LAMMOT DU PONT. Who wrote it?

Senator CLARK. It is a memorandum taken from your files.

Mr. LAMMOT DU PONT. Who wrote it?

Senator CLARK. I do not know.

Mr. LAMMOT DU PONT. Neither do I.

Senator CLARK. Did you have any agreement between the German and French manufacturers of small arms ammunition?

Mr. LAMMOT DU PONT. We certainly did not earlier than a year ago.

Senator CLARK. When did you learn about this agreement between the German and French manufacturers?

Mr. LAMMOT DU PONT. I never learned about it at all, and I don't think the company did more than a year ago, because that is when we got into the ammunition business.

Senator CLARK. Did you have any information on this?

Mr. LAMMOT DU PONT. I am quite sure we did not before a year ago.

Senator CLARK. I am asking did you have any information of a working agreement between the French and German manufacturers of center-fire cartridges?

Mr. LAMMOT DU PONT. No.

Senator CLARK. Mr. Felix du Pont, did you?

Mr. A. FELIX DU PONT. No.

Senator CLARK. Mr. Casey, did you?

Mr. CASEY. No; but I might add I think when Mr. du Pont said sporting ammunition, I think he is correct, because Germany is prohibited—

Senator CLARK. I am not asking about that; we will come to that later. Do any of you have any such information; did you, Mr. du Pont?

Mr. IRÉNÉE DU PONT. No.

Senator CLARK. Now, Mr. du Pont, the situation between the German and the French ammunition manufacturers, besides being of great interest to your Remington division and probably to other arms manufacturers, seems to have been of great interest to the du Pont Co., too; was it not?

Mr. LAMMOT DU PONT. I would not say of great interest, but of some interest on account of our acquisition of the Remington Co.

CONTRABAND OF ARMS IN GERMANY

Senator CLARK. I will offer as the next exhibit a letter from William N. Taylor to Major Casey, of date June 27, 1932.

(The letter referred to was marked "Exhibit No. 506", and appears in full in the text.)

Senator CLARK. This letter is from Col. William N. Taylor, your Paris representative, and reads as follows:

I heard on my last visit to Holland that the German political associations, like the Nazi and others, are neatly all armed with American revolvers and Thompson machine guns, and that there is a regular business of bootlegging of small weapons from America to Germany, the center of which being Cologne and most of the bootlegging being done by Dutch.

However, this is only a rumor like so many other rumors.

Very truly yours,

WILLIAM N. TAYLOR.

Then, again, I offer as an exhibit a letter dated January 9, 1933, from William N. Taylor, your Paris representative, addressed to Major Casey.

(The letter referred to was marked "Exhibit No. 507", and appears in full in the text.)

Senator CLARK. I read this "Exhibit No. 507", as follows:

There are four men in Germany principally engaged in the contraband of arms.

James Magnus & Co., Burckardstr, Hamburg. Maurice Magnus is in charge of the military business. They have a representative in New York called Leo Kohn, 90 West Street. Maurice Magnus does not work in the name of the firm but takes orders in his own name. He claims to be a second-hand arms dealer in a legitimate manner, but, in reality, his work is all contrary to rules and regulations. The only legitimate work we know about is the sale of Polish rifles to Finland. His credit is not very good, because the manufacturers who sell to him become immediately involved in an illegal transaction and hence find it difficult to collect.

Beno Spirito, Hamburg. This man deals largely with the Balkans and South America. His credit is supposed to be a little better than that of Magnus.

Carlowitz, Hamburg. These three men work together. Each one has his own set of customers and in selling to them all three sign the contracts. When the principal defaults in payment, you call on the second who also defaults, and the collection becomes extremely confused due to the number of signatures. It is undesirable to deal with these people; they are all under suspicion and their operations are irregular and payment is bad. However, they do a large business.

Kunst & Albers. This is a more respectable firm and is a large commission house which dealt before the war mainly with Russia and China. They still have several offices in China and are supposed to deal in a legitimate manner. They enjoy better credit.

All the purchases made by these people are c.i.f. free port of Hamburg.

It is perfectly legitimate to ship to the free port of Hamburg and deliver there. It is also perfectly legitimate to take goods out of the free port of Hamburg and ship them where you wish.

The Swiss factories, the Czechoslovakian factories, the Austrian factories, Dordrecht, and Bofors all ship their goods to the free port of Hamburg, and hence they are delivered to their various customers. That is why rumors of shipments of arms are always current in the city of Hamburg.

It is illegitimate for the German manufacturers to ship to the free port of Hamburg, but it is managed. Once in the free port, there is no difficulty in getting them out.

It is supposed that in the year 1932, 400 to 2,000 tons of powder were shipped from the free port of Hamburg. The destination is not known and the original manufacturers are not known. Most of all is supposed to go to Russia in bond through Riga.

The principal agent for purchases for Russia is a Mr. Jacobson in Copenhagen, who handles the Russian business for Bofors, Solothurn & Dotlikon.

In Holland there is an attempt to control the illegitimate traffic of arms. Every dealer must have a license and is carefully watched.

There is a certain amount of contraband among the river shippers, mainly in arms from America. Arms of all kinds coming from America are transshipped in the Scheldt to river barges before the vessels arrive in Antwerp. Then they can be carried through Holland without police inspection or interference. The Hitlerists and Communists are presumed to get arms in this manner.

The principal arms coming from America are Thompson submachine guns and revolvers. The number is great.

Along the Lemberg frontier there is a small traffic of arms into Germany, revolvers and small weapons, which can be bought in the retail stores in Holland.

It is worthy of note that in view of the difficulties of trading, due to the fact that the politicians in a desire to restrain abuses have put so many restrictions, taxes, duties, and licenses, on legitimate trade, that in all international business the amount of smuggling and fraud has increased enormously. The illegitimate dealers pay no taxes nor duties and are free from all restrictions, hence they can outbid and outdeal the legitimate dealers.

The legitimate export of powder in Europe has not been above 300 tons in 1932, but it is supposed that the illegitimate trade is over 1,000 tons, much of it made in Germany.

Over control only affects correct dealing, but favors smuggling.

So far I have kept away from these smugglers, but I am going to Hamburg at the first reasonable opportunity and call on them to see what information I can get about the business.

Very truly yours,

WILLIAM N. TAYLOR.

Mr. LAMMOT DU PONT. Senator, I think you misread the next to the last paragraph. You read it, "Our control only affects correct dealing but favors smuggling."

Senator CLARK. You are correct. Thank you, Mr. du Pont, for calling it to our attention.

Now, first, let me ask all of you gentlemen, in each of these two letters reference is made to large quantities of American manufactured Thompson submachine guns being smuggled into Germany. Did Colonel Taylor ever tell any of you gentlemen, or was it ever mentioned in any of his rather voluminous reports, who was handling the shipment of these arms from the United States to Germany?

Mr. CASEY. No; he did not.

Mr. LAMMOT DU PONT. We do not manufacture any submachine guns.

Senator CLARK. I understand, but I notice he made that statement, and I wondered if it had ever come to your attention?

Mr. LAMMOT DU PONT. No, sir.

Senator CLARK. Now, this last letter I just read, in which reference is made to the arming of the Hitlerists and the Communists, was written immediately prior to Hitler taking power in Germany, as it was written January 9, 1933.

Mr. LAMMOT DU PONT. I have no information about that, but I presume that is correct.

Senator CLARK. If I may say in that connection, I understand the committee has requested the du Pont Co. to get together what information they can on the shipment of contraband machine guns, and that Major Casey has undertaken to do that work for the committee.

Now, on January 18, 1934, there is another report from Colonel Taylor to Major Casey, which I offer as an exhibit under the appropriate number.

(The letter referred to was marked "Exhibit No. 508", and appears in full in the text.)

Senator CLARK. I read from this "Exhibit No. 508", as follows:

The contraband of ammunition is increasing tremendously. I.C.I. have received continuous enquiries for delivery to the free port of Hamburg from Magnus and Beno Spiro. (They are two of the rather shady dealers mentioned in the last letter.)

We have invited Beno Spiro to meet us this week in Paris, but he refused to come.

We are going further into this matter.

This was the same Beno Spiro he referred to as a cheap character who would not pay his bills, in the last letter, wasn't it, Mr. du Pont?

Mr. LAMMOT DU PONT. There seems to be a similarity in the two names.

Senator CLARK. The letter reads further:

There seems to be the beginning of a decided increase of activity in the ammunition business in Europe. The immediate cause of excitement is the possibility of revolution of the Croates in Serbia, which, if it takes place, will cause considerable trouble.

Very truly yours,

WILLIAM N. TAYLOR.

Then, I call your attention to a letter to Major Casey from Colonel Taylor dated March 4, 1933, which I offer as an exhibit under its appropriate number.

(The letter referred to was marked "Exhibit No. 509", and appears in full in the text.)

Senator CLARK. "Exhibit No. 509", the letter from Colonel Taylor to Major Casey, reads:

I wrote to you sometime ago a little article on the question of contraband of arms and pointed out that the Dutch laws permitted the transport in canal shipments from Belgium into Germany in transit through Holland without any government inspection.

I also mentioned that certain small arms of American origin were taken in Belgian boats from the Scheldt through Holland into Germany.

The Dutch newspapers have been objecting to this and recently a Belgian deputy has asked this question in the Belgian Parliament and asked if any measures had been taken by the Government to prevent this traffic. The Belgian Ministry replied that this matter had been taken up and that the Belgian Minister at The Hague had been instructed to consult with the Dutch Government on this matter in an attempt to stop this.

It would appear that a good many of these arms come from Liege.

So it would appear that the matter mentioned in Colonel Taylor's previous communication to you had been of sufficient importance to be the subject of legislation and diplomatic correspondence?

Mr. LAMMOT DU PONT. Not our diplomatic correspondence.

Senator CLARK. No; but I say the subject of contraband munitions mentioned in Major Taylor's communications to you were actually of sufficient importance to be the subject of diplomatic correspondence.

Mr. LAMMOT DU PONT. I do not know that. Colonel Taylor is simply reporting the information to us.

Senator CLARK. That is reported by Colonel Taylor to you?

Mr. LAMMOT DU PONT. He had gotten this information and was passing it on to us.

Senator CLARK. He reported to you that it had been the subject of legislative action and diplomatic correspondence.

Mr. LAMMOT DU PONT. Colonel Taylor had not had that diplomatic correspondence.

Senator CLARK. No; he did not have the diplomatic correspondence, but he called the information to your attention as it came to his notice. He called to your attention the fact that it had been the subject of diplomatic correspondence also?

Mr. LAMMOT DU PONT. Colonel Taylor was just reporting the things to us, was our view.

Senator CLARK. Referring to "Exhibit No. 505", a memorandum taken from the Remington files, having to do with an agreement between French and German ammunition manufacturers, it is a fact, is it not, Mr. du Pont, that the R.W.S. referred to in that memorandum is now the Dynamit-Actien-Gesellschaft, which is commonly known in trade circles as "D.A.G."?

Mr. LAMMOT DU PONT. I do not know. This is not the same as Koln Rottweiler. I do not know whether this is a part of the D.A.G. or not.

Mr. CARPENTER. It is not a part of the D.A.G., but I believe they are both owned by the I.G., which is a large German company.

Senator CLARK. I call your attention to another letter, taken from your files, Mr. du Pont, addressed to Mr. C. K. Davis, president, Remington Arms Co., Inc., Bridgeport, Conn., written on the letterhead of the Remington Arms Co., Inc., 25 Broadway, New York, N.Y., evidently being an inter-office communication, dated October 22, 1933. That will be offered as an exhibit and appropriately numbered.

(The letter referred to was marked "Exhibit No. 510" and is included in the appendix on p. 1361.)

I direct your particular attention to the next to the last paragraph on the second page of this letter which is signed by Mr. A. A. Dicke, and which reads as follows:

On account of my rather intimate acquaintance with Mr. von Herz, Dr. Mueller, and many others in the R.W.S. (now the D.A.G.) organization, practically all correspondence between the two companies was handled through me, and I have continued in this relationship even after my resignation as vice president of the Remington Arms Co., Inc. That is the reason why the letter referred to was sent to me.

That would appear to be a letter from a former vice president of the Remington Arms Co., Inc., who has had direct charge of

whatever went on between the Remington Arms Co., and R.W.S., and he now makes the statement that the R.W.S. is now known as the "D.A.G."

Mr. LAMMOT DU PONT. I do not know anything about that.

Senator CLARK. I am trying to establish the identity for this.

Mr. LAMMOT DU PONT. I am afraid you cannot establish it from my information, Senator.

Senator CLARK. I have established it from the exhibit I just offered. Is there anybody else in your organization who would be better prepared to give information with regard to the identification of these companies?

Mr. LAMMOT DU PONT. I think somebody connected with the Remington Arms Co. might.

Senator CLARK. Have you anybody here from that company?

Mr. LAMMOT DU PONT. Only Dr. Sparre, who is a director, and I do not think he would be informed on that.

RELATIONS WITH DYNAMIT-ACTIEN-GESELLSCHAFT, GERMANY

Senator CLARK. This letter just put in the record, Mr. du Pont, is from the former vice president of the Remington Arms Co., addressed to the president of the Remington Arms Co., who personally handled their negotiations with R.W.S., who states that R.W.S. is now known as "D.A.G."

Mr. LAMMOT DU PONT. I do not say that is not true, but I do not know.

Senator CLARK. I see. You are not prepared to testify to it.

I offer this statement from Mr. Dicke, the former vice president of the Remington Arms Co.

I offer in evidence and ask to have marked the appropriate number an exhibit which is an extract from the directors' report of the Dynamit-Actien-Gesellschaft, 1933, showing this hook-up.

(The report referred to was marked "Exhibit No. 511" and is included in the appendix on p. 1362.)

Senator CLARK. I will read a certain portion of that, pronouncing as well as I can the names. On page 5, toward the bottom of the page, these minutes state [reading]:

We have community-of-interests agreements with the following firms":

Mr. LAMMOT DU PONT. I beg your pardon, Senator, but we seem to have no page no. 5 in here.

Senator CLARK. I marked the numbers with pencil myself, Mr. du Pont.

Mr. LAMMOT DU PONT. It is the first page of the report?

Senator CLARK. Yes, sir [reading]:

We have community-of-interests agreements with the following firms:

Carbonit Aktiengesellschaft; Gustav Genschow & Co., A.-G.; Koln-Rottweil, A.-G.; Rheinische Gummi & Celluloid Fabrik; Sprengstoffwerke Dr. R. Nahsen & Co., A.-G.

We belong to the following unions, conventions, and similar syndicates governing price and sales:

Deutsche Sprengstoff-Konvention; Sprengstoff-Verkaufs-Gesellschaft, m.b.H.; Zundschmur-Verkaufs-Gesellschaft, m.b.H.; Sprengkapsel-Syndicat; Celluloid-Verkaufs-Gesellschaft, m.b.H.; Munitions-Verband; Vereinigung Deutscher Kunstharzfabriken.

Going on to the next page:

The most important of our holdings of shares are the following:

Firm	Nominal stock in RM	Nominal holding in RM
Carbonit Aktiengesellschaft	1,500,000	417,500
G. C. Dornheim Aktiengesellschaft	500,000	482,000
Deutsche Celluloid-Fabrik Eilenburg	8,000,000	2,211,500
Fabrik elektrischer Zunder Gesellschaft m. b. H.	3,000,000	2,820,000
Selve-Kronbiegel-Dornheim A.-G.	900,000	615,000
Sprengstoffwerke Dr. R. Nahnsen & Co. Aktiengesellschaft	700,000	351,600
Sprengstoffwerke Kieselbach-Kunigunde G. m. b. H.	600,000	300,000
Rheinische Gummi und Celluloid Fabrik	1,000,000	600,000
Aktiengesellschaft Dynamit-Nobel, Bratislava (Pressburg)	Kc. 13,200,000	Kc. 6,745,200

Now, Mr. du Pont, from your familiarity with the trade, you know that many of these companies which are enumerated there as being controlled by D.A.G., or with whom they have agreements, are or were prominent arms and explosives manufacturers, do you not? In other words, what I am getting at, Mr. du Pont, is this: It is a fact that D.A.G. is the great German explosives trust, is it not?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. There is no question about that, and it is well recognized throughout the trade. Is not that a fact?

Mr. LAMMOT DU PONT. Yes, sir. There are a few names which I recognize in here, Senator.

Senator CLARK. Perhaps you could not recognize them from my pronunciation.

Mr. LAMMOT DU PONT. I have been reading them, after I got the drift of your question, and the few which I recognize are not munitions concerns. The Deutsche-Celluloid-Fabrik Eilenburg, I think, is a celluloid company.

Senator CLARK. They are all tied in with this great Munitions Trust, are they not?

Mr. LAMMOT DU PONT. Yes, sir. The Rheinische Gummi und Celluloid Fabrik, I think, is a rubber company.

Senator CLARK. There is no question but that the D.A.G. is the great German munitions combine, is there?

Mr. LAMMOT DU PONT. Surely.

Senator CLARK. I will ask you to look at page 6, the second page of that report, immediately following what I have read, in which this statement is made:

The balance sheet and the profit-and-loss account are based on our community of interests agreement with the I.G. Farbenindustrie A.-G.

And on the last page you will find this statement:

Based on the agreement with the I.G. Farbenindustrie A.-G., our net profit amounts to RM 1,679,199.95.

Now, the I.G. or the I.G. Farbenindustrie A.-G., commonly known as I.G., is the great chemical combine of Germany, is it not?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. So that you have a great explosives combine of Germany, the D.A.G., and the great chemical combine, I.G., tied in

together in a combine, the exact manner of which we need not go into at this time.

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. There is no question about the D.A.G. and I.G. being tied in together, is there?

Mr. LAMMOT DU PONT. No.

Senator CLARK. There is also in evidence from the last exhibit the fact that the D.A.G., the explosives combine, and the I.G., the great German chemical combine, are so closely related that they show profits and losses together.

Mr. LAMMOT DU PONT. Are you asking me a question?

Senator CLARK. I just made the statement that it appears from that exhibit that you just examined, that there was such an intimate connection between the D.A.G. and the I.G., the great explosives combine and the great chemical combine, that their profits and losses are reflected in their balance sheets. That statement is specifically made in the minutes which I just read.

Mr. LAMMOT DU PONT. I presume that is correct.

Senator CLARK. Now, Mr. du Pont, I offer for the record, for appropriate number, a document which was taken from your files, and which we found marked in your files as "Unsigned—in effect as gentleman's agreement." This purports to be a license agreement covering patented inventions and secret inventions between E. I. du Pont de Nemours & Co., party of the first part, and The Vereinigte Kohn-Rottweiler Pulverfabriken and Dynamit Actien Gesellschaft, party of the second part.

(The agreement referred to was marked "Exhibit No. 512" and appears in the appendix on p. 1367.)

This agreement starts out:

"This agreement, made in the city of Hamburg, Republic of Germany, as of the 1st day of January, A.D. 1926, between—"

the parties named, which I have just read.

What do you know about this agreement, Mr. du Pont?

Mr. LAMMOT DU PONT. That is an agreement between the German companies and ourselves, which is very similar to the agreement between I.C.I. and du Pont, in that it provides that each of the parties may acquire from the other an option to purchase valuable rights to processes. The agreement with I.C.I., in this respect, is in effect, in that it has been duly executed by both parties. This agreement with the German company was drafted along the same general lines and was informally agreed to but was not executed. It, therefore, is not in effect, I believe, legally, but we have notified the Germans, I think informally, that we were satisfied to be bound by it, that is, we would agree to the agreement verbally, informally, but we have not executed it.

Senator CLARK. In other words, that notice on this contract, as we found it in your files, unsigned, "in effect as gentleman's agreement", is literally accurate. The contract has not formally been completed by signature, but that it is in effect practically, as a gentleman's agreement between the two companies.

Mr. LAMMOT DU PONT. If you mean by a gentleman's agreement—

Senator CLARK. I am asking what you meant by this notation. It is not my notation but a notation by somebody in connection with your company.

Mr. LAMMOT DU PONT. I know what my interpretation of a "gentleman's agreement" is, but I do not know what yours is.

Senator CLARK. I am asking you yours.

Mr. LAMMOT DU PONT. My interpretation?

Senator CLARK. Yes.

Mr. LAMMOT DU PONT. My interpretation of a "gentleman's agreement" is one which is not executed but which the parties have considered.

Senator CLARK. And are proceeding under?

Mr. LAMMOT DU PONT. Yes; but I think also, Senator, the term "gentleman's agreement" applies to the ability of either party to get out of it.

Senator CLARK. The point I am making is that you have had these negotiations and are actually proceeding under that agreement at the present time, are you not?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. Even though that may not be binding and valid, and even though it might be voided by either party.

Mr. LAMMOT DU PONT. Yes, sir; I think we would be perfectly right, both legally and ethically, if we notified these companies that after tomorrow we would not be bound by the agreement.

Senator CLARK. Or they with you?

Mr. LAMMOT DU PONT. Or they with us.

Senator CLARK. This agreement, Mr. du Pont, provides for an exchange of patents and processes on black powder in all varieties, on all varieties of smokeless propellants for sporting purposes; disruptive explosives of all kinds for industrial purposes; detonators; electric detonators; safety fuses; powder fuses; detonating fuses; electric igniters, and generally all devices for initial detonation or ignition; the components which form the ignition and propellant charges of sporting ammunition; and the ingredients and component parts of the above insofar as they are applicable to explosives.

Mr. LAMMOT DU PONT. There was an error in your statement, Senator. I do not know whether you intended it.

Senator CLARK. What is that?

Mr. LAMMOT DU PONT. You said that this provided for an exchange of rights. It does not, I think. It provides for an offering from one to the other of rights.

Senator CLARK. I will read the first paragraph on page 2, which will perhaps explain it better than my language did [reading]:

Each party agrees to and until the 31st day of December, A.D., 1935, upon making or obtaining any patented invention or discovering or acquiring any secret invention, to disclose in writing to the other party immediately, or in any event within 6 months thereafter, full particulars in respect thereof, and thereafter to furnish to the other party, whenever and so often as the other party shall request, copies of all claims, specifications, applications, and patents in respect of any such patented invention, and copies of all writings setting forth any such secret invention and such information as the other party shall request in respect of any such patented invention or secret invention.

Mr. LAMMOT DU PONT. That is correct.

Senator CLARK. That seems to me to provide for the exchange of your patents and secret processes.

Mr. LAMMOT DU PONT. No, sir; it does not.

Senator CLARK. Will you explain what that means?

Mr. LAMMOT DU PONT. It provides for the exchange of information.

Senator CLARK. That is what I had reference to.

Mr. LAMMOT DU PONT. A subsequent paragraph refers to granting rights.

Senator CLARK. I will read that:

Each party shall forthwith appoint one or more competent, trustworthy, and experienced persons in its employ for the purpose of receiving such particulars and information from the other party. Whenever and so often as the other party shall request and at the expense of such other party, each party shall supply experienced chemists, engineers, foremen, and other experts to assist such other party in investigating, testing, applying, or using any patented or secret invention disclosed as aforesaid.

Mr. LAMMOT DU PONT. That again refers to information and no granting of rights.

Senator CLARK. I was not speaking of rights, but exchange of information, be it a secret or patented process, either one, and this applies, as I understand it, to both. I mean, it applies whether you have patented the process or maintained it as a secret formula. You are obligated, by this agreement, to furnish any such thing you may have discovered, and to inform the German company, and if they desire, to furnish your personnel to train them in connection therewith.

Mr. LAMMOT DU PONT. We are not obligated to do the former. We are obligated to offer them the rights, but we are not obligated to give them the rights. We are obligated to give them the information.

Senator CLARK. You are obligated to notify them that you have discovered a new process or patented a new process.

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. And if they desire it, you are obligated to furnish it to them?

Mr. LAMMOT DU PONT. No; we are obligated to offer it to them, presumably for a price.

Senator CLARK. I have not arrived at the question of terms, but you are under an obligation to notify them of your discoveries, whether they be patents or processes; yes, sir, and assuming a satisfactory price arrangement between you, you are obligated, at their option, to furnish them not only with the patent or the process, but also with expert personnel to train them in the use of that invention.

Mr. LAMMOT DU PONT. If they will accept our terms, we are obligated to give them the rights.

Senator CLARK. I was not getting at the question of terms. This agreement is, in many respects, similar to your agreement with the I.C.I., is it not?

Mr. LAMMOT DU PONT. Very similar; and it also applies, like the I.C.I. agreement, only to commercial explosives.

Senator CLARK. I am coming to that in just a moment, Mr. du Pont.

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. It also goes into the allocation of territory, like the I.C.I. agreement does, does it not?

Mr. LAMMOT DU PONT. No, sir; neither agreement does.

Senator CLARK. Does it not provide that in some cases licenses will be given to them, and in the licensing agreement is not an allocation of the territory made?

Mr. LAMMOT DU PONT. We are obligated to give certain rights for certain territories.

Senator CLARK. That means an allocation of territory so far as they are concerned, does it not?

Mr. LAMMOT DU PONT. I do not think that is correct, Senator.

Senator CLARK. You agree to trade with them and license them in certain territory, just as you did with the I.C.I., and in certain territory you have notified them that you won't give them a license, or will reserve that for your own exclusive exploitation. In other words, there is an A territory, a B territory, and a C territory allotted in the world, as to part of which they can have an exclusive license, and as to part of which it is nonexclusive, and as to the other part of which there is no license granted at all. Is not that correct?

Mr. LAMMOT DU PONT. Correct. In that territory which we agree to offer them a nonexclusive license on, that does not allocate to them that territory. Do you see that point?

Senator CLARK. Yes; I see that point; unless they have traded.

Mr. LAMMOT DU PONT. That is why I did not want you to think this is a division of territory.

Senator CLARK. It does provide that they shall not be given any license in certain territory which you reserve exclusively for yourself, and that in certain other territory they may be given an exclusive license; that is, assuming that they have agreed with you on terms; and in a certain territory they shall not be given an exclusive license, but may be given a nonexclusive license. That is the A, B, C territory.

Mr. LAMMOT DU PONT. Correct.

Senator CLARK. Now, Mr. du Pont, you said a moment ago, and said the same thing on yesterday, that this agreement with the D.A.G., the German explosives trust, and also the agreement with the I.C.I., the British explosives trust, covered only commercial explosives, and, of course, that is true in the terms of the contract, but necessarily a great many of these commercial explosives have great military utility, have they not? For instance, you would say TNT was covered by a commercial use, would you not?

Mr. LAMMOT DU PONT. I do not think so, Senator; no.

Senator CLARK. Mr. du Pont, I have forgotten exactly which one of you gentlemen it was, but day before yesterday twice you testified that the very profitable TNT plant which you had during the war—it was Mr. Pierre du Pont—was a commercial plant.

At page 1733 of the transcript of testimony made day before yesterday the following appears [reading]:

Senator BONE. I am going to see, Mr. du Pont, if I can more particularly identify this plant more definitely, and for that purpose I will take the report you filed with the Bureau of Internal Revenue [reading]:

"At the outbreak of the war in August 1914 the manufacture of TNT in this country was practically in its infancy. The du Pont Co. was, it is believed, a pioneer in the manufacture of this product"—that is to say, TNT—"and started the erection of a small plant about 1912. * * *

You will remember that.

Mr. PIERRE DU PONT. That was a commercial plant.

Then, again, on page 1746, in the examination of Mr. Carpenter by Mr. Raushenbush, the TNT plant, which was so profitable during the war, was again referred to as a commercial plant. So that it would certainly seem from the state of the record that TNT is at least a commercial product as well as a military product.

Mr. LAMMOT DU PONT. I think that is true, but TNT does not seem to be covered by this agreement.

Senator CLARK. That is a commercial explosive, is it not?

Mr. LAMMOT DU PONT. Yes; but the agreement specifically mentions the commodities which are covered.

Senator CLARK. Are not many forms of detonators both commercial and military?

Mr. LAMMOT DU PONT. I do not think detonators are used in a military way at all.

Senator CLARK. If you wanted to blow up a bridge with TNT, would you not use a detonator for it, in case of war?

Mr. LAMMOT DU PONT. I am afraid I am not technically informed on blowing up bridges.

Senator CLARK. That might be a very important military activity.

Mr. LAMMOT DU PONT. A detonator is the technical name for an article. It is sometimes known as a "blasting cap."

Senator CLARK. I may not be technically familiar with it, but I know for what purpose detonators are used for both military and commercial activities. So that if the French Army were driven back by the Germans across the Meuse, as was the case in the war, and was extremely anxious to blow up the bridges after them, TNT detonators would be of importance, would they not?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. So that it is impossible, as you agree, to draw a hard-and-fast distinction between military and commercial uses of detonators, and things of that sort? For instance, dynamite is ordinarily considered a commercial explosive; but if you did not have any better explosive it might be a very vital and important munition of war, might it not?

Mr. LAMMOT DU PONT. It might be.

Senator CLARK. A dynamite bomb dropped out of an airplane will probably do quite a lot of damage, would it not?

Mr. LAMMOT DU PONT. If it went off. Senator, your original question was as to whether TNT was included, and I said I did not think it was.

Senator CLARK. I thought my original question was whether TNT is a commercial as well as a military explosive.

Mr. LAMMOT DU PONT. Yes; I think it is; but I do not think TNT is included in this list of products.

Senator BONE. Is it excluded, Mr. du Pont?

Mr. LAMMOT DU PONT. It is not mentioned.

Senator BONE. Then, if it is recognized in the trade as a commercial explosive, it might very readily be included in the terms of the agreement.

Senator CLARK. I include TNT, Mr. du Pont, because of this language in the contract: "Disruptive explosives of all kinds for industrial purposes." I take it that TNT might be a disruptive explosive for commercial purposes as well as military purposes, might it not?

Mr. LAMMOT DU PONT. I think TNT is never used as a disruptive explosive for commercial purposes.

Senator CLARK. It might readily be used as a disruptive explosive for commercial purposes, might it not?

Mr. LAMMOT DU PONT. I do not know whether it could be or not, Senator; but it is not. In other words, it is not an efficient explosive for the purpose, and, therefore, it is not used for commercial purposes. I think I am correct in stating that the commercial use of TNT is not as a disruptive explosive.

Senator CLARK. I was simply using that as an illustration, Mr. du Pont. It is a fact, is it not, and well recognized by everybody that the great bulk of explosives can be used for either commercial or for military purposes, although one may be more commonly used in the commercial and industrial field and the other more commonly resorted to in the military field, but, lacking one, either one can be substituted in the other field, can it not?

Mr. LAMMOT DU PONT. I think they could be substituted.

Senator CLARK. That is all I am getting at.

Mr. LAMMOT DU PONT. But, generally speaking, commercial explosives are rarely used for military purposes.

Senator CLARK. That is perfectly true, but what I am getting at, Mr. du Pont, is this: That within this broad definition of "commercial explosives" you have a very wide field of instrumentalities, like dynamite and detonators of various kinds and aerial bombs, that might very readily be used for military purposes as well.

Mr. LAMMOT DU PONT. I presume they might be, Senator. Would it clear up this point if I make this statement: That if we made an invention in the manufacture of TNT, I would not report it to the Germans under this agreement?

Senator CLARK. Why is that, Mr. du Pont?

Mr. LAMMOT DU PONT. Because I would not consider it a disruptive explosive for industrial purposes, and it does not seem to come into the other categories mentioned. It is not a black powder; it is not a smokeless propellant, and it is not a detonator.

Senator CLARK. It would be a disruptive explosive if anybody wanted to use it for commercial purposes, would it not?

Mr. LAMMOT DU PONT. I would say it is not used for commercial purposes.

Senator CLARK. It would be, if anybody wanted to use it for commercial purposes, would it not? It might be the case that some other product would be better or cheaper for disruptive explosive purposes, but if anybody wanted to buy TNT and use it for disruptive explosive purposes commercially, they could, could they not?

Mr. LAMMOT DU PONT. That might be.

Senator CLARK. I do not care to argue as to what interpretation you put on the contract.

Mr. LAMMOT DU PONT. I would interpret the contract that way.

Senator CLARK. I would say from my limited knowledge, if this were actually a signed contract, and from a legal standpoint you failed to notify them of the invention of a new form of TNT. I would say that they had a good cause of action against you. You have a highly paid legal staff of your own, which might not agree with that, but it seems to me, under the terms of this agreement, you

would be bound to notify them of the invention of any new TNT or any other new explosive.

Mr. LAMMOT DU PONT. I am quite sure we are not so committed.

Senator BONE. This being purely a gentleman's agreement and one which could not be subject to a strict interpretation in court in case of an action being brought, it would be more natural to liberally construe it between the parties, I take it, because of that very fact, would it not?

Mr. LAMMOT DU PONT. If that agreement were signed by us, I would interpret it in exactly the same way.

Senator BONE. But, not being signed, and there not being legal sanction behind it, but being a gentleman's agreement, the parties could give it a liberal interpretation and would be justified in doing it, would they not? In other words, I take it you attempted to preserve as far as you could your harmonious relations with the German company; naturally you would not care to enter into those relations unless you could sustain them and, all things being equal, if the combination were profitable to you. I just assumed that because that would be an ordinary incident of the business.

Mr. LAMMOT DU PONT. Evidently this agreement indicates harmonious relations.

Senator BONE. That is what I am getting at. Naturally, you would not want to needlessly irritate the man with whom you had entered into harmonious business relations.

Mr. LAMMOT DU PONT. No.

Senator BONE. That would follow in the ordinary practice of business.

Mr. LAMMOT DU PONT. Senator, if the Germans had an invention with respect to TNT I would not expect them to give up the knowledge of it, under this agreement.

Senator CLARK. Just to clear up the relationship between commercial or nonmilitary and military, to clear up the use of these terms, I wish to read from the record at page 1892 the testimony of Mr. Lammot du Pont and Mr. Pierre S. du Pont, on the day before yesterday, or yesterday.

Senator GEORGE. The transition from the nonmilitary to the military use of them, however, is both swift and easy, is it not?

Mr. LAMMOT DU PONT. In some cases it is. But those cases are items of minor importance in commercial business.

Mr. PIERRE S. DU PONT. It is not true, however—correct me if I am wrong in this—that the prime ingredients of military propellants are the same as used in sporting powders, and in some disruptive explosives. For instance, gun cotton and nitroglycerine are both used in military propellants and are used very largely in sporting powders. So that the fundamentals bear direct relation to both branches of the industry, military and industrial.

Mr. IRÉNÉE DU PONT. Senator, I think your point is well taken and I think its weight is greater than has been stressed.

Industrial manufacture in the chemical industry will tie into the production in a large way and economically, of military explosives. I think that information of this kind may cheapen the costs and make available more military supplies by reason of having it.

Mr. du Pont, is there any official definition of commercial explosives? What I am getting at is this: We have in effect now, in the United States, although not technically an embargo on the export of munitions to certain countries, actually an embargo, Bolivia and Paraguay, to be exact.

Would not the export of commercial explosives which might be used for military explosives for military purposes be forbidden under that embargo unless an extremely clear showing were made that they were to go into purely commercial use instead of military use?

Mr. LAMMOT DU PONT. I do not think the question would be decided on whether the material was ever used for commercial or military purposes. I am not sure that I get your question.

Senator CLARK. That happens to be the ruling of the State Department, as I happen to know. In other words, the State Department recognizes that these commercial explosives may be very readily used for military purposes, and in a recent case in which it was sought to import blasting powder, a commercial explosive showing was required as to exactly the destination and the use to which it was to be put. And in that, the State Department well recognized that the so-called commercial explosives could be very readily converted into military explosives, if they were permitted to be imported.

Mr. LAMMOT DU PONT. Blasting powder is nonembargoed, I understand—that is, is not embargoed.

Senator CLARK. It was embargoed until a showing was made as to its destination in the particular case of which I speak.

Mr. LAMMOT DU PONT. I understand TNT is embargoed.

Senator CLARK. In other words, what I am getting at is this: There is an interchangeability between explosives for commercial purposes and for military purposes, even though one may be more suitable for ordinary commercial use and the other more suitable for ordinary military use. That is correct, is it not?

Mr. LAMMOT DU PONT. There is a possible interchange, but it is not usual.

Senator CLARK. For instance, in the strikes that are going on now in this country, somebody might take explosives that were ordinarily denominated as commercial explosives and use them for what would be military purposes, or vice versa.

So that we come back to the proposition, Mr. du Pont, that the information and the patents which you are obligated under this contract toward this gentleman's agreement as long as it is enforced to exchange with this German company, could in time of war have a direct bearing on the effectiveness of a large quantity of war materials; is not that correct?

Mr. LAMMOT DU PONT. It could not be.

Senator CLARK. Why not?

Mr. LAMMOT DU PONT. Because munitions are not included in the agreement.

Senator CLARK. Detonators might be munitions, I think we agreed a while ago.

Mr. LAMMOT DU PONT. Certain detonators, suitable for military purposes, would not be included in this agreement, because such detonators would be called by their proper names.

Senator CLARK. What is the proper name of a detonator for military purposes?

Mr. LAMMOT DU PONT. I do not know.

Senator CLARK. That is the name by which they are commonly spoken of in the Army.

Mr. LAMMOT DU PONT. I think in the torpedo it is the war head, is it not?

Senator CLARK. I am not familiar—

Mr. LAMMOT DU PONT. Neither am I.

Senator CLARK. With the naval nomenclature. But a detonator in the Army is a detonator.

Mr. LAMMOT DU PONT. I think in military explosives every given detonator is known by its own name. But I do not know very much about it.

Senator CLARK. In my time in the Army, a detonator was known as a detonator.

Mr. LAMMOT DU PONT. Mr. A. Felix du Pont suggests that they are known as "primers" in military language.

Senator CLARK. I always heard them spoken of as detonators.

Mr. LAMMOT DU PONT. I think a detonator is a general term; a detonator is a thing that detonates something else.

Senator CLARK. That is perfectly true, and that is the term used in this contract.

Mr. LAMMOT DU PONT. There are lots of different kinds of detonators.

Senator BONE. Would that term be sufficiently broad to comprehend all of these classifications?

Mr. A. FELIX DU PONT. The corresponding article to a detonator in military use is a primer, and it is used for igniting propellant powders. It is also used—and there you get a little bit tangled up—in the bursting charges for shells it is again called a detonator.

Senator CLARK. If you were to invent a new process for any sort of explosives—

Mr. LAMMOT DU PONT. Dynamite?

Senator CLARK. Well, dynamite or any other shattering explosives or disruptive explosive, and put the Germans in possession of your secret process, as you would be bound to do under this contract—

Mr. LAMMOT DU PONT. You are wrong there, Senator. If it were a military disruptive explosive, we would not be bound under this agreement to give it to them.

Senator CLARK. Going back to your admission hitherto this afternoon that commercial explosives can be used for military purposes, although perhaps not used with as great facility as others—that is, military explosives—after you had classed this explosive as a commercial explosive and put the Germans in possession of your secret formula for the manufacture of it, it being your patented process, and they were to engage in a war, there would be nothing to prevent them from taking those processes and using them in the manufacture of war explosives would there?

Mr. LAMMOT DU PONT. Senator, we would not class the military explosives as commercial explosives.

Senator CLARK. But Mr. du Pont, it has been admitted here two or three times that commercial explosives may be used for military purposes, even though with not as great facility as the military explosives. Then, being in possession of the process for the manufacture of these commercial explosives in the event of war, there would be nothing to prevent them from taking those processes and using those explosives for military purposes if they did not have anything better.

Mr. LAMMOT DU PONT. Yes. We would give them information regarding commercial explosives.

Senator CLARK. And being in possession of that, they could use them for anything that they pleased in the event of war.

Mr. LAMMOT DU PONT. They would be of no use to them in war. Dynamite is practically of no use in a war; blasting powder is practically of no use in a war.

Senator CLARK. What do they use for mining operations in a war?

Mr. LAMMOT DU PONT. TNT, I believe.

Senator CLARK. They also use dynamite, do they not?

Mr. LAMMOT DU PONT. I do not think they do, Senator. I am not very warlike myself.

Senator CLARK. Dynamite can frequently be used in a war if you had no other substitute for it.

Mr. LAMMOT DU PONT. I do not think it is used for military mines; no, sir.

Senator CLARK. How about nitroglycerin?

Mr. LAMMOT DU PONT. Nitroglycerin itself is certainly not used in military operations itself.

Senator CLARK. I understand that it is used in the manufacture of munitions of war?

Mr. LAMMOT DU PONT. Nitroglycerin is used in the manufacture of some kind of propellant powder; for instance, cordite.

Senator CLARK. What I am getting at is this: Nitroglycerin would be an ingredient, so to speak, of both commercial and military explosives?

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. And if you were to invent some new process touching nitroglycerin, would you feel bound under this contract to notify your German friends?

Mr. LAMMOT DU PONT. That is another question. I would have to look up the contract.

Mr. PIERRE S. DU PONT. While Mr. Lammot is looking that up, let me say that I think there is a little confusion here. You are right in regard to the interchangeability of certain explosives and my brother is trying to define what we consider our obligations under this agreement. We may make a classification that is not in accordance with your interpretation, or it may not be technically correct. What we do may be right and it may be wrong.

Senator CLARK. I understand, but since you have no contract that the other party can enforce, you can give it any interpretation you please?

Mr. PIERRE S. DU PONT. But even if it were a bona fide contract, the understanding between the two as to what was in one classification or in other classifications might not be a correct understanding, that is, it might result in an incorrect classification, but as long as they both agreed to it, that is what it would be.

Senator CLARK. But the point is that the testimony here has uniformly been that there is a certain interchangeability between the commercial explosives and military explosives. That is, certain things which ordinarily you would consider as military explosives could be used for military purposes and vice versa?

Mr. PIERRE S. DU PONT. Sometimes they are somewhat similar.

Senator CLARK. For instance, take the TNT. You speak of your TNT plant as a commercial plant?

Mr. PIERRE S. DU PONT. It is somewhat like this: During the recent war I understand that the Germans did not have sufficient wool to make clothing, so they made clothing out of paper. You would hardly include paper as a material for making clothing, but it can be used for that purpose.

Senator CLARK. There is no question of TNT being a military explosive, is there?

Mr. PIERRE S. DU PONT. It is military, but it is not commercial.

Senator CLARK. What did you mean then the other day when you spoke of your very profitable plant as being a commercial plant?

Mr. PIERRE S. DU PONT. Let me explain that. That commercial plant was originally started to make a nitrotoluol of less degree of intensity, if I may put it that way, for certain commercial safety explosives. That same plant was later developed to make TNT, which was not either used or known, as I understand it, at the time that our commercial plant was built. But that plant could be used for either and grew from one plant to another.

Senator CLARK. Surely. Now suppose, under this contract, you were to go over and show the Germans your process for making this commercial TNT or commercial—

Mr. PIERRE S. DU PONT. Nitrotoluol.

Senator CLARK. I understand that TNT is trinitrotoluol. Suppose you were to go over there and show them your commercial process for making this toluol. A war would come along and they would very nicely be able to convert that plant by the addition of simply one other formula into a TNT plant, would they not?

Mr. PIERRE S. DU PONT. That is true. But notwithstanding, we do not interpret the agreement that way. We may be entirely wrong. I am just saying what we do.

Senator CLARK. So then, in spite of the fact that your own TNT plant was a commercial plant, you would not feel compelled to disclose any information to the Germans as to the invention of a new process respecting TNT, if I understand you correctly.

Mr. LAMMOT DU PONT. I would not think that we were expected to do so, and I would not give them the information or send them the information.

Senator CLARK. Of course, it would appear from the exhibits here today that the first question of whether this TNT plant was a munitions plant or a commercial plant had to do with your return to the Bureau of Internal Revenue, and, secondly, it had to do with this contract. It would appear that the definition of TNT really depends on whom you are dealing with, whether the Internal Revenue Department or the D.A.G. in Germany, because in one case you say that the TNT plant was a commercial plant, while in the other case you say that it would not be included as a commercial explosive.

As a matter of fact, Mr. du Pont, while Germany is now forbidden by the various treaties signed after the war to manufacture armament, it is a fact that they are manufacturing, under agreements such as we have referred to, various high explosives which have extreme value in time of war; your reports from Europe indicate that, do they not?

Mr. LAMMOT DU PONT. They are only reports of information that has been received.

Senator CLARK. I understand. But do not your reports indicate that? You have very complete report service from Europe, as has been indicated here from time to time in the record?

Mr. LAMMOT DU PONT. The reports indicate that, Senator, but we do not know whether the reports are correct or not.

Senator CLARK. You have an information service on which you rely very largely, do you not?

Mr. LAMMOT DU PONT. Not always. We do not rely on all these reports. That is gossip reported to us, and we treat it as gossip.

Senator CLARK. As a further point, Mr. du Pont, if the Germans were manufacturing munitions of war, explosives which might be useful in war time, they might be depending very largely on the secret processes which they obtain from your company?

Mr. LAMMOT DU PONT. You mean in future or in the past?

Senator CLARK. That they are entitled to obtain from your company under that contract.

Mr. LAMMOT DU PONT. Certainly not in the future, Senator.

Senator CLARK. Not if you abrogate the contract, certainly.

Mr. LAMMOT DU PONT. No, if we keep the contract in effect. We are not required to give them information in regard to any military explosive. I said that a number of times, and I believe it to be true. That is the way I interpret it.

Senator CLARK. We still do not seem to be able, Mr. du Pont, despite the fact that all of you gentlemen have admitted this interchangeability between commercial and military explosives, to agree as to what your obligations are under that contract.

Mr. LAMMOT DU PONT. I have a very clear understanding of what our obligations are.

Mr. A. FELIX DU PONT. Perhaps I can clear up something there in regard to commercial and military explosives.

Senator CLARK. Please do. I shall be glad to have it.

Mr. A. FELIX DU PONT. There are two great classes of so-called "explosives" used in war time. One is a propellant charge. We do not call that an explosive. That is smokeless powder. An enormous amount of that is used, as you know, and that is used to send the projectile out of the gun.

The other is the bursting charge for shells. That is TNT. It is also used in airplane bombs. You seem to be under the impression that if people did not have TNT, they could use dynamite for that purpose. They could not.

Senator CLARK. Not for that particular purpose; no.

Mr. A. FELIX DU PONT. That is the enormous amount that is used. If it was used for demolition purposes, like blowing up bridges—

Senator CLARK (interposing). What I am getting at is this: That there are many purposes for which dynamite could be used, or other explosive might be used as a military munition, if you did not have TNT, which happens to be the new process and the best one.

Mr. A. FELIX DU PONT. No, Senator; it is a question of quantity in that case and use. Wherever you could substitute dynamite for TNT, it would be in blowing up a bridge, something like that. But it is unquestionable that any country could find enough dynamite to blow up bridges.

Senator CLARK. What did they use before they had TNT?

Mr. A. FELIX DU PONT. They used black powder.

Senator CLARK. TNT is a rather new development, is it not?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. And black powder is covered under this contract with Germany, is it not?

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. Which is both a commercial and a military munition.

Mr. A. FELIX DU PONT. No invention has improved black powder in 200 years.

Senator CLARK. But if you were to invent a process for black powder, whether for commercial or military purposes, you would be required to turn it over to this German company.

Mr. A. FELIX DU PONT. It would be a miracle.

Senator CLARK. That could be construed as being commercial even though it might be also used for military purposes.

Mr. A. FELIX DU PONT. You mean black powder?

Senator CLARK. Any one of this whole list; any process or improvement which was brought about through your research on anything, the principal use of which was for commercial purposes, you would be required to turn over, would you not?

Mr. LAMMOT DU PONT. I think so, for its principal use.

Senator CLARK. Then there is no disagreement on the subject. What is dynamite used for now?

Mr. LAMMOT DU PONT. Mostly in mining and construction work.

Senator CLARK. It is not used for military purposes?

Mr. LAMMOT DU PONT. Not at all, except for demolition.

Senator CLARK. There is a great deal of demolition in war time, is there not?

Mr. LAMMOT DU PONT. Very little.

Senator CLARK. How is that?

Mr. LAMMOT DU PONT. Very little, I believe. I do not mean demolishing enemy structures, but demolishing your own structures.

Senator CLARK. Well, that is entirely dependent upon the course of the war, Mr. du Pont. A retreating army always endeavors to demolish whatever it can to hinder the enemy.

Mr. LAMMOT DU PONT. You do not shoot dynamite over into the enemy's territory.

Senator CLARK. I understand that, but you do use it very largely for demolition purposes in a retreat, do you not?

Mr. LAMMOT DU PONT. If you run across a bridge and want to destroy it so that the enemy may not follow you, dynamite would be a very good explosive to use for that purpose. It is usually your own bridge.

Senator CLARK. In this agreement between the D.A.G. and du Pont, the British Empire was omitted. Why was that?

Mr. LAMMOT DU PONT. Omitted?

Senator CLARK. Yes.

Mr. LAMMOT DU PONT. You mean no rights—

Senator CLARK. It was excluded from the territory in which rights could be granted.

Mr. LAMMOT DU PONT. I think that that is due entirely to the fact that we had an agreement with I.C.I. whereby we were obligated to offer them exclusive rights for the British Empire.

Senator CLARK. So that this agreement of yours with D.A.G. really fitted into your agreement with I.C.I.?

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. You were negotiating with D.A.G. in contemplation, of course, of your contract which had been signed with I.C.I.?

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. Mr. du Pont, I call your attention to a letter to the executive committee of du Pont from Mr. J. Thompson Brown. He is one of your directors, is he not?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. He is a member of the executive committee. I offer that letter as "Exhibit No. 513."

(The letter referred to was marked "Exhibit No. 513" and is included in the appendix on p. 1372.)

Senator CLARK. It is dated March 23, 1927. It is headed "Report of conference in February and March with British and German explosive interests." It reads:

On account of differences of opinion as to the extent to which du Pont and Nobel * * *

When they say "Nobel" they mean I.C.I., do they not?

Mr. LAMMOT DU PONT. I think so.

Senator CLARK (reading):

* * * which du Pont and Nobel should share with the D.A.G., the compensation which the D.A.G. had agreed to pay other German explosives companies for withdrawing from and limiting their activities in the export markets, and also because of a threatened resignation of the manager of Explosives Industries, Ltd., it was thought well that the writer should visit London, Hamburg, and Cologne for discussion of these as well as other live subjects with officials of the British and German explosives companies. Consequently the writer sailed for England on February 5 and returned to Wilmington on March 15.

There is attached hereto as exhibit A copy of minutes of meeting held at Nobel House, London, on February 16. It will be noted from these minutes that it was agreed between du Pont and Nobel that du Pont's share of the compensation to the German competitive companies, known as "Coswig, Lignose, and Gnascwitz", should rightly be placed at £937/10 annually, whereas it had been contended by Nobel that du Pont's share should be £3,000 annually. The D.A.G. group had entered into agreements to pay annually to Coswig for a period of 10 years the sum of £5,000 in consideration of Coswig limiting its shipments of high explosives to the export markets to 250 tons per annum, and had made similar arrangements with Lignose and Gnascwitz to pay to each of them £2,000 per annum to abstain from shipping explosives to the export markets. The writer agreed with Nobel that it would be proper to allocate to Chile and Bolivia 100 tons of the 250 tons accorded Coswig in the export markets, the balance to be delivered to the Dutch East Indies, and contended that it would be proper that one-half of the cash compensation to be paid Coswig should be considered as payable by the South American market, but that as neither Lignose nor Gnascwitz had entered the export markets, and therefore had not been competitors of du Pont, du Pont should not share in the compensation to them. These points were conceded by Nobel and were later agreed to by Dr. Muller on behalf of the D.A.G. while the writer was in Cologne.

While in Hamburg on February 28 it developed that German deliveries of high explosives to Mexico have been made in 25-kilo cases, i.e., 55 lbs. net weight, and that deliveries under the du Pont-Hercules-D.A.G. agreement to date, including a shipment going forward on March 2, have amounted to 6,600,000 pounds, leaving 4,400,000 pounds of German high explosives still to be delivered.

What was that agreement with Hercules, Mr. du Pont—the du Pont-Hercules-D.A.G. agreement? Was Hercules a party to this agreement that you had with D.A.G.?

Mr. LAMMOT DU PONT. No, sir.

Senator CLARK. What agreement with D.A.G. was it that Hercules was a party to? Hercules was another American powder company, was it not?

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. Concerning which your company recently has been engaged in some litigation?

Mr. LAMMOT DU PONT. I do not recall the litigation. It was one of the companies split off from the du Pont company in 1913.

Senator CLARK. Under a court order; that is what I had in mind.

Mr. LAMMOT DU PONT. I cannot think for the moment, Senator, what the du Pont-Hercules agreement is.

Senator CLARK. It evidently had to do with Mexico.

Mr. LAMMOT DU PONT. It is evident that it had to do with Mexico?

Senator CLARK. Well, it is not of much importance.

Mr. LAMMOT DU PONT. In any event, it refers to dynamite.

Senator CLARK (reading):

Mr. Marquardt agreed that D.A.G. would accept cash compensation for its undersales of the E.I.L. quota during the 15 months ending December 31, 1926, on the same basis as arranged with Nobel early in 1926, viz: £10 per ton of high explosives, 8s. per thousand detonators, 6s. per hundred electric detonators, 6d. per thousand feet of safety fuse.

With reference to the undersales of the E.I.L. quota, of D.A.G., does that indicate that when D.A.G. did not sell up to the quota allotted to it by I.C.I. and du Pont, the compensation was paid to D.A.G. for their failure to sell up to their quota?

Mr. LAMMOT DU PONT. This all refers to sales by E.I.L.

Senator CLARK. Who is E.I.L.?

Mr. LAMMOT DU PONT. E.I.L. is a company organized to sell commercial explosives in certain countries in South America.

Senator CLARK. That was the export company?

Mr. LAMMOT DU PONT. You might call it an export company.

Senator CLARK. Which is owned by du Pont-D.A.G.-I.C.I.?

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. Was that interest between the three companies equal in E.I.L.?

Mr. LAMMOT DU PONT. I do not think it is equal; no, sir. I have forgotten the proportions.

Senator CLARK. Do you recall about what the proportions were? It is not important, but it is interesting to know.

Mr. LAMMOT DU PONT. I do not think it is equal, Senator. My impression is that the I.C.I. and du Pont interests are larger than that of D.A.G.

Senator CLARK. But this provision of the contract—

Mr. LAMMOT DU PONT. Dr. Sparre said that D.A.G. has 25 percent.

Senator CLARK. And the remainder is divided about equally between I.C.I. and du Pont.

Mr. LAMMOT DU PONT. I think that is correct.

Senator CLARK. And that is a company formed for the purpose of controlling the export field in South America?

Mr. LAMMOT DU PONT. No, sir. It is a British company formed to sell commercial explosives in certain countries of South America.

Senator CLARK. And under that a quota is given to D.A.G.

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. Of the total sales in South America; and when D.A.G. is not able to sell up to its quota of total sales, then they are reimbursed by the other two companies; is that the idea?

Mr. LAMMOT DU PONT. No, sir; that is not the idea.

Senator CLARK. Will you explain what it does mean?

Mr. LAMMOT DU PONT. It shows that you have a misconception of this company. E.I.L. is a British company formed to sell commercial explosives to certain countries of South America. It is not a manufacturing company. E.I.L. is not a manufacturing company. It secures its goods to sell from the three stockholders, and it draws those goods from the stockholders in a certain proportion which is known as the quota. If it does not draw from D.A.G. as many pounds of powder as the quota represents, then D.A.G. gets some compensation.

Senator CLARK. From E.I.L.?

Mr. LAMMOT DU PONT. From E.I.L.

Senator CLARK. Which in effect is a contribution, 75 percent of it, from du Pont and I.C.I.

Mr. LAMMOT DU PONT. Correct.

Senator VANDENBERG. Are you the originator of this alphabetical arrangement?

Senator CLARK. There are more alphabetical organizations that we are coming across here than there are in Washington.

Mr. LAMMOT DU PONT. We deny any credit for the results anyway.

Senator CLARK. Reading further from this exhibit:

In conference with Dr. Paul Muller, in Cologne, on March 4 he agreed to the distribution of the compensation to the outside German explosives companies, as already stated, and approved the arrangements made in Explosives Industries, Ltd.

In view of the very excellent type of delay-action electric blasting cap produced at the Troisdorf factory of the Rhenisch-Westfalische-Sprengstoff AG, and the desirability of du Pont putting out a similar article, the writer arranged with Dr. Muller to purchase the Eschbach United States Patent 1570733 for \$7,500, to be paid in three annual installments. Assignment agreement will be drawn and sent to Cologne at an early date.

It was also arranged with Dr. Muller that Mr. William Eschbach, manager of the detonator factory at Troisdorf, will come to America during this year, and that there will be discussed with him while here the subject of lead-azide-tetryl-aluminum-shell detonators, now manufactured almost exclusively at Troisdorf; and that subsequently du Pont would send one or more men to Troisdorf to make an exhaustive study of the manufacture of this product. Dr. Muller made assurances that the processes involved in the manufacture of these detonators would not be offered to other American explosives manufacturers pending a decision by du Pont. He indicated that should we eventually decide to adopt this type of detonator he would expect du Pont to pay for the process a lump sum of 100,000 marks, and to agree to a royalty payment to be applied from the start of manufacture, the 100,000 marks originally paid to be credited to the royalty payments.

Mr. LAMMOT DU PONT. Senator, your pronouncement in one point makes me think you misunderstood this entirely. You referred to the aluminum-shell detonators. The shell and the aluminum go together. It is not a detonator for a shell, but the aluminum shell is one of the component parts of the detonator.

Senator CLARK. That is not the point I had in mind, and I did not know anything about that at all. I do not profess to be familiar with that detonator and I have not the faintest idea of that type at all, or what it is.

Mr. LAMMOT DU PONT. I have to keep close track on you, to keep you straight.

Senator CLARK. What this arrangement means is that du Pont and I.C.I. will share with D.A.G. the cost of carrying the competitors to keep them out of the world market?

Mr. LAMMOT DU PONT. No; they share the expense of keeping certain competitors out of certain South American markets.

Senator CLARK. Well, they were world markets, were they not?

Mr. LAMMOT DU PONT. No; they were just the markets in those countries.

Senator CLARK. That is one of the components of the world markets, the South American market, and you were sharing with this German company and this British company the expenses of keeping competitors out of certain markets. So that, the intent and purpose of all of these agreements was to guarantee in the world market the sale of explosives by no one else except those controlled by du Pont, I.C.I., and D. A. G.?

Mr. LAMMOT DU PONT. That is not a fair statement.

Senator CLARK. I cannot see why it is not a fair statement.

Mr. LAMMOT DU PONT. Because this E.I.L. Co. dealt only in certain South American countries, and the competitors that were kept out of those markets, as you indicate, only were some of the competitors. There were many other competitors that were not kept out.

Senator CLARK. Yes; but you did contribute to keep competitors out of the world market?

Mr. LAMMOT DU PONT. Not all competitors.

Senator CLARK. You refused to contribute to these companies where they were not direct competitors of the du Pont as well as the E.I.L. In other words, the mere fact that a company was a competitor of E.I.L. and did not induce you to make any contribution, but it also had to be a competitor of the du Pont Co. That clearly appears from this exhibit I just read.

Mr. LAMMOT DU PONT. No; I think you are wrong.

Senator CLARK. I call your attention to this letter of Mr. Thompson dated March 23, 1927, "Exhibit No. 513." That was the report of Mr. Brown, and on page 2 he refers to this compensation, which reads:

and contended that it would be proper that one-half of the cash compensation to be paid Coswig should be considered as payable by the South American market, but that as neither Lignose nor Gnaschwitz had entered the export markets, and therefore had not been competitors of du Pont, du Pont should not share in the compensation to them.

That clearly had reference to compensation that the du Pont Co. should pay?

Mr. LAMMOT DU PONT. That disproves your previous statement.

Senator CLARK. No; it does not.

Mr. LAMMOT DU PONT. May I ask the stenographer to read your question?

Senator CLARK. My idea was that your contribution was based on compensation of du Pont, and you said that was not true.

Mr. LAMMOT DU PONT. And I repeat it.

Senator CLARK. Your statement entirely differs with that of Mr. Thompson Brown.

Mr. LAMMOT DU PONT. I think we must be talking about different things. You say our compensation paid to these competitors was based upon whether or not—

Senator CLARK (interposing). Whether or not they were competitors of du Pont. That is precisely the distinction Mr. Thompson Brown makes in the report to you in the letter I just read in which he says:

The writer agreed with Nobel that it would be proper to allocate to Chile and Bolivia 100 tons of the 250 tons accorded Coswig in the export markets, the balance to be delivered to the Dutch East Indies—

And then he continues:

and contended that it would be proper that one-half of the cash compensation to be paid Coswig should be considered as payable by the South American market, but that as neither Lignose nor Gnaschwitz had entered the exports market, and therefore had not been competitors of du Pont; du Pont should not share in the compensation to them.

Mr. LAMMOT DU PONT. That is right; they had not been competitors previous to the formation of E.I.L.

Senator CLARK. Now, were you successful in keeping these competitors out of the market?

Mr. LAMMOT DU PONT. So far as I know.

Senator CLARK. That matter falls under your jurisdiction; you are familiar with the ordinary course of contracts which your company enters into controlling certain markets?

Mr. LAMMOT DU PONT. I don't know whether some of these German companies live up to the exact letter of the agreement. To the best of my knowledge and belief they have not sold in those particular markets, those particular South American markets.

Senator CLARK. I will ask you to look at exhibit A which was attached to the letter of Mr. Thompson Brown, being the minutes of a meeting held at Nobel House on the 16th of February 1927, and which I will ask to be marked as an exhibit with the appropriate number.

(The document referred to was marked "Exhibit No. 514", and is included in the appendix on p. 1374.)

Senator CLARK. It appears that there were present at this meeting Mr. J. Thompson Brown, Mr. Wendell R. Swint, Mr. H. J. Mitchell, Mr. J. Laing, and Mr. A. G. Major, representing E. I. du Pont de Nemours & Co. and Nobel Industries, Ltd.

At the bottom of the first page of that exhibit, Mr. du Pont, we find this remark:

Atlas and Hercules activities: The activities of these two companies, particularly in Colombia, were discussed.

Atlas and Hercules were two American explosives companies?

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. Were they two of the companies split off from du Pont?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. That was the result of an antitrust proceeding, was it not?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. In which you were ordered by the court to separate the entities of these companies from the du Pont Co.?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. When was that?

Mr. LAMMOT DU PONT. In 1913.

Senator CLARK. I will read this again:

Atlas and Hercules activities: The activities of these two companies, particularly in Colombia, were discussed, and Mr. Brown stated that in conversations he had had with their representatives he had been informed that neither company intended to institute more aggressive measures, and that he felt they would be content with a share of the market not in excess of their present proportions. Mr. Brown, during his forthcoming visit, will explain the situation to the Germans.

Now, does that indicate you had an unsigned agreement with Atlas and Hercules as to the limit of their sales in 1927?

Mr. LAMMOT DU PONT. No, sir.

Senator CLARK. What does that report of Mr. Brown indicate when he said he felt justified in reporting to his European associates that Hercules and Atlas would be satisfied with a certain proportion?

Mr. LAMMOT DU PONT. That was the result of conversations Mr. Brown had with two competitors.

Senator CLARK. That did not amount to an agreement?

Mr. LAMMOT DU PONT. Certainly not.

Senator CLARK. Mr. Brown felt confident enough, though, to report it to his British associates, and reported to you that he would report it to his German associates in the near future?

Mr. LAMMOT DU PONT. Yes, sir.

The CHAIRMAN. Senator Clark, may I interrupt for a minute?

Senator CLARK. Yes, sir.

The CHAIRMAN. Does this agreement by any chance mark the inauguration of the N.R.A. idea?

Mr. LAMMOT DU PONT. I do not get your meaning, Senator.

The CHAIRMAN. Well, we have here a limitation of production and what not, involved, and is that at all basic of what has followed in our production program?

Mr. LAMMOT DU PONT. There is no limitation of production in this E.I.L.

Senator CLARK. Was any compensation paid to Hercules and Atlas for agreeing to limit their participation in the market to what it had been prior to 1927?

Mr. LAMMOT DU PONT. No, sir.

Senator CLARK. Do you know of any reason why they should have agreed to that?

Mr. LAMMOT DU PONT. Agreed to what?

Senator CLARK. Why they should agree to limit their share in the market to what they had enjoyed in 1927?

Mr. LAMMOT DU PONT. No, sir; I know of no reason.

Senator CLARK. Or any assurance they had given Mr. Brown to justify him in reporting this to the British and German associates?

Mr. LAMMOT DU PONT. There were no assurances given Mr. Brown and he did not say so.

Senator CLARK. He did not say assurances, but certainly he gave his British associates information on which they would be justified, in view of his familiarity with the American situation to rely on. The activities of these two companies, particularly in Colombia, were discussed and Mr. Brown stated he had been informed, and that he felt they would be content with a share of the market not in excess of their present proportion; that is, 1927, and that Mr. Brown during his forthcoming visit will explain the situation to the Germans.

You know of no agreement that was entered into.

Mr. LAMMOT DU PONT. No, sir; I am quite sure there was none.

Senator BONE. Why would two large competitor companies of that size voluntarily restrict the scope of the volume of their business?

Mr. LAMMOT DU PONT. There were various reasons but I do not know what they were.

Senator BONE. As I recall the testimony of the first day of this hearing, the Atlas and the Hercules Powder Co., when they were separated from the parent organization and reorganized into separate entities, found the stock of those companies largely in the hands of du Pont stockholders.

Mr. LAMMOT DU PONT. All of the stock was paid to du Pont stockholders as a dividend.

Senator BONE. So that the then present du Pont stockholders were the owners of the Hercules and the Atlas?

Mr. LAMMOT DU PONT. Yes, sir.

Senator BONE. Can you advise us whether that ownership still is in du Pont stockholders?

Mr. LAMMOT DU PONT. It has been largely dissipated, I believe.

Senator CLARK. Was that true in 1927?

Mr. LAMMOT DU PONT. Yes, sir. Senator, you will remember one of the provisions of that dissolution was that the stock that was given du Pont stockholders, who were personally defendants in the Government stock suit, should be stock that would not have the right to vote for 5 years. That was done with the expectation that after 5 years that stock would be so dissipated it would not make any difference whether it voted or not.

Senator BONE. The rather peculiar thing is that any big organization such as they are would voluntarily consent to a restriction of output. We hear so much discussion of curbing the initiative and what not in this examination, that I wonder why any concern would curb their initiative.

Mr. LAMMOT DU PONT. They did not say they were going to curb their production. They did not say they were going to do anything.

Senator BONE. Didn't he say he he had been informed, or had gathered that information?

Senator CLARK. He said he had been informed.

Mr. LAMMOT DU PONT. I don't know how he got the information.

Mr. PIERRE S. DU PONT. I could make a suggestion to show the character of the transaction that would call for such a situation. Suppose Hercules are selling to a customer in the United States, and that customer happened to have business in Colombia, Chile, or somewhere else, it is quite natural Hercules would sell to that customer, but at the same time it might not pay Hercules to send

down to that country to increase sales. That might very well occur, but I have not the least idea it did.

Senator CLARK. It would follow if it was a simple casual transaction like that that so busy a man as Brown would not have felt it necessary to go to England to convey that information to his British associates, and then go to Germany to convey that information to his German associates.

Mr. LAMMOT DU PONT. Senator, that was not the reason he went to those countries.

Senator CLARK. This is one of the most important headings of this report.

Mr. LAMMOT DU PONT. I do not know that it is one of the most important headings.

Senator CLARK. It is one of the headings here.

Mr. LAMMOT DU PONT. It is one of the headings; yes.

Senator CLARK. He said he had been informed neither one of these companies intended to institute more aggressive measures, and he felt they could be content with a share of the market not in excess of their present proportion. That does not indicate any such casual transaction as Mr. Pierre du Pont has suggested.

Mr. PIERRE S. DU PONT. My suggestion was made applying to regular business, and I have not the slightest idea that was the case.

Senator CLARK. Now, this exhibit A to the report reads further:

Coswig: Gnaschwitz-Lignose.

After discussion it was agreed that du Ponts could not be expected to participate in the financial obligations entered into by the Germans with Gnaschwitz and Lignose. As regards Coswig, it was decided that du Pont's share should be confined to a participation in that sum properly applicable to the South American markets, the balance to fall to the British and German companies in such shares as may be agreed. Mr. Brown agreed to an equal sharing of the sum between South American (excluding Chile and Bolivia) and the rest of the world. Accordingly it was agreed that the £2,500 applicable to South America should be paid through the intermediary of Explosives Industries Ltd., which will result in the following apportionment of that sum:

	£	s.	d.
Du Pont share 37½ percent.....	937	10	0
Nobel share 37½ percent.....	937	10	0
D.A.G. share 25 percent.....	625	0	0
Total.....	2,500	0	0

In the event of Coswig not shipping the whole or any part of the 100 tons allocated to Chile and Bolivia, and that market having to compensate them on the shortage, the payment to be borne, as follows:

Seventy-five percent by Chile Explosives Co.

Twenty-five percent by D.A.G.

Chile Explosives Co. was a subsidiary of du Pont, was it?

Mr. LAMMOT DU PONT. The Chile Explosives Co. I think that is correct.

Senator CLARK. In other words, was this 75 percent to the du Pont organization and 25 percent to D.A.G.?

Mr. IRÉNÉE DU PONT. No; that is not a subsidiary; we are stockholders in the Chile Co., but not in control.

Senator CLARK. That is like E.I.L.?

Mr. IRÉNÉE DU PONT. I don't know the E.I.L.

Mr. LAMMOT DU PONT. It is not the same thing; the Chile Co. is a manufacturing company.

Senator CLARK. It is not a subsidiary of the du Pont Co., but you do have stock interest in it?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. Now, I call your attention to exhibit B attached to Mr. Brown's report, being the minutes of a meeting held at Nobel House, London, on the 16th day of February, 1927, a copy of which I ask to be marked as an exhibit under the appropriate number.

(The document referred to was marked "Exhibit No. 515", and is included in the appendix on p. 1375.)

Senator CLARK. There were present at this meeting Mr. J. Thompson Brown, Mr. Wendell R. Swint, and Mr. P. H. Chase, representing du Ponts, and Mr. H. J. Mitchell and Mr. E. D. Metcalfe representing Noebel.

I read from this exhibit of the report, as follows:

Mr. Metcalfe said that from reports so far received from Mr. Clark a total of 705 tons crude glycerin has been acquired as a result of his visit to Paris and Marseilles; although no knowledge was to hand of the exact prices paid, stated that the figure would probably work out at about £69 per ton for crude.

Mr. Chase referred to conversations with Mr. Metcalfe and Mr. Clark in regard to the right of the du Pont Co. to call for participation in these purchases, and as it appeared to be clear that some misapprehension existed as to what course the parties were expected to follow as the result of the previous meetings, it was decided to lay down definite guiding principles to be followed in all future operations on the Continental glycerine market, as follows:

"(1) The parties shall keep each other informed as to whether and to what extent they are interested in continental purchases, and a mutual understanding shall be arrived at from time to time to leave the market free to each other for such time as may be arranged.

"(2) In no circumstances shall it be permissible for both parties to operate on the market simultaneously, and, in the event of both desiring to purchase, an understanding must be arrived at as to which party shall carry out the business and in what proportions any quantities purchased shall be allocated.

"(3) Whenever either party desires to operate on the continental market, due notice of their intention to institute operations shall be given to the other party before any action is taken. Such other party shall have the right to declare the extent of its interest in any new purchases made at the time of such approach, which declaration shall entitle it to take over such proportion of the purchases as is represented by its declared interest, but not more than 50 percent, at the price of purchase.

"(4) Should either party declare that it is not interested, then such party shall have no title to call for any participation in purchases made as a result of operations by the other party."

* * * * *

The du Pont representatives indicated that they had no interest in the purchase which Mr. Clark was not effecting on the continental market.

That agreement simply meant that du Ponts and I.C.I. would attempt to control the glycerin market by joint purchases or by inviting interested parties and notifying them of intent to purchase so that other interested parties would not enter into the market?

Mr. LAMMOT DU PONT. No, sir.

Senator CLARK. Was not that an agreement between you and I.C.I. by which you would cooperate to control the market, one staying in the market and the other having the right to call for a participation in the purchases?

Mr. LAMMOT DU PONT. The arrangement was that one would be in the market and the other would not be, but that did not control the price of glycerin.

Senator CLARK. You were two of the largest purchasers of glycerin?

MR. LAMMOT DU PONT. I think there were other purchasers of glycerin in the European markets that would far outweigh us.

Senator CLARK. du Pont and I.C.I. are not the largest purchasers?

MR. LAMMOT DU PONT. I do not know about I.C.I. because I do not know how much glycerin they buy. We buy very little glycerin in Europe.

Senator CLARK. Of course glycerin is the basis of nitroglycerin?

MR. LAMMOT DU PONT. Yes, sir.

Senator CLARK. The French, English, and German armies use military powders containing large quantities of nitroglycerin?

MR. LAMMOT DU PONT. Not the French.

Senator CLARK. Some European powers do.

MR. LAMMOT DU PONT. I think England and Germany both do, but I am not certain about Germany.

Senator CLARK. I understand you do not use nitroglycerin powder in the American Army?

MR. LAMMOT DU PONT. I think the United States Army never has used glycerin.

Senator CLARK. You use nitrocellulose?

MR. LAMMOT DU PONT. Yes.

Senator CLARK. Well, it is true you can use glycerin in the manufacture of powder?

MR. LAMMOT DU PONT. Yes, sir.

Senator CLARK. Would this agreement you had exercise influence on the price of glycerin which would be used in the manufacture of European powders?

MR. LAMMOT DU PONT. No, sir; that is entirely wrong.

Senator CLARK. Why?

MR. LAMMOT DU PONT. Because our purchases in the European market have no effect on the price of glycerin.

Senator CLARK. What do those purchases amount to of du Pont and I.C.I.?

MR. LAMMOT DU PONT. I cannot give you a very good idea of that, and I don't believe there is anybody here that knows that.

Dr. SPARRE. My opinion is, about this, the whole production of glycerin is about 75,000 tons. I think the du Pont Co. use about 5,000 tons or 4 percent of the total production, of which we buy more than half in the United States.¹

Senator CLARK. What does the I.C.I. purchase?

Dr. SPARRE. Very much less.

Senator CLARK. Unless du Pont and I.C.I. were both substantial factors in the control of prices, why was it necessary to enter into this agreement as to one being out of the market and the other being in the market?

Dr. SPARRE. I think the facts will show that the combined purchases of du Pont and I.C.I. could not be more than 7 percent of the world's production.

MR. IRÉNÉE DU PONT. There is no interest in having that agreement, except that the concerns should not compete against each other.

Senator CLARK. There is no reason why they should enter into the agreement unless it is to control the price?

MR. IRÉNÉE DU PONT. It is a perfectly prudent thing to do. I didn't know anything about it and never heard of it before.

¹Dr. Sparre later submitted corrected figures regarding the production and consumption of glycerin. They appear in the appendix on p. 1396.

Senator CLARK. If the whole amount of transactions of these two companies is so small as not to influence prices, there was no point in making such a contract.

Mr. IRÉNÉE DU PONT. The point is, the price of anything is important. If you and I are going to buy 1 percent of a certain stock, and if we go into competition with each other we might bid it up.

Senator CLARK. If you and I agree with each other, we would not buy a loaf of bread, and neither of us would buy a loaf of bread, it would not affect the price of bread, and it would be a silly thing to do.

Mr. IRÉNÉE DU PONT. Yes; but if you compete with each other in the market, it is a prudent thing to have such a contract.

Senator CLARK. So you think this agreement between these two companies would have a substantial effect on influencing the price of glycerin?

Mr. IRÉNÉE DU PONT. I don't say that, but I say it seems to be a prudent thing if there are two purchasers of a certain commodity that they should not bid against each other.

Senator CLARK. If there was not sufficient influence that it would control the market as to price and supply, and if it did not do that there would be no purpose in having the contract.

Senator BONE. Do you believe in the competitive system in business?

Mr. IRÉNÉE DU PONT. I do; very much.

Senator BONE. You are thoroughly committed to that principle?

Mr. IRÉNÉE DU PONT. Absolutely; yes. I never saw a monopoly yet that did not go to seed.

Senator BONE. Is that the attitude of your company?

Mr. IRÉNÉE DU PONT. I believe it is. It certainly was the attitude of the company when I was president.

Senator BONE. You, being one of the chief executives, would know its attitude. Would you say it is the attitude of the du Pont organization that competition is a good thing in business?

Mr. IRÉNÉE DU PONT. Not cutthroat competition.

Senator BONE. Evidently you were trying to eliminate competition by this sort of agreement.

Mr. IRÉNÉE DU PONT. We don't think you should feel it was eliminating competition at all. It seems to me reasonable competition is good.

Senator BONE. I do not want to put the words in your mouth, of course.

Senator CLARK. It is eliminating competition to pay somebody to stay out of the market. I am not speaking of the glycerin now, but I am speaking of the last remark.

Now, Mr. Felix du Pont, you are of course familiar with the fact that under the Versailles treaties and the treaties made after the war Germany was prohibited from entering into the manufacture of propellants?

Mr. A. FELIX DU PONT. I did not understand you.

Senator CLARK. I say you are familiar with the fact that under the treaties made at the conclusion of the war and since Germany is forbidden to manufacture propellants?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. I want to ask Mr. Lammot du Pont this: Early in 1933 you were considering the possibility of selling a large quantity of military powder to Germany, and you notified the I.C.I. to that effect.

Mr. LAMMOT DU PONT. I do not think that is a proper description of what we were considering at that time. I think you are referring to an agreement with Mr. Giera.

CONTRACTS FOR GERMAN SALES

Senator CLARK. I will read you a portion of a letter dated the 6th of March 1933, on the letterhead of Imperial Chemicals, London, from Harry McGowan, and that is Sir Harry McGowan, the head of the I.C.I., is it?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. I will ask to have this letter first marked as a committee exhibit under the appropriate number.

(The letter referred to was marked "Exhibit No. 516" and appears in full in the text on p. 1243.)

Senator CLARK. In this letter Sir Harry McGowan says:

It is clear from our records that although Germany, Austria, and Hungary are not dealt with in the agreement, the understanding is clearly that, as, and when the Treaty of Versailles is modified the whole position as at present covered by the general military agreement should be reviewed.

Although our German friends have been out of the export military business for many years, they probably have manufactured for local requirements, and I think we may assume that they have not been idle in their research. It is definitely established that they have not been so in military detonators. I feel sure that when freedom to manufacture is granted for home use and possibly for export they will expect to take a prominent position in the business and one which will be in keeping with our arrangement with them on blasting explosives, and we have in fact kept in mind this possibility.

Then it is apparent from this letter, Mr. du Pont, that it was the expectation of your British associates that the world would be divided and price quotations set, between du Pont, I.C.I., and the German interests, when the Treaty of Versailles was modified, is it not?

Mr. LAMMOT DU PONT. No, sir.

Mr. CLARK. That certainly is the statement there.

Mr. LAMMOT DU PONT. It is not, as I read it.

Senator CLARK. It states [reading]:

It is clear from our records that although Germany, Austria, and Hungary are not dealt with in the agreement—

Mr. LAMMOT DU PONT. What agreement is he referring to?

Senator CLARK. I will come to that in just a minute [continuing quotation]:

The understanding is clearly that, as and when the Treaty of Versailles is modified, the whole position as at present covered by the general military agreement should be reviewed.

Although our German friends have been out of the export military business for many years, they probably have manufactured for local requirements, and I think we may assume that they have not been idle in their research. It is definitely established that they have not been so in military detonators. I feel sure that when freedom to manufacture is granted for home use and possibly for export they will expect to take a prominent position in the business and one which will be in keeping with our arrangement with them on blasting explosives, and we have, in fact, kept in mind this possibility.

Mr. LAMMOT DU PONT. Senator, I think that the general military agreement referred to there is the agreement between I.C.I. and du Pont with respect to joint offices.

Senator CLARK. Yes; but he certainly specifically contemplates that when the German interests are able to do it, they shall come into this agreement.

Mr. LAMMOT DU PONT. It does not say so.

Senator CLARK. That is certainly the inference to be drawn from it.

Mr. LAMMOT DU PONT. No; he says—

Senator CLARK. He refers in this letter to the appointment of Mr. Giera as your agent for the sale of military powder in Germany.

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. Major Casey, who is Mr. Giera?

Mr. CASEY. Mr. Giera was until about 10 years ago a Swiss citizen in this country.

Senator CLARK. His real name is Brenner, is it not, Peter Brenner?

Mr. CASEY. I never heard that.

Senator CLARK. You have known him how long?

Mr. CASEY. Since about 1916. He came to me with a letter of introduction.

Senator CLARK. That is about 18 years ago?

Mr. CASEY. That is about 18 years ago. He came to me with a letter of introduction from two people, an old friend of mine by the name of Col. H. C. Wilson, now dead, and another man, Capt. Laurence Angel, who, at that time, I think, was connected with the Maxim Munitions. He came to me regarding submarine mines and wanted us to test out a chemical detonator which he had for submarine mine work. He claimed at the time that he had, while a Swiss citizen, been assigned to Germany, in accordance with the usual practice of sending about 20 Swiss officers each year to serve with the German Army for training, and said that because of his chemical and explosive knowledge—I am repeating what he told me—that the Germans did use him on submarine mine projects, which included the mining of the Dardanelles, Heligoland, Buenos Aires, and Kiao-chaw. We did test out his chemical detonator, but beyond doing that we had no interest in his project because it was a little removed from our efforts. I understood later, however, that a firm of lawyers in New York by the name of Manley & Grand, who organized the Ordnance Engineering Corporation, had decided that there was something in this submarine project of his. Later, when the United States got into the war, I understand that he was of considerable assistance to Captain Fullenweider, of the Navy, on designs of submarine mines.

Senator CLARK. Major Casey, I do not want to interrupt you, but, going back a little bit, we have understood, also, he was a German agent before the United States entered the war, affiliated with Boyed and Von Papen and sabotage.

Mr. CASEY. I did not know that until 1918.

Senator CLARK. You are familiar with that?

Mr. CASEY. Yes, sir.

Senator CLARK. Did he ever tell you that?

Mr. CASEY. Yes, sir.

Senator CLARK. That he was affiliated with Boyed and Von Papen during the war?

Mr. CASEY. Yes, sir.

Senator CLARK. And when the United States entered the war he saved himself from being shot by turning spy for the United States?

Mr. CASEY. That I do not know.

Senator CLARK. He did not tell you that?

Mr. CASEY. I do know he assisted them.

Senator CLARK. Go ahead with your story, Major. I did not mean to interrupt you.

Mr. CASEY. I was also under the impression that he assisted Naval Intelligence. That I am not sure of, except on his statements. I only saw him spasmodically. I saw him at the time of Colonel Wilson's death, at the funeral. I think I ran into him in Admiral Niblack's office, who was at that time at the head of Naval Intelligence. I think it was about the latter part of 1932—after he had been trying for a great many years to get me to go to the lower Catskills, where he had a hunting lodge, to get some deer shooting—and I went up there finally.

Senator CLARK. All I am asking you at this time is as to whether you know the man, and not a narration of the details, which I will come to in a minute. This Mr. Giera is generally known as an international spy, is he not?

Mr. CASEY. I think he would be.

Senator CLARK. Is it not a fact, Major Casey, that he boasts that he has been an agent for 13 different governments?

Mr. CASEY. Yes, sir.

Senator CLARK. He has been an agent for the Chinese, has he not?

Mr. CASEY. Yes, sir.

Senator CLARK. And the Germans and Japanese?

Mr. CASEY. I do not know about agent for the Chinese. Mining Kiaochaw for the Chinese Government.

Senator CLARK. And he has been an agent for the Japanese?

Mr. CASEY. I understand so.

Senator CLARK. And has been an agent for 13 governments in all?

Mr. CASEY. Yes; on his submarine work.

Senator CLARK. Is it not his claim that he assisted Germany in the work of mining Heligoland, and when he turned into an American spy he furnished the plans of the German Heligoland to the United States and also the German submarine base off of Yucatan?

Mr. CASEY. That I do not know.

Senator CLARK. He never told you that?

Mr. CASEY. He never told me that.

Senator CLARK. Del Fungo Giera, and it is alleged his real name is Peter Brenner.

Mr. CASEY. That is something I have learned for the first time.

Senator CLARK. And that he entered the United States under a forged passport prior to the war. Did you have anything to do with or was Remington a part of du Pont at the time Remington loaned Giera a gun or field piece to test out a propellant which he claimed he invented, which he claimed would revolutionize the ordinance of the world?

Mr. CASEY. It is true that I learned that Remington had in an exhibit room an old 3-pound navy gun on an old navy mount, an obsolete type of gun. He was very anxious to get hold of the gun.

Senator CLARK. You heard of the propellant that he claimed to have invented which would revolutionize the ordnance of the world?

Mr. CASEY. Using solid hydrogen.

Senator CLARK. Using hydrogen as a substitute for any other explosive, and passing it through water. Did you know he proposed to build a factory in this country to manufacture war material for Japan?

Mr. CASEY. So he said.

Senator CLARK. Now, Mr. Felix du Pont, on February 1, 1933, a contract was signed by yourself as vice president and manager of the smokeless powder department, with Mr. Giera, covering a proposed sale of military propellants to Germany, was it not?

Mr. A. FELIX DU PONT. Yes, sir.

Senator CLARK. I offer you three documents marked "A, B, and C", which consist of proposed drafts of this contract, and also a letter from Mr. Abrams, which I will ask to have marked as the appropriate exhibit. That is from Mr. Abrams of the legal department of the du Pont Co. to Mr. T. R. Hanley of the du Pont Co.

(The letter referred to was marked "Exhibit No. 517" and is included in the appendix on p. 1375.)

Senator CLARK. In that letter he states in part as follows:

To the best of my recollection the draft marked "B" was the agreement executed under date of February 1, 1933.

Now, Mr. du Pont, I will ask you whether you can identify the contract of February 1 any more definitely than is shown in that letter.

Mr. A. FELIX DU PONT. Of February 1?

Senator CLARK. I say, can you identify the contract of February 1 any more definitely than is done in the letter of Mr. Abrams?

Mr. A. FELIX DU PONT. Than it is done in Mr. Abrams' letter?

Senator CLARK. Yes. In other words, do you know if any of those drafts were the one actually signed on February 1?

Mr. A. FELIX DU PONT. I will have to look this over a bit.

Senator CLARK. Look them over as much as you please. It will take some time.

Mr. LAMMOT DU PONT. Mr. Raushenbush, did you not take from our files a signed copy of this agreement? You ought to know which is the one that was signed.

Senator CLARK. We have not got the one signed, but simply the drafts.

Mr. LAMMOT DU PONT. It will save us looking through this if you have the one that was signed.

Senator CLARK. All we know is what is contained in Mr. Abrams' letter.

Mr. LAMMOT DU PONT. Your investigators went through our files.

Senator CLARK. It is my understanding that the original contract, actually signed on the 1st of February 1933, was destroyed.

Mr. LAMMOT DU PONT. I did not know that.

Senator CLARK. On the 2d of February 1933, and it is a question which of these drafts found in your files was the original contract, and Mr. Abrams of your legal department states in the exhibit which I just showed you that this draft B was the contract of February 1.

Mr. LAMMOT DU PONT. The original contract was destroyed?

Senator CLARK. I will examine as to that in just a minute. These are the only drafts which we have, and I accompany that with Mr. Abrams' letter.

I will read Mr. Abrams' letter, Mr. du Pont, if it will refresh your memory in any way. [Reading:]

T. R. Hanley, Bldg.

Mr. T. R. Hanley is also in the legal department of the du Pont Co., is he not?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. This is an interoffice memorandum and reads:

I enclose herewith copy of my letter of January 23 to Major Casey, together with copies of three drafts of agency agreements with D. F. Giera.

The draft marked "A" was the one enclosed with my letter of January 23. I believe this draft was revised before execution.

To the best of my recollection the draft marked "B" was the agreement executed under date of February 1, 1933.

I believe the draft marked "C" was drawn at the time of Captain Giera's return on February 2 but was never executed.

The above explanation represents my best recollection of the status of these three drafts but it is possible that any one of them was the one executed on February 1.

Mr. A. FELIX DU PONT. I do not recognize any of these as being the contract that we signed with Giera and put into execution for a short time.

Senator CLARK. How long a time did you put it into execution?

Mr. A. FELIX DU PONT. To the best of my recollection, it was a 6 months' contract.

Senator CLARK. Yes; but the contract which you signed on February 1 was torn up on February 2, was it not?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. I am referring to the contract of February 1 now. Do any of these drafts represent the contract signed on February 1 and torn up on February 2, as Mr. Abrams suggests?

Mr. A. FELIX DU PONT. I think it does.

Mr. IRENEE DU PONT. If you do not know, say so.

Senator CLARK. I would like to have Mr. Felix du Pont answer this. He signed the contract and it is a question of identifying the contract I am getting at.

Mr. A. FELIX DU PONT. I do not know. The best way to identify that would be to be perfectly sure that when Mr. Abrams gave you these, or turned these in, that he did not have several among his notes or files of unsigned specimens of contracts.

Senator CLARK. The original was destroyed on February 2. Mr. du Pont, was it not?

Mr. A. FELIX DU PONT. That is correct.

Senator CLARK. Why was that destroyed?

Mr. A. FELIX DU PONT. Because it was not the right kind of contract.

Senator CLARK. Why was it not the right kind of contract? You had signed it, had you not?

Mr. A. FELIX DU PONT. Yes, sir.

Senator CLARK. You had authority from the du Pont Co., as vice president, to sign the contract?

Mr. A. FELIX DU PONT. I had authority from Mr. Lammot du Pont, and I signed it, and on that very same day the contract was discussed

in our executive committee, and it was found not to hold enough provisions to protect us from possible misinterpretation or action and so we were not satisfied with it. Mr. Giera had just gone, and we called him back, and he agreed to turn his contract over, and we took out ours and tore them up and made a new contract.

Senator CLARK. Do you know whether Giera had a photographic copy of his contract?

Mr. A. FELIX DU PONT. Absolutely. I believe that is one of the first things he did.

Senator CLARK. Now, this draft B, which Mr. Abrams thinks was the contract actually executed on February 1, I will read and see if that refreshes your memory [reading]:

This agreement, made this 2d day of February 1933 by and between E. I. du Pont de Nemours Co., a corporation organized and existing under the laws of the State of Delaware, United States of America (hereinafter referred to as the "company"), and D. F. Giera, of Pelham, State of New York, United States of America (hereinafter referred to as the "agent"),

Witnesseth: That for and in consideration of the premises and of the covenants contained herein, the parties hereto have agreed as follows:

1. The company hereby appoints and constitutes the agent to act as its special agent for the Kingdom of Holland and as its exclusive agent for the Republic of Germany, to negotiate the sale of military propellants and military explosives to purchasers (other than the Government of Holland and its colonies) located in said territories. The agent accepts such appointment and agrees that at all times during the continuance of this agreement he will use his best endeavors to promote the sale by the company of military propellants and explosives within the aforesaid territories.

2. The agent shall not, during the continuance of this agreement without the written consent of the company, act as agent for any other company, corporation, individual, or collection of individuals engaged in the manufacture and/or sale of goods of a nature similar to or competing with the said products covered by this agreement, nor shall he be concerned, engaged, or interested, either directly or indirectly, in the business of any company, corporation, individual, or collection of individuals engaged in the manufacture and/or sale of goods of a nature similar to or competing with the products covered by this said agreement.

3. The agent shall bear all expenses and assume sole responsibility in connection with such negotiations, and shall not make any representation, submit or accept any tender, enter into any contract, or execute any document on behalf of the company, except with the approval of the proper officers or other authorized representative or representatives of the company; it being further understood that no obligation on the part of the company, either to the agent or to third parties, shall arise in connection with orders not so accepted.

4. The company shall furnish, without charge to the agent, its duly accredited representative or representatives to assist and advise the agent on technical, financial, and legal matters incident to the completion of any negotiations undertaken by the agent hereunder.

5. The agent shall receive as full compensation for his services hereunder a commission as shown on schedule A attached hereto and made a part hereof. Any commission due hereunder shall be payable to the agent promptly upon receipt by the company of the selling price upon which such commission is based. Such commissions shall be paid in United States currency at such place as shall be designated in each instance by the agent, unless prevented by war, act of governmental authority, or other circumstance beyond the control of the company.

6. If, in the reasonable opinion of the company after consultation with the agent, it appears at any time to the company that the agent is not in a position to negotiate successfully with any prospective customer or customers within said territories, the company, after notice to the agent in writing, may appoint a special representative to obtain orders from such customer or customers; and no commission shall be payable to the agent hereunder with respect to orders negotiated by such special representative.

7. The company shall have the right to terminate this agreement upon written notice to the agent, should the agent breach any of the provisions of this agreement or become incapacitated, by illness or otherwise, from performing his obligations hereunder for a period of 6 consecutive months. No commission shall be payable hereunder on orders accepted after such termination.

8. The agent shall have the right to terminate this agreement upon 6 months' previous notice in writing to the company. No commission shall be payable hereunder on orders accepted after such termination.

9. Unless otherwise terminated in accordance with paragraph 7 or 8 hereof, this agreement shall continue in full force and effect for the period of 3 years from the date hereof.

In witness whereof the company has caused this agreement to be executed in duplicate by its officers duly authorized and its corporate seal to be hereunto affixed, and the agent has hereunto set his hand and seal the day and year first hereinabove written.

[SEAL]

E. I. DU PONT DE NEMOURS & Co.,
By _____, *Vice President.*

Attest:

_____, *Secretary.*

Mr. LAMMOT DU PONT. Senator, I would like to protest against the introduction of that document, for the reason that it purports to be a copy of a contract which the company executed and almost immediately found to be an undesirable contract.

Senator CLARK. We will come to that in just a minute.

Mr. LAMMOT DU PONT. May I finish?

Senator CLARK. Yes.

Mr. LAMMOT DU PONT. We found it to be an undesirable contract and, with the consent of the other signatory, destroyed it and immediately executed another one which replaced it. I say that purports to be a copy of that original agreement, but we have no means now of identifying it positively. Therefore, we do not know whether this paper which has been introduced is proper evidence or not.

Senator CLARK. I propose to examine Mr. Felix du Pont upon the subject of the negotiations leading up to that contract and the execution of the contract. I may say, further, that this document identified by an attorney for the company, who assisted in its preparation, as one of the drafts leading up to the contract, in the absence of the contract, would be admissible in a court of law. It is my purpose at the proper time to offer this exhibit, but I had not done so yet.

Mr. LAMMOT DU PONT. I thought you were offering it on Mr. Felix du Pont's identification.

Senator CLARK. Mr. Felix du Pont has not identified it yet.

Mr. LAMMOT DU PONT. He said that he could not identify it.

Senator CLARK. I am trying to find out if this is the contract which he did execute on February 1, 1933.

Mr. LAMMOT DU PONT. He read it and said he could not identify it, and I protest its introduction.

Senator CLARK. That is all right. I am addressing my questions to Mr. Felix du Pont. I am reading this for the purpose of refreshing his memory. I am asking him, after having heard that read, if he can identify that as the draft of contract signed on February 1, 1933?

Mr. A. FELIX DU PONT. No; I cannot. The reason is, frequently we make minor changes in contracts being prepared by our legal department, and if the contract is not finally executed, they have nothing but maybe one or two copies in their files, and they themselves cannot tell which is the one which they actually submitted.

Senator CLARK. That is what Mr. Abrams states in his memorandum. There was a contract executed on February 1, 1933, was there not?

Mr. A. FELIX DU PONT. Yes, sir.

Senator CLARK. Does this draft B which I have just read essentially set forth that contract?

Mr. A. FELIX DU PONT. It is quite similar to it.

Senator CLARK. It is quite similar to it.

Mr. A. FELIX DU PONT. Yes, sir.

Senator CLARK. Do you recall any differences between the contract which you executed on February 1 and the draft which I have just read, and which has been stated by Mr. Abrams to be probably the draft which you actually did sign?

Mr. A. FELIX DU PONT. I have not a very good memory for all the terms of a contract when I have only seen it once, and that original contract I only saw once, read once, and signed.

Senator CLARK. You had participated in the negotiations for that contract, had you?

Mr. A. FELIX DU PONT. Participated in the negotiations for the contract?

Senator CLARK. Yes.

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. Did that draft B that I read substantially set out the agreement you made with Mr. Giera?

Mr. A. FELIX DU PONT. It is quite similar.

Senator CLARK. Does it differ in any essential from the one which you actually signed, that you can recall?

Mr. A. FELIX DU PONT. No; not that I can recall.

Senator CLARK. Not that you can recall. In other words, this draft B which I have read substantially represents the agreement which you had actually signed, and you are uncertain as to whether it is the exact contract which you signed on February 1 or not?

Mr. A. FELIX DU PONT. That is correct.

Senator CLARK. You say this contract was torn up on February 2. You started to explain why it was torn up, Mr. du Pont. Why was that contract destroyed on February 2?

Mr. A. FELIX DU PONT. We began to discuss the contract after it was signed, and gave it further discussion with other officers of the company.

Senator CLARK. With what officers of the company? Describe in some detail as to what took place after the contract of February 1, 1933, had been signed?

Mr. A. FELIX DU PONT. After the contract was signed, it happened to be on the same day there was a meeting of our executive committee, and the matter was mentioned in the executive committee, I believe by Mr. Lammot du Pont, and the other members of the committee discussed it in various ways and called me in. I immediately recognized that I had made a slip in not taking the customary procedure of bringing it before a member of our foreign relations department, and it was Mr. Pickard, of the foreign relations department, who thought that the contract did not bind this man, Giera, employed as important a way as it should.

Senator CLARK. In what way was it suggested, do you know?

Mr. A. FELIX DU PONT. May I ask if you have a copy of the second contract; the one which was signed?

Senator CLARK. Are you referring now to the contract of February 15?

Mr. A. FELIX DU PONT. I think so; yes, sir.

Senator CLARK. Yes; I have a copy.

Mr. A. FELIX DU PONT. If you would read this and read that, you will see there are many precautionary clauses in the second one, and it is quite obvious why we changed it.

Senator CLARK. This contract of February 1, 1933, however, Mr. du Pont, had been prepared by your legal department, had it not?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. On your instructions?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. These three drafts, and possibly others which we have here, and possibly letters had been prepared by your legal department, after conference with you?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. And when the matter was discussed in executive committee, it was decided that some other provisions should be included?

Mr. A. FELIX DU PONT. That is correct.

Senator CLARK. And you then sent for Mr. Giera?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. And he agreed to destroy the original contract?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. Was any compensation paid him at that time for that?

Mr. A. FELIX DU PONT. No.

Senator CLARK. Any agreement for compensation?

Mr. A. FELIX DU PONT. No.

Senator CLARK. Now, Mr. du Pont, did you have any contract with Giera between the 2d of February 1933 and the 15th of February 1933?

Mr. A. FELIX DU PONT. I do not think so, but I am not quite certain. Senator, if you have a copy of the second contract, it will help me refresh my memory.

Senator CLARK. I am not certain which is the second contract and which is the first, in what I am trying to find out, Mr. du Pont. Apparently you yourself destroyed the first contract?

Mr. A. FELIX DU PONT. That is correct.

Senator CLARK. No evidence of it, except so far as there may exist a photographic copy taken by Mr. Giera?

Mr. A. FELIX DU PONT. That is correct.

Senator CLARK. Did Giera tell you he was taking off a photographic copy?

Mr. A. FELIX DU PONT. No; but he told somebody else.

Senator CLARK. Did he deliver his copy of the contract to you?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. You destroyed them both?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. Did you do that personally?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. Now, I will offer drafts A, B, and C as exhibits.

(The contract A was marked "Exhibit No. 518" and is included in the appendix on p. 1376.)

(The contract B was marked "Exhibit No. 519" and is included in the appendix on p. 1377.)

(The contract C was marked "Exhibit No. 520" and is included in the appendix on p. 1379.)

Senator CLARK. Exhibit B, which was marked our "Exhibit No. 519," it was stated by Mr. Abrams was the contract actually executed on February 1 and destroyed on February 2, 1933.

I now offer another exhibit, to be known as "Exhibit No. 521," which is the agreement of the 15th day of February 1933 by and between the du Pont Co. and D. F. Giera.

(The contract referred to was marked "Exhibit No. 521" and is included in the appendix on p. 1380.)

Senator CLARK. That is the contract you referred to heretofore as the second contract?

Mr. A. FELIX DU PONT. The second contract.

Senator CLARK. Executed on the 15th day of February. Will you please look that over and see if that is the contract you actually executed on the 15th of February?

Mr. A. FELIX DU PONT. Yes; that coincides with my copy.

Senator CLARK. That was a new contract, was it not, for the proposed sale of military propellants to Germany, appointing Mr. Giera agent of the du Pont Co. Was it signed by you as vice president of the du Pont Co.?

Mr. A. FELIX DU PONT. Yes, sir.

Senator CLARK. I will ask you again, because we had not put in the second contract at the time I previously asked this question, was there any contract in existence between the du Pont Co. and Giera between the 2d of February, when the first contract was destroyed and the 15th of February, when the contract which you have just identified, was entered into?

Mr. A. FELIX DU PONT. No; there was not.

Senator CLARK. There was no contract between you at all?

Mr. A. FELIX DU PONT. No.

Senator CLARK. What is the difference between the contract of February 1, and the contract of February 15, Mr. du Pont?

Mr. A. FELIX DU PONT. The essential differences are that in the second paragraph of the contract of February 15 it says:

Whereas it is understood to be the desire and expectation of Germany to be relieved in the near future of the prohibitions of limitations upon the importation of arms and ammunition to which it is subjected under the terms of the treaty of Versailles; * * *

That was a clause that we put in.

Senator CLARK. In other words, your first contract, the one that was destroyed on February 2, was a straight contract of agency for military propellants in Germany, without any reservation of that sort whatever, based on the Versailles Treaty or anything else?

Mr. A. FELIX DU PONT. Yes; just like all of our other agency contracts in Europe.

Senator CLARK. Were there any other differences that you care to point out?

Mr. A. FELIX DU PONT. An essential difference is on the next page, paragraph 4, which says:

It is expressly understood that the company will not enter into any contract for the sale of military propellants or explosives to the German Government without first obtaining the approval or consent of the United States Government.

Senator CLARK. There was no such reservation in the first contract?

Mr. A. FELIX DU PONT. No; we forgot to put it in.

Senator CLARK. That is to be seen.

Mr. A. FELIX DU PONT. I have just been reminded that there is another essential point here and that is that in the second contract, Holland is eliminated. It is mentioned in the first contract.

Senator CLARK. In other words, in the contract of February 1, 1933, the terms applied to Holland, except the Dutch Government, and to Germany without any exception whatever?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. And the second contract was simply limited to Germany?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. But there was no contract whatever, no contractual relations, between Giera and the du Pont Co. between February 2 and February 15?

Mr. A. FELIX DU PONT. No; there was none.

Senator CLARK. Is that your understanding, Mr. Lammot du Pont?

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. I will now offer as an exhibit a letter dated February 9, 1933, from Mr. Lammot du Pont to Sir Harry McGowan, Imperial Chemical House, Millbank, Westminster.

(The letter referred to was marked "Exhibit No. 522", and appears in full in the text.)

Senator CLARK. This letter is marked "Personal and Confidential." It reads:

DEAR SIR HARRY: We have made an agreement in the nature of an agency appointment with Mr. E. D. Giera, looking toward the sale of military propellants to the Republic of Germany.

I understand that Germany is excluded from our understanding with respect to sale of military explosives in Europe, under which we keep each other advised of our movements, but we feel that it is desirable that we should inform you in this case.

That is evidently a military agreement to which he refers in his letter which has been read.

This letter continues:

I am enclosing herewith a copy of the agreement with Mr. Giera, which speaks for itself, and which I understand covers the entire understanding between him and us. For various reasons we desire this matter considered confidential, but particularly so because we feel that any knowledge of such an agreement leaking out might get to some parties whose interest it would be to block Mr. Giera's efforts. Will you, therefore, please consider this letter and the agreement strictly confidential?

Yours sincerely,

LAMMOT DU PONT, *President.*

That letter, Mr. du Pont, is dated February 9?

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. But that is in the period in which you say no contractual relations existed between Mr. Giera and the du Pont Co.?

Mr. A. FELIX DU PONT. That is very easy to explain, Senator.

Senator CLARK. We should be very glad to have your explanation.

Mr. A. FELIX DU PONT. Because when we made the first contract we had no intention of not making a second contract with Giera. But it was requested that when the second contract was prepared it be passed upon by our executive committee. We waited for another meeting of the executive committee before the second contract was finished. Therefore, it was to all intents and purposes—that is, the intention was that Giera would have a contract and he was simply waiting for the new contract to be made.

Senator CLARK. Mr. du Pont, do you understand that when your cousin said—

We have made an agreement in the nature of an agency appointment with Mr. E. D. Geira looking toward the sale of military propellants to the Republic of Germany—

And when he also said—

I am enclosing herewith a copy of the agreement with Mr. Giera, which speaks for itself and which I understand covers the entire situation between him and us—

that he was referring to a contract to be negotiated sometime in the future?

Mr. A. FELIX DU PONT. Yes; I am sure so. I do not think there is anything unusual about that at all.

Senator CLARK. You think it is not unusual, when a contract has not been signed, to say:

We have made an agreement in the nature of an agency appointment with Mr. E. D. Giera, * * *

A copy of which is enclosed? Is that customary to say when you are expecting to sign a contract sometime in the future? Do you then say, "We have made a contract and we enclose a copy which speaks for itself"?

Mr. A. FELIX DU PONT. I am not sure how that is, but I think it is quite possible that Mr. Lammot du Pont, expecting to have the contract to enclose, may have dictated the letter at that time and held it up until the contract was ready.

Senator CLARK. Mr. Lammot du Pont, what is your recollection of this, sir?

Mr. LAMMOT DU PONT. My recollection is that I dictated this letter immediately after the execution of the first contract and I held it on my desk for a copy of the contract after it was signed. After the second contract was signed I attached a copy of the second contract and mailed the letter.

Senator CLARK. Let me see if I get that right. You dictated this letter before the first contract was signed?

Mr. LAMMOT DU PONT. I think it was after the first contract was signed.

Senator CLARK. After the first contract was signed, but held it on your desk to get a copy of the contract?

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. Then you enclosed a copy of the second contract?

Mr. LAMMOT DU PONT. I think so.

Senator CLARK. But it appears, Mr. du Pont, that the letter was dated February 9.

Mr. LAMMOT DU PONT. Yes, sir.

Senator CLARK. Which was 8 days after the signing of the first contract and 7 days after the first contract had been destroyed and nearly a week before the second contract had been signed. Yet you say, "We have made an agreement a copy of which I enclose herewith."

Mr. LAMMOT DU PONT. I dictated that letter on the 9th of February, I think.

Senator CLARK. And that was a week before the second contract was signed?

Mr. LAMMOT DU PONT. A week after the first contract was signed.

Senator CLARK. Yes.

Mr. LAMMOT DU PONT. Fully expecting that a new contract would be signed. I held it on my desk until I could get a copy of the signed contract. The error that I made is in not correcting the date of the letter when I sent the final draft.

Mr. CASEY. Perhaps that can be explained in this way, Senator. The usual day for meetings of the executive committee is Wednesday. Wednesday was the first, which was the time Felix du Pont just mentioned as the time he spoke before the committee and they said, "That won't do. We will have to have that contract changed." So, on the second, which was Thursday, Giera came down and destroyed the first contract. Then we started in to modify the contract so that it would be suitable to Giera, conforming with the reservations that the executive committee insisted must be in before any contract could be signed. That second meeting of the executive committee, therefore, occurred the following Wednesday, which was the 8th. At that time the conditions of the contract were agreed on by the executive committee, which then waited the arrival of Giera before it was definitely signed. Then, as a result of the meeting of the 8th, it was drawn up in the usual form of contract with a blank date. Giera never came down until the 15th, which happened to be another executive committee meeting day.

Senator CLARK. That does not explain why Mr. Lammot du Pont on February 9 wrote Sir Harry McGowan saying, "I am enclosing herewith a copy of the agreement with Mr. Giera, which speaks for itself", when, as a matter of fact, the contract was not actually entered into for nearly a week in the future.

Mr. CASEY. Senator, I was present at the meeting of the committee on the 8th. I remember that one of the things brought up was that Sir Harry McGowan should be notified as soon as possible. So, I imagine—of course, I cannot go beyond what I actually heard—but I imagine that the very next day, the meeting lasting generally until late in the afternoon, Lammot du Pont probably wrote that letter and then waited for the executed contract. On the other hand, it is possible that he may have sent McGowan a draft—

Senator CLARK (interposing). Major, that is just pure speculation.

Mr. CASEY. But that is all that I can give you.

Senator CLARK. I will ask Mr. Lammot du Pont what he was referring to when he said in his letter of February 9 that he was en-

closing a copy of a contract which the du Pont Co. had entered into with Giera. Mr. Felix du Pont has testified that on February 9 there was no contract between Giera and the du Pont Co.

Now, what I am trying to find out is whether the contract of February 1 and the contract of February 15 were ever in effect at the same time?

Mr. A. FELIX DU PONT. Oh, no; they were not. No; certainly not.

Senator CLARK. One representing the real contract and the other representing a nominal contract?

Mr. A. FELIX DU PONT. Oh, no.

Mr. LAMMOT DU PONT. No, Senator. I think I have given you a correct explanation of that. I dictated that letter on February 9 and did not send the letter until after the 15th, but failed to correct the date.

Senator CLARK. Do you have any recollection of that subject?

Mr. LAMMOT DU PONT. I have a recollection of dictating that letter long before the copy was received. I had it on my desk for quite a long while before I was able to mail it to Sir Harry McGowan, because I was waiting for the contract. I have no recollection of failing to correct the date.

Senator CLARK. Mr. Felix du Pont, returning to these drafts, A, B, and C; none of these drafts contains any reservation whatever with respect to the Treaty of Versailles or as to the provisions of the Treaty of Versailles.

Mr. FELIX DU PONT. No; I believe not. I will have to look them over again.

Senator CLARK. The provisions of all of them are substantially like paragraph 1 of the draft marked "B" whereby the company simply appoints Giera its agent for the kingdom of Holland exclusive of the Government of Holland and for the Republic of Germany?

Mr. CASEY. Senator, I think that was one of the exceptions that we were called on the carpet for, because it was not clearly expressed what the purpose was.

Senator CLARK. Major, if you will permit Mr. du Pont to answer this, I want to get his idea about it, because he is the man who signed the contract.

Mr. A. FELIX DU PONT. I have to speak a good deal from my memory of over a year ago. I do not find that I can readily identify these copies but, to the best of my knowledge we prepared another one which may be one of these, took into one of the offices of the company, perhaps Mr. Pickard, and he found that it was not satisfactory and we made another. All of those copies and trial contracts were made in between the dates February 1 and February 15 and they were not ever executed.

Senator CLARK. Mr. du Pont, in the ordinary course do you destroy a contract instead of simply canceling it? I mean, is it not unusual to destroy all copies of a contract? Is that in the ordinary course of business?

Mr. A. FELIX DU PONT. No; it is not.

Senator CLARK. Why was that extraordinary procedure followed in this case?

Mr. A. FELIX DU PONT. Why, because, in the first place, it is most extraordinary for anybody to sign a contract and bring it back again. That is where I made my first slip.

Senator CLARK. For anybody to do what?

Mr. A. FELIX DU PONT. Sign a contract and ask for it back again. That contract was executed.

Senator CLARK. The contract was originally executed on authority of the president of the company?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. Had he signed the contract before it was executed?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. Mr. Lamnot du Pont had looked over this contract of February 1 with Geira before you signed it, and you did go on his authority?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. I still do not understand why it was necessary to destroy all evidence of the contract instead of simply canceling it, as is ordinarily done.

Mr. A. FELIX DU PONT. Well, I will tell you exactly why. We brought Geira back. He was exceedingly reluctant to turn back the contract to us. We began to suspect that he wanted to use it in some way that would not be at all—that we would not like at all. So I was very much relieved when he finally said he would give it up and I thought I would get it out of the way.

Senator CLARK. Would it not have been sufficient, and would it not have been in the ordinary course of business, when he gave up his copy, simply to take the copies and mark them canceled and put them in your files and preserve an important contract of this sort that had been entered into, in your own files, after it had been canceled?

Mr. A. FELIX DU PONT. Why, maybe so.

Senator CLARK. Instead of destroying all evidence of a rather remarkable transaction as you yourself had dominated it?

Mr. A. FELIX DU PONT. No; it was not. When I executed the contract it was not a remarkable occurrence at all. We gave the man a contract similar to all the others that we have in Europe.

Senator CLARK. I understand, but was it not rather remarkable and outside of the ordinary course of business to destroy all copies of the contract that you knew of that were in existence rather than to put a copy in your files, and mark the contract canceled. That is what you ordinarily do in your business, is it not?

Mr. A. FELIX DU PONT. Well, we do not like to have a signed contract in the files that is not in use. So I tore it up.

Senator CLARK. He had agreed to cancel it?

Mr. A. FELIX DU PONT. According to my ideas it would never be of any use to him and I might as well get it out of the way.

Senator CLARK. He had agreed to cancel it. In other words, tearing up the signed copies of the contract would not have invalidated the contract unless he had agreed to cancel it. As he had agreed to cancel it, there was no reason for destroying it; is not that correct?

Mr. A. FELIX DU PONT. I think we often tear up papers; I think I would often tear up a paper of that kind.

Senator CLARK. Do you recall any other instances of that kind?

Mr. FELIX DU PONT. I think I remember saying to Major Casey, "we are through with that", and I threw it in the waste basket.

Senator CLARK. Do you recall any other instance in your whole experience where you tore up a signed contract after it had been signed?

Mr. A. FELIX DU PONT. No; I never had an occurrence of that kind before in my life.

Mr. LAMMOT DU PONT. Senator, I discussed this contract with Mr. Giera and Mr. Felix du Pont before it was drafted. In that discussion it was clearly understood by both parties that these two clauses with respect to the Versailles Treaty and with respect to the United States Government approval were both to be included in the contract. That was thoroughly understood before either draft was made.

Senator CLARK. Was that so stated in the negotiations?

Mr. LAMMOT DU PONT. It was stated in the conversation, as I recall it. After the first draft was made, I think Mr. Felix du Pont is correct in saying that I read it, and I failed to note, and I think he also failed to note, at that time that those two clauses had not been included. A member of our executive committee called our attention to that fact. We recognized our mistake and agreed with the other members of the executive committee that the contract should be revised in those two respects as well as perhaps others. We got Mr. Giera, reminded him of the conversation, and he, as I recollect, agreed that those two points had been discussed, that he had agreed to them, and that therefore it was proper that those two clauses should be put in the contract. In other words, both Mr. Giera and ourselves agreed that we had made a mistake in the first contract and that we should draw a new contract to replace it.

Senator CLARK. Mr. Felix du Pont has just stated that Giera agreed to cancel the first contract with very great reluctance.

Mr. LAMMOT DU PONT. I think so.

Senator CLARK. Why should he be reluctant if the first contract represented exactly the provisions he had agreed to?

Mr. LAMMOT DU PONT. He, as I recall it, had to admit that those two points had been thoroughly discussed, because I discussed them with him myself.

Senator CLARK. With Giera?

Mr. LAMMOT DU PONT. Yes; with Giera; and I know he understood what was talked about.

Senator CLARK. Was that on the 2d day of February?

Mr. LAMMOT DU PONT. No; I think it was before that. It must have been before it, because it was before the draft had been prepared.

Senator CLARK. What I am speaking of now are the negotiations at the time the first contract was destroyed. Were you present at the time?

Mr. LAMMOT DU PONT. I do not think I was.

Senator CLARK. You did not talk to Giera when you summoned him back up there?

Mr. LAMMOT DU PONT. I am not sure, but I think not.

Senator CLARK. So you do not know about his reluctance to destroy the first contract and how it was overcome?

Mr. LAMMOT DU PONT. I have a recollection of reminding Giera of our conversation when the contract was being negotiated.

Senator CLARK. Apparently this contract was signed on one day and destroyed on another.

Mr. LAMMOT DU PONT. Yes.

Senator CLARK. Did you see Giera after the first contract was signed and before the second contract was destroyed?

Mr. LAMMOT DU PONT. I cannot say that I did.

Senator CLARK. So then, therefore, you are not familiar with the arguments that were used to overcome Mr. Giera's reluctance to destroy the second contract. Did you have anything to do with destroying the second contract—I mean tearing it up?

Mr. LAMMOT DU PONT. I understood that it was to be superseded; yes, sir.

Senator CLARK. I mean the physical destruction of the contract?

Mr. LAMMOT DU PONT. I was not present at that time.

Senator CLARK. Did you know that it was going to be done?

Mr. LAMMOT DU PONT. No; I cannot say that I did. But I am perfectly clear on this point, that before any contract was signed by Giera that these provisions of the Versailles Treaty and the United States Government approval—

Senator CLARK. You mean before the original signature?

Mr. LAMMOT DU PONT. Yes—were both discussed and I admitted my error in approving that contract without those clauses. I am quite sure that both Mr. Giera and ourselves admitted that we had both made a mistake in signing the contract, because it did not correctly set forth the verbal agreement prior to the signing of the papers. Now, a mistaken contract, one signed or executed by mistake, is, I think, a natural document to be destroyed.

Senator CLARK. What is that?

Mr. LAMMOT DU PONT. I think it is natural to destroy a document that both parties agree was made by mistake.

Senator CLARK. Apparently Mr. Giera was extremely reluctant, from Mr. Felix du Pont's testimony, to agree to any such thing.

Mr. LAMMOT DU PONT. Judging from what happened later, I think he probably was reluctant.

Senator CLARK. Now, as for the rest of this letter, "Exhibit No. 516", from Sir Harry McGowan to Mr. Lammot du Pont—

MY DEAR LAMMOT: I much appreciate your apprising me of the appointment of Mr. Giera as your agent for Germany. In the event of orders materializing I assume that these would be definitely for requirements of the Republic of Germany and not for re-export, although I do not think the agreement safeguards you in this respect.

In making the agreement I am sure you could not have had before you a résumé of the conversations between Colonel Taylor and my people when the military agreement in general was discussed and worked out. It is clear from our records that although Germany, Austria, and Hungary are not dealt with in the agreement, the understanding is clearly that, as and when the Treaty of Versailles is modified, the whole position as at present covered by the general military agreement should be reviewed.

Although our German friends have been out of the export military business for many years, they probably have manufactured for local requirements, and I think we may assume that they have not been idle in their research. It is definitely established that they have not been so in military detonators. I feel sure that when freedom to manufacture is granted for home use and possibly for export they will expect to take a prominent position in the business and one which will be in keeping with our arrangement with them on blasting explosives, and we have in fact kept in mind this possibility.

If the agent you have appointed, therefore, is at all active, I think that any future negotiations would tend to become more difficult and the Germans would probably consider that as we each reserve to ourselves orders from our respective Governments they should be entitled to do likewise.

Yours sincerely,

H. McGOWAN.

LAMMOT DU PONT, Esq.,

Messrs. E. I. du Pont de Nemours & Co., Inc.,

Wilmington, Del., U.S.A.

I ask you again, Mr. du Pont, if that, in your opinion, does not indicate certainly an expectation on the part of the I.C.I. that at such time as the Germans were able to manufacture munitions again, Germany was to be allocated to them in an agreement with you and I.C.I.

Mr. LAMMOT DU PONT. I do not think it so indicates; no, sir.

Senator CLARK. Well, that is a difference of opinion. Now, Mr. Felix du Pont, in May 1933 you received a letter from Longley, Bogle & Middleton, attorneys, who represented Mr. Giera, which I will offer as "Exhibit No. 523."

(The letter referred to was marked "Exhibit No. 523", and appears in full in the text.)

Senator CLARK. This letter says—

that deliveries under this agreement were assured to both himself and Count Westarp, of the German military staff.

Did representatives of the du Pont Co. actually meet with representatives of the German military staff on the probable sale of \$7,000,000 worth of military powder to the German Government?

Mr. A. FELIX DU PONT. A member of the military staff; no.

Senator CLARK. This letter, "Exhibit No. 523", is on the letter-head of Longley, Bogle & Middleton and is dated May 27, 1933, and it reads:

GENTLEMEN: I have had brought to me by Capt. Del Fungo Giera, of Pelham, N.Y., a contract dated February 15, 1933, executed between himself and your company, relating to the sale of military propellants and military explosives. He has also left with me a copy of his contract executed February 1, 1933. Captain Giera has related to me the history of the transaction and advised me of the negotiations leading up to the execution of these documents.

Under date of February 14, 1933—

Mr. LAMMOT DU PONT. That is wrong, that date.

Senator CLARK. It was actually in April.

Mr. LAMMOT DU PONT. It should be April.

Senator CLARK. I will read the letter as it is. [Reading:]

Under date of February 14, 1933, you gave notice of termination of your contractual relationship with him, and it is of this he complains. This action obviously creates considerable financial loss to Captain Giera, for funds expended in the interests of your company, and I may say very serious embarrassment through his failure to carry out his business with the people to whom he expected to sell your products. He advises that deliveries under this agreement were assured to both himself and Count Westarp, of the German military staff.

Captain Giera has been put to an out-of-pocket expense of upwards of \$36,000, and you have agreed that he should be reimbursed for the expense which he has incurred in this business of yours. In this figure he has not included any allowance for his own services, but states that he does feel that you should see him repaid for the amounts disbursed in your company's behalf.

I trust that I may hear favorably from you at an early date.

Mr. A. FELIX DU PONT. I want to make an exception to that date, February 14. It is April 14.

Senator CLARK. I simply read the exhibit as it was. I understand that it was in April. I think I have a communication somewhere which was addressed to Captain Giera. I will ask you again, Mr. du Pont, whether you actually had any direct negotiations with Count Westarp, who is mentioned in this letter, or any other representative of the German military staff?

Mr. A. FELIX DU PONT. Giera brought a man who he introduced to us as Westarp; brought him down and introduced him to me.

Senator CLARK. Where was that; Wilmington?

Mr. A. FELIX DU PONT. In Wilmington; yes, sir. I was not at all sure that he was a representative of the German military staff. He represented him as an assistant of his, as I remember it. I think I had even more misgivings about the contractual relations that we were in at that time when I met this man.

Senator CLARK. Was that while the contract of February 15 was in effect?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. And he brought Westarp down there?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. Do you recall about when it was with reference to the negotiation of the contract?

Mr. A. FELIX DU PONT. No. I think it was shortly after the working contract was signed.

Senator CLARK. He did not tell you at that time that Westarp was a member of the German military staff?

Mr. A. FELIX DU PONT. I don't remember, but I think he did.

Senator CLARK. Did this statement, in the letter from the firm of lawyers I just read, that Westarp was a member of the German staff occasion any disturbance on your part?

Mr. A. FELIX DU PONT. No.

Senator CLARK. What did you do?

Mr. A. FELIX DU PONT. We did nothing.

Senator CLARK. What was the nature of the conversation of Westarp and Giera when they came down there?

Mr. A. FELIX DU PONT. Giera told me Westarp was going to Germany right away, and, as I understand, he did sail a few days afterward.

Senator CLARK. When was the contract with Giera actually canceled, referring now to the contract of February 15?

Mr. A. FELIX DU PONT. May I ask someone who has knowledge of that?

Senator CLARK. Yes. I think I can find it myself.

Mr. A. FELIX DU PONT. I have a note here that I informed our executive committee by letter dated April 18 that I had given notice of the cancellation of the contract, so it was directly before that date of April 18.

Senator CLARK. That contract provided for cancellation on 6 months' notice?

Mr. A. FELIX DU PONT. Yes; I think it was 6 months.

Senator CLARK. And this notice that you gave here to terminate the contract in accordance with its terms was 6 months in the future?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. That is, 6 months after April 18, or whatever date you sent this letter?

Mr. A. FELIX DU PONT. I am not just sure what the communication to him was.

Senator CLARK. At that time you paid Giera \$25,000, did you not?

Mr. A. FELIX DU PONT. Yes, we did; but sometime afterward?

Senator CLARK. When did you pay the \$25,000?

Mr. A. FELIX DU PONT. I do not remember that exactly. We got this letter from the lawyer asking for \$36,000, and we discussed it a number of times with various officers of the company and finally took it up in executive committee meeting. Then, finally it was decided we would offer the lawyer \$25,000, and that was for immediate cancellation.

Senator CLARK. You did not owe him \$25,000 or anything else, did you? The contract itself had provided he was to pay all expenses of any negotiations he might conduct on any business he might transact for your company, and you were to pay him a straight commission?

Mr. A. FELIX DU PONT. Yes; but he represented to us that he had a 6-month contract, and that having entered into that contract in good faith he went ahead with certain expenses of his own which were necessary, and which, by the way, I think he greatly exaggerated, and therefore we offered to him a sum of money for immediate cancellation of the contract to reimburse him for the expenses he said he had incurred.

Senator CLARK. Did the letter with the photographic copy of the contract have anything to do with that payment?

Mr. A. FELIX DU PONT. No; I never saw that photographic copy.

Senator CLARK. I understand, but it is stated that the lawyer had been shown a photographic copy of the contract of February 1 with Mr. Giera.

Mr. A. FELIX DU PONT. No; that did not affect us at all.

Senator CLARK. And subsequently you had an arrangement with Mr. Giera for handling some Japanese business for you?

Mr. A. FELIX DU PONT. I guess that is true. I will ask Major Casey to answer that, as he is more familiar with it.

Senator CLARK. Major Casey, did you conduct those negotiations?

Mr. CASEY. Yes, sir.

Senator CLARK. Yes; I believe this letter is signed by you.

Mr. CASEY. I believe you have the first and last page.

Senator CLARK. I have the complete letter here.

Mr. CASEY. What is the page number?

Senator CLARK. 1 and 2.

Mr. CASEY. What is the date of that?

Senator CLARK. That is dated January 10.

Mr. CASEY. There is one before that, in December.

Senator CLARK. I have a letter from Giera to you in December.

Mr. CASEY. Is it December 7?

Senator POPE. When was this; paying the \$25,000?

Mr. A. FELIX DU PONT. I beg your pardon?

Senator POPE. What date was the payment of this \$25,000?

Mr. A. FELIX DU PONT. I have not the date here. It was not long after the letter from Giera's lawyer which has been given you.

Senator POPE. After that payment you made an arrangement with him about the Japanese business?

Mr. A. FELIX DU PONT. Yes.

Senator CLARK. You are correct, Major Casey; it is the letter of December 7 to Giera, of which I have the first and last pages. This letter of December 7 has to do with the sale to Japan through Giera of some equipment for the manufacture of powder.

Mr. CASEY. Yes.

Senator CLARK. That was not a proposition for the sale of powder, but the sale of equipment?

Mr. CASEY. That is correct.

Senator CLARK. What became of that negotiation?

Mr. CASEY. At that time Giera said in connection with his mysterious explosive powder he had made a contract with the Japanese, and in connection with that contract they were anxious to buy powder machinery. I said, "Why do they want to do that, when they have plenty of their own and can make their own?" He said, "They want it." I said, "All right; I don't think they do, but what makes you think they want to buy machinery?" He said, "They have \$500,000 they want to spend for equipment"; and he said, "I want 10-percent commission." I said, "In other words, you mean they have \$450,000", and he said, "Yes." I said, "All right; I will give you a proposition, but I am willing to bet you nothing ever will be heard about it."

So I prepared this letter, the interior pages giving a list of equipment, and incidentally any textbook would give the same equipment. We gave no prices or anything, but said this is about what they would be able to get.

However, an interesting paragraph was put in there, and that was that no blueprints would be given and absolutely no information about the manufacture of powder. Of course, what I anticipated was this: That if they bought the machinery they would say, "Now, we would like to see this machinery in operation", and that would mean they would want to visit our plant, and the answer is obvious.

In the letter I knew that was the end of the entire proposition. We gave them 3 months, and in the meantime I went right down to Washington and took it up with the Army and Navy and the State Department and showed them that particular paragraph I have referred to, and they all practically agreed with me that was the end of it; and it was the end of it. We never heard another word about it.

Senator CLARK. You got an answer on December 12 from Giera?

Mr. CASEY. Yes; but there was another letter of mine later.

Senator CLARK. In this letter of December 12 Giera says:

Will you please confirm in your next letter to me that I will be protected with 10-percent commission and the outlay of the German venture and your dealings with the Japanese from now on?

What does he mean by that?

Mr. CASEY. He was still insisting that we owed him \$12,000 after our having given him \$25,000, as he had spent \$37,000. So in our next letter we decided to clear that up once and for all.

Senator POPE. Did you not get a receipt from him in full for all claims when you paid the \$25,000?

Mr. CASEY. Yes; but he claimed he needed this money in his development work on the high explosive.

Senator VANDENBERG. What is he doing now, do you know?

Mr. CASEY. The last I heard, I would not give the source of the information, but I would call it authoritative, and I heard from one source that he was given \$50,000 by the Japanese Government for a quantity of this explosive and another told me \$150,000. I cannot say either is correct.

Senator CLARK. You mean this hydrogen explosive you were talking about awhile ago?

Mr. CASEY. Yes. We went out to see a demonstration of it in a gun, and we saw three shots fired and all I can say is I hope the Japanese buy a lot of it.

Senator BONE. Speaking of the Japanese, was the State Department contacted when the proposal came up to sell this nitrogen machinery to Japan?

Mr. CASEY. I did not handle that, but I believe they were.

Senator BONE. Did they acquiesce in that proposal?

Mr. CASEY. I could not tell you that, but I asked them to.

Senator BONE. Can anyone in the group reply to that question?

Mr. LAMMOT DU PONT. You refer to the nitrogen machinery and I think your recollection is incorrect as to that.

Senator BONE. My memory may be defective, but what was the machinery?

Mr. LAMMOT DU PONT. Contact conversion process.

Senator BONE. That is what I mean; were those matters brought to the attention of the State Department?

Mr. LAMMOT DU PONT. Yes.

Senator BONE. Do you know whether they acquiesced in this?

Mr. LAMMOT DU PONT. There was a letter introduced in the testimony this morning about that.

Senator CLARK. Now, Major, these negotiations with the Japanese were continued for some time, because some time after that here is a letter of yours dated January 10, 1934, to Captain Giera signed "A. Felix du Pont, vice president", and "K. K. V. Casey, director of sales", in which you actually give a memorandum for a contract?

Mr. CASEY. Give what?

Senator CLARK. Give Giera a memorandum for a contract.

Mr. CASEY. Yes.

Senator CLARK. This is in relation to the Japanese sale, and I read from this letter as follows:

With reference to the letter dated December 7, 1933, addressed to you and signed by Maj. K. K. V. Casey, of this company, relative to furnishing smokeless-powder-making equipment to the Government of Japan, and to your letter of December 12, 1933, in reply thereto, addressed to Major Casey, you are hereby advised as follows:

If you present duly authorized representatives of the Government of Japan at our offices in Wilmington, Del., and if as the result of conferences and negotiations between such representatives and representatives of the du Pont Co., a contract is definitely concluded between the Government of Japan and the du Pont Co. for the manufacture and sale by the du Pont Co. to the Government of Japan of smokeless-powder-making equipment, the du Pont Co. will pay you as full compensation for your services in that connection a commission equal to 10 percent of the delivered prices, c.i.f. Japanese port, of all smokeless-powder-making equipment sold to the Government of Japan under any such contract. Any such commission shall be payable to you promptly

upon receipt by the du Pont Co. of the selling price upon which such commission is based. Such commission shall be paid in the then existing United States currency.

Did anything ever come from that?

Mr. CASEY. Would you read the rest of it?

Senator CLARK. Yes. It reads further as follows:

It is understood that any such contract for the sale of smokeless-powder-making equipment to the Government of Japan will be negotiated directly between the representatives of the du Pont Co. and the representatives of the Government of Japan.

It is to be further understood that all of the foregoing is dependent upon the negotiation and final conclusion of such contract within a period of 3 months from the date of this letter.

With reference to the German venture referred to in the second paragraph of your letter of December 12, 1933, we call your attention to the fact that this matter was finally settled, and our company was released from all claims resulting therefrom by agreement with you dated July 10, 1933.

Did anything further come from that?

Mr. CASEY. The next move was to wait until April 10, which I think would be the date. I know I kept a ticker on it and consulted with the legal department as to whether we should send a termination notice, and they said that we should wait until the time passed, and then advise them that the whole deal is off.

Senator CLARK. So nothing further came of the Japanese negotiations?

Mr. CASEY. Not at all.

Senator CLARK. Have you any agency agreement with Giera of any sort, now?

Mr. CASEY. Not a bit.

Senator CLARK. Now, I call your attention, Major Casey, to a letter of date June 30, 1933, signed by yourself and directed to Colonel Taylor, your agent in France, and which letter I offer as an exhibit under the appropriate number.

(The letter referred to was marked "Exhibit No. 524", and is included in the appendix on p. 1382.)

Senator CLARK. In this letter, "Exhibit No. 524", you say:

DEAR TAYLOR: Because of uncertainties regarding possible flare-back, it is decided best to cancel our agency arrangement with Giera and the same has now been arranged, this cancellation taking effect immediately.

What do you mean by a possible flare-back?

Mr. CASEY. At the time we negotiated with Giera there was considerable talk of the likelihood of Germany being allowed to rearm, and we felt this way, if that would happen, it might not happen for months or years, and whoever was in there at that time, was in a better position to effect a sale than if they had to wait until the actual occurrence.

Of course nothing could happen until they were permitted by treaty or otherwise to rearm, and almost immediately after this contract with Giera was started, the situation in Europe looked very much as if any idea of Germany being allowed to rearm was almost hopeless, and with the forthcoming events at that time we figured we had better terminate these contracts. That was the original termination. Then on the basis of the original termination where he still had 6 months to operate, we thought it was to our advantage to get a prompt termination on the best terms we could.

The flare-back I referred to is this, that there was a possibility that our having made that contract it would flare-back on us as an undesirable thing. After events have shown that it was desirable to terminate it, and that is the reason we canceled it.

Senator CLARK. Did this letter from Sir Harry McGowan informing the du Pont Co. that this contract should not be made have nothing to do with that flare-back?

Mr. CASEY. Not a thing. I never saw the letter, and it did not influence me.

Senator CLARK. Did it have any influence on you, Mr. Lammot du Pont, in canceling that contract, this letter from Sir Harry McGowan informing you your German associates were unquestionably expecting to have a monopoly of the German market?

Mr. LAMMOT DU PONT. That letter did not state such a thing.

Senator CLARK. The letter in effect said so.

Mr. LAMMOT DU PONT. Not to me.

Senator CLARK. Did that have any effect on you, Sir Harry McGowan's language?

Mr. LAMMOT DU PONT. Not any effect on me; no.

Senator CLARK. This language had no effect on you whatever?

Mr. LAMMOT DU PONT. No, sir; not as I recall it.

Senator CLARK. It was just as though the letter had never been written?

Mr. LAMMOT DU PONT. As I recall it; yes.

Senator CLARK. Mr. du Pont, do you know whether other companies, either in this country or abroad, were making arrangements to move in on the German business in case the Treaty of Versailles should be modified?

Mr. LAMMOT DU PONT. Mr. Giera told me they were.

Senator CLARK. Who did he tell you?

Mr. LAMMOT DU PONT. He did not mention any names, but he told me it was a well-known fact, and I believed it was, but afterward I did not.

Senator CLARK. How is that?

Mr. LAMMOT DU PONT. I believed him at the time, but afterward I did not.

Senator CLARK. When did you quit believing him—after the Japanese negotiations fell through?

Mr. LAMMOT DU PONT. No.

Senator CLARK. Apparently after the consummation of the German contract you were willing to make another contract, in spite of his well-known record and in spite of the German matter, so when did you quit believing him?

Mr. LAMMOT DU PONT. I think when we got that letter from the attorney was when I had the grave doubt.

Senator CLARK. You were willing to negotiate a contract with him to be your agent in Japan some months after that.

Mr. LAMMOT DU PONT. I did not do that.

Senator CLARK. Didn't you know about the proposed contract of agency in Japan in January of this year, when Mr. Felix du Pont and Major Casey wrote that letter?

Mr. LAMMOT DU PONT. I think perhaps I did know about it.

Senator CLARK. Did you have any other official contract or association with I.G. other than your contracts with D.A.G. in Germany?

Mr. LAMMOT DU PONT. There are no contracts we have.

Senator CLARK. Any agreements of any sort?

Mr. LAMMOT DU PONT. No, sir; I think not. I will take that back. I think we had an arrangement with them with respect to the manufacture of ventube. Ventube is a coated soft material used for mine-ventilating ducts, like a canvas pipe to carry air into mines. We had a general arrangement with I.G. for the manufacture of that, and we had a number of patent license agreements granting licenses to dyestuff patents, also in settlement of patent interferences.

Senator CLARK. You did not have any direct agreement with them?

Mr. LAMMOT DU PONT. I think not, except this ventube contract.

Senator CLARK. Do you have any agreement of any sort with anybody at the present time, looking to entering into German business in case the Treaty of Versailles should be modified?

Mr. LAMMOT DU PONT. No.

Senator CLARK. I mean of the same general nature as your contract with Giera.

Mr. LAMMOT DU PONT. No.

Senator CLARK. Do you know whether these other companies have?

Mr. LAMMOT DU PONT. No.

Senator CLARK. Your purpose in making this contract with Giera, originally you were informed by Giera other companies were preparing to enter into the German field, and you wanted to get your share from a rather lucrative field?

Mr. LAMMOT DU PONT. I do not know whether it was lucrative or not.

Senator CLARK. I mean you hoped it would be lucrative.

Mr. LAMMOT DU PONT. Yes; we hoped it would be lucrative.

Mr. CASEY. There was another time when this matter was broached. We could not understand it, because the German powder manufacturers would be able to get in production fast enough so that as fast as Germany was allowed to rearm they could carry on the necessary requirements. But we were assured that was not the case; it would take them a long time.

Senator CLARK. Assured by whom?

Mr. CASEY. By Giera, because we thought it was a foolish venture on his part, and a thing for which we would not put up our own money. He seemed to be so certain of it he was willing to venture his own money for his expenses.

Senator CLARK. What I have been trying to get at, Mr. du Pont, is this. Is it really helpful, in your opinion, to the peace of the world, to have a bunch of private munitions manufacturers working and jockeying around to arm anybody who has money to spend for arms?

Mr. LAMMOT DU PONT. Do I consider it helpful to the peace of the world? No, sir.

Senator CLARK. The competition among private armament companies does have a tendency to exert a tremendous pressure toward armament, does it not?

Mr. LAMMOT DU PONT. I do not think so. I do not believe a nation would buy munitions or munitions-making equipment because somebody comes along and offers to sell it to them.

Senator CLARK. Is it a matter of your knowledge, and I am asking you as a man whom I know keeps abreast of the conditions throughout the world in your own business, is it not a fact that situations come when a country will be taken advantage of by great war scares and the purchase of armament in another country?

Mr. LAMMOT DU PONT. I do not know about that.

Senator CLARK. For instance, it is a matter of common knowledge that Hitler was partly financed by Skoda, which is controlled by Schneider in France, in Berne, and is it not a fact that Hitler's rise was used in France to stimulate the purchase of armament?

Mr. LAMMOT DU PONT. I do not know.

Mr. CASEY. I have heard it.

Senator CLARK. Colonel Taylor has not reported those things to you?

Mr. LAMMOT DU PONT. I have read a statement to that effect from magazines and such.

Mr. CASEY. The real truth on this armament is every nation has what they call a "mobilization plan", and I do not believe that there is one nation in the world today that has the material sufficient for the needs of the mobilization plan.

Senator CLARK. You mean no nation keeps on hand in time of peace as much material as they would require at the outbreak of a war?

Mr. CASEY. That is not what mobilization means. It means material that they would need at the outbreak of war and until they can manufacture what they need for a continuation. But there is not one nation, as far as I know, that has anything like what is called for in their tactical studies which they call the mobilization plan.

Senator CLARK. If any nation did have the material to meet its mobilization plan, they would immediately raise the mobilization plan to require more material. That is the tendency of all nations of the world.

Mr. CASEY. But there is the money that is called for. When there is any new idea of mobilization they cannot get the money, and they are always crying they cannot get the money to put their nation in a position to defend itself.

Senator CLARK. Of course all of them are defensive wars and not offensive wars. You never heard of a mobilization plan in the world or any military or naval propaganda that openly contemplated an offensive war.

Mr. CASEY. That is true.

Senator BONE. Do you think every nation should be as completely prepared as possible for hostilities, with stores and supplies on hand which are sufficient to carry them over into production?

Mr. CASEY. That is not a question for me to decide.

Senator BONE. Would you be a judge and answer that question?

Mr. CASEY. Why not apply it to our own country, and then you answer it? Don't you think we should be prepared for emergency?

Senator BONE. Our purpose here is to get all of the information we can to prepare some kind of a report. We are going to prepare that report on what evidence we get here and what we get other-

wise, and I am asking you whether a government should equip itself with supplies to keep itself on until it can get into production, in case of a war?

Mr. CASEY. I think you will find the National Defense Act of 1920 carries that very thing.

Senator BONE. I am asking your opinion.

Mr. CASEY. My opinion coincides with that.

Senator BONE. How do you think that preparedness should be effected—exclusively through private agencies or exclusively through public agencies, or in part from each?

Mr. CASEY. The combination is the thing.

Senator BONE. What sort of combination do you think would be the ideal one?

Mr. CASEY. I would say this, talking not for the company, but as an individual if that is perfectly agreeable?

Senator BONE. When I seek your opinion, that is the opinion I want to get.

Mr. CASEY. Private manufacture should be continued because of information on research and raw materials and the trained personnel and the ability to go ahead. Have the Government plants for the purpose at least of training technical men—trained to act as inspectors when the emergency arises.

Senator BONE. You would not go beyond the mere training aspect in that sort of thing?

Mr. CASEY. I think, as Mr. Irénée du Pont brought out yesterday, when it comes to the actual outbreak of hostilities, when there is a limited amount of what you may term educational orders placed with the manufacturers to keep the art alive, when the time of expansion comes you will find the private manufacturers can make that expansion much more readily.

Senator BONE. You would not be in sympathy with keeping the art alive through governmental agencies instead of private agencies?

Mr. CASEY. I would, if that was the most efficient method.

Senator BONE. You would base your objection, if you had objection to public preparation for war, solely on the ground of efficiency?

Mr. CASEY. I think efficiency is what gives you performance when you need that performance.

Senator BONE. To what extent do you think that lack of efficiency would be the cause of war?

Mr. CASEY. We might take as an illustration the experience of the last war. In one respect the United States was unusually efficient, because by reason of orders placed by the Allies they found facilities existing in this country that, had the United States been brought into the war in 1914, would not have been in existence.

The result of that was that some of our people got a full picture of the proposition. We realized also that a great many features of equipment were really in the nature of a laboratory proposition, and when they were put out on a production basis the manufacturers had great difficulty in putting out a manufactured article, and they found in a great many cases that the specifications based on laboratory work had to be suited to manufacturing conditions. It was really as a result of that, immediately after the war, that the Army Ordnance Association was started with this idea in mind: The As-

sistant Secretary of War's job is this question of industrial preparedness. In order to have industrial preparedness, there is only one thing. The manufacturers had to be familiar with just what they were going to be called on to undertake when an emergency arose, and the designs had to be of such a nature to manufacture, so that the manufacturers, whether they were ordnance manufacturers or just manufacturers who converted their materials to certain uses, would be able to put those things into production.

For instance, you take fuses. Fuse parts are made on automatic screw machines. Any manufacturer with automatic screw machines, as long as he is able to tool up, can begin producing those metal parts. If he has had some experience in the tooling up for that job by educational orders, he can then tool up and probably every week turn out just a certain number of fuses.

Senator BONE. I quite agree with you, but I just want some information. What is to prevent a government agency from doing that very thing? What I am getting at is this: Why is it deemed inexpedient for the Government to do that thing? Is it simply the element that it will interfere with profit?

Mr. CASEY. No.

Senator BONE. What is it?

Mr. CASEY. That does not come in.

Senator BONE. Can you tell me why there is such a determined effort now to prevent the building of additional battleships in Government navy yards?

Mr. CASEY. I cannot speak for the Government navy yards upon battleships.

Senator BONE. You understood that there is a very insistent effort from very high quarters to prevent the building of additional battleships in the navy yards, do you not?

Mr. CASEY. I have heard that.

Senator BONE. And along with that goes the demand for more preparedness. Why is it deemed unwise for the Government to prepare itself for times of emergency? Do you not think it is well for the Government to be fully prepared in that respect, or is there something ill-omened or unpatriotic about the Government doing it for itself?

Mr. CASEY. No; on the other hand I think that is what the American Government has been doing.

Senator BONE. I think the country would like to know about this campaign being carried on against the Government's doing this. You are business men, engaged in this business and are qualified to express an intelligent opinion on that particular isolated point.

Mr. CASEY. You see, Senator, we really manufacture but one type of component. We do not supply finished munitions except since we have taken the Remington Arms, they could produce small arms ammunition and small arms.

Senator BONE. I do not think it has been seriously suggested, Major, that the Government should own sources of supply, but merely complete the finished product for actual military and naval combat.

Mr. CASEY. If they can do it; yes.

Senator BONE. How do we know if they can do it or not, until it is tried?

Mr. CASEY. Why not ask them for an estimate on what it would cost?

Senator BONE. We spent \$36,000,000,000 in the last war and asked no questions about cost; that is, this Government did.

Mr. CASEY. Yes, sir.

Senator BONE. Constituting today one of the almost insuperable barriers to normal recovery in this country. I think we will all be in harmony on that point.

Mr. CASEY. We will all agree on that.

Senator BONE. It is a very serious thing, because a repetition of that sort of thing may very completely undermine our whole system, and when I say "system" I am taking in our economic and social system, as we know it and understand it. For instance, I have an article here which I just read last night, where a very prominent defender of the principles of exclusive operation in munitions says: "Another great international conflict will probably destroy all civilization, as we now know it."

It is conceivable that that might happen, is it not?

I am going to ask you this one other question: Why is it that there is such a barrage of criticism laid down against Government building, the criticism being tantamount to the statement—and I do not use it in an invidious sense—that there is something unpatriotic in the idea of this Government building its battleships and doing its own work? Can you tell us why that is?

Mr. CASEY. Senator, frankly, I cannot, because as I stated yesterday, our position is entirely different.

Senator BONE. There is nothing in the suggestion of the Government building battleships which will do away with preparedness, is there, Major?

Mr. CASEY. Not that I know of.

Senator BONE. Of course, nobody knows about it. We have got to try it to find out. If the Government builds a battleship, it is a battleship, is it not?

Mr. CASEY. Yes.

Senator BONE. It is as much a battleship as if a private concern built it, is it not?

Mr. CASEY. There is no question about it.

Senator BONE. Why is it, then, unpatriotic and an assault against preparedness for the Government to build it?

Mr. CASEY. I cannot answer that.

Senator BONE. I have tried to ask every witness coming before this committee wherein lies the lack of patriotism, the lack of love of country, the lack of doing right toward preparedness, in a program where the Government builds its own instruments, and I have not had an answer to that.

Mr. LAMMOT DU PONT. Senator, may I interrupt the questions which you are asking Major Casey to state that that is something on which we have not come down prepared to answer?

Senator BONE. We have been given certain duties to perform and I, as one member of the committee, would like to have those questions answered because the public wants them answered.

Mr. LAMMOT DU PONT. If your committee desire it we would be very glad to prepare a statement, giving some suggestions along the

line you have asked about. We did not come prepared to give any such statement, and they are very proper questions, but they are ones which require a great deal of study to give the right answer. We do not want to give an offhand opinion on a serious matter of that kind, but we are glad to give the matter serious study and will report to the committee, if you desire.

Senator BONE. This question from the very dawn, the very inception of the League of Nations, has been a very active question, the question of whether there shall be public or private preparedness.

Perhaps I got a little afield, but I am trying to elicit from the Major, or any one of you gentlemen, an answer to this question: Why is this propaganda arising from private sources in this country that it is unpatriotic, that it is un-American, that it is an attack on preparedness, for the Government to do that? How could it be an attack on preparedness, when the Government wants the manufacture of as much munitions of war as private agencies could manufacture.

Mr. LAMMOT DU PONT. I think your questions can be satisfactorily answered but I am not prepared now. Mr. Irénée du Pont gave you a partial answer yesterday.

Senator BONE. He was talking about efficiency, and I am not talking of efficiency. I want to know where the lack of patriotism comes in, in the Government building battleships.

Mr. LAMMOT DU PONT. I think that question can be answered, but we are not experts in patriotism.

Senator BONE. Do you have to give any consideration to an answer to the question as to where lack of patriotism comes in? Do you think that will require a long study of the matter?

Mr. LAMMOT DU PONT. I think it will require a very careful consideration of it, sir.

Senator BONE. Is it so much of a question of social ethics so that you would have to determine that?

Mr. LAMMOT DU PONT. I believe it is.

Senator BONE. As to whether it is patriotic for the Government to do this, would that require study?

Mr. RAUSHENBUSCH. Senator, the company was not put on notice that they would be examined on this point.

Senator BONE. If I have transgressed I am sorry.

Senator CLARK. Mr. Irénée du Pont made a statement yesterday on this subject at some great length.

Mr. IRÉNÉE DU PONT. I have never heard it was not patriotic for the Government to prepare for war. I think it is the most patriotic thing it can do. My claim is it hurts preparedness in that if you lean on a Government bureau or the Army or the Navy for preparedness, when war breaks out, for building up from the minimum amount to get under way this source of war consumption, you are going to overwork that personnel so that you cannot train and recruit troops and in the endless preparation for war, the bureau having charge of Government plans, you might say, will have become a system, like the post office. I never heard of a postmaster being moved up from Chester, Pa., to Providence, R.I. There is no business possible under the circumstance, and orderly advance in a bureaucracy, and it cannot be done.

Senator BONE. There is a very orderly handling of the letters in that bureaucracy, is there not?

Mr. IRÉNÉE DU PONT. Mr. Wanamaker, when he was Postmaster General under President Cleveland, made the announcement at one time that if he was given a private contract to carry the mails, he could do it for 1 cent less. It costs us 3 cents or 2 cents in the same town to deliver a letter, and it costs a milkman 2 cents to deliver 1 quart—2-pound bottle—of milk, and we have competition with five men going up the same street every day, cutting down the efficiency very much, because they cannot get together.

I cannot believe that the way the post office must be run, as a bureau, that it is an efficient organization. I am not critical of them. It is a part of the system. You have appointed postmasters, and did you ever select one of the opposite party—I do not know your political party—who ought to be moved up from a smaller town? Could that be done and could a political party attempt to do that and survive? That is a bureaucracy. You will have an enormous bureaucracy manufacturing munitions, and if you do not have that bureaucracy, you must put it on the service man, the Army and Navy, which will greatly increase the personnel, which I believe would be all to the good, but those are the men who must train the soldiers and get them under way in time of war.

Senator BONE. That is his business and the business they are hired for, and the business everyone is paying taxes for, and perhaps that might be wise.

Mr. IRÉNÉE DU PONT. Perhaps it might be, but my opinion differs from yours. For the Government to prepare this thing, they have got to call on an organization and have the personnel for the organization. The plants are not as important as the organization. The du Pont Co. was only able to function during the war because we had a loyal organization; we knew each other and each other's capabilities and could work as a unit. Our chief engineer was called by the United States Government to leave us and go and build a plant at Charleston. He told them he could not do it. He said, "I am the chief engineer and we could not do such a thing without some organization."

It is the men of our organization, not Mr. Lamot du Pont, not me, or not the gentlemen around here that do it, but the organization trained to work together; and you would be sunk if you possibly went from one kind of manufacturer to another and expected to get a whole new organization in time of war and get it functioning on that.

Senator BONE. You are referring in some respects to a skeleton crew of trained men, are you not?

Mr. IRÉNÉE DU PONT. No; it is more than a skeleton crew. You must bring in a large body prepared to act in time of war.

Senator BONE. To what extent did you expand your personnel in your factories during the war?

Mr. IRÉNÉE DU PONT. Before the United States came in?

Senator BONE. From 1914 to 1918.

Mr. IRÉNÉE DU PONT. I think that was in an annual report, but it was perfectly enormous. It took 5 years to do it.

Senator BONE. You took a skeleton crew of men and expanded it into an enormous organization. So why cannot the Government do the same thing?

Mr. IRÉNÉE DU PONT. I do not know whether you would call it a skeleton from which it gradually grew, but, if so, it was quite a good-sized skeleton—fifteen or twenty thousand men.

Senator BONE. I understand; but it was not a thing which could not be duplicated.

Mr. IRÉNÉE DU PONT. Our organization for this part alone started with perhaps 15,000 men, knowing each other thoroughly, and from 1914 until 1918 I suppose we had 85,000 men, but very much more efficient.

Senator BONE. We have gotten off into a discussion of the relative merits of private and public ownership, which was not my purpose in the beginning. However, I am willing to discuss it with you, Mr. du Pont, and anyone else at any time and get all the information I can; but my primary purpose in asking the question is to ascertain from you why it is that in hundreds of articles appearing in the press and magazines of this country, all avenues of publicity, that there have been the suggestions repeatedly made, reproduced a thousand times, that there was something rather immoral and "shady" about the Government doing something for itself.

Mr. IRÉNÉE DU PONT. I never heard it discussed as either unpatriotic or immoral. I think it fits better with the adage, "Less government in business and more business in government."

Senator BONE. It is an assault on our civilization. That is what I am getting at.

Mr. IRÉNÉE DU PONT. Our civilization grew in 100 years more rapidly, and with greater benefits for the public, than any civilization in history, without exception. We worked it on the basis of individual effort. The kings of only 200 years ago did not have anything compared to what the ordinary laborer today has. They had a miserable existence. Their lives were shorter. There were many diseases and they had no electric lights. They had not even a toilet in the house. They had no running water; they had no electricity, no telephone, no radio, no automobile.

Senator CLARK. There are a great many people in the United States today, Mr. du Pont, who do not have those luxuries, are there not?

Mr. IRÉNÉE DU PONT. There are a great many, but we got those luxuries under that system, and the thing is to stop interfering with business. You blame the business man for the depression; you blame the banker for the depression. I blame the Government for the depression.

Senator BONE. On this question which I am going to ask you, it is nothing personal—and I want you to understand that—I have read stories about you and your brother having made contributions to the Republican Party. You might have made them to the Democratic Party for that matter.

Mr. IRÉNÉE DU PONT. I might have as far as the results are concerned.

Senator BONE. Why have you contributed to a political party which has practiced the things you referred to as to postmasters?

Mr. IRÉNÉE DU PONT. Both parties have.

Senator BONE. Have you ever raised a voice against appointing postmasters?

Mr. IRÉNÉE DU PONT. I suggested to one of the Senators from Delaware that instead of appointing a local postmaster, he might get one from Bridgeport, Conn. I do not know whether they have a postmaster there, but he might get an assistant, and he burst into laughter.

Senator BONE. When I was a small boy it was my job to work in a post office, and I am going to tell you something in strict confidence. Off the record, Mr. Reporter.

(Informal discussion off the record.)

Senator BONE. Do you think the average man who works in one of the big industrial plants and stands at a belt for week after week doing two or three little jobs is doing something where he would have the chance you referred to?

Mr. IRÉNÉE DU PONT. One suggestion was made to Felix du Pont. Maybe he will tell you about a man and an elevator to take the powder upstairs instead of the man carrying it. We began to think about that. He said, "Mr. Felix, it is awful hard to carry this up on my back. Why not put in an elevator?" Those things come in all the time and we offer rewards for that kind of thing, and the bright men are brought up.

Senator CLARK. The fellow carrying powder upstairs lost his job?

Mr. IRÉNÉE DU PONT. He did. He got a better job.

Breaking away on that thing, I cannot believe that it is possible under a bureaucracy, where the head men are constantly changed by election, to get as great efficiency as under a continuous management running maybe for some three generations, as is the case with the du Pont Co.; the same principles are applied and the men at the top are expected to work just as hard, or harder, than most of them under them, and I think it has been demonstrated that it has been a wonderful thing.

It was not done by the men at the top but done by the organization. Organization is just the difference between success and failure. We saw that during the World War. I do not know whether you were in Washington during 1917, but there were flocks of these cardboard houses. It was shocking to me to go down there and it made me sick, the waste motion, passing the buck, and everybody did not want to make a mistake which would be chalked up against them. What was the result? Nobody took the initiative. It was very difficult to get men to take the initiative.

I used to go down with the Major on different things. Take the efficiency on alcohol, to which I referred the other day. We had a small plant, and it was not worth while to be gone after, but when we built up the organization so that it could look into the details, we found out that we could save alcohol, and toward the finish of the war we got from nine-tenths of a pound down to three-tenths of a pound. That is only one item.

Senator BONE. I am glad you disclaim any responsibility for or any sympathy with the idea than there is something inherently immoral in the Government doing this thing.

Mr. IRÉNÉE DU PONT. It cannot be helped. I do not blame you fellows, but the trouble is with the system.

Senator CLARK. There are inherent defects in any democratic government.

Mr. IRÉNÉE DU PONT. We still put up with a Democrat—democratic government. [Laughter.]

Senator CLARK. I am not speaking of any party.

Mr. IRÉNÉE DU PONT. I am very serious about that.

Senator CLARK. So am I.

Mr. IRÉNÉE DU PONT. I think the danger of a central tyranny, with all power, is that we become slaves to that power. Today the Government is, at least in theory, the servant of the people, and those in our office today have before them the extremely difficult task of maintaining the peace and safety of the country and such difficulties as those.

Senator CLARK. Defects are inherent in a democratic form of government as distinguished from an autocracy?

Mr. IRÉNÉE DU PONT. I question if we have a democratic form of government today, and my reason for joining the Liberty League was, I think, our Constitution is on the verge of going into the scrap-basket. I have nothing against Mr. Roosevelt and voted for him and contributed to his campaign—

Senator VANDENBERG. Mr. Chairman, I want to follow up Mr. Lamot du Pont's statement. Nobody is more familiar with conditions, of course, than the du Pont organization. Nobody knows better than you do, and I think no one would agree quicker, that there are reprehensible features of it, and no one is better able to give a constructive viewpoint than you; and, for one, I would very much appreciate a brief from your group indicating what you think should be done by way of improvement in this general situation, and I am sure the committee would be very glad to see it.¹

The CHAIRMAN. Of course we would.

Senator CLARK. I want to offer a couple of exhibits for the record, Mr. Chairman; one being a report from Mr. Taylor to Major Casey, dated April 10, 1933, and the second being a report from Mr. Taylor to Major Casey, dated February 6, 1933. It is not necessary to read them. Major Casey knows what they are. These things were forbidden by the Treaty of Versailles.

The CHAIRMAN. Those will be given appropriate numbers and be exhibits in the record.

(The two reports referred to were marked "Exhibits Nos. 525 and 526", and are included in the appendix on pp. 1382 and 1386.)

Senator VANDENBERG. I would like to ask Mr. Lamot du Pont one more question.

Referring again to this letter of Sir Harry McGowan, dated March 6, to Mr. Lamot du Pont, in which he says that the German associates are expected to take a prominent position in the business and one which will be in keeping with our arrangement with them, on blasting explosives, he says that that is after the Treaty of Versailles is to be modified and that "We have in fact kept in mind that possibility."

I would like to ask, Mr. du Pont, if the Treaty of Versailles was modified in that particular, if the du Pont Co. would feel called upon

¹ In response to this request, Mr. Lamot du Pont submitted a memorandum for the consideration of the committee on November 14, 1934. This memorandum appears in the appendix on p. 1411.

to enter into a similar agreement with your present German associates as that at present in effect with regard to blasting powders.

Mr. LAMMOT DU PONT. No obligation to do so; no, sir.

Senator VANDENBERG. You do not feel as Sir Harry does, that that is included?

Mr. LAMMOT DU PONT. He is referring to the I.C.I. obligation.

Senator VANDENBERG. Yes. He says that the Germans would expect an agreement which would be in keeping with the present arrangement. You would not feel any such obligation?

Mr. LAMMOT DU PONT. No, sir.

Senator VANDENBERG. That is all.

The CHAIRMAN. Mr. du Pont, where is Colonel Simons?

Mr. LAMMOT DU PONT. At this time?

The CHAIRMAN. Yes.

Mr. LAMMOT DU PONT. I understand he is ill. I presume he is at home.

The CHAIRMAN. Is he in the country?

Mr. A. FELIX DU PONT. He is in Wilmington, Del.

The CHAIRMAN. If it is not already thoroughly covered in the record, what are his connections with the company?

Mr. A. FELIX DU PONT. He is an assistant to Major Casey, engaged in military sales contacts.

Mr. CASEY. I think, Senator Nye, I explained that yesterday, but you might not have been present at the moment.

The CHAIRMAN. I must have been distracted at the time.

Mr. du Pont, coming back to this reference which was made yesterday to the class of your investments during and since the war, you had agreed that you would prepare for us a statement covering just how many of the companies involved through capitalization and spending of new money, how much of it came out of the surplus of the company, and so forth. I hope that in that work, when you do prepare it, that you will make a very distinct division as between the companies that were organized during the war and those which were organized after the war.

Mr. LAMMOT DU PONT. I think Mr. Carpenter explained, Senator, that we could not make a sharp line of division between them.

The CHAIRMAN. As best you can, of course.

Mr. LAMMOT DU PONT. We put all the money into one pot, and we could not tell which dollar it was we were drawing out.

Mr. CARPENTER. Would a statement showing our investment in each new industry each year over that period cover what you have in mind, Senator?

The CHAIRMAN. I might suggest that back in April 1915 you acquired the plant of the Smokeless Powder Co.

Mr. CARPENTER. International Smokeless Powder.

The CHAIRMAN. For \$5,760,000. Indicate there whether there was a new issue of stock floated, or whether that was bought and paid for with money out of the funds of the company.

Mr. CARPENTER. That was practically the du Pont Co. at that time.

The CHAIRMAN. If you would pursue that course with respect to all of them, we would appreciate it.

Mr. CARPENTER. On that point it was actually a cash payment made.

The CHAIRMAN. On that particular one you paid cash?

Mr. CARPENTER. We paid cash for that particular company.

The CHAIRMAN. Mr. du Pont, do you possess any newspaper properties in Delaware?

Mr. LAMMOT DU PONT. No, sir.

The CHAIRMAN. Do your brothers?

Mr. LAMMOT DU PONT. No, sir.

Mr. IRÉNÉE DU PONT. The Christiana Securities, in which you and I are interested, possess newspaper properties. I do not think you take much interest in the details.

The CHAIRMAN. What is the name of the company?

Mr. IRÉNÉE DU PONT. They changed the name of the paper and change it ever so often, and it is the Journal Every Evening or the Every Evening Journal. It was a consolidation of the two papers the Journal and the Every Evening, and I do not know which way it reads this year.

The CHAIRMAN. Do you have any newspaper interests outside of Delaware?

Mr. LAMMOT DU PONT. No, sir.

The CHAIRMAN. Have you recently negotiated for newspaper properties outside of Delaware?

Mr. LAMMOT DU PONT. I have not, and the company to which Irénée refers has not.

The CHAIRMAN. Have any of you, as individuals, negotiated for a newspaper?

Mr. IRÉNÉE DU PONT. The name of this paper is the Journal Every Evening. It is the only paper in which I have any interest, and we have not negotiated for a paper for years. We took it on several years ago, and to save us any trouble we leased it out and we have no say-so in the operation at all. The Morning News was bought at the same time and is in this consolidation.

The CHAIRMAN. I might repeat this question, because we were diverted. Have you or your brothers or your company entered into recent negotiations concerning the purchase of a paper outside of Delaware?

Mr. IRÉNÉE DU PONT. Not that I know of.

Mr. PIERRE S. DU PONT. I have not.

The CHAIRMAN. Have you entered into negotiations involving a loan to one who is to purchase a newspaper or newspapers?

Mr. PIERRE S. DU PONT. No.

The CHAIRMAN. And that is true of all of you?

Mr. PIERRE S. DU PONT. Mr. Senator, I might say that the day before I came down here a friend of mine in Philadelphia sent a telegram to me, asking me to confirm the rumor that we had made a purchase of a Philadelphia paper, which I denied, because we had made no such purchase of any kind.

The CHAIRMAN. I was trying to avoid the reference to any place or any particular name.

Mr. PIERRE S. DU PONT. I know that rumor was abroad, but it has no foundation.

The CHAIRMAN. There has been no foundation for that rumor that has existed as of recent days?

Mr. PIERRE S. DU PONT. So far as I know, none whatever.

The CHAIRMAN. Are we to assume that when you speak of non-ownership of newspapers, you have reference as well to magazines?

Mr. PIERRE S. DU PONT. Yes, sir.

Mr. LAMMOT DU PONT. Yes, sir.

The CHAIRMAN. Mr. du Pont, the letter of May 29, 1933, addressed to you, "My dear Lammot", by Sir Harry McGowan, states:

I have been following with interest and no little satisfaction the improvement in industrial conditions obtaining in the States as a result of the policy introduced by your new President. The improved stock markets and the favorable developments in both business and political fields must encourage in you all that confidence which has, not unnaturally, been lacking during past years.

Particularly am I interested in the press announcements of prospective legislative action which should give incentive to international industry and, notably, the suggestions of lower tariffs and modifications of the Sherman antitrust laws. In these I can see hope for real progression and, as an early outcome, improved commodity prices and regained prosperity.

Indicating, as this language does, a very decided interest upon the part of your British associates in the organization which was devised to aid in accomplishing national recovery. Were you or your associates conferred with at all in the drafting of that national recovery program?

Mr. LAMMOT DU PONT. I think not, sir. I do not know of anything.

Mr. IRÉNÉE DU PONT. I did not quite follow the question.

The CHAIRMAN. Were any of you invited into conferences at which these programs were devised and planned?

Mr. IRÉNÉE DU PONT. I do not quite follow that.

The CHAIRMAN. The N.R.A. organization, to speak frankly.

Mr. IRÉNÉE DU PONT. I was never invited in. You were in the N.R.A., Pierre.

Mr. PIERRE S. DU PONT. I was a member of the Industrial Advisory Board.

The CHAIRMAN. Yes, but before N.R.A. was created, before any of this set-up was brought about, did you participate in conferences looking toward the formulation of legislation which made place for it?

Mr. PIERRE S. DU PONT. No.

Mr. LAMMOT DU PONT. I appeared as a representative of the National Association of Manufacturers, in, I think it was, a public hearing, granted by Senator Wagner with respect to the N.I.R.A.

The CHAIRMAN. These were the public hearings on the legislation?

Mr. LAMMOT DU PONT. Yes. I represented the National Association of Manufacturers as a member of a committee.

The CHAIRMAN. Were you, at the time Sir Harry McGowan was enthused about the prospect, looking upon this program as entertaining a large prospective recovery?

Mr. LAMMOT DU PONT. I think I was, in some respects. My reply to that letter, I think, is a very good indication of my feelings at the time.

The CHAIRMAN. That I have not seen.

Mr. LAMMOT DU PONT. I think I have a copy of it here. Shall I read this, Senator?

The CHAIRMAN. Is it extended?

Mr. LAMMOT DU PONT. Two pages.

The CHAIRMAN. All relating to this?

Mr. LAMMOT DU PONT. It is a reply to Sir Harry's letter of May 29.

The CHAIRMAN. If it relates to this particular question, please read it.

Mr. LAMMOT DU PONT. It is dated June 17, 1933.

Sir HARRY MCGOWAN,

*Imperial Chemical House, Millbank, Westminster,
London, S.W.1., England.*

DEAR SIR HARRY: Your letter of May 29, commenting on the improvement in the industrial conditions in this country, and referring to the prospective changes in the international relations, was duly received.

I am much interested in what you say and heartily approve your attitude toward our patents and processes agreement and the relations between the two companies. I feel the same; namely, that our relations have been so happy and have produced such satisfactory results that we should let nothing in the way of international agreements interfere in any way with the progress we have made, or may make in the future. If any legislation or international agreements are brought about which affect these I.C.I.-du Pont relations, I am sure we will be able to adjust ourselves so as to get the continued benefit of our agreement.

It is difficult to say how much of our improved business activity has been due to Governmental action, either prospective or accomplished. We have certainly had a wonderful improvement in business, but when I look at our chart showing the course of our sales from 1929 up until today it is perfectly apparent to me that something happened about a year ago which changed the trend materially. Since July 1932, every month, after allowing for the normal seasonal variations, has shown either an improvement or holding steady as to volume of business, except February and March 1933, when our volume suffered a terrific slump, due, of course, to the financial situation which ended in our bank holiday. Since the bank holiday the improvement has been very much more rapid, so that I think the public, generally, attribute the improvement in business to something which the administration has done.

I am enthusiastic about many of Mr. Roosevelt's policies, but cannot go along with him as to others, but I think the facts and figures show that the putting into effect of his policies was not what made business "turn the corner."

Yours sincerely,

PRESIDENT.

The CHAIRMAN. You were ready to cooperate, though, were you not, under the national recovery program?

Mr. LAMMOT DU PONT. Yes, sir.

The CHAIRMAN. Why were you so long in having a code adopted covering the chemical industry?

Mr. LAMMOT DU PONT. We started to negotiate that code, as I recall it, about August after the enactment, and we did everything we thought was possible and proper to urge the adoption. We could not get one approved by the administration until the following February.

The CHAIRMAN. Until February 10 of this year?

Mr. LAMMOT DU PONT. Yes, sir.

The CHAIRMAN. Were we with more time I think I should want to have you discuss certain features of that code. As a reference was made to it, and as I think it was then suggested that it should be incorporated in the record, if it has not yet become a part of the record, I shall ask that it be made an exhibit at this time.

(The code of the chemical manufacturing industry was marked "Exhibit No. 527" and is included in the appendix on p. 1389.)

The CHAIRMAN. We come now to a question which in the interest of saving time—

Mr. LAMMOT DU PONT. May I interject one moment on the code matters? Mr. Carpenter reminds me that the chemical industry generally did comply with the increase in wages and the reduction of hours voluntarily while the code was in negotiation.

The CHAIRMAN. You were operating under the so-called "blanket code"?

Mr. LAMMOT DU PONT. Yes.

The CHAIRMAN. Did the code increase the rate of pay to employees in your plants?

Mr. LAMMOT DU PONT. The minimum wages were prescribed. I think it did not affect any of the du Pont Co.'s employees. They were all above the minimum.

The CHAIRMAN. They were all above that minimum before the code was adopted?

Mr. LAMMOT DU PONT. Yes.

The CHAIRMAN. To save time and to insure accuracy, the committee shall ask you to furnish at your earliest convenience a statement revealing campaign contributions to party or parties during the period starting in 1919.¹

Mr. LAMMOT DU PONT. By whom?

The CHAIRMAN. Well, of course, your corporation is not making contributions.

Mr. LAMMOT DU PONT. Certainly not.

The CHAIRMAN. As to the individual members of your family.

Mr. LAMMOT DU PONT. Only the members of the du Pont family?

The CHAIRMAN. How many directors do you have in the E. I. du Pont de Nemours & Co.?

Mr. LAMMOT DU PONT. About 34.

The CHAIRMAN. Let us for the time being make it cover only the members of your family.

Mr. LAMMOT DU PONT. The members of the du Pont family?

The CHAIRMAN. Yes.

Mr. LAMMOT DU PONT. Whether they are employees or directors or otherwise? I do not think we can answer for—

The CHAIRMAN. Are not all members of the family directors or officers of the company?

Mr. LAMMOT DU PONT. No, sir.

The CHAIRMAN. Then give us the statement covering all directors and all officers of the company.

Mr. LAMMOT DU PONT. Who are of the du Pont family?

The CHAIRMAN. No; the entire directorate and all officers.

Mr. LAMMOT DU PONT. Very well.

The CHAIRMAN. On yesterday, Mr. du Pont, one of your number testified that it was the policy, as nearly as you knew, of all of the companies over which the E. I. du Pont de Nemours & Co. held control to deal in the matter of the munitions trade as your company did. That is, you were trying to avoid relationships abroad that smacked of some of these that we have had testimony of during the past 2 weeks. Now, you all own the Remington Arms, do you not?

¹ The campaign contributions to political parties of officers and directors of E. I. du Pont de Nemours & Co. appear in the appendix on p. 1403. At the date of publication of this volume the committee was not in receipt of the entire list.

Mr. LAMMOT DU PONT. We own a large proportion of the stock. I think it is some 56 percent.

The CHAIRMAN. I do not want to prolong the discussion here tonight, but do you not feel that even as relates to your own company there are experiences that reveal that success in the business really depends upon the ability to build up suspicions and fears and maybe real wars between nations?

Mr. LAMMOT DU PONT. I do not think so; no, sir.

The CHAIRMAN. Do you not think that is the attitude of salesmen, representatives of the company?

Mr. LAMMOT DU PONT. I do not think so; no, sir.

The CHAIRMAN. Here, under date of December 27, 1933, we find one Frank Sheridan Jonas, a South American representative of the Remington Arms writing to Mr. Owen Shannon of the Curtiss-Wright Aviation Corporation, using this language:

The Paraguayan-Bolivian fracas appears to be coming to a termination. So business from that end is probably finished. We certainly are in one hell of a business where a fellow has to wish for trouble so as to make a living. The only consolation being, however, that if we don't get the business someone else will. It would be a terrible state of affairs if my conscience started to bother me now.

That is the attitude of one Remington Arms salesman seemingly. Do you not find that attitude existing in a more general way?

Mr. LAMMOT DU PONT. I do not find it so; no, sir. I never saw that letter or heard of it, so far as I know. What was the date of that?

The CHAIRMAN. That became a matter of record last week, I think. The date is December 27, 1933.

So difficult has been the task of conducting hearings in this particular chamber, so unsatisfactory has proved the loud-speaker system which we had installed, that the committee will plan to resume its hearings next Monday morning at 10 o'clock in another chamber, another room in this building to be selected over the week-end. I thought merely for the information of those who must be back here at that time that they would like to know that there would be a change of location.

Mr. LAMMOT DU PONT. Senator, you said this morning that we would not be called on Monday. Is there a change in that plan?

The CHAIRMAN. I was just about to excuse you now and say that you might be called again at some later date. But unless other members of the committee have questions to ask you now, you may understand yourselves to be excused. The committee recesses until 10 o'clock Monday morning.

Mr. LAMMOT DU PONT. Senator, I want to thank you on behalf of my associates and myself for the courteous reception we have had. We may have appeared a little nettled at times, but I think we all realize that your purpose is sincere, and we appreciate very much the treatment that we have received.

The CHAIRMAN. The feeling of appreciation is mutual, Mr. du Pont.

Mr. PIERRE S. DU PONT. May I add my expression of appreciation for your courtesy, Senator, and wish that instead of waiting for 20

years before we have these reunions we might have them once or twice a year?

The CHAIRMAN. Like this?

Mr. PIERRE S. DU PONT. Yes; like this. Do not let us wait 20 years, but have one every year. We will not need so much time to rehearse.

The CHAIRMAN. The committee will stand in recess until 10 o'clock on Monday morning.

(Whereupon, at 6:27 p.m., the committee recessed until 10 o'clock on Monday morning, Sept. 17, 1933.)



APPENDIX

EXHIBIT No. 450

MOODY'S MANUAL OF INDUSTRIALS

(American and Foreign 1933)

E. I. DU PONT DE NEMOURS & COMPANY

History.—Incorporated under the laws of Delaware in 1915, and on October 1st took over the entire properties of New Jersey corporation known as E. I. du Pont de Nemours Powder Company, incorporated May 19, 1903, in New Jersey, to consolidate the various explosive manufactories controlled by E. I. du Pont de Nemours & Co. This later company and its predecessor, a partnership of like name, had been engaged in the manufacture and sale of explosives for over 100 years, having started in business in the year 1802. Acquired General Explosives Co. in August 1924. Company and subsidiaries operate plants throughout the country for the manufacture of explosives, cellulose products, pyralin, paint, rayon, dyestuffs, ethyl alcohol and cellophane, latter being a transparent sheet material used extensively for wrapping and other purposes. In Dec. 1927 acquired business of Excelsior Powder Manufacturing Co.; and in March 1928, purchased the minority interest in du Pont National Ammonia Co., Inc., and also acquired stockholdings of the same group in Lazote, incorporated. After this purchase the du Pont National Ammonia Co. was dissolved. In Nov. 1928 du Pont company acquired entire assets and business of Grasselli Chemical Co. of Ohio in exchange for 149,392 du Pont common shares which were distributed to Grasselli stockholders on basis of $\frac{1}{2}$ share of du Pont for each Grasselli common share. The explosive business of Grasselli Chemical was merged with the du Pont explosive department; the Canadian plant and business was transferred to Canadian Industries, Ltd., and the remaining business together with the acids and heavy chemical business of du Pont was transferred to a new company, Grasselli Chemical Co. of Delaware. During 1929, du Pont company acquired the entire minority interests in du Pont Rayon Co., du Pont Cellophane Co., Inc., and du Pont Ammonia Corp. (formerly Lazote, Incorporated) (majority interests in same having been already owned by du Pont company); acquired all of the properties and business of Krebs Pigment & Chemical Co. and increased its interest in Canadian Industries, Ltd. During 1929 company also joined in the formation of two new German companies to undertake the manufacture and sale in Germany of pyroxylin finished, including Duco, and of Ventube, a rubber-coated fabric tubing used for mine ventilation and in tunnel construction work. In April 1930 acquired for 241,130 common shares, all the assets and business (subject to liabilities) of Roesler & Hasslacher Chemical Co. (N.Y.), the business formerly conducted by that company first being operated by a wholly owned Delaware corporation of the same name and since the latter part of 1932, by a newly organized "The R. & H. Chemicals Department."

In Aug. 1931 acquired the dyestuffs and organic chemical properties and business of the Newport Co., including that company's investment in the common stock of Acetol Products, Inc. (see appended statement), the capital stock of Newport Manufacturing Co., and the business and assets of Newport Chemical Corp. and its other wholly owned subsidiaries, and paid in consideration therefor 103,500 shares of du Pont 6% debenture stock. The Newport business was subsequently merged with du Pont Organic Chemicals Dept.

Number of employees, Dec. 31 1932 (including wholly owned subsidiaries), approximately 28,000.

Plants and products

Location of plants, together with products manufactured follows:

Organic chemicals.—Deepwater Point, N.J.; Carrollville, Wis.; New Brunswick, N.J.

Smokeless powder.—Carney's Point, N.J.

Explosives.—du Pont, Wash.; Seneca, Ill.; Repauno, N.J.; Louviers, Colo.; Nemours, W.Va.; Fairchance, Pa.; Connable, Ala.; Mooar, Iowa; Belin, Pa.; Consumers, Pa.; Birmingham, Ala.; Ashburn, Mo.; Barksdale, Wis.; Carl Junction, Mo.

Fabrikoid.—Newburgh, N.Y.

Rubber goods.—Fairfield, Conn.

Pyralin products.—Arlington, N.J.; Leominster, Mass.

Film.—Parlin, N.J.

Rayon.—Buffalo, N.Y.; Richmond, Va.; Waynesboro, Va.

Explosives laboratory.—Gibbstown, N.J.

Paints and varnishes.—Philadelphia, Pa.; Everett, Mass.; Chicago, Ill.; Flint, Mich.

Experimental laboratory.—Newbridge, Del.

Machine shop.—Wilmington, Del.

Synthetic ammonia.—Belle, W.Va.

Cellophane.—Buffalo, N.Y.; Richmond, Va.; Nashville, Tenn.

Caps and fuses.—Pompton Lakes, N.J.

Chemicals and lacquers.—Parlin, N.J.

Wood pulp.—Newhall, Me.

Shooks.—Deering Junction, Me.

Alcohol.—Deepwater Point, N.J.

Tetra ethyl lead.—Deepwater, N.J.

Acids, heavy chemicals, pigments, and colors.—Beaver Falls, Pa.; Birmingham, Ala.; Baltimore, Md.; Canton, O.; Cleveland, O.; Detroit, Mich.; East Chicago, Ind.; Fortville, Ind.; Grasselli, N.J.; Lockland, O.; Meadowbrook, W.Va.; Newark, N.J.; New Castle, Pa.; Newport, Del.; Niles, O.; Paulsboro, N.J.; Philadelphia, Pa.; Terre Haute, Ind.; Toledo, O.; Weirton, W.Va.; Wurtland, Ky.

Ammonia and ammonia products.—Belle, W.Va.; Philadelphia, Pa.; St. Louis, Mo.

Chemical specialties.—Nashville, Tenn.; Perth Amboy, N.J.; Niagara Falls, N.Y.; El Monte, Cal.

EXHIBIT No. 451

DIRECTORS OF E. I. DU PONT DE NEMOURS & COMPANY AND SUBSIDIARY COMPANIES

(Information compiled from Poor's Industrial Volume, 1933, and from other sources where noted)

SUBSIDIARY COMPANIES WHOLLY OWNED

American Glycerin Company.
 Associated Securities of Canada, Ltd.
 du Pont Building Corp.
 du Pont Cellophane Company, Inc.
 du Pont, S. A.
 du Pont Rayon Company.
 du Pont Securities Company.
 du Pont Viscoloid Company.
 The Pacific R. & H. Chemicals Corp.
 The Grasselli Chemical Company.
 Hotel du Pont Company.
 International Freighting Corp., Inc.
 National Ammonia Company, Inc.
 Rokeby Realty Company.

SUBSIDIARY COMPANIES NOT WHOLLY OWNED

	<i>Percent of stock owned</i>
Acetol Products, Inc.....	72.22
Bayer-Semesan Company, Inc.....	50.00
Canadian Industries, Limited.....	46.85
Celastic Corporation.....	50.00
Compania Mexicana de Explosivos.....	50.00
Compania Sud-Americana de Explosivos.....	42.43
du Pont Film Mfg. Corp.....	51.00
Gardinol Corp.....	55.00
General Motors Securities Company.....	-----
Kinetic Chemicals, Inc.....	51.00
Krebs Pigment & Color Corp.....	70.00
C. G. Bartlett & Cia. Ltda.....	60.00
Leathercloth Proprietary, Limited.....	49.00
Nobel Chemical Finishes, Ltd.....	49.00
Old Hickory Chemical Company.....	50.00
Societe Francaise Duco, S. A.....	35.00
Societe Francaise Fabrikoid, S. A.....	25.00
Remington Arms Company: ¹	
Common stock.....	56.00
Series A pfd.....	91.00

DIRECTORS OF E. I. DU PONT DE NEMOURS & COMPANY

1. P. S. du Pont, chairman of the board.	19. A. B. Echols.
2. Irene de Pont, vice chairman.	20. J. B. D. Edge.
3. W. P. Allen.	21. T. S. Grasselli.
4. Donaldson Brown.	22. W. F. Harrington.
5. H. Fletcher Brown.	23. H. G. Haskell.
6. J. Thompson Brown.	24. J. P. Laffey.
7. R. R. M. Carpenter.	25. C. R. Mudge.
8. W. S. Carpenter, Jr.	26. F. W. Pickard.
9. Chas. Copeland.	27. H. M. Pierce.
10. Wm. Coyne.	28. J. J. Raskob.
11. J. E. Crane.	29. C. L. Reese.
12. F. B. Davis, Jr.	30. Wm. Richter.
13. A. Felix du Pont.	31. A. P. Sloan, Jr.
14. Eugene du Pont.	32. Fin Sparre
15. Eugene E. du Pont.	33. W. C. Spruance. ¹
16. H. F. du Pont.	34. C. M. A. Stine.
17. L. du Pont.	35. F. G. Tallman.
18. Wm. du Pont, Jr.	36. L. A. Yerkes.

OFFICERS OF E. I. DU PONT DE NEMOURS & COMPANY

P. S. du Pont, chairman of board.
 Irene de Pont, vice chairman of board.
 Lammot du Pont, president.
 H. Fletcher Brown, vice president.
 J. Thompson Brown, vice pres.
 R. R. M. Carpenter, vice pres.
 W. S. Carpenter, jr., vice pres.
 Wm. Coyne, vice pres.
 Jasper E. Crane, vice pres.
 A. Felix du Pont, vice pres.
 A. B. Echols, vice pres.
 J. B. D. Edge, vice pres.
 W. F. Harrington, vice pres.
 H. G. Haskell, vice pres.
 J. P. Laffey, vice pres.

¹ Moody's Manual of Investments, American & Foreign, 1934.

F. W. Pickard, vice pres.
 J. J. Raskob, vice pres.
 W. C. Spruance, vice pres.
 F. G. Tallman, vice pres.
 C. M. A. Stine, vice pres.
 J. B. Eliason, treasurer.
 W. F. Raskob, asst. treas.
 Maxwell Moore, asst. treas.
 J. S. Dean, asst. treas.
 G. L. Naylor, asst. treas.
 Chas. Copeland, sec'y.
 M. D. Fisher, asst. sec'y.
 E. A. Howard, asst. sec'y.

DIRECTORSHIPS OF DIRECTORS OF E. I. DU PONT DE NEMOURS & COMPANY

(Information compiled from Poor's Register of Directors, 1934)

1. Pierre Samuel du Pont, chairman of Board:
 1. General Motors Corp., director.
 2. Bankers Trust Co., director.
 3. Philadelphia National Bank, director.
 4. Wilmington Trust Co., vice president.
2. Irene du Pont, vice chairman of board:
 1. General Motors Corp., mem. fin. comm. & dir.
 2. The Reading Co., director.
 3. Ethyl Gasoline Corp., director.
3. William P. Allen:
 1. Childs Co., N.Y., chairman exec. comm. & dir.
4. Donaldson Brown, director of E. I. du Pont:
 1. General Motors Corp., vice pres. & dir.
 2. St. Louis-San Francisco Ry., director.
 3. National Bank of Detroit, director.
5. H. Fletcher Brown:
 1. E. I. du Pont de Nemours & Company, director.
6. J. Thompson Brown, vice president & director:
 1. Canadian Industries, Ltd., director.
 2. Remington Arms Co., Inc., director.
7. R. M. Carpenter, vice pres. & director:
 1. Philadelphia National Bank, director.
 2. Christiania Securities Co., director.
 3. Grasselli Chemical Co., director.
 4. Philadelphia National Co., director.
 5. Girard Trust Co., director.
8. W. S. Carpenter, Jr., vice pres., chr. fin. com. & dir.:
 1. Du Pont Rayon Co., chairman.
 2. Du Pont Cellophane Co., chairman.
 3. General Motors Corp., mem. fin. com. & dir.
 4. Wilmington Trust Co., dir.
 5. Chase National Bank of N.Y., dir.
 6. Bell Telephone Co. of Penn., director.
 7. Diamond State Telephone Co., director.
9. Chas. Copeland, secretary & director:
 1. Wilmington Trust Co., director.
10. Wm. Coyne:
 1. E. I. du Pont de Nemours & Company, director.
11. Jasper E. Crane, vice pres. & director:
 1. D. Van Nostrand Co., director.
 2. Canadian Industries, Ltd., director.
12. Francis B. Davis, Jr., director:
 1. U.S. Rubber Co., chr., pres., dir., mem. fin. comm. & exec. comm.
 2. Columbian Rubber Co. of Montreal, Ltd., dir.
 3. Dispersions Process, Inc., chairman & director.
 4. Rubber Regenerating Co., Ltd., director.
 5. N.Y. Trust Co., mem. exec. comm. & trustee.
 6. Dominion Rubber Co., Ltd., chr. of board & dir.

12. Francis B. Davis, Jr., director—Continued
 7. Dominion Rubber Co., Ltd. (London), director.
 8. General Rubber Co., director.
 9. General Rubber Co., Ltd., director.
 10. Gilette Rubber Co., mem. exec. comm. & dir.
 11. The Sampson Corp., pres. & dir.
 12. Rubber Mfrs. Assn., pres. & dir.
 13. Malayan American Plantations, Ltd., director.
 14. Meyer Rubber Co., director.
 15. The Nangatuck Chemical Co., director.
 16. Si Pare' Rubber, Maatschappy, director.
 17. U.S. Rubber Products, Inc., pres. & dir.
 18. U.S. Rubber Export Co., Ltd., chr. & dir.
 19. U.S. Rubber Plantations, Inc., dir.
13. A. Felix du Pont :
 1. E. I. du Pont de Nemours & Company, director.
14. Eugene du Pont :
 1. E. I. du Pont de Nemours & Company, director.
15. Eugene E. du Pont :
 1. E. I. du Pont de Nemours & Company, director.
16. H. F. du Pont, director :
 1. General Motors Corp., director.
17. Lamont du Pont, president and director :
 1. General Motors Corp., chairman & director.
 2. General Motors Acceptance Corp., director.
 3. Chemical Bank & Trust Co., director.
 4. Fidelity-Philadelphia Trust Co., director.
 5. Wilmington Trust Co., director.
18. Wm. du Pont, Jr. :
 1. E. I. du Pont de Nemours & Company, director.
19. Angus B. Echols, vice pres. in charge finance & director :
 1. The Grasselli Chemical Co., director.
 2. Du Pont Building Corp., director.
 3. Hotel du Pont Company, director.
 4. Du Pont Viscoloid Co., director.
 5. Du Pont Film Mfg. Corp., director.
 6. Associated Securities Ltd. of Canada, director.
20. J. B. D. Edge :
 1. E. I. du Pont de Nemours & Company, director.
21. Thomas S. Grasselli, director :
 1. The Grasselli Chemical Co., president & director.
 2. The Wheeling & Lake Erie Railway Co., director.
22. W. F. Harrington :
 1. E. I. du Pont de Nemours & Company, director.
23. H. G. Haskell, vice president & director :
 1. Canadian Industries, Ltd., director.
 2. Triplex Safety Glass Co. of N. Amer., director.
 3. Noranda Mines, Ltd., director.
 4. Equitable Trust Co., Wilmington, Delaware, director.
 5. International Mining Corp., director.
24. J. P. Laffey :
 1. E. I. du Pont de Nemours & Company, director.
25. C. R. Mudge :
 1. E. I. du Pont de Nemours & Company, director.
26. F. W. Pickard :
 1. E. I. du Pont de Nemours & Company, director.
27. H. M. Pierce :
 1. E. I. du Pont de Nemours & Company, director.
28. J. J. Rascob, vice pres. & director :
 1. General Motors Corp., director.
 2. Bankers Trust Co., director.
 3. Lawyers County Trust Co., director.
29. C. L. Reese :
 1. E. I. du Pont de Nemours & Company, director.
30. Wm. Richter :
 1. E. I. du Pont de Nemours & Company, director.

31. Alfred Pritchard Sloan, director:
1. General Motors Corp., pres. & dir.
 2. Pullman, Inc., director.
 3. Waldorf Astoria Corp., director.
 4. Johns-Manville Corp., director.
 5. Revere Copper & Brass, Inc., director.
 6. National Bank of Detroit, director.
32. Fin Sparre.
1. E. I. du Pont de Nemours & Company, director.
33. W. C. Spruance:
1. E. I. du Pont de Nemours & Company, director.
34. C. M. A. Stine:
1. E. I. du Pont de Nemours & Company, director.
35. Frank Gifford Tallman, vice president & director:
1. Wilmington Trust Co., director.
 2. American Manganese Bronze Co, director.
36. Leonard A. Yerkes, director:
1. Du Pont Rayon Co., president & director.
 2. Du Pont Cellophane Co, president & director.
 3. Seaboard Air Line R.R., director.

DIRECTORATES OF OFFICERS (NOT DIRECTORS OF E. I. DU PONT DE NEMOURS & COMPANY) OF E. I. DU PONT DE NEMOURS & COMPANY

1. James Bayard Eliason, treasurer:
 1. Du Pont Film Mfg. Co., treasurer.
 2. Bayer-Semesan Co., treasurer & director.
 3. Kinetic Chemicals Co., director.
 4. Remington Arms Co., Inc., the director.
2. J. Simpson Dean, asst. treas.:
 1. Wilmington Trust Co., director.
3. Merrett D. Fisher, asst. sec. of co., sec. of fin. & exec. comm.:
 1. Du Pont Film Mfg. Co., sec.
 2. Du Pont Viscoloid Co., sec.
 3. National Ammonia Co., Inc., sec.
 4. International Freighting Corp., Inc., sec.
 5. Duco, Inc., secretary.
 6. Acetol Products, Inc., sec.
 7. Kinetic Chemicals, Inc., sec.
 8. General Motors Securities Co., sec.

DIRECTORS AND OFFICERS OF ACETOL PRODUCTS, INC.

(Information compiled from Poor's industrial volume, 1933)

E. H. Killheffer, president and director.
 Dr. Max Mueller, director.
 Otis Glazebrook, Jr., director.
 L. M. Blancke, director.
 Frederico Lage, director.
 George B. Bradshaw, vice president and director.
 Wm. F. Raskob, treasurer and director.
 M. D. Fisher, secretary.
 E. A. Howard, asst. secretary.
 William Harris, assistant treasurer.

DIRECTORATES OF DIRECTORS AND OFFICERS

OF

ACETOL PRODUCTS, INC.

(Information compiled from Poor's Directory of Directors—1934)

- Max Mueller, chr. of board and director:
1. Technical Equipment Corp., pres., treas. & dir.
 2. New Era Specialties Corp., pres. & dir.

Otis Allen Glazebrook, Jr., director:

1. G. M. P. Murphy Co., partner.
2. Army & Navy Journal, director.
3. Cowan & Denglar, Inc., director.
4. Chromium Corp. of Amer., mem. exec. comm. & dir.
5. The Examinations Corp., pres., mem. exec. comm. & director.
6. Omnibus Corp., director.
7. Aeronautical Industries, pres., mem. exec. comm. & dir. & chr. of board.
8. National Aviation Corp., mem. exec. comm. & chr. of board.
9. American Hide & Leather Co., mem. exec., comm. & dir.
10. Investors of Washington, director.
11. Amalgamated Leather Companies, Inc., mem. exec. comm. & dir.
12. Bank of Manhattan Co., mem. adv. comm.
13. U.S. & General Securities Co., dir.
14. National Distributors Corp., dir.
15. Lektophone Corporation, dir.
16. Tri-Continental Corp., dir.
17. N.Y. Railways Corp., dir.
18. Finance & Trading Corp., pres., mem. exec. comm. & dir.

Leo M. Blancke, Director:

1. Hempill, Noyes & Co., partner.
2. Shur On Properties Co., director.
3. Shur On Standard Optical Co., Inc., mem. exec. comm. & dir.
4. General Optical Co., dir.
5. Columbia Pictures Corp., dir.
6. Brentano's Books Stores, Inc., dir.
7. North American Cement Corp., dir.

Frederico Lage, Director:

1. Tung Sol Lamp Works, Inc., dir.
2. McCoy Laboratories, dir.
3. Bernhard & Lage, partner.

DIRECTORSHIPS OF DIRECTORS OF SUBSIDIARIES CONTROLLED BY E. I. DU PONT DE NEMOURS & COMPANY

(Information compiled from Poor's Directory of Directors—1934.)

BAYER-SEMESAN CO., INC. (50% STOCK OWNED BY E. I. DU PONT DE NEMOURS & COMPANY) DIRECTORSHIPS OF DIRECTOR

William E. Weiss, pres. & dir.:

1. Sterling Products, Inc., chr. of board, gen. mgr. & dir.
2. The Bayer Co., Inc., vice pres. gen. mgr. & dir.
3. American I. G. Chemical Corp., dir.
4. Wells & Richardson Co., Inc., vice pres. & dir.
5. The Chas. H. Phillips Chemical Co., vice pres. & dir.
6. Antidolar Mfg. Co., dir.
7. Cook Laboratories, Inc., dir.
8. H. A. Metz Laboratories, Inc., dir.
9. Three in One Oil Co., dir.
10. Winthrop Chemical co., Inc., dir.
11. The Pepsin Syrup Co., dir.
12. The Centaur Co., dir.
13. Wheeling Dollar Savings & Trust Co., dir.

DIRECTORS AND OFFICERS OF CANADIAN INDUSTRIES, LTD.

- Hon. C. C. Ballantyne, director, Montreal.
 Winthrop Brainerd, director and vice pres., Montreal.
 Sir Charles B. Gordon, director, Montreal.
 R. H. McMaster, director, Montreal.
 Arthur B. Purvis, pres., mgr. & director, Montreal.
 Lieut.-Col. Herbert Molson, director, Montreal.
 Sir Harry McGowan, director, London.
 J. Thompson Brown, director, United States.
 H. G. Haskell, director, United States.
 Jasper E. Crane, director, Wilmington, U.S.

G. W. White, director, New York, U.S.
 G. W. Huggert, secretary and treasurer.
 R. C. Dougherty, asst. treasurer.
 Russel Smith, asst. secretary.

(Information compiled from Poor's Industrials Volume 1933)

DIRECTORSHIPS OF DIRECTORS AND OFFICERS OF CANADIAN INDUSTRIES, LTD.

Sir Charles Blair Gordon, director :

1. Bank of Montreal, president.
2. The Royal Trust Co., president.
3. Dominion Glass Co., Ltd., president.
4. Montreal Cottons, Ltd., president.
5. Hillcrest Collieries, Ltd., president.
6. Ritz Carlton Hotel Co., president.
7. Dominion Textile Co., Ltd., chr. of board.
8. Penman's Ltd., chr. of board.
9. Bank of Montreal (France), director.
10. Canadian Pacific Railway, mem. exec. comm. & dir.
11. Ogilvie Flour Mills Co. Ltd., director.
12. Canadian Bronze Co., Ltd., director.
13. Brinton-Peterboro Carpet Co., director.
14. Dominion Rubber Co., Ltd., director.
15. U.S. Rubber Co., director.
16. Tuckett Tobacco Co., director.
17. Royal Exchange Assurance, chr. of Canadian Board.
18. Standard Life Assurance Co., director.
19. Guarantee Co. of North America, vice pres.
20. Title Guarantee Co., director.
21. International Mining Corp., director.
22. Montreal Locomotive Works, director.
23. St. Lawrence Corp., director.
24. Drummondville Cotton Co., director.
25. Sherbrooke Cotton Co., director.
26. Paton Manufacturing Co., director.
27. Bordens Ltd., director.
28. McGill University, governor.
29. Royal Victoria, governor.
30. Montreal Light, Heat & Power Consolidated, dir.
31. Canadian Pacific Express Co., Ltd., director.
32. Canadian Airways Co., director.
33. American Locomotive Co., director.
34. Dominion Steel & Coal Corp., Ltd., director.

Ross Huntington McMaster, director :

1. The Steel Co. of Canada, Ltd., pres. & dir.
2. Canadian Pacific Railway Co., director.
3. Dominion Rubber Co., director.
4. Royal Trust Co., director.
5. Dominion Glass Co., vice pres. & director.
6. Sun Life Assurance Co., director.
7. Canada Steamship Lines, Ltd., director.
8. Consolidated Mining & Smelting Co., director.
9. Canadian Pratt & Whitney Aircraft Co., Ltd., dir.
10. Bank of Montreal, director.
11. American Iron & Steel Inst., dir.
12. Dominion Bridge Co., Ltd., dir.

Arthur Blaikie Purvis, pres. & managing director :

1. Barclay's Bank (Canada) Ltd., vice pres. & dir.
2. Bell Telephone Co. of Canada, Ltd., director.
3. Canadian Safety Fuse Co., Ltd., director.
4. Dunlop Tire & Rubber Goods Co. of Can., Ltd., pres. & dir.
5. General Motors Corp., director.
6. Canadian Invest. Trust Co., Ltd., director.
7. Sun Life Assurance Co., Ltd., director.
8. Consolidated Paper Corp., Ltd., director.
9. Liverpool & London & Globe Insurance Co., Ltd., dir.

Herbert Molson, director:

1. Molson's Brewery, Ltd., pres.
2. Bank of Montreal, director.
3. Royal Trust Co., director.
4. Montreal City & District Savings Bank, dir.
5. Dominion Rubber Co., Ltd., director.
6. Dominion Oilcloth & Linoleum, Ltd., dir.
7. St. Lawrence Paper Co., dir.
8. Standard Clay Product, Ltd., pres.
9. Liverpool, London & Globe Assurance Co., dir.
10. Canada Creosoting Co., dir.
11. Bell Telephone Co. of Canada, dir.
12. Shawinigan Water & Power Co., dir.
13. Canadian Foreign Investment Co., dir.

J. Thompson Brown, director:

1. E. I. du Pont de Nemours Co., vice pres., mem. exec. comm. & dir.
2. Remington Arms Co., Inc., dir.

Harry G. Haskell, director:

1. E. I. du Pont de Nemours Co., vice pres. & dir.
2. Triplex Safety Glass Co. of North America, dir.
3. Noranda Mines, Ltd., dir.
4. Equitable Trust Co., dir.
5. International Mining Corp., dir.

Jasper E. Crane, dir.:

1. E. I. du Pont de Nemours & Co., vice pres. & dir.
2. D. Van Nostrand Co., director.

Sir Harry McGowan, director:

1. African Explosives & Industries, Ltd., deputy chr.
2. British Overseas Bk., Ltd., director.
3. Imperial Chemical Industries, Ltd., chr. & managing dir.
4. Cape Explosives Works, Ltd., deputy chr.
5. Finance Company of Gr. Britain & Amer., Ltd., chr.
6. General Motors Corp., N.Y., director.
7. Imperial Chemical Industries (China), Ltd., dir.
8. Imperial Chem. Industries of Australia and New Zealand, Ltd., dir.
9. Imperial Chemicals Insurance, Ltd., chr.
10. International Nickel Co. of Canada, Ltd., dir. & mem. of advisory comm.
11. Midland Bank Limited, dir.
12. Naylor Bros. (London), Ltd., chr.
13. Nobel Chemical Finishes, Ltd., chr.
14. Portland Glass Co., Ltd., chr.

(Information compiled from Directory of Directors for 1934, Thomas Skinner & Co., London.)

DIRECTORSHIPS OF DIRECTORS OF REMINGTON ARMS CO., INC.

(Information compiled from Poor's Directory of Directors, 1934)

DIRECTORS AND OFFICERS OF REMINGTON ARMS CO., INC.

(Controlled by E. I. du Pont de Nemours & Company)

- M. H. Dodge, chairman of board.
 George Bingham, director and vice president.
 J. T. Brown, director.
 Wm. Crawford, director.
 C. K. Davis, director, president, and general manager.
 J. B. Eliason, director.
 F. W. Pickard, director.
 S. F. Proyor, director.
 Fin Sparre, director.
 E. E. Handy, vice president.
 W. W. Reisinger, secretary and treasurer.
 L. K. Larson, asst. sec. and asst. treas.
 M. D. Fisher, assistant secretary.
 P. C. Netland, assistant treasurer.
 F. H. Carpenter, assistant treasurer.

(Moody's Manual of Investments, American and Foreign, 1934.)

DIRECTORSHIPS OF DIRECTORS OF REMINGTON ARMS CO., INC.

M. Hartley Dodge, chr. board of directors:

1. Remington Cash Register Co., director.
2. Delaware, Lackawanna & Western R.R., dir.
3. Columbia University, clerk & trustee
4. Crocker Wheeler, director

George Bingham, vice pres. & sec'y.:

1. Remington Cash Register Co., vice pres., sec'y, and dir.
2. Remington Cutlery Works, vice pres., sec'y, & dir.
3. Plainfield Trust Co., dir.

J. Thompson Brown, director:

1. E. I. du Pont de Nemours & Co., vice pres., mem. exec. comm., & dir.
2. Canadian Industries, Ltd., dir.

William Crawford, director:

1. William Crawford, Sr., partner
2. Crawford-Bradley Co., pres. & dir.
3. Two Hundred Three W. 77 Corp., treas.
4. Central Hanover Bank & Trust Co., trustee
5. McMillan Realty & Construction Co., vice pres.
6. 580 Park Ave., Inc., dir.

C. K. Davis, pres., gen'l. mgr., & dir.:**J. B. Eliason**, dir.

1. E. I. du Pont de Nemours & Company, treas.
2. Du Pont Film Mfg. Co., treas.
3. Baker-Semesan Co., treas. & dir.
4. Kinetic Chemicals, Inc., dir.
5. Delaware Trust Co., dir.

Frederick W. Pickard, dir.:

1. E. I. du Pont de Nemours, vice pres. & dir.
2. Du Pont Viscoloid Co., chr. board of dir.
3. Brookdale Land Co., pres.

Lloyd K. Lawson, treas., sec. asst., & dir.:

1. Remington Cash Register Co., treas., asst. sec., & dir.
2. Remington U.M.C. of Canada, Ltd., asst. sec., treas., & dir.
3. Remington Mfg. Co., asst. sec., treas., & dir.

("Exhibit No. 452" is the annual report of the E. I. du Pont de Nemours & Co. for the year 1916 and is filed with the committee.)

(There was no Exhibit marked "No. 453.")

EXHIBIT No. 454

Relation of bonus to earnings.—The following statistics show the total awards of "B" bonus in relation to the published earnings (for the years 1914 to 1919, inclusive).

Year	Total published earnings	Total B bonus	Bonus as percent of earnings	Year	Total published earnings	Total B bonus	Bonus as percent of earnings
1914.....	\$4,997,772.55	\$171,526.00	3.43	1917.....	\$49,258,661.58	\$2,927,477.19	5.94
1915.....	86,409,424.53	3,775,327.82	4.37	1918.....	43,098,074.72	3,170,902.07	7.36
1916.....	82,107,692.55	6,514,615.36	7.93	1919.....	17,682,991.74	857,536.89	4.85

¹ This figure includes profit on "Contracts" realized by E. I. du Pont de Nemours Powder Co. amounting to \$29,152,117.

Relation to published earnings of disbursements for salaries and bonus (merit and class "B")

Year	Published earnings		Total salaries		Officers' salaries		Salaries principal men		Total bonus		Officers' bonus		Bonus principal men	
	(A)	(B) Amount	(C) Amount	(D) % of B (C ÷ B)	(E) Amount	(F) % of B (E ÷ B)	(G) Amount	(H) % of B (G ÷ B)	(I) Amount	(J) % of B (I ÷ B)	(K) Amount	(L) % of B (K ÷ B)	(M) Amount	(N) % of B (M ÷ B)
1913		\$4,533,901.15	\$2,719,639.79	59.98	\$234,000.00	5.16	\$110,000.04	2.43	\$143,955.20	3.18	\$530,202.07	1.08	\$15,272.00	0.34
1917		49,258,661.58	9,444,897.63	19.17	390,758.15	.79	155,162.79	.32	2,927,477.19	5.94	23,151.80	.16	184,075.40	.37
1920		14,563,232.36	17,231,281.62	118.32	733,743.88	5.04	215,265.00	1.48	724,752.00	4.98	708,830.00	1.11	68,197.15	.47
1928		64,097,797.83	18,488,545.88	28.84	882,032.97	1.38	988,227.70	1.54	2,691,763.24	4.20			1,078,258.21	1.68
1932		29,234,778.58	19,966,948.15	76.11	671,479.93	2.56	990,631.40	3.78						

With the exception of 1928 the "Total salaries" represent payments disbursed by the Wilmington office. For the year 1928, salaries paid by Du Pont Rayon Company and Du Pont Viscoid Company are included. For the year 1932 Wilmington office disbursed all salaries for parent company and subsidiaries.

For the years 1913, 1917, and 1920 "Officers' salaries" include disbursements made to elected officers and directors of the parent company, which figures are comparable to those shown for the years 1928 and 1932, which were reported to the Federal Trade Commission.

For the years 1913, 1917, and 1920 the amounts shown as "Salaries principal men" include department heads and assistant department heads of parent company, as well as a few of the more important men who do not fall in these classifications. For the years 1928 and 1932 the salaries of men participating in the executives' stock purchase and merit bonus plan are included together with principal officers of subsidiary companies (exclusive of those included in "Officers salaries").

"Total bonus" for the years 1913, 1917, and 1920 represent "B" bonus awards made by E. I. du Pont de Nemours & Company. For 1928 there is included merit bonus and "B" bonus awards by the parent company and awards made under the Du Pont Rayon Company and Du Pont Viscoid Company bonus plans.

The figures are believed to be accurate within reasonable limit of error. Especially in the earlier years the individuals included under "Principal men" were selected from recollections of known positions and do not comprise as broad a list as the 1928 and 1932 groups, which latter include the participants in executives' stock purchase and merit bonus plan.

EXHIBIT No. 455

Financial statement of E. I. du Pont de Nemours & Company, successor (Sept. 1, 1915) to E. I. du Pont de Nemours Powder Company, 1910-27, compiled by the Federal Trade Commission from published sources

	Dec. 31, 1910	Dec. 31, 1911	Dec. 31, 1912	Dec. 31, 1913	Dec. 31, 1914	Dec. 31, 1915	Dec. 31, 1916	Dec. 31, 1917	Dec. 31, 1918
Cash, accounts receivable and inventories, etc.	\$22,947,530	\$21,365,159	\$21,653,164	\$17,515,828	\$26,379,178	\$61,804,107	\$82,325,103	\$145,928,671	\$222,633,582
Investments in short-time notes, etc.	4,208,201	4,804,912	6,936,311	12,826,822	11,135,018	49,332,874	57,172,511	36,679,887	1,705,918
Securities held for permanent investment	811,601	873,181	913,067	626,411	530,933	21,295,368	26,540,680	16,885,100	18,842,596
Realty—not including plant real estate	53,099,577	56,189,069	56,518,746	43,848,765	45,086,930	122,224,171	51,309,323	70,291,113	63,118,292
Investment in plant, property, patents, etc.									
Total	81,069,909	83,238,261	86,021,288	74,817,826	83,192,445	258,263,221	217,851,640	263,393,195	308,846,297
Preferred stock 5-percent cumulative, par \$100	15,841,401	15,841,401	15,841,401	16,068,801	16,068,801	60,771,033	60,813,950	60,813,950	60,813,950
Debtenture stock 6 percent, par \$100						58,854,200	58,854,200	58,854,200	58,854,200
Common stock	29,382,083	29,382,083	29,382,083	29,397,283	29,397,283	76,432	76,432	76,432	76,432
Minority interest in subsidiary companies not owned	96,313	96,313	76,432	76,432	76,432	116,370,037	12,195,226	54,617,863	62,060,537
Advance payments—reserves for depreciation, etc.	2,615,137	2,086,188	3,253,413	3,282,190	10,352,197	2,684,760	7,888,623	22,750,517	38,337,763
Accounts and notes payable	1,434,426	1,595,521	1,573,534	3,218,211	2,684,760	9,108,628	19,161,171	22,125,662	20,478,956
Funded debt	16,518,000	16,674,000	15,798,079	16,022,000	17,045,000	4,102,671	19,161,171	41,151,371	68,300,891
Deferred liabilities, Federal taxes, etc.	1,527	1,527	535,372	170,317	991,629	8,968,217	28,567,038		
Profit and loss	15,151,026	16,662,756	18,591,053	5,682,289	7,518,413	8,968,217	28,567,038		
Total	81,069,909	83,238,261	86,021,288	74,817,826	83,192,445	258,263,221	217,851,640	263,393,195	308,846,297
Surplus increase before deducting dividends	5,432,665	5,814,741	6,215,954	1,526,431	4,904,322	57,257,308	82,101,243	49,251,997	43,097,231
Dividends paid on preferred and debtenture stocks	653,317	773,972	791,807	803,427	803,430	3,175,033	3,638,222	3,618,822	3,618,822
Dividends paid on common stock	4,719,148	5,038,749	5,121,137	3,723,064	4,187,892	55,512,275	78,433,921	45,003,175	39,148,412
Surplus increase after deducting dividends	1,339,118	1,511,729	1,898,298	12,878,761	1,896,124	1,446,894	19,598,821	15,587,333	24,146,320
Surplus at beginning of year	13,811,908	15,151,026	16,662,756	18,561,055	5,682,289	7,518,413	8,968,217	28,567,038	44,151,371
Surplus at end of year	15,151,026	16,662,756	18,561,053	5,682,289	7,518,413	8,968,217	28,567,038	44,151,371	68,300,891
Cash, accounts receivable and inventories, etc.	\$108,777,340	\$97,264,469	\$63,555,669	\$58,837,242	\$61,134,114	\$57,312,083	\$54,235,717	\$55,469,736	\$55,445,935
Investments in short-time notes, etc.	1,523,068	1,507,509	1,299,588	4,156,449	11,123,081	6,504,892	18,910,930	18,364,817	15,064,050
Securities held for permanent investment	63,536,897	62,811,802	98,099,236	89,468,269	93,883,621	89,420,307	149,657,540	145,459,122	175,726,738
Realty—not including plant real estate	966,707	1,049,175	2,425,964						

Investment in plant, property, patents, etc.	65,745,526	90,527,629	84,474,231	105,364,335	111,984,792	121,797,662	100,553,953	108,102,552	106,037,156
Deferred debit items	433,053	199,287	2,183,730	1,846,606	1,617,757	503,986	372,705	187,447	146,383
Debt	240,982,621	253,359,871	252,298,418	259,672,901	279,744,265	275,538,940	305,730,845	322,583,674	351,440,262
Debture stocks, 6 percent	60,813,950	70,629,050	71,243,250	68,411,280	68,415,780	68,416,163	78,429,763	79,926,883	80,564,398
Common stock	58,854,200	63,378,335	63,378,300	95,090,900	95,090,900	95,090,900	133,082,900	133,082,900	133,082,900
Minority interest in subsidiary companies not owned				2,901,745	4,365,247	5,680,145	751,140		
Reserves for depreciation contingencies, etc.	26,754,750	19,015,317	7,311,340	12,844,517	17,524,084	23,053,762	20,433,262	26,910,284	29,470,316
Accounts and notes payable	12,218,528	18,913,260	3,726,379	8,269,007	7,927,698	5,490,531	7,172,805	13,249,439	7,800,765
Advances from controlled companies	4,027,686	7,286,297	4,894,341						
Funded debt	6,572,202	4,477,864	574,148	35,000,000	30,926,500	20,607,500	2,411,500	1,711,500	1,668,500
Deferred liabilities, Federal taxes, etc.	71,741,305	69,659,748	66,080,660	37,652,211	54,642,475	55,881,491	62,669,541	66,417,566	97,785,243
Profit and loss									
Surplus increase before deducting dividends	240,982,621	253,359,871	252,298,418	259,672,901	279,744,265	275,538,940	305,730,845	322,583,674	351,440,262
Dividends paid on debture stock	6,648,822	7,125,233	4,273,602	8,103,432	9,272,306	12,947,424	60,319,849	41,785,497	72,132,202
Dividends paid on common stock ¹	14,034,170	8,710,325	1,488,816	8,323,029	23,167,537	8,842,556	56,214,519	37,015,087	67,298,338
Surplus increase after deducting dividends	3,440,414	2,081,557	3,579,088	28,428,419	16,990,264	1,239,016	6,788,050	3,748,025	31,367,677
Surplus at beginning of year	68,300,891	71,741,305	69,659,748	66,080,660	37,652,211	54,642,475	55,881,491	62,669,541	66,417,566
Surplus at end of year	71,741,305	69,659,748	66,080,660	37,652,211	54,642,475	55,881,491	62,669,541	66,417,566	97,785,243

¹ Includes stocks and bonds of Hercules and Atlas Powder companies, amounting to \$14,250,000.

² Includes earnings capitalized in reorganization Oct. 1, 1915—\$29,955,799.

³ Includes 5 percent dividend in preferred stock of du Pont Chemical Co.

⁴ \$78,429,765 includes \$10,000,000 full paid receipts for nonvoting debenture stock certificates to be issued Jan. 25, 1926.

⁵ Common stock was changed from \$100 par value to stock of no par value in 1926 and two shares of the no par stock exchanged for one of the \$100 par.

⁶ Includes addition of \$6,296,256 from transfer of excess war reserves.

⁷ Includes deduction of \$2,689,482 for discount on debenture stock.

⁸ Includes addition of \$2,980,710 for surplus of subsidiary companies at end of previous year.

⁹ Includes addition of \$9,926,086 from sale by General Motors Securities Co. of 30-percent interest in its stock.

¹⁰ Includes \$3,000,000 deduction for appropriation for premium and discount on 7½-percent bonds.

¹¹ Includes \$1,296,706 income from investment in General Motors Corporation and \$36,285,868 income from revaluation of 70-percent interest in General Motors common stock.

¹² Includes \$8,621,947 increase from investment in General Motors Corporation; \$2,015,368 increase from revaluation of Canadian Explosive, Ltd., common stock; \$2,681,294 increase from refund and adjustment of prior years' taxes and a deduction of \$4,880,729 for pension-fund appropriation.

¹³ Includes \$28,941,398 increase from investment in General Motors Corporation; \$26,181,371 increase from revaluation of General Motors Corporation stock; \$2,528,942 increase from revaluation of Canadian Industries, Ltd., common stock, and a deduction of \$2,528,942 for reserves for contingencies.

¹⁴ Dividends paid on common stock includes stock dividends of \$4,524,135 paid in 1922; \$31,682,600 in 1922; and \$38,022,040 in 1925.

EXHIBIT No. 456

E. I. du Pont de Nemours & Company—Investment in other companies—\$200,000 or more

	Class of stock	Per- cent of total out- stand- ing class of stock owned	Percent of total voting rights	Investment in capital stock	Advances by du Pont Company as of July 25th	Advances by holding company as of July 31st	Total invest- ment	Remarks
<i>E. I. du Pont de Nemours & Company:</i>								
The Grasselli Chemical Company	Common	100	100	\$41,654,325.43	\$1,037,581.97		\$42,691,907.40	
Krohn Pigment & Color Corp.	do	70	70	5,832,470.00	\$560,000.00		6,392,470.00	
Old Hickory Chemical Company. ¹	do	15	15	75,000.00			75,000.00	
Du Pont Securities Company	do	100	100	1,000,000.00	38,912,718.72		38,912,718.72	
Du Pont-Rayon Company	do	100	100	33,921,589.32	9,984,714.34		43,906,303.66	
Du Pont Cellophane Company, Inc.	do	100	100	2,999,656.38	7,535,595.61		10,535,252.19	
Perth Amboy Chemical Works	do	100	100	1,728,000.00	272,225.67		2,000,225.67	
Niacet Chemicals Corp.	do	33½	33½	\$1,500,000.00				
Do	7% preferred	33½	--	500,000.00				
Old Hickory Chemical Company. ¹	Common	35	35	2,000,000.00			2,000,000.00	
Du Pont Viscoloid Company	do	100	100	175,000.00			175,000.00	
Societa Anonima Mazzucchelli, Do	do	90	90	16,898,027.80	(2,569,297.42)		14,328,730.38	
Do	6% bonds	100	--	737,900.95				
Societa Italiana della Celluloide, Do	Common	70	70	20,167.98				
Do	do	100	100	448,504.02			758,128.93	
Do	6% bonds	100	--	9,080.59				
National Anonima Company, Inc.	Common	100	100	457,584.61			457,584.61	
Du Pont Building Corp.	do	100	100	1,098,475.60	(415,173.24)		683,302.36	
Associated Securities of Canada, Ltd.	do	100	100	1,500,000.00	2,930,639.11		3,430,639.11	
Do	do	100	100	2,515,358.00			2,515,358.00	
Canadian Industries, Ltd.	Common "A"	46.85	46.85	10,239,037.46			10,239,037.46	Equity in total earn- ings of all common stock ("A" & "B"), 42.8%.
The Pacific R. & H. Chemicals Corp.	Common	100	100	100,000.00	212,847.11		312,847.11	
Rokeye Realty Company	do	100	100	1,000.00	705,068.05		706,068.05	

International Freighting Corp., Inc.	do	100	100	30,000.00	217,868.27	247,868.27
American Glycerin Company	do	100	100	158,820.00	291,596.29	450,416.29
Rio Grande Securities Company	do	50	50	125,000.00		
Compañía Mexicana de Explosivos, S.A.	do	100	100	150,000.00		
Compañía Mexicana de Explosivos, S.A.	18% notes	50	--			
Du Pont Film Manufacturing Corp.	Common	51	51			
Equitable Powder Manufacturing Company	do	49	49			
Acetol Products, Inc.	do	72.2	62.9			
Do	Common "A"	35.1		{ 1.00		
Do	Common	56.06	56.47	{ 375,000.00		375,001.00
Do	7% preferred	92.94		{ 2,977,985.16		
Do	do			{ 12,801,488.14		
The Peters Cartridge Company	Common	100	100	654,000.00	5,779,473.30	5,779,473.30
Remington Cullery Works	do	100	100	3,000,000.00	2,800,000.00	2,850,000.00
Do	6% bonds	100	--	{ 3,361,200.38		
Less revaluation reserve						
Remington Cash Register Company, Inc.	Common	96.7	100	292,799.62	1,918,797.06	2,211,596.68
					1,053,647.82	1,053,647.82
Bakelite Corporation	do	4	4	834,138.00		834,138.00
Nobel Chemical Finishes, Ltd	do	48.7	48.7	846,342.55		846,342.55
Leatherbath Proprietary, Ltd	do	49	49	783,190.17		783,190.17
Societe Francaise Duco, S.A.	"A"	26.5	35	{ 104,451.95		
Do	"B"	100		{ 148,809.25		
Duco-Aktiengesellschaft	"B"	100	49			313,261.20
Do	Common	49		{ 393,297.75		
Compañía Sud-Americana de Explosivos	do	42.39	42.39	789,914.86		789,914.86
Industrias Químicas Argentinas	do	50	50	1,717,045.67		1,747,045.67
Dupirel S.A. Industrial y Comercial	do					
I.G. Farbenindustrie, A.G.	do	.38	.38	1,159,904.93		1,159,904.93
Dynamit Aktien-Gesellschaft	do	7.98	7.98	892,671.16		892,671.16
Deutsche Gold und Silber Scheideanstalt	do	3.5	3.5	439,066.18		439,066.18

1 Old Hickory Chemical Company stock is owned 15% by The Grasselli Chemical Company and 35% by Du Pont Securities Company.

E. I. du Pont de Nemours & Company—Investment in other companies—\$200,000 or more—Continued

	Class of stock	Per- cent of total out- stand- ing class of stock owned	Percent of total voting rights	Investment in capital stock	Advances by du Pont Company as of July 25th	Advances by holding company as of July 31st	Total invest- ment	Remarks
E. I. du Pont de Nemours & Co.—Con. (General Motors Securities Coun- pany.	Common.....	100	91.3	\$154,546,875.00				
General Motors Corp., 2,095,114 shs. (applicable to G.M. Sec. Co. "A" shares).	do.....	4.81	4.81					
General Motors Corp., 9,843,750 shs. (applicable to G.M. Sec. Co. common stock).	do.....		55.89					
General Motors Corp., 150,250 shares.....	do.....	23.45	23.45	2,453,125.00			\$157,000,000.00	
200,000 shares.....	do.....							
				4,894,828.25			4,894,828.24	
				202,765,782.55	65,084,295.80		164,445,641.91	

EXHIBIT No. 457

DIRECTORS OF GENERAL MOTORS CORPORATION

(Information compiled from Moody's Manual of Investments—American & Foreign, 1934.)

1. Lamont du Pont, chairman.	18. P. S. du Pont.
2. G. F. Baker.	19. John J. Raskob.
3. Donaldson Brown.	20. A. G. Bishop.
4. L. G. Kaufman.	21. H. F. du Pont.
5. J. D. Mooney.	22. C. F. Kettering.
6. J. L. Pratt.	23. F. J. Fisher.
7. Seward Prosser.	24. C. T. Fisher.
8. J. T. Smith.	25. L. P. Fisher.
9. A. P. Sloan, Jr.	26. W. A. Fisher.
10. J. S. Morgan.	27. W. S. Knudsen.
11. A. H. Swayne.	28. C. S. Mott.
12. C. M. Woolley.	29. De Witt Page.
13. George Whitney.	30. Sir Harry McGowan (London).
14. O. D. Young.	31. R. S. McLaughlin (Oshawa, Ont.).
15. Albert Bradley.	32. Fritz Opel, Russelsheim (Germany)
16. Ireneé du Pont.	
17. W. S. Carpenter, Jr.	33. A. B. Purvis (Montreal, Canada.)

OFFICERS OF GENERAL MOTORS CORPORATION

(Information compiled from Moody's Manual of Investments—American & Foreign, 1934.)

A. P. Sloan, Jr., president.
W.S. Knudsen, exec. vice president.
J. T. Smith, vice president, New York.
Donaldson Brown, vice president, New York.
A. H. Swayne, vice president, New York.
J. D. Mooney, vice president, New York.
J. L. Pratt, vice president, New York.
Albert Bradley, vice president, Detroit.
C. S. Mott, vice president, Detroit.
C. F. Kettering, vice president, Detroit.
F. J. Fisher, vice president, Detroit.
C. T. Fisher, vice president, Detroit.
L. P. Fisher, vice president, Detroit.
W. A. Fisher, vice president, Detroit.
R. H. Grant, vice president, Detroit.
O. E. Hunt, vice president, Detroit.
C. E. Wilson, vice president, Detroit.
De Witt Page, vice president, Conn.
R. S. McLaughlin, vice president, Ontario.
T. S. Merrill, secretary.
M. L. Prentis, treasurer.
E. W. Proctor, comptroller.

SUBSIDIARIES & AFFILIATED COMPANIES OF GENERAL MOTORS CORPORATION

PASSENGER & COMMERCIAL GROUP

Buick Motor Division.....	Assets owned by G.M.C.
Cadillac Motor Car Division.....	Do.
Chevrolet Motor Division.....	Do.
Olds Motor Works Division.....	Do.
Pontiac Motor Division.....	Do.
General Motors of Canada, Ltd.....	All stock owned by G.M.C.
Yellow Truck & Coach Mfg. Co.....	Majority of stock owned by G.M.C.
General Motors Fleet Sales Corp.....	All stock owned by G.M.C.

FISHER BODY GROUP

Fisher Body Division.....	Assets owned by G.M.C.
Fleetwood Body Division.....	Do.
Ternstedt Mfg. Division.....	Do.
The National Plate Glass Co.....	All stock owned by G.M.C.
Fisher Lumber Corp.....	Do.
Fisher Delta Log Co.	

ACCESSORY & PARTS GROUP

A C Spark Plug Division.....	Assets owned by G.M.C.
Delco Products Division.....	Do.
Delco-Remy Division.....	Do.
Guide Lamp Division.....	Do.
Harrison Radiator Division.....	Do.
Hyatt Bearings Division.....	Do.
Inland Mfg. Division.....	Do.
The McKinnon Industries, Ltd.....	All stock owned by G.M.C.
Moraine Products Division.....	Assets owned by G.M.C.
New Departure Mfg. Division.....	Do.
Packard Elec. Division.....	Do.
Saginaw Malleable Iron Division.....	Do.
Saginaw Steering Gear Division.....	Do.
Sunlight Elec. Division.....	Do.
United Motors Service, Inc.....	All stock owned by G.M.C.

HOUSEHOLD APPLIANCE GROUP

Delco Appliance Division.....	Assets owned by G.M.C.
Frigidaire Division	Do.

AVIATION GROUP

Allison Engineering Division.....	Assets owned by G.M.C.
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AVIATION ENGINES, ENGINEERING & MECH. EQUIP.

General Aviation Corp.....	Large stock interest owned by G.M.C.
North American Aviation, Inc.....	Majority of stock owned by General Aviation Corp. & G.M.C.
General Aviation Mfg. Corp.	
B/J Aircraft Corp.	
Eastern Air Transport, Inc.	
Western Air Express Corp.	
Trans. & Western Air, Inc.	

MISCELLANEOUS GROUP

Kinetic Chemicals, Inc.....	Large stock interest owned by G.M.C.
Ethyl Gasoline Corp.....	One-half interest owned by G.M.C.
Winton Engine Division.....	Assets owned by G.M.C.

FINANCING, INSURANCE, & ACCOUNTING GROUP

General Motors Acceptance Corp of N.Y....	All stock owned by G.M.C.
* General Motors Acceptance Corp. of Dela.....	All stock owned by G.M.A.C.
* General Motors Acceptance Corp. of Indiana, Inc.....	Do.
* General Motors Acceptance Corp. de Mexico, S.A.....	Do.
* S. Amer., General Motors Acceptance Corp.....	Do.
* Continental, and Allgemeine Finanzierungs-Gesellschaft m.b.H.....	Do.
* General Exchange Insurance Corp....	Do.

* General Motors Acceptance Corp. does not control directors' qualifying shares.

REAL ESTATE GROUP

General Motors Building Corp.....	All stock owned by G.M.C.
Argonaut Realty Corp.....	Do.
Modern Dwellings, Ltd., Oshawa, Ont.....	All stock owned by G.M.C. of Canada, Ltd.
Modern Housing Corp.....	All stock owned by G.M.C.

RESEARCH & TRAINING

General Motors Research Labs.
 General Motors Proving Ground.
 General Motors Institute.

OVERSEAS OPERATIONS GROUP

General Motors Export Division.
 Adam Opel A. G. (German manufacture and distribution of "Opel products" in Germany).
 Vauxhall Motors, Ltd. (English manufacture and distribution of "Vauxhall products" in British Isles).

OVERSEAS OPERATIONS GROUP—INDIVIDUAL COMPANIES

General Motors Export Co.
 General Motors, Argentina, S.A., Buenos Aires.
 Distribution in Argentina, Uruguay, and Paraguay.
 General Motors Holden's, Ltd., Woodville, Australia.
 General Motors do Brazil, S.A., Sao Paulo, Brazil.
 General Motors Continental, S.A., Antwerp, Belgium.
 Distribution of motor cars and trucks in Belgium, France, Austria, Czechoslovakia, Bulgaria, Crete, Holland, Hungary, Jugoslavia, Roumania, and Switzerland.
 General Motors International, A.S., Copenhagen, Denmark.
 Distribution of cars and trucks in Denmark, Norway, Ireland, Latvia, Lithuania, Poland, and Esthonia.
 General Motors Nordiska A/B, Stockholm, Sweden.
 Distribution of cars and trucks in Sweden and Finland.
 General Motors Japan, Ltd., Osaka, Japan.
 Distribution of cars and trucks in Japan, Manchukuo, and Korea.
 General Motors Near East, S.A., Alexandria, Egypt.
 Distribution of cars and trucks in Egypt, Arabia, Hejaz, Iraq, Italian Africa, Aden, Syria, Persia, Abyssinia, Greece, Palestine, and Turkey.
 General Motors New Zealand, Ltd., Wellington, N.Z.
 Distribution of cars and trucks in New Zealand.
 General Motors Peninsular S.A., Barcelona, Spain.
 Distribution of cars and trucks in Spain, Portugal, Canary Islands, Gibraltar, Italy, and French and Spanish Morocco.
 General Motors South African, Ltd., Port Elizabeth, South Africa.
 Distribution of cars and trucks in Union of South Africa, Rhodesia, British Southwest Africa, Portuguese East Africa, Nyasaland, Bechuanaland, and the Katanga District of the Belgian Congo.
 N. V. General Motors, Java, Batavia, Java.
 Distribution of cars and trucks in Dutch East Indies, Siam, and the Straits Settlements.
 General Motors, India, Ltd., Bombay, India.
 Distribution of cars and trucks in British India and Ceylon.
 Delco-Remy & Hyatt, Ltd., London, England.
 Accessory products in British Isles.
 Overseas Motor Service Corp., New York, N.Y.
 Sales and service overseas on all corporation accessory products.
 AC-Sphinx Sparking Plug Co., Ltd., Birmingham, England.
 Frigidaire, Ltd., New York, N.Y.
 Branches in England, France, Germany (Frigidaire G. m. b. H.).

DIRECTORSHIPS OF DIRECTORS OF GENERAL MOTORS CORPORATION

(Information compiled from Poor's Directory of Directors, 1934, and from other sources where noted.)

Lammot du Pont, chairman:

1. E. I. du Pont de Nemours & Co., pres. & dir.
2. General Motors Acceptance Corp., dir.
3. Chemical Bank & Trust Co., dir.
4. Fidelity Philadelphia Trust Co., dir.
5. Wilmington Trust Co., dir.

George F. Baker, director:

1. First National Bank, chr. & dir.
2. First Security Co. of N.Y., chr. & dir.
3. General Electric Co., dir.
4. Provident Loan Society of N.Y., dir.
5. American Telephone & Telegraph Co., dir.
6. Pullman Company, dir.
7. United States Steel Corp., dir.
8. New Jersey General Security Co., dir.
9. New York Central R.R. Co., dir.
10. Consolidated Gas Co. of N.Y., dir.
11. Lackawanna Securities Co., dir.
12. Mutual Life Insurance Co., trustee.
13. Pullman, Inc., dir.
14. United States Trust Co., trustee.
15. West Shore Railroad Co., dir.

Donaldson Brown, vice pres. & dir.:

1. E. I. du Pont de Nemours & Co., dir.
2. St. Louis-San Francisco Ry., dir.
3. National Bank of Detroit, dir.

Louis Graveraet Kaufman, director:

1. Chicago and Erie R.R. Co., dir.
2. Empire State Building, Inc., dir.
3. Manufacturers Trust Co., dir.

James David Mooney, vice pres. & dir.:

1. General Motors Export Co., pres.
2. Overseas Motor Service Corp., pres. & dir.
3. Vauxhall Motors, Ltd. (Eng.), dir.
4. Investrad Corp., dir.
5. Adam Opel A. G., dir.
6. American Manufacturers Export Assn., pres. & dir.

Seward Prosser, mem. fin. comm. & dir.:

1. Bankers Trust Co., chr. managing comm., mem. exec. comm. & dir.
2. American Locomotive Co., dir.
3. American Surety Co. of N.Y., mem. fin. comm. & exec. comm. & trustee.
4. Braden Copper Co., dir.
5. General Electric Co., mem. exec. comm. & dir.
6. General Motors Acceptance Corp., dir.
7. General Motors Acceptance (Mexico), dir.
8. General Motors Acceptance (S.A.), dir.
9. Bankers Safe Deposit Co., dir.
10. Bantraseo Realty Co., dir.
11. Utah Copper Co., dir.
12. The John & Mary R. Markle Foundation, trustee.
13. General Motors Acceptance Corp., Continental, dir.

John Thomas Smith, vice-pres. & gen'l. counsel:

1. Argonaut Mining Co., pres. & dir.
2. White Knob Copper & Dev. Co., Ltd., pres. & dir.
3. Argonaut Consolidated Mining Co., pres. & dir.
4. General Aviation Corp., dir.

Alfred Pritchard Slean, Jr., pres. & dir.:

1. E. I. du Pont de Nemours & Co., dir.
2. Pullman, Inc., dir.
3. Waldorf-Astoria Corp., dir.
4. Johns-Manville Corp., dir.
5. Revere Copper & Brass, Inc., dir.
6. National Bank of Detroit, dir.

Junius Spencer Morgan, dir.:

1. J. P. Morgan & Co., partner.
2. N.Y. Stock Exchange, member.
3. U.S. Steel Corp., dir.
4. Chamber of Commerce, State of N.Y., treas.
5. Drexel & Co., partner.

Alfred Harris Swayne, vice-pres. & dir.:

1. General Motors Acceptance Corp., chr. of board.
2. Lehigh Valley R.R. Co., dir.
3. Long Island R.R., dir.
4. C. Tennant Sons & Co., dir.
5. St. Louis Southwestern Ry. Co., dir.
6. Irving Trust Co., dir.
7. General Exchange Insurance Corp., dir.
8. General Motors Export Co., vice pres. & dir.
9. National Automobile Chamber of Commerce, vice pres. & dir.
10. North River Savings Bank, trustee.
11. E. W. Bliss Co., dir.
12. North Star Insurance Co., dir.
13. General Reinsurance Corp., dir.
14. General Alliance Corp., dir.
15. Stuyvesant Insurance Co., dir.

Clarence M. Woolley, director:

1. American Radiator & Standard Sanitary Corp., chr. of board.
2. Atchison, Topeka & Santa Fe Ry. Co., dir.
3. Continental Insurance Co., dir.
4. Federal Reserve Bank, N.Y., dir.
5. General Electric Co., dir.
6. Gold Dust Corp., dir.
7. Johns-Manville Corp., dir.
8. Lackawanna Securities Co., dir.
9. Texas Gulf Sulphur Co., dir.
10. Delaware, Lackawanna & Western R.R. Co., mem. bd. of mgrs.
11. Mutual Life Insurance Co. of N.Y., trustee.

George Whitney, director:

1. J. P. Morgan & Co., member of firm.
2. Alaska Development & Mineral Co., dir.
3. Bank for Savings, trustee.
4. Braden Copper Co., dir.
5. Copper River & Northwestern Ry. Co., Inc., dir.
6. Guarantee Trust Co. of N.Y., dir.
7. Provident Fire Insurance Co., dir.
8. Kennecott Copper Corp., dir.
9. Pullman Co., dir.
10. Utah Copper Co., dir.
11. New Jersey & N.Y. R.R. Co., dir.
12. Royal Exchange Assurance, dir.
13. Teachers Insurance & Annuity Assn., trustee.
14. Texas Gulf Sulphur Co., dir.
15. Johns-Manville Corp., dir.
16. United Corporation, dir.
17. Continental Oil Co., dir.
18. Pullman, Inc., dir.
19. Consolidated Gas Co. of N.Y., trustee.
20. Alaska Steamship Co., dir.
21. N.Y. Edison Co., dir.

Owen D. Young, dir.:

1. General Electric Co., chr. of board.
2. National Broadcasting Co., chr. adv. council.
3. Federal Reserve Bank, deputy chr. of board & class C dist.
4. International General Electric Co., dir.
5. American & Foreign Power Corp., dir.
6. National Industrial Conference Board, councillor.
7. National Electrical Mfrs. Assn., exec. rep.
8. Merchants Assn. of N.Y., dir.
9. International Chamber of Commerce, dir.

Owen D. Young, dir.—Continued

10. Osram Corporation, Berlin, dir.
11. Allgemeine Elektrizitäts Gesellschaft, dir.
12. Societe Financiere pour le Developpement de l'Electricite, mem. exec. comm.

Albert Bradley, vice-pres., mem. fin. comm. & dir.:

1. Yellow Truck & Coach Mfg. Co., dir.
2. Bendix Aviation Corp., chr. fin. comm. & dir.
3. Adam Opal, A. G., dir.
4. General Aviation Corp., dir.

Irene du Pont, mem. fin. comm. & dir.:

1. E. I. du Pont de Nemours & Company, vice-chr. of bd.
2. The Reading Co., director.
3. Ethyl Gasoline Corp., director.

W. S. Carpenter, Jr., mem. fin. comm. & dir.:

1. du Pont Rayon Co., chairman.
2. du Pont Cellophane Co., chairman.
3. E. I. du Pont de Nemours & Company, vice pres., chr. fin. comm. & dir.
4. Wilmington Trust Co., dir.
5. Chase National Bank of N.Y., dir.
6. Bell Telephone Co. of Penn., dir.
7. Diamond State Telephone Co., dir.

Pierre Samuel du Pont, director:

1. E. I. du Pont de Nemours & Company, chr. of board.
2. Bankers Trust Co., director.
3. Philadelphia National Bank, director.
4. Wilmington Trust Co., vice president.

J. J. Raskob, director:

1. E. I. du Pont de Nemours & Company, vice pres. & dir.
2. Bankers Trust Co., director.
3. Lawyers County Trust Co., director.

Arthur G. Bishop, vice pres. & dir.:

1. First National Bank of Flint, pres.
2. Union Commerce Investment Co., dir.
3. Union Joint Stock Land Bank, dir.
4. Genesee County Savings Bank, pres. & dir.

H. F. du Pont, director:

1. E. I. du Pont de Nemours & Company, dir.

Charles Franklin Kettering, vice-pres. & dir.:

1. General Motors Research Laboratories, gen. dir.
2. C. F. Kettering, Inc., pres. & dir.
3. Kettering Foundation, Inc., dir.
4. Frigidaire Corp., vice-pres. & dir.
5. Uplands Realty Co., Inc., dir.
6. The Domestic Building Co., dir.
7. The Moraine Development Co., dir.
8. Winters National Bank & Trust Co., chr. of bd. & dir.
9. The Flexible Co., pres. & dir.
10. Moraine Park Co., Inc., dir.
11. The Mead Pulp & Paper Co., dir.
12. United Aircraft & Transport Co., dir.
13. General Aviation Corp., dir.
14. Antioch College, trustee.

Frederick J. Fisher, vice-pres. & dir.:

1. Yellow Truck & Coach Mfg. Co., dir.
2. Fisher & Co., pres. & dir.
3. General Motors Securities, dir.
4. Baldwin Locomotive Works, dir.
5. Michigan Bell Telephone Co., dir.
6. Cleveland, Cincinnati, Chicago & St. Louis R.R., N.Y., dir.
7. Postal Telegraph Co., dir.
8. United Chromium Corp., dir.
9. Senior Investment Corp., pres. & dir.
10. General Aviation Corp., dir.
11. Transcontinental & Western Air, Inc., dir.
12. Udylyte Process Co., dir.

Frederick J. Fisher, vice-pres. & dir.—Continued

13. North American Aviation, dir.
14. Vickers, Inc., pres. & dir.
15. Adam Opel (Germany), dir.
16. General Motors Management Corp., dir.
17. General Chromium Corp., dir.
18. General Motors Holding Corp., dir.
19. General Motors Truck Co., dir.

Lawrence P. Fisher, vice-pres. & dir.:

1. Cadillac Motor Car Co., pres. & Gen'l mgr.

William S. Knudsen, exec. vice-pres. & dir.

Charles Stewart Mott, vice-pres. & dir.

De Witt Page, vice-pres. & dir.

1. New Departure Mfg. Co., pres. gen'l mgr. & dir.

R. Samuel McLaughlin, vice-pres.:

1. General Motors of Canada, Ltd., pres.
2. The Dominion Bank (Canada), vice-pres. & dir.
3. Canadian Pacific Railway Co., dir.
4. Canadian Consolidated Mining & Smelting Co. of Canada, Ltd., dir.
5. International Co. of Canada, Ltd., dir.

Arthur Blaikie Purvis, dir.:

1. Canadian Industries, Ltd., pres. & managing dir.
2. Barclays Bank, Ltd., vice-pres. & dir.
3. Bell Telephone Co., Ltd., dir.
4. Canadian Safety Fuse Co., Ltd., dir.
5. Dunlop Tire & Rubber Goods Co. of Canada, Ltd., pres. & dir.
6. Canadian Investment Trust, Ltd., dir.
7. Sun Life Assurance Co., Ltd., dir.
8. Consolidated Paper Corp., Ltd., dir.
9. Liverpool & London & Globe Ins. Co., Ltd., dir.

Sir Harry McGowan, director:

1. African Explosives & Industries, Ltd., deputy chr.
2. British Overseas Bk., Ltd., director.
3. Imperial Chemical Industries, Ltd., chr. & managing dir.
4. Cape Explosives Works, Ltd., deputy chr.
5. Finance Company of Gr. Britain & Amer., Ltd., chr.
6. General Motors Corp., N.Y., director.
7. Imperial Chemical Industries (China), Ltd., dir.
8. Imperial Chem. Industries of Australia and New Zealand, Ltd., dir.
9. Imperial Chemicals Insurance, Ltd., chr.
10. International Nickel Co. of Canada, Ltd., dir. & mem. of advisory comm.
11. Midland Bank Limited, dir.
12. Naylor Bros. (London), Ltd., chr.
13. Nobel Chemical Finishes, Ltd., chr.
14. Portland Glass Co., Ltd., chr.

(Information compiled from Directory of Directors for 1934, Thomas Skinner & Co., London.)

DIRECTORS AND OFFICERS OF GENERAL MOTORS ACCEPTANCE CORP.

(Information compiled from Moody's Manual of Investments—American & Foreign, 1934.)

A. H. Swayne, chairman.

Donaldson Brown, dir.

A. L. Deane, dir.

Lamot du Pont, dir.

Pierre S. du Pont, dir.

Ira G. McCreery, vice pres. & dir.

J. L. Meyers, vice pres. & dir.

Seward Prosser, dir.

J. J. Schumann, Jr., pres. & dir.

L. L. Short, dir.

A. P. Sloan, Jr., dir.

Glyn Davies, vice pres.

August Freise, vice pres.

G. F. Benkhart, vice pres.

C. P. Fiske, vice pres.

J. H. McMahon, vice pres.

W. H. Leach, vice pres.

C. G. Stradella, vice pres.

J. D. Deane, vice pres.

N. C. Duzendorf, vice pres.

Reune Martin, treas.

G. H. Bartholomew, sec.

J. T. Smith, counsel.

F. S. Parson, compt. & aud.

R. I. Hewitt, gen. asst. treas.

DIRECTORSHIPS OF DIRECTORS OF GENERAL MOTORS ACCEPTANCE CORP.

(Information compiled from Poor's Directory of Directors, 1934.)

Alfred Harris Swayne, chr. of bd.

1. Yellow Truck & Coach Mfg. Co., dir.
2. General Motors Corp., vice pres. & dir.
3. Lehigh Valley R.R. Co., dir.
4. C. Tennant Sons & Co., dir.
5. St. Louis Southwestern Ry. Co., dir.
6. Irving Trust Co., dir.
7. General Exchange Insurance Corp., dir.
8. General Motors Export Co., vice pres. & dir.
9. National Automobile Chamber of Commerce, vice pres. & dir.
10. North River Savings Bank, trustee.
11. E. W. Bliss Co., dir.
12. North Star Insurance Co., dir.
13. General Reinsurance Corp., dir.
14. General Alliance Corp., dir.
15. Stuyvesant Insurance Co., dir.

Donaldson Brown, dir.:

1. E. I. du Pont de Nemours & Company, dir.
2. General Motors Corp., vice pres. & dir.
3. St. Louis-San Francisco Ry., dir.
4. National Bank of Detroit, dir.

Lammot du Pont, dir.:

1. E. I. du Pont de Nemours & Company, pres. & dir.
2. General Motors Corp., chr. & dir.
3. Chemical Bank & Trust Co., dir.
4. Fidelity-Philadelphia Trust Co., dir.
5. Wilmington Trust Co., dir.

Pierre Samuel du Pont, dir.:

1. E. I. du Pont de Nemours & Co., chr. of bd.
2. General Motors Corp., dir.
3. Bankers Trust Co., dir.
4. Philadelphia National Bank, dir.
5. Wilmington Trust Co., vice pres.

Seward Prosser, dir.:

1. Bankers Trust Co., chr. managing comm., mem. exec. comm. & dir.
2. American Locomotive Co., dir.
3. American Surety Co. of N.Y., mem. fin. comm. & exec. comm. & trustee.
4. Braden Copper Co., dir.
5. General Electric Co., mem. exec. comm. & dir.
6. General Motors Corp., mem. fin. comm. & dir.
7. General Motors Acceptance (Mexico), dir.
8. General Motors Acceptance (S.A.), dir.
9. Bankers Safe Deposit Co., dir.
10. Bentrasco Realty Co., dir.
11. Utah Copper Co., dir.
12. The John & Mary R. Markle Foundation, trustee.
13. General Motors Acceptance Corp., Continental, dir.

John J. Schumann, Jr., pres. & dir.:

1. General Exchanges Ins. Corp., chr. fin. comm. & dir.
2. General Motors Acceptance Corp. of Del., pres. & dir.
3. General Motors Acceptance Corp. of Mexico, pres. & dir.
4. General Motors Acceptance Corp. of S.A., pres. & dir.
5. General Motors Holding Corp., dir.
6. General Exchange Corp. of Del., pres. & dir.
7. General Exchange Corp., Ltd., dir.
8. General Motors Acceptance Corp. Continental, pres. & dir.

Livingston Lyman Short, dir.:

1. General Exchange Insurance Corp., pres. & dir.

Alfred Pritchard Sloan, Jr., dir.:

1. E. I. du Pont de Nemours & Co., dir.
2. Pullman, Inc., dir.
3. Waldorf-Astoria Corp., dir.
4. Johns-Manville Corp., dir.
5. Revere Copper & Brass, Inc., dir.
6. National Bank of Detroit, dir.
7. General Motors Corp., pres. & dir.

DIRECTORS AND OFFICERS OF MCKINNON INDUSTRIES, LTD.

(Controlled by General Motors Corporation)

(Information compiled from Moody's Manual of Investments—American & Foreign, 1934.)

H. J. Carmichael, Pres., gen'l. mgr. & dir.	E. W. Proctor, comptroller.
H. A. Brown, vice-president.	C. L. Cotton, asst. sec., treas. & dir.
T. S. Merrill, sec. & dir.	James McEvoy, dir.
M. L. Prentis, treas.	C. E. Wilson, dir.

DIRECTORSHIPS OF DIRECTORS AND OFFICERS OF MCKINNON INDUSTRIES, LTD.

(Information compiled from Poor's Directory of Directors, 1934.)

Harry John Carmichael, pres.:

1. McKinnon Dash Co., pres. & dir.
2. Conroy Mfg. Co., vice-pres. & dir.
3. National Arbitraries Corp., dir.
4. Toronto, St. Catharine's Transport Co., dir.
5. Marquette Mfg. Co., Ltd., dir.

Thomas S. Merrill, sec. & dir.

1. General Motors Corp., sec.
2. National Bank of Detroit, cashier.

Hanson Ames Brown, vice-pres. & dir.

1. Cadillac Motor Car Co. of Canada, Ltd., vice-pres. & dir.
2. Chevrolet Motor Co. of Canada, Ltd., vice-pres. & dir.
3. General Motors Products of Canada, Ltd., vice-pres. & dir.
4. McLaughlin Motor Car Co., Ltd., vice-pres. & dir.
5. Modern Dwellings, Ltd., vice-pres. & dir.
6. Olds Motor Works of Canada, Ltd., vice-pres. & dir.
7. General Motors Mgt. Service of Canada, Ltd., vice-pres. & dir.
8. Pontiac Motor Co. of Canada, Ltd., vice-pres. & dir.

Meyer Leon Prentis, treas.:

1. General Motors Corp., treas.

DIRECTORS AND OFFICERS OF YELLOW TRUCK & COACH MFG. CO.

(Controlled by General Motors Corporation)

1. I. B. Babcock, exec. vice pres. & Treas. & dir.
2. Albert Bradley, dir.
3. F. J. Fisher, dir.
4. G. A. Green, vice pres. & dir.
5. E. R. Brech, dir.
6. P. H. Geiper, dir.
7. J. L. Pratt, dir.
8. P. W. Seiler, chairman, president & director
9. A. H. Swayne, dir.
10. T. S. Merrill, sec. & dir.
11. H. C. Grossman, dir.
12. H. M. Hogan, dir.
13. H. E. Listman, dir.
14. V. P. Little, vice pres. & dir.
15. D. L. Tate, comptroller & dir.

(Information compiled from Moody's Manual of Investments, American & Foreign, 1934.)

DIRECTORSHIPS OF DIRECTORS OF YELLOW TRUCK & COACH MFG. CO.

(Information compiled from Poor's Directory of Directors, 1934, and from other sources where noted.)

- Irving B. Babcock, exec. vice pres. & dir.
1. General Motors Truck Corp., exec. vice pres. & dir.
 2. Yellow Manufacturing Accept. Corp., pres. & dir.
 3. Hertz Drivurself Corp., pres. & dir.
 4. The Greyhound Corp., dir.
 5. Terminal Cab Corp., dir.

Albert Bradley, dir.:

1. General Motors Corp., vice pres.
2. Bendix Aviation Corp., chr. fin. comm. & dir.
3. Adam Opel A. G., dir.
4. General Motors Corp., mem. fin. comm. & dir.
5. General Aviation Corp., dir.

Frederick J. Fisher, dir.:

1. General Motors Corp., vice pres. & dir.
2. Fisher & Co., pres. & dir.
3. General Motors Securities, dir.
4. Baldwin Locomotive Works, dir.
5. Michigan Bell Telephone Co., dir.
6. Michigan Central R. R., dir.
7. Cleveland, Cincinnati, Chicago & St. Louis R.R., N.Y., dir.
8. Postal Telegraph Co., dir.
9. United Chromium Corp., dir.
10. Senior Investment Corp., pres. & dir.
11. General Aviation Corp., dir.
12. Transcontinental & Western Air, Inc., dir.
13. Udylite Process Co., dir.
14. North American Aviation, dir.
15. Vickers, Inc., pres. & dir.
16. Adam Opel (Germany), dir.
17. General Motors Management Corp., dir.
18. General Chromium Corp., dir.
19. General Motors Holding Corp., dir.
20. General Motors Truck Co., dir.

G. A. Green, vice pres. & dir.:

1. General Motors Truck Corp., vice pres.

Ernest R. Breech, dir.:

1. General Motors Corp., general asst. treas.
2. Transcontinental & Western Air, Inc., dir.
3. General Aviation Corp., dir.
4. North American Aviation Corp., dir.
5. Eastern Air Transport, chr. of board.

P. H. Geiper:

1. Yellow Truck & Coach Mfg. Co., dir.

J. L. Pratt:

1. Yellow Truck & Coach Mfg. Co., dir.

Paul Waldo Seiler:

1. Yellow Truck & Coach Mfg. Co., dir., chr. of bd., pres. & gen'l mgr.

Alfred Harris Swayne, dir.:

1. General Motors Corp., vice pres. & dir.
2. General Motors Acceptance Corp., chr. of bd.
3. Lehigh Valley R.R. Co., dir.
4. C. Tennant Sons & Co., dir.
5. St. Louis Southwestern Ry. Co., dir.
6. Irving Trust Co., dir.
7. General Exchange Insurance Corp., dir.
8. General Motors Export Co., vice pres. & dir.
9. National Automobile Chamber of Commerce, vice pres. & dir.
10. North River Savings Bank, trustee.
11. E. W. Bliss Co., dir.
12. North Star Insurance Co., dir.
13. General Reinsurance Corp., dir.
14. General Alliance Corp., dir.
15. Stuyvesant Insurance Co., dir.

Thomas S. Merrill, sec. & dir.:

1. General Motors Corp., sec.

Harry C. Grossman, dir.:

1. General Motors Truck Corp., asst. sec. & dir.
2. Yellow Mfg. Accept. Corp., asst. sec. & dir.
3. Yellow Sleeve Valve Engine Works, Inc., asst. sec. & dir.
4. Hertz Drivurself Stations, sec. & dir.

Harry C. Grossman, dir.—Continued

5. Sterrett Operating Service, Inc., asst. sec.
6. Atlantic Greyhound Lines, Inc., sec. & dir.
7. Canadian Yellow Cab Mfg. Co., Ltd., asst. sec. & dir.
8. Yellow Manufacturing Credit Corp., asst. sec. & dir.
9. Atlantic Greyhound Lines of N.C., Inc., dir.

H. M. Hogan :

1. Yellow Truck & Coach Mfg. Co., dir.

H. E. Listman :

1. Yellow Truck & Coach Mfg. Co., dir.

V. P. Little :

1. Yellow Truck & Coach Mfg. Co., vice pres. & dir.

D. L. Tate :

1. Yellow Truck & Coach Mfg. Co., comptroller & dir.

DIRECTORS AND OFFICERS OF VAUXHALL MOTORS, LTD.

(Information compiled from Moody's Manual of Investments, American & Foreign, 1934.)

Leslie Walton, chairman & director.	A. W. Laskey, director.
C. J. Bartlett, managing director.	Thomas Mackenzie, secretary & director.
H. S. Broom, director.	J. D. Mooney, director.
C. G. Griffin, director.	A. F. Palmer Phillips, director.
L. J. Hartnett, director.	T. A. Simpson, director.
W. O. Kennington, director.	
C. E. King, director.	

DIRECTORSHIPS OF DIRECTORS AND OFFICERS OF VAUXHALL MOTORS, LTD.

(Information compiled from Directory of Directors for 1934, Thomas Skinner & Co., London.)

Charles John Bartlett, dir.:

1. A. C. Sphinx Sparking Plug Company, Ltd., dir.
2. Delco-Remy & Hyatt, Lt., dir.
3. Vauxhall and General Finance Corp., Ltd., dir.

Harry Skeet Broom, dir.:

1. Broom & Wade, Ltd., chr. & managing dir.
2. B. E. N. Patents, Ltd., dir.
3. Delco-Remy & Hyatt, Ltd., dir.
4. Frigidaire, Ltd., dir.

Cyril G. Griffin :

1. Vauxhall Motors, Ltd., asst. mng. dir.

L. J. Hartnett :

1. Vauxhall Motors, Ltd., dir. & export mgr.

W. O. Kennington, dir.:

1. A. C. Sphinx Sparking Plug Co., Ltd., dir.
2. Delco-Remy & Hyatt, Ltd., dir.

C. E. King :

1. Vauxhall Motors, Ltd., chief eng.

A. W. Laskey :

1. Vauxhall Motors, Ltd., dir. & gen. supply mgr.

Thomas Mackenzie :

1. Vauxhall Motors, Ltd., sec. & dir.

James David Mooney, dir.:

1. General Motors Corp. of Detroit, dir.
2. Delco-Remy & Hyatt, Ltd., dir.

A. F. Palmer Phillips, dir.:

1. Vauxhall and General Finance Corp., Ltd., dir.

Thomas A. Simpson :

1. Vauxhall Motors, Ltd., dir.

EXHIBIT No. 458

* Ms-51

MARCH 2, 1933.

THE E. I. DUPONT DE NEMOURS CO.,
Wilmington, Delaware.

(Attention Mr. W. W. Rhodes.)

Pleased be advised that the following bill has been introduced in the California Legislature:

California Assembly Joint Resolution #9—memorializes and petitions Congress to enact legislation to end all patent rights for arms, ammunition, and other equipment used for war and that the same should be acquired by the Government and manufactured by governmental establishments.

(S) DENTON JOLLY, *Legal Department.*

DJ: H

EXHIBIT No. 459

KINETIC CHEMICALS, INC., DuPont Building, Wilmington, Delaware

* Ms-51
77
sp 77

MARCH 6, 1933.

COLONEL AIKEN SIMONS,
Smokeless Powder Department.

I am attaching letter received from Mr. Denton Jolly, of the legal department of the General Motors Corporation, Detroit, and have suggested to Mr. Jolly that all matters pertaining to arms, munitions, etc., be taken up with you.

I presume that this is a complimentary service they are offering us, as they are constantly watching legislative bills.

(S) W. W. RHODES,
*Sales Manager.*WWR:ETR
Encl.

EXHIBIT No. 460

Ms-157

[Copy to Major K. K. V. Casey (Smokeless Pdr. Dept.)]

MARCH 5, 1934.

Mr. E. A. TAYLOR,
Director, Chemical Department, Graselli, Cleveland:

WAR DEPARTMENT INQUIRY FOR SUPPLY OF CHEMICALS

I talked with Major K. K. V. Casey about your letter of March 28th and the War Department inquiry attached. Major Casey tells me that this is a part of a general program of industrial preparedness for war and that the War Department has been making tentative allocations of production of the various materials required in volume in time of war. Major Casey also indicated that the du Pont Company has worked closely with the War Department in this matter and that a very large production of war materials has been tentatively allocated to the Du Pont Company. I understand from him that the company's policy is to go rather far in cooperating with the War Department in this matter, both in the way of giving information and in assisting them in planning. Of course, no promises in connection with prices are made.

The major indicated that he would be interested in receiving copies of correspondence between you and the War Department on this subject.

ERNEST B. BENDER,
General Asst. Director.

EBB: E.

EXHIBIT No. 461

MARCH 7, 1928.

To: Executive Committee,
From: Chairman of Foreign Relations Committee.

IMPERIAL CHEMICAL INDUSTRIES LIMITED

I attach hereto list of subsidiary companies and investment and contractual interests in world markets of the Imperial Chemical Industries, Limited, as furnished to me under date of March 6th by this concern.

The wide range of the companies included, as well as the foreign alliances listed, are extremely interesting and will repay perusal.

(S) F. W. PICKARD,

FWP: JMQ.

Chairman Foreign Relations Committee.

Imperial Chemical Industries, Limited, subsidiary companies, and investment and contractual interests in world markets

DIRECT I.C.I. COMPANIES

Companies in Great Britain	Manufactures	Percentage holding	Nature of interest
Nobel Industries, Limited.....	Explosives, etc.....	99.5	Merger Co.
Brunner Mond & Co., Ltd.....	Alkalis, etc.....	99.5	Do.
United Alkali Co., Ltd.....	do.....	99.5	Do.
British Dyestuffs Corporation, Ltd.....	Dyestuffs.....	99.5	Do.
British Bergius Syndicate.....		100	Subsidiary Co.
Cassel Cyanide Co., Ltd.....	Cyanides.....	100	Do.
Castner-Kellner Alkali Co., Ltd.....	Alkalis.....	100	Do.
I.C.I. Insurance, Ltd.....		100	Do.
I.C.I. Estates, Ltd.....	Properties.....	100	Do.
Union Acid Co.....	Selling Co.....	100	Do.
Scottish Dyes, Limited.....	Dyestuffs.....	100	Do.

INDIRECT I.C.I. COMPANIES

Amalgamated Carburetters, Ltd.....	Cycle Carburetters.....	54	Subsidiary Co.
Arthur & Hinshaw, Ltd.....	Agency Co.....	11.8	Investment.
Bickford Smith & Co., Ltd.....	Safety fuse.....	100	Subsidiary.
British Pluvisin Co., Ltd.....	Leather cloth.....	100	Do.
British Leather Cloth Mfg. Co., Ltd.....	do.....	100	Do.
British Westfalite, Limited.....	Explosives.....	100	Do.
British Copper Manufacturers, Ltd.....	Metals.....		Do.
British Electric Detonator Co.....	Electric.....	88	Do.
Buxton Lime Firms Co., Ltd.....	Limestone.....	100	Do.
Chance & Hunt, Ltd.....	Acids.....	90	Do.
Carville Site & Power Co.....		50	Investment.
Cleghorn & Bates, Ltd.....	Foundry iron.....	100	Subsidiary.
Curtis & Harvey, Ltd.....	Explosives & accessories.....	100	Do.
Cumbram Chemical Co.....	Chemicals.....	100	Do.
Electro Bleach & By-Products, Ltd.....	Bleaching powder.....	100	Do.
Eley Bros., Limited.....	Sporting amm.....	100	Do.
Elterwater Gunpowder Co., Ltd.....	Blasting powder.....	100	Do.
Explosives Industries, Limited.....	Agency Co.....	37.5	Investment.
Elliott's Metal Co., Ltd.....	Metals.....	96	Subsidiary.
Industrial Housing Assoc.....		93	Do.
Jack, R. & T. & Co., Ltd.....	Cotton yarns.....	100	Do.
Kynoch Limited.....	Metals & amm.....	99	Do.
King's Norton Metal Co., Ltd.....	do.....	100	Do.
Lucas & Co., Ltd.....	Accessories & cycles.....	13	Investment.
Lighting Trades, Limited.....	Gas mantles.....	70	Subsidiary.
Lancashire Explosives, Ltd.....	Explosives.....	96	Do.
Lightning Fasteners, Ltd.....	Lightning fasteners.....	87.5	Do.
Malagash Salt Products.....	Salt products.....	34	Investment.
Marston John, Ltd.....	Motorcycles.....	100	Subsidiary.
Nitram, Ltd., agents for British Sulphate of Ammonia Fed.....	Sales Co.....	100	Do.
Nobel's Explosives Co., Ltd.....	Explosives and accessories.....	100	Do.
Nobel Chemical Finishes, Ltd.....	Lacquers, varnishes.....	51	Do.
Naylor Bros., Ltd. (Slough).....	Paints.....	51	Do.
Premier Electric Welding Co., Ltd.....	Electrodes.....	92	Do.
Patent Elect. Shot Firing Co., Ltd.....	Electric detonators.....	100	Do.
Paper Goods Manufacturing Co., Ltd.....	Cd. bd. boxes, etc.....	100	Do.

Imperial Chemical Industries, Limited, subsidiary companies, and investment and contractual interests in world markets—Continued

INDIRECT I.C.L. COMPANIES

Companies in Great Britain	Manufactures	Percentage holding	Nature of interest
Portland Glass Co., Ltd.	Bottles	57.5	Do.
Raynes & Co., Ltd.	Lime & limestone	100	Do.
Roburite & Ammonal, Ltd.	Explosives	99.5	Do.
Sedgwick Gunpowder Co., Ltd.	Blasting powder	100	Do.
Synthetic Ammonia & Nitrate, Ltd.	Synthetic nitrogen, etc.	100	Do.
Standard Anhydrous Ammonia Co.	Sales Co.	22.3	Investment.
Thermit, Ltd.	Thermit welding	96	Subsidiary.
Wakefield, W. H. & Co.	Blasting powder	100	Do.
Walker (Alex) & Co., Ltd.	Salt cake hydrochloric acid	100	Do.

FOREIGN INVESTMENTS

Company	Manufactures	Country	Percentage holding	Nature of interest
Bickford & Co., A.-G.	Fuses	Austria	100	Subsidiary.
Cartoucherie Belge.	Sporting ammunition	Belgium	19	Investment & trading arrangement for manufacture and sale of Eley sporting cases in Belgium.
Societe Anonyme d'Arendonck.	Explosives and powder	do.	30	Investment; limitation of sales.
Vise Co.	Safety fuse	do.	42	Investment.
Cartoucherie Francaise.	Sporting ammunition	France	24	Do.
Companie Continentale du Pegamoid.	Artificial leather	do.	11	Do.
Czecho Slovak Explosives, Ltd.	Explosives	Czechoslovakia	32	Do.
Nobel - Bickford A. G. Trenchin.	Safety fuse	do.	25	Do.
Dynamit - Action - Gesellschaft.	Explosives & accessories.	Germany	12.5	Do.
I. G. Farbenindustrie A.-G.	Explosives	do.	82	Do.
Roumania Explosives Co.	Explosives	Roumania	20	Do.
Union Espanola de Explosivos.	Explosives & chemicals.	Spain	1	Investment; reciprocal arrangement.
Hungarian Explosives Co.	Explosives	Hungary	12	Investment.
African Explosives & Industries, Ltd.	Explosives & fertilisers.	Africa	50	Do.
Magadi Soda Co., Ltd.	Soda ash	do.	100	Subsidiary.
Cartoucheria Orbea Argentina.	Sporting & revolver amm.	Argentina	60	Investment.
Nobel (Australasia), Ltd.	Explosives & Chemicals.	Australia	97	Subsidiary.
Brunner Mond (Australia), Ltd.	Selling Co.	do.	99	Do.
Standard Ammonia Co. (of Sydney).		Australia	16	Investment.
Canadian Industries, Ltd.	Explosives & accessories.	Canada	142	Do.
Compania Sud Americana de Explosivos.	Explosives	Chile	250.03	Do.
Brunner Mond (China), Ltd.	Sales Co.	China	42.5	Do.
Brunner Mond (India), Ltd.	do.	India	99	Subsidiary.
Brunner Mond (Japan), Ltd.	do.	Japan	100	Do.
E. I. du Pont de Nemours & Co.		U.S.A.	99	Do.
General Motors Corp.		do.	.37	Investment.
Allied Chemical Co., Ltd.		do.	.91	Do.
Roessler & Hasslacher Chemical Co.		do.	5.32	Do.
North American Chem. Co.		do.	14	Do.
Dyestuffs Corporation of America.		do.	100	Do.
		do.	100	Subsidiary.

¹ Common.

² Preferred.

Imperial Chemical Industries, Limited, subsidiary companies, and investment and contractual interests in world markets—Continued

FOREIGN ALLIANCES

Company	Manufacturers	Country	Percentage holding	Name of interest
Barbier Group Explosives..	Explosives.....	Belgium.....		Abstention arrangement Belgium & U.K.
Comptoir Belge des En-grais Azote.	Nitrogenous fertilisers.....	do.....		Sales arrangement for Sulphate of Ammonia.
Poudreries Reunies.....	Black & sporting powder.	do.....		Limitation of markets & sales arrangement.
Societe Anon. de Dynamite de Matagne.	Explosives.....	do.....		Do.
Societe Anon. de la Poudrerie de Carnelle.	Powder.....	do.....		Reciprocal abstention agreement.
Societe Belge de la Dynamite Nobel.	Explosives.....	do.....		Do.
Solvay et Cie.....	Fertilisers & chemicals.	do.....		Arrangement limiting markets and quantities of soda products.
Casale Ammonia Co.....	Ammonia.....	France.....		Agreement re use of Casale process and plant in Eng.
Comptoir Francais de l'Azote.	Nitrogenous fertilisers.....	do.....		Abstention arrangement.
Davey Bickford Smith & Co.	Safety fuse.....	do.....		Investment & abstention arrangement.
Societe Centrale de Dynamite.	Explosives.....	do.....		Abstention arrangement covering explosives.
Etablissement Kuhlmann.	Dyes.....	do.....		
Westfalisch Anhaltische Sprengstoff A.G.	Explosives & accessories.	Germany.....		Limitation of trading in export markets.
Poudrerie Royale de Weteren Coopvall.	Black & sporting powder.	Belgium.....		Limitation of markets & sales arrangement.
Deutsche Solvay Works.....	Chemicals.....	Germany.....		Investment.
Rheinisch Westfalische Sprengstoff A.G.	Detonators, sporting ammunition, etc.	do.....		Agreement re Briska Detonators.
Montecatini.....	Synthetic nitrogen.....	Italy.....		Restriction on nitrogen exports.
Societa Italiana Ricerche Industrial.	Casale ammonia.....	do.....		Abstention and allocation of markets' arrangement for Casale Ammonia.
Norsk Sprengstoffindustri Akielskab.	Explosives and accessories.	Norway.....		Reciprocal abstention arrangement.
Cape Explosives Works, Ltd.	Explosives.....	Africa.....		Investment.
Durant & Huguenin.....	Dyestuffs.....	Switzerland.....		Agreement relating to production of dyes.

(There was no Exhibit marked "No. 462.")

EXHIBIT No. 463

I.C.I.—Meetings & Agree

AUGUST 31, 1934.

To: Mr. T. R. Hanley.

From: J. K. Jenney.

SUMMARY OF RELATIONS BETWEEN DU PONT AND I.C.I.—I.C.I. PATENTS AND PROCESSES AGREEMENT

In 1897 the Du Pont Co. and various other American explosives companies entered an agreement with the Nobel group of factories in Europe, which included several of I.C.I.'s predecessor companies, providing for exchange of processes, division of territories, and price maintenance. The agreement covered explosives, and military powders were included.

This agreement was later cancelled as the price provisions were deemed to be contrary to the Sherman Law. An agreement was drawn up and signed in 1907 covering exchange of inventions and methods of manufacture. This agreement

MUNITIONS INDUSTRY

provided for exclusive and nonexclusive sales territories, and military powders were included. It is my recollection that a provision was inserted providing that governmental objection should be an adequate reason for withholding any information, although I presume this had always been understood. This contract was abrogated as of December 31, 1912, and a patents and processes agreement was prepared but I think never signed due to the advent of the war. In any event, from the commencement of and during the war there was no contractual relationship between Du Pont and any of the European factories.

In 1919 a patents and processes agreement covering explosives, including military explosives, was negotiated (signed 1920) with Explosives Trades, Ltd. (later Nobel Industries, Ltd.). There was a provision excluding passing of information contrary to governmental objection.

Under this agreement Nobels were licensed under our I.M.R. patents (1923). It is my understanding that all of this information was given them with the complete approval of our Government during the war and that the licensing was merely a formal matter giving them the right to continue to use information in their possession. (The matter had been delayed due to a controversy over amount of royalties to be paid).

* * * * *

EXHIBIT No. 464

This agreement made on the first day of July 1928 between E. I. du Pont de Nemours & Company, a corporation organized and existing under the laws of the State of Delaware, United States of America, hereinafter called du Pont, party of the first part, and Imperial Chemical Industries Limited, a corporation organized and existing under the laws of Great Britain, hereinafter called Imperial, party of the second part.

WITNESSETH :

Whereas du Pont and Imperial are engaged in the sale of naval and military propellant powders and explosives throughout various countries on the European Continent, hereinafter more specifically referred to, and

Whereas a sales office and organization is maintained by Imperial at Vienna, Austria, and du Pont likewise maintains such an office and organization at Paris, France, and

Whereas the parties hereto have agreed that the aforesaid sales offices shall hereafter offer the products of both parties in the territory hereinafter specified, and upon the terms and conditions hereinafter set forth.

Now, therefore, du Pont and Imperial have agreed and by these presents do agree with each other as follows:

1. The terms and conditions of this agreement shall apply solely to the following products for naval and military purposes only, to wit:

Nitrocellulose powders
Nitroglycerin powders
Trinitrotoluol and Tetryl
Nitrocellulose for propellant powders

2. From and after the date hereof all sales of the foregoing products made on behalf of either du Pont or Imperial in France, Belgium, Holland, Denmark, Sweden, Finland, Estonia, Latvia, Lithuania, and Poland shall be under the supervision of the manager of du Pont's Paris office, the expenses of which office shall be exclusively borne by du Pont, and all such sales made on behalf of either du Pont or Imperial in Albania, Austria, Czechoslovakia, Jugoslavia, Roumania, Bulgaria, Greece, and Turkey shall be under the supervision of the Manager of Imperial's Vienna Office, the expenses of which office shall be exclusively borne by Imperial.

3. The aforesaid offices of du Pont and Imperial shall use their best efforts to apportion the total annual sales of the above products by said offices in accordance with the following percentages, to wit:

Nitrocellulose powders—du Pont 70%—Imperial 30%.
Nitroglycerin powders—Imperial 100%.
Trinitrotoluol and Tetryl—Imperial 70%—du Pont 30%.
Nitrocellulose for propellant powders—Imperial 100%.

it being the intention hereof that said proportions shall be maintained as nearly as possible upon the combined sales of both offices.

4. If for any reason sales of the products of the parties hereto, above referred to, shall fail to conform to the proportions above set forth, then it is agreed

that the party whose products are sold in excess of said proportions shall pay to the other ten percent (10%) of the average gross receipts arising out of said excess sales; it being understood and agreed that such adjustment shall be made between the London office of Imperial and the Wilmington office of Du Pont, and for the purpose of such adjustment only deliveries actually made during any year shall be taken into account; it being further understood that total deliveries of each of said offices shall be determined as of the 30th day of June of each year for adjustment purposes.

5. Notwithstanding the proportion of sales above referred to, it is agreed that the quota of Imperial, with respect to nitrocellulose powders, and that of Du Pont, with respect to trinitrotoluol, shall not exceed three hundred (300) tons per annum.

6. The managers for the time being of said Paris office and said Vienna office shall be provided with such powers of attorney, credentials, and other documents executed by both parties hereto as shall be necessary or requisite in order to secure for said managers entrée to War offices and other Government departments to the end that the interests of both of said parties shall be served in accordance with the spirit and intention hereof; it being further understood and agreed that said managers shall be supplied from time to time with directions concerning prices and credit policies to be adopted with respect to the territory served by said offices.

7. Orders placed with either party by armament firms (including Kynoch Limited) shall be excluded from the operation of this agreement.

8. du Pont agrees that any inquiries throughout any of the foregoing territory which it shall receive with respect to industrial explosives shall be referred to the office of Imperial.

9. It is understood and agreed that if, on account of competitive conditions, or for any other reasons, either party hereto shall fail or refuse to accept an order, such order, if accepted by the other party, shall be excluded from the operation of paragraph 3 hereof in the determination of proportionate sales as therein provided; it being further understood and agreed that Czechoslovakia Explosives Limited shall be dealt with by the parties hereto in the same manner as other competitors with respect to competition in countries outside of Czechoslovakia.

10. This agreement shall not obligate either party to exchange any information whatever with respect to manufacturing costs or sales expense.

11. This agreement shall be reviewed and modified in order to meet any change of conditions by reason of an outbreak of war in Europe interfering with the satisfactory operation thereof, or by reason of any change in the German law relative to the sale of naval and military propellant powders, explosives, and ammunition.

12. It is the purpose and intention of this agreement to secure through both of the offices of each party hereto, herein referred to, the greatest volume of sales, and to that end and for that purpose the officials for the time being in charge of said offices shall determine from time to time which party's products will be offered in the territory served by said office, and close co-operation shall be developed and maintained between said offices with the view to increasing the combined sales efficiency of both, and free discussion shall be had from time to time on all facts bearing upon or appertaining to the interests of either party in the proper presentation and sale of the products herein referred to.

13. This agreement shall take the place of and supersede the agreement made on November 10, 1926, between the parties hereto with respect to naval and military powders and explosives, and shall remain in full force and effect for a period of ten years beginning of the 1st day of July 1928.

In witness whereof the parties hereto by their officers, duly authorized, have executed this agreement and have caused their respective corporate seals to be hereunto affixed on the day and year first above written.

E. I. DU PONT DE NEMOURS & COMPANY,
By (S) H. FLETCHER BROWN, V.P.,
IMPERIAL CHEMICAL INDUSTRIES LTD.
By (S) H. J. MITCHELL,

Attest:

(S) E. A. HOWARD,
Assistant Secretary.

Attest:

(S) P. MARTIN.

EXHIBIT No. 465

[This is the final memo G. W. as submitted to I.C.I. for ratification]

Naval and military explosives

Memorandum (G.W.) covering extent of sales cooperation between I.C.I. and du Pont and localities where scheme applies.

A. Principles.—

1. Participation to greater degree in available open markets, by using sales organization common to both; the economies thus achieved making possible the employment of specialist sales staff.

2. Joint organization to offer indiscriminately the subject materials of both parties, with freedom of choice being left to purchaser.

3. No predetermined division of business is contemplated; but it is the broad desire to see the materials furnished from the most economic source. To enable each party to enjoy benefit of manufacturing experience of all types it is desired that certain nucleus tonnages should be envisaged; these are detailed hereinafter.

4. There should be three sales areas, i.e., South America, Europe, and Asia. The party with the existing trained sales organization shall operate in each of the three areas. Thus du Pont will function in Europe and South America and I.C.I. in Asia.

5. The party securing an order shall pay commission to the other party for assistance rendered.

6. It is understood that neither party shall do anything hereunder incompatible with the laws or desires of its respective government.

7. This memorandum supersedes others of earlier date dealing with similar products.

B. Products (naval and military types).—

1. Nitrocellulose powders.

2. Cordites.

3. Other nitroglycerine powders.

4. Trinitrotoluene.

5. Other simple and combined explosives for naval and military uses.

6. Nitrocellulose for manufacture of propellant powders.

7. Other chemical accessories for use in manufacture of naval and military powders; e.g., centralite, diphenylamine, etc.

C. Definition of sales areas.—

1. *South America* will comprise all countries in the South American Continent, including Cuba, Haiti, Santo Domingo, Mexico, and Central America.

2. *Europe* will include all countries currently known as "Europe" with addition of Turkey and Persia.

3. *Asia* will cover all countries concurrently known as "Asia" except Turkey and Persia.

4. It is understood that the United States, its possessions and dependencies, as well as the British Empire, its possessions and dependencies, are specifically excluded from the scope of this agreement.

D. Organization.—

Both companies wish to adopt the most efficient method of promoting sales that can be devised.

It is believed that this will be accomplished by having sales handled as much as possible by persons entirely devoted to and experienced in military sales.

Therefore, it is proposed to:

Divide the sales area as shown in section C.

Have available for each territory a salesman, assisted if necessary, entirely devoted to the sales of these products.

The duties of these salesmen to be:

1. To study carefully the field and make recommendations as to the course of policy to be followed in his field. These recommendations to be submitted to the smokeless powder department of E. I. du Pont de Nemours and the cordite department of I.C.I. for approval. When approved, the execution will be the responsibility of the salesman.

2. The selection and proposal of agents.

3. Once the agents are chosen, to direct them as to their efforts; to supply them with prices, specifications, and the special information necessary for this work; to prepare all contracts with the customers and sign them when so authorized; to obtain for these agents the assistance of specialists if required; to attend trials and adjudications; to study all new developments of the military business, and particularly in the firearms business. In connection with the agents, suggest new studies and new developments in powder which may lead to sales.

4. To obtain direct from the smokeless powder department of E. I. du Pont de Nemours, in Wilmington, and from the cordite section of I.C.I. of London, prices, specifications, technical information, and the assistance of specialists when required.

5. To report to the smokeless powder department of E. I. du Pont de Nemours, Wilmington, and to the cordite section of I.C.I. all the activities of the agents; of competitions and all military developments in the customer's country. All prices and trade information on military propellants and explosives and such other military materials as may be possible.

6. To decide as to which company's products to offer in a certain case, bearing in mind the chances of sales, and the customer's desire for the products of one or the other company. In each territory, the salesman in charge must make this decision in view of his close knowledge of the field. While the decision of the salesman will have to be followed in this matter, the smokeless powder department of E. I. du Pont de Nemours and the cordite department of I.C.I. reserve the right to change the salesman if his decisions are not considered by them to be in the best interest of the two companies.

7. I.C.I. will be the normal source for cordite of all types; and where possible will supply nitrocellulose powders up to a maximum of 300 tons per annum for progressive manufacturing experience.

8. Du Pont will furnish nitrocellulose powders; and where possible will make cordite to a maximum of 300 tons for manufacturing experience.

The smokeless powder department of E. I. du Pont de Nemours & Company and the cordite department of I.C.I. are to take the responsibility for—

- (a) The establishment of sales prices.
- (b) The approval of the plan of activities in the territory.
- (c) Specifications.
- (d) Manufacture, inspection, and shipping.
- (e) Credit terms and contractual conditions.
- (f) Providing specialists when necessary.

E. War clause.—In case of a war of major proportions, where it is found by one or both parties that the continuance of the agreement is an embarrassment, either politically or commercially, the agreement may be suspended during such an emergency by mutual consent.

F. Duration.—To end of calendar year 1934; automatically renewable unless six months' prior notice be given.

10th, OCTOBER, 1932,

New York, N.Y.

[Memorandum]

EXPLANATORY NOTES ON SALES ARRANGEMENT (G.W.) DATED 10TH OCTOBER 1932, FOR MILITARY EXPLOSIVES

Para. A.2.—The salesmen are to give absolutely equal prominence to the products of both companies, as it is desired that both shall have an opportunity of manufacturing all types of military powders and explosives in demand, the quality of both being equal. Should a purchaser, however, insist on preferring the manufacture of one of the companies it will be unwise to oppose freedom of choice, as the first essential is to get business and, if possible, a greater proportion than hitherto of the trade available.

Para. A.3.—du Pont will bear the expense of sales organization in South and Central America and all retaining fees paid to agents for the sale of military explosives other than commission on specific sales, which will be paid by the company taking the order. I.C.I. will do likewise for Asia, subject to

Mr. Fowler's report on his investigations in China. As regards the cost of European representation, I.C.I. will contribute 50% of the expense but not more than £2,500 per annum, Du Pont being responsible for retaining fees paid to agents.

Paras. B.2, B.3, and D.7 and 8.—I.C.I. will be the source of supply for cordite mark 1, cordite M.D., C.S.P.2, Ardeer cordite and ballistite to be dealt with under this agreement.

In the event of any change in Governments' requirements which may have the effect of substantially altering the types of powder in demand, it is recognized by the parties that discussion should take place with a view to so adjusting the agreement as to bring about an equitable division of trade.

Para. B.7.—Du Pont may, if called upon, offer powder made up into charges, but in case of an inquiry for I.C.I. material made up into charges that company must be consulted as to procedure so as to take care of certain domestic arrangements.

Bearing in mind the desire of both parties to discourage as much as possible the erection of factories, it is understood that no project of this kind will be undertaken in South America and China without prior consultation and mutual agreement depending upon circumstances.

In Europe there will also be collaboration between the parties before any factory scheme is proceeded with by either party and it is understood that due to their various commitments in Europe no factory scheme shall be carried out without the express agreement of I.C.I.

Para. C. 2.—As regards Spain, Portugal, and Czechoslovakia, it is clearly understood that there is to be no sales activity without prior consent of I.C.I. so as to take into consideration their relations with the Union Espanola de Explosivos and the Czechoslovak Explosives Company.

Para. D. 1.—The salesmen for Europe and South America should report any information and particulars of enquiries for military small arms ammunition and components to I.C.I. without being concerned directly in that business.

In order to avoid any possibility of their disturbing the general policy of either of the parties, the salesmen will consult fully with the authorized representatives of the parties in their respective territories.

Para. D. 2.—While it will be the duty of the salesmen to select and propose agents, the final decision for the appointment of such agents must rest with the principals of the two companies, and the agent shall be given, as and where necessary, separate contracts from both companies. Quotations and contracts shall, where possible, be signed by the company offering.

LONDON, 1st February 1933.

It is agreed by and between E. I. du Pont de Nemours and Company, a corporation organized and existing under the laws of the State of Delaware, United States of America, and Imperial Chemical Industries Limited, a corporation organized and existing under the laws of Great Britain, that the agreement entered into between them on the first day of July 1928 relative to sales in certain countries of certain products for naval and military purposes, be and the same hereby is terminated and cancelled, this tenth day of October 1932.

E. I. DU PONT DE NEMOURS AND COMPANY,

By -----

Attest:

IMPERIAL CHEMICAL INDUSTRIES, LIMITED,

By -----

Attest:

EXHIBIT No. 466

* 135-Nobel Indus Ltd.
 135-Nobel Indus Ltd.
 (Special)
 Ms-124
 Ms-59
 APRIL 8, 1932.

Mr. A. FELIX DU PONT,
General Manager.

COMPETITION IN THE FOREIGN MILITARY FIELD

I.C.I. and du Pont are meeting a considerable growth of competition in foreign military markets. Our competitors are rapidly improving the quality of their products and likewise there has been serious price cutting on the part of Bofors and the Italians.

In addition because of the flux of the political situation in Europe there is danger from possible new groupings of competitors.

To meet the above situation we feel we must stand very closely with I.C.I. and organize with them a strong effort to deal with this situation. This naturally brings up the point as to whether or not our present agreements with I.C.I. place the two companies in a position to meet the changing situation.

The attached memorandum, prepared by Col. W. N. Taylor, indicates that the present European agreement is not in fact as originally planned and may eventually work out to the disadvantage of both companies, particularly Du Pont.

The European agreement was based on a division of business with penalties for over-proportionate sales.

As a contrast to this type of agreement we have in South America and in Asia an agreement based on payments of commissions for mutual assistance.

We have no agreements for either Africa or Central America.

If some arrangement can be made by which the position of I.C.I. and Du Pont will be strengthened the two companies will then be in a much stronger position to handle increasing competition when it develops.

We believe that this is an opportune time to take up with I.C.I. the whole world competitive situation and try to arrive with them at a better solution.

We have talked this matter over with Mr. W. R. Swint as to any possible effect these conversations with I.C.I. may have on the relations of the two companies. To this he can see no objection.

I am, therefore, recommending that Military Sales be authorized to discuss the matter at length with I.C.I. to see if closer and better cooperation can be developed. If it should come about that any modification of existing agreements or that new agreements are necessary, we will then bring the Foreign Relations Department into the negotiations.

K. K. V. CASEY, *Director.*

KKVC:MH

[Memorandum on Paris Office Smokeless Powder Department]

THE SITUATION TO DATE

During the last ten years the gross sales of the Paris office have averaged \$401,000 a year. Cost, freight and insurance have been \$239,000 a year, average. The sales expenses of the Paris office, including odd charges of somewhat over \$1,000 charged to our account from the Wilmington office, have averaged \$26,400 a year and the net average benefit per year for the last ten years has been \$135,000. To date the total net profits of the Paris office, including cost and Paris office sales expenses, have been \$1,412,801.54.

We have averaged during these ten years around 700,000 pounds a year and there is no reason to suppose that during the next ten years we could not average the same quantities.

The business obtained during the last ten years might all be described as exceptional business and has appeared unexpectedly, and at irregular intervals.

* Pencil markings.

In this territory all the Governments to which we sell, with the exception of the very small ones, have their own powder factories and manufacture their own current requirements.

The nonmanufacturing countries buy annually altogether about 150,000 pounds and the private loading companies, Kynoch, Fabrique Nationale, Dortrecht, Sellier and Bellot about 150,000 pounds.

Nevertheless, there are other opportunities. Each of these countries has a large program for war reserve and in these cases they wish exceptionally good powder, cheap prices and quick delivery for large orders and long time credits on which to buy. In this field Du Pont can successfully compete.

The programs for war reserve in this territory, known to be in contemplation, are about 25,000,000 pounds. We have under discussion at this moment the following:

	<i>Lbs.</i>
Esthonia -----	650,000
Latvia -----	700,000
Poland -----	8,000,000

We could normally expect to receive, over the next ten years, about one-third of these war reserve orders, which would average us around 800,000 pounds a year.

There is no reason to suppose that in the future there will not develop sales opportunities similar to those of the past. These will depend on the amount of money available and on the development of collateral equipment.

There is also to be considered the usefulness of the Paris office and its agents in the case of an outbreak of war.

War is of uncertain duration; profiting by it to the utmost means getting orders at the earliest possible date.

The war of 1914-18 had the peculiarity of being a simultaneous outburst involving nearly all of Europe in a very short time and forcing an immediate need for powder production simultaneously by all these countries.

The next war will probably not be a general outburst. The political grouping is very different, and the present mobilization plans suggest a gradual development, one country entering into war after another.

There will be an immediate rush to du Pont by the first countries entering into war but by these countries only. The neutral countries will begin to lay in supplies. However, they will expect to be sold to, and the contracts will be made in Europe. Hence the necessity of having an organization able to sell in the purchasing country and in several countries at once. Otherwise du Pont will be the last to receive orders and only after the European competitors have been filled up. Hence a serious loss of profit.

It appears reasonable to consider that the European military powder field is a territory to be exploited until we have considerably more adverse experience than we have at present.

What are the requirements for the maintenance of our sales in this territory?

1. The I.C.I.-du Pont military sales agreement. This agreement recognizes du Pont's rights to sell within the territory. Without this agreement I.C.I. would undoubtedly contest our rights in this field.

This agreement allowed I.C.I. to profit from our sales experience and our foreign organization in return for not contesting our rights to the European field. The agreement is at present working satisfactorily, as our Paris office sells for I.C.I. probably more than they would sell themselves and I.C.I. is satisfied with its work. A considerable part of the Paris office's time is devoted to I.C.I. work.

On this occasion it is to be noted that I.C.I. in their territory has not made a single sale of any du Pont commodity since making this agreement and have only offered du Pont material in one instance.

Any method of working this territory must be so arranged as to maintain the du Pont rights under this agreement.

2. The maintenance of a good agent in each country. One familiar with our business and interested enough to continually work by good times and by bad times and supported by us so that our customer understands that they cannot go around him, which is necessary in keeping all the different territories active at once. If the agent lets up this pressure, the particular type of exceptional

situation on which our business is based will be lost through oversights, and we are only able to seize these occasions by constant vigilance.

3. An organization capable of selecting agents and keeping them working at all times and not just waiting for what will happen.

4. Sufficient technical oversight by du Pont to follow all the technical and tactical developments in Europe and to keep up to the customer's continually changing requirements and competitive developments.

5. A knowledge of the European credit situation sufficient to insure payment and to profit by the employment of du Pont's superior financial structure over that of our competitors.

6. The actual drawing up of contracts must be done by an authorized Du Pont employee, who knows the policy of the company and who can decide definitely on the spot the various phases of the bargaining that goes on in the making of a European contract.

7. A du Pont employee to handle complaints. If complaints are not handled promptly, the customers immediately drop the seller, so complaints should not be allowed to accumulate. Someone residing in Europe must visit the customers immediately. This need not be a technical man, the principal requirement being tact.

8. du Pont employee capable of handling and following the question of agreement with competitors, permanent or temporary.

Attached is a letter written to the agent by the Paris office in December 1931 and the agent's answers. Note that Birkman took the letter to mean that we contemplated giving up the office.

PRESENT DEVELOPMENTS

So far this report covers the situation of the Paris office, provided all external conditions remain approximately the same.

However, these conditions are changing.

The basis of our continuing in Europe is the I.C.I.-du Pont military sales agreement. This is working out differently from what was expected. As originally planned it was expected to result in a division of sales over the whole territory, but, in fact, it has developed into a division of territory.

The contract left the development of each territory in the hands of the manager of the respective sales offices and in the case of the du Pont office they have kept I.C.I. active in their field but the I.C.I. office has not kept du Pont active in its field. They never offer du Pont products and they never invite the du Pont employees to visit the territory or know the agents.

To all attempts made to change this situation from Paris office, they reply that there is no sale of nitrocellulose powder in that territory and it is the condition of the territory and not any ill will on their part that brings about this condition.

The result at this moment is that the du Pont products are unknown in a large part of Europe and du Pont has no direct contacts in these territories. This is the beginning of an evacuation of the European territory and to go unpressed or to diminish our activities would appear to lead inevitably to the territory falling back into I.C.I.'s hands.

Another matter, which is developing, is the improvement in the manufacture of powder in a number of our customers' countries and the possibility of more competition developing. We already have serious price competition on the part of Bofors and in recent adjudications bids are appearing from Muiden in Holland, Coopal in Belgium, Bombini Parodi in Italy and Zagozdzon in Poland; also the Finnish factory is beginning to offer in the Baltic States.

The developments which are now taking place in Europe are also tending towards regional trading agreements and, if the proposed Danubian Custom Union develops, the Czechoslovakia Explosives Industries, Limited, will undoubtedly claim priority in that territory. In this company I.C.I. are interested to approximately 35%. They also have interests in a Spanish factory, in a factory in Roumania and indirect interest in Italy.

It was largely to protect these interests that they entered into this agreement with us claiming the Baltic and Mediterranean countries for themselves.

Under our present agreement, if any of these factories grow strong enough to handle the export in the other states in the territory, it is possible I.C.I.

will make an arrangement with them and give them the rights in return for other concessions. Hence there is a considerable pressure from all circumstances to push us out of Europe.

Therefore, we may be forced to examine whether or not we should get out or whether or not we should make a struggle to develop the situation to our advantage.

On the other hand du Pont is expanding into South America and Asia and there are other fields of interest such as Central America and Africa and it does not seem quite consistent for us to allow ourselves to be pushed out of Europe, which is a large and potential military market if we desire to extend our export sales.

It would seem that the time was ripe for a discussion with I.C.I. on this agreement, on the basis of the rising competition, to see if a new agreement could be developed either for Europe alone or including the other territories whereby to meet this competition, to find some way of working closer and closer together and forming a strong group which would be able to deal with competitors to a series of temporary arrangements or otherwise and to form an organization sufficiently elastic to meet the constantly changing conditions.

It would appear that either we must face the gradual evacuation of Europe or take steps to consolidate the whole position before competition and new developments overcome us.

We have nothing in the facts before us that would justify us in accepting "death" without a struggle and every reason to think we might successfully work out a more advantageous situation than in the past.

SUGGESTIONS FOR DEVELOPMENT

In view of the probability of a Danubian confederation and in view of I.C.I.'s stock holdings in powder companies in their territory, a reconsideration of our European agreement will shortly be forced upon us.

This will undoubtedly start a reconsideration of all our I.C.I. export military sales agreements.

In such a situation we would desire to hold the directing position. Therefore, we should begin at once to prepare our plans.

Therefore, recommend that during 1932 we develop with I.C.I. a suitable world arrangement.

The following points to be considered:

1. To better utilize the present facilities of the two companies and economize, where possible, the duplication of effort.
2. Keeping both companies in touch with the entire field.
3. To assure that there is no possible market without a constant sales effort.
4. To present a united front to competitors. This should be well under way before competition gets stronger or better organized and should be the obstacle against which our competitors must struggle, rather than letting the competitors be the obstacle against whom we struggle. The competition is the same in all the export markets.
5. To be in a position to restrict the activities of the local factories in which I.C.I. has stock interest to their original national territory or to deal suitably with their expansion in case of new political territorial arrangements.

EXHIBIT No. 467

PO-1058

NOVEMBER 30, 1932.

A. C. MAJOR, Esq.,

*Imperial Chemical Industries, Imperial Chemical House,
Millbank, London S.W. 1.*

DEAR SIR: Regarding the agreement on military materials between Imperial Chemical Industries, Limited, and E. I. du Pont de Nemours & Co., I believe I am right in stating that the memorandum prepared by Mr. White, with some corrections made by Major Casey, and further corrections made by Mr. Major, is considered by both sides to be satisfactory and a sufficient text for the general agreement between the two companies.

I have received, however, a cable from Wilmington with regard to the above, stating that:

"It is important that a war clause be included in the agreement providing for some means of suspending scope of the agreement in any or all territories in the event of the development of hostilities of major proportions."

I, therefore, suggest that an additional clause be added to the White memorandum as follows:

"In case of a war of major proportions, where it is found by one or both parties that the continuance of this agreement is an embarrassment, either politically or commercially, the agreement be suspended during such an emergency by mutual consent."

I understand that the details of how the above agreement is to be put into execution are to be arranged between the foreign dept. of Imperial Chemical Industries and the Paris office of E. I. du Pont de Nemours, and that these details are those mentioned in your memorandum of Sept. 7, under the paragraph entitled "Plan of Execution."

In referring to that document I note that the fact that there should be three sales areas is already covered in the general agreement. It is also mentioned in the document that the du Pont Co. will function in Europe and South America and Imperial Chemical Industries in Asia. Therefore, I propose that the "plan of execution" be covered by a memorandum as follows:

The salesman for Europe will be the manager of the du Pont de Nemours Paris office.

In the execution of his duties he will act in consultation with the manager of the Paris office of Imperial Chemical Industries, who must be kept informed of the activities of this territory in detail and who shall have the duty of coordinating the work of the salesman with the general military explosives and propellant sales policy of Imperial Chemical Industries on the Continent of Europe.

The salesman should, without taking direct part in the sales of military cartridges, report to the manager of the Paris office of Imperial Chemical Industries any information he may obtain along these lines and assist the cartridge salesman in every way in his power.

Imperial Chemical Industries to pay an agreed part (not exceeding half) of the expense of the Paris office, such part not to exceed the sum of £2,500 per annum including traveling expenses, unless with the special consent of Imperial Chemical Industries.

The salesman for South America will be Mr. N. E. Bates, Jr. The du Pont Co. shall pay all expenses covering his work in South America.

The salesman for Asia is to be determined by Imperial Chemical Industries, who will, upon having obtained the necessary information, give the du Pont Co. the name of the salesman and the address where all correspondence should be sent. Imperial Chemical Industries shall pay all expenses covering his work in Asia.

That current questions of cooperation that may arise from day to day shall be settled between the manager of the foreign dept. of Imperial Chemical Industries, at London, and the manager of the Paris office of E. I. du Pont de Nemours who will act as the representative of the military sales dept. of E. I. du Pont de Nemours & Co.

That the question of reports and letters of instructions to the salesman shall be prepared as soon as possible by the manager of the foreign dept. of Imperial Chemical Industries, London, and the manager of the Paris office of E. I. du Pont de Nemours, and when finally determined upon, shall be sent out by each company to their own employees concerned in this matter, setting down in detail their duties and explaining clearly what is expected from them.

Each company will inform their respective interested foreign representative of the changes in the working of the sales arrangements and Imperial Chemical Industries, in the case of South America and Europe, will give the above mentioned joint salesmen, proper credentials to permit them to begin work, and the Du Pont Co. will give the proper credentials to the salesman for Asia.

If the above is agreed upon by you, it appears to me that we can then set to work without any further discussion as to principles.

Very truly yours,

WILLIAM N. TAYLOR.

WNT/MS.

EXHIBIT No. 468

TRANSLATION

(11-11-32)

*135 Nobel Indus.

Ms-80-A

Ms-2-A

135 (Special)

Cipher Word	To Paris Office	Cipher Word	To Paris Office
ADLEJ	No. 838	ALGRE	South America
KOAWJ	Send the following To	MANMU	Stop
ACOCK	Col. W. N. Taylor	ACCERM	We accept
MOOLH	By Telephone	EBYSZ	each other
MANMU	Stop	ELIOW	figures
GCLAW	Replying to your Letter	IWIDR	without question
AHOQV	No. 2511	MANMU	Stop
EWIA	If	IJBM	Payments
ELGYH	50/50	AOFXO	are
AORVA	Arrangement	BEAUF	called
IAZHI	On	BYADI	Commissions
JYWYZ	All Sales	AMCOG	and
DBASY	decided upon	GYRVE	no mention should be made of
EGWAN	For Europe	ISLAI	profits
MUMOT	There is	AIEKV	in agreement
HUWBA	No occasion for	MANMU	Stop
KOYMA	Setting up	ANDOH	Any
BSAYX	A clause providing	BRUWA	Chance
EVIWN	how	KOYMA	setting up
ISLAI	profits	GYVYX	Methods of
AOJMZ	Are To Be	DOOYD	determination
DOQIL	determined	HUZCY	of
MANMU	Stop	BYADI	commissions
EYJJC	In The	EJQUQ	extremely
GYNNA	Meeting	CYWWE	dangerous
ODKUH	With	AXCBE	both of us
YDATG	H. J. Mitchell	MANMU	Stop
FOZIA	It was	AIFSD	This agreement
AHZFC	agreed that	ATXWA	based on
OAKWG	we would	HIEFP	mutual
DYFUS	do as	CENCY	confidence
OAHXK	We had	AMKLU	and should be
IHPIZ	in the past	LIOCS	so
EYHJN	in	JALAO	regarded

* Pencil markings.

EXHIBIT No. 469

135-Nobel (Special)

E. I. DU PONT DE NEMOURS & Co.,
DYESTUFFS DEPARTMENT, SALES DIVISION,
No. SW-MS-35, December 29, 1932.

Private & confidential.

DYESTUFFS DEPARTMENT,

Wilmington, Delaware.

Enclosed herewith please find (1st mail only) original signed copy of a report covering I.C.I.-du Pont cooperation for the sale of military explosives in China. An unsigned copy is also enclosed and another one will follow by second mail. Another signed copy is kept in the Shanghai Military Explosives file.

Very few comments are necessary as I already forwarded you my views on the subject by last mail. You will note in paragraph two that cables on behalf of du Pont will presumably be for our account. I take it that you are agreeable to this.

Please note the fifth paragraph of page one dealing with the arrangements made between I.C.I. and the Jardine Engineering Corporation. You will note that I.C.I. do not propose to change their mode of distribution through Jardine whom they consider entirely satisfactory. You will also note that they desire to exchange the present monthly arrangement for one covering a period of 6 months to 1 year. I do not know how this will appeal to you but I take it that you will have no objection. Regarding the Vickers agency, I.C.I. pointed out to me that they are themselves manufacturers of finished ammunition through the firm of Kynoch. This means that Jardine is in the advantageous position of playing off Kynoch against Vickers but, as mentioned in the report, I.C.I. and Vickers have a close working arrangement so that no difficulties should arise. You will also note that I.C.I. expect Jardine not to get any new competitive agency without the consent of I.C.I. and du Pont. This should automatically avoid any future difficulties.

You will note also paragraph one of page two in which the advantages of operating through Jardine are being stressed. The reason therefor is that I was at first a little bit skeptical about the efficiency of Jardine's which as you know is an old established and very wealthy firm having a large foreign staff. It was my feeling that Jardine's was a rather "expensive" firm which is known through China as the "princely house of Ewo." On the other hand if I.C.I. who have the experience are satisfied that the services of Jardine's are all they should be, I have no objection. Mr. Fowler was particularly insistent that the large foreign staff of Jardine's made it imperative for them to work at top speed in order to cover their overhead and make profits, an argument which appears sound.

You will also note the third paragraph of page two in which the possibility of going to Nanking to introduce the I.C.I. and Jardine people was considered. I discussed the matter with C. Y. Wang who feels that Jardine's ought to have sufficient contacts with Nanking but we finally decided that if I.C.I. feel that such a trip was of interest we shall be very glad to take it.

You will also note that the question of the Jardine Engineering Corporation being guaranteed by Jardine, Matheson & Co. was discussed. This seems to be somewhat far-fetched but after all essentially sound.

After having looked into the report you will doubtlessly communicate with I.C.I.'s headquarters. When you do this please keep in mind that their own copies of the report will take a week or 10 days more to reach London than this letter.

Please let me know if the arrangements made meet with your approval.

SHANGHAI DYESTUFFS OFFICE,

Signed F. A. M. NOELTING,

Director of Sales for China.

FAMN: AL
enclos.

*I.C.I.-du Pont cooperation for sales of military powders and propellants in China
China*

As arranged in London and in accordance with the cable and memorandum sent to Mr. Fowler while in Japan, on arrival in China meetings were immediately held with Dr. F. A. M. Noelting on the 8th December and with Mr. W. H. Way of Jardine Engineering Corporation Ltd. on the 9th December in order to discuss the best methods for cooperation between I.C.I. and Dupont in China for the sales of military powders and propellants. Dr. Noelting had received from his principals prior to the meeting the same memorandum as was sent to Mr. Fowler and was fully conversant with the suggested new arrangements.

The present I.C.I. arrangements in China are that the Jardine Engineering Corporation are the agents and obtain contracts and owing to their exceptional position with regard to contact with the Government authorities, they are remarkably well placed to obtain the business. If enquiries are received by I.C.I. (China) these are passed on to the J.E.C. I.C.I. (China), however, act as "go-betweens" between the J.E.C. and I.C.I. London and the arrangement is that the 7½% commission is divided, 5% to the J.E.C. and 2½% to I.C.I. (China). This commission is reduced in certain circumstances in order to obtain orders where it is necessary to cut the price. Cable charges are all for London's account, and in the following proposals cables on behalf of Duponts would presumably be for the account of Wilmington.

Duponts have no separate organization in China for the sale of explosives, orders having been secured by Dr. Noelting himself and his Chinese manager, Mr. C. Y. Wang. The latter is an American-trained Chinese and though a dyes technologist and salesman without special experience of munitions business, is a capable man who has now acquired considerable knowledge of explosives. Wang also has good contact with Government authorities and owing to Duponts' dyestuffs selling organization in China having been understaffed by Americans, Wang has for some period been placed in a position of considerable responsibility.

It was pointed out to Dr. Noelting that the J.E.C. has given every satisfaction to us here in the handling of the munitions business in the past and further that after discussion with the board of I.C.I. (China) it had been decided that it was desirable to continue with the J.E.C. and that better results would be

thus achieved than if any change took place, such as the munitions business being taken over entirely by I.C.I. (China).

Another point which would render any change from the present methods undesirable is that in the event of the I.C.I. agency being withdrawn from the J.E.C. it is probable they would retaliate by taking the agency for some competitor, such as Bofors, who are the greatest competitors of both I.C.I. and du Pont in China. Bofors have already some time ago made tentative approach to the J.E.C. regarding giving J.E.C. the agency for their products, but without success, as J.E.C. turned down the proposal. In any new arrangement to be made with J.E.C. it would be advisable to give a longer period of agreement than the present monthly arrangement, say for six months or one year, and to make a condition that J.E.C. would not take on any new agency for competitive products without the consent of I.C.I. and Duponts. The reason for saying "new" agency is that J.E.C. hold the agency for Vickers Armstrongs, and though this is not competitive except for cartridges, and I.C.I. and Vickers have close working arrangements, it is possible that a clause to prohibit any competitive agency being handled by J.E.C. might cause difficulties if it were attempted to obtain this.

Bearing in mind all these facts Dr. Noelting was informed that it is the opinion of I.C.I. representatives in China that the most desirable arrangements for the cooperation between I.C.I. and du Pont would be for the J.E.C. to handle the combined sales of I.C.I. and du Pont in China.

Dr. Noelting has not sufficient knowledge of the J.E.C. to be able to form a personal opinion as to whether they are suitably placed to take over the combined sales of the two companies, but in view of the fact that the I.C.I. representatives are of the opinion that no change is desirable and furthermore are more than satisfied with the service being rendered by the J.E.C. Dr. Noelting is prepared to abide by the recommendations of the I.C.I. representatives which are based on past experience, and in all the circumstances Dr. Noelting agreed that the best arrangements for the cooperation between I.C.I. and du Pont in China were for Jardines to take over the agency of du Ponts and for I.C.I. (China) to act for du Ponts as "go-betweens" in a similar way as they are acting now for I.C.I.

This agreement having been reached, discussion took place as to whether various individuals in China could be utilized under the new regime to any advantage. It was agreed that Mr. Montague-Smith of I.C.I. (China) would be best placed to act as salesman for China in accordance with the plan laid down in the minutes of the meeting held in London on September 7, 1932. It might be advisable for Smith to have available expert technical assistance. Dr. Noelting indicated that so long as he remained in China he would always be glad to be called upon in a consultative capacity. Dr. Noelting was asked what his opinion was regarding Mr. de Fremery and whether de Fremery could be of use either in a technical or influential capacity. The opinion of Smith regarding de Fremery's usefulness is not too favourable as he considers that de Fremery has little or no say in the matter as to which firm should or should not get business and is only employed in the capacity of technical advisor to the Nanking Government. Dr. Noelting's opinion was that Mr. de Fremery was a clever technical man and very conscientious worker but he was unable to state whether de Fremery is in a position to influence business. The question of paying a retaining fee to de Fremery with a view to obtaining his assistance in aiding the joint interests of I.C.I. and du Ponts was considered and while it was admitted that it might be advantageous to take this step it was decided to make further enquiries about him before making any definite approach.

The possibility of obtaining useful assistance from the contact already obtained by Wang was considered. It is quite possible that Wang might be able to introduce Jardines and Smith to influential people in Nanking now unknown to them but it was pointed out that as Jardines contact with Nanking is the best possible one, it is more than probable that Wang would not be able to introduce Jardines to any new point of contact. On the other hand, in order to prevent any possibility of Wang prejudicing the interests of I.C.I. and du Ponts owing to objecting to the new arrangement it was agreed that serious consideration should be given to the desirability of Wang accompanying Dr. Noelting, Jardine's representative and Smith to Nanking and explaining the new arrangement to the individuals with whom du Pont has contact in Nanking, namely, that Jardines will in future be handling du Pont's sales and that

du Ponts would be glad if the individuals they know should continue friendly relations with Jardines.

At the meeting with Mr. Way of the J.E.C., the situation was fully explained and Mr. Way was asked whether J.E.C. would willingly handle du Ponts' explosives in addition and on similar lines to I.C.I.'s explosives. Mr. Way replied that his firm would be very glad to accept this proposal.

The question of terms was raised and it was agreed with Mr. Way that it was desirable to leave this question over for the time being, as recommendations would have to be put to London and then forwarded to du Ponts for their consideration. The J.E.C. are a separate concern from Jardine, Matheson & Co. and Mr. Way was asked as to whether Jardine, Matheson would be prepared to guarantee J.E.C. from a financial point of view, and it was ascertained that in all probability such a guarantee could be forthcoming. It is very doubtful if, in the event of J.E.C. failing Jardines would allow anybody to suffer but it is considered that it would be advisable to obtain a guarantee and at this juncture this could probably be done without fear of any offence being caused to J.E.C.

To sum up, the agreed recommendation of the I.C.I. representative and of Dr. Noelting is that du Pont's business in China should be handled by J.E.C. and by I.C.I. (China) in exactly the same way as the present I.C.I. sales in China are being conducted.

(Signed) PERCY FOWLER,
D. M. STEPHENS,
F. A. M. NOELTING,
Shanghai, December 19, 1932.

DMS/EL,

EXHIBIT No. 470

T-2564

* MS-80-A
MS-140

JANUARY 12TH, 1933.

Major K. K. V. CASEY,
E. I. du Pont de Nemours & Co.,
Wilmington, Delaware.

DEAR SIR:

Review of agents' contracts now in force in the territory of the Paris office of Smokeless Powder Dept.

BELGIUM

Mr. Leon d'Haeyère, II rue des Chartreux, Brussels.
du Pont agency contract, dated December 30th, 1932.

Commission: 5% on all orders of not over 300 tons. If there is an order for more than 300 tons, the amount of commission is to be agreed upon at the time of quotation.

Cancellation: Upon six months' notice by the agent. Immediate cancellation by the company. Agent then receives 1½% on all sales during the one succeeding year, not to exceed \$15,000.

I.C.I.: By letter of December 18, 1926, Paris office advised d'Haeyère that the du Pont Co. had become the agent for I.C.I. military powders and explosives in Belgium, and that he, as agent for du Pont, would be called upon to offer I.C.I. products for sale. In 1926 we only had a verbal arrangement with the agent, whereby the question of commissions was to be decided on each specific case. I.C.I. have verbal cognizance of the terms under which we work with d'Haeyère.

By letter dated Jan. 15, 1929, addressed to the Belgian Ministry of War, I.C.I. advised that du Pont are their authorized sales agent in Belgium for propellant powders TNT, and NC, and that consequently du Pont, through their representative, Mr. Leon d'Haeyère, are fully authorized to conduct negotiations on behalf of I.C.I.

* Pencil markings.

ESTONIA

Mr. G. Burvikov, Valdemara 1 ela 33, RIGA, Latvia.

du Pont agency contract dated July 8th, 1929.

Commission: 5% on first \$500,000, 2% on next \$1,000,000, 1% on next \$1,500,000; provided, however, that in the event that the total amount of commissions payable in any one year shall exceed the sum of \$50,000, a special agreement as to the percentages during the year shall be made.

By addendum, dated July 8, 1929, to agency agreement, we agreed to pay the agent a commission of 7% instead of 5% on the first \$500,000 of any one contract or order during 2 years from date of agent's acceptance of terms of agency agreement.

Cancellation: This agreement to go into effect immediately on receipt of agent's written acceptance of the terms and conditions, and shall continue in force until terminated by six months' written notice from either party to the other.

I.C.I.: *du Pont contract* of July 8, 1928, states: "Whereas we have the exclusive sales rights in Estonia for the military propellants and explosives manufactured by I.C.I., it is agreed that this agreement shall cover sales in Estonia of such products manufactured by I.C.I. under the same conditions as above set forth so long as we shall continue to have exclusive sales rights in Estonia for the above-mentioned products manufactured by I.C.I. We agree to notify you immediately upon the occurrence of any change in the agreement between I.C.I. and us as aforesaid.

I.C.I. were given a copy of this contract and by letter of Sept. 23rd, 1929, acknowledged receipt and declared themselves cognizant of the terms.

HOLLAND & ITS COLONIES

Mr. P. F. T. Van Veen, 72 Zeestraat, The Hague, Holland.

du Pont agency contract: Mr. Van Veen was appointed agent for both firms by letter dated July 20, 1927. Contract formerly with the company "Overzee Handelsmaatsappij" for which Van Veen was director. Overzee was liquidated in 1927, and by letter of July 20, 1927, we agreed to continue with Van Veen as agent for Du Pont and Nobel; no conditions mentioned.

Commission: We have agreed to give 7% commission on all orders when prices permit.

Cancellation: Letter of July 20, 1927, makes no mention of cancellation.

I.C.I.: The letter of July 20th, 1927, and verbal arrangement include military powders and explosives manufactured by I.C.I. Reported to I.C.I. by letter of July 20, 1927. I.C.I. acknowledged by letter of July 22nd, 1927.

LATVIA

Mr. P. Birkman, Maskavas ieln 64, Riga, Latvia.

du Pont Agency Contract. March 16th, 1925.

Commission: 5% on each contract or order unless otherwise agreed in specific cases, provided that in case the total amount of commissions in any one year would exceed \$50,000, a new agreement must be made.

Cancellation: Either party of this agreement may terminate this agreement after the expiration of six months from the date when he shall have given notice by registered letter of such intention to the other party.

I.C.I.: Letter of Nov. 18, 1926, from du Pont to Birkman, states: "You, as du Pont agent, are hereby authorized to offer military propellants and explosives manufactured by Nobel Industries, Ltd." Letter of Nov. 19, 1926, states: "Your commission will be the same as for us." Reported to I.C.I. by letter of Nov. 19th, 1926; acknowledged by I.C.I. by letter dated Nov. 22nd, 1926.

LITHUANIA

Capt. Martinkus, % Graham AutomobiliuAtstovybe, Duonelaicio 42, Pasto dezate No. 305, Kaunas, Lithuania.

du Pont Agency Contract: Letter dated May 13th, 1932.

Commission: 2½% on sale of one order only which was being negotiated at that time, but did not develop.

Cancellation: Letter of May 13th, 1932, makes no mention of cancellation. Appointment on trial.

I.C.I.: This arrangement agreed to verbally by I.C.I. Trial Agency granted for both du Pont and I.C.I. Reported to Mr. L. W. B. Smith by letter of May 14th 1932.

POLAND

Mr. Stefan Klawe, 10 Plac. Sw. Aleksandra, Warsaw.

du Pont Agency Contract. Nov. 7th, 1922.

Commission: Contract of Nov. 7th, 1922: 5% on first \$50,000, 2% on next \$100,000, 1½% on next \$100,000. It was later agreed to pay 7% commission.

Cancellation: This contract to be subject to six months' notice of discontinuance by either party.

I.C.C.: Letter of Nov. 4, 1926, from du Pont to Klawe, states: "It has been decided that you will take over the joint agency in Poland." Letter of Nov. 10th 1926, from du Pont to Klawe, states: "Enclosed please find copy of a letter written by Nobel Industries Ltd. to me wherein I, as du Pont's representative am authorized to sell Nobel's military propellants and explosives to the Government of Poland, therefore, you, as representative of du Pont, are authorized to conduct negotiations in Poland on behalf of Nobel." Agency confirmed to Klawe by I.C.I. by letter Nov. 18th 1932.

SWEDEN

Col. HJ. Schmidt, Engelbrektskatan 35 B. Stockholm.

du Pont Agency Contract dated September 29th, 1924.

Commission: Unless otherwise agreed in specific cases: 5% on first \$50,000, 2% on next \$100,000, 1½% on all amounts after the first \$150,000, provided, that in case the total amount of commissions in any one year would exceed \$50,000, a new agreement must be made.

Cancellation: Either party may terminate this agreement after the expiration of six months from the date when he shall have given notice in writing of such intention to the other party.

I.C.I.: Letter from du Pont to Schmidt of Nov. 1926, advises Schmidt that he as agent for du Pont is authorized agent in Sweden for Nobel Industries, propellant powders, T.N.T., and nitrocotton. Situation reported to I.C.I. Oct. 21st, 1926; acknowledged Nov. 19th, 1926.

DENMARK & NORWAY

Col. HJ. Schmidt, Engelbrektagatan 35B, Stockholm.

du Pont Agency Contract: Col. Schmidt was appointed du Pont agent by letter dated March 25, 1926.

Commission: "We will pay you a commission on all business in these countries received through you or by your help."

Cancellation: "We must reserve the right to deal directly, and to later establish an agent of the nationality of the country if the circumstances require it. We will notify you before making any permanent agency agreement."

I.C.I. Denmark: Letter of Dec. 11th, 1928, from du Pont to Schmidt, enclosing letter from I.C.I. dated Dec. 7th, 1928, addressed to Schmidt, certifying that he is their authorized agent and fully accredited to conduct negotiations on their behalf for propellant powders, T.N.T., and N.C. Situation reported to I.C.I. Dec. 5th, 1928; acknowledged Dec. 7th, 1928.

I.C.I. Norway: I.C.I. have no agency, and have agreed not to sell military products in Norway.

Of the above contracts, all of them seem to me to properly protect the du Pont Company against excessive commission claims in case of war or extremely large orders, except those of Holland and Poland, where we have verbal arrangements which have no proper limitation.

All of them have six months' cancellation clause, except Belgium. However, commissions are limited so that undue commitment cannot arise in the case of Sweden, Norway, Denmark, Estonia, and Latvia. The Lithuanian agency is a temporary one, carrying commitment on one sale only, which did not mature. Lithuania is now open for further consideration.

I am now negotiating new contracts for du Pont with our agents for Holland and Poland, and propose to leave the other contracts as they are.

In every case we have informed the agents, either by writing or verbally, that they will act for I.C.I. under the same conditions as they are now acting

for du Pont. In every case I.C.I. have full cognizance of this fact and of the conditions under which we are working, and have confirmed the fact to each agent that they will act as I.C.I.'s agents.

However, there are no formal contracts covering the conditions of agency passed between I.C.I. and the agents.

The agents all take it as implied that I.C.I. accept the same conditions of agency as those of du Pont, and I.C.I.'s correspondence all tends to confirm this belief.

I propose to go over each of the contracts with I.C.I. and get the matter clear.

Very truly yours,

WILLIAM N. TAYLOR.

WNT/MS.

EXHIBIT No. 471

COPY

(285 Madison Avenue, New York)

IMPERIAL CHEMICAL HOUSE,

Millbank, Westminster, S.W. 1, 4th July 1933.

DEAR MR. WHITE: Mr. Haley, of I.C.I., China, had a talk with me today with reference to the difficulty that the Jardine Engineering Corporation have met in working the new military agreement. They say that it is really a most difficult thing to go to the buyers and suggest that it is a matter of indifference to them whether our manufacturer or du Pont's is ordered. They indicate that good salesmanship consists in definitely offering one thing or another. This does not mean that where the buyer has a preference it would not be met, but assuming he has no particular preference they do want to mention the one or the other. My suggestion is that as regards Cordite they can quite definitely mention us. In T.N.T. I think a similar policy should apply. As regards nitrocellulose powder, however, I suppose du Pont should be mentioned, but always assuming that they are willing to meet the competitive prices. At present du Pont do not do so and there has been no change intimated to us in the position. Supposing, however, they were willing to meet the competitive prices then to give us a little nitrocellulose business how would it do to say that if tubular is wanted then it must be du Pont's, if flake, it must be us, but that for small orders tubular in our manufacture could also be offered. The matter of small orders being offered in our manufacture might be explained on the basis that du Pont's capacity is equal to bigger demands and quicker delivery of bigger quantities. I think you will appreciate the difficulty and before we write to China we would be glad to have the frank views of our friends. We must take the difficulties of China in working the agreement seriously into consideration.

Yours very truly,

(sgd.) J. LAING.

P.S. This matter is urgent.

G. W. WHITE, *Esq.*,
New York.

EXHIBIT No. 472

[C/C via air mail]

D-17

135-Nobel (Special)
MS-176-A
151-Rem. Arms Co.

Mr. N. E. BATES, JR.,
% *American Consulado, Lima, Peru.*

(B-47)

SEPTEMBER 25, 1933.

DEAR NICK: In reply to your letter of September 11th on the subject of the du Pont-I.C.I. agreement and the possible effect of our acquisition of Remington.

Our agreement with I.C.I. is limited to military propellants and explosives; any other products made by either company are entirely outside the scope of

our agreement. The first paragraph of the I.C.I. agency agreement is possible of misinterpretation, but until such time as there is evidence that products other than those first contemplated are being included we have very little to argue about with I.C.I.

I do not believe there will be any arrangement between Remington and I.C.I. similar to the one we have on military, and therefore you can assume that Remington and Kynoch will each go their own way. I do not believe there need be any violation of the spirit of the instructions referred to on the second page of your letter. For instance, it will be perfectly in order for I.C.I. or du Pont to request information regarding possible agents for either Kynoch or Remington, and likewise there would be no harm in your recommending the products of either Kynoch or Remington or both to an agent prospect.

I believe you can avoid any difficulty by insisting that once the agent has been appointed that he then communicate with Kynoch or Remington for any information he desires. While at the same time there is no reason why you should not assist the agent in establishing the proper connection.

As I see it, Nick, it is simply a question of our depending on your usual tact to handle the delicate situation without any difficulty.

I do not believe it advisable at this time for us to include in our agency proposition a statement similar to that in the first paragraph of I.C.I.'s, because we would only be developing trouble for other departments of the company who may and usually do have other agents than those we use, and I think we will be on safer ground if we simply interpret the first paragraph to mean that any other products which from time to time would be agreed upon would only refer to military products connected with propellants and explosives.

Sincerely,

KKVC:MH

K. K. V. CASEY, *Director.*

EXHIBIT No. 473

Nobel Industries, Ltd., license agreement covering patented inventions and secret inventions between E. I. du Pont de Nemours and Company, party of the first part, and Nobel Industries, Limited, party of the second part. Dated, January 1, 1928, extended to July 1, 1939

This agreement, made in the city of London, England, as of the 1st day of January, A.D. 1926, between

E. I. du Pont de Nemours and Company, a corporation organized and existing under the laws of the State of Delaware, United States of America, hereinafter called "the du Pont Company", party of the first part, and

Nobel Industries, Limited, a corporation organized and existing under the laws of Great Britain, hereinafter called "Nobel Industries", party of the second part,

WITNESSETH,

Whereas upon the terms and subject to the limitations hereinafter set forth, the party of the first part and the party of the second part desire to obtain, each from the other, licenses, as hereinafter provided, relating to inventions, improvements, and secrets in respect of processes, machinery, formulae, and compounds possessed or acquired by the other party, for the manufacture, production, transportation, handling, selling, or use of one or more of the following products, viz: Black powder in all varieties; smokeless propellants for sporting purposes; disruptive explosives of all kinds for industrial purposes; detonators; electric detonators; safety fuses; powder fuses; detonating fuses; electric igniters, and generally all devices for initial detonation or ignition; the components which form the ignition and propellant charges of sporting ammunition; and the ingredient and component parts of the above insofar as they are applicable to explosives; and

Whereas the products referred to in the foregoing recital are hereinafter called, collectively, "explosives", and an invention or improvement aforesaid, for which letters patent shall be obtained, is hereinafter called "patented invention", and a patented invention contained in an explosive is hereinafter called "patented explosive invention", and a patented invention for the manufacture, production, transport, handling, selling or use of an explosive is hereinafter called "patented producing invention", and a secret invention in respect of a process, machine, formula, or compound aforesaid is hereinafter called "secret invention", and a secret invention contained in an explosive is hereinafter

called "secret explosive invention", and a secret invention for the manufacture, production, transport, handling, selling, or use of an explosive is hereinafter called "secret producing invention"; and

Whereas each of the parties hereto desire an option to acquire licenses in respect of the other party's patented inventions and secret inventions, upon the terms and subject to the conditions hereinafter set forth;

Now, therefore, in consideration of the mutual agreements herein contained, and of the sum of one pound sterling and other good and valuable consideration, paid by each of the parties hereto to the other, the receipt whereof is hereby acknowledged, the parties hereto have agreed and hereby do agree as follows:

I. Each party agrees to and until the 31st day of December, A.D., 1935, upon making or obtaining any patented invention or discovering or acquiring any secret invention, to disclose in writing to the other party immediately, or in any event within six months thereafter, full particulars in respect thereof, and thereafter to furnish to the other party, whenever and so often as the other party shall request, copies of all claims, specifications, applications, and patents in respect of any such patented invention, and copies of all writings setting forth any such secret invention and such further information as the other party shall request in respect of any such patented invention or secret invention.

II. Each party shall forthwith appoint one or more competent, trustworthy and experienced persons in its employ for the purpose of receiving such particulars and information from the other party. Whenever and so often as the other party shall request and at the expense of such other party, each party shall supply experienced chemists, engineers, foremen, and other experts to assist such other party in investigating, testing, applying or using any patented or secret invention disclosed as aforesaid.

III. Whenever the du Pont Company shall have disclosed a patented or secret invention to Nobel Industries, as aforesaid, the du Pont Company thereupon shall serve upon Nobel Industries a notice in writing setting forth the terms and conditions upon which Nobel Industries may obtain the following licenses, to wit:

(1) The sole and exclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented explosive invention, to make, use and employ within the countries of Europe (including Great Britain and Ireland), Asia, Africa, and Australasia, and the islands thereto pertaining, for which such letters patent shall be granted or extended, excepting however the Republic of Germany, Holland, Poland, Austria, Denmark, Bulgaria, and the present and future territories, possessions, colonies and dependencies of the United States of America, any such patented explosive invention for explosives, and to sell within said countries, excepting as aforesaid, any and all explosives containing such invention.

(2) A nonexclusive license, to the end of the term for which letters patent shall be granted or extended in respect of any such patented explosive invention, to make, use and employ within the countries of North and South America, and the islands thereto pertaining, for which such letters patent shall be granted or extended, excepting however the United States of America and its present and future territories, possessions, colonies and dependencies, and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, and Panama, and the Dominion of Canada and Newfoundland, any such patented explosive invention for explosives, and to sell within said countries of North and South America, and the islands thereto pertaining, excepting as aforesaid, any and all explosives containing such invention.

(3) The sole and exclusive license to make, use, and employ, within all the countries of Europe (including Great Britain and Ireland), Asia, Africa, and Australasia, and the islands thereto pertaining, excepting however the Republic of Germany, Holland, Poland, Austria, Denmark, Bulgaria, and the present and future territories, possessions, colonies and dependencies of the United States of America, any such secret explosive invention for explosives, and to sell within said countries, excepting as aforesaid, any and all explosives containing such invention.

(4) A nonexclusive license to make, use, and employ, within all the countries of North and South America, and the islands thereto pertaining, excepting however the United States of America and its present and future territories, possessions, colonies and dependencies, and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, Panama, and the Dominion of Canada and Newfoundland, any such secret explosive invention for explosives, and to sell

within all the countries of North and South America, and the islands thereto pertaining, excepting as aforesaid, any and all explosives containing such invention.

(5) The sole and exclusive license, to the end of the term for which such letters patent shall be granted or extended, in respect of any such patented producing invention, to make, use, and employ within the countries of Europe (including Great Britain and Ireland), Asia, Africa, and Australasia, and the islands thereto pertaining, for which letters patent shall be granted or extended, excepting however the Republic of Germany, Holland, Poland, Austria, Denmark, Bulgaria, and the present and future territories, possessions, colonies and dependencies of the United States of America, any such patented producing invention, to the extent and amount specified in such notice.

(6) A nonexclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented producing invention, to make, use, and employ within the countries of North and South America, and the islands thereto pertaining, for which such letters patent shall be granted or extended, excepting however the United States of America and its present and future territories, possessions, colonies, and dependencies, and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, Panama, and the Dominion of Canada and Newfoundland, any such patented producing invention for explosives, to the extent and amount specified in such notice.

(7) The sole and exclusive license to make, use, and employ within all the countries of Europe (including Great Britain and Ireland), Asia, Africa, and Australasia, and the islands thereto pertaining, excepting however the Republic of Germany, Holland, Poland, Austria, Denmark, Bulgaria, and the present and future territories, possessions, colonies, and dependencies of the United States of America, any such secret producing invention, to the extent and amount specified in such notice.

(8) A nonexclusive license to make, use, and employ within all the countries of North and South America, and the islands thereto pertaining, excepting however, the United States of America and its present and future territories, possessions, colonies, and dependencies, and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, Panama, and the Dominion of Canada and Newfoundland, any such secret producing invention for explosives, to the extent and amount specified in such notice.

IV. Whenever Nobel Industries shall have disclosed a patented or secret invention to the du Pont Company, as aforesaid, Nobel Industries thereupon shall serve upon the du Pont Company a notice in writing setting forth the terms and conditions upon which the du Pont Company may obtain the following licenses, to wit:

(1) The sole and exclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented explosive invention, to make, use and employ, within the countries for which such letters patent shall be granted or extended, by the United States of America, or the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica or Panama, any such patented explosive invention for explosives, and to sell within said countries any and all explosives containing such inventions.

(2) A nonexclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented explosive invention, to make, use and employ within the countries of North and South America, and the islands thereto pertaining, for which such letters patent shall be granted or extended, excepting, however, the Dominion of Canada and Newfoundland and the countries enumerated in the last preceding paragraph numbered (1) herein, any such patented explosive invention for explosives, and to sell within said countries of North and South America, and the Islands thereto pertaining, excepting as aforesaid, any and all explosives containing such invention.

(3) The sole and exclusive license to make, use, and employ within the United States of America and its present and future territories, possessions, colonies and dependencies, and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica and Panama, any such secret explosive invention for explosives, and to sell within said countries any and all explosives containing such invention.

(4) A nonexclusive license to make, use, and employ within all the countries of North and South America and the islands thereto pertaining, excepting, however, the Dominion of Canada and Newfoundland and the countries enumerated in the last preceding paragraph numbered (3) herein, any such secret

explosive invention for explosives, and to sell within all the countries of North and South America and the islands thereto pertaining, excepting as aforesaid, any and all explosives containing such invention.

(5) The sole and exclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented producing invention, to make, use, and employ within the countries for which such letters patent shall be granted or extended, by the United States of America, or the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rico, or Panama, any such patented-producing invention, to the extent and amount specified in such notice.

(6) A nonexclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented producing invention, to make, use, and employ within the countries of North and South America, and the islands thereto pertaining, for which such letters patent shall be granted or extended, excepting, however, the Dominion of Canada and Newfoundland and the countries enumerated in the last preceding paragraph numbered (5) herein, any such patented producing invention for explosives, to the extent and amount specified in such notice.

(7) The sole and exclusive license to make, use, and employ within the United States of America and its present and future territories, possessions, colonies, and dependencies, and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, and Panama, any such secret producing invention, to the extent and amount specified in such notice.

(8) A nonexclusive license to make, use, and employ within all the countries of North and South America and the islands thereto pertaining, excepting, however, the Dominion of Canada and Newfoundland and the countries enumerated in the last preceding paragraph numbered (7) herein, any such secret producing invention for explosives, to the extent and amount specified in such notice.

V. Each of the parties to whom any license shall have been granted as herein provided may grant, within the limitations of such license, sublicenses in respect thereof to any or all of its respective subsidiary companies; but every such sublicense shall be subject to all the terms and conditions contained in the grants of the license so sublicensed and shall also contain terms, conditions, and obligations requiring such sublicensee to do such acts as may be necessary or proper to enable the party granting such sublicense to observe all the terms and conditions and to perform all the obligations on its part contained in the grant of the license so sublicensed. No such sublicense in respect of any such license shall be granted by any sublicensee, nor by any of the parties hereto, except as hereinbefore provided, without the consent in writing first obtained from the party that shall have granted the license so sublicensed.

VI. In said notices served as aforesaid, the party disclosing such patented or secret invention shall request the other party to elect, within a period expiring twelve months after service of such notice, whether such other party accepts such licenses or any of them upon the terms and conditions set forth in said notice, and the other party shall elect within said period whether it accepts such licenses or any of them. The election to take any such license shall consist in serving, upon the party disclosing such patented or secret invention, within the period mentioned in said notice, either (1) an acceptance in writing of any such license upon the terms and conditions set forth in said notice or (2) an acceptance in writing of any such license upon such other terms and conditions as the parties, within three months thereafter may agree upon; but if the parties shall fail so to agree within the said period of three months such license shall be deemed not to have been accepted.

VII. Each of the parties hereto agrees that if, at any time during the continuance of this agreement, it shall obtain or acquire a right in or license under any patented or secret invention, which right or license is so limited that it can make no grant or license to the other party upon the terms and conditions herein set forth, it shall use its best efforts to assist such other party to obtain or acquire a right in or under such invention upon the terms and conditions herein set forth; but neither party shall be under any obligation to purchase or pay for any right or license for the benefit of the other.

VIII. Each of the parties hereto agrees not to make or consent to any disclosure or to do or consent to any other act that shall impair or depreciate the value of any sole and exclusive license granted by it in pursuance of this agreement, or that shall impair or depreciate the value of the right, title, and interest in any patented or secret invention not granted to it by the other party, and to take all reasonable care to prevent any such disclosure or act.

IX. Each of the parties hereto agrees, whenever and so often as requested by the other party, to execute and deliver all such other instruments in writing as may be necessary or proper for the purpose of further assuring and confirming the grant of any license that shall have been granted as herein provided, or for the purpose of enabling such grants to be filed or recorded in any public office.

X. Each of the parties hereto agrees, whenever and so often as requested by the other party, but at the expense of such other party, to assist in defending any letters patent under which any licenses shall have been granted as herein provided, and for that purpose to furnish to such other party such information and evidence as it can.

XI. If any difference or dispute shall arise between the parties hereto in respect of this agreement or any matter or thing relating thereto, excepting any term or condition set forth in any notice served as provided in the preceding paragraphs numbered III and IV herein, the name shall be referred to the chairman of the board, for the time being, of the E. I. du Pont de Nemours & Co., or his nominee, and the chairman of the board, for the time being, of Nobel Industries, or his nominee, who shall arbitrate the same and whose award shall be final. If, however, the said arbitrators shall fail to agree they shall appoint an umpire whose award shall be final, which umpire, if the question or matter to be decided relates to a patented or secret invention of Nobel Industries shall be an American, and if the question or matter to be decided relates to a patented or secret invention of the Du Pont Company, shall be an European. If said chairman fail to agree as to the appointment of such umpire, then such umpire, if required, as hereinbefore provided to be an European, shall be appointed by the president for the time being, of the Incorporated Law Society of England, or if required as hereinbefore provided to be an American, shall be appointed by the president, for the time being, of the Association of the Bar of the City of New York. The umpire, if not appointed by the chairman of the respective companies, or their nominees, shall be a person having no direct or indirect financial interest in the explosive industry.

XII. The benefits and obligations of this agreement shall inure to and be binding upon the parties hereto, and their respective legal representatives and successors, but shall not be assignable by either party without the consent in writing first obtained from the other party;

Provided that this agreement shall apply equally to similar licenses relating to inventions, improvements, and secrets of which the respective parties have indirect ownership by reason of their direct or indirect control and ownership of other subsidiary companies by majority shareholding or otherwise.

XIII. It is agreed that patented and secret inventions owned or controlled by said parties respectively relating to products, their manufacture, and sale, other than explosives, shall become subject to this agreement if and when said parties so elect, and to this end either party may from time to time furnish to the other a schedule of products, other than explosives, manufactured by it with an offer that said products be brought under the scope of this agreement. If the party receiving such offer consents that the products named in said schedule shall be brought under the scope of this agreement, it shall endorse its consent on said schedule, and the offer, schedule, and consent shall be attached to and become a part of this agreement; provided, however, that the territorial limitations provided in this agreement with respect to inventions relating to explosives shall not apply to inventions relating to products other than explosives. Territorial limitations, if any, applying to inventions relating to products other than explosives shall be determined by the parties at the time of the granting of licenses and shall be set forth therein.

It is the intent of this article that in respect to products other than explosives the parties hereto shall be entirely free to weigh all economic or other factors pertaining to the particular consideration, and to reach conclusions solely upon the merits of the particular presentation, without prejudice to this agreement in respect to explosives and without influence thereby.

XIV. That the agreement between the parties hereto, made in the city of London, England, as of the 1st day of January 1920 and terminating December 31, 1929, providing for the exchange of patented and secret inventions therein mentioned, be, and the same hereby is, in all respects cancelled and annulled.

In witness whereof, E. I. du Pont de Nemours and Company has caused its corporate seal to be hereunto affixed and this agreement to be signed in its

corporate name by its president and secretary, and Nobel Industries, Limited, has caused its common seal to be hereunto affixed in the presence of and this agreement to be signed by one of its directors and its secretary at the city of London, England, as of the day and year first above written.

E. I. DU PONT DE NEMOURS AND COMPANY,
By IRENEE DU PONT, *President*,
NOBEL INDUSTRIES, LIMITED,
By H. MCGOWAN, *Director*.

Attest:
C. COPELAND, *Secretary*.

Attest:
W. H. COATES, *Secretary*.

O.K. from J.P.L.
HMH

EXHIBIT 474

Articles of agreement made as of the 1st day of July 1929, between Imperial Chemical Industries, Limited, a corporation organized under the laws of Great Britain (hereinafter called "I.C.I."), party of the first part, and E. I. du Pont de Nemours & Company, a corporation organized under the laws of Delaware, United States of America (hereinafter called "du Pont"), party of the second part.

WITNESSETH,

Whereas both I.C.I. and du Pont are engaged in the development, manufacture, and sale of a broad line of chemicals and chemical products, both in their respective home countries and in other countries, and maintain research and development organizations for the purpose of expanding their present activities as well as developing new industries; and

Whereas each of the parties hereto desires the right to acquire licenses in respect of the patented and secret inventions of the other party, upon and subject to the conditions hereinafter set forth;

Now, therefore, in consideration of the premises and of the covenants herein contained, the parties have agreed as follows:

1. *Exchange of information.*—(a) Each of the parties shall disclose to the other as soon as practicable, or in any event within nine months from the date of this agreement, or from the date of filing application for letters patent covering patented inventions, or from the time any secret invention becomes commercially established, information in respect of all patented or secret inventions now or hereafter during the life of this agreement owned or controlled by it, relating to the products hereinafter specified, sufficient to enable the other party to determine whether it desires to negotiate for licenses covering any or all of such inventions.

(b) Each of the parties agrees, whenever and so often as requested by the other, to furnish copies of all claims, specifications, applications and patents in respect of any such patented invention, and copies of all writings setting forth any such secret invention, and such further information as the other party shall request in respect of inventions relating to the products specified herein.

(c) Each of the parties shall forthwith appoint one or more competent, trustworthy, and experienced persons in its employ for the purpose of receiving from the other party the information required to be disclosed under the foregoing provisions, and shall notify the other party of such appointment. Whenever and so often as the other party shall request, and at the expense of such other party, each party shall supply experienced chemists, engineers, foremen, and other experts to assist such other party in investigating or testing any invention disclosed as aforesaid, or in applying or using any invention covering which license may have been granted to it hereunder; provided, however, that the party called upon for such technical assistance may arrange to furnish same at such time and in such manner as will not materially impede or interfere with its own activities and operations.

(d) An invention shall be deemed to be controlled, within the meaning of this agreement, whenever either party shall be able to grant to the other a license covering such invention within any territory or territories in which the other party may be entitled to demand exclusive or nonexclusive licenses under the terms hereof.

(e) Governmental objection or prohibition shall be a valid plea on the part of either of the parties to decline to reveal or to convey any rights under an invention which, but for such objection or prohibition, would come within the operation of this agreement.

II. Rights to acquire licenses.—(a) I.C.I. shall, upon request, grant to du Pont the sole and exclusive license to make, use, and employ, within the countries of North America and Central America, exclusive of Canada, Newfoundland, and British possessions, but otherwise inclusive of the West Indies, and within all present and future colonies and possessions of the United States of America, any and all patented and secret inventions now or hereafter, during the life of this agreement, owned or controlled by I.C.I., relating to the products hereinafter specified, and to sell within said territories any and all of said products containing such inventions. (As referred to above, Central America shall be deemed to comprise the region between North and South America, extending from about north latitude 7° to N. latitude 18° ; that is, from Colombia to Mexico, between the Caribbean Sea and the Pacific Ocean; and the West Indies shall be deemed to comprise those group of islands lying off the south-east coast of North America and extending from near the coast of Venezuela northward to the latitude of North Carolina.)

(b) du Pont shall, upon request, grant to I.C.I. the sole and exclusive license to make, use, and employ, within the countries of the British Empire, inclusive of Egypt, but exclusive of Canada and Newfoundland, any and all patented and secret inventions, now or hereafter, during the life of this agreement, owned or controlled by du Pont, relating to the products hereinafter specified, and to sell within said territories any and all of said products containing such inventions.

(c) Each of the parties shall, upon request, grant to the other a non-exclusive license to make, use, and employ, within any and all countries, other than Canada and Newfoundland, not within the exclusive territories specified above, any and all patented or secret inventions, now or hereafter, during the life of this agreement owned or controlled by the licensor, relating to such of the products hereinafter specified as are now manufactured by both parties, and to sell within said territories any and all of said products containing such inventions.

(d) Countries and territories not within the exclusive license territory of either party as defined above, but which may now or hereafter be administered under mandate by the British Empire or by the United States of America, or which may become a part of either sovereignty by proper authority, shall be considered as part of the British Empire or of the United States, respectively, so long as so administered; but whenever the respective sovereign power no longer exercises full political control over or administers any such country or territory, it shall be considered as nonexclusive territory under subparagraph (c) above.

(e) It is recognized that each of the parties may have established an internal trade in or export trade to a country or countries within the territory which under this agreement is designated as the exclusive license territory of the other party, and that in any such instance the other party as licensee may not be in a position to utilize the license or licenses granted to it with respect to such country or countries for the time being. It is, therefore, understood and agreed that in granting exclusive license or licenses covering any territory in which the licensor may have an established business, either in internal or export, the licensor may, nevertheless, continue and fully enjoy the benefits of its operations therein until given reasonable notice by the licensee that the latter is in a position to utilize adequately its license in such territory.

(f) Licenses granted as aforesaid under any patented invention shall remain in effect to the end of the term for which such letters patent shall be granted or extended in the countries covered thereby, and licenses granted as aforesaid under any secret invention shall remain in effect so long as such invention shall remain secret, or, in event letters patent are subsequently obtained covering such invention, to the end of the term for which such letters patent shall be granted or extended in the countries covered thereby.

(g) Licenses granted as aforesaid shall be subject to adequate and justifiable compensation to be agreed upon by separate negotiations, but it is understood that such compensation will be determined under broad principles giving recognition to the mutual benefits secured or to be secured hereunder, without requiring detailed accounting or an involved system of compensation.

III. Products.—The exchange of information provided in section I, and the rights to acquire licenses granted in section II, shall apply to all inventions relating to the following products and industries, subject to the exceptions set forth below:

(a) Explosives, other than military powders.

(b) Compounds of cellulose and its derivatives, including nitrocellulose compounds such as plastics and film, but excluding rayon, cellophane, explosives, and products covered under subparagraph (c) below; provided, however, that the activities of Societa Italia Celluloide and Societa Anomina Mazzucchelli (in which du Pont has substantial stock interests) in this industry within the exclusive license territory of I.C.I. will continue until such time as may be mutually agreed upon between the parties hereto.

(c) Coated textile products, including components of those covered under subparagraph (b) hereof; provided, however, that with respect to inventions relating to such products the countries of Germany, Italy, and France, including colonies and possessions thereof, shall be considered as the exclusive license territory of du Pont, subject to application of subparagraph (e) of section II to the present activities of I.C.I. in said territories.

(d) Paints, varnishes, and lacquers, including the cellulose finishes known as "Duco" and "Beleo", and similar chemical finishes, and inclusive of synthetic resins and colloiding agents for use in paints, varnishes, and lacquers, and plastics derived from cellulose; provided, however, that with respect to inventions relating to such products the countries of German, Italy, and France, including colonies and possessions thereof, shall be considered as the exclusive license territory of du Pont, subject to application of subparagraph (e) of section II to the present activities of I.C.I. in said territories.

(e) Pigments, lakes, and colors.

(f) Acids, both organic and inorganic, for both the heavy chemical industry and special industries.

(g) Chemicals of the general heavy chemical industry, excluding products of the general alkali industry.

(h) Dyestuffs, their intermediates, and other organic chemicals, including rubber chemicals; provided, however, that—

(1) While it is recognized that India, as coming within the British Empire, is the exclusive license territory of I.C.I., nevertheless, as an exception, it is agreed that, owing to the exceptional conditions obtaining in and the circumstances appertaining to that market, the dyestuffs activities of du Pont in India may continue until such time as may be mutually agreed upon by the presidents of the two companies, and that in determining the amount of compensation to be paid by I.C.I. under such licenses due consideration shall be given to the extent of du Pont's activities which are thereby terminated in such territory;

(2) The provisions of this agreement shall not apply to tetra-ethyl lead, but licenses with respect to said product may be the subject of separate negotiation;

(3) While inventions relating to dyestuffs and their intermediates are included in this agreement and subject to the provisions hereof, it is mutually agreed that, due to the exceptional conditions of said industry and the tentative negotiations during recent years with I. G. Farbenindustrie A. G., either party shall be free at any time to enter into separate agreement or arrangement with the latter company covering said industry. Upon the execution of such agreement or the entering into of such arrangement this agreement insofar as it relates to the dyestuffs industry shall cease and terminate; provided that all licenses theretofore granted under the terms of this agreement shall continue during the period for which granted, but all exclusive licenses so granted by each shall automatically become nonexclusive. Each of the parties agrees, however, that in negotiating or upon entering into such an agreement or arrangement with said I. G. Farbenindustrie A. G., it shall use its best efforts to extend same to include the other party hereto.

(4) While inventions relating to dyestuffs and their intermediates are included in this agreement and subject to the provisions hereof, it is recognized that existing agreements and arrangements with other parties may prevent a full and mutual exchange of information and licenses relating to particular products of this industry; and it is therefore agreed that neither party shall be obliged to disclose information or to grant licenses under inventions relating to products of this industry whenever in its opinion a full and reciprocal disclosure or grant of licenses relating to such products by the other party may be in conflict with existing agreements or relations of the latter.

(i) Synthetic ammonia, synthetic alcohol, and other products and by-products of the fixed nitrogen industry.

(j) Fertilizers.

(k) Synthetic products from the hydrogenation of coal and oil.

(l) Insecticides, fungicides and disinfectants.

(m) Alcohols manufactured by either synthetic or fermentation processes, other than synthetic alcohol as covered in subparagraph (i) above.

The application of the rights granted hereunder relating to the products specified above, shall be subject to the terms of all existing relations and agreements between the parties hereto and between either or both of the parties hereto and other parties, as provided in section X hereof. For purposes of reference only, a list of such agreements is attached hereto, marked "Schedule A", it being understood, however, that such list is not intended to be all-inclusive.

IV. Election to accept license.—Whenever the party owning or controlling an invention relating to the products specified herein shall decide that it is advisable to utilize such invention or to exploit any product containing same within the territory which under this agreement is designated as the exclusive license territory of the other, it shall serve upon the other party a notice in writing setting forth the terms and conditions upon which the other party may obtain such exclusive license thereunder. The other party shall elect within a reasonable time after receipt of said notice whether it accepts such license upon the terms and conditions set forth in said notice, or upon such other terms and conditions as the parties may agree upon; but if the parties shall fail so to agree within a reasonable time, such license shall be deemed to have been rejected, and the party owning or controlling the invention shall be free to use same or to exploit the products containing same, and/or to license others so to use or exploit such invention or products, within such territory; provided, however, that no such license shall be granted to others upon terms and conditions more favorable than those offered to and rejected by the other party hereto, without giving to the latter a reasonable opportunity to accept such license upon such other terms.

V. Nonexclusive licenses to other parties.—Each party agrees that it will not sell, convey, or grant licenses or any other interest in or under any patent or invention relating to the products specified, to any other person whomsoever, covering any territory in which a nonexclusive license under such patent or invention has been or may be obtained by the other party under this agreement, without first advising the other party of its intention to make such grant or conveyance.

VI. Cooperation in securing new licenses.—Each of the parties agrees that if, during the continuance of this agreement, it shall obtain, acquire, or possess a right in or license under any patented or secret invention relating to the products specified herein, which right or license is so limited that it can make no grant or license to the other party upon the terms and conditions herein set forth, it shall use its best efforts to assist such other party to obtain or acquire a right in or under such invention upon the terms and conditions herein set forth, but neither party shall be under any obligation to purchase or pay for any right or license for the benefit of the other.

VII. Aid in protecting licenses.—(a) Each of the parties agree to execute and deliver all such instruments in writing as may be necessary or proper for the purpose of further assuring and confirming any license granted pursuant to this agreement, or for the purpose of enabling such grants to be filed or recorded in any public office, and further to do whatever may be reasonably necessary to carry out the intent of this agreement.

(b) Should it appear at any time that any of the inventions covering which license has been granted to either party is the proper subject for letters patent in any territory for which rights have been so granted, the licensor will in conjunction with the first and true inventor, upon the request and at the expense of the licensee, apply for and use its best efforts to obtain the grant of letters patent or similar protection in respect of any of such inventions in such of said territories as the licensee may require, unless the party disclosing such invention demands that it be kept secret.

(c) Neither party shall be bound to defend any letters patent under which any license shall have been granted hereunder, but each of the parties agrees, whenever and so often as requested by the other party, but at the expense of such other party, to assist to the fullest possible extent in defending or protecting any such letters patent.

(d) Each party shall pay all fees and expenses for the maintenance of any patents in any territory in which the exclusive right shall have been granted to such party, and each party shall pay one-half of the fees and expenses for

the maintenance of any patents in any territory in which joint rights exist under said patents in accordance with this agreement. Maintenance herein shall be deemed to include only payments of official fees, taxes, and incidental expenses, but shall not include expenses of litigation.

VIII. Duty not to impair rights of other party.—Each of the parties agrees not to make or consent to any disclosure or to do or consent to any other act that shall impair or depreciate the value of any license granted by it in pursuance of this agreement, or that shall impair or depreciate the value of the right, title, and interest retained by the other party in any such patented or secret invention, and to take all reasonable care to prevent any such disclosure or act, but shall not, in the absence of bad faith or gross negligence, be liable in damages therefor.

IX. Sublicenses.—Each of the parties to whom any license shall have been granted as herein provided may grant, within the limitations of such license, sublicenses in respect thereof to any or all of its respective subsidiary companies; but every such sublicense shall be subject to all the terms and conditions contained in the grant of the license so sublicensed and shall also contain terms, conditions, and obligations requiring such sublicensee to do such acts as may be necessary or proper to enable the party granting such sublicense to observe all the terms and conditions and to perform all the obligations on its part contained in the grant of the license so sublicensed. No sublicense in respect of any such license shall be granted by any sublicensee, nor by either of the parties hereto, except as hereinbefore provided, without the consent in writing first obtained from the original licensor.

X. Effect of existing agreements.—It is understood that both parties have established business relations through stock ownership in affiliated corporations and under agreements with other companies relating to the products specified herein, and each of the parties expressly recognizes that the provisions of this agreement are subordinate and subject to all such existing relations or agreements wherever it may conflict therewith. Each of the parties agrees, however, that in negotiating for the renewal of any such relations or agreements which may expire during the existence of this agreement, it shall endeavor to effect such renewals on such basis or terms as will harmonize as fully as possible with the provisions of this agreement.

XI. Arbitration.—Should any difference or dispute arise between the parties hereto touching this agreement, or any clause, matter, or thing relating thereto, or as to the rights, duties, or liabilities of either of the parties hereto, the same shall be referred to the President for the time being of E. I. du Pont de Nemours & Company and the president for the time being of Imperial Chemical Industries, Limited, who shall arbitrate, and their award shall be final. Should they not agree, they shall appoint an umpire, whose award shall be final, and the following provisions shall apply: If the question or matter to be decided is brought forward by I.C.I. the umpire shall be European; if, on the contrary, the question or matter to be decided is brought forward by du Pont, the umpire shall be an American. Should the presidents disagree as to the appointment of an umpire, then the umpire if an European, is to be appointed by the president of the Incorporated Law Society of England, and if an American, to be appointed by the President of the Association of the Bar of the city of New York.

XII. Parties in interest.—(a) The benefits and obligations of this agreement shall inure to and be binding upon the parties hereto, and their respective legal representatives and successors, but shall not be assignable by either party without the consent in writing first obtained from the other party.

(b) The terms and provisions of this agreement shall apply to inventions owned or controlled by the respective subsidiary companies of each of the parties hereto, and each of said parties undertakes and assumes, for and on behalf of its subsidiary companies, all the duties and obligations of this agreement relating to such inventions.

(c) As used throughout this agreement, the term "subsidiary company" shall be deemed to mean any corporation in which either party owns or controls a majority of the outstanding voting stock, and any corporation similarly owned or controlled by any subsidiary or subsidiaries.

XIII. Termination.—This contract shall continue in effect for a period of ten years from the date first hereinabove written.

In witness whereof, E. I. du Pont de Nemours & Company has caused its corporate seal to be hereunto affixed and this agreement to be signed in its corporate name by its president and secretary, and Imperial Chemical Industries, Limited, has caused its common seal to be hereunto affixed in the

presence of and this agreement to be signed by one of its directors and its secretary at the city of London, England, as of the day and year first above written.

CRM.

E. I. DU PONT DE NEMOURS & COMPANY.
By (Sgd.) L. DU PONT, *President*.

Attest:

(Signed) M. D. FISHER,
Asst. Secretary.

IMPERIAL CHEMICAL INDUSTRIES, LIMITED.
By (Sgd.) J. D. MCGOWAN, *President and Director*.

Attest:

(Signed) R. A. KRUGER, (?)
Asst. Secretary.

Schedule A

EXPLOSIVES

Date	Parties	Subject	Period
1/1/26.....	I.C.I.-du Pont.....	Exchange of licenses under inventions....	7/1/39.
1/1/25.....	I.C.I.-du Pont-Canadian Industries, Limited.	Exchange of licenses under inventions....	15 yrs.

NITROCELLULOSE PLASTICS

	du Pont-Rheinische Westfaelische Sprengstoff A.G.	Informal exchange of technical information on pyroxylin products and the articles fabricated therefrom.	3 mos. cancellation clause.
	du Pont-British Xylonite Co.	Informal exchange of technical information on pyroxylin products and the articles fabricated therefrom.	
12/14/27.....	du Pont-Pittsburgh Plate Glass Company.	Investment of du Pont Viscoloid Co. in Soc. Italiana Celluloids and S. A. Mazzucchelli.	
		Joint ownership of DuPlate Corporation, and grant of nonexclusive licenses covering inventions relating to safety glass.	
4/2/25.....	du Pont-United Shoe Machinery Corporation.	Joint ownership of Celastic Corporation for manufacture of pyroxylin-covered box-toe material; grant of rights to patents relating to manufacture of Celastic; and grant of right to non-exclusive license under inventions relating to manufacture of diacetone alcohol or colloid treated fabrics of the general character described in such patents; foreign rights thereunder being assigned to United Shoe Machinery Company de France by agreement between Celastic Corporation and United Shoe Machinery Corporation.	

FILM

2/3/25.....	du Pont-Pathe Incorporated.	Exchange	Assignment of option from Pathe Cinema S.A. covering right to manufacture moving-picture films, limiting license and use of information to North America and certain other territories.	75 years.
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CELLULOSE ACETATE

12/31/27.....	du Pont-Rhone Poulenc S. A.		Agreement assigning patents and processes formerly owned by Usines du Rhone remanufacture and sale of cellulose acetate for North America to du Pont, and providing for exchange of technical information.	15 yrs. after construction of plant.
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Schedule A—Continued

COATED TEXTILES

Date	Parties	Subject	Period
Not yet signed.	I. C. I.-du Pont.....	Agreement reformation of Leather Cloth Pty., Ltd., for manufacture of artificial leather and rubber cloth in Australia.	
1/1/25.....	I. C. I.-du Pont.....	Agreement whereby du Pont licenses I. C. I. to rights under patent to use tannic acid as a preservative in the manufacture of artificial leather.	
3/13/28.....	du Pont-Dispersions Processes, Inc.	Agreement whereby du Pont is granted license for U.S. and Canada only covering dispersions of rubber in the manufacture of double texture auto top cloth and prohibiting disclosure of information secured.	
	du Pont-Proposed German Ventube Company.	Agreement relative to formation of company to manufacture and sell Ventube in Germany only; du Pont does not have right to sublicense inventions which may be developed by the new company.	
10/1928.....	du Pont-Michel Fontaine...	Agreement whereby du Pont purchased "know how" for manufacture of "imitated suede"; use of information is limited to U.S.	
Apr. 1921...	du Pont-Norman B. Braley.	du Pont obtained license to Braley patents which cover devices for coupling and suspending Ventube for a royalty payment.	
3/21/26.....	du Pont-Soc. Francaise Fabrikoid.	Agreement gives option to S.F.F. to construct plants in other European territories on same conditions as in France when and if du Pont decides to build them.	

PAINTS, VARNISHES, AND LACQUERS

8/20/26.....	I. C. I.-du Pont Nobel Chemical Finishes, Limited.	Joint ownership of Nobel Chemical Finishes, Ltd., and grant of exclusive license to that company covering manufacture and sale of Duco in British Empire, all other rights being retained by du Pont.	Unlimited.
Being negotiated.	du Pont-Proposed German Duco Company.	Agreement granting new company exclusive Duco rights for Germany only. Agreement provides that information developed by new company may be sublicensed by du Pont to only those associated companies whose developments du Pont is free to pass along to the Germany Company.	
5/31/27.....	du Pont-General Electric Company.	Agreement licensing du Pont to use G. E. Company's patents on glyptal resins in the paint and varnish field. Rights limited to United States.	15 yrs.
12/8/27.....	du Pont-Flintcote Co.....	Agreement licensing du Pont to use asphalt emulsions for "oil pipe line field" for United States only.	
Under negotiation.	du Pont-Ambler Asbestos Company.	Exchange of licenses covering finishing materials used in manufacture of wall-board or wall-tile by Ambler process.	
Under negotiation.	du Pont-Onkonite Company.	Agreement re joint development and exploitation of a cellulose plastic for insulation of wires, cables, etc.	
	du Pont-Penn Standard Sole Cementing Process, Inc.	Agreement re exclusive use of #5400 cement.	
	du Pont-du Pont Cellophane.	Agreement re exclusive use of lacquer for "moisture proof" cellophane.	
	du Pont-A. C. Lawrence Leather Co.	Understanding relative to exclusive use of certain leather solutions.	
	du Pont-Compo Shoe Machinery Corp.	Agreement re exclusive use of Compo cement.	

Schedule A—Continued

PIGMENTS AND COLORS

Date	Parties	Subject	Period
	du Pont-N. J. Zinc Company. Grasselli-Commercial Pigments Corporation.	License under certain patents owned by N. J. Zinc Co. relating to manufacture of lithopone. Grasselli has license to manufacture and sell lithopone containing Titanium Dioxide under patents owned by Commercial Pigments Corporation.	

GENERAL HEAVY CHEMICALS

Being negotiated.	I. C. I.-Solvay & Cie.....	Agreement relating to general alkali industry.	
	du Pont-E. Merck.....	du Pont to acquire license to process for manufacture of C.P. lactic acid for U.S. and Canada. Agreement involves exchange of information.	
	Grasselli-Federal Phosphorus Company.	Agreement involving exchange of exclusive licenses resprayed disodium and trisodium phosphate in globular form.	
	Grasselli-Calco Chemical Company.	Both companies assigned patent applications covering globular bisulphate of soda to Globular Products, Inc., owned 50% by both.	
	Grasselli-Duriron Company, Inc.	Grasselli has license to manufacture under U.S. Patents #1031864 (7-9-12) and #1074287 (9-30-13) reconcentration of nitric acid.	
	Grasselli-Aluminum Company of America & Edwin S. Fickes. Grasselli-American Vulcanized Fibre Company.	Grasselli has a nonexclusive, nontransferable license to use patented process for manufacture of hydrofluoric acid. Grasselli has license to operate under U.S. Patent #1137871 (5-4-15), Method of Treating Ferruginous Zinc Chloride Solutions.	
	Grasselli-Richard Zeising....	Grasselli has right to use improvements in furnaces covered by U.S. Patents #1279486 (9-17-18) and #1523990 (1-20-25).	
du Pont-Mitsui, Union Chimique Bolge, Saint Cobain, Lurgi Newport, Atlas, Hercules, Chims-troy.	Agreements granting nonexplosive licenses for du Pont ammonia oxidation process in restricted territories, none of which are in the British Empire, and involving exchange of information.	5 yrs.	

DYESTUFFS AND OTHER ORGANIC CHEMICALS

I. C. I.-Durand & Huguenin.	Agreement relating to solubilization of vat dyes.	Sept. 1937 or expiration of later patents, etc.
I. C. I.-Durand & Huguenin..	Agreement relating to gallo-cyanides....	Tied up with commercial arrangements.
I. C. I.-Rohner.....	Agreement relating to benzidine and homologues.	Feb. 1949.
I. C. I.-Silesia Chemische Verein.	License to I. C. I. to operate British patent #259930.	1941.
I. C. I.-Auer.....	License to I. C. I. to operate British patent 287943 relating to rubber substitutes.	
I. C. I.-Newport Chemical Co.	Agreement relating to anthraquinone dyes and intermediates thereof.	1/1/35.
I. C. I.-Newport Chemical Co.	Agreement re certain types of soluble, or solubilizable, vat dyes. Under this contract I. C. I. are free to license one other party in the United States.	After expiration of patents.
I. C. I.-Soledon Company, Ltd.	Agreement covering British patents #247578; 248802; 247787; 251491.	Patents expire 1940.
I. C. I.-Selden Company.....	License to operate under Selden's patents dealing with the manufacture of phthalic anhydride from naphthalene by catalytic oxidation.	

Schedule A—Continued

DYESTUFFS AND OTHER ORGANIC CHEMICALS

Date	Parties	Subject	Period
Not yet signed.	I.C.I.-Selden Co.	Agreement relating to production of benzoic acid from phthalic anhydride whereby Selden Co. acquires license to operate under patent taken out by Scottish Dyes.	16 yrs. (i.e. date of expiration of patents).
	du Pont-Guggenheim Co. of America. du Pont-American Cyanamid-Dew Chemical Co.-National Aniline Company—Rubber Service Laboratories.	Agreement relating to certain chemicals for use as flotation reagents. du Pont's rights covering production of disubstituted guanidines by Cyanogen Chloride Process subject to determination of pending applications for letters patent by four United States producers, and is subject to any subsequent agreement for adjustment of conflicting claims.	
	du Pont-Rubber Service Laboratories Company. du Pont-Rubber Service Laboratories - Goodrich - U.S. Rubber Company. du Pont-U.S. Rubber Company. du Pont-Goodyear Tire & Rubber Company.	Cross licenses under patents on acetaldehyde-amine accelerators. Cross licenses under patents on butyraldehydes and butylamine aniline accelerators. License under patents on thionex (tetramethylthiurammonosulphide). License under patents on antioxidants of the type represented by phenyl-alpha-naphthylamine and phenyl-beta-naphthylamine.	
5/25/29.....	du Pont-L'Air Liquids.....	Agreement assigning Claude Ammonia patents in North America to du Pont, granting L'Air Liquide non-exclusive licenses covering by-product methanol and higher alcohol for France, Spain, Portugal, Italy, Switzerland, Belgium, Luxemburg, the Netherlands, Czechoslovakia, Poland and Japan, and granting L'Air Liquide one Year's option to Lazote's pressure catalytic hydrogen process for above countries.	
	du Pont-Ammonia Casale, S.A.	Agreement assigning Casale North American Patent to du Pont; modification of agreement by correspondence during June and July, 1929, permitting du Pont to exchange information regarding the Casale process with other parties.	
9/7/17.....	du Pont Norsk Hydro.....	Agreement assigning patents on synthetic nitrogen process for Canada and U.S. to du Pont.	

FERMENTATION ALCOHOL

11/30/27.....	du Pont-United Molasses Company, Limited.	Agreement between du Pont and National Distillers Products Corp. (succeeded by United Molasses Co.) cancelling prior agreements relating to process for manufacture of fermentation glycerine and assigning rights to process to Eastern Alcohol Corporation. (NOTE.—Prior agreements above referred to relate to joint development of the process.)	
10/29/25.....	du Pont-United Molasses Company, Limited.	Agreement between du Pont and Kentucky Alcohol Corporation (succeeded by United Molasses Co.) relating to formation and joint ownership of Eastern Alcohol Corporation, granting licenses under inventions relating to development of alcohol by fermentation process, and tacit understanding as to future inventions relating to said industry.	

Schedule A—Continued

INSECTICIDES, FUNGICIDES, AND SEED DISINFECTANTS

Date	Parties	Subject	Period
7/20/28.....	du Pont-Winthrop Chemical Company. Grasselli-Eagle Pitcher Lead Company. Grasselli-U.S. Smelting, Refining and Mining Company. I.C.I.-Cooper McDougall & Company.	Agreement covering formation and joint ownership of Bayer-Samesan Company, granting to latter company exclusive rights for United States and its Possessions and Canada, covering present and future inventions, with tacit understanding that said company may be entitled to similar rights covering foreign territories. Grasselli has license to manufacture arsenate of lead under Patent #1172741. Grasselli has license to manufacture calcium arsenate under Patents #1532577 and #1532578 (4-7-29). Agreements relating to insecticides and fungicides.	

MISCELLANEOUS

1/1/26.....	du Pont - I. C. I. - Canadian Explosives Limited.	Exchange of information and licenses under inventions relating to paints, coated textiles, sporting ammunition, pyralin sheeting and articles, insecticides, muriatic acid, sodium sulphate, etc.	10 years.
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EXHIBIT No. 475

I.C.I. AGREEMENT

This agreement, made as of the ____ day of _____, 1933, between Imperial Chemical Industries, Limited, a corporation organized and existing under the laws of Great Britain, hereinafter called "I.C.I."

E. I. du Pont de Nemours & Company, a corporation organized and existing under the laws of Delaware, United States of America, hereinafter called "duPont", and

Canadian Industries Limited, a corporation organized and existing under the laws of the Dominion of Canada, hereinafter called "C.I.L.",

WITNESSETH:

Whereas I.C.I. and duPont separately own substantial amounts of the capital stock of C.I.L., and have entered into two agreements with C.I.L., dated January 1, 1925, and January 1, 1926, providing for the free use by C.I.L. of their respective inventions and processes in connection with the manufacture and sale of certain products within the Dominions of Canada and Newfoundland; and

Whereas said agreements have been supplemented and modified by reason of informal interpretations, understandings, and practices of the parties; and

Whereas it is desired to redefine and to embody in one instrument the terms of said contractual relationship;

Now, therefore, in consideration of the premises and of the covenants hereinafter set forth, the parties have agreed as follows:

1. Definitions.—As used herein—

(1) The term "inventions" shall be deemed to mean inventions, processes, and technical information, whether patented or secret.

(2) The term "British Empire" shall be deemed to mean all present and future countries, colonies, possessions, and mandated territories thereof, inclusive of Egypt but exclusive of Canada and Newfoundland.

(3) The term "United States" shall be deemed to mean the United States of America and all present and future countries, colonies, possessions and mandated territories thereof.

(4) "Central America" shall be deemed to comprise the region between North and South America, extending from about N. latitude 7° to N. latitude 18°, that is, from Colombia to Mexico, between the Caribbean Sea and the Pacific Ocean.

(5) The "West Indies" shall be deemed to comprise the groups of islands lying off the southeast coast of North America and extending from near the coast of Venezuela northward to the latitude of North Carolina, exclusive of British possession.

(6) An invention shall be deemed to be "controlled by any party hereto" whenever such party shall be able to grant rights thereunder, as provided herein, within the territory or territories of the other parties.

(7) The term "subsidiary company" shall be deemed to mean any company in which any party hereto owns or controls a majority of the outstanding voting stock, and any company similarly owned or controlled by any subsidiary or subsidiaries.

(8) Wherever reference is made to any party hereto it shall be deemed to include the present and future subsidiary companies of said party, so long as the latter's ownership or control thereof continues.

(9) The term "principals" means I.C.I. and du Pont.

II. Grant of rights to C.I.L.—(a) I.C.I. shall grant to C.I.L., upon request, the exclusive right to practice any and all inventions now or during the term of this agreement owned or controlled by I.C.I., and to make, use, and sell any and all products embodying such inventions, within the Dominions of Canada and Newfoundland; subject, however, to the exceptions permitted under article V hereof; and subject to the right hereby reserved by I.C.I. to practice such inventions and to make such products within, but only for the purpose of export from, said territory.

(b) du Pont shall grant to C.I.L., upon request, the exclusive right to practice any and all inventions now or during the term of this agreement owned or controlled by du Pont, and to make, use, and sell any and all products owned or embodying such inventions, within the Dominions of Canada and Newfoundland; subject, however, to the exceptions permitted under article V hereof; and subject to the right hereby reserved by du Pont to practice such inventions and to make such products within, but only for the purpose of export from, said territory.

(c) The aforesaid grants by I.C.I. shall confer no right on du Pont, and the aforesaid grants to du Pont shall confer no right on I.C.I. to practice said inventions or to make, use, or sell the products embodying the same.

III. Grant of rights to I.C.I.—(a) C.I.L. shall grant to I.C.I., upon request, the exclusive right to practice any and all inventions now or during the term of this agreement owned or controlled by C.I.L., and to make, use, and sell any and all products embodying such inventions, within the British Empire as hereinabove defined.

(b) C.I.L. shall grant to I.C.I., upon request, the nonexclusive right to practice any and all inventions now or during the term of this agreement owned or controlled by C.I.L., and to make, use, and sell any and all products embodying such inventions, within any and all countries not designated herein as the exclusive territory of any of the parties hereto, and agrees that during the term of this agreement it will grant no similar right to any party other than Du Pont.

IV. Grant of rights to du Pont.—(a) C.I.L. shall grant to du Pont, upon request, the exclusive right to practice any and all inventions now or during the term of this agreement owned or controlled by C.I.L., and to make, use, and sell any and all products embodying such inventions, within the United States, Mexico, Central America, and the West Indies, as hereinabove defined.

(b) C.I.L. shall grant to du Pont, upon request, the nonexclusive right to practice any and all inventions now or during the term of this agreement owned or controlled by C.I.L., and to make, use, and sell any and all products embodying such invention, within any and all countries not designated herein as the exclusive territory of any of the parties hereto, and agrees that during the term of this agreement it will grant no similar right to any party other than I.C.I.

V. Exclusion of rights.—(a) It is hereby declared to be the spirit of this agreement that the exploitation of the inventions and products of I.C.I. and du Pont within the Dominions of Canada and Newfoundland shall be conducted by C.I.L. Nevertheless, it is recognized that in exceptional instances the interests of said principals may be served more advantageously by other pro-

cedure; and it is agreed that either I.C.I. or Du Pont may exclude from the operation of this agreement any inventions or products, the exploitation of which by C.I.L. would be contrary to the best interests of such principal.

(b) The exclusions permitted under this article shall be subject to the following restrictions:

(1) No such exclusion shall be made until all the parties hereto shall have been given opportunity fully to discuss the procedure contemplated; provided, however, that notice of pending negotiations with other parties shall be excused if such disclosure would involve breach of confidence reposed by such other parties.

(2) No such exclusion shall be based solely upon the desire of either principal to retain the entire profits (rather than the percentage thereof represented by its stock equity in C.I.L.) to be derived in Canada and Newfoundland from the exploitation of such invention or product.

(3) No such exclusion shall deprive any party of rights to practice specific inventions theretofore conveyed hereunder.

(c) It is hereby recognized that the provisions of this agreement are subordinate and subject to all existing agreements wherever it may conflict therewith. Each of the parties agrees, however, that in negotiating for the renewal of any of such agreements which may expire during the existence of this agreement, it shall endeavor to effect such renewals on such basis or terms as will harmonize as fully as possible with the provisions of this agreement. For purposes of reference only, a list of such agreements is attached hereto, marked "Schedule A"; it being understood that such list is not intended to be all-inclusive.

VI. Compensation.—Recognizing the reasonable probability that during the term of this agreement the rights granted to and received from C.I.L. by each of the principals, generally will be of substantially equal value, it is agreed that no royalties or other compensation shall be paid for such rights except as follows:

(1) Whenever any party desires to acquire rights hereunder for any invention which has been obtained by the grantor thereof from others, such party shall reimburse to the grantor such portions of the consideration paid or payable for said invention as is reasonably attributable or allocable to the rights thereunder for the territory of such party. To facilitate the determination of such compensation, any party hereafter contemplating the purchase of rights to an invention within the Territory of any other party, shall notify the latter before the conclusion of negotiations therefor, and shall afford to the latter an opportunity to determine in advance the amount or basis of consideration for the rights applicable to its territory, unless such disclosures would involve breach of confidence reposed by the other party to such negotiations.

(2) Whenever any party desires to acquire rights hereunder for any invention owned or controlled by a subsidiary company in which one of the other parties owns less than all of the outstanding common stock, it shall be obligated to pay a fair and adequate compensation for such rights; and the parent of such subsidiary shall refund immediately to said party such percentage of said payment as the amount of common stock of the subsidiary held by the parent bears to the total outstanding common stock of the subsidiary.

VII. Aid in obtaining rights.—Each of the parties agrees that in acquiring rights to any invention it will endeavor, if practicable, to obtain rights thereunder which may be extended to the other parties in accordance with the terms hereof; and agrees that if it acquires rights to an invention which are so limited as not to permit of such extension, it will use its best efforts to assist such other party or parties to obtain rights to such invention. No party shall be obligated, however, to purchase at additional cost any right for the benefit of another party hereto, unless the amount or basis of consideration therefor shall have been determined in accordance with subparagraph (1) of article VI hereof.

VIII. Disclosure of information.—(a) Each of the parties hereto, as soon as practicable and in any case within six months after the commercial utilization of any invention for which any other party may be entitled to rights hereunder (other than inventions referred to in subparagraph (1) of this article), shall disclose to such other party information in respect thereto, sufficient to enable such other party to determine whether it desires to utilize the same.

(1) Information concerning inventions or patents relating to an industry in which C.I.L. is not engaged need not be disclosed to C.I.L. unless, in the judg-

ment of the possessor thereof, the information would be of special interest to C.I.L., or unless the information is requested by the latter. Information concerning inventions or patents relating to an industry in which C.I.L. is engaged shall be disclosed by C.I.L. to both of the other parties, regardless of whether either or both of said parties is or are engaged in such industry; provided, however, that C.I.L. shall not disclose to either party any confidential information obtained from the other of said parties, without the latter's consent.

(b) Each of the parties, at the request and expense of such other party, shall supply experienced chemists, engineers, foremen, and other experts to assist such other party in investigating, testing, applying, or using any invention disclosed as aforesaid; provided, however, that the party called upon for such technical assistance may arrange to furnish same at such time and in such manner as will not materially impede or interfere with its own activities and operations.

IX. Patent protection.—(a) Each of the parties hereto, as soon as practicable and in any case within six months from the date of the filing of application for letters patent, in the country under the laws of which it is organized, covering any invention for which either or both of the other parties may be entitled to rights hereunder, shall disclose to such other party or parties (except as otherwise provided in paragraph (a) (1) of article VIII hereof) information sufficient to enable it or them to determine whether it is desirable and practicable to secure patent protection therefor in any country or countries in which it or they may be entitled to practice said invention. The party owning the invention shall at the request of the other party or parties, and may in the absence of such request, cause application or applications for letters patent thereon to be filed in any country or countries in which such other party or parties may be entitled to practice the same; and at the request of such other party or parties shall assign to the latter all patent rights covering the invention in any such country or countries.

(b) Neither the grantor nor any grantee of the rights to any invention hereunder shall be bound to defend any letters patent covering the same, but each party agrees, at the request and expense of the other, to assist to the fullest extent in defending or protecting any such letters patent.

(c) Each party shall pay all fees and expenses (not including expenses of litigation) for filing, securing, and maintaining any patent application or letters patent which it may elect to acquire or retain, in any country in which it has been granted the exclusive right to practice the invention covered thereby; and I.C.I and du Pont shall pay, in such proportions as they shall mutually determine, all such fees and expenses in any country in which they have been granted nonexclusive rights to the invention so covered.

X. Impairment of rights.—Each of the parties agrees not to make or consent to any disclosure or to do or consent to any other act that may impair or depreciate the value of any right granted to it under this agreement, or that may impair or depreciate the value of the right, title, and interest retained by any other party in any invention covered hereby. Each party agrees to take all reasonable care to prevent any such disclosure or act, but shall not, in the absence of bad faith or gross negligence, be liable in damages therefor.

XI. Parties in interest.—(a) The terms and provisions of this agreement shall apply to the respective subsidiary companies of each of the parties hereto, and each of said parties undertakes and assumes, for and on behalf of its subsidiary companies, all of the duties and obligations of this agreement. To this end each of the parties shall endeavor to obtain promptly from each subsidiary company in which it now or hereafter owns less than all of the outstanding stock, a consent to be bound by the provisions of this agreement.

(b) The benefits and obligations of this agreement shall inure to and be binding upon the parties hereto and their respective legal representatives and successors, and shall not be assigned, transferred or licensed to any party without the consent in writing first obtained from the other parties; provided, however, that any party may assign or license, within its exclusive or non-exclusive territory, the rights conveyed hereunder with respect to specific inventions.

XII. Duration.—This agreement shall continue in effect until July 1, 1939. Upon the termination of this agreement the parties hereto shall continue to have and possess the perpetual right to practice any and all inventions acquired hereunder and to make, use, and sell any and all products embodying such inventions, within their respective territories.

XIII. Cancellation of existing agreements.—The aforesaid agreements between the parties hereto, dated January 1, 1925, and January 1, 1926, and all amendments and additions thereto, are hereby cancelled and terminated; but the parties shall continue to have and possess the perpetual right to practice any and all inventions acquired thereunder and to make, use, and sell any and all products embodying such inventions, within their respective territories.

In witness whereof, the parties hereto have caused this agreement to be executed in triplicate by their officers thereunto duly authorized, and their common or corporate seals to be hereunto affixed, as of the day and year first above written.

IMPERIAL CHEMICAL INDUSTRIES, LTD.,
By -----,
Director.

Attest:
-----,
Secretary.

E. I. DU PONT DE NEMOURS & COMPANY,
By -----,
President.

Attest:
-----,
Secretary.

CANADIAN INDUSTRIES LIMITED,
By -----,
President.

Attest:
-----,
Secretary.

EXHIBIT No. 476

Ms-S0-A
Ms-S

T-2708

AUGUST 2nd, 1933.

Major K. K. V. CASEY,
E. I. du Pont de Nemours & Co., Wilmington, Del.

DEAR SIR:

STATUS OF NEGOTIATIONS, JULY 1933

I. Negotiations completed.—None.

II. Prospects under negotiation.—

Estonia: 25 tons T.N.T. Offered I.C.I. Material quotation expired July 31st. No news from Bourvikov.

Estonia: 2 tons blank-fire powder. Offered I.C.I. material. Quoted with the T.N.T.

Greece: 60 tons powder with volatile solvent. 20 tons powder without volatile solvent, for 75 mm Krupp field gun. The former enquiry for 40 tons low nitroglycerine content powder for the 75 mm Krupp field gun has been changed to require 60 tons powder with volatile solvent and 20 tons without volatile solvent. A complete new set of trials is scheduled to take place in September, in which all the former competitors are expected to take part, as well as two additional firms, i.e.: N. V. Nederlandsche Springstoffenfabrik, Muiden, Holland; Dynamite Nobel, Avigliana, Italy. In the last competition the French powder monopoly won first place, I.C.I. second place, and Bofors third place.

Holland: 80-100 tons powder for the 280 mm Krupp gun C.D. 10-15 tons T.N.T. for shells. Inquiry received. Are obtaining prices from Wilmington and London.

Latvia: T.N.T. We are negotiating the sale of T.N.T. to the Cahn group, who in turn will exchange it for scrap metal from the Latvian Government. Our agent is also prepared to negotiate an offer for a scrap exchange on behalf of I.C.I. should the matter develop this way.

III. Prospects for future negotiations.—

England: Powder for 7.62 mm Estonian cartridges.

Estonia: 18 tons N.C. powder for 12"/50 cal. C.D. gun. 4 tons powder for 18-pounder gun.

Greece: Powder 6.5 mm rifle, S. P. & C. H.

Holland: 100 tons T.N.T. for Army and Navy. N. C. powder for 75 mm gun, Colonial Army.

IV. Report for July 1933.—

Bulgaria: I.C.I. has removed Mr. A. W. Douque, senior partner of A. W. Douque & Co., their former Bulgarian representative to Belgrade, and will continue the agency in Bulgaria with Mr. Sirmadjieff, the junior partner. Mr. Sirmadjieff has been informed of the joint arrangement between I.C.I. and Du Pont, and we shall shortly take up with him the question of sales of military material and the Du Pont agency.

Greece: After the recent tests in Greece, so much protest was made for different reasons to the judges of the commission, that the Greeks have decided to reopen the trials in September, and are calling for 20 tons of powder without volatile solvent and 60 tons of powder with volatile solvent. New specifications are being prepared by the Greeks, and an entire new set of trials will be made.

Mr. Singer intends to be present in Greece during the tests and the opening of the bids.

Holland: When I visited Holland on July 10th, Mr. Vlessing told me that Bofors do not intend to set up a permanent manufacturing ordnance plant in Holland; that the H. I. H. was taken over from him by the Handelsmaatschappij in liquidation of the indebtedness to the bank; that the Handelsmaatschappij did not have the intention of going permanently into the ordnance business, but only had the intention of liquidating the Vlessing account, and that they had sold to Bofors the stock of machinery which was at P. Smith's, and also certain patents and processes which were the property of H.I.H. Siderius; that they have sold some of the stock of heavy guns to the French Government and have finally liquidated the account of the bank; hence the mission of H.I.H. Siderius finished and they now intend liquidating H.I.H. Siderius. Bofors is taking this machinery to Wilton's Machinefabriek to finish the contract which they have for a battleship, and once this battleship is completed they will probably take the machinery to Sweden or sell it. But at the present time there is no idea of Bofors starting a permanent manufacturing establishment in Holland.

I believe this information to be more correct than that supplied in previous notices on this subject.

In connection with this, you will recall that about a year ago there was a great newspaper excitement in France over the 1,500 half finished guns in Holland in the possession of the H.I.H. which, the French newspaper claimed, was a secret stock of heavy guns held in Holland by the Germans. The result of this caused the French Government to buy the most important pieces. It turned out that this whole French newspaper row was originated by Vlessing and Haegen in order to sell this stock and that it was a vast publicity farce which the French newspapers fell for due to their desire for anti-German news. Vlessing said that they managed this whole publicity affair without having to pay a cent to the newspaper. Vlessing and Haegen are extremely proud of this feat and discussed with me in great detail how they got the French Press excited on this matter by constantly denying that they knew anything about it and by making it all very mysterious and leaving the journalistic spirit do the rest.

Vlessing & Co. bought some time ago 8 280-mm sea-coast guns which the Dutch government had ordered in 1918 from Krupp. At the end of the war the guns and cradles were completed, but not the turrets in which they were to be placed, nor the loading device. Vlessing has developed an opportunity to sell these guns to Turkey, but he must also provide the loading apparatus and some 100 charges per gun. He asked for a quotation on complete rounds. After examination of the information it would appear unwise for us to offer to furnish the rounds, due among other things to the fact that the loading apparatus is not yet designed, but we should bid on the powder.

Poland: Poland is still pursuing me for help on the American tank matter.

Portugal: I.C.I. are now reorganizing their agency here. We are awaiting their final report on this.

Roumania: Mr. Boxshall writes that due to present financial difficulties nothing can be done before the autumn.

Spain: I.C.I. is feeling out Spain to see if active direct-sales work will be possible.

Yugoslavia: I.C.I. has made a definite arrangement in Yugoslavia. They have given an agency contract to Sava Veljovic, but insisted that he keep in his office Mr. A. W. Douque, who is on the I.C.I. pay roll, and through whom all correspondence will be sent, and who will keep control over Veljovic. We shall shortly make an arrangement with these gentlemen for Du Pont.

Argentine: Mr. Antonia Carames arrived on the S.S. Avila-Star at Boulogne on July 27th. Col. W. N. Taylor met him on the boat and motored him to Paris, and has entertained him for several days. Mr. Carames appears very pleased with these attentions and is quite expansive and genial.

He told his story over many times, which has been communicated to London. On August 3rd, Mr. L. W. B. Smith will come to Paris for a conference.

Mr. Carames says that it is absolutely decided that the Argentine government will build a factory, and that it cannot be postponed beyond January 1934 at the latest.

Brazil: The Brazilian Mission of General Leite de Castro has just arrived. Mr. Nicolettis, of I.C.I., who is a fervent friend of General de Castro, will make the first contacts.

China: T. V. Soong has been in Europe and is being extremely well taken care of by I.C.I.

Prices: In spite of the fall of dollar exchange, Du Pont prices are considerably higher than those of the European factories. This difference of price makes it out of the question for the moment to have Du Pont quotations accepted. In all our territories it is still a buyer's market, and price dominates the situation.

Very truly yours,

WILLIAM N. TAYLOR.

AK/.

EXHIBIT No. 477

[Copy to Imperial Chemical Industries, Ltd., Sec. Anon. Commercial e Industrial Tucuman 681, Buenos Aires, Argentina, and Imperial Chemical Industries, Ltd., 285 Madison Avenue, New York]

Ms-176-A-1
184-Uruguayan Gov't

Colonel WILLIAM N. TAYLOR,
PARIS OFFICE, FOREIGN RELATIONS DEPARTMENT,
June 11, 1934.

Incorporated with limited liability in the State of Delaware, U.S.A.

H-108

IMPERIAL CHEMICAL INDUSTRIES, LTD.,
CORDITE SECTION,

Millbank, London, S.W. 1, England

DEAR SIRS: Attached is confirmation copy of our cablegram of 7th June informing you that Sr. Manuel Ferreira, our agent in Paraguay who is now in Buenos Aires, asked us for prices c.i.f. Montevideo on 200 kilos Picric acid and 2,000 kilos Flake TNT. We also informed you in our cablegram that we could not quote from this end owing to the embargo on munitions and military propellants decreed by President Roosevelt.

In view of the fact that there is no similar embargo obtaining in England, we suggested that you quote prices to your office in Buenos Aires, who in turn would advise Ferreira.

Although the inquiry distinctly states that prices are wanted c.i.f. Montevideo, we suspect that the material is for Paraguay and since we wish to cooperate with our Government in observing the embargo, we deemed it best not to quote.

Yours faithfully,

FOR E. I. DU PONT DE NEMOURS & COMPANY,
N. E. BATES, JR.

NEB: AKR.

EXHIBIT No. 478

Cipher word		Cipher word	
AGIUO.....	Advise.	ICI.....	I.C.I.
FERREIRA.....	Ferreira.	GJEXE.....	London.
IWRPU.....	Cannot quote.	IXCJE.....	Will quote.
EDJEC.....	Owing to embargo.	DSOOX.....	Direct to you.
MANMU.....	Stop.		

Cable to I.C.I., Buenos Aires, June 7, 1934.

(" Exhibit No. 479 " appears in text on page 1112)

(" Exhibit No. 480 " appears in text on page 1117)

(" Exhibit No. 480-A " appears in text on page 1117)

EXHIBIT No. 481

[H.J.Res. 282, Seventy-second Congress, first session; House Calendar No. 160; Report No. 941]

In the House of Representatives. February 9, 1932, Mr. Fish introduced the following joint resolution; which was referred to the Committee on Foreign Affairs and ordered to be printed; March 30, 1932, referred to the House Calendar and ordered to be printed.

JOINT RESOLUTION To propose a multilateral agreement renouncing the sale or export of arms, munitions, or implements of war to any foreign nations

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the American delegates participating in the general disarmament conference now being held at Geneva, Switzerland, be requested to propose a multilateral agreement renouncing the sale or export of arms, munitions, or implements of war to any foreign nations, in accordance with the intent and purpose of the Kellogg-Briand pact renouncing war as an instrument of national policy.

SEC. 2. Nothing contained in this joint resolution shall be construed to interfere with the sale and shipment of foodstuffs, cotton, oil, coal, lumber, wool, leather, copper, automobiles, or other manufactured articles not commonly or commercially known as arms, munitions, or implements of war.

(" Exhibit No. 482 " appears in text on page 1134)

EXHIBIT No. 483

FEBRUARY 24, 1934.

FOREIGN RELATIONS DEPARTMENT

To bring your records to date we are attaching a complete list of military sales division agents in South America.

It should be remembered that the agents mentioned are also agents for Imperial Chemical Industries, Limited, for military propellant sales in South America.

NEB:AKR

N. E. BATES, JR.

Military sales agents, South America

	Street address	Cable address
Argentina.....	Sr. Don Antonio Carames Avenida Alvear #1760, Buenos Aires, Argentina.	Carames, Buenos Aires.
Bolivia.....	Sres. Webster & Ashton, Calle Loayza, 11-15, La Paz, Bolivia; or, Casilla de Correo 144, La Paz, Bolivia.	Activos, La Paz, Bolivia.
Brazil.....	Casa Mayrink Veiga, S/A, 17-Rua Mayrink Veiga-21, Rio de Janeiro, Brasil.	Mayrink, Rio.
Chile.....	Sr. Don Thomas C. Sargent, Casilla 240-V, Correo 15, Santiago, Chile.	Making, Santiago, Chile.
Colombia: Ordinary mail.....	Sr. Stuart Hosie, Correo Nacional 418, Bogota, Colombia.	} Hosie, Bogota, Colombia.
Air mail.....	Sr. Stuart Hosie, Correo Aereo 3732, Bogota, Colombia.	
Ecuador.....	Sr. Don Francisco Sefzic, Casilla de Correo Num. 368, Guayaquil, Ecuador.	Sefzic, Guayaquil, Ecuador.
Paraguay.....	Sr. Don Manuel Ferreira, Casilla de Correo 573, Asuncion, Paraguay.	Nolo, Asuncion, Paraguay.
Peru.....	Sr. Don Ernesto de Rossi, Apartado de Correo Num. 1079, Lima, Peru.	Edero, Lima, Peru.
Uruguay.....	Sres. Crocker & Cia, Calle Uruguay 1010, Montevideo, Uruguay.	Crockerco, Montevideo.
Venezuela.....	Sr. Coronel B. de Santa Ana, Villa Pomarosa, La Florida, Caracas, Venezuela.	Colbdesa, Caracas.

EXHIBIT No. 484

* MS-80-A
MS-80-D
MS-8
MS-35

Annual report on the situation in the territory of the Paris office smokeless powder department on December 31st, 1933

Beginning 1933, the Paris office of E. I. du Pont de Nemours & Co. began to take over the territory of Southern Europe from the Paris office of Imperial Chemical Industries, and as I.C.I. had several changes which they wished to make in their agencies in these countries, we waited until these were completed and then adapted our arrangements to theirs. As I.C.I. had suitable agents in the territory, we decided that we would simply take the I.C.I. agents and add to their work the Du Pont representation.

All this is going on smoothly and has been completed, although the agreement with I.C.I. agent for Yugoslavia is for the moment only verbal.

The difficulties encountered by the governments in this territory in obtaining foreign exchange, have made the export of powder and explosives extremely small, although all war departments in this territory have announced their desire for larger quantities than previously considered.

The result has been that while purchases from abroad have not been of interest, there have been larger orders than usual placed on the government factories, and considerable funds have been appropriated to the increasing and development of these factories. It would, therefore, appear that before long every country in Europe will be provided with a local factory sufficiently large to completely cover its current needs.

However, each country has plans for mobilization stocks and these plans call for more and more powder each year, and our opportunity for sales are restricted to supplying these requirements, which will probably become acute on any menace of war.

The causes of conflict are plenty and most of the continental people are seriously afraid that for one reason or another Germany will start a war and that it will come so suddenly that negotiations to prevent it will be impossible.

On every frontier, Germany has a delicate problem, and Germany is taking certain steps which the military people agree are destined to make her a very dangerous adversary in case of war.

The prices in Europe have been up to now going down, as competition for the small amount of business offered has been extremely severe. The different

* Pencil markings.

manufacturers are making tremendous efforts to sell, mainly in view of being well in with the customers in case of larger requirements, as mentioned above.

It looks, however, as if prices had reached their minimum. The prices of raw materials are increasing and the manufacturers who have taken orders at low prices are complaining bitterly.

Austria.—We have made no attempt to sell to Austria, as they are only permitted to import under license from the Council of Ambassadors.

Austria has been very active in the reorganization and the equipment of their military establishments.

We understand that their powder is provided by their own factory at Blumau, which is in a position to furnish all they need.

Belgium.—Belgium has voted a larger military expenditure than usual and have placed more orders on their own factories than in past years. They have been urging their local factories to increase their capacity and have given them a premium over the prices of foreign manufacturers, which amounts to approximately 20%.

We received a statement from them of quantities of powders and explosives which would eventually be required.

I received a request to proceed to Belgium to discuss this matter, which was later postponed.

Bulgaria.—This country can only purchase under license from the Council of Ambassadors, but is making enquiries for supplies apparently disregarding the peace treaty. However, they have no foreign exchange and wish to pay for these goods with tobacco and other products.

I.C.I. have made an agency arrangement with Cr. H. Sirmadjieff & Co., I, Rue Aksakoff, Sofia, and we have also made an agency arrangement with them, as they appear to be suitable people.

Czechoslovakia.—We have made no attempt to sell to Czechoslovakia.

Denmark.—Denmark has reduced its army to a few thousand men and are making no plans whatsoever for strengthening their military position.

Estonia.—The Estonians are buying all they can and prefer to purchase from England, with whom they hope to negotiate a tariff treaty.

Finland.—Finland, as a result of a commercial treaty, has decided to buy all her military requirements from England.

The Finns have a factory where they manufacture rifle powder of an excellent quality and they are stocking raw materials instead of finished supplies. They are also planning to stock TNT, which they hope to buy as fast as they can get the money. During the year we sold them a fair order.

I.C.I. completed an agency with Messrs. de Jersey & Co. (Finland) Ltd., Mikonkatu 9, Helsingfors, and we have contracted with them to be Du Pont agents.

For a while and at the request of the War Dept., we endeavored to get along without an agent in this country, but it appeared thoroughly impractical, as we never got requests for supplies and our offers were never promptly handled. The appointment of an agent brought immediate results.

France.—We, of course, do not sell to France, but the French are making extensive studies and experiments on new explosives and on nitroglycerin powders. I believe it will be of the greatest interest to follow closely the studies of the French laboratories.

Greece.—Greece has been engaged this year in testing samples of powder in view of future purchases. There have been a number of trials and nearly all the powder manufacturers submitted samples.

They offer in payment drachmas, which can only be used to purchase Greek products, which limits seriously the amount of business that can be done with them.

In the various trials of powder the products of I.C.I. have shown extremely well.

The Greeks wish to increase the capacity of their powder factory and have asked for offers to enlarge their factory from the principal manufacturers.

Holland.—Holland has reduced her purchases, due to her financial situation, and has made practically no purchase abroad. On the other hand, she has placed more orders than usual with her local factories.

Hungary.—We do not attempt to sell to Hungary; but, contrarily to the peace treaty, the Hungarians, who have a powder factory known as "Nitrochemie

Industrieanlagen A.G.", have reorganized their powder industry and have come out bodily into the export field. The French have made a protest against this, but apparently there is no one to protest to now, as the Council of Ambassadors, which was charged with the maintenance of the military clauses of peace treaties, appears to have no more real existence.

Latvia.—Purchases are restricted due to the lack of foreign exchange.

Lithuania.—This country is unable to buy due to her having no money.

Norway.—The Norwegian Army has been extremely reduced and no money is being spent abroad.

Poland.—Poland has bought no powder or explosives abroad this year. We understand that they have increased Zagozdzon by four times the original capacity and are considering the erection of another factory, and it looks as if this country were lost as a customer.

Portugal.—Portugal is discussing with I.C.I. the question of enlarging their local factory at Chelas.

Roumania.—Roumania has had so many scandals in her army this year that, according to our agent, there is no immediate possibility of business, although he hopes that when the matter is straightened out, there will be some.

We have appointed Mr. F. G. Boxshall, 107 Cales Victoriei, Bucarest, agent for Du Pont. He is the agent for I.C.I. in that territory.

Spain.—We have done no business with Spain, as I.C.I. have an arrangement with "Union Espanola de Explosivos."

It is our understanding that the Spanish Army buys some powder from abroad.

Spain is having its powder factories entirely renewed and reorganized by the Germans.

Switzerland.—This country has voted an extremely large military budget this year. As Switzerland must of necessity buy considerable material abroad, there is a great deal of excitement among the military suppliers as to whom will get the orders.

We are looking into this matter of powder and explosives and will shortly know whether it is possible to sell them or not.

Turkey.—Turkey is a possible market, but they wish to pay with Turkish goods. At the recent adjudication held for made up charges, Bofors took the order at a price which appears a loss.

We hear that the Turks have made a contract with Nitrochemie of Hungary to build a TNT plant, in return for which they placed their orders for TNT with the Hungarians.

Yugoslavia.—Yugoslavia has been spending money to develop her local military industry and her powder factory. She is, however, short of raw materials and has tangled up her factories through insufficient facilities. She recently erected a TNT plant, but could not get toluene and she is very perplexed as to what to do. She would like to lay up a stock of toluene and various raw materials for her factories.

Up to a certain point, the development of her local factories went on all right, but it has now gotten beyond the general industrial development of the country, and the Yugoslavians are now beginning to wonder whether they were right in doing this or whether they should not get supplies of finished materials.

Yugoslavia is also short of foreign exchange and wishes to pay for these materials in barter.

Prospects for 1934.—The prospects for obtaining orders for current military supplies in Europe are practically out of the question. The only countries in our territory which are unable to supply their requirements are: Estonia, Latvia, Lithuania & Denmark, and their current needs are very small.

However, as mentioned above, all these countries desire large reserve stocks and our prospects for sales lay largely in getting these orders, which is a very possible undertaking. It will probably mean some financing on our part, and as these are extra-budgetary operations, they must be handled with different methods than those used in meeting ordinary adjudications.

WILLIAM N. TAYLOR.

Paris office, smokeless powder department, military sales division, chart no. 1,
forecast no. 1, 1st quarter 1934

NITROCELLULOSE POWDER

Country	Du Pont-I.C.I. sales					Forecast				
						1934				1935
	1929	1930	1931	1932	1933	1st Qt.	2nd Qt.	3rd Qt.	4th Qt.	1st Qt.
Belgium			1.5							30
Bulgaria										
Denmark										
England	10	5	6				20			
Estonia	4		3			18				
Finland										
Greece										25
Holland	5				1.5					
Latvia	9					20				
Lithuania		4		21			20			
Poland		5								
Roumania								0.30		30
Sweden										
Turkey										10
Yugoslavia										
Total	28	14	10.5	21	1.5	38	40	.30	40	55

Paris office, smokeless powder department, military sales division, chart no. 2,
forecast no. 1, 1st quarter 1934

TNT

Country	Du Pont-I.C.I. sales					Forecast				
						1934				1935
	1929	1930	1931	1932	1933	1st Qt.	2nd Qt.	3rd Qt.	4th Qt.	1st Qt.
Belgium								100		
Bulgaria										
Denmark										
Estonia		12	10	28	18					
England								200		
Finland				50	400		200			
Greece										
Holland									100	
Latvia						45				
Norway										
Poland								60		
Roumania	40									
Sweden		50								100
Turkey									100	
Yugoslavia	95		120							
Total	135	62	130	78	418	45	260	200	100	100

Paris office, smokeless powder department, military sales division, chart no. 3,
forecast no. 1, 1st quarter 1934

NITROGLYCERINE POWDER

Country	I. C. I. sales					Forecast				
						1934				1935
	1929	1930	1931	1932	1933	1st qt.	2nd qt.	3rd qt.	4th qt.	
Belgium.....										
Bulgaria.....										
Denmark.....										
England.....										
Estonia.....				1.5						
Finland.....										
Greece.....		1				40				
Holland.....										
Latvia.....										
Norway.....										
Poland.....										
Rumania.....										
Sweden.....										
Turkey.....								30	50	20
Yugoslavia.....										
Total.....		1		1.5		40		30	20	20

Total European sales 1928 to 1933

Name of company taking orders	1928					1929					1930				
	T.N.T.	N.C. P.D.R.	N.C. P.D.R.	N.G. P.D.R.	%	T.N.T.	N.C. P.D.R.	N.C. P.D.R.	N.G. P.D.R.	%	T.N.T.	N.C. P.D.R.	N.C. P.D.R.	N.G. P.D.R.	%
E. I. Du Pont de Nemours & Co.....		48	\$1.98		5.3		20.5			3.7		10			2.0
Imperial Chemical Industries, Ltd.....		3		300	33.7	135	7.5		120	47.5	62	\$1.95			13.3
Bofors-Nobelkrut.....	\$0.88		\$0.876			\$0.72	\$1.60		\$0.953		\$0.59	\$1.764			
Purdlerie Royale de Wetteren, Camille, Belgium.....	25	150			19.5	200	50			43.2	50	45			19.1
Czechoslovak Explosives, Ltd., Czechoslo- vakia.....	\$0.67	\$1.87			2.8	?	\$1.46				\$0.49	\$1.28			
Service des Poudres, France.....	?			30	3.3										
Niederlandsche Springstoffindustrie, Hol- land.....				?											
Bombini Parodi, Delfino, Italy.....	\$0.56				47						226				44.45
Dynamite Nobel, Italy.....											\$0.426				
S.I.A.T.A.M., Italy.....			65		7.3										
Finnish Government Factory, Finland.....			\$0.753							9					
Norske Springstoff Industrie, Norway.....	10				1.1		\$1.55								
Schweizerische Sprengstoff Fabrik Dotli- kon, Switzerland.....	\$0.578					15				2.7					
Societe Selve Thoume, Switzerland.....						\$0.52									
Other firms.....	200										100				31.01
	\$0.55				22.3						\$0.465				
Total.....	305	198	365	30		350	84		120		438	59			

Name of company taking order	1931				1932				1933			
	T.N.T. P.D.R.	N.C. P.D.R.	N.G. P.D.R.	%	T.N.T. P.D.R.	N.C. P.D.R.	N.G. P.D.R.	%	T.N.T. P.D.R.	N.C. P.D.R.	N.G. P.D.R.	%
E. I. du Pont de Nemours & Co.....		7.5		1.4					1.5			24
Imperial Chemical Industries, Ltd.	130	\$1.72	1	24.7	78		1.5		\$1.35			68.19
Bofors Nobelkrut.....	{ \$0.46		\$0.64		{ \$0.34		\$1.08		{ \$0.33			
Pudrierie Royale de Wetteren, Caullie, Belgium.		65		12.2	205	193	10		11.5		60	21.78
Czechoslovakin Explosives, Ltd., Czechoslo- vakia.		\$1		39.1	\$0.329		\$1.04		{ \$0.22 } { \$0.33 }	{ \$1.03 }	6sh.6, d.	8.16
Service des Poudres, France.....	208								50			
Niederlandsche Springstofindustrie, Hol- land.	\$0.44								7			
Bombirini Parodi Delfino, Italy.....												
Dynamite Nobel, Italy.....												
S.I.A.T.A.M., Italy.....	100	10		20.7								
Finnish Government Factory, Finland	(?)	\$1.34										
Norsko Springstoff Industrie, Norway.....									10			1.63
Schweizerische Sprengstoff Fabrik Dori- kon, Switzerland.									\$1.05			
Societe Selve Thoune, Switzerland.....												
Other firms.....		10		1.9								
		(?)										
Total.....	438	20	72.5	1	343	193	11.5		480	73		60

1 Belgium.

This table shows all sales made by the above factories in competition.

It does not include sales by these factories to their own governments under private arrangements, nor deliveries from France to her military allies under treaty. Percentages shown are calculated on the total tonnage of all materials.

EXHIBIT No 485

* MS-144
OCTOBER 13, 1931.

Major K. K. V. CASEY,

Director of Sales, Smokeless Powder Department:

Please advise what steps have been taken to secure military sales business in the unhappy event of hostilities between China and Japan.

F. W. PICKARD,
Vice President.

FWP: JMQ

Discussed with

F. W. Pickard. 10/19/31.

KKVC.

EXHIBIT No. 486

[Copy]

135-Nobel Ind. Ltd. Spec.
MS-80-A
135-Nobel Ind.
34-Chinese Gov's
MS-64LONDON OFFICE, BUSH HOUSE,
*Alwyeh, W.C. 2, August 14, 1933.*E. I. DU PONT DE NEMOURS & Co.,
*Wilmington, Delaware.*Major K. K. V. CASEY,
Smokeless Powder Department.

FAR EASTERN TERRITORY—YOUR LETTER D-2897

Dr. Noelting arrived in London on Saturday, and I met him Sunday afternoon. This morning we had a conference at I.C.I.'s office, at which were present: Messrs. Laing, Cox, Hawkins, and Thornhill, of Imperial Chemical Industries, and Dr. Noelting, Mr. Ewing, and myself, of du Ponts.

The memorandum dated July 22, 1933, written by Mr. White on the meeting in Wilmington July 20 was received with considerable surprise, because it appeared to say in effect that I.C.I. has not played the game in accordance with the memorandum of October 10, 1932, when in fact they feel a great deal of care and thought has been given to this situation.

However, we took up this matter in accordance with the memorandum, and with Dr. Noelting's familiarity with the point of view of Wilmington, the whole matter was discussed.

The steps which I.C.I. have taken to develop this territory are as follows:

The first thing I.C.I. did was to take advantage of Mr. P. Fowler's trip to the Far East to have him talk over this matter with Dr. Noelting and I.C.I. staff in China and to organize the position. Mr. Fowler is experienced in China and his duty is organization and not that of a salesman. After consultation with I.C.I. in China and with Dr. Noelting, it was decided that I.C.I. would use as their agents in China the Jardine Engineering Corp. Jardine Engineering Corp. are an established company in China and have been extremely successful in the military business, having been agents for a great number of British houses, including Vickers, and having up until the year 1933 done a very large business in military work with the Chinese Government, and have apparently shown themselves to be competent military agents in the Far East. Through them, I.C.I. has received constant and very large orders for cartridges. Furthermore, Jardine takes the complete credit risk by taking the contracts in their own name and paying I.C.I. for the merchandise. Jardine, therefore, appeared to them the best agents they could find. I.C.I. feel it advisable in view of their non-military business in certain provinces which are not in sympathy with the Nanking Government not to handle the military business directly through I.C.I., Shanghai.

I.C.I., London, write directly to I.C.I., China, whose business is to check on Jardine very much as I check on the European agents and to receive and provide Jardine with technical assistance and everything they wish. Notice has been given to Jardine that if at any moment an expert technician of any type is required, he will be provided. For the moment, Jardine have told them they

* Pencil markings

felt there was no necessity for this, as they, themselves, have on their staff a number of military people. None the less, during the month of May I.C.C. sent to China Colonel Cresswell, who is still there. Colonel Cresswell is probably the most experienced military man in I.C.I., having been for many years at Woolwich Arsenal and having commanded a battalion of heavy artillery during the war. He is now the managing director of the ammunition section of Kynochs. I.C.I., Shanghai, have for the moment given the handling of military powders to Mr. Montagu Smith and have seriously considered bringing Mr. Montagu Smith back to England for a degree of technical instruction. However, China notifies them that this is not for the moment necessary and they think it would be a waste of time, particularly because of the fact that Colonel Cresswell is on the spot and the fact that Jardine have apparently sufficient military people.

Mr. Killery of I.C.I. is about to leave for China, and has been very carefully posted on all the military business. He is going to remain there permanently as head of the China organization.

The Chinese business is very complicated because work on this business must be carried on, not only in China, but also in England and in Germany. The Chinese have a purchasing commission in Berlin, with whom I.C.I. are in constant touch, to my knowledge, and as you know, Mr. T. V. Soong, who holds the purse strings of China, has been in Europe. Confidentially, Sir Harry McGowan has been in touch very closely with T. V. Soong during his whole visit and is going himself early in September to China to see T. V. Soong on the spot to try to make the most out of the connection started in England.

It may be that the method employed by us in Europe and South America is not exactly that which I.C.I. are pursuing in the Far East. I.C.I. are trying to solve the far eastern question to the best of their ability and are trying to find a method of working, not so much based on the memorandum of October 10 as on the facts of the oriental situation.

In the memorandum, Japan is mentioned. They handle Japan in a different way and believe it should not be handled by the same people as are handling China. Japan offers no possibility of business except for specialties, of which I.C.I. gets their share. All standard military material is manufactured in the country, and there have been no purchases of powder or explosives abroad.

The only purchases made in Siam are gun-cotton. So far, I.C.I. have got their Siamese business through their Siam agents, and they recently appointed new agents, which they hope will be better.

Regarding the Dutch East Indies, that whole business is handled through Holland and is in my territory. As you know, I am offering cannon powder in the Dutch East Indies, and samples have gone forward. Dutch East Indies also buy T.N.T., which I offer in Holland. So far we have not sold any, as both our prices and I.C.I.'s have been too high.

I.C.I. admit that they have been negligent in reporting all of these movements to you, but it has taken them a good while to get this thing under way, and I have in hand a letter from I.C.I., Shanghai, dated June 19, saying that they are preparing now to send monthly reports to Wilmington.

There has actually been very little business, and they will send you a list of all comparatively recent activities. About the time that this agreement of Oct. 10, 1932, went into effect the urgent military operations ceased, and there has been a let-down in the purchasing. I believe the only purchases made since that time have been 8 tons of cordite, which was sold by I.C.I., and 200 tons of T.N.T., which was sold by Bofors to China through the Chinese-Berlin office. There is also an inquiry for 20 tons of nitrocellulose powder.

I think it is right to say that Dr. Noelting, Mr. Ewing, and myself feel satisfied that everything has been taken care of in accordance with the intentions of the agreement of October 10 and that I.C.I. have been making a serious effort to organize this territory and promote sales.

The question of price plays an important part in business, and the duPont prices have been so out of line with the world prices for powder and T.N.T. that often it appears inadvisable to quote duPont material for fear of giving a bad impression. Mr. Haley, one of I.C.I., China, staff, home on leave, has as you know, raised the difficulty of offering both companies' products. It seems to me that this difficulty is meantime solved by duPont's prices being out of line, as, in spite of the fall in the dollar, the dollar-paper prices are still higher than the European prices, and either the dollar must fall lower or duPont must come down on the prices before duPont will be again in

the market, and I.C.I.'s problem seems to be what to do about offering duPont goods under these circumstances. I have suggested to them that they do the same thing that I do, i.e., to get prices from both companies and decide before making the offer which company has the chance of getting the business and push that one. As far as my experience has gone, in every case there is a perfectly clear reason for quoting one company's goods instead of the other, either for price, credit, quantities, or special desires of the customer. I therefore suggested to I.C.I. that the way to handle this in China was to have them judge each offer on its merits and do the best that can be done in the circumstances.

W. N. TAYLOR.

EXHIBIT No. 487

Cipher word:

YBIMO	I.C.I. Ltd. London.	
AGIOU	advise	
YAZAL	Hereules Powder Co.	
OIGBW	Rotterdam, Holland	
FAOKY	inquiring (about)	
IPHOX	prices	
DIBJU	delivery (of)	
RUTJA	50 tons	
AYREH	Diphenylamine	
KYLIT	for shipment to	
OHYBD	New York, N.Y.	
MANMU	stop	
YBIMO	I.C.I. London	
HINJE	naturally	
ANCBU	anxious	
CIWIZ	(to) consummate	
AYHZY	business	
MIUTD	suspecting	
FAOZN	inquiry	
IMINR	placed	
AUFWT	because of your	
KYKAS	inability	
MIBIL	(to) supply	
MANMU	stop	
EVSOV	However	
ODGRI	do not wish to	MS—2
DXYAE	disturb	88—Hereules Powder Co.
GUTAD	your market	34—Chinese Gov't.
AMEMB	and before	
IAFTO	offering	
JNIEJ	request you to	
AGJAF	advise if	
IYJBQ	any reason	
OFIMC	you	
IOMXA	prefer	
MUWKE	they do not	
IWQEK	quote	
AMCOG	and	
KEIIC	secondly	
IPOBC	at which price	
NAYUQ	per ton c.i.f.	
OHYVD	New York, N.Y.	
OFIMC	you	
CHOGE	consider	
YBIMO	I.C.I. London	
FUFWO	justified (in)	
IWQEK	quoting	
MANMU	stop	
BACUZ	cable immediately	

Cable from London office, February 19, 1934.

EXHIBIT No. 488

SHANGHAI, 1st August 1933.

MAY, JUNE, AND JULY

I. NEGOTIATIONS COMPLETED

Chinese Maritime Customs, Shanghai. 20,000 lbs. R.F.G. 2 powder. Contract dated 20th June 1933. Price sold at £4.17.0 per 100 lbs.

II. PROSPECTS UNDER NEGOTIATIONS

Ministry of Navy: We have very great hopes of obtaining an order for C.S.P. 2 cordite for 6'', 4'', 4.7'' and 3'' guns, complete with charges. We have quoted on the lines indicated in London's cable of 24th June 1933, i.e. 5/10½ per kilo, packed loose, and for priming powder R.F.G. 2 at £4.12.0. per 100 lbs.

We are assured by Jardines that confirmation or otherwise of this order will be to hand within the week.

Bureau of Military Administration, Nanking: We have quoted through Jardines for nitrocellulose powder for 7.92 mm. rifles 5/10 per kilo, 15 tons, and 6/3½ per kilo for ballistite ordnance, 4 tons. Quotations for this business have been received from Berlin, and in this respect we requested London to quote likewise. This quotation was submitted on 24th June.

In view, however, of London's cable to us of 11th July, indicating that their quotation to the Berlin Embassy of 5/6¾ per kilo f.o.b. for rifle powder was approximately 8% higher than Bofors, and that we could reduce to 5/4 per kilo f.o.b., and in view of a further cable dated 17th July, confirming that London had quoted this, we passed this information on to Jardines, who advised the Bureau of Ordnance accordingly.

As confirmed in our cable of 14th July, should the business be concluded in Berlin, Jardines in Shanghai agree to take del credere providing documents are sent direct to them, and that it is stated on the contract between suppliers and the Embassy in Berlin that Jardines are acting on suppliers' behalf in the event of nonpayment in Berlin, and that they have authority to collect here.

As no further news has been received by you, we have requested Jardines to make further enquiries in Nanking to ascertain whether the business has gone past us, or whether negotiations are merely postponed.

III. PROSPECTS FOR FUTURE NEGOTIATIONS

Direct contact: As already advised London, the authorities in Nanking have been favouring the system of conducting business direct with the manufacturers through their purchasing commission in Berlin. We are, however, confidentially informed that this system may revert to previous methods in that, though prices might be confirmed through their Berlin purchasing commission, business will in all probability be done locally.

We have been receiving very few inquiries during the last 6 months for TNT, and repeated representation to the Nanking authorities has produced no definite information as to whether the Bureau of Ordnance will be in the market for TNT during the next 6 months. Their normal requirements amount to approximately 300/400 tons per year, and we cannot trace any substantial orders having gone home during the last 2 or 3 months. This also applies to nitrocellulose powder, as, but for the inquiry enumerated above, business appears small. It is more than probable that the authorities are awaiting the return of the Finance Minister, Mr. T. V. Soong, before deciding or committing themselves.

Amatol: Owing to continued competition from Bofors in TNT, we are proposing to offer Amatol 80/20 as an alternative. Details as to this material have not yet reached us from London.

IV. GENERAL REPORT ON TERRITORY

Very little of interest to report.

Both Canton and Nanking have been for some considerable time past purchasing ammunition from various manufacturers. The Muniton Works in China are doing very little, and, in this respect, for your interest, we attach

hereto copy of a memorandum given to Colonel Creswell of I.C.I. Metals, Ltd., on the various munition works in China.

There would appear to be no doubt that the Chinese have found it better at the present time to import the complete ammunition rather than manufacture the cases and bullets in China and buying the powder to load. There is still a certain amount of loading being done at the Han Yang Arsenal, but generally speaking, arsenals are concentrating on repair work and shell loading. As stated above, very little activity can be expected until the return of the Finance Minister.

Canton: It is expected that the Canton Arsenal will be in the market for powder for shell bombs and hand grenade fillings in the future, as they are studying the matter very carefully. We are definitely handicapped in this business on account of the fact that the British Government require export permits before they allow the export of any munitions into China. This export permit cannot be obtained until after the Chinese Minister in London has seen the Huchao, which has to be approved by the Nanking authorities, and the Cantonese naturally do not favour any arrangement which necessitates their applying to the Central Government for permission to export into their territory.

In the past Jardines have managed to persuade the Cantonese authorities to write to Nanking for a permit, but it must be understood that the only reason why the Cantonese accede to this request is because they have no alternative either because prices submitted were under those of continental firms or they could not obtain the material elsewhere. The above also applies to shipments from America.

It would be a great help to conducting business if these restrictions could be lifted, and we suggest that representations be made to the British Foreign Office and the State Department in Washington in this respect. It could be stated in this representation that on no account would military munitions be supplied to the Cantonese Government if a state of war existed between them and the Central Government.

R. MONTAGUE SMITH.

EXHIBIT No. 489

MITSUI

CC: Mr. J. K. Jenney.

JULY 2, 1930.

MF #2862—AMMONIA OXIDATION—F.N.

Mr. F. NOBU,

Mitsui & Co., Ltd., 65 Broadway, New York City, N.Y.

DEAR MR. NOBU: This will acknowledge receipt of your letter of July 1st, from which we regret to note that the prospective clients in Japan have not as yet made any definite move towards the purchase of our ammonia-oxidation process.

As stated previously we are receiving from time to time inquiries from Japanese concerns, and in view of our happy relations with Mitsui & Co. we think it preferable to refer such matters to your concern because we feel that it would be of mutual benefit for all of these inquiries to pass through one central office. We further feel that from the prospective clients' standpoint you are perhaps in a better position to handle these inquiries because of your general knowledge of chemical industries in Japan, the local conditions, etc., but we quite naturally hesitate to refer these inquiries to you until we have been definitely advised as to your wishes regarding the proposed contract.

It can be readily seen that we are in a somewhat embarrassing situation as the matter now stands, and we would therefore be very much pleased to have your company come to some conclusion in the matter.

The terms of this proposed contract are very similar to those made with other concerns and seem to be very specific and entirely clear.

Yours very truly,

H. G. CHICKERING,
Development Department.

HGC/vod.

EXHIBIT No. 490

Nitrogen—Japan '28-'31

N—Japan

Mitsui

Copy to Mr. F. A. Wardenburg, Du Pont Ammonia Corp. Buil'g

APRIL 23, 1931.

To: Messrs. F. W. Pickard, Vice Pres.

J. E. Crane, Vice Pres.

From: Foreign Relations Department.

I attach herewith copy of a report from Mr. F. A. Wardenburg to the board of directors of the du Pont Ammonia Corporation relative to the proposed sale of contact conversion process rights to Mitsui in Japan. Mr. Wardenburg endeavored to discuss this subject with the foreign relations committee before the meeting of his board, but we were unable to arrange a meeting, and it will be necessary to discuss it after the ammonia board has acted.

Presumably, if we are to sell the process in Japan at all, we would prefer to sell it to the Mitsui interests, not only because they are linked up with the Claude interests, but also because it is a matter of general company interest to keep as friendly relations with this company as possible. The point for the foreign relations committee to decide bears on the I.C.I. relationship involved.

The I.C.I.-du Pont agreement provides (par. 5) that neither party will sell a process to a third party in nonexclusive territory without first advising the other party of its intention to do so.

This subject was also discussed at meeting with Lord Melchett and Sir Harry McGowan on August 27th, 1930. "It was agreed to consult in advance of action with respect to the sale of any process covered by the agreement in nonexclusive territory, subject to the right of either party to initiate preliminary discussions under exceptional circumstances."

I believe this obligates us to take the matter up with I.C.I. before making an offer or carrying on any further negotiations with Mitsui. We have no contractual obligations which would prevent us from concluding the deal with Mitsui, even though such a deal might hurt I.C.I.'s interests considerably, Japan being one of their two or three most important export markets.

Mr. Wardenburg, of course, quite justly points out that Mitsui seems resolved to go ahead with their expansion program, and it is hard to see how I.C.I. can be much worse off whether we sell them our process or whether they go ahead on their own, or with some third party.

As this seems to be a matter that the foreign relations committee should discuss, there will be a meeting in Mr. Pickard's office at 9:00 a.m. Saturday morning, April 25th.

J. K. JENNEY, *Ass't Director*.

jkj/ems

EXHIBIT No. 491

MITSUI

For rel. com. action N. Japan, I.C.I. P. & P. agree.*

Copy to Mr. H. H. Ewing, London office.

APRIL 24, 1931.

To: Mr. F. A. Wardenburg, Pres. du Pont Ammonia Corporation.

From: Foreign relations department.

At a meeting of the foreign relations committee held in Mr. Pickard's office April 24, Messrs. Pickard, Crane, and yourself being present, the subject of the sale of contact conversion process rights to Mitsui for Japan was discussed. It was agreed that it would be necessary to advise I.C.I. before making a definite offer, and it was also agreed that you would write a letter to Col. Pollitt in the near future.

J. K. JENNEY, *Asst. Director*.

JKJ/EMS.

P.S.—Mr. Ewing: The Mitsui people, who are Claude licensees in Japan, have heard through [Air Liquide]* of our part in the development of a contact conversion process and seem to be desirous of purchasing rights for

* Pencil marking.

use of this process in Japan. No definite offer has been made, but one will be in the near future. In the meantime, Mitsui has asked us to keep this matter strictly confidential, as they have to clear up certain commitments they have made with Air Liquide.

EXHIBIT No. 492

MEMORANDUM COVERING RELATIONS BETWEEN MITSUI & DU PONT WITH RESPECT TO HYDROGEN PROCESS

(To Ass't. Sec'y. of State Rodgers, 3/28/32) *

The original contract arose from the fact that Mitsui and du Pont were both licensees under the Claude ammonia process, Mitsui for Japan and du Pont for America. The exchange of operating experiences between licensees brought Mitsui and du Pont representatives together.

The Claude process covered the production by hydrogen by the liquefaction of coke-oven gas. du Pont found that this method of hydrogen production was not as economical in America as the production of hydrogen from coke, and du Pont proceeded to develop a process for this manufacture of hydrogen. Through the exchange of operating experiences referred to above, Mitsui learned of this development by du Pont and were interested because Mitsui had also found that the manufacture of hydrogen in Japan could be done more economically from coke than from coke-oven gas. Mitsui accordingly expressed a desire to negotiate for the Japanese rights to the du Pont hydrogen process, if and when successfully developed.

In May 1931 a representative of Mitsui called on du Pont and opened negotiations for license and du Pont gave Mitsui an option on the Japanese rights. In January 1932, that option having expired, Mitsui advised du Pont that they would like to reopen the negotiations and that has been done. There have been several conversations, and Mitsui representatives state that they desire to acquire the Japanese rights for the du Pont hydrogen process, although they state they have no intention of immediately proceeding with the construction of a plant to utilize this process.

The amount of money involved in this matter is something of the order of one-half million dollars. It is, therefore, an important piece of business and one which would tend to improve the already friendly relations existing between Mitsui, the leading industrial concern in Japan, and du Pont, one of the leading chemical companies of America.

The existing ammonia-plant capacity in Japan is estimated at 124,000 tons of nitrogen, equivalent to 450 tons of ammonia per day, which is about double the capacity of the du Pont plant in America. In Japan ammonia is quite largely made from electrolytic hydrogen and is practically all absorbed in agriculture. Japan does not make its nitric acid from ammonia but makes it from imported nitrate of soda.

The importance of Mitsui and to Japan of the acquisition of the du Pont hydrogen process does not lie in the resulting ability to manufacture ammonia, because Japan already has that ability, but rather in the economy of the du Pont hydrogen process as compared with the manufacture of hydrogen from coke-over gas, or by electrolytic process; i.e., the advantage seems to be in the commercial economy, and this economy is great enough to warrant Mitsui in paying the very considerable sum involved.

MARCH 25, 1932.

LduP/WH

EXHIBIT No. 493

MITSUI MINING COMPANY

This agreement dated this 26th day of July 1932, by and between Mitsui Mining Company, Ltd., a corporation of Japan, party of the first part, hereinafter called Mitsui, and E. I. du Pont de Nemours & Company, a corporation of Delaware, hereinafter called du Pont, a party of the second part, witnesseth:

* Inserted by pencil.

Whereas Mitsui has a license for the operation of the Claude process for the manufacture of ammonia for Japan, and is operating a unit or units of that process at its plants in Japan; and

Whereas du Pont has developed a process for the manufacture of a hydrogen-nitrogen mixture from water gas, which process operates to react carbon monoxide with steam under a pressure of approximately 25 atmospheres, giving a mixed gas suitable for synthetic ammonia manufacture, hereinafter referred to as pressure contact conversion process, and has built and is operating a unit or units of that process, each unit having a rated capacity for the production of hydrogen sufficient for the manufacture of 85 tons of 2,000 pounds of synthetic ammonia per day of 24 hours; and

Whereas Mitsui is proposing to install additional ammonia manufacturing capacity and for such installation desires to manufacture the hydrogen in connection therewith by the pressure contact conversion process.

Now, therefore, in consideration of the payments and mutual covenants hereinafter outlined, the parties hereto agree as follows:

1. du Pont agrees to furnish, upon the signing of this agreement, drawings and information sufficient to enable Mitsui to build, or have built, the special equipment, and to enable Mitsui to install all equipment and piping in connection with one 85-ton pressure contact conversion unit, including manufacture of catalyst for same. du Pont agrees also to furnish upon signing of this agreement information which would assist Mitsui in constructing such unit including catalyst manufacture and placing same in operation.

2. Mitsui agrees to pay du Pont at Wilmington, Delaware, in United States gold coin of the present weight and fineness, or its equivalent, the sum of \$300,000 payable \$100,000 upon the signing of the contract, a further \$100,000 one year thereafter, and the remaining sum of \$100,000 two years after date hereof.

3. In the event that Mitsui, its subsidiary or subsidiaries, install additional capacity for the manufacture of hydrogen by the reaction of carbon monoxide with steam at a pressure greater than five atmospheres, such additional capacity shall be considered as using the du Pont pressure contact conversion process and Mitsui shall make additional payment to du Pont of \$1,000,000 for each additional unit having a capacity of 85 tons per day. Such payments shall be made in the following manner: One-half of \$200,000 upon decision by Mitsui for the construction of each such additional unit; remaining one-half of \$200,000 in one year thereafter. When, however, the total of all payments made under this agreement shall have amounted to \$900,000, exclusive of payments for services as covered by paragraph 10 hereof, no further payments shall be required from Mitsui, regardless of the amount of hydrogen manufacturing capacity installed for ammonia manufacture. If any units after the first unit shall be of any other capacity than for the manufacture of 85 tons of ammonia per day, payments hereunder shall be at the rate of \$2,350 per ton of rated ammonia manufacturing capacity per day, and shall be made in the following manner: One-half upon decision by Mitsui for the construction of such units; remaining one-half in one year thereafter.

4. Subject to a right which Imperial Chemical Industries has already secured from du Pont to obtain a nonexclusive, nontransferable license for pressure contact conversion process, and to receive information relative thereto, Du Pont agrees that it will not, directly or indirectly, for a period of three years from date hereof, give to any others than Mitsui information with reference to the pressure contact conversion process for use in the territory herein covered. After the expiration of such three-year period du Pont shall be free to give to any others in such territory information with reference to such process and license to use same, unless Mitsui shall by that time have paid to Du Pont the amounts herein specified for additional unit or units, each of which units of 85 tons shall extend this period of exclusive information to Mitsui for a period of two years, except that payment by Mitsui of a total of \$900,000 shall make Mitsui's rights hereunder exclusive except as aforesaid for a period of seventeen years from date hereof. du Pont shall not, however, during the period of five years from date hereof offer to anyone other than Imperial Chemical Industries for the territory herein information with reference to such process and license to use same upon terms more favorable than the terms herein granted to Mitsui, nor during the next five years thereafter shall it offer better terms to other than Imperial Chemical Industries without having first offered such better terms to Mitsui.

5. The hydrogen produced by the pressure contact conversion process hereunder shall be used by Mitsui or its subsidiary or subsidiaries for the manu-

facture of ammonia only and for the manufacture of methanol produced as a purification step in the manufacture of ammonia.

The hydrogen thus produced may be used by Mitsui, its subsidiary or subsidiaries for other purposes than the manufacture of ammonia and the manufacture of methanol produced as a purification step in the manufacture of ammonia, subject to such terms and conditions as will be mutually agreed upon.

6. Mitsui agrees that it will not give to anyone else except its subsidiary or subsidiaries, information with reference to the pressure contact conversion process.

7. du Pont agrees that it will, for a period of seven years from date hereof, give to Mitsui all information which it may develop with reference to all improvements of the pressure contact conversion process, which will enable Mitsui or its subsidiary or subsidiaries to improve the operation of the pressure contact conversion process.

8. If, within seven years from date hereof, du Pont applies for any patents on the pressure-contact conversion process, it agrees to notify Mitsui immediately of such patent applications. At the request of and at the expense of Mitsui, similar applications shall be made in Japan. Such patents, if granted in Japan, will be owned by du Pont, but licenses thereunder shall be given to Mitsui or its subsidiary or subsidiaries to the extent of and with the restrictions of this agreement.

9. Mitsui or its subsidiary or subsidiaries may use the information furnished hereunder for the manufacture of hydrogen in the territory including Japan, Sakhalin, Korea, Formosa, and Manchuria, all as geographically constituted as of the date hereof, as per exhibit A, but not otherwise.

10. du Pont agrees to furnish not to exceed three men, for a period of not to exceed two years each, to assist Mitsui or its subsidiary or subsidiaries with the design, construction, and placing in operation of its first unit of pressure-contact conversion. Mitsui shall reimburse du Pont for the salaries, traveling expenses, and living expenses of such men when away from Wilmington, Delaware. It is recognized that there might be a possibility that conditions where these men would be required by Mitsui or its subsidiary or subsidiaries might be of a disturbed nature, and du Pont reserves the right to refuse to send men, or to withdraw men already sent, as long as du Pont considers such conditions unsatisfactory.

11. du Pont agrees that it will, during the period of seven years from date hereof, permit four visits, not exceeding four months each, by not more than three employees of Mitsui during each visit, to du Pont's ammonia plant for the purpose of study and training on those subjects, information relative to which is given hereunder, but on those subjects only, and du Pont further agrees to give every reasonable assistance to such employees of Mitsui.

12. du Pont agrees to furnish to Mitsui, without additional charge, information with reference to the manufacture of methanol in the purification of the hydrogen manufactured hereunder, as a step in ammonia manufacture. du Pont also agrees to give to Mitsui information, as of the date hereof, on the state of the art of manufacture of ammonia by the Claude process as practiced by du Pont, including manufacture of catalyst for ammonia synthesis and for the Claude purification step, preliminary thereto, and also, similarly, such information as du Pont shall have a right to give on the manufacture of water gas, the compression of gas to the pressure required by the pressure-contact conversion process, the further compression of the hydrogen-nitrogen mixture to the pressure required by the Claude process for the manufacture of ammonia and the piping in connection therewith. All of such information shall be given only to the extent that Mitsui shall have a right to receive it under the terms of any other agreements which Mitsui or its subsidiary or subsidiaries may have with others, as for example L'Air Liquide, from whom Mitsui has a license for the Claude process in Japan.

13. Inasmuch as the pressure-contact conversion process is proposed to be operated by Mitsui or its subsidiary or subsidiaries on a water gas higher in sulphur content than any similar gas with which du Pont has had experience, and also inasmuch as it is impossible for du Pont to determine the conditions under which such process would be operated by Mitsui or its subsidiary or subsidiaries, it is expressly agreed that du Pont does not warrant, in any respect, the operation of any units of contact conversion process installed hereunder. du Pont shall use all reasonable endeavors to furnish to Mitsui such information as will enable Mitsui to achieve the results obtained by du Pont in the manufacture of hydrogen-nitrogen mixture by this process.

14. du Pont makes this agreement without knowledge of the patent situation in the territory hereunder, as it would affect the pressure contact conversion process and Mitsui agrees to hold du Pont harmless against any claims made by others with respect to the use by Mitsui or its subsidiary or subsidiaries of information secured from du Pont.

15. This agreement shall be binding upon the successors and assigns of the parties hereto.

In witness whereof the parties hereto have caused this agreement to be executed by their properly authorized officers.

E. I. DU PONT DE NEMOURS & COMPANY,
By (S.) JASPER E. CRANE, V.P.

Attest:

(S.) M. D. FISHER, *Ass't Sec'y.*

MITSUI MINING COMPANY, LIMITED,

By (S.) REISUKE ISHIDA,

Attorney and Manager New York Branch, Mitsui & Co., Ltd.

SLA
CRM
FAWARDENBURG

Witness:

(?).

EXHIBIT No. 494

Mitsui—Nitrogen—Japan.

APRIL 21, 1931.

To: Board of directors, du Pont Ammonia Corporation.

From: F. A. Wardenburg, president du Pont Ammonia Corporation.

PROPOSED SALE OF CONTACT CONVERSION PROCESS RIGHTS TO JAPAN

Several months ago we were approached by the representatives of Mitsui and Company, the Claude licensees in Japan, who had heard, through L'Air Liquide in Paris, of our development of the pressure contact conversion process. They wished to purchase the rights for the use of this process in Japan. The state of our development at that time was such that we did not feel justified in discussing the matter. However, their interest in the acquisition of the Japanese rights for this process has continued, until last week we were visited by Mr. Isobe, the head of the nitrogen interests of Mitsui and Company, who had apparently come to America for the purpose of this discussion. He afterward visited Belle and then came to Wilmington, accompanied by Mr. Ishidi, the manager of the Mitsui New York office. In conversation a tentative proposition was outlined, with, however, no commitment on our part.

STATUS OF NITROGEN INDUSTRY IN JAPAN

Exact information on the amount of synthetic nitrogen productive capacity in Japan is not available. The following are our most accurate figures:

Mitsui & Company, 2 plants using Claude process (tons per day)-----	50
Mitsubishi, 3 plants operating the Casale process (there is some question about this much Casale capacity being actually available) (tons per day)-----	236
K. K. Sumikomo Hiryo Seizjo, 1 plant using process of the Nitrogen Engineering Corporation (tons per day)-----	22

The production and consumption of nitrogen compounds, expressed as short tons of ammonia, is approximately as follows:

Total yearly consumption-----	Tons	233,000
Deduct cyanamide-----	Tons	25,000
Nitrate of soda imports-----		18,000
Imports—other materials-----		20,000
Production of byproduct sulphate of ammonia-----		20,000
		83,000

Net market available to synthetic production----- 150,000

Of the market available for synthetic production about half has been taken care of by their own production and half by imports.

RECOMMENDATION

We appreciate that any increasing capacity in nitrogen manufacture in any part of the world has its effect upon our business, but we believe that our interests would not be hurt by the installation of additional capacity in Japan to the extent of the payments that could be secured for the sale of the Japanese rights.

We recommend, therefore, subject to the approval of the executive and finance committees of the du Pont Company, that we offer to Mitsui and Company, under the terms outlined above, the pressure contact conversion process with accompanying technique. This would be subject to their giving proper guarantees for the payments to which they would obligate themselves.

F. A. WARDENBURG, *President.*

[Taken from "Proposed Sale of Contract Conversion Process Rights to Japan"]

Mitsui and Company now has two plants, one a very small plant using coke oven gas and a larger one at Miiki making about 45 tons per day of ammonia using coke-oven gas and utilizing, of course, the Claude process. They propose to increase the Miiki plant, for which increase coke-oven gas is not available and they propose, therefore, to make this increase using coke as a raw material, which leads to their interest in the contact conversion process.

The present large overproduction of nitrogen in the world makes construction of any nitrogen plant a dubious undertaking, but there seems more justification for additional capacity in Japan than in any other country, perhaps, in view of their large imports and their desire to be self-supporting in nitrogen supply for military purposes, as well as for agriculture. However that may be, Mitsui say that they are determined to increase their plant, and the question, then, is, Shall we aid and abet them by offering to them what we consider the most economical hydrogen process known today?

EXHIBIT No. 495

[Translation]

BUENOS AIRES, *March 28, 1930.*

*14—Argentine Govt.
32—Crocker & Co.
14—B—Argentine Govt.

MY DEAR FRIEND BATES: I am writing to Mr. Casey hurriedly and to you to advise you that I have obtained confirmation from the present government for the sale I had made of 50 tons of F.N.H. powder.

You are doubtless aware of the telegrams I despatched, asking you to send samples for making tests before the contract is duly signed by the Government.

I have been assured that if the tests to be made prove satisfactory—that is, if the powder is really nonhygroscopic and flashless—the same will be purchased and declared standard powder for use in the Argentine Army.

You can, therefore, realize how important it is that the tests be satisfactory. I have been notified of the decree issued by the Government ordering that tests be made to check the characteristics of the powder to be sold, and I have been instructed to send 20 kgs. of powder to the Purchasing Commission in Europe, presided over by General Manuel Costa, Avenue Midi 62, Brussels, Belgium, and 10 kilos to the Arsenal de Guerra, Buenos Aires. Tests will be made in Brussels with a 75 m/m gun, Argentine model—that is to say, the model being used in the army—to check the flashlessness. Tests will be made in Brussels also for nonhygroscopicity. The same tests will be made in Buenos Aires by the technicians of the Arsenal de Guerra. Will you please explain this clearly so that there will be no misunderstanding?

I am also sending details of what has been decided lately by the Government, with reference to the powder factory. You must regard this as strictly confidential. In view of the very confidential nature of the matter, and that it is urgent, I am sending it by air mail, and promise to send you further details later on regarding explosives. I have been promised further details of a very confidential nature as additions to the proposal.

It has been decided now to install a factory complete with buildings and installations and even a library is included in the project. I am almost certain that we shall obtain the business if we present the proposal in due form.

Study well the data I am sending you, which is the essential thing to do in order to save time, as the presentation of the proposal is very urgent. My friends will give me all the details which may be necessary for said presentation. This, of course, is understood.

Acknowledge receipt of this letter by telegram as soon as it reaches you, advising me of your decisions. The airplane is leaving in 2 hours.

Your faithful friend,
Pencil markings.

CARAMES.

EXHIBIT No. 496

14-B.
135-Special file.
135-Nobel general.

IMPERIAL CHEMICAL INDUSTRIES (NEW YORK), LIMITED,
19 West 44th Street, New York, February 4, 1931.

E. I. DU PONT DE NEMOURS & Co.,
Military Sales Div.,
Wilmington, Del.

DEAR SIR: Mr. Swint mentioned to the writer last week that the position was not clear between us in regard to the Argentine factory project. The object of the present is to state our understanding that, as mentioned in yours of 29th November, the broad du Pont-I.C.I. partnership scheme is still in operation. We are in agreement with you that there should be no ambiguity between us on this matter and as we understand you are not clear as to what the position would be should a loss be incurred on the contract, we will deal with that point specifically.

You will remember the I.C.I. were not desirous of committing themselves to a definite figure unless and until their technicians had had an opportunity of inspecting the site. The offer contemplated by I.C.I., you will recollect, included the construction of the factory and was not merely for factory equipment. It was to be a tentative bid subject to possible revision after the technicians had examined the site. Our object was to avoid making a contract based on insufficient data and incurring the risk of a loss. We should not, I am sure, accept a contract which would cause us a monetary loss, at least not unless it were done as the result of a set policy and after consultation with you. Therefore, we do not think it proper or fitting at this juncture to decide what should be done in the event of a loss.

Our estimates have been carefully prepared and so far as is humanly possible to determine, they will not net us a loss but a profit.

Yours very truly,

G. W. WHITE.

gww:k
VIII H 1 Pencil markings.

EXHIBIT No 497

IMPERIAL CHEMICAL INDUSTRIES (NEW YORK), LIMITED,
19 West 44th St., New York, August 5, 1932.

32-Crocker & Co.*
135-Nobel Ind.

E. I. DU PONT DE NEMOURS & Co.,
Smokeless Powder Dept., Military Sales Div.,
Wilmington, Del.

ANTONIO CARAMES

DEAR SIR: Further to my letter of June 15th, I.C.I., have now had an opportunity of discussing the value of Sr. Carames' services with one of their Buenos Aires representatives. The latter speaks very highly of the work done by Sr. Carames in connection with the Government powder factory and has recom-

* Pencil markings.

mended that I.C.I. continue to retain this gentleman. In view of this you might consider it desirable to make a payment to Sr. Carames and I should like to know what you decide in this connection.

Yours very truly,

G. W. WHITE.

jws.h
cc JCP

300£ per year. Advised G. White verbally we would not allow Carames anything other than commissions on actual powder contracts.

NEB.

EXHIBIT No. 498

JUNE 22, 1933.

Cable No. 8

Antonio Carames indignant our offer \$1,500. Claim cancellation he obtained competitors powder plant contract and contact maintained for several years past without any remuneration has been very valuable to E. I. du Pont de Nemours & Co., Imperial Chemical Industries, Ltd., and merits much higher consideration.

Antonio Carames has great influence on present administration. On the \$1,500 offered Antonio Carames absolutely refuses agency and will become very dangerous enemy our business next few years as well as business of E. I. du Pont de Nemours & Co., Argentine, S. A. du Pont Argentina-Buenos Aires, which must be avoided.

Have discussed the matter with E. I. du Pont de Nemours & Co., Argentine, S.A., du Pont Argentina-Buenos Aires who agree with me suggesting that we offer Antonio Carames \$6,000 in cash for services rendered and yearly retainer of \$3,000, payable monthly, to cease at our discretion, thus avoiding any possible damage our interest.

You must consider company's interest as well as military sales division. Prospects are 2,100 charges 35 millimeter, 50 tons du Pont FNH powder 100 tons Pyro cannon powder, 100 tons rifle powder, and possible Argentine powder factory. Cable reply by Saturday. If you wish to telephone, advise by cable. Forward all letters.

(Cable from N. E. Bates, Buenos Aires, June 22.)

(Copy to Foreign Relations Department)

JUNE 22, 1933.

* 135-Noble Indus. Ltd.
32-Crocker & Co.
Ms.-140

Mr. GEORGE W. WHITE,

Imperial Chemical Industries, Ltd.
285 Madison Avenue, New York.

DEAR MR. WHITE: Confirming our telephone conversation of today, we attach hereto a copy of Mr. N. E. Bates' cable no. 8, dated Buenos Aires, June 22, in reference to Mr. Carames' attitude towards our offer of \$1,500 per annum as a retaining fee for his services.

We understood that it is your desire to postpone a decision on this matter until you have had a chance to visit Wilmington and discuss the situation with us, which will be early in the week commencing June 26. In the meantime you will consult Mr. James Laing in London and get his views of the situation.

It may be well to mention that our offer of \$1,500 to Mr. Carames was that this was to be payable in monthly installments and would represent total payments from both du Pont and I.C.I.

Very truly yours,

K. K. V. CASEY, *Director.*

By _____

AS: AKR

EXHIBIT No. 499

JUNE 26, 1933.

CABLE NO. 9

Referring to your cable no. 4, Antonio Carames leaving here for Europe July 6th, returning by way of New York, N.Y., presumably sent by President, secret mission, Imperial Chemical Industries, Ltd., Buenos Aires, Argentine, agrees with me suggesting that we offer Antonio Carames \$250.00 per month to be cancelled at any time by payment \$6,000 in monthly installments.

Remuneration, if any (for) services rendered cancellation of powder plant to be discussed in London and/or Wilmington, Delaware, with Antonio Carames. Have not advised Antonio Carames this plan. Imperial Chemical Industries, Ltd., Buenos Aires, Argentine, cabling Imperial Chemical Industries, London office, similar suggestion.

If you agree to \$250.00 think I.C.I., London, should pay us half. Cable instructions.

(Cable from N. E. Bates, Buenos Aires, June 26.)

EXHIBIT No. 500

[Copy]

JUNE 30, 1933.

* 135-Nobel Indus. Ltd.

Orig.—Ms-100

30-Crooker & Co.

(Memo. for file)

TELEPHONE CONVERSATION WITH N. E. BATES

Had telephone conversation with N. E. Bates and advised him, as a result of a conference with Mr. G. W. White, of I.C.I., we decided it best to have him make a temporary contract with Carames on the basis of \$1,500 a year until such time as Carames has discussed the matter with the principals in London and Wilmington. As Carames leaves for Europe on July 6th this will make the temporary arrangement one of a few months before we come to a final decision. In the meantime N. E. Bates will send us by mail the complete story of Carames' position and any arguments he may have used to justify his demands.

K. K. V. CASEY, *Director.*

KKVC: MH

EXHIBIT No. 501

[Postal telegraph]

135-Nobel Indus.*
MS-176-A.
32-Crocker & Co.
P1 57/56 Cable-N Baires S2SP.

JULY 2, 1933.

N1t CASY,

du Pont, Wilmington, Del.:

Ten Carames accepts temporary arrangement pending interviews London Wilmington hundred twenty-five dollars monthly. Ready sign contract Carames similar Veiga duration three years with six months' cancellation clause. Wire immediately if satisfactory. Suggest don't send White or London my letter numbered 13. Writing you fully also London air mail this week.

Nick.

(“Exhibit No. 502” appears in text on p. 1179)

* Pencil marking.

EXHIBIT No. 503

32—Crocker & Company
 IMPERIAL CHEMICAL INDUSTRIES (NEW YORK), LIMITED,
 19 West 44th Street, New York.

(Confirmation of incoming cable)

LONDON, August 4, 1933.
 Received Aug. 5, 1933, 9 a.m.

WHITE, *Impkemix*, New York:

191. Have interviewed Carames, who will accept whatever arranged with Crocker. He will not visit Wilmington (stop) His claim, and we cannot seriously question it, is that over the years expense has been 2,000 pounds (stop) We are willing to pay half or lesser amounts (stop) Bates, who we suggest should handle matter for his prestige, might satisfy Crocker with 1,500 pounds (stop) Building of factory question reopens December and we are preparing accordingly (stop) For interim period existing contract continues.

LAING.

EXHIBIT No. 504

[Copy]

LONDON OFFICE, BUSH HOUSE,
 Aldwych, W.C. 2, August 15, 1933.

Major K. K. V. CASEY,
Smokeless Powder Dept.

* 31
 32—Crocker & Co.

ANTONIO CARAMES—ARGENTINE

I met Mr. Carames on his steamer on his arrival at Boulogne, and motored him to Paris. I did my best to make his stay agreeable, which he seemed to appreciate.

Regarding Carames' business in Europe, he has come here for his health, to attend some private investments, and to make arrangements with the Argentine military missions in Europe, who according to Argentine law sign all contracts made with Europeans, and he wants to come to a proper understanding with them, so that if a suggestion comes from the Argentine that they should sign a contract they will not oppose it. I gathered that is what his secret mission consists of. He also is talking about agencies for naval supplies. He says he is not taking German agents, but would take either Italian or English.

I first tried to arrange with him a visit to London and later to Wilmington, both of which he positively refused to undertake, saying that, knowing no English, it would be of no possible interest and that he was not willing to undertake any further expenses on this matter. So I arranged an interview with Mr. L. B. W. Smith, of I.C.I., to take place in Paris on August 3rd.

Carames told me his story, which you know from Mr. Bates' reports. His principal claim was that, in spite of the fact that it did not seem to him probably that stopping the factory could have meant a very large monetary gain to us, none the less both Wilmington and London urged him to stop it, a matter which cost him considerable money, the outlay of which at the time was known to both companies. That having spent this money at our request and having not been given an opportunity to earn commissions, he was entitled to reimbursement.

Carames explained that having cancelled the contract with the Germans three times he could not continue to do it any longer, and that at the end of December or the first part of January, if we did not put in an offer for the factory, a contract would finally be signed with the Germans, which would be final. In view of this, I.C.I. has agreed to make a serious endeavor to get this contract, and are preparing an offer and prices which they feel will compete favorably with the German proposal.

In our meeting in Paris with Mr. L. Smith, he said that he would be satisfied if the present interim agency contract was continued and if a payment of \$10,000

* Pencil marking.

was made to Crocker & Co. He said he did not wish to settle this matter, as his partner, Crocker, was the person to be satisfied. Mr. Smith and I discussed with him different phases of his story, but we did not make any promises of any kind. We told him settlement would be made through Bates with Crocker & Co., and to this he agreed.

After this conversation, Mr. Smith talked this over in London and then sent me a copy of their cable to Mr. White, under date of August 4th, in which they will agree to pay half of the \$10,000, and request Wilmington to make the final arrangements on this matter, and suggest that this thing be handled through Bates with Crocker & Co. From our conversation with Carames, it appeared clear to us that it was wise to have this done through Mr. Bates, because Carames appeared to think that Mr. Bates had no authority and could make no decisions, and we felt it was advisable to force Mr. Carames to accept Mr. Bates' authority.

It would be wise to have the settlement made with Crocker & Co. before Carames leaves Europe, which will be early in November, as I.C.I. would like to go into details of the factory proposal with him before he leaves, and they hesitate to discuss this matter in detail until this other matter has been settled.

I tried to keep you informed by cables nos. 1032, 1033, and 1034 as these matters developed, but I did not write before for fear that it would confuse matters.

Carames has now left France to take a cure in Germany and will probably be back in Paris in September.

W. N. TAYLOR.

("Exhibit No. 505" appears in text on p. 1195)

("Exhibit No. 506" appears in text on p. 1197)

("Exhibit No. 507" appears in text on p. 1197)

("Exhibit No. 508" appears in text on p. 1199)

("Exhibit No. 509" appears in text on p. 1199)

EXHIBIT No. 510

[Copy]

(I.G. Explosives)

REMINGTON ARMS COMPANY, INC.,
25 Broadway, New York, N.Y.,
October 22, 1934.

Mr. C. K. DAVIS,
President Remington Arms Co., Inc.,
Bridgeport, Conn.

DEAR MR. DAVIS: We are in receipt of a letter from Mr. von Herze of Koln-Dellbruck, dated October 6th, 1933, a copy of which in German is attached hereto.

My translation of this letter is as follows:

"The du Pont Company has advised me through the Dynamit-Actien-Gesellschaft, Troisdorf, that it is contemplating securing from your company a license for the use of leadtrinitroresorcinate in the manufacture of detonators. In accordance with the provisions of the agreement between your company and me, made in 1927, and the right therein reserved by me for the independent exploitation of leadtrinitroresorcinate for these special purposes, the arrange-

ment of such a license could only be effected with my approval and with due consideration to my rights.

"In order that, for the present, the entire situation may be made clear and the scope of the license desired by the du Pont Company be known, I would request you to kindly give me in some detail the desires expressed by the du Pont Company in this connection, as well as the Remington Company's attitude thereto.

"Your early response will be appreciated."

As you undoubtedly know, Mr. von Herz is the inventor of the material referred to above, which we employ in the priming mixtures, utilized in practically all of our ammunition.

I visited Mr. von Herz in Berlin in the fall of 1927 and negotiated the arrangement pursuant to which the title to the United States patent was transferred to Remington. I have not seen a copy of this agreement lately, therefore I do not know its exact wording. But I do recall that I attempted to purchase the patent outright so that we might be able to sell a license to Du Pont Company for the utilization of this material in detonators. Even at that time it was used very extensively in detonators in Germany, Great Britain, and South Africa, and I think also in France. Subsequently it was adopted in Canada. I was unable to make the desired arrangement because Mr. von Herz wanted to reserve the right to deal with the du Pont Company. Just how this was taken care of in the contract I don't recall. Shortly after the 1927 agreement, Mr. von Herz joined the R.W.S. as consulting chemist, and we had further dealings with him, as a result of which Mr. von Herz induced Mr. Mueller to consent to the licensing of Remington under the Tetrazene patents of R.W.S. As a result of this Mr. von Herz and several other gentlemen of R.W.S. came to this country in 1928, which was followed by my visit to Cologne, Troisdorf, and Nuremberg in the spring of 1929, and Dr. Mueller returned the visit to New York and Bridgeport late in 1929.

As a result of these various visits, a rather friendly relationship was established between the German company and Remington Arms Company, which has resulted in the interchange of considerable technical information and the working out of a rather informal patent interchange agreement. In all of this Mr. von Herz has been very active. The arrangements worked out were effected against the opposition of others in the R.W.S. organization.

On account of my rather intimate acquaintance with Mr. von Herz, Dr. Mueller and many others in the R.W.S. (now the D.A.G.) organization, practically all correspondence between the two companies was handled through me, and I have continued in this relationship even after my resignation as vice president of the Remington Arms Company, Inc. This is the reason why the letter referred to was sent to me.

I will be glad to have your instructions as to the nature of the reply to be made to Mr. von Herz, or better still I think we should get together to discuss this matter at your convenience.

Very truly yours,

A. A. DICKE.

EXHIBIT No. 511

[Translation]

Dynamit-Actien-Gesellschaft, formerly Alfred Nobel & Co., in Troisdorf (Bez. Cologne).

Reports of the management and the board of directors for the financial year 1933.

Ordinary general meeting to be held on Monday, May 28th, 1934, at 11 a.m., in Hamburg, Alterwall 37, in the offices of the Deutsche Bank and Disconto-Gesellschaft, Filiale Hamburg.

ORDER OF THE DAY

1. Presentation of the annual balance and the report for the financial year 1933, and taking of resolution on the annual balance.
2. Distribution of the net profit.
3. Release of the management and the board of directors.
4. Election of directors.
5. Appointment of auditors for the financial year 1934.

Board of directors

D. Max von Schinckel, Hamburg, chairman.
 Geheimer Kommerzienrat Professor Dr. C. Bosch, Heidelberg.
 Geheimer Regierungsrat Professor Dr. C. Duisberg, Leverkusen.
 Dr. M. Duttenhofer, Neunhausen (Wrttbg.).
 Generaldirektor Dr. W. Fahrenhorst, Berlin.
 Generaldirektor Bergassessor A. D. E. Fickler, Dortmund.
 Professor Dr. J. Flechtheim, Berlin.
 Generaldirektor Dr. F. Flick, Berlin.
 Generaldirektor Bergrat Dr. F. Funcke, Hagen 1./w-Eppenhhausen.
 Bankier Otto Hauck, Frankfurt a.M.
 Geheimer Kommerzienrat Dr. P. Kloeckner, Duisburg.
 Generaldirektor Dr. G. Knepper, Essen.
 Rechtsanwalt Dr. A. Lutteroth, Hamburg.
 Generaldirektor E. Philipp, Vienna.
 Geheimer Kommerzienrat R. Roehling, Munich.
 Geheimer Kommerzienrat Dr. H. Schmitz, Heidelberg.
 Justizrat E. Schniewind, Cologne.
 Geheimer Kommerzienrat Dr. R. von Schnitzler, Cologne.
 J. Rudolph Freiherr von Schroeder, Hamburg.
 Generaldirektor Dr. E. Tengemann, Essen.
 Bankier Dr. Max M. Warburg, Hamburg.
 Geheimer Regierungsrat M. Wessig, Berlin.
 Generaldirektor Bergrat Dr. H. Zirkler, Kassel.
 Willy Zweiffel, Berlin-Charlottenburg.

Management

Dr. Paul Mueller, Cologne, chairman.
 Dr. jur. Rudolf Schmidt, Cologne.
 Dr. Wilhelm Pungs, Cologne, assistant manager.

The deputy chairman of our board of directors, Herr Geheimer Hofrat Dr. phil. Dr.-Ing. e.h. Gustav Anfschläger passed away on the 9th April 1934 in his 82nd year. He had been in the explosives industry since 1882, and in 1889 he took over the management of our concern, an office which he held uninterruptedly until 1926. From 1926 until his death he was deputy chairman of our board of directors and member of the executive committee. In Geheimrat Anfschläger we have lost a personality of rare charm. He combined great spiritual nobility and human kindness with scientific thoroughness and commercial ability, and it was during his thirty-seven years of systematic and energetic rule that our company developed to the position of importance which it holds today. In spite of all his success, Herr Anfschläger always remained very modest and kindly and was respected and honoured by all who worked with him and under him.

We mourn his passing very deeply and will always hold in grateful memory.

Report of managers on the 58th financial year (1933)

Our concern, like so many others, has felt the benefit this year of the confidence inspired by our strong Government and of the measures undertaken by the Government for the creation of fresh employment. Domestic sales have risen in all departments. Export trade has maintained the level of last year, as far as quantities are concerned, but the value has fallen somewhat as a result of the ever-growing difficulties on the world market.

Apart from some little fluctuation at the beginning of 1933, our business in explosives, blasting caps, and primers has increased steadily, owing largely to the greater activity in ore mining and quarrying during 1933. Quantities exported were approximately the same as in the previous year.

Our sales of hunting and sport ammunition within Germany have increased, and sales abroad have been well maintained.

The hopes we placed on the development of business in synthetic materials have been realised, and turn-over has risen very considerably. Our products have met with great success on the market, and we intend shortly to bring out several new materials.

Our business in celluloid has been maintained at last year's level, but the prices, especially for export trade, are still unsatisfactory.

We have community of interests agreements with the following firms: Carbonit Aktiengesellschaft; Gustav Genschow & Co. A.-G.; Köln-Rottwell A.-G.; Rheinische Gummi and Celluloid Fabrik; Sprengstoffwerke Dr. R. Nasnsen & Co. A.-G.

We belong to the following unions, conventions, and similar syndicates governing price and sales: Deutsche Sprengstoff-Konvention, Sprengstoff-Verkaufs-Gesellschaft m. b. H., Zundschnur-Verkaufs-Gesellschaft m. m. H., Sprengkapsel-Syndikat, Celluloid-Verkaufs-Gesellschaft m. b. H., Munitions-Verband, Vereinigung deutscher Kunstharzfabriken.

Remarks on the balance sheet.—The balance sheet and the profit and loss account are based on our community of interests agreement with the I. G. Farbenindustrie A.-G.

ASSETS

Additions to our fixed assets, after deduction of withdrawals, amounted to.....	RM..	660, 451. 53
Write-downs amount to.....	“	3, 159, 780. 69
so that fixed assets are shown on the books at.....		2, 499, 329. 16
lower than last year.		
The book value of our investments, on the day the balance was taken, was.....	RM..	12, 573, 588. 75
The increase as compared with last year, i.e.....	“	930, 840. 02
is due both to the increase of our holding of various shares, and to the acquisition of nominal 720,000 marks of shares (of a total capital of nominal R.M.1,200,000) in the Patronen-, Zündhütchen-und Metal 1-warenfabrik A.-G., formerly Sellier & Bellot, Schönebeck.		

The most important of our old holdings of shares are the following:

Firm	Nominal stock in R.M.	Nominal holding in R.M.
Carbonit Aktiengesellschaft.....	1, 500, 000	417, 500
G. C. Dornheim Aktiengesellschaft.....	500, 000	482, 000
Deutsche Celluloid-Fabrik Eilenburg.....	8, 000, 000	2, 211, 500
Fabrik elektrischer Zünder Gesellschaft m.b.H.....	3, 000, 000	2, 820, 000
Selve-Kronbiegel-Dornheim A.-G.....	900, 000	615, 000
Sprengstoffwerke Dr. R. Nasnsen & Co. Aktiengesellschaft.....	700, 000	351, 600
Sprengstoffwerke Kieselbach-Kunigunde, G.m.b.H.....	600, 000	300, 000
Rheinische Gummi und Celluloid Fabrik.....	1, 000, 000	600, 000
Aktiengesellschaft Dynamit-Nobel, Bratislava (Pressburg).....	Kc. 13, 200, 000	Kc. 6, 745, 200

Our stocks have once more been prudently estimated; they have fallen further by.....	RM..	923, 678. 44
Our holding of securities has been shown in accordance with par. 261 no. 2 HGB, at.....	RM..	1, 008, 203. 00
Our holding of our own ordinary shares has remained the same, i.e., nominally.....	RM..	1, 838, 700. 00
and is therefore shown on the books at.....	“	882, 576. 00
as at the end of 1932.		
Accounts due amounted on 31.12.1933 to.....	“	11, 072, 503. 97
This sum does not include accounts of managers of our company or other persons mentioned in par. 261a, section 1, A IV, no. 10HGB.		

Accounts arising from current business with our affiliated companies are once more included under accounts for goods supplied and work done.

On 31.12.1933 our liquid assets included:		
Bills and cheques.....	RM..	1, 104, 103. 03
Cash in hand.....	“	28, 246. 11
Reichsbank account and postal cheque account.....	RM..	150, 114. 88
Banking accounts.....	“	19, 705, 560. 57
		RM.. 20, 988, 024. 59

The bank debts shown under obligations amounted on the 31.12.1933 to.....

	RM..	5, 386, 737. 42
--	------	-----------------

LIABILITIES

Our common share capital has undergone no change, and stands at nominally RM__ 47,000,000		
Of this capital we hold nominally RM__ 1,838,700		
so that dividend is payable on, nominally RM__ 45,161,300.00		
Our preference share capital, special reserve fund and reserve fund, and reserves, have undergone no change since last year.		
We have not shown a separate item for adjustment of values; this has been taken into consideration for each separate item.		
On 31.12.1933 the sum of our obligations was RM__ 9,686,034.15		
Our guarantee obligations were as follows:		
From the negotiation of bills and cheques	RM__	552,724.00
From sureties	"	691,301.00
Emoluments paid to the managers amounted to	RM__	269,826.00
and directors' fees amounted to	"	104,285.75
Based on the agreement with the I. G. Farbenindustrie A.-G., our net profit amounts to RM1,679,199.95.		
With the approval of the directors we propose that this profit be applied as follows:		
6% dividend on nominal RM125,000 Pref. Sh	RM__	7,500.00
3.5% dividend on nominal RM45,161,300 Com. Sh	"	1,580,645.50
Carry forward on new account	"	91,054.45

As provided by the statutes of our company, lots have been drawn and the following directors will retire at the end of the forthcoming general meeting:

Geheimer Kommerzienrat Dr. P. Klöckner.

Geheimer Kommerzienrat R. Köchling.

Justizrat E. Söhniewind.

Willy Zweifel.

They are open for reelection.

The improvement which has made itself felt in domestic trade has been maintained during the first few months of the current year, but there has been a slight falling off in export trade.

Troisdorf, April 1934.

THE MANAGEMENT.

Report of directors on the financial year 1933

Besides the loss which we have suffered in the death of the deputy chairman of our board, Geheimrat Dr. G. Aufschlager, we have also to deplore the death of another member of our board.

Herr Generaldirektor Dr. Inc. Jakob Kleynmans passed away on 12th November 1933.

He had been a member of our board since 1925, and during this time he had rendered valuable service to our company through the richness of his experience. We shall hold his memory in all honour.

We are entirely in agreement with the report of our managers for the financial year 1933, and with their proposals as to the distribution of the profits.

The annual balance has been audited by the Chemie Revisions- und Treuhand-Gesellschaft m.b.H., elected to this purpose at the last general meeting, who have also examined the books and the annual report.

The written report has been submitted to us. According to the final result the examination gave rise to no objections. We on our part have no remarks to make in connection with the report.

Troisdorf, May 1934.

THE BOARD OF DIRECTORS.

Balance sheet as at 31st December 1933

		ASSETS		R.M.	
I.	Arrears of payments on share capital				
II.	Fixed assets:				
	Ground	{ Brt. fwd. 4,004,186.97	Withdrl.	10,935.52	4,032,153.21
		{ Addition 38,901.76	Write-dn.		
	Residential bldgs.	{ Brt. fwd. 1,865,814.80	Withdrl.	36,463.00	1,751,356.40
		{ Addition 2.00	Write-dn.	77,997.40	
	Factory bldgs. railway & other bldgs.	{ Brt. fwd. 6,136,333.93	Withdrl.	25,061.00	5,249,317.79
		{ Addition 61,365.71	Write-dn.	923,320.85	
	Equipment, machinery & mechanical plant.	{ Brt. fwd. 5,263,664.55	Withdrl.	40,984.00	3,776,037.49
		{ Addition 640,438.04	Wr.-dn.	2,087,081.10	
	Factory and office fittings	{ Brt. fwd. 122,554.20	Withdrl.	237.00	84,360.40
		{ Addition 33,424.54	Wr.-dn.	71,381.34	
	Concessions, patents, licenses, trade-mark and other rights.	{ Brt. fwd. 1.00	Withdrl.	0.00	1.00
		{ Addition 0.00	Wr.-dn.	0.00	
		Br. fwd. 17,392,555.45	Withdrl. 113,680.52		14,893,226.29
		Addition 774,132.05	Wr.-dn. 3,159,780.69		
III.	Investments				12,575,388.75
IV.	Movable assets:				
	Stocks:				
	Raw, auxiliary and operating materials			2,652,730.92	
	Semi-finished products			1,257,344.36	
	Finished products and commercial goods			4,498,711.15	
	Securities				8,408,786.43
	Own common shares to nominal value of			1,838,700.00	1,008,203.00
	Accounts:				882,576.00
	On account of mortgages			467,921.05	
	On account of advance payments made			301,265.82	
	On account of goods supplied and work done			9,157,332.80	
	With dependent and affiliated Cos.			951,647.21	
	Other accounts			194,337.09	
	Bills				11,072,503.97
	Cheques				1,102,736.93
	Cash in hand, including accounts with issuing banks and postal cheque accounts				1,366.10
	Other bank accounts				178,360.99
V.	Items which round off the account				19,705,560.57
	Counter-claims arising from Guarantee obligns.			691,302.00	509,131.75
					70,338,040.78
		LIABILITIES			
I.	Share capital:			R.M.	R.M.
	Common shares			47,000,000.00	
	Voting right 470,000 votes.				
	Preference shares			125,000.00	
	Voting right 150,000 votes.				
					47,125,000.00
II.	Reserve fund:				
	Legal reserve fund			7,077,708.43	
	Special reserve fund			2,220,507.78	
					9,298,216.21
III.	Reserves				800,000.00
IV.	Items of adjustment of values				0.00
V.	Obligations:				
	Mortgages on land			0.00	
	Customers' payments on a/c			37,892.96	
	Obligations on account of goods supplied and work done			1,129,413.73	
	Obligations towards dependent and affiliated Cos.			2,135,981.93	
	Obligations towards banks			5,386,737.42	
	Other obligations			996,008.11	
					9,686,034.15
VI.	Items which round off the account				1,749,590.47
VII.	Profit:				
	Brought forward from 1932			91,054.45	
	Netrofit in 1933			1,588,145.50	
					1,679,199.95
	Guarantee obligations R.M. 691,302.00.				
					70,338,040.78

Profit and loss account for 1933

EXPENDITURES		RM.
Wages and salaries	-----	10, 514, 780. 00
Compulsory social services	-----	691, 296. 30
Written down on plant	-----	3, 159, 780. 69
Other write-downs	-----	508, 706. 49
Property taxes, inclusive of corporation tax and business tax	-----	1, 741, 842. 76
All other expenditure, with the exception of expenditure on raw, auxiliary, and operating materials, and commercial materials	-----	5, 099, 733. 93
Profit:		
Brought forward from 1932	RM. 91, 054. 45	
Net profit in 1933	RM. 1, 588, 145. 50	
		1, 679, 199. 95
		23, 395, 340. 12

RECEIPTS		RM.
Profit brought forward from 1932	-----	91, 054. 45
Gross profits, after deduction of expenditure on raw, auxiliary, and operating materials, and commercial materials	-----	21, 936, 365. 02
Proceeds from investments	-----	388, 806. 69
Interest and other capital proceeds	-----	634, 980. 89
Extraordinary profits	-----	344, 133. 07
		23, 395, 340. 12

DYNAMIT-ACTIEN-GESELLSCHAFT

(Formerly Alfred Nobel & Co.)

Dr. P. Mueller

Dr. Schmidt

Dr. W. Pungs

After duly auditing the bookkeeping, the annual balance and the annual report on the basis of the books and writings of the company, and of the statements and proofs furnished by the management, we confirm that they are all in proper legal order.

Troisdorf, April 1934.

CHEMIE REVISIONS-UND TREUHAND-GESELLSCHAFT m.b.H.
 ppA. HERMANN,
 DR. BEICHERT,
Public Auditors.

EXHIBIT No. 512

[1G explosives]

DU PONT-GERMAN COMPANIES LICENSE AGREEMENT

(* Unsigned, in effect as gentleman's agreement)

EXPLOSIVES

Patented invention: Patented explosive invention. Patented producing invention.

Secret invention: Secret explosive invention. Secret producing invention.

A countries: Germany, Holland, Poland, Austria, Denmark, and Bulgaria.

B countries: U.S.A. and possessions, Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, and Panama.

C countries: Dominion of Canada and Newfoundland.

du Pont to Germans	<table border="0"> <tr> <td style="font-size: 3em; vertical-align: middle;">{</td> <td style="padding-left: 0.5em;">of pat. explo. inventions</td> <td rowspan="4" style="font-size: 3em; vertical-align: middle;">}</td> <td rowspan="4" style="padding-left: 0.5em;">Exclusive in A countries. Nonexclusive in N.A. and S.A. excepting B and C countries.</td> </tr> <tr> <td style="padding-left: 0.5em;">of pat. produc. inventions</td> </tr> <tr> <td style="padding-left: 0.5em;">of secret explo. inventions</td> </tr> <tr> <td style="padding-left: 0.5em;">of secret prod. inventions</td> </tr> </table>	{	of pat. explo. inventions	}	Exclusive in A countries. Nonexclusive in N.A. and S.A. excepting B and C countries.	of pat. produc. inventions	of secret explo. inventions	of secret prod. inventions
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Germans to du Pont	<table border="0"> <tr> <td style="font-size: 3em; vertical-align: middle;">{</td> <td style="padding-left: 0.5em;">of pat. explo. inventions</td> <td rowspan="4" style="font-size: 3em; vertical-align: middle;">}</td> <td rowspan="4" style="padding-left: 0.5em;">Exclusive in B countries. Nonexclusive in N.A. and S.A. excepting B and C countries.</td> </tr> <tr> <td style="padding-left: 0.5em;">of pat. produc. inventions</td> </tr> <tr> <td style="padding-left: 0.5em;">of secret explo. inventions</td> </tr> <tr> <td style="padding-left: 0.5em;">of secret prod. inventions</td> </tr> </table>	{	of pat. explo. inventions	}	Exclusive in B countries. Nonexclusive in N.A. and S.A. excepting B and C countries.	of pat. produc. inventions	of secret explo. inventions	of secret prod. inventions
{	of pat. explo. inventions	}	Exclusive in B countries. Nonexclusive in N.A. and S.A. excepting B and C countries.					
of pat. produc. inventions								
of secret explo. inventions								
of secret prod. inventions								

* Pencil markings.

LICENSE AGREEMENT COVERING PATENTED INVENTIONS AND SECRET INVENTIONS
BETWEEN E. I. DU PONT DE NEMOURS AND COMPANY, PARTY OF THE FIRST PART,
AND THE VEREINIGTE KOLN-ROTTWEILER PULVERFABRIKEN AND DYNAMIT ACTIEN
GESELLSCHAFT, PARTY OF THE SECOND PART. DATED: JANUARY 1, 1926

This agreement, made in the city of Hamburg, Republic of Germany, as of the 1st day of January, A.D. 1926, between E. I. du Pont de Nemours and Company, a corporation organized and existing under the laws of the State of Delaware, United States of America, hereinafter called "the Du Pont Company", party of the first part, and the Vereinigte Koln-Rottweiler Pulverfabriken, a corporation of Berlin, Republic of Germany, and Dynamit Actien Gesellschaft, a corporation of Hamburg, Republic of Germany, hereinafter referred to collectively as "the German Companies", party of the second part. Witnesseth:

Whereas upon the terms and subject to the limitations hereinafter set forth, the party of the first part and the party of the second part desire to obtain, each from the other, licenses, as hereinafter provided, relating to inventions, improvements, and secrets in respect of processes, machinery, formulae, and compounds possessed or acquired by the other party, for the manufacture, production, transportation, handling, selling, or use of one or more of the following products; viz, black powder in all varieties; smokeless propellants for sporting purposes; disruptive explosives of all kinds for industrial purposes; detonators; electric detonators, safety fuses; powder fuses; detonating fuses; electric igniters, and generally all devices for initial detonation or ignition; the components which form the ignition and propellant charges of sporting ammunition; and the ingredients and component parts of the above, insofar as they are applicable to explosives; and

Whereas the products referred to in the foregoing recital are hereinafter called, collectively, "explosives", and an invention or improvement aforesaid, for which letters patent shall be obtained, is hereinafter called "patented invention", and a patented invention contained in an explosive is hereinafter called "patented explosive invention", and a patented invention for the manufacture, production, transport, handling, selling, or use of an explosive is hereinafter called "patented producing invention", and a secret invention in respect of a process, machine, formula, or compound aforesaid is hereinafter called "secret invention", and a secret invention contained in an explosive is hereinafter called "secret explosive invention", and a secret invention for the manufacture, production, transport, handling, selling, or use of an explosive is hereinafter called "secret producing invention"; and

Whereas each of the parties hereto desires an option to acquire licenses in respect of the other party's patented inventions and secret inventions, upon the terms and subject to the conditions hereinafter set forth:

Now, therefore, in consideration of the mutual agreements herein contained, and of the sum of five dollars, lawful money of the United States of America, and other good and valuable consideration, paid by each of the parties hereto to the other, the receipt whereof is hereby acknowledged, the parties hereto have agreed and hereby do agree as follows:

I. Each party agrees to and until the 31st day of December, A.D. 1935, upon making or obtaining any patented invention or discovering or acquiring any secret invention, to disclose in writing to the other party immediately, or in any event within six months thereafter, full particulars in respect thereof, and thereafter to furnish to the other party, whenever and so often as the other party shall request, copies of all claims, specifications, applications, and patents in respect of any such patented invention, and copies of all writings setting forth any such secret invention and such further information as the other party shall request in respect of any such patented invention or secret invention.

II. Each party shall forthwith appoint one or more competent, trustworthy, and experienced persons in its employ for the purpose of receiving such particulars and information from the other party. Whenever and so often as the other party shall request and at the expense of such other party, each party shall supply experienced chemists, engineers, foremen, and other experts to assist such other party in investigating, testing, applying, or using any patented or secret invention disclosed as aforesaid.

III. Whenever the du Pont Company shall have disclosed a patented or secret invention to the German companies, as aforesaid, the du Pont Company thereupon shall serve upon the German companies a notice in writing setting

forth the terms and conditions upon which the German companies may obtain the following licenses, to wit:

(1) The sole and exclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented explosive invention, to make, use, and employ within the Republic of Germany, Holland, Poland, Austria, Denmark, and Bulgaria, for which such letters patent shall be granted or extended, any such patented explosive invention for explosives, and to sell within said countries any and all explosives containing such invention.

(2) A nonexclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented explosive invention, to make, use, and employ within the countries of North and South America and the islands thereto pertaining for which such letters patent shall be granted or extended, excepting, however, the United States of America and its present and future territories, possessions, colonies, and dependencies, and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, and Panama, and the Dominion of Canada, and Newfoundland, any such patented explosive invention for explosives, and to sell within said countries of North and South America, and the islands thereto pertaining, excepting as aforesaid, any and all explosives containing such invention.

(3) The sole and exclusive license to make, use, and employ within the Republic of Germany, Holland, Poland, Austria, Denmark, and Bulgaria any such secret explosive invention for explosives, and to sell within said countries any and all explosives containing such invention.

(4) A nonexclusive license to make, use, and employ, within all the countries of North and South America, and the islands thereto pertaining, excepting, however, the United States of America and its present and future territories, possessions, colonies, and dependencies, and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, Panama, and the Dominion of Canada and Newfoundland, any such secret explosive invention for explosives, and to sell within all the countries of North and South America, and the islands thereto pertaining, excepting as aforesaid, any and all explosives containing such invention.

(5) The sole and exclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented producing invention, to make, use, and employ within the Republic of Germany, Holland, Poland, Austria, Denmark, and Bulgaria, for which letters patent shall be granted or extended, any such patented producing invention, to the extent and amount specified in such notice.

(6) A nonexclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented producing invention, to make, use, and employ within the countries of North and South America, and the islands thereto pertaining, for which such letters patent shall be granted or extended, excepting, however, the United States of America and its present and future territories, possessions, colonies, and dependencies, and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, Panama, and the Dominion of Canada and Newfoundland, any such patented producing invention for explosives, to the extent and amount specified in such notice.

(7) The sole and exclusive license to make, use, and employ within the Republic of Germany, Holland, Poland, Austria, Denmark, and Bulgaria any such secret producing invention to the extent and amount specified in such notice.

(8) A nonexclusive license to make, use, and employ within all the countries of North and South America, and the islands thereto pertaining, excepting, however, the United States of America and its present and future territories, possessions, colonies, and dependencies, and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, Panama, and the Dominion of Canada and Newfoundland, any such secret producing invention for explosives, to the extent and amount specified in such notice.

IV. Whenever the German companies shall have disclosed a patented or secret invention to the du Pont Company, as aforesaid, the German companies thereupon shall serve upon the du Pont Company a notice in writing setting forth the terms and conditions upon which the du Pont Company may obtain the following licenses, to wit:

(1) The sole and exclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented explosive invention, to make, use, and employ, within the countries for which such letters

patent shall be granted or extended, by the United States of America, or the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, or Panama, any such patented explosive invention for explosives, and to sell within said countries any and all explosives containing such invention.

(2) A nonexclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented explosive invention, to make, use, and employ within the countries of North and South America, and the islands thereto pertaining, for which such letters patent shall be granted or extended, excepting, however, the Dominion of Canada and Newfoundland and the countries enumerated in the last preceding paragraph numbered (1) herein, any such patented explosive invention for explosives, and to sell within said countries of North and South America, and the islands thereto pertaining, excepting as aforesaid, any and all explosives containing such invention.

(3) The sole and exclusive license to make, use, and employ within the United States of America and its present and future territories, possessions, colonies, and dependencies, and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, and Panama, any such secret explosive invention for explosives, and to sell within said countries any and all explosives containing such invention.

(4) A nonexclusive license to make, use, and employ within all the countries of North and South America, and the islands thereto pertaining, excepting, however, the Dominion of Canada and Newfoundland and the countries enumerated in the last preceding paragraph numbered (3) herein, any such secret explosive invention for explosives, and to sell within all the countries of North and South America, and the islands thereto pertaining, excepting as aforesaid, any and all explosives containing such invention.

(5) The sole and exclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented producing invention, to make, use, and employ within the countries for which such letters patent shall be granted or extended, by the United States of America, or the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, or Panama, any such patented producing invention, to the extent and amount specified in such notice.

(6) A nonexclusive license, to the end of the term for which letters patent shall be granted or extended, in respect of any such patented producing invention, to make, use, and employ within the countries of North and South America, and the islands thereto pertaining, for which such letters patent shall be granted or extended, excepting, however, the Dominion of Canada and Newfoundland and the countries enumerated in the last preceding paragraph numbered (5) herein, any such patented producing invention for explosives, to the extent and amount specified in such notice.

(7) The sole and exclusive license to make, use, and employ within the United States of America and its present and future territories, possessions, colonies, and dependencies and the Republics of Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, and Panama, any such secret producing invention, to the extent and amount specified in such notice.

(8) A nonexclusive license to make, use, and employ within all the countries of North and South America and the islands thereto pertaining, excepting, however, the Dominion of Canada and Newfoundland and the countries enumerated in the last preceding paragraph numbered (7) herein, any such secret producing invention for explosives, to the extent and amount specified in such notice.

V. Each of the parties to whom any license shall have been granted as herein provided may grant, within the limitations of such license, sublicenses in respect thereof to any or all of its respective subsidiary companies; but every such sublicense shall be subject to all the terms and conditions contained in the grants of the license so sublicensed and shall also contain terms, conditions, and obligations requiring such sublicensee to do such acts as may be necessary or proper to enable the party granting such sublicense to observe all the terms and conditions and to perform all the obligations on its part contained in the grant of the license so sublicensed. No such sublicense in respect of any such license shall be granted by any sublicensee nor by any of the parties hereto, except as hereinbefore provided, without the consent in writing first obtained from the party that shall have granted the license so sublicensed.

VI. In said notices served as aforesaid, the party disclosing such patented or secret invention shall request the other party to elect, within a period expiring twelve months after service of such notice, whether such other party accepts such licenses or any of them upon the terms and conditions set forth in said notice, and the other party shall elect within said period whether it accepts such licenses or any of them. The election to take any such license shall consist in serving, upon the party disclosing such patented or secret invention, within the period mentioned in said notice, either (1) an acceptance in writing of any such license upon the terms and conditions set forth in said notice or (2) an acceptance in writing of any such license upon such other terms and conditions as the parties, within three months thereafter may agree upon; but if the parties shall fail so to agree within the said period of three months such license shall be deemed not to have been accepted.

VII. Each of the parties hereto agrees that if, at any time during the continuance of this agreement, it shall obtain or acquire a right in or license under any patented or secret invention, which right or license is so limited that it can make no grant or license to the other party upon the terms and conditions herein set forth, it shall use its best efforts to assist such other party to obtain or acquire a right in or under such invention upon the terms and conditions herein set forth; but neither party shall be under any obligation to purchase or pay for any right or license for the benefit of the other.

VIII. Each of the parties hereto agrees not to make or consent to any disclosure or to do or consent to any other act that shall impair or depreciate the value of any sole and exclusive license granted by it in pursuance of this agreement, or that shall impair or depreciate the value of the right, title, and interest in any patented or secret invention not granted to it by the other party, and to take all reasonable care to prevent any such disclosure or act.

IX. Each of the parties hereto agrees, whenever and so often as requested by the other party, to execute and deliver all such other instruments in writing as may be necessary or proper for the purpose of further assuring and confirming the grant of any license that shall have been granted as herein provided, or for the purpose of enabling such grants to be filed or recorded in any public office.

X. Each of the parties hereto agrees, whenever and so often as requested by the other party, but at the expense of such other party, to assist in defending any letters patent under which any licenses shall have been granted as herein provided, and for that purpose to furnish to such other party such information and evidence as it can.

XI. If any difference or dispute shall arise between the parties hereto in respect of this agreement or any matter or thing relating thereto, excepting any term or condition set forth in any notice served as provided in the preceding paragraphs numbered III and IV herein, the same shall be referred to the chairman of the board, for the time being, of E. I. du Pont de Nemours and Company, or his nominee, and the chairman of the board, for the time being, of Dynamit Actien Gesellschaft, or his nominee, who shall arbitrate the same and whose award shall be final. If, however, the said arbitrators shall fail to agree they shall appoint an umpire whose award shall be final, which umpire, if the question or matter to be decided relates to a patented or secret invention of the German companies shall be an American, and if the question or matter to be decided relates to a patented or secret invention of the du Pont Company, shall be a German. If said chairmen fail to agree as to the appointment of such umpire, then such umpire, if required, as hereinbefore provided to be a German, shall be appointed by the president for the time being, of the Law Association of the city of Hamburg, Republic of Germany, or if required as hereinbefore provided to be an American, shall be appointed by the president, for the time being, of the Law Association of the city of New York. The umpire, if not appointed by the chairman of the respective companies, or their nominees, shall be a person having no direct or indirect financial interest in the explosives industry.

XII. The benefits and obligations of this agreement shall inure to and be binding upon the parties hereto, and their respective legal representatives and successors, but shall not be assignable by either party without the consent in writing first obtained from the other party; *Provided*, That this agreement shall apply equally to similar licenses relating to inventions, improvements, and secrets of which the respective parties have indirect ownership by reason of their direct or indirect control and ownership of other subsidiary companies by majority shareholding or otherwise.

XIII. It is agreed that patented and secret inventions owned or controlled by said parties respectively relating to products, their manufacture and sale, other than explosives, shall become subject to this agreement if and when said parties so elect, and to this end either party may from time to time furnish to the other a schedule of products other than explosives, manufactured by it, with an offer that said products be brought under the scope of this agreement. If the party receiving such offer consents that the products named in said schedule shall be brought under the scope of this agreement, it shall endorse its consent on said schedule, and the offer, schedule, and consent shall be attached to and become a part of this agreement; *Provided, however,* That the territorial limitations provided in this agreement with respect to inventions relating to explosives shall not apply to inventions relating to products other than explosives. Territorial limitations, if any, applying to inventions relating to products other than explosives shall be determined by the parties at the time of the granting of licenses and shall be set forth therein.

It is the intent of this article that in respect to products other than explosives the parties hereto shall be entirely free to weigh all economic or other factors pertaining to the particular consideration, and to reach conclusions solely upon the merits of the particular presentation, without prejudice to this agreement in respect to explosives and without influence thereby.

XIV. Any notice provided by this agreement to be served upon the German companies, party of the second part, shall be served on the Dynamit Actien Gesellschaft, of the city of Hamburg, Republic of Germany.

In witness whereof, E. I. du Pont de Nemours and Company has caused its corporate seal to be hereunto affixed and this agreement to be signed in its corporate name by its president and secretary, and the Vereinigte Koln-Rottweiler Pulverfabriken has caused its common seal to be hereunto affixed in the presence of and this agreement to be signed by one of its directors and its secretary at the city of Berlin, Republic of Germany, and Dynamit Actien Gesellschaft has caused its common seal to be hereunto affixed in the presence of and this agreement to be signed by one of its directors and its secretary at the city of Hamburg, Republic of Germany, all as of the day and year first above written.

E. I. DU PONT DE NEMOURS AND COMPANY,
By _____, *President*.

Attest :

_____, *Secretary*.

THE VEREINIGTE KOLN-ROTTWEILER PULVERFABRIKEN,
By _____, *Director*.

Attest :

_____, *Secretary*.

DYNAMIT ACTIEN GESELLSCHAFT,
By _____, *Director*.

Attest :

_____, *Secretary*.

EXHIBIT No. 513

MARCH 23, 1927.

To: Executive committee.
From: J. Thompson Brown.
Copy to: H. G. Haskell, V.P.

REPORT OF CONFERENCE IN FEBRUARY AND MARCH WITH BRITISH AND GERMAN
EXPLOSIVES INTERESTS

On account of difference of opinion as to the extent to which du Pont and Nobel should share with the D.A.G. the compensation which the D.A.G. had agreed to pay other German explosives companies for withdrawing from and limiting their activities in the export markets, and also because of a threatened resignation of the manager of Explosives Industries, Ltd., it was thought well that the writer should visit London, Hamburg, and Cologne for discussion of these, as well as other live subjects, with officials of the British and German explosives companies. Consequently, the writer sailed for England on February 5 and returned to Wilmington on March 15.

There is attached hereto as exhibit A copy of minutes of meeting held at Nobel House, London, on February 16. It will be noted from these minutes

that it was agreed between du Pont and Nobel that du Pont's share of the compensation to the German competitive companies, known as "Coswig, Lignose, and Gnaschwitz", should rightly be placed at £937-10 annually, whereas it had been contended by Nobel that du Pont's share should be £3,000 annually. The D.A.G. group had entered into agreements to pay annually to Coswig for a period of 10 years the sum of £5,000 in consideration of Coswig limiting its shipments of high explosives to the export markets to 250 tons per annum, and had made similar arrangements with Lignose and Gnaschwitz to pay to each of them £2,000 per annum to abstain from shipping explosives to the export markets. The writer agreed with Nobel that it would be proper to allocate to Chile and Bolivia 100 tons of the 250 tons accorded Coswig in the export markets, the balance to be delivered to the Dutch East Indies, and contended that it would be proper that one-half of the cash compensation to be paid Coswig should be considered as payable by the South American market, but that as neither Lignose nor Gnaschwitz had entered the export markets, and therefore had not been competitors of du Pont, du Pont should not share in the compensation to them. These points were conceded by Nobel and were later agreed to by Dr. Muller on behalf of the D.A.G. while the writer was in Cologne.

On account of the British income tax having proved more burdensome than had been expected, Mr. Robert Salmon, du Pont appointee, and manager of Explosives Industries, Ltd., had asked for an increase in compensation of £200 per annum, and as both Nobel and D.A.G. had indicated that his request would not be approved, he had decided to leave the employ of Explosives Industries, Ltd., on May 1st of this year. The writer discussed this matter privately with Mr. H. J. Mitchell, pointing out to him that it would be difficult to replace Mr. Salmon with anyone so familiar with the South American explosives market, and particularly du Pont's relationship to that market, and that as the American mining companies are such an important factor in the South American market, the Nobel and D.A.G. interests in E.I.L., as well as Du Pont's, would suffer through the loss of Mr. Salmon's services. Mr. Mitchell agreed that under the circumstances the increased compensation was in order, and this was later agreed to by Mr. Marquardt on behalf of the D.A.G. Formal record of this will be made in the minutes of the next meeting of the board of Explosives Industries, Ltd. It was also agreed by Mr. Mitchell, and later by Mr. Marquardt, that more responsibility should be placed on the manager of E.I.L. than theretofore, and the board of directors (on which Mr. Swint is Du Pont's representative) should be relieved of the many minor questions that it has been the practice to place before it.

There is attached as exhibit B copy of minutes of meeting also held in London on February 16 relative to purchases of glycerin on the Continental market.

While in Hamburg on February 28 it developed that German deliveries of high explosives to Mexico have been made in 25-kilo cases, i.e., 55 lbs. net weight, and that deliveries under the Du Pont-Hercules-D.A.G. agreement to date, including a shipment going forward on March 2, have amounted to 6,600,000 lbs., leaving 4,400,000 lbs. of German high explosives still to be delivered.

Mr. Marquardt agreed that D.A.G. would accept cash compensation for its under-sales of the E.I.L. quota during the fifteen months ending December 31, 1926, on the same basis as arranged with Nobel early in 1926, viz:

- £10 per ton of high explosives,
- 8 s. per thousand detonators,
- 6 s. per hundred electric detonators,
- 6 d. per thousand feet of safety fuse.

In conference with Dr. Paul Muller in Cologne on March 4th he agreed to the distribution of the compensation to the outside German explosives companies, as already stated, and approved the arrangements made in Explosives Industries, Ltd.

In view of the very excellent type of delay action electric blasting cap produced at the Troisdorf factory of the Rheinsisch-Westfalische-Sprengstoff A. G., and the desirability of du Pont putting out a similar article, the writer arranged with Dr. Muller to purchase the Eschbach U.S. patent 1,570,733 for \$7,500.00, to be paid in three annual installments. Assignment agreement will be drawn and sent to Cologne at an early date.

It was also arranged with Dr. Muller that Mr. William Eschbach, manager of the detonator factory at Troisdorf, will come to America during this year, and that there will be discussed with him while here the subject of lead-azide-tetryl-aluminum-shell detonators, now manufactured almost exclusively at Trois-

dorf; and that subsequently du Pont would send one or more men to Troisdorf to make an exhaustive study of the manufacture of this product. Dr. Muller made assurances that the processes involved in the manufacture of these detonators would not be offered to other American explosives manufacturers pending a decision by du Pont. He indicated that should we eventually decide to adopt this type of detonator he would expect Du Pont to pay for the process a lump sum of 100,000 marks, and to agree to a royalty payment to be applied from the start of manufacture, the 100,000 marks originally paid to be credited to the royalty payments.

In addition to the foregoing, many minor matters were discussed while in London, Hamburg, and Cologne, memoranda in regard to which are in the writer's files. While in Europe the writer took advantage of the opportunity to call on Mr. Le Play, of the Societe Generale pour la Fabrication de la Dynamite, and Messrs. Hyde and Davey, of the Davey-Bickford, Smith & Cie., with whom he discussed explosives matters of mutual interest.

Respectfully submitted.

J. THOMPSON BROWN.

EXHIBIT No. 514

EXHIBIT "A" MINUTES OF MEETING HELD AT NOBEL HOUSE ON 16/2/27

Present: Mr. J. Thompson Brown, Mr. Wendell R. Swint, E. I. du Pont de Nemours & Co.; Mr. H. J. Mitchell, Mr. J. Laing, Mr. A. G. Major, Nobel Industries, Ltd.

Norwegian competition, Chile.—The effect of Norwegian competition on the Chile Explosives Company was discussed and consideration was given to the best policy to be adopted for the next half year. It was the feeling of those present that the policy of watchful inactivity raised in Mr. Gilliland's letter of 26th August 1926 (C. 6, No. 900) and advocated in the trustees' letter to the Chile company of 5th January 1927, should be adhered to for the present.

Liquid oxygen, Chuquicamata.—Mr. Brown stated that he was satisfied that good progress was being made with Lox at Chuquicamata but did not anticipate any considerable extension of its uses in Chile or Bolivia. In this connection Mr. Brown said du Pont had a great deal of information on liquid oxygen which was available to Nobels on application.

Explosives Industries, Ltd.—Atlas and Hercules activities.—The activities of these two companies, particularly in Colombia, were discussed, and Mr. Brown stated that in conversations he had had with their representatives he had been informed that neither company intended to institute more aggressive measures, and that he felt they would be content with a share of the market not in excess of their present proportions. Mr. Brown during his forthcoming visit will explain the situation to the Germans.

Liaison between E. I. L. London and the American companies.—Mr. Brown was emphatic that Mr. White of New York should continue to act in the capacity of liaison and agreed that to enable him properly to carry out his duties it was essential that he be fully posted on all matters connected with Explosives Industries' operations. It was agreed to instruct E. I. L. accordingly.

Coswig, Gnaschwitz, Lignose.—After discussion it was agreed that du Ponts could not be expected to participate in the financial obligations entered into by the Germans with Gnaschwitz and Lignose. As regards Coswig, it was decided that du Pont's share should be confined to a participation in that sum properly applicable to the South American markets, the balance to fall to the British and German companies in such shares as may be agreed. Mr. Brown agreed to an equal sharing of the sum between South America (excluding Chile and Bolivia) and the rest of the world. Accordingly it was agreed that the £2,500 applicable to South America should be paid through the intermediary of Explosives Industries Limited, which will result in the following apportionment of that sum:

	£	s.	d.
Du Pont share, 37½ percent.....	937	10	0
Nobel share, 37½ percent.....	937	10	0
D. A. G. share, 25 percent.....	625	0	0
Total.....	2,500	0	0

In the event of Coswig not shipping the whole or any part of the 100 tons allocated to Chile and Bolivia, and that market having to compensate them on the shortage, the payment to be borne as follows: 75% by Chile Explosives Co., 25% by D. A. G.

Military factory, Chile.—The recent proposal put forward by the Chile Co. was discussed and, whilst it was recognized that the scheme presented many difficulties, it was considered politic on the part of the Chile Co. to keep these negotiations open as long as possible. *A cable was agreed, copy of which is attached, and as a reply would probably be received before Mr. Brown returned on the U.S., the matter to be discussed further on the 7th or 8th of March.

*(Copies of the cables referred to are in the writer's files—J.T.B.)

18th February 1927.

EXHIBIT No. 515

EXHIBIT "B", MINUTES OF A MEETING HELD AT NOBEL HOUSE, LONDON, S.W. 1, ON
16TH FEBRUARY 1927 AT 10:45 A.M.

Present: Mr. J. Thompson Brown, Mr. Wendell R. Swint, Mr. P. H. Chase, representing du Ponts; Mr. H. J. Mitchell, Mr. E. D. Metcalf, representing Nobels

Mr. Metcalfe said that from reports so far received from Mr. Clark a total of 705 tons crude glycerine has been acquired as a result of his visit to Paris and Marseilles; although no knowledge was to hand of the exact prices paid, stated that the figure would probably work out at about £69 per ton for crude.

Mr. Chase referred to conversations with Mr. Metcalfe and Mr. Clark in regard to the right of the du Pont Co. to call for participation in these purchases, and, as it appeared to be clear that some misapprehension existed as to what course the parties were expected to follow as the result of the previous meetings, it was decided to lay down definite guiding principles to be followed in all future operations on the continental glycerine market, as follows:

(1) The parties shall keep each other informed as to whether and to what extent they are interested in continental purchases, and a mutual understanding shall be arrived at from time to time to leave the market free to each other for such time as may be arranged.

(2) In no circumstances shall it be permissible for both parties to operate on the market simultaneously, and, in the event of both desiring to purchase, an understanding must be arrived at as to which party shall carry out the business and in what proportions any quantities purchased shall be allocated.

(3) Whenever either party desires to operate on the continental market, due notice of their intention to institute operations shall be given to the other party before any action is taken. Such other party shall have the right to declare the extent of its interest in any new purchases made at the time of such approach, which declaration shall entitle it to take over such proportion of the purchases as is represented by its declared interest, but not more than 50% at the price of purchase.

(4) Should either party declare that it is not interested, then such party shall have no title to call for any participation in purchases made as a result of operations by the other party.

The du Pont representatives indicated that they had no interest in the purchase which Mr. Clark was now effecting on the continental market.

("Exhibit No. 516" appears in text on p. 1243)

EXHIBIT No. 517

Legal Department.

SEPTEMBER 7th, 1934.

T. R. HANLEY,
Bldg.

I enclose herewith copy of my letter of January 23rd to Major Casey, together with copies of three drafts of agency agreements with D. F. Giera.

The draft marked "A" was the one enclosed with my letter of January 23rd. I believe this draft was revised before execution.

To the best of my recollection the draft marked "B" was the agreement executed under date of February 1, 1933.

I believe the draft marked "C" was drawn at the time of Captain Giera's return on February 2nd but was never executed.

The above explanation represents my best recollection of the status of these three drafts but it is possible that any one of them was the one executed on February 1st.

S. L. ABRAMS.

EXHIBIT No. 518

This agreement, made this — day of January 1933, by and between E. I. du Pont de Nemours & Company, a corporation organized and existing under the laws of the State of Delaware, United States of America (hereinafter referred to as the "Company"), and D. F. Giera, of Pelham, State of New York, United States of America (hereinafter referred to as the "Agent").

Witnesseth, that for and in consideration of the premises and of the covenants contained herein, the parties hereto have agreed as follows:

1. The company hereby appoints and constitutes the agent to act as its special agent for the Kingdom of Holland and as its exclusive agent for the Republic of Germany, to negotiate the sale of military propellants and military explosives to purchasers (other than the Government of Holland and its colonies) located in said territories.

2. The agent accepts such appointment and agrees that at all times during the continuance of this agreement he will use his best endeavors to promote the sale by the company of military propellants and explosives within the aforesaid territories.

3. The agent shall bear all expenses and assume sole responsibility in connection with such negotiations, and shall not make any representation, submit or accept any tender, enter into any contract, or execute any document on behalf of the company, except with the approval of the proper officers or other authorized representatives of the company; it being further understood that no obligation on the part of the company, either to the agent or to third parties, shall arise in connection with orders not so accepted.

4. The company shall furnish, without charge to the agent, its duly accredited representative or representatives to assist and advise the agent on technical, financial, and legal matters incident to the completion of any negotiations undertaken by the agent hereunder.

5. The agent shall receive as full compensation for his services hereunder a commission equal to 10 percent (10%) of the gross selling price of the military propellants and explosives sold to customers within said territories under orders negotiated by the agent during the life of this agreement. Any commission due hereunder shall be payable to the agent promptly upon receipt by the company of the selling price upon which such commission is based. Such commissions shall be paid in United States currency at such place as shall be designated in each instance by the agent, unless prevented by war, act of governmental authority, or other circumstance beyond the control of the company.

6. The company shall have the right to terminate this agreement upon written notice to the agent; provided, however, that the company shall remain liable for all commissions payable hereunder on orders obtained as a direct result of negotiations commenced prior to such termination.

7. The agent shall have the right to terminate this agreement upon six (6) months previous notice in writing to the company. Upon termination by the agent, no commissions shall be payable hereunder on orders thereafter accepted.

8. Unless otherwise terminated in accordance with paragraph 6 or paragraph 7 hereof, this agreement shall continue in full force and effect for the period of three (3) years from the date hereof.

In witness whereof the company has caused this agreement to be executed by its officers duly authorized and its corporate seal to be hereunto affixed, and the agent has hereunto set his hand and seal the day and year first hereinabove written.

E. I. DU PONT DE NEMOURS & COMPANY,
By _____, *Vice president*.

Attest:
[SEAL]

_____, *Secretary*.

STATE OF DELAWARE,

County of New Castle, ss.

On this ----- day of January 1933, before me personally came -----, to me known, who being by me duly sworn did depose and say that he resides in ----- that he is vice president of E. I. du Pont de Nemours & Company, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order; and he acknowledged the said instrument to be the free act and deed of the said corporation.

-----, *Notary Public.*

EXHIBIT No. 519

This agreement, made this day of February, 1933, by and between E. I. du Pont de Nemours & Company, a corporation organized and existing under the laws of the State of Delaware, United States of America (hereinafter referred to as the "Company"), and D. F. Giera, of Pelham, State of New York, United States of America (hereinafter referred to as the "Agent"), witnesseth:

That for and in consideration of the premises and of the covenants contained herein, the parties hereto have agreed as follows:

1. The company hereby appoints and constitutes the Agent to act as its special agent for the Kingdom of Holland and as its exclusive agent for the Republic of Germany, to negotiate the sale of military propellants and military explosives to purchasers (other than the Government of Holland and its colonies) located in said territories. The agent accepts such appointment and agrees that at all times during the continuance of this agreement he will use his best endeavors to promote the sale by the company of military propellants and explosives within the aforesaid territories.

2. The agent shall not, during the continuance of this agreement without the written consent of the company, act as agent for any other company, corporation, individual or collection of individuals engaged in the manufacture and/or sale of goods of a nature similar to or competing with the said products covered by this agreement, nor shall he be concerned, engaged, or interested, either directly or indirectly, in the business of any company, corporation, individual, or collection of individuals engaged in the manufacture and/or sale of goods of a nature similar to or competing with the products covered by this said agreement.

3. The agent shall bear all expenses and assume sole responsibility in connection with such negotiations, and shall not make any representation, submit or accept any tender, enter into any contract, or execute any document on behalf of the company, except with the approval of the proper officers or other authorized representative or representatives of the company; it being further understood that no obligation on the part of the company, either to the agent or to third parties, shall arise in connection with orders not so accepted.

4. The company shall furnish, without charge to the agent, its duly accredited representative or representatives to assist and advise the agent on technical, financial, and legal matters incident to the completion of any negotiations undertaken by the agent hereunder.

5. The agent shall receive as full compensation for his services hereunder a commission as shown on schedule "A" attached hereto and made a part hereof. Any commission due hereunder shall be payable to the Agent promptly upon receipt by the company of the selling price upon which such commission is based. Such commissions shall be paid in United States currency at such place as shall be designated in each instance by the agent, unless prevented by war, act of governmental authority, or other circumstance beyond the control of the company.

6. If, in the reasonable opinion of the company after consultation with the agent, it appears at any time to the company that the agent is not in a position to negotiate successfully with any prospective customer or customers within said territories, the company, after notice to the agent in writing, may appoint a special representative to obtain orders from such customer or customers; and no commission shall be payable to the agent hereunder with respect to orders negotiated by such special representative.

7. The company shall have the right to terminate this agreement upon written notice to the agent, should the agent breach any of the provisions of

this agreement or become incapacitated, by illness or otherwise, from performing his obligations hereunder for a period of six consecutive months. No commission shall be payable hereunder on orders accepted after such termination.

8. The agent shall have the right to terminate this agreement upon six (6) months previous notice in writing to the company. No commission shall be payable hereunder on orders accepted after such termination.

9. Unless otherwise terminated in accordance with paragraph 7 or 8 hereof, this agreement shall continue in full force and effect for the period of three (3) years from the date hereof.

In witness whereof the company has caused this agreement to be executed in duplicate by its officers duly authorized and its corporate seal to be hereunto affixed, and the agent has hereunto set his hand and seal the day and year first hereinabove written.

E. I. DU PONT DE NEMOURS & COMPANY,
By _____, *Vice President*.

Attest:
[SEAL]

_____, *Secretary*.

STATE OF DELAWARE,
County of New Castle, ss:

On this _____ day of February 1933 before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides in _____; that he is vice president of E. I. du Pont de Nemours & Company, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation; and that he signed his name thereto by like order; and he acknowledged the said instrument to be the free act and deed of the said corporation.

_____, *Notary Public*.

STATE OF DELAWARE,
County of New Castle, ss:

On this _____ day of February 1933 before me personally came D. F. Giera, to me known, who, being by me duly sworn, did depose and say that he resides in Pelham, county of Westchester, State of New York, and that he is the D. F. Giera described in and who executed the above instrument.

_____, *Notary Public*.

SCHEDULE A

This schedule is a part of and subject to all the conditions of the agreement made this _____ day of February 1933 between E. I. du Pont de Nemours & Company, a corporation organized and existing under the laws of the State of Delaware, United States of America (referred to in the above-mentioned agreement as the "Company"), and D. F. Giera, of Pelham, State of New York, United States of America (referred to in the above-mentioned agreement as the "Agent").

Supplementing paragraph 5 of said agreement, the Agent shall receive as full compensation for his services a commission equal to ten per cent (10%) of the c.i.f. price of all military propellants and military explosives sold to customers (other than the Government of Holland and its colonies) located within the Kingdom of Holland and the Republic of Germany, under orders negotiated by the agent and accepted by the company during the life of said agreement. Such commissions shall be payable in accordance with the provisions of said agreement.

In witness whereof the company has caused this schedule to be executed in duplicate by its officers duly authorized and its corporate seal to be hereunto affixed, and the agent has hereunto set his hand and seal the day and year first hereinabove written.

E. I. DU PONT DE NEMOURS & COMPANY,
By _____, *Vice President*.

Attest:
[SEAL]
Witness:

_____, *Secretary*.

EXHIBIT No. 520

This agreement, made this 2nd day of February, 1933, by and between E. I. du Pont de Nemours & Company, a corporation organized and existing under the laws of the State of Delaware, United States of America (hereinafter referred to as the "Company"), and D. F. Giera, of Pelham, State of New York, United States of America (hereinafter referred to as the "Agent"), witnesseth:

That for and in consideration of the premises and of the covenants contained herein, the parties hereto have agreed as follows:

1. The company hereby appoints and constitutes the agent to act as its special agent for the Kingdom of Holland and as its exclusive agent for the Republic of Germany, to negotiate the sale of military propellants and military explosives to purchasers (other than the Government of Holland and its colonies) located in said territories. The agent accepts such appointment and agrees that at all times during the continuance of this agreement he will use his best endeavors to promote the sale by the company of military propellants and explosives within the aforesaid territories.

2. The agent shall not, during the continuance of this agreement without the written consent of the company, act as agent for any other company, corporation, individual or collection of individuals engaged in the manufacture and/or sale of goods of a nature similar to or competing with the said products covered by this agreement, nor shall he be concerned, engaged or interested either directly or indirectly in the business of any company, corporation, individual or collection of individuals engaged in the manufacture and/or sale of goods of a nature similar to or competing with the products covered by this said agreement.

3. The agent shall bear all expenses and assume sole responsibility in connection with such negotiations, and shall not make any representation, submit or accept any tender, enter into any contract, or execute any document on behalf of the company, except with the approval of the proper officers or other authorized representative or representatives of the company; it being further understood that no obligation on the part of the company, either to the agent or to third parties, shall arise in connection with orders not so accepted.

4. The company shall furnish, without charge to the agent, its duly accredited representative or representatives to assist and advise the agent on technical, financial, and legal matters incident to the completion of any negotiations undertaken by the agent hereunder.

5. The agent shall receive as full compensation for his services hereunder a commission as shown on schedule "A" attached hereto and made a part hereof. Any commission due hereunder shall be payable to the agent promptly upon receipt by the company of the selling price upon which such commission is based. Such commissions shall be paid in United States currency at such place as shall be designated in each instance by the agent, unless prevented by war, act of governmental authority, or other circumstance beyond the control of the company.

6. The company shall have the right to terminate this agreement upon written notice to the agent, should the agent breach any of the provisions of this agreement, or become incapacitated, by illness or otherwise, or be prevented by any cause from performing his obligations hereunder for a period of six consecutive months. No commission shall be payable hereunder on orders accepted after such termination.

7. The agent shall have the right to terminate this agreement upon six (6) months previous notice in writing to the company. No commission shall be payable hereunder on orders accepted after such termination.

8. Unless otherwise terminated in accordance with paragraph 6 or paragraph 7 hereof, this agreement shall continue in full force and effect for the period of three (3) years from the date hereof.

In witness whereof the company has caused this agreement to be executed in duplicate by its officers duly authorized and its corporate seal to be hereunto affixed, and the agent has hereunto set his hand and seal the day and year first hereinabove written.

E. I. DU PONT DE NEMOURS & COMPANY,
By _____, *Vice President.*

Attest:
[SEAL]

_____, *Secretary.*

STATE OF DELAWARE,

County of New Castle, ss:

On this 2nd day of February 1933 before me personally came _____, to me known, who being by me duly sworn did depose and say that he resides in _____; that he is vice president of E. I. du Pont de Nemours & Company, the corporation described in and which executed the above instrument; that he knows the seal of said corporation: that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order; and he acknowledged the said instrument to be the free act and deed of the said corporation.

_____, *Notary Public.*

STATE OF DELAWARE,

County of New Castle, ss:

On this 2nd day of February 1933 before me personally came D. F. Giera, to me known, who being by me duly sworn did depose and say that he resides in Pelham, County of Westchester, State of New York, and that he is the D. F. Giera described in and who executed the above instrument.

_____, *Notary Public.*

SCHEDULE A

This schedule is a part of and subject to all the conditions of the agreement made this 2nd day of February 1933 between E. I. du Pont de Nemours & Company, a corporation organized and existing under the laws of the State of Delaware, United States of America (referred to in the above-mentioned agreement as the "company"), and D. F. Giera, of Pelham, State of New York, United States of America (referred to in the above-mentioned agreement as the "agent").

Supplementing paragraph 5 of said agreement, the agent shall receive as full compensation for his services a commission equal to ten percent (10%) of the c.i.f. price of all military propellants and military explosives sold to customers (other than the Government of Holland and its colonies) located within the Kingdom of Holland and the Republic of Germany, under orders negotiated by the agent and accepted by the company during the life of said agreement. Such commissions shall be payable in accordance with the provisions of said agreement.

In witness whereof the company has caused this schedule to be executed in duplicate by its officers duly authorized and its corporate seal to be hereunto affixed, and the agent has hereunto set his hand and seal the day and year first hereinabove written.

[SEAL]

E. I. DU PONT DE NEMOURS & COMPANY,
By _____, *Vice President.*

Attest:

_____, *Secretary.*Witness:
_____,

EXHIBIT No. 521

This agreement made this 15th day of February 1933 by and between E. I. du Pont de Nemours & Company, a corporation organized and existing under the laws of the State of Delaware, United States of America (hereinafter referred to as the "company"), and D. F. Giera, of Pelham, State of New York, United States of America (hereinafter referred to as the "agent"), witnesseth:

Whereas it is understood to be the desire and expectation of Germany to be relieved in the near future of the prohibitions and limitations upon the importation of arms and ammunition to which it is subjected under the terms of the Treaty of Versailles; and

Whereas it is the desire of the company to be in a position to furnish such requirements of military powders as Germany may be in the market for as the result of such relief;

Now, therefore, in consideration of the premises and of the covenants contained herein, the parties hereto have agreed as follows:

1. The company hereby appoints and constitutes the agent to act as its exclusive agent to negotiate the sale of military propellants and military explosives to the Government of Germany. The agent accepts such appointment and agrees that at all times during the continuance of this agreement he will use his best endeavors to promote the sale of military propellants and explosives by the company.

2. The agent shall not, during the continuance of this agreement without the written consent of the company, act as agent for any other company, corporation, individual, or collection of individuals engaged in the manufacture and/or sale of goods of a nature similar to or competing with the said products covered by this agreement, nor shall he be concerned, engaged, or interested either directly or indirectly in the business of any company, corporation, individual, or collection of individuals engaged in the manufacture and/or sale of goods of a nature similar to or competing with the products covered by this said agreement.

3. The agent shall bear all expenses and assume sole responsibility in connection with such negotiations, and shall not make any representation, submit or accept any tender, enter into any contract, or execute any document on behalf of the company, except with the approval of the proper officers or other authorized representative or representatives of the company; it being further understood that no obligation on the part of the company, either to the agent or to third parties, shall arise in connection with orders not so accepted.

4. It is expressly understood that the company will not enter into any contract for the sale of military propellants or explosives to the German Government without first obtaining the approval or consent of the United States Government.

5. The company shall furnish, without charge to the agent, its duly accredited representative or representatives to assist and advise the agent on technical, financial, and legal matters incident to the completion of any negotiations undertaken by the agent hereunder.

6. The agent shall receive as full compensation for his services hereunder a commission as shown on schedule A attached hereto and made a part hereof. Any commission due hereunder shall be payable to the agent promptly upon receipt by the company of the selling price upon which such commission is based. Such commissions shall be paid in United States currency at such place as shall be designated in each instance by the agent, unless prevented by war, act of governmental authority, or other circumstance beyond the control of the company.

7. Either party shall have the right to terminate this agreement upon six (6) months' previous notice in writing to the other. No commission shall be payable hereunder on orders accepted after such termination.

8. Unless otherwise terminated in accordance with paragraph 7 hereof, this agreement shall continue in full force and effect for the period of three (3) years from the date hereof.

In witness whereof the company has caused this agreement to be executed in duplicate by its officers duly authorized and its corporate seal to be hereunto affixed, and the agent has hereunto set his hand and seal the day and year first hereinabove written.

[SEAL]

E. I. DU PONT DE NEMOURS & COMPANY,
By A. FELIX DU PONT, *Vice President*.

Attest:

C. COPELAND, *Secretary*.
D. F. GIERA. [SEAL]

Witness:

K. K. V. CASEY.

STATE OF DELAWARE,

County of New Castle, ss:

On this 15th day of February 1933 before me personally came A. Felix du Pont, to me known, who being by me duly sworn did depose and say that he resides in Wilmington, Delaware; that he is vice president of E. I. du Pont de Nemours & Company, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation, and that he signed his name thereto by like order; and he acknowledged the said instrument to be the free act and deed of the said corporation.

[SEAL]

J. H. CASSIDY, *Notary Public*.

STATE OF DELAWARE,

County of New Castle, ss:

On this 15th day of February 1933 before me personally came D. F. Giera, to me known, who being by me duly sworn did depose and say that he resides in Pelham, county of Westchester, State of New York, and that he is the D. F. Giera described in and who executed the above instrument.

[SEAL]

J. H. CASSIDY, *Notary Public.*

SCHEDULE A

This schedule is a part of and subject to all the conditions of the agreement made this 15th day of February 1933 between E. I. du Pont de Nemours & Company, a corporation organized and existing under the laws of the State of Delaware, United States of America (referred to in the above-mentioned agreement as the "company"), and D. F. Giera, of Pelham, State of New York, United States of America (referred to in the above-mentioned agreement as the "agent").

Supplementing paragraph 6 of said agreement, the agent shall receive as full compensation for his services a commission equal to ten percent (10%) of the selling price, f.o.b. plant, of all military propellants and military explosives sold to the German Government under orders accepted by the company during the life of said agreement. Such commissions shall be payable in accordance with the provisions of said agreement.

In witness whereof the company has caused this schedule to be executed in duplicate by its officers duly authorized and its corporate seal to be hereunto affixed, and the agent has hereunto set his hand and seal the day and year first hereinabove written.

[SEAL]

E. I. DU PONT DE NEMOURS & COMPANY.
By A. FELIX DU PONT, *Vice President.*

Attest:

C. COPELAND, *Secretary.*
D. F. GIERA, [SEAL.]

Witness:

K. K. V. CASEY.

(" Exhibit No. 522 " appears in text on page 1237)

(" Exhibit No. 523 " appears in text on page 1244)

EXHIBIT No. 524

JUNE 30, 1933.

Confidential.

*Ms-S0-A
7S-P. D. F. Giera
Ms-140

COLONEL W. N. TAYLOR,
16 Place Vendome, Paris, France.

DEAR TAYLOR: Because of uncertainties regarding possible flare-back, it is decided best to cancel our agency arrangement with Giera and the same has now been arranged, this cancellation taking effect immediately.

With kindest regards to the family and yourself, I am
Sincerely yours,

K. K. V. CASEY, *Director.*

KKVC: MH

EXHIBIT No. 525

(T-2629)

APRIL 10TH, 1933.

Major K. K. V. CASEY,
*E. I. du Pont de Nemours & Co.,
Wilmington, Delaware.*

*Ms-S0-A
Ms-S

DEAR SIR: Status of negotiations March 1933:

* Pencil markings.

I. NEGOTIATIONS COMPLETED

Poland: 20 tons graphite. As negotiations on this material remain in abeyance, the subject will be dropped from future reports.

Belgium: 60 tons powder for 7.92 Mauser cartridges not subject to inspection. Offer for newly made powder from I.C.I. expired. Offer for du Pont IMR 17 subject to prior sale canceled. The Fabrique Nationale have requested an option on 15 tons old IMR 17, which has also been refused, there being no stock on hand.

Latvia: 10 tons NC powder for .303 cartridges. The Latvian War Department sent out their annual inquiry as to price of 10 tons NC rifle powder for .303 cartridges, as the price of powder governs the price the Government pays to Sellier & Bellot for finished ammunition. We quoted \$1.60 per kilo, as we know no real order will be placed.

Yugoslavia: 15 tons TNT for boosters. Order received by Bofors during February, price believed to be around 2 s. 2d. per kilo delivered.

II. PROSPECTS UNDER NEGOTIATION

Austria: 15-30 tons NC powder for 7.92 cartridges. To be ordered by Hirtenberg for delivery to Dordrecht.

Bulgaria: 5 tons TNT.

Finland: 400-1,000 tons TNT 80.5°C. Negotiations for an order for TNT started the latter part of March, while Col. Taylor was in Helsingfors. Prices were obtained by telephone from London and by cable from Wilmington.

Greece: 40 tons low NG content powder for 75 mm Krupp F. G. Official report of tests made in March expected shortly. Bids were put in on March 20, but are to be opened at a later date which is not yet known.

III. PROSPECTS FOR FUTURE NEGOTIATIONS

Belgium: Cannon powder.

England: Powder for 7.62 mm Estonian cartridges.

Estonia: 18 tons NC powder for 12"/50 cal. C. D. gun; 28 tons TNT 80° C.; 4 tons powder for 18 pdr. gun.

France: Powder for 25 mm Hotchkiss machine gun; powder for 37 mm. Hotchkiss machine gun.

Greece: Powder for 75 mm Schneider mountain gun Mod. 1919; powder for 120 mm 50 cal. navy gun; powder for 6.5 mm rifle S.P. & C.H.

Holland: 100 tons TNT for Army and Navy; NC Powder for 75 mm gun Colonial Army.

Lithuania: Powder for 7.92 mm rifle cartridges.

Poland: 1,000 tons rifle and cannon powder.

Roumania (Resita): 60 tons TNT.

Yugoslavia: TNT.

IV. REPORT FOR MARCH 1933

Austria: There continues to be much political unrest in Austria, where it is feared that there will be a Hitlerite invasion in the form of a local internal upheaval in favor of Hitlerism, immediately followed by a voluntary joining up with Germany, thereby forming the Anschluss and eliminating Austria as an independent nation.

Belgium: Our agent reports the possibility of negotiating with the Belgian Government during April for the supply of cannon powder.

Bulgaria: Mr. Douque, I.C.I.'s agent for Bulgaria, having been in London and Paris most of last month, we have no further details on what was reported last month, except that the order for the erection of a powder plant is understood to involve 37 million levas, and that payment will be made in the form of tobacco of the 1928-1929 and 1930 crops.

Denmark: There will be an adjudication in June for 10-20 tons TNT and 10-20 tons cannon powder. We have received an enquiry on the subject and will quote through our agent.

Estonia: Col. Taylor started for Estonia this month but was unable to get there due to having to reach Finland rapidly. Our agent does not foresee an immediate order for powder, as the expenditures for this year are expected to be entirely on cartridges. Mr. Lutyens, of I.C.I., has been to Estonia and is returning the first week of April. Apparently, the problem is first to sell cartridges, and then take up the powder question.

Finland: Col. Taylor visited Finland this month and arranged with Messrs. de Jersey & Co. (Finland), Ltd., Mikaelsgaten 9, Helsingfors, for them to act as agents for Du Pont and L.C.I. in Finland. He also negotiated an order for 400 tons of TNT, which order was signed on April 1st. He also visited the Government powder factory at Vihtavuori and sent a report on it. There appears to be a possibility of selling cannon powder later on. The Finns have a large stock of Russian and American powders obtained from Russia at the end of the war, and they are now engaged in going over their entire powder question and reorganizing the old materials they have on hand. Their guns are Russian guns, on which they have very little data, and it is presumed that the Du Pont Co. has considerable information about these guns as the powder used in them is Du Pont powder furnished to Russia during the war. We would like you to look into this question of Russian guns with American powder. Col. Taylor is expecting further information from Finland. The Finns are anxious to buy from England on account of the fact that they have a favorable pound balance. The general economic situation in Finland does not appear to be too bad, and the Finns appear to be adjusting themselves to the economic level. Col. Taylor saw a number of Government officials and got the impression that the financial situation of the country was in fairly good condition.

France: There is no particular military news to report on France.

Germany: Col. Taylor visited Germany twice this month and got the impression that there is so much internal strain caused by the political changes that, even with the belligerent and threatening attitude of the present government, there is no probability of Germany starting a war for the time being. However, the whole population is extremely nervous and jumpy. It is not possible to tell what is going to happen.

Greece: The chemical tests on the samples of NG powder submitted for the Krupp 75 mm field gun have been proceeding during the month with slight retard, due to the political events which occurred this month after the elections, which were held on March 4th. Unofficially, we hear that the Hungarian and Polish samples have not given very satisfactory stability results. We understand that the final reports of the Greek Artillery Technical Section ought to be completed sometime during April, after which the question of placing an order will no doubt be considered. The tests of samples for the 75 mm Schneider mountain gun and the 120 mm Italian Navy gun are still expected to begin at the beginning of May. The two 6.5 Mannlicher rifles, which we have ordered for the Du Pont Co. for experimental purposes, have not yet been actually delivered to our agent in Athens on account of complicated red-tape required by the Government before these rifles are released. As soon as received, they will be shipped with the bullets and primed cartridge cases, which have already been received by our agent from the S. P. & C. II.

Holland: The Dutch have refused our .50 cal. powder in favor of Bofors. This is not really because our powder is not satisfactory, but it comes from a bad feeling they got over the delivery of our lot N. 19, on which they were counting on loading a certain number of cartridges. That particular lot not only arrived too late but did not give satisfaction, and it gave Bofors an opportunity to come in. This dissatisfaction affects our relations for small-arms powder, but does not affect our relations for cannon powder, and high explosives, but will be difficult to overcome.

Hungary: Hungary continues to draw the attention of the European powers on account of its political restlessness and reported arming due to the situations developing among its neighbors. This country considered that it had a good chance of counter-acting the potential force of the "Petite Entente" federation, (Yugo-Slavia, Roumania, and Czecho-Slovakia) by tying up once more with Austria under the rule of a Hapsburg. The chances of this seem to be disappearing due to the Hitlerite movement in Austria, tending towards a tie up with Germany. Hungary is, therefore, feeling terribly isolated and would seem somewhat ready to do anything desperate to break up these movements before they are too well organized.

The continued movement of armament from Italy to Hungary has again been brought in the limelight by statements made on March 10th in the French Chamber of Deputies regarding the delivery of 60 airplanes as follows: 12 single-seated Fiat fighting planes of 450 H.P. model CC. 20, 30 two-seated Fiat observation and bombing planes of 650 H.P. model CC. 22, 12 large Caproni bombing planes flown to destination in eight squadrons as follows: May 29, 1932, 1 squadron from Tolmezzo, Italy, to Szombatheli, Hungary; Dec. 19, 1932, 1 squadron from Udine, Italy, to Varpalota, Hungary; Jan. 4,

1933, 2 squadrons from Tolmezzo, Italy, to Szebeg, Hungary; Jan. 19, 1933, 2 squadrons from Tolmezzo, to Szebeg; Jan. 20, 1933, 2 squadrons of Capronia from Tolmezzo to Szombatheli. All bombing planes equipped with full load of bombs and complete gas equipment.

In over ten months, Italy is reported to have recently delivered 195,000 kgs. of gas by rail through Austria without anyone noticing the shipments.

We have endeavored to obtain information on the Hungarian powder plant: Nitrochemie Industricanlagen A.G.—whose competition has been met in the present negotiations in Greece. We learn from reliable sources that this company is a fusion of the Ungarische Pulverfabriks Betriebs A.G. and the Peter Nitrogen Artificial Menure Factory Ltd. The company has been taken over by the government and the directors consist solely of State functionaries. The powder plant is not far from Veszprem; employs 100–150 workmen. It manufactures both nitrocellulose and nitroglycerin powders and its capacity is estimated at 10,000 kgs. per day. At present, the production is very low, being estimated at 35,000 kgs. per annum. The technical manager, Helwig, is very highly spoken of and he was one of the staff of the old Austrian Imperial Propellant Factory at Blumau.

Latvia: Col. Taylor expected to visit Latvia, but was unable to arrive there. Mr. Lutyens, of I.C.I., is visiting Latvia the first week of April and will look into the possibility of powder business.

Lithuania: The Lithuanians behaved so badly on the cartridge order delivered by I.C.I. and the question of payment and acceptance of the material was so badly conducted, that we have decided that there is not much profit to be made out of this territory and that they are rather bad people to deal with. We have a little doubt yet whether or not we should appoint Capt. Martinkus or General Velykis as agent, but we are waiting to see the result of the trials of the sample of rifle powder we have sent to Martinkus, to see whether or not he handles this in a better way than Velykis handled the cartridge order. We have decided not to bother him and see what he can do, and later, go into the matter.

Poland: Our agent reports that the Poles are maintaining their attitude that they will not buy outside of Poland and that Zagodzson is sufficient to take care of their needs. They do not seem to be alarmed by Hitler's threats on the Corridor for the immediate future. However, they expect that there will be unavoidably a war with Germany on this matter. Col. Taylor will visit this territory early next month to see what can be done.

Roumania: We have arranged with Mr. E. G. Boxshall, 107, Calea Victoriei, Bucharest, to act for our agent in Roumania. It looks as if we may be able to do some business direct with Resita factory, which is expecting some orders for shells and ammunition. It is not advisable to attempt to deal direct with the Government as the financial situation is extremely bad and the Government defaulted on a payment of a cartridge order in 1932, but finally came to a new arrangement agreeing to pay over 8 years.

Recently, there has been a scandal concerning a contract placed with Skoda for shells amounting to 31 million leis and cannons for 6 billion leis. On March 10th, 1933, two tax inspectors examined the books of Mr. Seletzki, agent of Skoda, on the basis that he had made a false tax declaration, and they found among his papers a great number of documents and letters between Skoda and various Roumanian officials, showing that the Skoda agent had distributed a large sum of money among them in order to obtain the contract. This caused considerable comment in the Chamber of Deputies and suddenly General Popescu committed suicide. General Popescu was a retired officer and had signed the contract with Skoda. Immediately afterwards, some reports say that Mr. Seletzki was arrested, others not, and at this moment everything is in a great state of agitation.

Turkey: We have taken no steps to do anything in Turkey as the financial conditions appear very bad.

Yugoslavia: We are now debating the question of an agency for Yugoslavia. Mr. L. W. B. Smith and Mr. Major of I.C.I. visited Belgrade and are studying the matter of reorganizing the I.C.I. work there, and we are waiting to find out what they have decided to do before taking any further steps about an agency, for powder and explosives, as there is no immediate possibility of selling powder there, and we wish to harmonize with the general plans of I.C.I.

General: There is a certain activity beginning to show in the military world and tentative enquiries are coming out. No important orders have been placed anywhere yet, but it looks as if before long there might be something coming.

The question of price for the moment is determining all purchases. The governments are extremely poor and every cent counts.

The prices are very low. Cannon and rifle powders are selling at \$1.10 to \$1.25 a kilo C.I.F. and TNT is selling between 30 and 34 cents a kilo C.I.F.

At these prices it is possible to sell I.C.I.'s products, but it is not possible for the moment to sell Du Pont products, as Du Pont prices are too high. The only opportunity of selling Du Pont materials will be after the European competitors have reached their capacity, and the question of quick deliveries of a large volume might arise. So far, this is not the case.

Very truly yours,

WILLIAM N. TAYLOR.

AK/MS

EXHIBIT No. 526

(T-2581)

FEBRUARY 6TH, 1933.

*Ms-80-A
Orig-Ms-8
Ms-64
Ms-140
Ms-199

Major K. K. V. CASEY,

E. I. du Pont de Nemours & Co., Wilmington, Delaware.

DEAR SIR: Status of negotiations January 1933.

I. NEGOTIATIONS COMPLETED

Poland: 2,000 kilos centrallite. I.C.I. received an order from Zagozdzon at 5s.4d. per kilo c.i.f. Gdynia.

Roumania: 5 tons TNT (pyrotechnie). I.C.I. report as follows: "As a result of the adjudication held on December 10th, Bofors got the order at Lei 100 per kg. eif. Pyrotechnie, Bucarest, duty excluded; inspection and acceptance to take place at Bucarest. Terms: 30% with order, 70% after successful termination of all acceptance tests. Although the price is comparatively high, Bofors are no doubt running a risk which is rather out of proportion with the value of the order."

II. PROSPECTS UNDER NEGOTIATIONS

I.C.I. territory

Austria: 15-30 tons NC powder for 7.92-mm. cartridges. Ordered by Hirtenberg for delivery to their factory at Dordrecht. See last report. No further developments.

Bulgaria: 5 tons TNT. I.C.I. report no further news received.

Greece: 40 tons low NG content powder for 75-mm. Krupp F.G. Mr. Cowie of I.C.I. and Mr. Singer left for Greece on Jan. 21st to take part in the firings which are expected to take place on Feb. 6th, and to prepare and submit an offer on behalf of I.C.I. It is presumed that the Dutch, the Swedes, the Poles, the Italians, and the Nitrokemie of Hungary will also compete.

PROSPECTS UNDER NEGOTIATIONS

du Pont territory

Belgium (F.N.): 60 tons powder for 7.92 Mauser cartridges. Powder not subject to inspection, and to be delivered in 5-ton lots. Have quoted on old du Pont IMR 17 and I.C.I. newly made powder. Sample of I.M.R. 17 has been sent to the F.N.

Poland: 1,000 tons rifle & cannon powder. The opportunity for this order seems to have passed, so we are dropping this to future prospects. See letter no. T-2541.

Poland: 20 tons graphite. No decision yet reached, pending trials of samples.

* Pencil markings.

III. PROSPECTS FOR FUTURE NEGOTIATIONS

I.C.I. territory

Greece: Powder for 75-mm. Schneider Mountain Gun mod. 1919 and for 120-mm. 50-cal. navy gun.

Roumania (Resita): 60 tons TNT.

PROSPECTS FOR FUTURE NEGOTIATIONS

du Pont territory

England: Powder for 7.62-mm. Estonian cartridges.

Estonia: 18 tons NC powder for 12"/50 cal. C.D. gun; 28 tons TNT 80° C.; 4 tons powder for 18 pdr. gun.

France: Powder for 25-mm. Hotchkiss machine gun; powder for 37-mm. Hotchkiss machine gun.

Holland: 100 tons TNT for army and navy.

Lithuania: Powder for 7.92-mm rifle cartridges.

IV. REPORT FOR JANUARY 1933

I.C.I. territory

Austria: A most interesting case of contraband of arms has developed in connection with the Hirtenberg factory in Austria. As you know, the Hirtenberg factory is owned by Fritz Mandl, who is also the owner of the Dordrecht factory.

Hirtenberg is not allowed to manufacture cartridges in Austria other than a certain limited production for the Austrian Army. But they manufacture the metal parts in Austria and deliver them to Dordrecht, where they are assembled and loaded.

On the morning of Jan. 8th, the "Wiener Arbeiterzeitung" published the news that 40 carloads of rifles and machine guns had been smuggled from Austria into Hungary during the month of December. This news caused considerable excitement and the French Ambassador at Vienna immediately took the matter up with the Austrian Government.

It appears that an Italian at Verona, I believe his name is Cesare, obtained 30,000 rifles and 200 machine guns, which are part of the Austrian material seized by Italy during the War, and shipped this material to Hirtenberg in Austria, obtaining a permit through the frontier on the basis of sending these arms to be repaired by the original manufacturer in Austria who was Steyer. This material arrived at the Hirtenberg factory, was sorted, and the material in good order was immediately shipped in automobile trucks to Hungary; the rest was repaired at Steyer's and shipped to Hungary during the night of the 30th and 31st of December last.

This has caused considerable agitation in the Austrian Parliament between the Socialists and Nationalists. The Austrian Government defended themselves on the question of import permit into Austria on the basis that it was legitimate business to allow material to come into Austria to be repaired and to give work to Austrian labor and return the material to Italy. The matter was quieted down, and somehow or other it was arranged that the French should not make any official trouble about it.

However, the "Petite Entente", who are the natural enemies of Hungary, was not satisfied and brought this matter before the League of Nations, demanding that the material be delivered up and destroyed, and that sanctions should be taken against the people involved. There seems to be an attitude on the part of certain English, French, and Italian delegates at Geneva to hush the matter up, and the "Petite Entente" are having a hard time to get action.

This is the first contraband case which has happened in recent years. It is understood that Hirtenberg undertook this matter in return for a large cartridge order from Hungary.

Bulgaria (proposed powder plant): I.C.I. did not quote. It has not yet been ascertained whether the adjudication really took place in December or not.

Greece: Messrs. Cowie, of I.C.I., and Singer, of this office, left for Greece on Jan. 21st. On his return Mr. Singer will report on the entire situation in Greece.

Hungary: Hungary is apparently trying seriously to obtain more arms, etc., than the treaties allow. They are hoping to profit by trouble in Jugoslavia between the Croats and the Slavs. They believe that there will be a rebellion in Jugoslavia in the summer and hope to profit by it.

Jugoslavia: Mr. Singer will visit this territory on his way back from Greece. He will visit Mr. May, of I.C.I., there and ascertain conditions in this territory.

Roumania: I.C.I. report as follows: "Colonel Petrescu and Mr. Popp, of the Resita Company, visited our works at Witton and Ardeer. We understand from them that, apart from these 60 tons TNT, Resita will probably require the necessary tetryl for the manufacture of primer pellets, and also the appropriate submarine-mine detonators, payment to be spread over three to four years; we had to increase prices."

Turkey: We know of no sales to Turkey for powder or ammunition for a long time.

REPORT FOR JANUARY 1933

du Pont territory

Belgium: The 3-kilo sample of IMR 17 for the Fabrique Nationale is being shipped on Feb. 1st from America. The F. N. has been advised of the name of steamer and date of sailing, and requested to make the necessary arrangements for reception on arrival of steamer.

Denmark: No activity during the month.

Finland: On January 11th the press reported that an explosion took place at the naval port of Mac Elliott, situated on an island about 22 miles from Helsingfors. A fire propagated to an ammunition depot caused the explosion, which destroyed seven barracks and a portion of the * defence fortifications. No lives were reported lost, but it is believed that a large supply of ammunition was lost.

We have sent an offer to the Finnish War Ministry to supply powder and TNT produced by I.C.I. We quoted in English currency. The prices were equivalent to approximately the following in dollars:

Rifle powder, \$1.10; cannon powder, \$0.987; TNT, 80.5° C., \$0.308.

We doubt that business will result, but thought it politic to offer.

Agency.—It may be necessary to consider appointing an agent in Finland in the near future, as the arrangement between Col. Huuri, of the War Dept., and Mr. Singer, whereby all business was to be handled by this office through the Finnish military attaché here does not appear to be adhered to by Col. Huuri, as an enquiry from Finland for a quotation on 1,000 kilos tetryl was received by I.C.I. through their agent in Finland for Metals, Ltd. We would prefer to have an active agent in Finland and unless Col. Huuri's promise that he will work through the military attaché's office here is kept by him, we shall insist that an agent be appointed.

Holland: Col. Taylor visited Holland and arranged for a counter test of the 500 kilos of .50 cal. powder to be made during February. He will return to Holland to witness the counter test, presumably during February.

Mr. Van Veen visited Paris on Jan. 27th, and the new agency contract is being discussed with him.

At the request of the Dutch authorities, on Jan. 13th, 1933, we authorized the destruction of the sample of cannon powder du Pont Ex-1502 for the Dutch field gun 75 mm/L. 30.

Latvia: Latvia is at the moment not buying powder or ammunition from abroad, but have placed orders with Sellier & Bellot for cartridges.

Lithuania: It will shortly be decided whether we shall definitely appoint Capt. Martinkus as agent in Lithuania, or whether we shall revert back to Col. Velykis who is now agent for I.C.I. Metals. Our decision will be based on recommendations from the Lithuanian Minister of War.

Norway: No activity.

Poland: I.C.I. got a small order for centrallite. The opportunity to force a sale of powder which came up some 8 months ago, seems to have gone by and we are preparing new proposals to take advantage of any new opportunity which may come up.

Sweden: Our only enquiries for Sweden are supplies of some chemical ingredients from Bofors.

* Pencil markings.

GENERAL REMARKS

Italy: Production of explosives, according to "Die Chemische Industries" of Jan. 14, 1933, page 34, for the fiscal year 1931/32, amounted to 8,079 metric tons compared with 8,980 tons the previous year. Details of the production are as follows:

	1930-31	1931-32
	<i>Metric tons</i>	<i>Metric tons</i>
Mining powder.....	2,039	1,707
Other explosives.....	4,777	3,291
Propellant powder.....	221	173
Other propellant materials.....	1,943	2,838

The consumption of explosives amounted to 7,962 metric tons as compared with 7,519 tons in the previous year.

Prices: The prices on powder have gone down to such an extent that it is not possible to hope that we will succeed in selling du Pont products at the prices now required. The European manufacturers appear willing to sell powder at any price they can get for it, and in order to compete our prices for nitro cellulose powder, rifle powder, and cannon powder should lay between \$1 and \$1.20 c.i.f.

We beg to call your attention to the following quotations:

Bofors rifle powder, 83 cents per kilo c.i.f.

I.C.I. NC rifle powder, \$1.10 per kilo c.i.f.

I.C.I. NC cannon powder, 0.987 per kilo c.i.f.

I.C.I. TNT 80.5° C., 0.307 per kilo c.i.f.

On account of our high prices, it now occurs that we are not invited to take part in adjudications on the basis that we always bid so high; that it is a waste of time to ask us. This morning the head of the Argentine Mission told us that he had not invited us to bid on orders because our prices had been so high that it was of no use.

Very truly yours,

WILLIAM N. TAYLOR.

EXHIBIT No. 527

Approved Code No. 275. Registry No. 699—1—11

NATIONAL RECOVERY ADMINISTRATION CODE OF FAIR COMPETITION FOR THE CHEMICAL MANUFACTURING INDUSTRY AS APPROVED ON FEBRUARY 10, 1934, BY PRESIDENT ROOSEVELT

This publication is for sale by the Superintendent of Documents, Government Printing Office, Washington, D.C., and by district offices of the Bureau of Foreign and Domestic Commerce.

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APPROVED CODE No. 275. CODE OF FAIR COMPETITION FOR THE CHEMICAL MANUFACTURING INDUSTRY AS APPROVED ON FEBRUARY 10, 1934, BY PRESIDENT ROOSEVELT

EXECUTIVE ORDER

CODE OF FAIR COMPETITION FOR THE CHEMICAL MANUFACTURING INDUSTRY

An application having been duly made, pursuant to and in full compliance with the provisions of Title I of the National Industrial Recovery Act, approved June 16, 1933, for my approval of a Code of Fair Competition for the Chemical Manufacturing Industry, and hearing having been held thereon and the Administrator having rendered his report containing an analysis of the said Code of Fair Competition together with his recommendations and findings with respect thereto, and the Administrator having found that the said Code of Fair Competition complies in all respects with the pertinent provisions of Title I of said Act, and that the requirements of clauses (1) and (2) of subsection (a) of Section 3 of the said Act have been met:

NOW, THEREFORE, I, Franklin D. Roosevelt, President of the United States, pursuant to the authority vested in me by Title I of the National Industrial Recovery Act, approved June 16, 1933, and otherwise, do adopt and approve the report, recommendations, and findings of the Administrator, and do order that the said Code of Fair Competition be, and it is hereby, approved.

FRANKLIN D. ROOSEVELT.

Approval recommended:

HUGH S. JOHNSON,
Administrator.

THE WHITE HOUSE,
February 10, 1934.

LETTER OF TRANSMITTAL

THE PRESIDENT,
The White House.

SIR: This is a report of the hearing on the Code of Fair Competition for the Chemical Manufacturing Industry conducted in Washington on the 14th of September, 1933, in accordance with the provisions of the National Industrial Recovery Act.

The Chemical Manufacturing Industry in its various branches and subdivisions is one whose welfare is very closely interlocked with that of our country. We rely upon it to keep abreast of the world in development of new agents of National Defense and we look to it to produce them in quantity in time of need. Its laboratories and factories supply us with the chemical and bacteriological aids for increasing the standards of our public health. In the past the chemical industry has accepted this burden and, I believe, performed its duties in an honest fashion.

No organization including all of the industry existed in June of 1933. The Chemical Alliance, Incorporated, an outgrowth of the war organization of the industry, was formed for the purpose of carrying out the purposes of the National Industrial Recovery Act. This new organization which represents a substantial majority of the industry has presented and fostered their code.

The products of the industry cover a very broad field ranging from serums for use on humans and animals through fine chemicals and explosives to heavy industrial chemicals such as sulphuric acid. In nearly the whole range purity is a matter of the greatest importance not only to the quality of the final product but also to the safety of the makers and consumers. Carefully trained employees with a well-developed sense of responsibility are essential in many phases and the rule in most phases of the industry. As a consequence it is an industry which, as a whole, has been fair to its employers and practically free from the accusations and troubles of others.

The scale of wages paid in the industry has been relatively high as is evidenced by the fact that the average hourly rates fell from 57.2¢ per hour in 1929 only to 50.3¢ per hour in June of 1933, a decline much less than the increase in purchasing power, and less than that of most other industries. It is believed that the increase in wages brought about by the code will restore them to the 1929 level or better.

The maximum hours of labor provided in the code probably will result in an average of between 40 and 42 hours per week. This results even at the existing rate of operation in an increase of from 7 to 10 percent in the number of employees. With increasing activity of industry the need for new employees will be even greater.

Even the voluntary adoptions of the provisions of this code by many units in the industry resulted in pay-roll increases of over 14%. The application of the code to all units in the industry will increase pay rolls still further.

FINDINGS

The Division Administrator in his final report to me on said Code having found as herein set forth and on the basis of all the proceedings in this matter; I find that:

(a) Said Code is well designed to promote the policies and purposes of Title I of the National Industrial Recovery Act, including removal of obstructions to the free flow of interstate and foreign commerce which tend to diminish the amount thereof and will provide for the general welfare by promoting the organization of industry for the purpose of cooperative action among the trade groups, by inducing and maintaining united action of labor and management under adequate governmental sanctions and supervision, by eliminating unfair competitive practices, by promoting the fullest possible utilization of the present productive capacity of industries, by avoiding undue restriction of production (except as may be temporarily required), by increasing the consumption of industrial and agricultural products through increasing purchasing power, by reducing and relieving unemployment, by improving standards of labor, and by otherwise rehabilitating industry.

(b) The Code as approved complies in all respects with the pertinent provisions of said Title of said Act, including without limitation Subsection (a) of Section 3, Subsection (a) of Section 7, and Subsection (b) of Section 10 thereof; and that the applicant association is an industrial association truly representative of the aforesaid industry; and that said association imposes no inequitable restrictions on admission to membership therein.

(c) The Code is not designed to and will not permit monopolies or monopolistic practices.

(d) The Code is not designed to and will not eliminate or oppress small enterprises and will not operate to discriminate against them.

(e) Those engaged in other steps of the economic process have not been deprived of the right to be heard prior to approval of said Code.

It is recommended, therefore, that this Code be immediately adopted.

Respectfully,

HUGH S. JOHNSON,
Administrator.

FEBRUARY 10, 1934.

CODE OF FAIR COMPETITION FOR THE CHEMICAL MANUFACTURING INDUSTRY

To effectuate the policy of Title I of the National Industrial Recovery Act, the following provisions are established as a Code of Fair Competition for the Chemical Manufacturing Industry.

ARTICLE I—DEFINITIONS

(a) The term "President" as used herein means the President of the United States.

(b) The term "Administrator" as used herein means the duly appointed representative of the President to administer the National Industrial Recovery Act.

(c) The term "Chemical Industry" as used herein and covered by this Code, shall be defined to mean the production and sale by the producer of heavy, industrial, and fine chemicals, and their byproducts, unless separate codes not supplementary to this Code are submitted by any division or subdivision of this Industry and approved by the President.

(d) The term "Alliance" as used herein means The Chemical Alliance, Inc., a nonprofit sharing corporation organized and existing under the laws of the State of Connecticut.

(e) The term "employees" as used herein means all persons employed in any phase of the Chemical Industry covered by this Code.

(f) The term "effective date", as used herein means the tenth day after this Code has been approved by the President of the United States.

ARTICLE II—HOURS OF LABOR

On and after the effective date, no person, including accounting, clerical, office and sales employees, employed within the Chemical Industry shall be permitted to work more than an average of forty hours per week during any period of four months nor more than forty-eight hours during any week, but such limitations shall not apply to:

(a) Any person employed in an executive, administrative, supervisory and/or technical (not to include skilled operating labor nor nonprofessionally trained laboratory workers) capacity, or as an outside salesman.

(b) Any person employed as repairman, engineer, electrician, loader, truck driver, cleaner or watchman; provided that, no person specified in this subparagraph (b) shall be permitted to work during any three months' period more than an average of forty-four hours per week nor more than forty-eight hours in any one week.

(c) Those departments or divisions of the Chemical Industry in which season or peak demand places an unusual and temporary requirement for production upon such departments or divisions, except that in such cases no employee shall be permitted to work during any three months' period more than an average of forty-four hours per week nor more than forty-eight hours in any one week.

(d) Employees engaged on continuous operation at places where adequate supply of qualified labor is not available and cannot reasonably be made available and where restriction of hours of such employees would unavoidably reduce production. In such cases the average weekly hours may not be in excess of forty-eight hours per week and at the end of each calendar month any such employer in the Chemical Industry shall report to the Alliance, in such detail as may be required by the Executive Committee or the Administrator, the number of man-hours so worked, giving the reasons therefor, and the ratio which such man-hours bear to the total number of man-hours during said month.

(e) Cases of emergency, provided that at the end of each calendar month any such employer in the Chemical Industry shall report to the Alliance, in such detail as may be required by the Executive Committee or the Administrator, the number of man-hours so worked, giving the emergency reasons therefor, and the ratio which such emergency man-hours bear to the total number of man-hours during said month.

ARTICLE III—MINIMUM WAGES

On and after the effective date the minimum wages paid by any employer in the Chemical Industry to any employee, including accounting, clerical, office and sales employees, shall be not less than thirty-five cents per hour when employed in the Southern District as defined below, nor less than forty cents per hour when employed elsewhere in the United States; provided, however, that if the hourly rate for the same class of work on July 15, 1929, was less than thirty-five cents per hour in the Southern District or less than forty

cents per hour elsewhere in the United States, then in that case the minimum wages paid hereunder shall be not less than the hourly rate paid on July 15, 1929, and in no event less than twenty-five cents per hour in the Southern District and thirty cents per hour elsewhere in the United States; provided, however, that where a State law provides a higher minimum wage, no person employed within that State shall be paid a wage below that required by such State law. The above provisions shall apply in all cases except that—

(a) Apprentices and learners for not more than the first six months of employment shall be paid not less than eighty percent of the minimum wages above provided and the total number of apprentices and learners shall not exceed five percent of the total number of employees employed by any employer subject to this Code.

(b) Employees who because of age or infirmities are employed in such positions as watchmen, gatemen, caretakers, etc., shall be paid not less than eighty percent of the minimum wages hereinabove provided and the total number of such employees shall not exceed five percent of the total number of employees employed by any employer subject to the Code.

In the case of any employee whose compensation is paid on other than an hourly basis or is based upon a measure other than time, the total compensation paid shall be no less than such employee would be entitled to receive if his compensation were determined on an hourly basis.

For the purposes of this Article "Southern District" shall be defined as that territory south of the States of Maryland, West Virginia, Kentucky, and Missouri, and including the States of Oklahoma and Texas.

ARTICLE IV—CHILD LABOR

On and after the effective date, no employer in the Chemical Industry shall employ any person under the age of sixteen years; provided, however, that where a State law provides a higher minimum age, no person below the age specified by such State law shall be employed within that State.

ARTICLE V—ADMINISTRATION

The Alliance is hereby appointed an agency for the following purposes:

(a) To collect from the members of the Industry all data and statistics in relation to number of employees, hours of labor, and rates of pay necessary for the administration of the provisions of this Code which may be called for by the Administrator. Any data and/or statistics of a confidential nature shall be collected and compiled by a firm of Certified Accountants or other suitable agents selected by the Alliance and not a member or connected with a member of the Chemical Alliance. The data and/or statistics so collected by such agents shall be furnished to the Alliance only in combination with other information of the same type and in such form as will not disclose the individual data or statistics furnished by any single employer. No officer or director of the Alliance or any other person or agency shall at any time have access to or be furnished in any manner with any information by said agents which would disclose the individual data or statistics furnished by any single employer.

(b) To represent the Chemical Industry in conferring with the Administrator with respect to the application of this Code and of said Act, and any regulations issued thereunder, and receive complaints, and if possible adjust the same, and to coordinate the administration of this Code with such codes, if any, as may affect any subdivision of the Chemical Industry, with a view to providing joint and harmonious action upon all matters of common interest, and to receive any proposals for supplementary provisions or amendments of this Code and transmit the same to the Administrator; provided, however, that as regards all matters mentioned in this paragraph (b) said Alliance shall not have the power in any way to bind the Chemical Industry or any subdivision thereof.

(c) The duties of the Alliance above enumerated shall be performed by its Executive Committee. The Administrator may name three representatives who, without expense to the Alliance or the Industry, shall have the right to attend all meetings of said Executive Committee dealing with questions concerning the administration of this Code but such representatives shall have no vote.

(d) Nothing contained in this Code shall constitute the members of the Alliance partners for any purpose. Nor shall any member of the Alliance be liable

in any manner to anyone for any act of any other member officer, agent, or employee of the Alliance. Nor shall any member of the Alliance exercising reasonable diligence in the conduct of his duties hereunder be liable to anyone for any actions or omissions to act under this Code except for his own willful misfeasance of nonfeasance.

(e) The Chemical Alliance shall: (1) Impose no inequitable restrictions on membership and (2) Submit to the Administrator true copies of its Articles of Association, By-Laws, regulations, and any amendment when made thereto.

ARTICLE VI

All members of the Chemical Industry shall be entitled to participate in and share the benefits of the activities of the Chemical Alliance by becoming a member of the Alliance, or by complying with the requirements of this Code and sustaining their reasonable share of the expenses of its administration. The reasonable share of the expenses of administration of each member of the Industry shall be determined by the Alliance on the basis of the total number of employees covered by this Code, as provided in the Constitution and By-Laws of the Alliance or, subject to the approval of the Administrator, on such other equitable basis as the Alliance from time to time may determine.

ARTICLE VII

If any employer in the Chemical Industry is also an employer in any other industry, the provisions of this Code shall apply to and affect only that part of the business of such employer which is a part of the Chemical Industry.

ARTICLE VIII—EMPLOYEE ORGANIZATION AND BARGAINING

(a) Employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection.

(b) No employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing.

(c) Employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment, approved or prescribed by the President.

ARTICLE IX

In all activities under this Code, the peculiar relation of the Chemical Industry to national defense, national health, national industry, and national agriculture must be constantly borne in mind by its employers, stockholders, directors, executives, and employees. The present products of this industry should be regarded as only byproducts; its main product and purpose the extension of chemical knowledge in the public interest. It is recognized that the Chemical Industry, if it is to keep abreast of chemical progress in the world, requires employees capable of constant advancement in their technical skill and of high and loyal character. Therefore, conscious of the great purpose of the industry, by presenting this Code the employers in this industry shall not be deemed to have waived any of their constitutional and legal rights to engage, promote, or release employees, and the members of the industry shall not be deemed to have waived any other constitutional rights.

ARTICLE X

The President may from time to time, cancel or modify any order, approval, license, rule, or regulation issued under Title I of the National Industrial Recovery Act.

ARTICLE XI

Supplementary provisions covering fair trade practice rules, applicable to subdivisions of the Chemical Industry, may from time to time be submitted by the agency designated herein, or by an agency named by any subdivision, for the approval of the President. Notwithstanding any provisions of Article

V, or any authority conferred thereby, any subdivision shall have the right to and shall be entitled to submit in its own behalf, direct to the National Recovery Administration, and to administer, such supplementary provisions concerning fair trade practice rules, providing that no such supplementary provisions shall be inconsistent with the purposes and provisions of this Code.

ARTICLE XII

Subject to the approval of the President any subdivision of the Chemical Industry operating under the provisions of this Code may elect to sell any of its products only upon open prices and/or terms and conditions publicly announced by each member of such subdivision. Any changes in prices and/or terms and conditions by any member of such subdivision shall be announced by such member immediately to all other members of the subdivision through such Agency as the subdivision may determine. Variations from such open and publicly announced prices and/or terms and conditions shall not be allowed.

ARTICLE XIII

By presenting this Code, and the specific provisions of Articles II and III hereof, those who have assented hereto do not thereby consent to any modification thereof, except as each shall thereto subsequently agree.

ARTICLE XIV

Except as to temporary exemptions or stays arising by reason of the operation of the Executive Order of July 15, 1933, any exemption or stay of application from the provisions of this Code shall be granted by the Administration only after submission of the application to the Alliance and the expiration of a reasonable time within which to permit the Alliance to submit recommendations thereon. It shall be the policy of the Administration in granting any exemption or stay of application that no distinction shall be made between the person or persons requesting such exemption or stay of application and other persons similarly situated in the Chemical Industry.

ARTICLE XV

The Code shall continue in effect for a period of ninety days after the effective date thereof, subject, however, to amendment at any time as hereinafter provided, and also subject to the reserved power of the President to cancel or modify his approval thereof. The Code shall continue in effect after the expiration of said period of ninety days in the absence of such reserved power on the part of the President, or in the absence of the exercise by members of the Alliance of the power which they hereby reserve, to terminate the Code at any time after the expiration of the said period of ninety days. Such cancellation shall be proposed by the Executive Committee of the Alliance by vote of the majority of members thereof at the time in office. The proposal to cancel shall then be submitted to all members of the Chemical Alliance who shall be given a right to vote thereon. If at least two thirds of the votes entitled to be cast by the members of the Chemical Alliance, in accordance with the provision of Article VIII, Section 5, of the Constitution and By-Laws of the Chemical Alliance, shall be in favor of cancellation, the Chemical Alliance shall have the power, after service of a thirty-day notice on the Administration, to terminate said Code. When so terminated, all subsequent liabilities and obligations hereunder shall cease. Notwithstanding such action by the Alliance, any subdivision of the industry may elect to continue the Code in effect as to itself.

Approved Code No. 275.

Registry No. 699-1-11.

The following correction by Dr. Sparre was entered during the proceedings of September 18, 1934, immediately preceding the noon recess. (See pt. VII.)

EXHIBIT No. 59S

E. I. DU PONT DE NEMOURS & COMPANY, INCORPORATED.
 Wilmington, Delaware, September 17, 1934.

MR. STEPHEN RAUSHENBUSH,

*Secretary Special Senate Committee Investigating
 the Munitions Industry,
 408 Senate Office Building, Washington, D.C.*

GLYCERIN

DEAR MR. RAUSHENBUSH: You will remember that before the committee in connection with the munitions investigation in Washington on Friday, the 14th, certain inquiries were made with respect to glycerin. I gave at that time some figures on glycerin based on my recollection, but stated afterwards to you that it would be necessary for me to check the figures because I couldn't safely trust my memory. I have looked into this situation and find it to be as follows, the figures in all cases applying to the full calendar year of 1933:

U.S. production of glycerin-----	Tons 59,000
Foreign production of glycerin-----	62,000
<hr/>	
Total glycerin production-----	121,000
du Pont consumption of glycerin-----	7,750

Accordingly, the du Pont consumption of glycerin in 1933 is indicated to have been about 6.4% of the world production. Du Pont purchases of glycerin from Europe were 475 tons and therefore a negligible percentage. The bulk of our purchases are in the United States.

At the Washington hearing I underestimated our consumption because I was thinking in terms of explosives and overlooked that we use glycerin also in the manufacture of lacquers and cellophane, the consumption for these other purposes being almost as large as for explosives.

During the first six months of 1934 we purchased 1,575 tons of glycerin from Europe, which is an unusually large percentage from abroad, but nevertheless very much smaller than purchases in this country and, of course, a very small percentage of the European production. However, the figures vary considerably from year to year.

With respect to the I.C.I. consumption and purchase of glycerin, we have no accurate figures. In discussing the situation in Washington I had in mind only the English consumption of glycerin, but on further reflection I suppose that you would want to ascertain I.C.I.'s world consumption, which would include consumption, for instance, in South Africa and Australia.

It has been suggested by our foreign relations department that the total I.C.I. consumption of glycerin in 1933 might have been as high as 10,000 tons. This estimate, I understand, is on the basis of crude glycerin.

Adding together the du Pont and I.C.I. consumption for the year 1933, we arrive at approximately 17,750 tons, which includes for our company not only explosives but glycerin for all purposes, and includes for I.C.I. not only Great Britain but total consumption of their affiliated companies.

Against this we have an estimated world production of 121,000 tons, so that du Pont and I.C.I. consumed last year probably less than 15% of the world's production. Furthermore, as shown above, our company's purchases in Europe were negligible.

Statistical data for the year 1934 are, of course, not available as yet. The figures given above are based on accurate figures, as far as our own consumption and purchases are concerned, but, of course, are the best estimates which we can make with respect to the other figures.

Hoping that this gives you a sufficiently clear explanation of this situation, I am

Very truly yours,

F. SPARRE, *Director.*

The following information showing holdings of certain members of the du Pont Co., in Atlas and Hercules stock, was requested by the committee during the proceedings (see text, p. 1019.)

WILMINGTON, DEL., *September 28, 1934.*

HON. STEPHEN RAUSHENBUSH,

*Secretary Special Committee Investigating the Munitions Industry,
United States Senate, Washington, D. C.*

DEAR MR. RAUSHENBUSH: During the munitions hearings the chairman asked me to give a statement of my holdings of Hercules Powder Co. and Atlas Powder Co. stock at the present time, and also as of 1913, the time these companies were formed.

The information as to my holdings is as follows:

February 28, 1913 (first acquisition): 606 shares Atlas common stock; 1,313 shares Hercules common stock.

In each case this represents about 2 percent of the outstanding stock at that time. My stock in both companies was voting stock.

I now hold, and have held since January 1, 1934: 3,828 shares Atlas common stock; 7,650 shares Hercules common stock.

These holdings represent about 1.6 percent and 1.3 percent respectively, of the stock outstanding.

Yours very truly,

LAMMOT DU PONT,

WILMINGTON, DEL., *October 9, 1934.*

HON. STEPHEN RAUSHENBUSH,

*Secretary Special Committee
Investigating the Munitions Industry,
Washington, D.C.*

DEAR MR. RAUSHENBUSH: It was requested during the examination of the du Pont people that certain ones of us make a statement of our holding of Hercules and Atlas stock. In compliance with this request I herewith send you attached, a statement which I think gives you the information you desire.

Very truly yours,

A. FELIX DU PONT.

HERCULES POWDER CO. COMMON

Received from the dissolution January 15, 1913, on account of owning 1,737 shares of E. I. du Pont de Nemours Powder Co. stock, 383 shares of Hercules Powder Co. common stock and \$19,100 in 10-year 6-percent registered income bonds.

May 21, 1919, received from estate of Francis G. du Pont, 297 shares of Hercules Powder Co. common.

November 25, 1922, received 100 percent stock dividend.

1928, exchanged Hercules Powder Co., 4 for 1.

1914, sold all bonds.

1920, sold 100 shares Hercules Powder Co. common.

1933, sold 200 shares Hercules Powder Co. common.

From year 1914 to 1934 made donations amounting to 330 shares, leaving a balance of 2,000 shares.

ATLAS POWDER CO. COMMON

Received from the dissolution January 15, 1913, 176 shares of Atlas Powder Co. common stock and \$8,800 6-percent registered income 10-year bonds.

July 26, 1919, received 79 shares from estate of Francis G. du Pont.

July 26, 1919, received 100 shares from estate of Elise W. du Pont.

From year 1914 to 1934 made donations of all common stock.

1914, sold all bonds.

ATLAS POWDER CO. PREFERRED

May 26, 1915, purchased 51 shares.

June 15, 1915, purchased 100 shares.

July 26, 1919, received 20 shares, estate of Elise W. du Pont.

July 26, 1919, received 77 shares, estate of Francis G. du Pont.

From year 1915 to 1934 made donations of all preferred stock.

WILMINGTON, DEL., *October 2, 1934.*
 [Received October 3, 1934.]

HON. STEPHEN RAUSHENBUSH,
Secretary Special Senate Committee Investigating Munitions Industry,
Washington, D. C.

DEAR SIR: I have just received word that it is you to whom I should send the attached letter under date of September 28 to the Hon. Gerald P. Nye, stating my holdings of stock in the Atlas Powder Co. and Hercules Powder Co.

Yours very truly,

IRÉNÉE DU PONT.

WILMINGTON, DEL., *September 28, 1934.*

HON. GERALD P. NYE,
United States Senate, Washington, D. C.

DEAR SENATOR: I can give you the following information concerning my stock holdings in the Atlas Powder Co. and the Hercules Powder Co.

I received on February 28, 1913, 613 shares of Atlas Powder Co. common stock. This has all been sold and I now have none.

I received on February 28, 1913, 1,329 shares of Hercules Powder Co. common stock. This was increased to 1,533 shares by purchases up to September 1921, when it was doubled by the 100 percent stock dividend in November 1922, to 3,066 shares. These in turn were exchanged in the 4 to 1 split-up in January 1929, so that it now represents 12,264 shares, all of which I have.

Yours very truly,

IRÉNÉE DU PONT.

WILMINGTON, DEL., *September 17, 1934.*

HON. GERALD P. NYE,
United States Senate, Washington, D. C.

DEAR SIR: I find that I have not fulfilled my promise to enter into the record of your hearing my holdings in stock of the Hercules and Atlas Powder Cos., which are as follows:

Hercules Powder Co., 2,000 shares common stock.

Atlas Powder Co., 1,500 shares common stock.

I also hold pledged under a certain trust: Hercules Powder Co., 1,625 shares preferred stock, 16 shares common stock; Atlas Powder Co., 100 shares preferred stock, 6 shares common stock.

I believe that the preferred stock of Hercules Powder Co. is nonvoting unless dividends have been in default for 1 year, which contingency has not occurred. I believe the preferred stock of Atlas Powder Co. is similar to that of Hercules Powder Co., but I have not verified this statement.

Sincerely yours,

PIERRE S. DU PONT.

The following statements, showing a record of acquisitions made during and after the war out of profits, and out of new stock and bond issues, were requested by the committee during the proceedings. (See text, p. 1077.)

E. I. DU PONT DE NEMOURS & Co., INC.,
Wilmington, Del., November 6, 1934.

HON. GERALD P. NYE,
Chairman Special Committee Investigating Munitions Industry,
Washington, D.C.

DEAR SENATOR NYE: At the time of the appearance of the du Pont Co.'s representatives before your committee you requested that we prepare a statement showing the company's expansion in new industries during and since the war, and also the source of funds which went into these new industries.

I am attaching hereto three tabulations containing the information which you have requested. Owing to the complexity and magnitude of the problem involved maybe a word of explanation could be of some value.

The full period has been divided into two parts, one corresponding to what might be called the war period, and dating from the organization of the present company on October 1, 1915, to December 31, 1918; and the other period carrying on from December 31, 1918, to December 31, 1933.

The first sheet shows the balance sheet of the company for the three dates mentioned, and the accompanying sheet shows a break-down of the investment in new industries into two different categories; one showing our investments in those companies in which we have invested over \$200,000 and companies in which we own less than 100 percent, and the other, our fixed investment in other industries.

Your second request, namely, that we endeavor to show the source of funds which went into these new developments, is rather more difficult.

You will appreciate that a company's assets are increased from time to time, as the result of increase in its liabilities, its undistributed earnings, its new capital, its reserves and a great many other sources. There is, of course, also the constant shifting of these funds among different assets, and different liabilities, so that it is quite impossible to identify the funds which went into any particular investment with any particular source of funds. This statement does, however, show on the first page the total increase of resources which flowed into the company, and a break-down of the sources of such increases. Maybe a word of explanation of these items would be helpful.

Earnings made by the company and not distributed to its stockholders furnish one source of new funds available to the company for investment in the expansion of its various enterprises. These undistributed earnings for the full period of some 18 years amounted to \$111,501,216.19. A subdivision of this figure is shown on the attached schedule which shows that the undistributed earnings corresponding to the so-called "war period" amounted to \$66,411,043.15; the balance corresponding to the period subsequent to the war.

During the course of the period from October 1, 1915, to December 31, 1933, the company received from the sale of its own securities a total of \$160,937,824.57. Of this total it received \$63,134,598.91 in cash and the balance in the form of other assets such as plant, working capital, etc.

From the above it is seen that the company over the full period has been the recipient of new funds from outside of the company amounting to \$272,439,040.76, about \$111,000,000 of which resulted from earnings and about \$161,000,000 of which was put in in the form of new capital, substantially all since the war.

There is a further item which appears in the attached statement and which is reflected in an increase of the company's surplus, namely, \$108,819,686.14. It has been the company's practice to adjust the value at which it carried its permanent investment in the General Motors Corporation on its books to correspond to the net asset value of those holdings on the books of the General Motors Corporation. The above figure corresponds to the cumulative adjustment of this investment over the period indicated, together with a slight adjustment in our investment in Canadian Industries, Ltd.

Trusting that the information conveyed herein is that desired by you, I remain

Yours sincerely,

L. DU PONT, *President.*

SCHEDULE A

Increase of investment in securities of E. I. du Pont de Nemours & Co., other than permanent investment in General Motors Corporation

	Percent of voting stock owned	Increase Dec. 31, 1918 over Oct. 1, 1915	Increase Dec. 31, 1933 over Dec. 31, 1918	Increase Dec. 31, 1933 over Oct. 1, 1915
Miscellaneous readily marketable securities.....		\$3, 770, 799. 31	\$(8, 221, 343. 77)	\$(4, 450, 544. 46)
Acetol Products, Inc.....	62. 9		375, 001. 00	375, 001. 00
Compania Sud-Americana de Explosivos, S. A.....	42. 1		789, 914. 86	789, 914. 86
Duco, A. G.....	49. 0		393, 297. 75	393, 297. 75
Du Pont Film Manufacturing Corporation.....	51. 0		344, 603. 19	344, 603. 19
E. I. du Pont de Nemours & Cia Argentina, S. A. (Now known as Industrias Quimicas Argentinas du Perial S. A. Industrial y Commercial).....	50. 0		788, 150. 03	788, 150. 03
Leathercloth Proprietary, Ltd.....	49. 0		819, 345. 50	819, 345. 50
Nobel Chemical Finishes, Ltd.....	49. 0		846, 342. 55	846, 342. 55
Remington Arms Co., Inc.....	56. 0		5, 722, 741. 14	5, 722, 741. 14
Compania Mexicana de Explosivos, S. A.....	50. 0		312, 500. 00	312, 500. 00
Societe Francaise Duco, S. A.....	35. 0		313, 261. 20	313, 261. 20
Canadian Industries, Ltd.....	46. 8		10, 180, 762. 46	10, 180, 762. 46
Old Hickory Chemical Co.....	50. 0		250, 000. 00	250, 000. 00
Societa Amonima Mazzucchelli.....	90. 0		776, 134. 26	776, 134. 26
Societa Italiana della Celluloide.....	70. 0		468, 889. 95	468, 889. 95
Niacet Chemicals Corporation.....	33. 3		2, 000, 000. 00	2, 000, 000. 00
Krebs Pigment & Color Corporation.....	70. 0		5, 832, 470. 00	5, 832, 470. 00
Bakelite Corporation.....	4. 0		834, 138. 00	834, 138. 00
Deutsche Gold und Silber Scheideanstalt.....	3. 5		439, 066. 18	439, 066. 18
General Motors Corporation.....	. 5		4, 800, 000. 00	4, 800, 000. 00
I. G. Farbenindustrie, A. G.....	. 4		1, 159, 904. 93	1, 159, 904. 93
Dynamit Actien-Gesellschaft.....	7. 9		892, 671. 16	892, 671. 16
Net increase.....		3, 770, 799. 31	30, 117, 850. 39	33, 888, 649. 70

SCHEDULE B

Increase of investment of E. I. du Pont de Nemours & Co. in commercial properties and equipment

	Dec. 31, 1918, over Oct. 1, 1915	Dec. 31, 1933, over Dec. 31, 1918	Dec. 31, 1933, over Oct. 1, 1915
Commercial explosives and blasting accessories.....	\$5, 558, 864. 54	\$7, 904, 107. 52	\$13, 462, 972. 06
PYROXYLIN and acetate plastics and articles fabricated therefrom.....	5, 391, 884. 47	4, 478, 777. 37	9, 870, 661. 84
Paints, varnishes, lacquers, and other finishes.....	7, 991, 106. 09	4, 946, 590. 41	12, 937, 696. 50
Dyestuffs, tetra-ethyl lead, ethyl alcohol, duprene, and other organic chemicals.....	2, 893, 927. 36	36, 786, 961. 60	39, 680, 888. 96
Fabroid and rubber-coated fabrics.....	1, 080, 553. 79	1, 098, 094. 76	2, 178, 648. 55
Nitrate property and production of nitrate therefrom.....	2, 460, 343. 08	(4, 205, 768. 66)	(1, 745, 425. 58)
Machine shops, experimental and research laboratory, etc.....	2, 759, 587. 15	(1, 525, 875. 45)	1, 233, 711. 70
Office building, etc.....	1, 144, 383. 42	7, 406, 630. 43	8, 551, 013. 85
Miscellaneous, patents, etc.....	430, 799. 91	4, 573, 318. 62	5, 004, 118. 53
Synthetic ammonia, ammonia products, methanol and higher alcohols, etc.....		21, 478, 100. 35	21, 478, 100. 35
Electro-chemicals and chemical specialties.....		8, 342, 108. 87	8, 342, 108. 87
Inorganic heavy chemicals, acids, zinc, etc.....		35, 672, 872. 00	35, 672, 872. 00
Viscose and acetate rayon, cellulose acetate, cellophane, etc.....		62, 230, 961. 22	62, 230, 961. 22
Total.....	29, 711, 449. 81	189, 186, 879. 04	218, 898, 328. 85

Comparative consolidated statement of assets and liabilities of E. I. du Pont de Nemours & Co., for period October 1, 1915 to Dec. 31, 1933, and supplementary tabulation entitled "Statement of assets increased during the periods and sources of funds for such increases"

SECTION 1. COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

	Oct. 1, 1915	Dec. 31, 1918	Increase Oct. 1, 1915 to Dec. 31, 1918	Dec. 31, 1933	Increase Dec. 31, 1918 to Dec. 31, 1933	Increase Oct. 1, 1915 to Dec. 31, 1933
ASSETS						
Current assets (cash, accounts receivable, inventories, etc.)	\$104,227,805.98	\$163,561,330.04	\$59,333,524.06	\$129,771,060.81	\$63,790,269.23	\$25,543,254.83
Investment securities	7,442,375.91	11,213,175.22	3,770,799.31	41,331,025.61	30,117,850.39	33,888,649.70
General Motors Corporation (permanent investment)		46,865,014.82	46,865,014.82	154,500,000.00	107,634,985.18	154,500,000.00
Commercial properties and equipment (except commercial smokeless powder)	49,454,112.21	79,165,592.02	29,711,479.81	268,352,471.06	189,186,879.04	218,898,328.85
Smokeless powder properties and equipment (including commercial and military)	64,625,990.49	7,178,743.67	(57,446,346.82)	3,563,455.34	(3,615,288.33)	(61,061,635.15)
Notes receivable for common stock sold to employees under executives' stock purchase and merit bonus plan				7,146,576.60	7,146,576.60	7,164,576.60
Miscellaneous (prepaid items, etc.)	611,979.40	862,441.30	250,461.90	966,474.56	104,033.26	334,495.16
Total assets	226,361,393.99	308,846,297.07	82,484,903.08	605,631,063.98	296,784,766.91	379,269,669.99
LIABILITIES						
Current liabilities (including, in 1915 and 1918, advances on contracts)	97,625,258.30	89,484,509.67	(8,140,748.63)	16,601,262.99	(72,883,246.68)	(81,023,995.31)
Reserves (for depreciation, doubtful accounts, accidents, pensions, etc.)	8,718,438.17	31,392,746.73	22,674,308.56	87,753,376.57	56,360,629.84	79,034,938.40
Capital stock and bonds	118,127,850.00	119,668,450.00	1,540,600.00	330,931,190.12	211,263,040.12	212,803,340.12
Surplus	1,889,847.52	68,300,890.67	66,411,043.15	170,345,234.30	102,044,343.63	168,455,386.78
Total liabilities	226,361,393.99	308,846,297.07	82,484,903.08	605,631,063.98	296,784,766.91	379,269,669.99

SEC. 2. STATEMENT SHOWING INCREASE IN ASSETS DURING THE PERIODS AND THE SOURCES OF FUNDS FOR SUCH INCREASES

	Increase, Oct. 1, 1915, to Dec. 31, 1918	Increase, Dec. 31, 1918, to Dec. 31, 1933	Increase, Oct. 1, 1915, to Dec. 31, 1933
During the period, the du Pont Co. increased its investment in certain assets, as follows:			
In net working capital.....	\$67,474,272.69	\$39,092,977.45	\$106,567,250.14
In investment securities (except permanent investment in General Motors Corporation) schedule A.....	3,770,799.31	30,117,850.39	33,888,649.70
In General Motors Corporation stock (permanent investment).....	46,865,014.82	107,634,985.18	154,500,000.00
In commercial properties and equipment (except commercial smokeless powder) schedule B.....	29,711,449.81	189,186,873.04	218,898,325.85
In miscellaneous assets (including \$7,146,576.60, in 1933, notes receivable for common stock sold to employees under executives' stock purchase and merit bonus plan).....	250,461.90	7,250,609.86	7,501,071.76
A total of.....	148,071,998.53	373,283,301.92	521,355,300.45
Funds for these increases were obtained from the following sources:			
Reduction of investment in smokeless powder and miscellaneous military properties and equipment during the period, amounting to.....	57,446,346.82	3,615,288.33	61,061,635.15
Increase in reserves for depreciation of commercial plants and peace time military smokeless powder plants, doubtful accounts, inventory losses, accidents, pensions, etc.....	22,674,308.56	56,360,629.84	79,034,938.45
Total.....	80,120,655.38	59,975,918.17	140,096,573.55
Leaving a balance representing increase in net worth (capital stock and surplus), obtained from sources detailed below.....	67,951,343.15	313,307,383.75	381,258,726.90
Cash received from sale of capital stock.....	1,540,300.00	61,594,298.91	63,134,598.91
Property and other assets acquired through the issue of additional capital stock.....	66,411,043.15	97,803,223.66	97,803,223.66
Undistributed earnings retained in the business.....		43,090,173.04	111,501,216.19
Write-up of General Motors Corporation and Canadian Industries, Ltd. stocks.....		108,819,686.14	108,819,686.14
Total.....	67,951,343.15	313,307,383.75	381,258,726.90

NOTE.—In order that the accounts appearing in the balance sheets for the three periods, as set forth in this statement, shall be on a comparable basis, certain individual items will not agree with the figures as shown in the balance sheet as of Dec. 31, 1918, appearing in the published report to stockholders, although the totals for all of the items will reconcile, the explanation being, (a) changes in the company's accounting allocations and (b) the 1933 published balance sheet included in consolidation all wholly owned companies while the 1918 published balance sheet included a number of wholly owned companies as investment securities. For the purpose of this statement the 1915 and 1918 balance sheets have, as nearly as practicable, been placed on a comparable basis with year 1933.

The following information regarding campaign contributions to political parties from 1919 to the present of all directors and officers of the du Pont Co., was requested by the committee during the proceedings. (See text, p. 1265.)¹

WILMINGTON, DEL.,
September 17, 1934.

Hon. GERALD P. NYE,
United States Senate, Washington, D.C.

DEAR SIR: I enclose herewith statement of national political contributions made by me since 1919.

Very truly yours,

PIERRE S. DU PONT.

NATIONAL POLITICAL CONTRIBUTIONS

1933, nothing; 1932, Democratic National Committee, \$15,000; 1931, Democratic National Committee, \$12,500; 1930, Democratic congressional campaign committee, \$5,000; 1929, Democratic National Committee, \$25,100; 1928, Democratic national campaign, \$50,000; 1927, nothing; 1926, nothing; 1925, nothing; 1924, nothing; 1923, nothing; 1922, nothing; 1921, nothing; 1920, Republican campaign, \$12,378; 1919, nothing.

PIERRE S. DU PONT.

WILMINGTON, DEL., September 26, 1934.

Mr. STEPHEN RAUSHENBUSH,
*Secretary Special Senate Committee
Investigating the Munitions Industry,
Washington, D. C.*

DEAR SIR: Referring to your request for donations to political parties for years 1919 to date, I beg to state that I made no donations prior to 1928. I give below the amounts since that time.

To Republican Party: 1928, \$15,000; 1929, \$6,750; 1930, \$8,500; 1932, \$19,600; 1933, \$286; 1934, \$4,600.

Respectfully submitted.

R. R. M. CARPENTER.

WILMINGTON, DEL., September 28, 1934.
[Received. Sept. 29, 1934.]

Hon. STEPHEN RAUSHENBUSH,
*Secretary Special Committee Investigating the Munitions Industry,
United States Senate, Washington, D.C.*

DEAR MR. RAUSHENBUSH: During the hearings, the chairman requested a statement from each of the members of the board of directors of the du Pont Co. listing their personal contributions to political parties from the period 1919 to date. I give you below a list of my contributions, which were all to the Republican Party:

1919, nothing; 1920, nothing; 1921, nothing; 1922, \$4,200; 1923, \$1,000; 1924, \$15,500; 1925, \$3,250; 1926, nothing; 1927, \$1,600; 1928, \$42,300; 1929, \$3,000; 1930, \$25,000; 1931, \$6,000; 1932, \$30,050; 1933, \$1,500; 1934, \$15,250.

I have requested each member of the board to send you a similar statement.

Yours very truly,

LAMMOT DU PONT.

E. I. DU PONT DE NEMOURS & Co., INC.,
Wilmington, Del., October 1, 1934.
[Received October 4, 1934.]

Hon. STEPHEN RAUSHENBUSH,
*Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.*

DEAR MR. RAUSHENBUSH: The Special Committee Investigating the Munitions Industry has requested that the directors of E. I. du Pont de Nemours & Co. give a list of their personal campaign contributions to political parties for the period from 1919 to date, inclusive.

¹At the date of publication of this volume the committee was not in receipt of the entire list.

In accordance with this request, I can advise you that I have never been a regular contributor but have only infrequently donated comparatively minor amounts for political purposes. I have not kept a record of these small contributions but recollect that the largest contribution I have ever made in any 1 year was \$50 to the Association Against the Eighteenth Amendment and this year a contribution of \$25 to the Republican campaign fund. I do not recall my other contributions, but in any event they are few and smaller than those mentioned above.

Very truly yours,

F. SPARRE, *Director.*

E. I. DU PONT DE NEMOURS & Co., INC.,
Wilmington, Del., October 1, 1934.

[Received October 3, 1934.]

HON. STEPHEN RAUSHENBUSH,
Secretary Special Senate Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: In reply to the request of the Senate munitions committee for information as to campaign contributions to political parties for the period 1919, to date, made by directors of E. I. du Pont de Nemours & Co.:

My contributions for the period in question were made to the Republican Party, amounting to the sum of \$540.

Respectfully submitted.

C. R. MUDGE.

E. I. DU PONT DE NEMOURS & Co., INC.,
Wilmington, Del., October 2, 1934.

[Received October 3, 1934.]

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: In answer to your committee's request for a statement of donations to political parties for the period from 1919 to date, inclusive, I quote below list of my personal contributions to the Republican National Committee: December 17, 1920, \$20; September 29, 1932, \$50; August 22, 1934, \$50.

Very truly yours,

F. W. PICKARD,
Vice President and Director.

WILMINGTON, DEL., *October 2, 1934.*

[Received October 3, 1934.]

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR MR. RAUSHENBUSH: In accordance with the request of your committee, I attach hereto a list of my contributions to the Republican National and State campaigns since the year 1919 to date.

Very truly yours,

A. FELIX DU PONT.

OCTOBER 2, 1934.

List of contributions to the Republican National and State campaigns since the year 1919 to date, by A. Felix du Pont

1919: Nov. 11, Republican campaign.....	\$309. 84
1920:	
Sept. 8, Republican finance committee.....	250. 00
Dec. 23, Republican National Committee.....	100. 00
1921: Feb. 10, Republican finance committee.....	100. 00
1922:	
Oct. 19, Republican Party, T. C. du Pont Club.....	349. 25
Oct. 23, Delaware Republican finance committee.....	1, 000. 00

1924:		
	Apr. 1, Republican State committee.....	\$25. 00
	Oct. 13, Republican State committee.....	25. 00
	Oct. 14, Republican National Committee.....	10. 00
	Oct. 31, Republican campaign committee, 22 shares Du Pont debentures.....	1, 036. 64
1926:	Oct. 22, Republican committee headquarters.....	25. 00
1928:	Oct. 18, Republican campaign.....	1, 000. 00
1932:		
	Sept. 20, Republican National Committee.....	200. 00
	Sept. 20, Republican Radio League.....	10. 00
		4, 440. 73

PHILADELPHIA, PA., *October 2, 1934.*
[October 4, 1934.]

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

(Re E. S. du Pont de Nemours & Co., Wilmington, Del.)

MY DEAR SIR: As a director of the above company, I advise that I have not made any personal campaign contributions to political parties from the period 1919 to date, inclusive.

Very truly yours,

WM. RICHTER

E. I. DU PONT DE NEMOURS & CO., INC.,
Wilmington, Del., October 2, 1934.

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating Munitions Industry,
Washington, D. C.

SIR: In February 1927 I was elected a director of this company; and I give you below data with respect to campaign contributions to political parties since that time, viz:

Year 1928, Republican National Committee, \$300; Republican State (Del.) Committee, \$500—\$800.

Year 1930, Republican National Committee, \$200; Republican State (Del.) Committee, \$200—\$400.

Year 1932, Republican National Committee, \$1,000; Republican State (Del.) Committee, \$90; Better Government League, Delaware, \$200—\$1,290.

Year 1934, Republican National Committee, \$700; Delaware State and County Republican Committee, \$300; American Liberty League of Delaware, \$25—\$1,025.

My records fail to disclose any contributions made for this purpose during the years 1927, 1929, 1931, or 1933.

Yours very truly,

W. F. HARRINGTON,
Vice President.

J. B. D. EDGE,
Kennett Square, Pa., October 2, 1934.
[Received October 4, 1934.]

HON. STEPHEN RAUSHENBUSH,
Secretary, Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: We understand that you have requested the directors of the E. I. du Pont de Nemours and Co., Wilmington, Del., to list their personal campaign contributions to political parties for the period from 1919 to date.

We, therefore, respectfully submit the following:

July 2, 1920, Delaware Republican finance committee, \$100; November 26, 1920, Delaware Republican finance committee, \$50; November 2, 1922, Delaware Republican finance committee, \$50; August 20, 1934, Republican campaign fund, \$25; October 24, 1924, Republican campaign fund, \$50; November 2, 1934, Repub-

lican campaign fund, \$50; September 7, 1928, Delaware Republican campaign, \$500; October 3, 1928, Republican National campaign, \$500; November 7, 1928, Delaware State Republican campaign, \$250; August 15, 1934, Republican National campaign, \$100; September 4, 1934, Delaware Republican campaign, \$50.

Trusting this is the information you desire,

Yours very truly,

E. E. GRIFFITH,
Secretary to J. B. D. Edge
(Director of E. I. du Pont de Nemours & Co.).

WILMINGTON, DEL., October 2, 1934.

[Received October 3, 1934.]

HON. STEPHEN RAUSHENBUSH,

Secretary Special Committee Investigation the Munitions Industry,
Washington, D. C.

DEAR SIR: In reply to your request that the directors of E. I. du Pont de Nemours & Co. file with you a statement of their personal contributions to political parties, I beg to advise that I know of but one such contribution made by me. That was \$500 to the Republican Party on October 15, 1928.

Yours very truly,

CHARLES COPELAND.

WILMINGTON, DEL., October 2, 1934.

[Received October 3, 1934.]

HON. STEPHEN RAUSHENBUSH,

Secretary Special Senate Committee Investigating Munitions Industry,
Washington, D. C.

DEAR SIR: Attached you will find statement of campaign contributions to political parties during the period 1919 to date, inclusive, made by me; this in accordance with the request of the committee.

Yours very truly,

IRÉNÉE DU PONT.

Campaign contributions to political parties during the period 1919 to date, inclusive, made by Irénée du Pont

Party benefiting by contribution	Year	Amount
Republican	1919	\$8, 110. 00
Do	1920	14, 722. 00
Do	1921	150. 00
Do	1922	2, 300. 00
None	1923	-----
Republican	1924	17, 000. 00
None	1925	-----
Republican	1926	37, 500. 00
Do	1927	25. 00
Do	1928	22, 000. 00
None	1929	-----
Democratic	1930	8, 000. 00
Liberal Republican, supporting Democratic candidate to the Senate—local officials, Republican		13, 200. 00
Liberal Republican, supporting Democratic candidate to the Senate—other State officials, Republican	1931	645. 21
Republican	1932	10, 200. 00
Democratic National Committee	1933	5, 000. 00
Republican—local State		4, 500. 00
Republican	1934	35, 249. 00

WILMINGTON, DEL., October 3, 1934.

[Received October 4, 1934.]

HON. STEPHEN RAUSHENBUSH,

*Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.*

DEAR SIR: Following is a list of personal campaign contributions to political parties from 1919 to 1934, inclusive:

1919 none (Republican), 1920 none, 1921 none, 1922 none, 1923 none, 1924 none, 1925 none, 1926 none, 1927 none, 1928 \$25, 1929 none, 1930 none, 1931 none, 1932 \$25, 1933 none, 1934 \$150.

Very truly yours,

CHARLES L. REESE,

Director E. I. du Pont de Nemours & Co.

WINTERTHUR, DEL., October 3, 1934.

[Received October 5, 1934.]

HON. STEPHEN RAUSHENBUSH,

*Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.*

DEAR SIR: In accordance with the request of your committee for a list of personal campaign contributions to political parties for the period from 1919 to date, inclusive, made by the directors of E. I. du Pont de Nemours & Co., I give you below, as one of said directors, a list of my own personal contributions:

September 5, 1928, Delaware Republican State Committee, \$1,000; October 30, 1928, Delaware Republican State Committee, \$4,000; July 5, 1932, Better Government League of Delaware, \$100; September 22, 1932, Republican National Committee, \$100; September 28, 1932, Delaware Republican State Committee \$25; May 26, 1933, Better Government League of Delaware, \$100.

Yours very truly,

H. F. DU PONT.

E. I. DU PONT DE NEMOURS & CO., INC.,

Wilmington, Del., October 5, 1934.

HON. STEPHEN RAUSHENBUSH,

*Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.*

DEAR SIR: You will find attached a statement of my contributions to political parties and organizations from January 1, 1927, during which year I was elected to the board of directors of E. I. du Pont de Nemours & Co., down to the present time.

Yours sincerely,

A. B. ECHOLS, *Vice President.*

Political contributions since Jan. 1, 1927 by A. B. Echols, director of E. I. du Pont de Nemours & Co. (elected to board of directors Feb. 14, 1927)

	State	National	Other
1927: None.			
1928: Republican State committee, Oct. 31, 1928.	\$50		
1929: None.			
1930: Republican State committee, Oct. 27, 1930.	200		
1931: None.			
1932:			
Republican State committee, Apr. 15, 1932.	25		
Republican National Committee, Sept. 27, 1932.		\$50	
Better Government League (between July 11 and Dec. 27).			\$200
Total for the year, \$275.			25
1933: Better Government League, May 9, 1933.			
1934:			
Republican State committee, Aug. 24, 1934.	100		
Republican National Committee, July 9, 1934.		100	
Republican National Committee, Aug. 24, 1934.		100	
The Crusaders, Inc., July 9, 1934.			50
National Republican Club, July 10, 1934.			100
American Liberty League, Sept. 12, 1934.			250
Total for the year, \$700.			
Total contributions to Republican State committee.	375		
Total contributions to Republican National Committee.		250	
Total other political contributions.			625
Total all political contributions.			1,250

WILMINGTON, DEL., *October 8, 1934.*

HON. STEPHEN RAUSHENBUSH,
Secretary, Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: In accordance with the form letter from Mr. Lamnot du Pont, president of E. I. du Pont de Nemours & Co., to the directors of said company dated September 27, 1934, there is listed below my personal campaign contributions to political parties for the period from 1919 to date.

Political party	Year	Amount
Republican.....	1928	\$2,500
Do.....	1930	1,000
Do.....	1932	5,500
Do.....	1934	600

Very truly yours,

WM. DU PONT, JR.

NEW YORK, *October 9, 1934.*
 [Received October 10, 1934.]

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: As a director of E. I. du Pont de Nemours & Co. I am advised that the Special Committee Investigating the Munitions Industry has requested from me a list of my personal campaign contributions to political parties for the period from 1919 to date inclusive, and I beg to advise that the only contributions I have made during this period is \$200 in October 1932 to the campaign fund of the Republican National Committee and the New York Republican State committee.

Yours very truly,

F. B. DAVIS, JR.

E. I. DU PONT DE NEMOURS & Co., INC.,
Wilmington, Del., October 13, 1934.

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D.C.

DEAR SIR: I am advised by Mr. Lamnot du Pont that you desire me, as a director of the du Pont Co., to send you a list of my personal campaign contributions to political parties for the period from 1919 to date, inclusive. To the best of my knowledge, and so far as I have been able to determine from my records, such contributions by me have been only as follows:

August 30, 1932, to Better Government League, \$250 (this league was organized to further the reelection of C. D. Buek as Governor of Delaware and may be construed as a contribution to the State Republican Party).

October 10, 1932, to Republican radio program, \$10.

July 12, 1934, account of Republican National Committee deficit, \$50.

August 13, 1934, Republican National Committee, \$250.

Very truly yours,

J. THOMPSON BROWN.

E. I. DU PONT DE NEMOURS & Co., INC.,
Wilmington, Del., October 15, 1934.

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: I give below a list of my personal campaign contributions to political parties for the period from 1919 to date, inclusive, as requested by your committee. This list includes both local and National contributions and was all made to the Republican Party.

1919, none; 1920, \$1,000; 1921, \$1,000; 1922, \$510; 1923, \$700; 1924, \$250; 1925, \$25; 1926, \$25; 1927, none; 1928, \$2,000; 1929, none; 1930, \$1,500; 1931, \$100; 1932, \$750; 1933, none; 1934, \$250.

Respectfully,

H. G. TALLMAN, *Vice President.*

WILMINGTON, DEL., *October 16, 1934.*

HON. STEPHEN RAUSHENBUSH,

*Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.*

DEAR SIR: I am attaching a statement herewith showing such of those contributions to political organizations as I am able to locate in my records. While the record of the contributions on this statement only goes back to 1928, the records which I have available covering periods prior to that date do not show these contributions specifically. I am quite sure, however, that the amounts for the years prior to 1928 were quite inconsequential.

Yours sincerely,

W. S. CARPENTER, JR.

Republican State Committee:

Sept. 7, 1928	-----	\$500
Nov. 2, 1928	-----	1,500
Oct. 22, 1930	-----	500
Nov. 4, 1932	-----	1,000

Republican National Committee:

Oct. 3, 1928	-----	1,000
Oct. 8, 1930	-----	500
Sept. 26, 1932	-----	1,000
July 10, 1934	-----	250
Aug. 8, 1934	-----	1,500

Better Government League of Delaware:

July 1, 1932	-----	900
Aug. 1, 1932	-----	800
Sept. 7, 1932	-----	800
Dec. 5, 1932	-----	100
May 5, 1933	-----	200

WILMINGTON, DEL., *October 17, 1934.*

HON. STEPHEN RAUSHENBUSH,

*Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.*

DEAR SIR: Referring to your recent request for a memorandum of the personal campaign contributions of the directors of E. I. du Pont de Nemours & Co., please be advised that I was elected a member of the board of directors of the du Pont Co. the latter part of 1928, since which time I have made the following contributions to the Republican National Committee: 1928, \$2,000; 1930, \$2,500; 1932, \$1,250; 1934, \$500.

Yours very truly,

T. S. GRASELLI.

E. I. DU PONT DE NEMOURS & CO., INC.,
Wilmington, Del., October 19, 1934.

MR. STEPHEN RAUSHENBUSH,

*Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.*

DEAR MR. RAUSHENBUSH: In response to the request of the special committee, I advise you herewith of all the subscriptions that I have made to political parties from 1919 to date: October 17, 1932, Republican senatorial committee, \$1,000; October 21, 1932, Republican National Committee, \$100; October 24, 1932, Republican Radio League, \$10; June 21, 1934, National Republican Club, \$50; July 10, 1934, Republican National Committee for 1932 campaign deficit, \$50; August 6, 1934, Republican National Committee, \$200; October 10, 1934, Delaware Republican State committee, \$100; October 10, 1934, New Jersey Republican State committee, \$100.

Yours very truly,

JASPER E. CRANE.

E. I. DU PONT DE NEMOURS & Co., Inc.,
Wilmington, Del., October 22, 1934.

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: Under date of September 27, Mr. Lammot du Pont requested me to furnish you with a list of my personal campaign contributions to political parties for the period from 1919 to date inclusive. Accordingly I advise you of the following amounts: 1920, \$100; 1922, \$200; 1924, \$200; 1928, \$200; 1930, \$100; 1932, \$1,000; 1934, \$500.

These contributions were all made to the Republican Party either through the National Committee or the Delaware State committee. I have since contributed \$500 to the Delaware State committee.

Yours very truly,

H. G. HASKELL,
Member of the Board of Directors.

E. I. DU PONT DE NEMOURS & Co., Inc.,
Wilmington, Del., October 25, 1934.

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: In compliance with your request to the president of the du Pont Co. that each director report to the committee their personal campaign contributions to political parties for the period from 1919 to date, inclusive, I advise you I have made no contributions to any political party during this period.

Very truly yours,

W. P. ALLEN,
Director, E. I. du Pont de Nemours & Co.

E. I. DU PONT DE NEMOURS & Co., Inc.,
Wilmington, Del., October 25, 1934.

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: I wish to report the following contribution made to a political party by me since May 1930, at which time I was elected a director of the du Pont Co.: August 7, 1934, contribution to Republican National Committee, \$100.

According to my records this is the only contribution which I have made to any political party.

Yours very truly,

C. M. A. STINE, *Vice President.*

GREENVILLE, DEL., *October 26, 1934.*

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: This is to advise that I have made no subscription to national campaign funds since 1919.

Yours very truly,

E. E. DU PONT.

E. I. DU PONT DE NEMOURS & Co., Inc.,
Wilmington, Del., October 29, 1934.

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: Referring to your request that the directors of this company submit a list of their personal campaign contributions to political parties for the period from 1919 to date, inclusive, search of my records reveals the following:

Nov. 29, 1920, Republican finance committee campaign.....	\$100
October 1932, Republican Radio League.....	25
October 1932, Republican National Committee.....	100
November 1932, Organization expenses, Republican State committee.....	50
Do.....	50
July 1932, Better Government League of Delaware.....	250
December 1932, Better Government League of Delaware.....	50
	625

Trusting this is the information you desire, I am,
Very truly yours,

W. C. SPRUANCE,
Vice President and Director.

DU PONT RAYON CO., INC.,
New York, N. Y., October 29, 1934.

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: Shortly before sailing for Europe a few weeks ago, Mr. Yerkes was advised by Mr. Lamnot du Pont, president of E. I. du Pont de Nemours & Co., that the Special Committee Investigating the Munitions Industry had requested from the directors of the du Pont Co. a list of their personal campaign contributions to political parties for the period from 1919 to date, inclusive. Mr. Yerkes asked me to ascertain and forward to you a list of such contributions made by him.

I have gone over Mr. Yerkes' records for the years mentioned and find that his contributions to political parties were as follows:

1928, \$100 to the Republican National Committee; 1930, \$50 to the Republican State Committee.

Yours very truly,

MARIAN C. LEPPER, *Secretary.*

GREENVILLE, DEL., *October 30, 1934.*

HON. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: As requested by your committee I list herewith the personal campaign contributions to political parties from 1919 to 1934 inclusive, all of which were made for the Republican State campaigns, viz:

October 28, 1920, \$200; January 20, 1928, \$100; October 19, 1928, \$200; November 1, 1928, \$100; July 11, 1932, \$250; May 12, 1933, \$50.

Yours very truly,

EUGENE DU PONT.

The following memorandum was requested by the committee and submitted by Lamnot du Pont on November 14, 1934. (See text, p. 1260.)

NOVEMBER 14, 1934.

The Hon. GERALD P. NYE,
Chairman Special Committee Investigating the Munitions Industry,
United States Senate, Washington, D. C.

MY DEAR SENATOR NYE: You have invited us to submit a memorandum for the consideration of your committee as it undertakes the formulation of a sound national policy with respect to munitions for presentation to the Congress. We welcome this opportunity to be of service. The subject is a very difficult one, having occupied the thoughtful attention of many minds over a long period of time, and we do not profess to be able to offer a complete solution for every question involved. We shall endeavor, however, to deal specifically and practically with some of the major questions as they are set forth in Senate Resolution #206.

We believe that two considerations must be paramount in any satisfactory national policy on munitions.

1. Adequate national defense must be assured.
2. The maintenance of peace must be encouraged and fostered.

Our thinking on each of the questions under discussion takes these two aims into account; answer to every question must be in harmony with both considerations: On the one hand the defense of the nation if it is attacked; on the other, the protection of the American people from the danger of war, with all its horrors and its malign consequences. There is no conflict here; a strong but forbearing America is the greatest guarantor of peace.

NECESSITY OF PROVISION FOR THE NATIONAL DEFENSE

No prudent nation can afford to be unarmed in the world today. Moreover, as modern wars are increasingly liable to be won or lost before the actual outbreak of hostilities, this country's preparation for defense needs to be wise and thorough. Its execution should be efficient, it must be effective.

The vital importance of your committee's investigations and recommendations must appeal to all thoughtful Americans, who are familiar with their country's history. In every one of its major conflicts the United States has sent its young men into battle without proper equipment, supplies, or support. Each war has been prolonged unnecessarily; each has cost thousands of lives that ought never to have been lost. The bravest, who volunteered first, have been sacrificed in the struggle to hold the line while the nation went through the slow, laborious, and terribly costly process of marshalling its resources.

INADEQUACY OF GOVERNMENT MONOPOLY

The attempt to limit this preparation to government monopoly in peace time and to confine the manufacture of munitions or ordnance to government plants and facilities in war time would, in our opinion, weaken and if carried far enough cripple our national defense. We are convinced that the problem requires maximum effort both by the Government and American industry. Neither one by itself can be relied upon to meet all requirements.

Munitions include all articles of every kind required for the supply of the Army and Navy; not only ordnance but uniforms, shoes, shelter, mess equipment, tools, fuel, automobiles, shipping, food, medicines, miscellaneous supplies. It is inconceivable that the government should undertake so vast a field of production either in peace or in war. All the resources of the country both public and private must be available for the productions essential to national defense.

Ordnance itself is also a field of tremendous scope. A partial list of implements of war as set forth by the Geneva Convention includes rifles, machine guns, ammunition, gun-sighting apparatus, cannon, projectiles, bombs, torpedoes, depth charges, grenades, mines, bayonets, tanks, armored cars, pistols, swords, warships and arms and ammunition therefor, aircraft, aircraft engines, gun powder, and explosives. The Ordnance Department of the United States Army had to deal in the World War with the production of over 200,000 separate components, among these some individual articles of ordnance comprising as high as 6,000 separate pieces. Nearly 8,000 industrial plants, including manufacturers of sewing machines, typewriters, hoilers, radiators, electrical equipment, airbrakes, hardware, safes, etc., were engaged in the manufacture of ordnance in 1918; over 25,000 in all munitions. A modern nation fighting for its life requires practically all of its manufacturers to become munition makers.

It is estimated that private plants produced 95% and government arsenals 5% of this country's ordnance in the Great War. For example, the total output of the two long-established and well-equipped government smokeless powder plants during our participation in the World War, April 6th, 1917, to November 11th, 1918, was less than 2% of the powder made in the United States during that period; it would have sustained the fire of the American troops during the fall of 1918 for only nine days. Government cannot undertake the tasks enumerated above in time of war. It has then too much else to do. All the productive capacity of the nation must be called upon.

Since the War, government arsenals, although operating at only one-tenth of their capacities, have been supplying about 95% of Army ordnance, private manufacturers only 5%. But in the event of a major emergency experts

estimate that government facilities would again only be able to furnish about 5% of the ordnance required. For adequate preparation for the defense of our country a policy of nationalization would thus call for the expansion of government arsenals forthwith to twenty times their present capacities. That would be a monstrous undertaking, advocated by no one. The cost would be colossal, ordnance appropriations would have to be increased over a hundred fold, operation would be extremely difficult if not impractical, the effect might be provocative.

If, lacking such facilities, we attempt to supply them after we are attacked we but court disaster. We were almost defenseless in some of these respects when we entered the World War in 1917. Every one who knows the facts will recall that over a year after our entrance into the War our troops had to be supplied throughout with British and French machine guns, cannons, and airplanes. Not until the autumn of 1918, just before the Armistice, was our production of ordnance becoming adequate. That experience which might have cost us so dear must not be disregarded and forgotten. The actual and potential facilities then revealed must not now be abandoned.

THE SOUND PLAN FOR NATIONAL DEFENSE

We consider, therefore, that the only wise solution of the problem is just what has already been undertaken: the preparation of plans of defense, the survey and charting of industrial resources, the provisional enlistment of industry, so as to be ready to marshal the entire plant and personnel of the country immediately when the hour of danger arrives. This cooperation between government and industry for the defense of our country must be continued. And the maintenance in the fabric of American industry of effective nuclei for the rapid expansion of munitions production in an emergency is of vital importance.

OBJECTIONS TO PRIVATE MANUFACTURE OF MUNITIONS

Two objections to private manufacture of munitions in general and ordnance in particular are raised; excess war profits, and abuses attending the traffic in arms. These we shall try to deal with in turn.

WAR PROFITS

We subscribe to the view that excess war profits should be eliminated. There is a popular demand, which is sound and just, that in the event of any such future national crisis as a major war the entire capital and productive resources of our country should be subjected to the national need without the prospect of extraordinary compensation. The national policy should be based on the principle that in a time of national emergency, when the country's man power is being mobilized, its material resources should be mobilized also.

A plan for carrying out this policy must consist of practical measures. It must be sure to succeed. It must harness every effort, employ every motive to insure speed, efficient operation, low costs, elimination of waste, conservation of materials, saving of labor. Further, it must be all inclusive in scope, extended throughout the whole fabric of our economic structure. Elimination of excessive earnings must apply to every business and every individual.

The formulation of a comprehensive and practical plan is a problem of tremendous difficulty. The Committee will appreciate that the elimination or recapture of profits in excess of peace-time earnings contemplates a new and drastic measure. The dangers of such a radical departure from normal economic habits may not be appreciated. We should be negligent if we failed to emphasize the national perils which would lurk in a superficial or unsound attempt at its solution. It can only be solved by able and exhaustive study. There is still available for this study the experienced judgment of the men who successfully conducted America's effort in the World War. To it should be applied the wisest minds of financiers, business executives, military experts, statesmen.

The time to make this study and elaborate a plan is now, when no immediate danger threatens our country. It would be too late when hostilities are imminent, for impromptu measures would surely be ineffective.

We recommend, therefore, that a thorough and detailed study of the problem be made by such agency as the Congress may determine with the view of developing a practical and effective plan of industrial mobilization for the national defense without excess profits to corporation or individual.

INTERNATIONAL TRADE IN MUNITIONS

We believe that international trade in arms can be done away with, if that is a desirable aim, only by international agreement between all the producing nations, about twelve in number, to prohibit exports. Whether the cessation of this trade, which would tend towards the fixation of the status quo of oppressed and unarmed peoples, is desirable, is a question upon which we do not venture an opinion. It would seem likely that one prompt result would be the erection for their own defense of ordnance plants throughout the other countries of the world, imposing through excessive costs additional burdens upon them, and that a new competition in armament would thus spring up. If the United States alone were to forbid the export of munitions, our national defense would be impaired because such a policy of isolation might prompt reprisals and make it difficult or impossible in an emergency for this country to obtain essential materials from abroad.

In any case the question would arise, what constitutes munitions of war? Numerous harmless articles of peace-time commerce, the trade in which should not be inhibited, assume in war time greater military significance and strategic importance than many articles of ordnance. Prohibition of the traffic in arms might not be effective, and it would encourage illicit dealings.

Rather we feel that the international trade in arms should be subjected to strict governmental control, preferably by international agreement. At any rate the United States can immediately initiate its own policies in this respect. We suggest legislation permitting the export of arms from this country only after the visé of orders by a Federal Government bureau or commission as the Congress may determine. If this Commission made objection, shipment would not be permitted. Moreover, such legislation should require that upon consummation of an order full information must be reported to the Commission, including the amount and description of goods, their destination, and the complete financial settlement of the transaction.

Such a system of control, while permitting legitimate sales of arms for indispensable demands, would eliminate any abuses that may exist in the business, and would prevent improper sales where arms are desired for unlawful purposes.

We think it fundamental to distinguish between the causes and effects of war. Armament does not originate war; warfare brings forth arms. War is caused by economic and political rivalries. It is fomented by fanaticism, bad temper, suspicion of other people, criticism of their actions, sensational press dispatches, fraudulent or covetous practices. It is minimized by good-will, forbearance, self-control, honest statement, fair dealing. Fire-fighting apparatus is necessary, but it does not cause the fire; care and vigilance are required to prevent an outbreak of fire. International trade in any kind of material or product, if unwisely directed and improperly prosecuted, creates friction, animosity, hostility. On the other hand, international trade wisely and fairly conducted promotes closer association with other people, understanding and friendliness, a spirit of co-operation, good-will, peace.

Respectfully yours,

E. I. DU PONT DE NEMOURS & COMPANY,
LAMMOT DUPONT, *President*.

MUNITIONS INDUSTRY

HEARINGS

BEFORE THE

SPECIAL COMMITTEE

INVESTIGATING THE MUNITIONS INDUSTRY

UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

PURSUANT TO

S.Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 6

SEPTEMBER 17 and 18, 1934

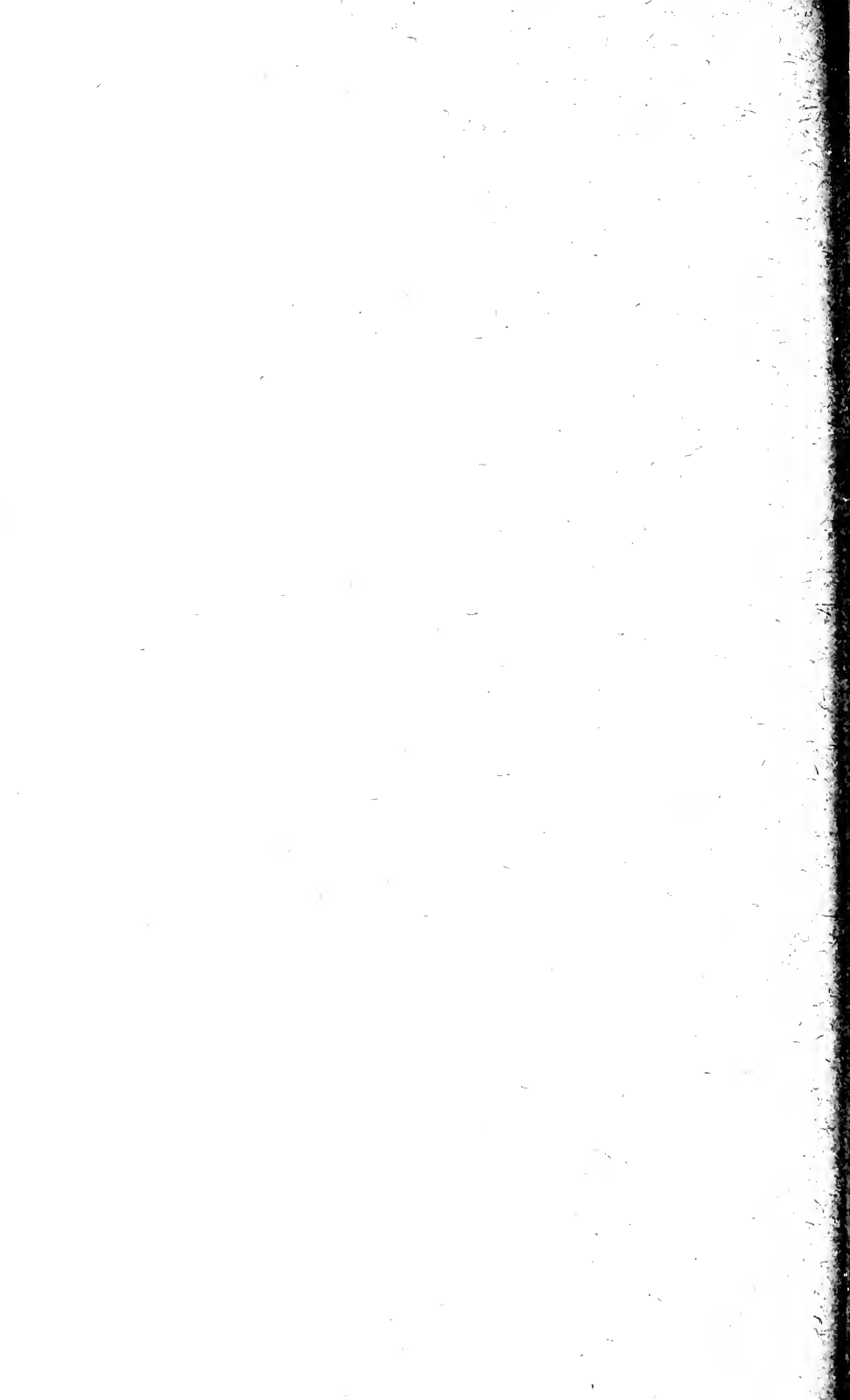
PRATT & WHITNEY AIRCRAFT CO.

AND

UNITED AIRCRAFT EXPORTS, INC.

Printed for the use of the
Special Committee Investigating the Munitions Industry





MUNITIONS INDUSTRY

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UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

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SPECIAL COMMITTEE INVESTIGATING THE MUNITIONS INDUSTRY

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ARTHUR H. VANDENBERG, Michigan

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STEPHEN RAUSHENBUSH, *Secretary*

II

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with Sup. of Documents

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INVESTIGATION OF MUNITIONS INDUSTRY

MONDAY, SEPTEMBER 17, 1934

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE MUNITIONS INDUSTRY,
Washington, D.C.

The hearing was resumed at 10 a.m., in room 310, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), George, Clark, Bone, and Vandenberg.

Present also: Alger Hiss, investigator.

The CHAIRMAN. The committee will come to order.

Will Mr. Love, Mr. Brown, and Mr. Deeds please come forward.

TESTIMONY OF FRANCIS H. LOVE, DONALD L. BROWN, AND CHARLES W. DEEDS

(The witnesses were duly sworn by the chairman.)

The CHAIRMAN. Will you give your full name and your official capacity to the stenographer, Mr. Love?

Mr. LOVE. My name is Francis H. Love, director of the United Aircraft Exports, Inc.

The CHAIRMAN. And your residence and office address is what?

Mr. LOVE. Residence, 48 Ocean Boulevard, Monmouth Beach, N.J.; office, 230 Park Avenue, New York.

The CHAIRMAN. Will you give your full name and connection, Mr. Brown?

Mr. BROWN. My name is Donald L. Brown; residence, 29 Colony Road, West Hartford, Conn.; president of Pratt & Whitney Aircraft Co.

The CHAIRMAN. Have you any official connection with the Export Co.?

Mr. BROWN. Director.

The CHAIRMAN. That is the United Aircraft Exports, Inc.?

Mr. BROWN. Yes.

The CHAIRMAN. Will you give your full name, Mr. Deeds?

Mr. DEEDS. My full name is Charles W. Deeds; vice president and treasurer of Pratt & Whitney Aircraft Co.; address, 17 Colony Road, West Hartford, Conn.

The CHAIRMAN. Have you any connection with the Export Co.?

Mr. DEEDS. None.

Mr. HISS. Mr. Chairman, before beginning with the witnesses here now, there are three or four exhibits I would like to put in the record relating to the testimony of Mr. Allard, president of the Curtiss-Wright Co., who testified early last week. Just prior to the close of his testimony, I asked Mr. Allard if the 4-barrel carburetor had been released by the Army and Navy for export sales abroad at the time of a letter written by him in 1933. Mr. Allard was of the impression that the carburetor had been released at that time. I believe he was in error, and I should like to introduce into the record four or five letters from the files of the Wright Aeronautical Co., which is the engine subsidiary of the Curtiss-Wright Corporation.

The CHAIRMAN. That will be so ordered. Could you introduce them in their numerical order so that they will appear among the exhibits relating to the Wright Co.?

Mr. HISS. We will mark them "Exhibits A to E", inclusive, as there are five of the letters, I believe.

The CHAIRMAN. That may be done.

Mr. HISS. May I summarize these exhibits at this time, Mr. Chairman?

The CHAIRMAN. I think it would be well to do that.

Mr. HISS. On November 2, 1933, Maj. C. W. Howard, chief of the engineering section of the Army Air Corps wrote to the Wright Aeronautical Corporation that certain material could be released, and there is a pencil notation at the bottom of the letter, "Not included four-bbl. carburetors."

Also in the files of the Wright Aeronautical Co. was found a pencil memorandum which bore no date, but which was filed between letters dated the 31st of October and the 2d of November, and which referred to the letter of November 2 which has just been entered in evidence, and therefore must have been written some time after that. This memorandum refers to Major Howard's letter and also says, "Excluded are 4-bbl. carburetor", and various other items.

Then there is another pencil memorandum found in the files of the Wright Aeronautical Co. bearing the initials "T. M. L.", who is believed to be Mr. Lucas, one of the officials of the Wright Aeronautical Co., which also bears no date at the head, but in the middle bears a date November 9, 1933. There is a postscript to that memorandum which says:

No. 4-bbl. carbs. or 16/11 gears have as yet been shipped abroad although complete data has been given.

On April 3, 1934, Acting Secretary of the Navy, Mr. Roosevelt, wrote to the Wright Aeronautical Co. among other things, the following:

It shall be further understood that this release does not extend to provision for four-barreled carburetor or two-speed supercharger, upon which items the views of the departments have been previously expressed.

Then finally, under date of May 4, 1934, the Wright Aeronautical Co. replied by Mr. Lucas to the letter from the Assistant Secretary of the Navy dated April 24, 1934. Mr. Lucas is the man to whom reference has previously been made as having said that they had not shipped any carburetors before they had received word from the Army that they should not export them. The second page of the letter I am now referring to is as follows:

In connection with the release of the four-barrel Stromberg carburetor, attention is invited to the fact that this carburetor was exported before this company was advised of the Government's new policy applying to foreign releases.

* * * * *

In view of the fact that the Stromberg four-barrel carburetor has now become a standard commercial article, since it is the only type of carburetor used by this company, and since it was exported prior to this company's knowledge that such export would not be approved by the Government, it is respectfully requested that the decision given in referenced letter be reconsidered and that approval be given for the foreign shipment of engines equipped with four-barrel carburetor and for the manufacturing under foreign license of engines, equipped with the four-barrel carburetor.

At the time of Mr. Allard's letter, I feel sure permission had not been given and none had actually been shipped, if the letters put in evidence are to be relied on.

I now offer the five letters and memoranda just referred to in evidence as Exhibits No. 449, A, B, C, D, and E.

(The letters referred to were marked "Exhibits No. 449, A, B, C, D, and E", respectively, and are included in the appendix of Part IV on pp. 1010, 1011, and 1012.)

FORMATION, EARLY HISTORY, AND PROFITS OF THE PRATT & WHITNEY AIRCRAFT CO.

Mr. Hiss. I will now proceed with the examination of the witnesses.

Mr. Deeds, are you familiar with the original organization and the formation of the Pratt & Whitney Aircraft Co.?

Mr. DEEDS. I was not there at that time. I cannot speak from my own knowledge.

Mr. Hiss. To refresh your recollection, I hand you a copy of the financial history of the Pratt & Whitney Aircraft Co., which was prepared by the company and submitted to the Black committee, and at the same time a copy of the financial history of the United Aircraft & Transport Co., also filed with the Black committee, which documents I ask to be filed in evidence as Exhibits No. 528 and No. 529.

(The documents referred to were marked "Exhibits No. 528 and No. 529", respectively, the financial history of the Pratt & Whitney Co. being "Exhibit No. 528" and the financial history of the United Aircraft & Transport Corporation being "Exhibit No. 529," and both are included in the appendix on pp. 1537 and 1539.)

Mr. Hiss. According to these statements, "Exhibits Nos. 528 and 529", the first of which statements also appears in the record of the hearing before the Subcommittee on Aeronautics of the Committee on Naval Affairs of the House of Representatives, Seventy-third Congress, page 901, the Pratt & Whitney Aircraft Co. was incorporated on July 22, 1925, pursuant to a contract of July 14, 1925, between Pratt & Whitney—which was a subsidiary of Niles-Bement-Pond Co.—and F. B. Rentschler and G. J. Mead. Mr. Rentschler became an officer of Pratt & Whitney Aircraft Co.?

Mr. DEEDS. He did.

Mr. Hiss. Do you know what his position was with the Aircraft Co.?

Mr. DEEDS. He was the president.

Mr. HISS. He was the first president?

Mr. DEEDS. Yes, sir.

Mr. HISS. And Mr. G. J. Mead also became an officer of the Pratt & Whitney Aircraft Co.?

Mr. DEEDS. Yes; he was the first vice president.

Mr. HISS. Do you remember what Mr. Mead's duties were?

Mr. DEEDS. They related primarily to engineering. He was the engineering leader of the group.

Mr. HISS. Further, according to this statement of the Pratt & Whitney Co., Pratt & Whitney, the subsidiary of the Niles-Bement-Pond Co., furnished cash, facilities, and materials represented by the issuance of preferred stock which was redeemed in full out of the earnings, and was redeemed sometime prior to February 11, 1929. Can you explain how you received your stock in the Pratt & Whitney Aircraft Co.?

Mr. DEEDS. My personal stock?

Mr. HISS. Yes.

Mr. DEEDS. By purchase from Mr. F. B. Rentschler and Mr. G. J. Mead.

Mr. HISS. Did you purchase any from Pratt & Whitney?

Mr. DEEDS. I did not.

Mr. HISS. There is one place in that exhibit which to me is not clear, and I wonder if you can clear it up for me. On page 2 there is a paragraph with reference to the common stock, of which 5,000 shares were originally issued August 5, 1925, and the records of the company reflect the transfer to C. W. Deeds on June 6, 1927, of 200 shares, 110 shares, and 90 shares being transferred from F. B. Rentschler and G. J. Mead, respectively, so that your total acquisition at that time was 200 shares, of which 110 shares came from Mr. Rentschler by purchase and 90 shares came from Mr. Mead by purchase. Is that correct?

Mr. DEEDS. That is correct.

Mr. HISS. A stock dividend of 395,000 shares was issued to the common-stock holders of record November 1, 1928, including at that time Pratt & Whitney, Mr. Rentschler, Mr. Mead, and yourself. Is that correct, Mr. Deeds?

Mr. DEEDS. That is correct.

Mr. HISS. When did you first join Pratt & Whitney Aircraft Co.?

Mr. DEEDS. May 1, 1926.

Mr. HISS. In what capacity?

Mr. DEEDS. As assistant treasurer.

Senator BONE. When was this stock dividend?

Mr. HISS. The stock dividend was to the stockholders of record November 1, 1928, and the company was formed in 1925, and the common-stock issue was 5,000 shares at 20 cents per share. Is that correct, Mr. Deeds?

Mr. DEEDS. That is correct.

Mr. HISS. Making a total common-stock investment of \$1,000?

Mr. DEEDS. Correct.

Mr. HISS. There was a stock dividend of 395,000 shares issued to stockholders of record November 1, 1928, which went to four stockholders as I said before, Pratt & Whitney, a subsidiary of Niles-

Bement-Pond, Mr. Rentschler, Mr. Mead, and yourself, Mr. Deeds, according to this statement?

Mr. DEEDS. That is correct. Of course, as far as the stockholders of Pratt & Whitney Co. were concerned, they were widely spread through stock ownership of Niles-Bement-Pond, which was a public corporation.

Senator CLARK. What was the date of the formation of this corporation?

Mr. HISS. The corporation was formed in July 1925.

Senator CLARK. And what was the date of the stock dividend?

Mr. HISS. The date of the stock dividend was November 1, 1928.

Senator CLARK. The original stock issued was 5,000 shares at 20 cents a share?

Mr. HISS. Yes.

Senator CLARK. And what did you say the stock dividend was?

Mr. HISS. Three hundred ninety-five thousand shares also at 20 cents per share. During the year 1930 surplus was transferred to capital stock account by resolution of the board of directors together with the sum of \$3,319,678.41, representing dividends from subsequent earnings, which totaled \$5,424,000, and the amount of that \$5,424,000 which could be allocated to the 395,000 shares was \$4,958,250, representing the company's own valuation therefore of this 395,000 shares.

Senator CLARK. That could be allocated to stock dividend?

Mr. HISS. Yes. Of the total amount plus surplus and capital, the part that could be allocated to the 395,000 shares would come to that amount. In addition, cash dividends aggregating a total of \$6,400,000 were issued on the common stock during the years 1929 to 1932, inclusive. That makes a total return in 8 years of \$11,437,250 on \$1,000 invested, and using cash dividends and stock dividends, the latter at the company's value, not the market value, which was considerably higher, stated in terms of percentage, would be 1,143,725 percent on the original investment.

The CHAIRMAN. State that again, please.

Mr. HISS. Stated in terms of percentage, the return on the original \$1,000 investment would be 1,143,725 percent.

I would like to offer in evidence a chart showing that growth. This chart does not represent the capital growth of the \$1,000, because the figures given relate only to the stock dividends and the cash dividends. This represents the returns solely in the form of cash dividends and stock dividends on that amount.

(The chart referred to was marked "Exhibit No. 530" and is included in the appendix on p. 1540.)

Senator CLARK. So that whatever accretion there had been to capital in the meantime, should be added to that figure?

Mr. HISS. That is correct.

Mr. Deeds, what relation is Col. E. A. Deeds to you?

Mr. DEEDS. He is my father.

Mr. HISS. What position did he hold with the Niles-Bement-Pond Co.?

Mr. DEEDS. I believe he was a director.

Mr. HISS. He was a director of the Niles-Bement-Pond Co. at the time Pratt & Whitney Aircraft Co. was formed?

Mr. DEEDS. I believe he was.

Mr. HISS. I now offer this organization chart of the United Aircraft & Transport Corporation and ask that it be marked as an exhibit.

(The chart referred to was marked "Exhibit No. 531" and is included in the appendix facing p. 1540.)

Mr. HISS. During the winter of 1928-29 Pratt & Whitney Aircraft Co. was taken over by United Aircraft & Transport Corporation, which had formerly been known as the "Boeing Aircraft Co.," and which included the Boeing Aircraft Co.

At the same time Chance-Vought Corporation and the Hamilton Aero Co., which had been organized into the Hamilton Propeller Co., were also acquired by the United Aircraft & Transport Corporation. And during 1929 this corporation also acquired interests in the Sikorsky Aviation Corporation, a plane-manufacturing company, and the Northrop Aircraft Corporation, also a plane-manufacturing company, and the Stearman Aircraft Co. Is that correct, Mr. Deeds?

Mr. DEEDS. I believe it is.

Mr. HISS. So that in 1930 the United Aircraft & Transport Corporation owned 100 percent of the stock of the Boeing Airplane Co., of Seattle, Wash., a manufacturer of airplanes; the Hamilton Standard Propeller Co., of Hartford, Conn., which manufactured aeronautical propellers; the Pratt & Whitney Aircraft Co., of Hartford, Conn., which manufactured engines; (the original Pratt & Whitney we have been talking about had become a part of the United Aircraft & Transport Co.) and 99.68 percent of the Sikorsky Aviation Corporation, of Bridgeport, Conn., manufacturers of planes; and 100 percent of the Stearman Aircraft Co.; and 100 percent of the Chance-Vought Corporation, of Hartford, Conn., also manufacturers of planes.

Mr. Brown, by 1933 you were chairman of the board of all of those subsidiaries excepting the Boeing Aircraft Co. Is that correct?

Mr. BROWN. That is correct.

Mr. HISS. You were also president of Pratt & Whitney Aircraft Co. by July 1933?

Mr. BROWN. Your statement is correct.

Mr. HISS. Either Mr. Love, Mr. Brown, or Mr. Deeds please answer this question: Can you explain the formation of United Aircraft Exports, Inc., what time was it formed, and for what purpose?

Mr. DEEDS. That was formed about May 1929, and formed to handle the export business of the various subsidiaries.

Mr. HISS. The exclusive export business of the subsidiaries?

Mr. DEEDS. Yes.

Mr. HISS. In addition, the United Aircraft & Transport Corporation also owned a considerable number of airline properties, did it not?

Mr. BROWN. Yes; it did.

Mr. HISS. Mr. Deeds, have the relations of the Pratt & Whitney Aircraft Co. to Niles-Bement-Pond remained close ones? Perhaps I had better phrase it this way: I will ask you to explain the relations that do exist between the two companies.

Mr. DEEDS. The relations that now exist are primarily and simply that between a purchaser and a vendor. We do purchase from Pratt

& Whitney Co. certain parts that they are capable of producing more economically than we. We do make such purchases from them.

I am also a director of the Pratt & Whitney Co.

Mr. HISS. Are any other of the officials—that is, either the directors of the Aircraft Co., the parent company, or any of the subsidiaries, or any of the officials of the parent company or the subsidiaries, a director or an official of the Niles-Bement-Pond Co. or any of its subsidiaries?

Mr. DEEDS. Yes. F. B. Rentschler, I believe, is a director of Niles-Bement-Pond. I am not and I cannot speak certainly. My father, E. A. Deeds, is also a director.

Mr. HISS. May I call your attention to a letter of September 18, 1933, written by Mr. McClellan to Mr. Carr, which I will offer as "Exhibit No. 532"?

(The letter referred to was marked "Exhibit No. 532" and is included in the appendix on p. 1541.)

Mr. HISS. Mr. McClellan in September 1933 was assistant to you, Mr. Love?

Mr. LOVE. Yes.

Mr. HISS. And you were president of the Export Co.?

Mr. LOVE. Yes.

Mr. HISS. And Mr. Carr was the South American representative of the Export Co.?

Mr. LOVE. Yes.

Mr. HISS. This letter refers to an enclosed letter from Mr. Derby, of the Niles-Bement-Pond Co. Can you identify Mr. Derby. Mr. Deeds?

Mr. DEEDS. I have met him; yes.

Mr. HISS. Do you know what office he holds with Niles-Bement-Pond?

Mr. DEEDS. No, I do not; except he is their Export man.

Mr. HISS. Mr. Derby's letter is quoted by Mr. McClellan in part as follows:

Referring to your letter of the 12th instant, and our letter of today in reply, I might mention confidentially that for almost a year our company * * *

That is the Niles-Bement-Pond Co.?

Mr. DEEDS. Yes.

Mr. HISS (reading):

* * * has been working with the Brazilian War Department on a plan for making projectiles, bombs, etc., etc. As a matter of fact, we have practically engineered the proposition for them.

Referring now to the last paragraph of the quoted letter he says:

I would suggest that you send Mayrink Veiga the letter which we are sending you in quadruplicate, stating that while there are close relations between your company and ours, the export business is handled entirely separately, but that you have given us a strong recommendation in their favor.

Mayrink Veiga were your agents in Brazil at that time?

Mr. LOVE. Yes.

Mr. HISS. The Export Company's agents?

Mr. LOVE. Yes.

Mr. HISS. Pratt & Whitney—that is, the subsidiary of Niles-Bement-Pond—made the original advances to the Pratt & Whitney Aircraft Co., which made possible the expansion that is indicated by the chart that has been introduced; is that not correct, Mr. Deeds?

Mr. DEEDS. That is correct.

Mr. HISS. And as stated in this letter, the relations have remained close and certain members of the board of directors of the United Aircraft Corporation are on the board of directors of either Niles-Bement-Pond or Pratt & Whitney Co., its subsidiary?

Mr. DEEDS. Yes.

Senator BONE. Does it appear in the record just what the business of Niles-Bement-Pond is?

Mr. HISS. Mr. Deeds, can you state that for the record?

Mr. DEEDS. I can state in general that Niles-Bement-Pond is engaged in the manufacture of heavy machinery. Its only operating subsidiary at the present time is the Pratt & Whitney Co., whose product is a line of lathes, tool-room equipment, grinders, and machinery that would be usable in any manufacturing shop.

Mr. HISS. The Pratt & Whitney Co., the Niles-Bement-Pond subsidiary, makes tools, does it not?

Mr. DEEDS. It does.

Mr. HISS. In addition to the returns on the stock described in the chart, when you and Mr. Rentschler and Mr. Mead were the three individual stockholders in the early days of the company, you were also officers, were you not?

Mr. DEEDS. Yes.

Mr. HISS. And received salaries and bonuses from the Pratt & Whitney Aircraft Co. and later from the United Aircraft & Transport Corporation?

Mr. DEEDS. Yes.

Mr. HISS. I have here a statement of salaries, which statement you furnished to the Black Committee, which I will offer as "Exhibit No. 533."

(The statement referred to was marked "Exhibit No. 533" and is included in the appendix on p. 1541.)

Mr. HISS. You show there that from 1926 to the 30th of November 1933 you had received as salaries a gross amount of \$142,613.07; is that correct, Mr. Deeds?

Mr. DEEDS. Yes; I assume that it is, if there are no typographical errors.

Mr. HISS. And the bonuses which you received during the same time amount to \$151,176.81.

Mr. DEEDS. That is correct. That is an average of \$19,000 a year, approximately.

Mr. HISS. I will offer as "Exhibit No. 534" a statement of salaries and bonuses and directors' fees received by George J. Mead from Pratt & Whitney Aircraft and United Aircraft & Transport Corporation.

(The statement referred to was marked "Exhibit No. 534" and is included in the appendix on p. 1542.)

Mr. HISS. This shows that during the period 1925 to 1933 Mr. Mead received a total salary of \$280,786.32, and a total of bonuses of \$241,699.97.

I offer as "Exhibit No. 535" a similar statement of salaries, bonuses, and directors' fees received by F. B. Rentschler from United Aircraft & Transport Corporation and/or its subsidiaries or predecessors.

(The statement referred to was marked "Exhibit No. 535" and is included in the appendix on p. 1542.)

Mr. HISS. This shows a total of salaries received from the period 1925 to 1933 up to December 1 of that year of \$783,521.12 and total bonuses over the same period of \$770,238.86.

Are you familiar with the original technical staff of the Pratt & Whitney Aircraft as set up in 1925-26?

Mr. DEEDS. I think Mr. Brown can answer that.

Mr. BROWN. I can answer all the questions in connection with that.

Mr. HISS. Mr. Deeds has already said Mr. Mead was the chief engineer of the company.

Mr. BROWN. He was the vice president and spent most of his time on engineering matters.

Mr. HISS. And Mr. F. B. Rentschler was the first president?

Mr. BROWN. He was the president.

Mr. HISS. And what was your first position?

Mr. BROWN. I was the factory manager.

Mr. HISS. Can you identify Mr. Andrew V. D. Willgoos?

Mr. BROWN. Very well. Mr. Andrew Willgoos was the chief engineer of the company.

Mr. HISS. Do you know when?

Mr. BROWN. He first came with the company—we all went up to Hartford together. It was August 1, I believe, 1925.

Mr. HISS. And you first joined the company at the same time, Mr. Brown?

Mr. BROWN. Yes; I did.

Mr. HISS. And Mr. Rentschler and Mr. Mead also?

Mr. BROWN. That is right.

Mr. HISS. Can you identify Mr. Edwin H. Godfrey?

Mr. BROWN. Mr. Godfrey was, I believe, our chief draftsman.

Mr. HISS. And when did he first join the company?

Mr. BROWN. He went to Hartford with us on August 1, 1925.

Mr. HISS. And Mr. John J. Borrup?

Mr. BROWN. Mr. Borrup was our general superintendent.

Mr. HISS. He came to the company at about the same time?

Mr. BROWN. The same time.

Mr. HISS. And William A. Willgoos?

Mr. BROWN. He joined us a little later. He did not go up with the original group.

Mr. HISS. Do you remember about when?

Mr. BROWN. I would say it was prior to January 1, 1926.

Mr. HISS. And Mr. Phillip Treffert?

Mr. BROWN. He was one of the draftsmen.

Mr. HISS. Do you remember when he joined?

Mr. BROWN. He came with us—he was one of the original group—I think August 31, 1925.

Mr. HISS. All of those men, including yourself, had had considerable experience with aeronautical engines already, had you not?

Mr. BROWN. Yes; indeed.

Mr. HISS. With the Wright Aeronautical Co.?

Mr. BROWN. We date back further than that. This group first met perhaps back around 1912 or 1913 in the Simplex Automobile Co.

Mr. HISS. Had all of the men whose names have been mentioned been employed by the Wright Aeronautical Corporation prior to going with the Pratt & Whitney Aircraft Co.?

Mr. BROWN. Yes; they had.

Mr. HISS. Had they been employed by the Wright Aeronautical Corporation practically up to the date that they went with the Pratt & Whitney Aircraft Co.?

Mr. BROWN. What men are you speaking of now?

Mr. HISS. Mr. Andrew Willgoos, Mr. Mead, Mr. Rentschler, Mr. Godfrey, Mr. Borrup?

Mr. BROWN. No. Mr. Rentschler left Wright Aeronautical about—well, it might have been a year and a half before we started the Pratt & Whitney Corporation in Hartford.

Mr. HISS. May I show you a report which I will offer as "Exhibit No. 536", in the form of a letter from Mr. Vaughan, president of the Wright Aeronautical Corporation, addressed to this committee, dated September 12, 1934.

(The report referred to was marked "Exhibit No. 536" and is included in the appendix on p. 1542.)

This report states that Mr. Andrew V. D. Willgoos had been chief draftsman of the Wright Aeronautical Corporation; that he was paid a salary until the 15th of August 1925, and left the Wright plant on the 5th of August 1925; that Mr. George J. Mead, who had been chief engineer of Wright Aeronautical, was paid to the 30th of June 1925, and left there on the 7th of July 1925; that Mr. F. B. Rentschler, general manager, was paid to December 31, 1924, and he left their employ on August 30, 1924; that was a little less than a year before the Pratt & Whitney Co. was first started.

Mr. Edwin H. Godfrey, an engineer of the Wright Aeronautical Corporation, had left the Wright Aeronautical Corporation on the 15th of August 1925; that Mr. John J. Borrup, who had been superintendent of their experimental machine shop, had left the Wright Aeronautical Corporation on July 31, 1925; that you had been their materials superintendent—is that correct, Mr. Brown?

Mr. BROWN. Yes.

Mr. HISS. And had left the Wright Aeronautical Corporation on July 31, 1925.

That Mr. William A. Willgoos, described as a foreman of the Wright Aeronautical Corporation, had left their employ on the 19th of December 1925; and that Mr. Phillip Treffert, a draftsman of the Wright Aeronautical Corporation, had left their employ on the 31st of August 1925.

That was rather a complete technical set-up, was it not, Mr. Brown?

Mr. BROWN. Why, it was the group that was together in the Simplex Automobile Co. We started there as boys and probably can claim a little credit for putting the first aircraft engine into production in the United States.

Mr. HISS. You will note that Mr. Vaughan in his letter says in the first sentence:

It will be noted that practically the entire executive and supervision personnel are included.

That is of the Wright Aeronautical Corporation?

Mr. BROWN. I wish to question some things here. [Referring to "Exhibit No. 536."]

Mr. HISS. Certainly, please do.

Mr. BROWN. Take my own case. I note that it says that I cleared July 31, 1925. I believe that I cleared there about the 15th of July.

Mr. HISS. It also says that you were paid up to the 31st of July.

Mr. BROWN. Yes. They paid me my vacation; that was coming to me; and as far as Mr. Willgoos is concerned—

Mr. HISS. Which Mr. Willgoos?

Mr. BROWN. Andrew V. D. Willgoos; I am sure that this is not quite correct, because, if my memory serves me properly, Mr. Willgoos left before I did.

Mr. HISS. At the time that the Pratt & Whitney Aircraft Co. was formed, had the United States Navy been developing an air-cooled aviation engine, Mr. Brown?

Mr. BROWN. Oh, yes. We were developing several air-cooled engines.

Mr. HISS. The committee has been furnished a statement by the Navy Department, which I will offer as "Exhibit No. 537".

(The statement referred to was marked "Exhibit No. 537" and is included in the appendix on p. 1543.)

Mr. HISS. This statement shows that as far back as October 9, 1923, a contract for the development of a 400-horsepower air-cooled radial engine had been entered into with the Wright Aeronautical Corporation, the total amount of the contract being for \$118,240.18; that was a sizable development contract, was it not, Mr. Brown?

Mr. BROWN. Oh, I would not say so. I would say that the development of an engine of that type might well run into a half a million dollars.

Mr. HISS. On June 20, 1925, before the Pratt & Whitney Co. was formed, a further contract for the development of engines of 350 horsepower was let to the Wright Aeronautical Corporation involving a total sum of \$90,773; and on July 21, 1925, the day before the Pratt & Whitney Aircraft Co. was formed, but after the contract entered into between the Pratt & Whitney Co., the Niles-Bement-Pond subsidiary, and Mr. Rentschler and Mr. Mead, a further contract for the development of 400-horsepower air-cooled engines was let involving a total sum of \$204,750.

I will offer as "Exhibit No. 538" an excerpt from an article in the Journal of the American Society of Naval Engineers—

Mr. BROWN. Pardon me, may I ask why you did not include that last contract for \$47,534, which was the modification of the P-2 engines here?

Mr. HISS. No particular reason, if you would like to read it into the record, Mr. Brown.

Mr. BROWN. It is on the exhibit.

Mr. HISS. That is right.

Mr. BROWN. I thought perhaps you would like to have it in the record.

Mr. HISS. I will offer as "Exhibit No. 538" an excerpt from an article by Commander Eugene E. Wilson, who, according to a statement of the Navy, was, in August 1927, head of the Design Division of the Bureau of Aeronautics.

(The article referred to was marked "Exhibit No. 538" and is included in the appendix on p. 1543.)

Mr. HISS. The article is from volume 39, page 537 of the journal of the American Society of Naval Engineers and the article is headed "American Aircooled Aircraft Engines." The quotation from page 538 says:

The Pratt & Whitney "Wasp" engine * * *

Was that the 400-horsepower engine?

Mr. BROWN. That was our first engine.

Mr. HISS (continuing):

was designed in detail by Mr. George J. Mead in close cooperation with the Bureau on one hand and Mr. Vought on the other.

That is Mr. Chance Vought?

Mr. BROWN. Yes.

Mr. HISS. Who later was the president of the Chance Vought Corporation, a subsidiary of United Aircraft?

Mr. BROWN. That is right.

Mr. HISS (reading):

For the first time in our history, the airplane builder and the engine builder cooperated in such details as the method of mounting the engine, the location of the accessories, the form of the engine for best aerodynamic arrangement, etc.

Mr. Brown, prior to your leaving the Wright Aeronautical Corporation, and while these three contracts that have been described in "Exhibit No. 537" were in effect, was the Wright Aeronautical Corporation engaged in designing a 400-horsepower air-cooled engine?

Mr. BROWN. I do not know. My work had to do with the manufacturing division and I could not answer that question.

Mr. HISS. They had had these contracts, according to the Navy?

Mr. BROWN. According to this, they had.

Mr. HISS. And Mr. Mead had been the general manager, had he not?

Mr. BROWN. Oh, no.

Mr. HISS. Mr. Rentschler had been the general manager?

Mr. BROWN. Mr. Rentschler had been the general manager.

Mr. HISS. Mr. Mead had been the chief engineer?

Mr. BROWN. It may interest you just to add a little something to this paper that Mr. Wilson read before the society. At that time it was rather accepted throughout the aircraft-engineering companies that a 400-horsepower engine could not be developed. Just why the Wright Co. could not develop the 400-horsepower engine I do not know. But we did.

Mr. HISS. The Wright Co. now makes the 400-horsepower engine, does it not?

Mr. BROWN. I believe they have one of their engines stepped up now into the 400-horsepower class. But it was not this engine that was referred to in this exhibit.

Mr. HISS. May I call your attention to a further quotation in this article by Commander Wilson, which appears on page 537 of the Journal:

In the summer of 1925 Mr. F. B. Rentschler organized the Pratt & Whitney Aircraft Co., Hartford, Conn., for the express purpose of accelerating the de-

velopment of the 400-horsepower engine. Mr. George J. Mead, who had wide experience with the Wright Aeronautical Corporation in the manufacture of Whirlwind engines for that corporation, became chief engineer. The Pratt & Whitney Co. started out with a clean slate. Mr. Rentschler's experience in the aeronautic world was unexcelled.

Commander Wilson, according to a letter of September 11, 1934, addressed to Senator Nye from Mr. Roosevelt, the Assistant Secretary of the Navy, was head of the engine section of the Bureau of Aeronautics in the Navy Department from April 1, 1924, until December 13, 1926, when he became head of the design division, the engine section being a part of the design division. I will offer this letter in the record as "Exhibit No. 539".

(The letter referred to was marked "Exhibit No. 539" and is included in the appendix on p. 1544.)

Mr. Hiss. Continuing with Mr. Wilson's record in the Navy Department, for 3 months, October 12, 1926, until December 12, 1926, he was at Pensacola as a student naval aviator.

Then, on October 21, 1927, he was detailed to join the battle force. This letter says:

As head of the engine section, Commander Wilson's duties were primarily related to the development of new and better engine designs and their incorporation into naval airplanes. Procurement of engines as such was handled by the procurement division, also a part of the material branch. As development and design cannot be separated wholly from procurement, Commander Wilson, as the officer in charge of the engine section, was one of several officers concerned in any matter relating to the procurement of new types of engines. The organization of the Bureau of Aeronautics was such that no subordinate officer had complete jurisdiction over procurement matters.

Commander Wilson has always been very favorably impressed with the Pratt & Whitney engine, has he not?

Mr. BROWN. Commander Wilson has been very favorably impressed with any good aircraft development.

Mr. Hiss. On page 2 of this letter from Mr. Roosevelt, beginning with the paragraph headed (a), the following summary of the records of the Navy Department is given:

(a) April 1924 to July 25 (and subsequently). Bureau Aeronautics as leading exponent of air-cooled engines continued its endeavors to procure from the Wright Aeronautical Corporation, only manufacturer of large air-cooled engine of military size in the United States, improved, and larger engines.

(b) July 1925, the Pratt and Whitney Aircraft Company was formed. Proceeded with manufacture of a sample 400 HP engine. Informed Bureau of Aeronautics what they were doing and ascertained probable naval requirements as to a suitable engine. Continued this development until January 1926, when sample engine was placed on test and was successful. Test witnessed by a naval representative. During this whole period—July 1925 to January 1926—there was the usual cooperation which the Navy Department extends to any manufacturer who is endeavoring to develop a product in which the Department is interested and which ultimately is to be submitted for naval uses.

(c) In March 1926, the first Navy contract was placed with the Pratt & Whitney Company for six engines. These engines were delivered in the summer of 1926. In June 1926 an additional contract was placed for four (later increased to six) engines.

(d) May 1926, files show an internal memorandum from Commander Wilson pointing out that the new, 400 HP, Pratt & Whitney engine had passed successful bench tests and was undergoing flight tests and recommending that the program for Navy airplanes for the year 1927 be based on including a number of these large engines. He pointed out the superior performance that would be obtained for naval airplanes through the use of this engine. This memorandum

was commented upon by various officers in the Bureau, some of whom showed skepticism as to the proof up to that time that the Pratt & Whitney engine was reliable. Discussion and negotiations continued for several months with the result that two hundred additional 400 HP Pratt & Whitney engines were ordered and incorporated in naval airplanes.

According to the next page, that 200 contract was placed on October 5, 1926, at a unit price of \$9,245.

Mr. BROWN. I thought that was \$8,750, but we will accept those figures as correct.

Mr. HISS. This letter from Mr. Roosevelt continues:

Development and perfection of Pratt & Whitney engines have continued since 1927, until now it is considered there are at least two manufacturers in the air-cooled engine field that are in a position to produce engines in various sizes which meet the Navy's requirements.

During the year 1926, do you remember what proportion of your company's business was done with the United States Navy, Mr. Brown?

Mr. BROWN. The percentage of our business? I have it here.

Senator BONE. That is the Pratt & Whitney Co.?

Mr. HISS. The Pratt & Whitney Aircraft Co., the engine manufacturers.

Mr. BROWN. Yes; we have it in the record here.

Mr. HISS. The question is, what proportion of the Pratt & Whitney business in engines was done with the United States Navy in the year 1926?

Mr. BROWN. 100 percent.

Mr. HISS. You sold to no other customer than the United States Navy?

Mr. LOVE. Might I state that it was impossible to sell to anybody else, when the whole production was taken up with their orders. There was nothing available for other orders.

Mr. HISS. In 1927, what was the percentage?

Mr. BROWN. 80.7 percent.

Mr. HISS. Referring back to the letter from Mr. Roosevelt, "Exhibit No. 539," to Senator Nye, the Navy informs the committee that on January 18, 1930, Commander Wilson resigned from the United States Navy.

I have here a letter of September 12, 1934, from Commander Wilson's secretary in response to a letter of September 6, by Mr. Raushenbush, the secretary of the committee. Commander Wilson's secretary answered in Commander Wilson's absence. She states, "He is on an extended business trip."

I will offer the letter from Commander Wilson's secretary as "Exhibit No. 540" and the letter to which that is a response as "Exhibit No. 541."

(The letters were marked as indicated, respectively, "Exhibits No. 540 and No. 541" and are included in the appendix on pp. 1546 and 1547.)

Mr. HISS. Question B in the letter of September 6 from Mr. Raushenbush to Commander Wilson was:

The date on which you accepted employment with United Aircraft & Transport Corporation or any of its subsidiaries.

The answer, under the heading B was January 18, 1930, which is the date that Mr. Roosevelt informs the committee that Commander Wilson resigned from the United States Navy.

Senator CLARK. This was the same Commander Wilson who had been head of the Design Division of the Bureau of Aeronautics?

Mr. HISS. Commander E. E. Wilson; that is correct. That is correct, is it not, Mr. Brown?

Mr. BROWN. That was several years subsequent to the time he was in the design section. Right here I think I would like to read Mr. Wilson's answer to Mr. Delaney, which is found on page 742 of the report of their hearings:

Mr. DELANEY. Mr. Wilson, will you give a short résumé of your duties while you were connected with the Navy?

Mr. WILSON. I was ordered to the Bureau of Aeronautics in May 1924 as head of the engine section and as a relief to Lieutenant Commander B. G. Leighton. At that time there was very little experience in the Navy here in aircraft-engine development. I have had no real previous aeronautical engine experience. Commander Leighton turned over to me a new project involving the development of air-cooled aircraft engines, and up until that time there had been practically no production of air-cooled engines in this country. Commander Leighton was one of the pioneers in this field. He had pioneered it in the face of a lot of inertia and opposition.

Mr. HISS. In the letter of September 6 to Mr. Wilson, question C was:

Inclusive dates of employment with each subsidiary company.

The answer is that from February 1, 1930, to December 31, 1931, he was with the Hamilton Standard Propeller Co., which was a wholly owned subsidiary of the United Aircraft & Transport Corporation; is that right?

Mr. BROWN. That is right.

Mr. HISS. Do you know what his position was with that company?

Mr. BROWN. He was president.

Mr. HISS. And from April 17, 1930, to December 22, 1931, he was with the Sikorsky Aviation Corporation, which was 99 percent controlled by United Aircraft & Transport Corporation. What was his position with that company?

Mr. BROWN. I believe he was president.

Mr. HISS. And from February 1, 1931, to date, he has been with the Chance Vought Corporation, which is a hundred percent owned subsidiary of the same corporation?

Mr. BROWN. That is right.

Mr. HISS. What was his position with that company?

Mr. BROWN. President.

Mr. HISS. He is still president of the Chance Vought Corporation?

Mr. BROWN. He is still president of the Chance Vought Corporation; yes.

Mr. HISS. This paragraph (D) shows salaries received for each employment to date. The total salaries received from United Aircraft & Transport Co., and the other companies. Commander Wilson began in January 1930, and in the first year Aircraft & Transport paid him \$4,166.67; Hamilton Standard Propeller Co. paid him \$14,999.98; Sikorsky Aviation Corporation paid him a salary of \$10,000.

Do you know what his position was with the parent company, the United Aircraft & Transport Corporation, who paid him \$4,166?

Mr. BROWN. I do not.

Mr. HISS. 1931, Commander Wilson received a salary of \$11,250 from the Hamilton Standard Propeller Co., a salary of \$6,250 from

the Sikorsky Aviation Corporation, and a salary of \$12,500 from the Chance Vought Corporation.

In 1932 he received a salary of \$33,500 from the Chance Vought Corporation, and in 1933 he received a salary of \$33,600 from the Chance Vought Corporation and, up to August 31, 1934, he had received a salary of \$21,600 from the Chance Vought Corporation. That is approximately at the \$33,000 rate.

Mr. BROWN. I believe Mr. Wilson in 1931—I will be glad to check that up—but I believe that he was president of the Hamilton Standard Propeller Co., and the Sikorsky Aviation at the same time, holding two jobs.

Mr. HISS. Yes; according to the statement C, that is correct.

Mr. BROWN. Oh!

Mr. HISS. From February 1, 1930, to December 31, 1931, he was with the Hamilton Standard Propeller Co.

Mr. BROWN. Yes, sir.

Mr. HISS. And overlapping from April 17, 1930, to December 22, 1931, he was with the Sikorsky Aviation Corporation, he was with both companies at once, and he was with Chance Vought for an overlapping period. So that for a while he was with all three companies, and now he is simply president of the Chance Vought Corporation. Is he also a director of the parent corporation, United Aircraft & Transport?

Mr. BROWN. Yes; he is.

Mr. HISS. "Exhibit No. 542" is a letter of January 20, 1934, addressed to Senator Hugo Black, who was then chairman of the committee investigating the air-mail contracts. This was a letter written by a Mr. Albert A. Kennett, of 5 Winter Street, Hartford, Conn.

(The letter referred to was marked "Exhibit No. 542" and is included in the appendix on p. 1547.)

Mr. HISS. That letter reads in part as follows:

Have been following your aviation investigations. Am pleased to note you plan to continue.

I am well acquainted with the early development of the P. & W. Aircraft Company, doing research work from May 1926 to June 1929.

Do you remember who Mr. Kennett was?

Mr. BROWN. I do not know Mr. Kennett, and I do not see how he can really back up some of the statements which he has made in the opening paragraph.

Mr. HISS (continuing reading):

Being only a workman holding no office position, I am unable with any proof to be able to help you. I believe you are doing a much-needed job.

P. & W. motor plans were made from certain Government specifications.

Mr. BROWN. That statement is incorrect.

Mr. HISS. The United States Navy Department was at that time, was it not, Mr. Brown, developing—

Mr. BROWN. When we get to talking about Government specifications, and so forth, I do not want to confuse this committee, that the United States Government told us exactly how to build this engine. This engine was created by our engineers.

Mr. HISS. The record already shows that it was done in close cooperation with the Bureau.

Mr. BROWN. That is true.

Mr. Hiss (continuing reading) :

In 1925, and earlier, the Navy Department had been encouraging air-cooled developments.

Is that statement correct?

Mr. BROWN. The Navy has always done that.

Mr. Hiss (reading) :

At that time Wrights had a successful motor, an air-cooled fixed radial, and its design was basically copied by P. & W.

Is that sentence correct, Mr. Brown?

Mr. BROWN. I will challenge that statement to the world.

Mr. Hiss (reading) :

Only two major changes were made. It was larger, the HP doubled and having a supercharger. Just a few months earlier Mr. Rentschler had been practically forced out of Wrights. So with his pull in the Bureau of Aeronautics or Navy Department, he then arranged to form a company, having subordinates from Wrights, who were naturally familiar with this type of air-cooled motor. This P. & W. motor was built and tested secretly. The Wrights Co. had no knowledge of this motor, its size, or design, although perhaps certain ones in the Navy Department knew. Maybe for being a good key man, Mr. E. E. Wilson landed his later connection with the Chance-Vought Co. You will find many former Government men holding good jobs now on all the United Aircraft Divisions.

Have the United Aircraft & Transport Corporation given former United States employees jobs?

Mr. BROWN. Gentlemen, I want to appeal to your fair judgment. Are we going to permit reading into the record of this committee the rambling of a person who does not know a thing about the business?

The CHAIRMAN. Who is the person?

Mr. BROWN. He is Albert A. Kennett. If he is a responsible workman, I do not know him. If he held any official job in our organization, I would know him. I think this is unfair.

Mr. HISS. Mr. Chairman, this is an unsolicited letter, sent to Senator Hugo Black under date of January 20, 1934, by Mr. Albert A. Kennett, who describes himself as a workman.

Senator VANDENBERG. Does anybody know who he is, other than that?

Mr. HISS. Mr. Brown is unable to identify him.

The CHAIRMAN. Mr. Deeds, did you know him?

Mr. DEEDS. I did not.

The CHAIRMAN. I see no objection to the witness' being examined as to the charges which are made within the letter. Certainly now is a good time, if there is a good time, to deny or affirm whatever may be incorporated within the letter. Proceed, Mr. Hiss.

Mr. HISS. The last sentence of the letter, which I will read, Mr. Brown, states:

You will find many former Government men holding good jobs now on all the United Aircraft divisions.

Are there former United States Navy or United States Army or United States Navy or Army Reserve men there?

Senator BONE. We might pause to interrogate. Is it true that there are former Government men employed by United Aircraft & Transport?

Mr. BROWN. Yes; that is true.

Senator BONE. Go ahead, Mr. Hiss.

Mr. HISS. On page 600, Senator Bone—

Mr. BROWN. Would you like to know who they are?

Mr. HISS. Yes, sir. I was going to refresh your recollection if you do not know.

Mr. BROWN. If my memory serves me correctly, Mr. Raycroft Walsh, president Hamilton Standard Propeller Co., and Mr. Fred Nielson, president of Sikorsky.

Mr. HISS. And Commander Wilson?

Mr. BROWN. And Commander Wilson.

Senator CLARK. Can you tell what the former Government connections of those gentlemen were, Mr. Brown?

Mr. BROWN. No; I do not believe I could give it accurately.

Senator BONE. Were they in the military or naval divisions of the Government?

Mr. BROWN. Mr. Walsh was, just prior to coming with us, with the Cheney Silk, and I believe that away back several years ago he was in the United States Air Corps.

Mr. HISS. Mr. Nielson was a former lieutenant commander, was he not?

Mr. BROWN. Yes; he was. I think from his record here before the Delaney committee you might be able to get his personal history.

Mr. HISS. Do you know when he first came with the Sikorsky Co.?

Mr. BROWN. I do not.

Mr. HISS. According to the transcript of hearings before the Subcommittee on Aeronautics, Committee on Naval Affairs, page 600, in the statement furnished by the Navy Department to the committee, Lt. Comdr. F. W. Nielson resigned from the Navy on June 24, 1930.

The next paragraph in Mr. Kennett's letter reads as follows:

I believe in 1926 the Government gave P. & W. \$100,000 to use in research work * * *.

Did you have any research contracts with the United States Navy, development contracts?

Mr. BROWN. They were not research contracts, if we did have a contract.

Mr. HISS. Were they development contracts?

Mr. BROWN. We will see from the record [examining document]. Excuse me for delaying a little bit. No; I have not that information here.

Mr. DEEDS. Was not that information in one of the previous exhibits?

Mr. HISS. That merely referred to the contracts for the purchase of engines. Whether they were the same as the contracts here referred to, I do not know.

Mr. DEEDS. I can answer that question, that they were.

Mr. HISS. The exhibit was No. 539. Have you a copy of that exhibit before you, Mr. Deeds?

Mr. DEEDS. I do not. This is the list of contracts furnished by the Navy Department.

These are the contracts which must have been referred to in this correspondence, because we had no other contracts then calling for the delivery of such engines.

Mr. BROWN. Those contracts were received after we had developed the engine.

Mr. DEEDS. After we had passed a test.

Mr. BROWN. Passed the Navy test.

Mr. HISS. This letter continues [reading]:

\$75,000 in 1927 and same in 1928—

That is, that the Government gave that for research work.

All in all cannot see where P. & W. venture was of any "chance" nature.

My wages were low in those good times. The Wasp 450 hp. sold in 1929, approximately \$5,000, and today with cheaper materials, etc., this motor sells for approximately the same, and P. & W. wages are as low as forty cents an hour. They take a profit from both ends.

Mr. BROWN. The wages of the employees of the Pratt & Whitney Aircraft Co. are the highest in the Hartford district.

Senator BONE. What are they?

Mr. BROWN. They average around—

Senator BONE. What are you paying mechanics or machinists?

Mr. BROWN. From 65 cents to 90 cents an hour.

Senator BONE. Is there a 40-cent wage for mechanics?

Mr. BROWN. Not for mechanics.

Senator BONE. What class of workman gets 40 cents an hour?

Mr. BROWN. A helper or a student.

Senator BONE. Do you pay union scales of wages?

Mr. BROWN. I do not know what the unions' scales of wages are.

Senator BONE. I was wondering if you knew.

Mr. BROWN. I think our wages are all probably—

Senator BONE. That is a recognized scale in most communities.

Mr. BROWN. We are higher than the average rate in Hartford.

Mr. HISS. In the final paragraph of the letter, "Exhibit No. 542", it states:

If this "pull" business is cut out the Government then won't be doling out millions to millionaires. And under proper competitive bidding you no doubt will get a better product. It is possible.

Wishing you all success,

Sincerely,

(Signed) ALBERT A. KENNETT.

5 WINTER STREET, HARTFORD, CONN.

Mr. BROWN. I did not know there was such a thing as "pull" in getting Government business. If you have anything to sell in which the Government is interested, and it is a quality article, why, you can find sales for your products. I am talking now about aircraft.

UNITED AIRCRAFT COMPANIES' POLICY WITH REGARD TO COMMISSIONS IN CONNECTION WITH FOREIGN SALES

Senator VANDENBERG. Mr. Brown, I understand that United Aircraft Exports, Inc., since 1929, handled all the export business of equipment, parts, and supplies for your company or subsidiaries. Is that correct?

Mr. BROWN. Would you mind having Mr. Love answer those questions, because I am not as familiar with it as he is.

Senator VANDENBERG. Very well.

Mr. LOVE. That is true, with the exception of Canadian business.

Senator VANDENBERG. I wanted to ask Mr. Brown because of his larger familiarity with the whole picture. Just speaking roughly,

what percentage of your total operation, in all aspects, would be export business?

Mr. BROWN. I do not know.

Senator VANDENBERG. Is it a large factor, or not?

Mr. BROWN. It has been small.

Senator VANDENBERG. The domestic trade far overshadows the export trade?

Mr. BROWN. Yes; indeed.

Senator VANDENBERG. Speaking generally, is the export trade a profitable trade compared to the domestic trade?

Mr. BROWN. Mr. Love would have to answer that question for you.

Mr. LOVE. It is.

Senator VANDENBERG. It is a profitable trade?

Mr. LOVE. Yes, sir.

Senator VANDENBERG. Is the cost of doing business in the export trade greater than doing business in the domestic field?

Mr. LOVE. I do not think so.

Senator VANDENBERG. We are greatly interested in the competitive conditions in the world armament market, and I want to ask you to help us with a little information on this subject.

(Handing paper to witness) I show you a letter from Clark M. Carr, to the United Aircraft Export Co., from Bolivia, dated February 26, 1934. I will offer that as "Exhibit No. 543."

(The letter referred to was marked "Exhibit No. 543" and is included in the appendix on p. 1548.)

Senator VANDENBERG. Who is Mr. Carr?

Mr. LOVE. He is a salesman operating in South America.

Senator VANDENBERG. I call your attention to the last paragraph of that letter, in which he seems to be questioning that it is impossible for a South American agent to do a plane business on a 2½-percent basis. Would you say that Mr. Carr is correct in suggesting that the cost of doing business in South America might be greater than elsewhere?

Mr. LOVE. He does not say that.

Senator VANDENBERG. I am asking you whether that would be your observation.

Mr. LOVE. No; and I think it is about equal everywhere.

Senator VANDENBERG. Now, I show you Mr. Carr's letter of March 20, 1934, addressed to United Aircraft Exports, Inc., which I will ask to have marked "Exhibit No. 544."

(The letter referred to was marked "Exhibit No. 544" and is included in the appendix on p. 1549.)

Senator VANDENBERG. Mr. Carr in that letter is still discussing this matter of Bolivian commission. You are being apprised again of the high cost of doing business in this South American area. Let me read the fourth paragraph of that letter to you [reading]:

I have been emphatically informed on several occasions that this company does not sanction and takes no official cognizance of extraordinary sales expenses that its agents incur endeavoring to have orders accorded them.

When you instruct your agents what do you mean by "extraordinary sales expenses"? Does that have any particular significance?

Mr. LOVE. Yes, sir. Almost everywhere when we go out to sell there are a number of self-appointed commission men who come

around and solicit or pretend to have inside information on contracts or something of the sort, and almost invariably we refuse to have anything to do with them at all. We have told Carr that we would not tolerate any such thing on several occasions. I know from personal experience in Bolivia only a few months ago that this is completely and entirely unnecessary. I had no trouble whatsoever only a few months ago, just before the embargo, going in and going right to the Government office and making my proposals in a perfectly open and aboveboard way.

Senator VANDENBERG. Is there any significance in Mr. Carr's suggestion as to instructions in connection with "taking no official cognizance"? Does that invite the inference that "unofficial cognizance" is something else?

Mr. LOVE. No; I do not know exactly what he means there, Senator, because he has a habit of writing very loose and careless letters, about which we have been scolding him very many times. I do not know what he means.

Senator VANDENBERG. I will read the next paragraph of the letter:

I have likewise been instructed to refrain, whenever possible, from making direct reference to this condition in my official correspondence.

What does he mean by that?

Mr. LOVE. As stated in the previous paragraph, we will not tolerate such a thing, and we do not want him even to write us about it and propose it.

Senator VANDENBERG. You never indicated to any of your agents that official cognizance and unofficial cognizance were two different things?

Mr. LOVE. That is a wording of his own, which I cannot explain.

Senator VANDENBERG. What I am getting at is that your files are singularly free of any of the usual letters referring to commissions or to other external influences.

Mr. LOVE. Senator, I might explain that by saying that for 30 years I have been doing business in South America, the Far East, and Europe, and perhaps am one of the oldest exporters there is. I do not concur in any of those statements which have been made here—I won't say any of them, but most of them—that such practice is necessary. If you will permit me to give you two or three examples. Will you allow me?

Senator VANDENBERG. Proceed.

Mr. LOVE. The name of General Azcarate was brought out here, and his probity was impugned and attacked. I have done business with General Azcarate for more than 5½ years. I have visited him in Mexico and he has visited me in New York. Every transaction we have made with him has been absolutely clean and there has never been a penny of commission involved. I consider General Azcarate an absolutely loyal soldier of the Mexican Army.

The same thing is true of the Commander Merino. I have done business with Commander Merino in Chile and I have met him in New York. There has never been in any of our transactions any kind of even an insinuation of special commission or any "chiseling."

The same thing is true of Captain Zar, of Argentina. I have done business with Captain Zar over 5 years, and we are in negotiation now. There has never been the slightest indication of a commission or anything else, in any way, nor has anything been paid.

I think it is an absolute outrage that careless, foolish letters from irresponsible salesmen should be allowed to be published, when the facts are absolutely otherwise, from my personal, positive knowledge.

Senator VANDENBERG. When you have dealings with these gentlemen upon export orders, all of your dealings are direct and do not involve the intermediary action of any of these South American agents?

Mr. LOVE. I think your question is a little involved. In Argentina we have never had an agent. We have dealt direct. I have gone there myself on many occasions. In Chile we had an agent for a certain time, a regular appointed agent, and that is all. He got a nominal commission. I do not recall what it was, but possibly 3 to 5 percent. I do not remember that. In Mexico we have had no agent. All my dealings have been direct. In fact, only last fall I was in Mexico negotiating a deal directly with two or three generals in charge of aviation, and other matters, and I explained to them that I was pestered with a lot of "coyotes" in Mexico (with chisellers) coming around pretending influence, which they have not got at all, and we have had nothing to do with them. I have never had anything to do with them in all of my experience in Mexico and would not now, and the officers thoroughly agreed with me on it.

Senator VANDENBERG. How long has Mr. Carr been connected with your company?

Mr. LOVE. Approximately a year and a half.

Senator VANDENBERG. Would you call him irresponsible?

Mr. LOVE. I rather imagine his services could be dispensed with. I would rather call your attention also to the fact that Mr. Carr with all of his pretenses here has not sold one single airplane for us in a year and a half.

Senator BONE. Would you consider a man an irresponsible agent of the company who was a high official of the company, writing to his own company and suggesting greasing?

Mr. LOVE. I certainly disapprove of it. It has never been done in our office.

Senator BONE. You are referring to him as an irresponsible agent, and I think you could hardly charge one of your own executives of your company with being an irresponsible agent.

Mr. LOVE. I might modify the word "irresponsible."

Senator BONE. He would hardly be an agent; he is a principal.

Mr. LOVE. He is not conducting business the way we think necessary.

Senator BONE. He is not conducting business the way you would?

Mr. LOVE. No, sir.

Senator BONE. You do not mean to intimate that he is not an agent of the company?

Mr. LOVE. When I said "irresponsible agent", I had in mind perhaps two or three men we had had.

Senator BONE. I thought perhaps you had reference to other companies than your own?

Mr. LOVE. No; I would not make such an inference.

Senator VANDENBERG. Then, Mr. Carr's further statement in this letter—and I want it definitely understood when I read it I do not intend to refer to any of the personnel which we have been discussing

previously, or any of the persons we have named—but Mr. Carr in this letter continues, saying:

However, and whether or not we officially recognize it, the condition exists. In South American countries I do not believe that any agent can make sales in such material as we manufacture on the commission basis you propose.

Mr. LOVE. That is evidence to me he is not of any value to our company, because what I have told you is the way we have done our business and propose to do it. His business success speaks for itself; he has never sold anything for us.

Senator VANDENBERG. Did you ever raise Gundlach's commission in response to this argument?

Mr. LOVE. He does not refer to Gundlach; it was the previous man we were considering as an agent named Howson. We have adopted a standard commission of 5 percent.

Senator VANDENBERG. If you will look at this letter I think you will find it is a continuation of the argument as to whether or not Gundlach's commission of 2½ or 3 percent is adequate.

Mr. LOVE. Very likely there he was in negotiation with Gundlach, but Gundlach at that time was not our agent, and Carr undoubtedly had in mind transferring the same rate of Howson over to Gundlach.

Senator CLARK. Do you suppose that Carr was looking out for himself when you had wanted him to go to Bolivia and Paraguay to sell equipment to those two nations, then engaged in war, and that Carr, having consideration for his own head, refused to do it, because he said he did not want to see the inside of a South American jail?

Mr. LOVE. That is a whole lot of questions, and we will take them one by one. In the first place, I came back from China and found he had been located in one spot doing absolutely nothing for a number of months, doing no sales work at all, and I told him to go somewhere where there was a possibility of sales; and then his statement about risking his head is absolutely ridiculous and foolish, because we have no trouble in selling; they come to us and it is perfectly open. Do you want me to give you a concrete example?

Senator CLARK. No; will you just answer my question about this. You wrote Mr. Carr, January 9, 1934, at La Paz, Bolivia, in which you say to him it would be better to put in some time at La Paz and Asuncion where there is active purchasing at this time. That active purchasing was due to war?

Mr. LOVE. Yes, sir.

Senator CLARK. Then, Mr. Carr writes back to you referring to your letter 360 under date of January 1934. The first paragraph refers to his putting in some time in two countries at present at war, and then he adds:

Under present conditions mail censorship outgoing to the United States is not watched so closely, while outgoing mail to southern countries is very carefully scrutinized, etc.

And then he goes on to say that he has no desire of becoming acquainted with a South American jail; and to my mind that does not agree with the statement of his being an irresponsible agent.

Mr. LOVE. I still consider that letter foolish, and I will give you an example that happened to me. I was in Colombia discussing matters with high officials, and I explained to them I was going to Peru from there. We had made tentative arrangements with Colom-

bia then, with no intermediaries, no commissions, or anything else. I told them that I was going from there to Peru, and just the previous day I had used the public telephone, telephoning to Peru stating I was coming. This official said, "I have no objection at all, and all I request is that the matter of deliveries and in the matter of prices there be no favoritism shown." He said, "I am perfectly aware that Skoda and other manufacturers of planes are concurrently selling to ourselves and to Peru." Of course they were not in an actual state of war but were expecting it. I considered that letter absolutely foolish, based on my own experience only 6 months ago.

Senator VANDENBERG. I understand then, regardless of anything in the correspondence, the fact is that your company has never paid either officially or unofficially any so-called "extraordinary sales expenses" of a doubtful character?

Mr. LOVE. Yes; I would say that is true.

Senator VANDENBERG. I call your attention again to Mr. Carr's letter of March 20th and to one sentence in the final paragraph on page 3 in which he says:

During the past year (that is the year 1933 into the spring of 1934) every important airplane company in the world had redoubled its sales efforts in South America.

Do you think that is a statement of fact?

Mr. LOVE. No, sir; I do not. I think that is an alibi for a man out for a year and a half that has not sold anything.

Senator VANDENBERG. Is it not a fact, however, that the increase in the belligerent atmosphere in South America did invite increased sales efforts by all manufacturers, of not only airplanes but other munitions makers, during the last 2 years?

Mr. LOVE. Yes; I should think so.

Senator VANDENBERG. In other words, it is simply the inevitable character of this business that when trouble is either anticipated or character it invites an increased market?

Mr. LOVE. Yes, Senator; but that does not mean necessarily that all manufacturers go down and try to force sales. We have specific cases there where trouble has broken out and they come to us by cable or long-distance telephone and ask what we can furnish promptly.

Senator VANDENBERG. You would not say you had relaxed your sales efforts in South America in the last 2 years?

Mr. LOVE. Well, slightly, yes; because formerly I was down there twice a year, and I have been in the Far East the greater part of the last year.

Senator VANDENBERG. I call your attention to a letter signed by Manuel Toro from Bogota, Colombia, addressed to United Aircraft Exports, Inc., which I ask to be filed as an exhibit under the appropriate number.

(The letter referred to was marked "Exhibit No. 545" and is included in the appendix on p. 1550.)

Senator VANDENBERG. This letter, "Exhibit No. 545", is dated April 24, 1934, and I read a paragraph in the middle of the letter, as follows:

Our friends, the Cuban pilots, contracted by the Government, have been cooperating with us in recommending Corsairs to the various officials of the

Ministry of War. They informed the writer—and he has confirmed it—that Mr. Love offered them some protection in the business, but we will take this matter up with you definitely when we receive a firm offer for a certain number of planes.

What does that reference to "protection" mean?

Mr. LOVE. The only thing I can think, the Cubans were just trying to chisel in with our agents; but it is manifestly ridiculous that I should deal with a few mercenary pilots in the country a short time and offer them any protection or anything of the sort when, at the same time, I am dealing with the highest officials of the Government who have definitely assured me the next purchases will be our material. These pilots were merely trying to chisel on an agent; that is all.

Senator VANDENBERG. That is what I am trying to get at, and I am just trying to get a picture of it. It would be manifest, even though you and your company never surrendered to this sort of solicitation, you are more or less constantly beset by what you call "chiselers"?

Mr. LOVE. That is true.

Senator VANDENBERG. And Mr. Toro is incorrect when he says you offered these particular chiselers, as you describe them, some protection. That is incorrect?

Mr. LOVE. Yes, sir.

Senator VANDENBERG. Who is Manuel Toro?

Mr. LOVE. He is our agent in Colombia.

Senator VANDENBERG. Is he responsible or irresponsible?

Mr. LOVE. He is a very, very responsible man who has been for many years representative of the U.S. Steel Corporation. I might point out that no agent of ours now is appointed without a meeting of the board in New York.

Senator VANDENBERG. Did you advise Mr. Toro he was apparently misinformed about these Cuban pilots?

Mr. LOVE. I do not know that I ever answered the letter. Will you tell me what date it is?

Senator VANDENBERG. April 24, 1934.

Mr. LOVE. No; at that time I was not in New York. I did not get back until July, and I never answered the letter.

PARTICIPATION OF UNITED STATES CITIZENS, OFFICIALS, AND BRANCHES OF GOVERNMENT IN FIELD OF FOREIGN MILITARY AVIATION

Senator VANDENBERG. I will ask you whether it is standard practice to try to place American personnel—and I will say American-trained personnel—in positions with other governments where they naturally would favor American manufacturers? Is that a standard sales method in the export of aircraft and munitions?

Mr. LOVE. I will ask Mr. Brown to correct me in this if I am wrong, but I do not believe we were ever instrumental in placing anyone beyond one service mechanic requested by us just to repair and service engines.

Senator VANDENBERG. Do you ever find any sales resistance in the export field because other American companies have this type of representation?

Mr. LOVE. No; I do not think so.

Senator CLARK. You had a project on at one time for private scholarships?

Mr. LOVE. That was an idea of Carr's that correspondingly was absolutely turned down and refused.

Senator VANDENBERG. Did you have a contract in Chile at one time in which the settlement is still incomplete?

Mr. LOVE. Yes, sir.

Senator VANDENBERG. What are the circumstances surrounding that episode?

Mr. LOVE. It is difficult to recall the exact transaction, but the Government made a deposit in Chilian currency and there was American exchange involved. That is a transaction at the New York end, handled in my absence, but the money was deposited down there to come to us, and then it was returned to them. When I was there only a few months ago the Minister of Finance offered to make payment to me, and then we were negotiating as to the rate of exchange at which we would settle, and the matter, I believe, still is under discussion.

Senator VANDENBERG. When was that contract made, the one to which we now refer?

Mr. LOVE. I am abroad so much I have to figure back where I was in each year. It was about 3 years ago, I should say, when we sent the Sikorsky down there.

Senator VANDENBERG. Who got that contract for you?

Mr. LOVE. Raoul Besa.

Senator VANDENBERG. Did Mr. H. B. Grow have anything to do with it?

Mr. LOVE. No, sir.

Senator VANDENBERG. Very well; I will come to that later. I want to continue with this general inquiry about the practice of placing American personnel in foreign service, and I call your attention to the following letter, which will be marked as the next exhibit under the appropriate number.

(The letter referred to was marked "Exhibit No. 546" and is included in the appendix on p. 1550.)

Senator VANDENBERG. This letter appears to be from Mr. Carr; is dated November 4, 1933, and I refer to the fourth paragraph, in which he says:

In every country visited, there seems to be an army or navy pilot who has at one time or other gone through the Curtiss School, or who has received help from Curtiss while visiting the States and who is therefore, particularly partial to our competitor's material.

That is what I am inquiring about, not only with regard to your own activities, but respecting your competition. Is it or is it not a fact that there is an effort to maintain American personnel in these situations, which might affect export purchases?

Mr. LOVE. I think, Senator, if I might correct you, he does not say American Army or Navy pilots, he says an Army or Navy pilot. There are several pilots in the foreign countries who have gone through our schools here with the permission of our Government. They are favorable to American equipment in which they were trained. However, it has been my experience that in these countries they were more interested in having the most modern up-to-date equipment they could get, and I never found any of them who would buy

an inferior or cheaper article, and the sales are usually made on performance strictly, including economy of maintenance and repairs, speed, altitude, and so on.

Senator VANDENBERG. Let us jump over to the Old World, and in this connection I show you the following memorandum from your files dated August 14, 1933, signed S. A. McClellan, addressed to Mr. T. F. Hamilton, and which will be offered in evidence under the appropriate number.

(The memorandum referred to was marked "Exhibit No. 547" and is included in the appendix on p. 1551.)

Senator VANDENBERG. Who is Mr. McClellan?

Mr. LOVE. He is my assistant to handle things in New York while I am away.

Senator VANDENBERG. This memorandum makes reference to Captain Coon; who is Captain Coon?

Mr. LOVE. I do not know; I never saw him.

Senator VANDENBERG. I quote from this interoffice memorandum as follows [reading]:

A Capt. S. C. Coon called this morning, stating he had just returned from Turkey, where he had been working in the Government aircraft factory on the Government pay roll, but aiding and abetting Curtiss-Wright.

What does that mean?

Mr. LOVE. Apparently McClellan says Coon told him that. I do not know Coon and I do not know what it means.

Senator VANDENBERG. I call your attention to the fifth paragraph, and I would like to say for myself that I quite agree that any irresponsible comment is not entitled to credence, but the only way I know of to find out what the truth is or is not, is to ask questions. So, the fifth and final paragraph of this memorandum reads as follows:

Coon supplies interesting confirmation of the fact that Curtiss-Wright, wherever possible, get foreign governments to hire U.S. experts of their recommendation. These people, of course, boom Curtiss-Wright products effectively through the medium of their official connection.

Did you ever hear of that sort of sales-promotion effort on the part of American companies?

Mr. LOVE. No, sir. I would like to say a little further on this point that this impresses me that Coon is looking for a job, and he is coming to us trying to tell us things he thinks we will want to know about our competitors, trying to build his own position. If the field was so good, why did he leave the pay roll; why isn't he with Curtiss-Wright still? Incidentally I never saw this before, and I would pay no attention to it at all. If you will allow me to think a minute, I will try to think where there is any American in control of the purchases in a foreign government.

Senator VANDENBERG. Perhaps we will come to that a little later. Your company never concluded this sort of thing was a good system, and that you would try it?

Mr. LOVE. No, sir.

Senator VANDENBERG. Who is L. G. True?

Mr. DEEDS. He is a mechanic with Pratt & Whitney Co.

Senator VANDENBERG. Who is Thomas F. Hamilton?

Mr. LOVE. Mr. Hamilton is the sales representative in Europe.

Senator VANDENBERG. How long has he been your sales representative?

Mr. LOVE. About 2 years, I should say, Senator.

Senator VANDENBERG. I show you this letter from True to Hamilton, dated January 13, 1934, True writing from London, England, to Hamilton, at Berlin, Germany, which letter is offered in evidence.

(The letter referred to was marked "Exhibit No. 548" and is included in the appendix on p. 1551.)

Senator VANDENBERG. I read from this letter, "Exhibit No. 548", as follows:

I am enclosing copies of a letter, together with the papers referred to, from Capt. Staudach with reference to the contract that is to be supplied me.

Personally I do not see much sense in the contract of Johnson, some of the clauses are not applicable in my case; others are so worded that it appears to me to constitute entering the military service of the Persian Government and therefore jeopardizing my standing as an American citizen.

Who is Johnson; do you know?

Mr. LOVE. No, sir; I do not.

Senator VANDENBERG. Now, what kind of a contract is it that your Mr. Hamilton would be offering Mr. True that might jeopardize his standing as an American citizen?

Mr. DEEDS. I think I can explain that. Mr. True is a service mechanic with Pratt & Whitney Aircraft Co., and at the time of the sale of a number of engines for installation in British planes for use in the Persian Army they required for their own safety, and to conduct their operations satisfactorily, that they have somebody in the nature of a service mechanic who was entirely familiar with the product, and they required us to supply for them or select for them an individual who was capable of doing that job, and they were to pay him. The contract, which I do not know anything about in detail, was apparently objectionable to the mechanic we selected.

Senator CLARK. They wanted him to enlist in the Persian Army?

Mr. DEEDS. Apparently they did, and he objected. The request came from the Persians to us, and it is a normal requirement and necessity that when they buy something of that kind they want somebody who knows it.

Senator VANDENBERG. In other words, as I understand you, Mr. Deeds, this correspondence relates exclusively to the mechanical phase of operation and has nothing to do with sales?

Mr. DEEDS. That is correct.

Senator VANDENBERG. Now, you finally got Mr. True straightened out with respect to his citizenship and he went to Persia; did he not?

Mr. DEEDS. Yes.

The CHAIRMAN. Was Captain Coon employed by you in any capacity?

Mr. LOVE. No, sir; I never met the man and never saw his name before just now.

The CHAIRMAN. Do you know whether or not he was actually employed by the Curtiss-Wright Corporation?

Mr. LOVE. No, sir; I do not.

The CHAIRMAN. Mr. Hiss, what record is there revealing Captain Coon's possible employment by Curtiss-Wright?

Mr. HISS. From information furnished by the State Department we understand Mr. Coon was in charge of the factory at Kayseri,

Turkey, which was a Turkish factory. Curtiss gave Turkey a license to manufacture planes in that factory, and Coon was in charge of that factory.

The CHAIRMAN. Was there any evidence revealing that Curtiss-Wright had a hand in employing him there?

Mr. HISS. I believe there is evidence that Turkey consulted Curtiss-Wright with respect to certain personnel and that Captain Coon was included in that.

Senator VANDENBERG. Now, Mr. Love, I hand you a letter dated February 6, 1934, from Mr. True in London, England, addressed to Mr. Runyon, which letter will be filed as an exhibit under its appropriate number.

(The letter referred to was marked "Exhibit No. 549" and is included in the appendix on p. 1552.)

Senator VANDENBERG. Who was Mr. Runyon to whom this letter, "Exhibit No. 549", is addressed?

Mr. DEEDS. Mr. Runyon was one of the assistants in the service department of the Pratt & Whitney Aircraft Co.?

Senator VANDENBERG. Mr. True now appears to be preparing to go to Persia, and I call your attention to the paragraph at the bottom of page 2 of this letter. "Exhibit No. 549", which reads as follows:

I understand that practically every letter that I write after I get into Persia will be censored. Therefore, do not expect any too much information other than technical data on what is going on. I will try to arrange some method with the American Legation whereby I can occasionally get a message through in the diplomatic pouch. I will send you my Persian address in a day or two.

Do you know whether he ever used the diplomatic pouch for correspondence?

Mr. DEEDS. I do not.

Senator VANDENBERG. That would be a violation of the diplomatic privilege, would it not?

Mr. DEEDS. I cannot answer that question.

Senator VANDENBERG. Well, it is obvious that it would. Now, the fact of the matter is that you were also interested in finding a way of assuring secrecy in some of your own communications to True when he got there.

Mr. DEEDS. I have never had any negotiations with True, and I do not know what might have transpired between our foreign representative and Mr. True.

Senator VANDENBERG. I call your attention to the following letter of date April 4, 1934, from McClellan to Hamilton, which letter will be the next exhibit under its appropriate number.

(The letter referred to was marked "Exhibit No. 550" and is included in the appendix on p. 1553.)

Senator VANDENBERG. This letter, "Exhibit No. 550", appears to be a report from Mr. McClellan, who, as I understand, is assistant to the president of your corporation, and is addressed to Mr. Hamilton, who, as I understand, is your agent in Berlin. I read from this exhibit as follows:

I have just been over True's report of February 6th. I assume that at this time the whole matter of True's contract has been straightened out, so will not discuss this matter any further.

I have noted in the second page of True's letter that he believes all his mail will be censored. I am wondering if the reverse might be true of any letters we would be sending to him. I can foresee there might be certain information we would want to give True, possibly a warning of some trouble to look for, that we might not want to publish directly to the Persians. Will you please advise, therefore, how we should handle any correspondence with True and whether or not it is going to be necessary to send all such matters to your office, for example, to be forwarded.

We want, for example, to forward enough of the link bolts to take care of the geared engines. Will you let us know how we should handle getting these to True? If we send them direct to the Persians, I am afraid they will get all hot up about the necessity of this change, whereas if True gets them he can install them when an opportunity presents itself and not cause any alarm. We are holding the bolts for word from your office.

Have you any information regarding that episode or transaction which is referred to in this letter, Mr. Deeds?

Mr. DEEDS. Yes; from time to time engineering changes and improvements are made and considered necessary and desirable for the continued operation of the engine, and we call it a sort of campaign, in which we go throughout the trade and service all of our engines. It is similar to the automobile practice where there is something they want to improve or something that is not as good as it might be, and they will give all of their customers that service.

Senator VANDENBERG. If it is an improvement, why was there necessity of secrecy?

Mr. DEEDS. It is just this, that there is no reason in this particular case except that the Persians might get the impression if they did not make this change immediately they are going to get in trouble. It is a change that was proven advisable after several hundred hours of operation of the engine, and which could be made at a normal overhaul period without creating any necessity for grounding the airplanes and making the general replacement.

Senator BONE. Do you endeavor to give these foreign customers the best you can?

Mr. DEEDS. The best we have in connection with any current model that is released for export sale by the United States military service.

Senator VANDENBERG. You would not make the change without telling them, would you?

Mr. DEEDS. No; but it is very much easier for Mr. True on the ground to make that change and explain it rather than trying to explain it in a letter.

Senator VANDENBERG. Still, isn't it a rather amazing effort of secrecy to be hunting a way to avoid the use of the mails in the transmission of this information? I simply find myself challenged by the situation, and I am wondering about it.

Mr. DEEDS. I think you will find it the general practice that if there is something to be changed in any piece of machinery, that until the time you are ready and prepared to do it, you at least do not make it a part of your sales propaganda. This was something requiring a change which we were willing to make.

Senator VANDENBERG. Now, let us revert again to the practice of injecting what might be called sales promoters into the service of a country. As a matter of fact, our own Government encourages this practice and cooperated in it, did it not? Hasn't the Department of Commerce, through its Bureau of Foreign Trade, specifically joined

in the effort to place American aviators in foreign service in cooperation with American manufacturers?

Mr. LOVE. I would not be able to say what the Department of Commerce has or has not done. I do know, for example, sometime during early last year Peru requested that the Government send them a mission such as they formerly had and this Government refused to do so. Whether or not the Department took up the request I do not know. At any rate they were refused by this Government.

Senator CLARK. That was the Navy mission?

Mr. LOVE. Yes. But that was at the request of the Peruvian Government itself.

Senator CLARK. I know; but that was the former American Naval Commission?

Mr. LOVE. They wanted to have another one sent down.

Senator CLARK. I see, but you are referring to the former mission?

Mr. LOVE. No. I am referring to the one that they wanted to have now and did not receive, as a result of which they got an English mission.

Senator VANDENBERG. Other countries engage in this practice, and it is part of the competitive picture in the export trade, is it not?

Mr. LOVE. I would not go so far as to say that, Senator.

Senator VANDENBERG. You just referred to the English mission.

Mr. LOVE. But the Peruvian Government requested this, gentlemen. They requested it when they could not get one from here.

Senator VANDENBERG. I will show you a letter dated January 3, 1933, signed by Mr. McClellan, which I will offer as "Exhibit No. 551."

(The letter referred to was marked "Exhibit No. 551" and is included in the appendix on p. 1554.)

Senator VANDENBERG. Mr. McClellan is your chief assistant, Mr. Love?

Mr. LOVE. Not any longer. He was at the date of this letter.

Senator VANDENBERG. This is addressed to Mr. P. G. Johnson, United Air Lines, Chicago, Ill., and simply bears upon this general question that I have asked you. I read:

I believe you are fully familiar with the mission of American pilots which has gone to China under the direction of John Jouett to develop and operate a new school for the training of pilots for the Nanking Government.

Mr. Leighton W. Rogers, * * *

Mr. Rogers is now executive vice president of the Aeronautical Chamber of Commerce, is he not?

Mr. LOVE. I believe so; yes.

Mr. VANDENBERG (reading):

* * * Chief of the Aeronautics Trade Division of the Bureau of Foreign and Domestic Commerce, now advises us that Canton is going to put in a similar school for pilots except on a smaller scale. In this connection Mr. Rogers' department has been authorized to hire six or eight men, including a pursuit pilot, an observation pilot, a bombing pilot, a photographic expert, a radio man, etc. They must necessarily handle this very confidentially and are advising only Curtiss-Wright, Douglas, and ourselves. Mr. Rogers has agreed, before finally forming this group, to submit to us the proposed list of names to see whether they are acceptable.

Please advise us if you know of any individual or individuals, particularly familiar with our equipment, who might be suitable for the work in question.

That would indicate that there is close and helpful cooperation between the governmental Bureau of Foreign and Domestic Commerce and your company and other aircraft companies?

Mr. LOVE. Senator, if you will finish the letter, he rings in all of them. He says:

Undoubtedly Curtiss-Wright and Douglas will be making their own suggestions, and it is advisable * * *

Senator VANDENBERG. I understand. I am not saying that he specializes on you. But I am saying that as a general proposition there has been helpful cooperation and close relationships between the private companies in this field and this branch of government in the promotion of external contacts.

Mr. LOVE. We did not exercise any initiative on that. You will notice that Mr. Rogers has been authorized, or Mr. Rogers' department has been authorized, to hire six to eight men. I suppose by his department they refer to the State Department or the Department of Commerce; I do not know which.

Senator VANDENBERG. I understand that. I am not making any point of its propriety. I am trying to find out if that is not the fact, that there is close and helpful cooperation?

Mr. LOVE. Oh, that is what the Bureau of Aeronautics in the Department of Commerce was established for.

Senator VANDENBERG. Why the necessity that this should be very confidential?

Mr. LOVE. I am sure I do not know, except that it is a Government matter of putting in this school, and I suppose they did not want it made too public.

Senator VANDENBERG. At any rate, this particular undertaking proceeded successfully and on January 26, 1933, there is a memorandum to Mr. F. B. Rentschler from yourself, which I should like to offer as "Exhibit No. 552."

(The memorandum referred to was marked "Exhibit No. 552" and is included in the appendix on p. 1554.)

Senator VANDENBERG. This indicates that three men have been selected by the Department of Commerce to go to Canton and teach commercial flying methods. They are identified as Capt. Edward Deeds, Lt. Clarence Terrell, and Lt. Stuart Baird. Reading from the third paragraph of the exhibit:

While it is believed that all three of these men are entirely familiar with Boeing and Corsair equipment, it might be advisable for the Boeing organization in Seattle to take them through the plant before they sail.

Mr. LOVE. None of those gentlemen were either ex-United employees or ex-factory employees. I met all of them later in Canton. None of them were from our organization.

Senator VANDENBERG. The deleted sentence might indicate, however, that the Department of Commerce itself realized the possible impropriety of the practice; is that correct?

Mr. LOVE. I rather suspect that that is the reason it was kept confidential in the first place.

Senator VANDENBERG. These aviators started for the Orient in a joint public and private venture. Captain Deeds stops long enough to investigate his line. I show you a letter signed by Erik E. Nelson,

sales manager—of Boeing Airplane Co., I assume—which is the plane manufacturing subsidiary of United, is that correct?

Mr. BROWN. They were.

Mr. LOVE. They were.

Senator VANDENBERG. At the time this letter was written, February 6, 1933?

Mr. BROWN. Yes, sir.

Senator VANDENBERG. I offer it as "Exhibit No. 553."

(The letter was marked "Exhibit No. 553" and is included in the appendix on p. 1555.)

Senator VANDENBERG. This letter is addressed to the United Aircraft Exports, Inc. Mr. Nelson is reporting upon Mr. Deed's visit. I read the second paragraph:

Showed him the transports, also the one bomber that we had on the assembly floor. He did not show much interest in the former, but was very much interested in the latter type.

The latter type was the bomber, the former type being the transport. That would indicate, would it not, that although the previous letters suggest that this mission is going abroad for the promotion of commercial aviation, this gentleman himself has an idea that military planes are going to be more important than commercial planes?

Mr. LOVE. That word "commercial" must have been some slip of the tongue, because I point that out: I asked for General so and so, and so forth. It was not a commercial flying. This was a military school run by the Government. That word "commercial" is purely a slip of the tongue and should not be there. It may be a stenographic mistake. There is no question that they were out there to teach military flying, which they have done very successfully.

Senator VANDENBERG. If that is true, it must follow that the Department of Commerce is cooperating with American plane manufacturers in the sale of war material in China.

Mr. LOVE. I would point out that when these gentlemen go abroad, no matter where they come from, when they return home on their vacations, invariably they visit all factories, to be brought up to date on new developments in aviation. Almost monthly there is some improvement in engines or in type of plane or in propellers, and naturally anyone active in the aviation business, particularly as an instructor, visits all factories he possibly can.

There is no direct implication as to sales here.

Senator VANDENBERG. Undoubtedly that is so. Nevertheless I am interested in the specific exhibit as reflecting a practice, and I am unable to escape the conclusion from the exhibit that these gentlemen are recruited in the United States upon recommendation of private aviation companies, by the Bureau of Aeronautics, in the Department of Commerce, and sent to China for participation in the development of a military air service. That is correct, is it not?

Mr. LOVE. Done so at the request of and as a favor to China, a friendly power.

Senator VANDENBERG. Well, whatever the purpose is. It may be done at the request of China and for the benefit of a friendly power. But you can conceive of situations, can you not, in which such a serv-

ice would be very seriously objected to by some other power in the same area?

Mr. LOVE. Yes; surely.

Senator BONE. Do you think that Japan looks with friendly eye on that sort of practice?

Mr. LOVE. I do not know what their attitude is. As a matter of fact, I would point out that at the time these gentlemen were hired there were already foreign instructors there; and as recently as last year, when I was in Canton, there were still foreigners of other nationalities instructing in this school.

Senator BONE. Then we are to assume and understand that foreign countries through their public officials located in China are likewise attempting to stimulate the sale of foreign airplanes in China for military purposes?

Mr. LOVE. No; I would not say that.

Senator BONE. Well, what information on that can you give us?

Mr. LOVE. If you will notice the titles of these gentlemen, they are all ex-military men. None of them are aircraft men at all. They are employed at a fixed salary by the Chinese Government as instructors. They have nothing to do with sales.

I was in Canton on two different occasions last year. I met all of these gentlemen and I was negotiating directly with the Government, with no intermediaries, on the sale of planes.

There was no discussion between me and any of these gentlemen as to sales. Naturally, they were keenly alive to modern improvements and developments in controllable pitch of propellers, or twin-row engines and all things of that sort.

Senator BONE. I am afraid that you misunderstand my question. Is it a fact that other governments—that is to say, governments other than the United States—or, to be more specific, European governments, have sent missions and what not into China in an endeavor to aid in the sale of products of airplane factories located in Europe?

Mr. LOVE. Yes. I agree with you now; other than the United States.

Senator BONE. How does the Chinese Government raise revenues with which to buy these planes?

Senator CLARK. Let me clear up one thing here if I may, Senator. I understand that these agents or flyers, or whatever you call them, were sent to Canton.

Mr. LOVE. This particular group, Senator; yes.

Senator CLARK. Canton is not the central Chinese Government, is it? It is not recognized by the United States as the Chinese Government?

Mr. LOVE. No, sir; but—

Senator CLARK (interposing). So that your statement a while ago that we were simply loaning instructors to them because they were a friendly power, was more or less an inaccurate statement, was it not?

Mr. LOVE. We were not loaning them. Secondly, Canton is under the political domination of Nanking. There is a little internal friction there now and then, but—

Senator CLARK. That internal friction amounts to a state of war, from time to time, does it not?

Mr. LOVE. I do not think so; that is just newspaper talk.

Senator CLARK. I see by the papers occasionally where Canton is making an invasion against the Nanking government or vice versa.

Mr. LOVE. Those are newspaper headlines, Senator. I was there dealing with the leading heads, all of them; with the head of the Nanking government, and so forth, and with their permission and their knowledge, I went down to Canton, and when I came back I would tell them where I had been.

Senator CLARK. But the Canton government is not the central government. That much is admitted, is it not?

Mr. LOVE. Yes, sir; it reports to Nanking.

Senator CLARK. You do not know whether this request came from Nanking or Canton directly?

Mr. LOVE. This particular request?

Senator CLARK. Yes.

Mr. LOVE. No, sir; because it came through Mr. Rogers' department. I do not know any more than that.

Senator CLARK. I thought perhaps you might be certain.

Mr. LOVE. No.

Senator BONE. Where does the Chinese Government get the money with which to buy these military supplies? Are these purchases effected through the flotation of a Government loan?

Mr. LOVE. From a number of sources, Senator. They are quite—not air-minded, but air fanatical.

The individual companies, even such organizations as the Ningpo Boatman's Association or a guild of tailors, or somebody else, will take up collections and contribute a plane to the Government. Even the department stores will take up a collection among their employees. Much of that is advertising, because the employees do not get enough money, but the company would make up the balance and make a contribution to the Government for the purchase of planes. It is done in a number of cases.

The Government is operating a \$5,000,000 lottery. I believe it is drawn once every 3 months, and I think 40 percent of that \$5,000,000 is devoted to aircraft purchases.

Senator BONE. Military aircraft?

Mr. LOVE. Yes; because the commercial line is furnished by an American company.

Senator BONE. The Government has been borrowing money with which to buy food for people over there. I was wondering how they reconciled that with these military purchases, if you know.

Mr. LOVE. Aviation articles are generally purchased from extra-budget stuff.

Senator BONE. How are they making these extra food purchases?

Mr. LOVE. That I do not know. I have not followed the Chinese food purchases.

Senator CLARK. Why should they, if we donate it?

Senator BONE. Well, that is what it amounts to. We donate the money.

The CHAIRMAN. Have you encountered in your contacts there anything to indicate that there might be foundation for the charges that have been made to the effect that some of these contributions of wheat from this country have been diverted in a way that would enable them to transfer the wheat to obtain munitions?

Mr. LOVE. Absolutely not. And I do not believe that that is the case. I do not believe—

The CHAIRMAN. You do not believe that is so?

Mr. LOVE. I do not believe it at all, Senator. They have this big income from the lottery alone, which amounts to more than they are currently spending for purchases, to say nothing of the donations that are being made. Furthermore, collections are taken up by the Chinese colonies, in San Francisco, in New York, in Habana, in the Philippines—pretty much all over the world—for the purchase of aviation supplies for donations to the Chinese Government.

Senator CLARK. You spoke awhile ago of this visit of Captain Deeds to the Seattle plant being entirely in the ordinary course. As a matter of fact, you suggested that visit yourself, did you not?

Mr. LOVE. Very likely, because he was sailing from Seattle.

Senator CLARK. I notice that this memorandum to Mr. Nelson from yourself says:

While it is believed that all three of these men are entirely familiar with Boeing and Corsair equipment, it might be advisable for the Boeing organization in Seattle to take them through the plant before they sail.

Mr. LOVE. They were all ex-Army men. That is, from the American Army. The Army has Boeing and Corsair equipment, so they would naturally be familiar with it. I will take back some of that, because the Corsair is the Navy plane. But they would be familiar with it, anyway.

Senator BONE. Do you have a plant or any agency of any size in Japan?

Mr. LOVE. A plant of ours?

Senator BONE. A plant or at least an agency.

Mr. LOVE. No, sir.

Senator BONE. Do you do business with Japan?

Mr. LOVE. Yes, sir. I visited the Japanese aircraft factory myself only last year.

The CHAIRMAN. Is there American ownership in those factories?

Mr. LOVE. I would say not the slightest of any kind in Japan.

Senator VANDENBERG. Has your trade with Japan materially increased in the last 2 or 3 years?

Mr. LOVE. No; I would not say so. Japan does not buy quantities. They buy mostly license rights. They buy them in Europe and in this country. They buy them all over.

Senator VANDENBERG. And then they put together their own equipment?

Mr. LOVE. Yes, sir.

Senator VANDENBERG. Now, Captain Deeds is on his way to China. I offer as "Exhibit No. 554" a letter from Mr. Vought to the United Aircraft Exports, Inc., dated February 6, 1933.

(The letter referred to was marked "Exhibit No. 554" and is included in the appendix on p. 1555.)

Senator VANDENBERG. I offer this simply for the purpose of identifying the fact that he, Captain Deeds, sailed on February 8, 1933, and that he intends to build his specifications for equipment when he arrives.

I now show you a letter dated February 23, 1933, which I offer as "Exhibit No. 555."

(The letter referred to was marked "Exhibit No. 555" and is included in the appendix on p. 1556.)

Senator VANDENBERG. This letter is from Mr. Leighton W. Rogers, chief Aeronautics Trade Division, to Mr. Love, president of the United Aircraft Exports, Inc. He reports to you on a secret code message which asks for quotations on equipment for the Canton Aviation Bureau.

I do not know whether Captain Deed's boat reached China in time to inspire this inquiry with such amazing facility or not.

Mr. LOVE. No; he could not, Senator.

Senator VANDENBERG. What I am wondering—and I ask purely for information—is this: Is there any tentative commitments on the part of a foreign government to make American purchases when we interest ourselves in this personnel problem in their behalf? Does that involve any commitments?

Mr. LOVE. I do not think so.

Senator VANDENBERG. In other words, the fact that Captain Deeds is on his way to China—

Mr. LOVE. He is on salary by the government as a civilian employee.

Senator VANDENBERG. He has no connection with you?

Mr. LOVE. No; none at all, with us or with any other aircraft company that I know of.

Senator VANDENBERG. And there is not even a tentative commitment on the part of the Canton government in respect to purchases as the result of Captain Deeds' visit?

Mr. LOVE. No, sir.

Senator VANDENBERG. Captain Deeds was killed while he was in the Far East, was he not?

Mr. LOVE. Yes. I was there at the time.

Senator VANDENBERG. How was he killed?

Mr. LOVE. Captain Deeds was a careful and loyal man. He had some new planes that the Chinese wanted to fly. He thought they were a little too fast, and he would not let them take them until he personally demonstrated and flew every one of them. The first one he tried, an extremely fast pursuit ship, he himself had his hand a little out, and he fell off, on his first flight trial on the first ship.

Senator VANDENBERG. I offer as "Exhibit No. 556", a radiogram from the Department of Commerce files simply for the purpose of indicating their activities in this business. The radiogram reads:

Canton wishes engage instructor replace Deeds killed July 1.

In other words, the Department is continuing to recruit American personnel for the Chinese school.

(The radiogram referred to was marked "Exhibit No. 556" and appears in the appendix on p. 1556.)

Senator VANDENBERG. I offer as "Exhibit No. 557" a cablegram from the same source.

(The cablegram referred to was marked "Exhibit No. 557" and is included in the appendix on page 1556.)

Senator VANDENBERG. This says that Aviator Claiborne is recruited to take Deeds' place, and this shows that the Department of Commerce is continuing in this relationship.

Mr. LOVE. Senator, might I observe that the exhibits you are putting in do not affect in any way United or United policy nor is our name mentioned anywhere in the last half of those exhibits.

Senator VANDENBERG. That is correct.

Senator CLARK. They do not purport to.

Senator VANDENBERG. They do not purport to, that is right. I am simply endeavoring to develop as truthfully and accurately as possible the general picture of the relationships between government and private industry in respect to this type of military expansion around the world.

The inverse of this system which we have been discussing is also true, is it not? This, in turn, has no particular bearing on your company. But you know the subject and I am asking for information if you have it. The Government trains foreign aviators in its own schools, in this country, does it not?

Mr. LOVE. I am inclined to believe that policy has certainly been greatly modified if not altogether discontinued.

Can you tell us about that, Mr. Deeds?

Mr. DEEDS. I cannot.

Mr. BROWN. I do not know anything about that.

Mr. LOVE. I know of one recent case where the Government refused to do that for a friendly power saying that they needed their facilities for Americans.

Senator VANDENBERG. Without any reference to the United Aircraft Co., simply bearing on that general aspect, I offer the following exhibit, which will be marked "No. 558," which is a letter dated October 9, 1929, addressed to J. S. Allard, which shows that the Curtiss-Wright Co. is advising the Curtiss Aeroplane Export Corporation of the complete listing of foreign officers attending United States Army Air Corps schools—

which I thought might be of interest to you in connection with the set-up of export work with their countries.

(The letter referred to was marked "Exhibit No. 558" and is included in the appendix on p. 1556.)

Mr. LOVE. We never had such information in the United files, to my knowledge, nor did we ever attempt to obtain it.

Senator VANDENBERG. You have never had any contact with foreign officers attending school in this country?

Mr. LOVE. I would not go so far as to say that. When they finish that course they often pay courtesy visits to factories. I do not recall any specifically now, but I probably would have had such contact.

Senator VANDENBERG. It becomes a fact though, does it not, from the general purport of the evidence, that there is a constant and inseparable relationship between private manufacturers of military air equipment and the public participation of the Government of the United States in these matters?

Mr. LOVE. I think most of that is forced on our own Government. If you will let me explain, for example, I can think offhand of 11 purely commercial operating companies in South America alone. Incidentally, every one of those 11 uses some kind of United or Curtiss equipment and some Fairchild or Stinson.

We are acknowledged, I believe, although with a great deal of regret on the European side, to be the world leaders in aviation. We have proven it in our civil aviation. The result is that when any of the foreign countries want to be thoroughly equipped and up to date in aviation invariably they think of this country. They do not have in those foreign countries the excellent school facilities, either military or naval, which we possess. Generally they make a request, I suppose through the State Department, that we train some, give advanced training and not preliminary training, to some of their officers, so that they may return home and transmit some of this information.

Senator VANDENBERG. Are you referring there to Government schools or schools maintained by aviation companies?

Mr. LOVE. I am speaking of Government schools, because, as I pointed out in memorandum, a school like ours would be useless because when these gentlemen request training, they are aviators. The applicant is already an aviator.

Senator BONE. Are those factories located in South America and other countries buying military planes? That is to say, the superior American products?

Mr. LOVE. I should think so, because of the various conditions there. There is the Fawcett Aviation Co., the Umco, the Lloyd Aero Boliviano, the Scadta Line, whom you will find with American equipment.

In Chile the National Lines, the Pan American, the Condor, and I should mention the Panagra, and so forth.

There are a number which do not operate but at least sell American engines, with planes, and so forth.

Senator BONE. Would you say it is not only a known fact but a recognized fact by the purchasing companies?

Mr. LOVE. Absolutely.

Senator BONE. Can you explain how that policy has been forced on our Government? How can this Government be forced to adopt a policy?

Mr. LOVE. That is a bad choice of words. I say a decision may be forced. If they got a request from a foreign government, through official channels, of course, to train so many of their officers at Kelly Field, or what not, it is the business of the State Department, or whoever decides on that, to say so. Definitely, to my knowledge, they have said "No", in recent months—about 8 months ago.

Senator BONE. That policy seems to have been carried on over a long period of years.

Mr. LOVE. I believe that was in effect over 10 or 12 years ago, because the men whom I know around the world who have had this training are nearly all out of active flying. You do not find the youngsters as active, but there are a few as shown by the Curtiss-Wright report, but I did not know of that.

Senator VANDENBERG. Every export shipment of military equipment or equipment which could be transformed into military use is invariably clothed with public policy and public interest, so far as the United States is concerned, is it not?

Mr. LOVE. No; I could not say that.

Senator VANDENBERG. Why is it not?

Mr. LOVE. Because there are many sales which never go near the Department of Commerce except to get permission to export.

Senator VANDENBERG. You misunderstood my question. I mean to say, that there is no such complete public control, and the testimony simply develops the assistance which the Government gives in creating sales in certain sections of the world. I am asking you, entirely aside from that, whether or not it is a physical fact that there cannot be the shipment of a single piece of military equipment abroad without involving in it the question of public policy and public interest on the part of the United States.

Mr. LOVE. Yes, sir; we cannot export a single piece of military equipment without permission. That is according to how recent it is; it might be the Army or the Navy Department, and in any event it is always the Department of Commerce, and I think we are obliged in every deal recently to furnish an A.T.C., approved-type certificate. We have to get that to ship anything abroad, so that we cannot ship without passing it through the Department of Commerce at least.

Senator VANDENBERG. I do not want to take up the examination out of order, and this phase of the matter is coming up later, but I was simply interested in the abstract proposition that it seems to me that there cannot be the export of a single piece of military material without its involving potentially the welfare of the American people.

Now, just to conclude with this phase of the subject, very briefly, we referred a little while ago to your Peruvian relationships and this contract upon which you have had some difficulty in connection with a settlement. I understood you to say that Commander Grow had nothing to do with that particular order. Is that correct?

Mr. LOVE. You asked about Chile at that time.

Senator VANDENBERG. I meant Peru before.

Mr. LOVE. You were talking about Chile, about Merino, and about the Sikorsky in Chile.

Senator VANDENBERG. I meant Peru. I will show you the following file memorandum, which will be given the next exhibit number, dated March 28, 1933, and signed by S. A. McClellan.

(The memorandum referred to was marked "Exhibit No. 559" and is included in the appendix on p. 1557.)

Senator VANDENBERG. I call your attention to Mr. McClellan's statement in a paragraph on the second page, in which he says:

Grow apparently is most anxious to get a job with us, as he repeated several times that United did not sell the planes to the Peruvian Government, but that he, Grow, sold the contract to Mr. Love.

Is Commander Grow mistaken about that?

Mr. LOVE. You have got a sort of a youngster writing and quoting another man in the third person. I imagine this is probably what Grow had in mind: The Peruvian Government needed a considerable number of planes, the majority of them purely commercial, passenger planes, and mail planes, some of them military. That program had been established for a considerable length of time even before the formation of the United group. He had tried to get, I believe he told me, Douglass to accept the order, and they refused it because of the deferred payment. He tried to get Curtiss to accept it, but

they refused because of the deferred payment. Then our group was formed. Then he convinced us that the credit was satisfactory. That is probably what he means when he says he sold us the contract. He could not get anyone else to accept it previously, after having tried.

Senator VANDENBERG. He received no compensation from you in that connection?

Mr. LOVE. Not in connection with placing this order; no, sir.

Senator VANDENBERG. Who is Commander Grow?

Mr. LOVE. He was at that time inspector general of aviation in Peru, not in 1933 but at the time of the transaction.

Senator VANDENBERG. I understand he is a graduate of the United States Naval Academy and had a very fine war record in the air, and he is generally recognized as a thoroughly expert person in aviation.

Mr. LOVE. Yes, sir.

Senator VANDENBERG. I know something of him. I have had contact with his credentials on more than one occasion.

When he was connected with the Peruvian air service, if he did have anything to do with purchases through your company, it did not involve any status of agent for you while he was in the Peruvian Government?

Mr. LOVE. Positively not.

Senator VANDENBERG. And no compensation?

Mr. LOVE. Not in connection with sales, Senator. Later Mr. Grow was of assistance to us in obtaining collections. And I made him a nominal collection payment.

Senator VANDENBERG. Was that while he was still in the Peruvian service?

Mr. LOVE. I believe he was, but that was long after the order had terminated, and payment was made for executing collections and in proportion to the cash received.

Senator VANDENBERG. From the Peruvian Government?

Mr. LOVE. From the Peruvian Government.

Senator VANDENBERG. He subsequently made a sale to Peru in your behalf?

Mr. LOVE. I believe he did. It happened while I was in China last year, and I might explain that by saying that Mr. Grow left Peru with the little coup d'état in the Government, and the same party which had released his service now wanted to get him back, and he did not want to go back and take his position, but he acted as a sort of adviser for the Peruvian Government here. He bought a number of planes in different ways, so he told me, on behalf of the Peruvian Government, on account of the fact that they were using him as an expert. In that connection he bought from us, I believe, three Corsairs for the Peruvian Government.

Senator VANDENBERG. Yes; in a letter from Commander Grow on March 10, 1933—

Mr. LOVE (interposing). He was no longer in the service of the Peruvian Government at that date, of course.

Senator VANDENBERG. When he was no longer in the service of the Peruvian Government, in a letter which will be identified as the next exhibit, he indicates that he is making this inquiry "in the name of the national collection committee" in Peru.

(The letter referred to was marked "Exhibit No. 560" and is included in the paragraph on p. 1558.)

Senator VANDENBERG. Then, on June 15, 1933, according to the next "Exhibit No. 561", you are paying him a commission in full settlement of the amounts due on the Peruvian transaction.

(The letter referred to was marked "Exhibit No. 561" and is included in the appendix on p. 1559.)

Senator VANDENBERG. Now, on June 7, 1933, Commander Grow writes you again a letter, which will be "Exhibit No. 562", and he is reporting to you—

Mr. LOVE (interposing). May I correct that? He is not reporting to me. These are all things which I am seeing for the first time.

Senator VANDENBERG. I beg your pardon. He was reporting to your executive assistant, Mr. McClellan. Was Mr. McClellan at the head of your operations in your absence?

Mr. LOVE. I would not say he was entirely at the head. He would have to consult with other officers.

(The letter referred to was marked "Exhibit No. 562" and is included in the appendix on p. 1559.)

Senator VANDENBERG. Commander Grow is advising your assistant of the possible opportunity for his return to Peruvian service, and he is asking Mr. McClellan:

to consult the powers that be in your organization and tell me frankly their reaction. Would they like to have me go? Are they indifferent as to whether I go or not—or would they rather I didn't go?

That question, in turn, was referred to you in Shanghai, was it not, Mr. Love?

Mr. LOVE. Yes; I was just recalling that. My recollection is that they did not answer Mr. Grow, but mailed it to me in China.

Senator VANDENBERG. I show you the following letter from Mr. McClellan to you, which will be marked as "Exhibit No. 563", which sends you the letter from Commander Grow.

(The letter referred to was marked "Exhibit No. 563" and is included in the appendix on p. 1560.)

Senator VANDENBERG. So you were probably mistaken when you said a few moments ago that you had not seen it, were you not?

Mr. LOVE. I referred to some of the previous ones. Yes; I was mistaken on that.

Senator VANDENBERG. Mr. McClellan says to you [reading]:

We have received a letter from Comdr. H. B. Grow—

And so forth.

Then the third paragraph states:

As regards the personal background of the man and the question of political relationship involved, it is obviously for these reasons that the questions contained in the fifth paragraph of Grow's letter have been referred to you for recommendation as to the proper answer.

Mr. LOVE. He goes on to say [reading]:

It is our feeling that Grow will accept this position, regardless of what we may say, as his livelihood in Detroit has been so slim as to leave him very little alternative.

Senator VANDENBERG. Yes; that is correct. I am simply wondering what you interpreted this inquiry to mean. Why did Commander Grow report to you respecting this situation?

Mr. LOVE. Of course, he does not report to me. He is reporting to the company.

Senator VANDENBERG. I beg your pardon. Why did he report to your company, as he subsequently does, in even greater detail, under date of September 21, 1933, according to the following exhibit, which will be appropriately marked? Is it contemplated that there would be some dual relationship in the event of his return?

(The letter referred to was marked "Exhibit No. 564" and is included in the appendix on p. 1560.)

Mr. LOVE. Mr. Grow on many occasions even before he left the Peruvian service had applied to me for position as representative for us in South America. He knew that it was my intention to appoint representatives on the east and west coast, and I assume that that is what he had in mind there. He wanted to be employed by our company outright, and I think this thing he states here about going back to Peru was sort of to indicate the great favor he stood in there in case of future business. He felt he had contacts in Argentina, Chile, and elsewhere. I imagine that is why he did it.

Senator VANDENBERG. He was indicating to you that he does have those connections?

Mr. LOVE. Yes, sir.

Senator VANDENBERG. But your interpretation of his inquiry would be with reference to an official position that he was just emphasizing his utility as an agent, and not for the purpose of suggesting a dual connection when he arrived in Peru?

Mr. LOVE. I believe you know Mr. Grow and know he is a naval officer of very high standing.

Senator VANDENBERG. I know he is an officer of exceedingly high standing. That is all.

Senator BONE. Mr. Love, do you consider it a state of healthy public policy for the United States Government to be officially aiding foreign governments to arm themselves in the most complete manner their finances will permit, giving them that aid officially?

Mr. LOVE. I would rather not see it done, but it is one of those things which seems to be unavoidable. I cited a case a few moments ago where our Government refused to give an advisory commission to Peru, and they obtained one very promptly from England. My attitude, as shown from my reports, taken from my office, is that I have stressed particularly that the future of our company in China and South America is completely—I won't say completely—but is predominantly in commercial aircraft.

Senator BONE. All of the major powers of the world seem bent on sending missions to all of the smaller countries to encourage a very greatly increased use of armament of all kinds. That is unquestionably the picture presented in this hearing. That is why I asked you this question. What is to be the logical outgrowth of that sort of program, if continued indefinitely?

Mr. LOVE. Personally, I am very much opposed to it. For the last 30 years, the greater part of it I have spent abroad, and have friends among those people and speak several languages, and I regret infinitely all these war proposals. Recently on my trip to Peru I talked to the president of one country and to certain high officials of the opposing country, and used my best endeavors toward peace. The president of the one said he was quite sure there was not going

to be war—I cannot call the personalities—and the other officials were of the same opinion and were striving for peace at the same time, and I supported their efforts.

Senator BONE. While they were urging peace some other branch of the same Government was actively negotiating for the purchase of more war supplies. That was the case, was it not?

Mr. LOVE. I won't say a branch of our Government.

Senator BONE. No; their Government.

Mr. LOVE. Yes; that is probably true. They have got to be prepared. They want peace and are working for peace, but they have got to have it in case their country has war.

Senator BONE. With one hand they make a gesture of peace and with the other hand they hand out money to increase their naval and military establishments.

Mr. LOVE. I make this statement: I do not know a single one of these countries that deliberately wants war.

Senator BONE. But they are preparing very actively for it, are they not?

Mr. LOVE. They all want to have an army and they want an air force and they want to "keep up with the Joneses." That is about what it amounts to.

Senator BONE. And also the United States Government lends its assistance in this regard. For instance, there was evidence here week before last that the United States Government sent a naval mission to Peru to assist the Peruvians in connection with submarines, and then the United States turned around and loaned a naval officer to Colombia to prepare the harbor defense against the very submarines that another American company had sold the Peruvians through the assistance of the Peruvian Naval Mission. It did not have anything to do with your company, of course, but to that extent two American companies on armaments were assisted by the United States Government and did enter into competition in armaments between those countries.

Mr. LOVE. That is one of the difficulties that I pointed out before. When one of these foreign governments asks us to appoint an inspector, it is pretty difficult to refuse them—and we have refused them lately, and it has cost us a considerable lot of business.

Senator BONE. Would our own national defense be stronger if we did not export anything, but maintained a monopoly as to our own program?

Mr. LOVE. I do not think so, Senator, because last year, according to the Department figures, 36 percent of all aeronautical equipment produced in this country was exported, and to keep factors of production and to have available an adequate supply of quantities for our own needs we have got to have an established, going organization.

Senator VANDENBERG. How much of that 36 percent was military?

Mr. LOVE. I do not believe the figures showed that.

Senator VANDENBERG. What would be your estimate of the division of the 36 percent as between commercial and military?

Mr. LOVE. I would assume—because lately there have been substantial military shipments—it would be about 60 percent military and 40 percent commercial; but that is only a guess.

Senator CLARK. So far as China is concerned, any airplane equipment is military equipment, is it not, Mr. Love?

Mr. LOVE. No, sir.

Senator CLARK. I mean as regards warfare between the various contending factions in China; they can use almost any kind of commercial plane for military purposes, can they not?

Mr. LOVE. I do not think so, Senator. China has bought a number of Ford trimotors for straightaway transport work and they have bought Sikorskies for straightaway transport work.

Senator CLARK. They could use regular commercial planes in the factional disputes they have, could they not?

Mr. LOVE. They might throw firecrackers out of those.

Senator CLARK. For a force which is no more highly armed than they are, those training planes might be very handy for dropping bombs, might they not, or for certain military purposes?

Mr. LOVE. I hardly think so.

Senator BONE. How long has it been since the United States Government, through any of its agencies, has kept an accurate check on the war munitions of all kinds?

Mr. LOVE. I cannot answer for war munitions of all kinds, because we make it a point to avoid bombs and those things; but, speaking of airplanes, I think we have had to work through the Department of Commerce ever since my company was established—I was going to say, ever since the Bureau of Aeronautics was established, which was established before the United Exports—that is, we have had to report every one of ours.

The CHAIRMAN. Mr. Love, reference was made this morning by Senator Vandenberg to a letter of April 24, 1934, addressed to the United Aircraft Exports, Inc., by Manuel Toro, and it was pointed out to you that Toro had suggested:

Our friends, the Cuban pilots, contacted by the Government, have been cooperating with us in recommending Corsairs to the various officials of the ministry of war. They informed the writer, and he has confirmed it, that Mr. Love offered them some protection in the business, but we will take this matter up with you definitely when we receive a firm offer for a certain number of planes.

I think you responded under questioning to the effect that you had never seen this letter until today.

Mr. LOVE. No; I did not receive it. I said I was in China.

The CHAIRMAN. You were in China at the time?

Mr. LOVE. I was in China at the time.

The CHAIRMAN. And have never answered it?

Mr. LOVE. No.

The CHAIRMAN. What are we to conclude this reference to "some protection" means?

Mr. LOVE. It means that they were trying to ask a commission from my agent, and they were pretending to him that I had promised it. I might explain that a little in detail. I happened to be in Bogota when these boys arrived—

The CHAIRMAN (interposing). These Cuban pilots?

Mr. LOVE. These Cuban pilots, and they did not have much money, and had their wives and children along, and they were pretty much lost souls and pretty much disgruntled and down and out; many of them I know from my Cuban days, and I invited them all to a tea party and invited the high officials of the Government in aviation

and two or three competitors of mine were there and also the American adviser, and gave them quite a tea party, and entertained them, and they were all praising the Corsairs because they had been trained on the Corsairs and used Corsairs in their own country, and they naturally knew I was trying to sell Corsairs, and they were promising all sorts of help for the sale of the ship, which did not mean anything. Later they saw Toro and promised him all sorts of things.

Senator CLARK. All they got out of it was the tea?

Mr. LOVE. They had more than tea, Senator, I am afraid.

The CHAIRMAN. Have you ever written regulations or rules or letters that you have addressed to your agents the world over, scolding them or in any way taking them to task for even considering these methods of bribery, that one is to conclude this word "protection" here means?

Mr. LOVE. I think of two such letters I wrote, but inasmuch as I was severely scolding somebody in my own office, I wrote them by hand, so as not to have them go through other hands, so as to look as if there was friction between myself as manager and one of our employees. I think you will find a letter written by Carr, in which there was such criticism. It is evident such a letter was written to him.

Senator VANDENBERG. If your letter was in longhand, it would be exceedingly interesting, and I revert to the phrase in your own letter that you instructed them not to take "official cognizance" in their foreign correspondence.

Mr. LOVE. That is not in my letter. That is not a letter from me, but is in a letter from somebody else.

Senator VANDENBERG. Yes; but it is in connection with your company. There had not been any longhand letters which, instead of scolding agents, discussed any extraordinary expenses of that kind?

Mr. LOVE. Absolutely never from me; not from me.

The CHAIRMAN. The significant thing about it all is that for 2 weeks we have sat here and listened to testimony from employers and heads of the industry, explaining letters that their agents were sending them from the world over, suggesting this method, that method, and other methods, suggesting those who would be helpful to them, those in official capacities as well as others, and never once has there been placed into evidence anything to indicate that the industry itself was resenting the effort or the thought of agents that their companies might tolerate and might be perfectly willing to enter into these negotiations, which were expressed as games of "doing the necessary" and whatnot. We have not found that expression as relates to your own corporation, but it was quite common in connection with many others.

Mr. LOVE. I saw some of the testimony and I have mentioned three cases where they were not directly impugned, but it was implied, and with two of those were over 5 years ago, and the other, I think, was 3 or 4 years. I had transactions without any implication of that kind, Senator. I have had no difficulty.

I mention one thing: Some of the salesmen who have testified and some who have not are those who write foolish letters and have not had the experience I have had, and never get to see the president of the country, the minister of war, or the minister of finance, and

cannot speak Spanish, Portuguese, French, or whatnot, and are obliged to do business through some intermediary whom they chance to pick up in the hotel. They have a name for them in Mexico, "coyotes", and a business man comes down there and he needs a translator, and they find out his business, and they have all his negotiations, and if you do not use those people you go much further.

Senator BONE. I take it that you handle the major negotiations for sales of any consequence, do you not?

Mr. LOVE. That is true, when I have been in the country.

Senator BONE. When you confer with these officials, you have had direct dealings?

Mr. LOVE. I refer particularly, Senator, to South America and the East. The European matters I have not handled for something more than 2 years.

Senator BONE. In the Latin-American countries, to which reference has been made, you handle these deals direct with the high officials of the government involved in the transaction?

Mr. LOVE. Yes, sir.

The CHAIRMAN. The committee will be in recess until 2:15.

(Thereupon, at 1:05 p.m., a recess was taken until 2:15 p.m. of the same day.)

AFTER RECESS

(The committee reconvened at 2:15 p.m., on the expiration of the recess.)

The CHAIRMAN. The committee will be in order. Senator Vandenberg, I believe you wanted to follow up your line of questioning?

Senator VANDENBERG. Yes; I would like to proceed.

Mr. LOVE, you spoke this morning very enthusiastically about Mr. Azcarate, of Mexico. He built an airplane factory in Mexico, did he?

Mr. LOVE. Yes; he did.

Senator VANDENBERG. What was his position at that time?

Mr. LOVE. I believe he was president of it.

Senator VANDENBERG. Was he connected with the Mexican Government at that time?

Mr. LOVE. I don't think he was.

Senator VANDENBERG. Did he build a factory under the license from one of your subsidiaries?

Mr. LOVE. I did not say he built a factory under a license, but he purchased a license to build Corsair airplanes.

Senator VANDENBERG. He was building these Corsair airplanes under your license?

Mr. LOVE. That is correct.

Senator VANDENBERG. Was the operation successful—that is, were the planes successful?

Mr. LOVE. The planes that he built were successful; yes.

Senator VANDENBERG. Was their service record entirely satisfactory?

Mr. LOVE. I never had the details of it, but I never heard anything to the contrary.

Senator VANDENBERG. You never heard there was a great deal of trouble with the planes built in that particular factory?

Mr. LOVE. No; I never heard anything about it.

Senator VANDENBERG. Are they contemplating the construction of another factory down there?

Mr. LOVE. Not that I know of. The present factory was put over to the Government as a sort of repair and service depot, and some of the buildings detailed for a school. That is what I saw there last November.

Senator VANDENBERG. Have you any negotiations on at the present time, with respect to a license or otherwise, in connection with the expansion of the Mexican air service?

Mr. LOVE. No; we have not.

Senator VANDENBERG. You have had no dealings with Mr. Azcarate along that line?

Mr. LOVE. No; because he is no longer in that division. I am having dealings with the chief of aviation with respect to engines.

Senator VANDENBERG. At the conclusion this morning, when Senator Nye was curious as to why you had never reprimanded any of your export agents respecting the discussion of export compensation and commission, you indicated that on one or two occasions you did write in longhand to your agents on this subject?

Mr. LOVE. I said longhand, but what I meant was a personal letter. Once or twice I wrote on my own typewriter.

Senator VANDENBERG. That would be letters of which there are no records?

Mr. LOVE. Yes; because personally I would not keep a scolding I gave a man.

Senator VANDENBERG. Would that also explain why there are no letters among your files from your agents discussing this subject—did they always write in longhand?

Mr. LOVE. No; I think there is a letter you put in this morning, if I remember, from Mr. Carr regarding a letter Mr. Miller, or one of the men wrote him, where he was being scolded.

Senator VANDENBERG. He was only speaking generally. What was the occasion of your writing a private admonition to your agents on two or three occasions?

Mr. LOVE. It was not on the line of commission; it was the reptition of loose gossip about competitors' claims or pilots' attitudes or something of that kind of gossip.

Senator VANDENBERG. These letters are not in the files either?

Mr. LOVE. No; but one I definitely recall writing from Tokyo back to an agent in Shanghai, and I remember speaking to Carr several times.

Senator VANDENBERG. How much of your correspondence was conducted in what might be called longhand or without record?

Mr. LOVE. Very little, because when I was traveling much, and I was traveling as much as 5 or 6 months of a year, I would be kind of lazy and I wrote as little as possible.

Senator VANDENBERG. The committee has had access to all of your files?

Mr. LOVE. I understand so, but I was in South America when they did that.

Senator VANDENBERG. That is correct, Mr. Brown?

Mr. BROWN. Yes; they have had.

The CHAIRMAN. Mr. Love, how recently is your effort in Europe to accomplish trade?

Mr. LOVE. We were first approached by Europeans before the formation of the Export Co. at all, through subsidiaries, without our making an effort to sell them. They came to us directly in reference to engines, and then various letters came in. As soon as we formed the Export Co., which was in 1929, I believe the following January or February I made a trip all over Europe contacting the various people who had written in to us. On that trip I was successful in starting our engines with the leading line over there, K.L.M., and furthering our interests with B.M.W. engine builders.

The CHAIRMAN. How much more costly is your effort to get foreign trade than is your effort to get domestic trade?

Mr. LOVE. I have no figures on it as to the cost of getting domestic trade, but I should think it cost less, because of traveling and export. You see, I have no advertising expense such as they have and I have none of the burdens of their general overhead, advertising service men, and I had nothing practically for the first 2 years except my own salary and expenses. Later as we added more men it was salary and expense for them also.

SALES OF UNITED AIRCRAFT COMPANIES' IN COUNTRIES ENGAGED IN WAR
OR FEARFUL OF WAR

Senator CLARK. Mr. Love, at the present time your business is almost exclusively confined to military contracts, is it not?

Mr. LOVE. I have the figures before me now, Senator, and our sales for the past 5 years have averaged 38 percent commercial and 62 percent military.

Senator CLARK. I call your attention to a letter dated February 21, 1934, to the Chief of Air Corps of the War Department from Mr. C. L. Egtvedt, and he is president of the Boeing Co., is he not?

Mr. BROWN. He is president of the Boeing Co., but we were separated on the 31st of August.

Senator CLARK. That was a separation as a result of new legislation passed by Congress?

Mr. BROWN. Yes, sir; that is correct.

Senator CLARK. I ask that this letter from C. L. Egtvedt to the Chief of Air Corps, dated February 21, 1934, be made an exhibit.

(The letter referred to was marked "Exhibit No. 565" and is included in the appendix on p. 1561.)

Senator CLARK. Reading from this letter, "Exhibit No. 565", I find the following:

At the present time, we have no prospects of any commercial business and have only an insignificant order of Navy parts. Our plant is running at about 60% capacity at present and our primary shops are already running out of work, necessitating the lay-off of men in these departments. By summer a great number of employees will be out of work and in the fall all of our present orders should be completed. Because of these conditions we are very anxious to obtain some immediate business which will help to keep a portion of our employees at work and will appreciate your earnest consideration of this situation.

Is that true of all of the other companies, or was it true of the other companies at that time?

Mr. BROWN. It was not at that time; no.

Senator CLARK. What was the proportion of commercial business being done by other divisions of the company?

Mr. BROWN. I could get that information for you, Senator, and I think probably we could answer that now for the Pratt & Whitney Aircraft Co.

Senator CLARK. All right; suppose you answer for that company and we will be glad to get the other information as soon as you can furnish it.¹

Mr. BROWN. We have submitted a report to your committee on all of the business done. I had one of the boys in our sales department go through that list just the other night and try to see if he could, to the best of his knowledge, state what he considered to be the division of the commercial and the military business as far as exports are concerned, and we find that 76 percent of the engines shipped abroad were for commercial purposes.

Senator CLARK. That is over what period, Mr. Brown?

Mr. BROWN. That is from August 1, 1925, to August 31, 1934.

Mr. HISS. This report is merely from January 1 to August 31, 1934; but I believe you submitted to the Black committee other and further figures.

Mr. BROWN. I had him take it out of this record.

Mr. HISS. This is only from January 1 to August 31, 1934.

Mr. BROWN. You have the other figures, have you not?

Mr. HISS. No; the other figures were submitted to the Black committee.

Mr. BROWN. Those figures, then, are available to you; but I thought you had them.

Mr. HISS. Would those figures you just read include shipments to Germany, for example?

Mr. BROWN. Oh, yes.

Mr. HISS. All of your sales to Germany are commercial?

Mr. BROWN. That is how these are listed, I am sure. Those last were shipped some time ago.

Mr. LOVE. I may explain on the shipments to Germany. I have personally seen our American-made engines in the German Junker planes in many places all over the world. They are in operation in the German lines in Shanghai and in many places, so that these German sales are mostly scattered all over the world.

Senator CLARK. So that the statement made by the president of the Boeing Co. that they have practically no commercial business did not entirely apply to the other divisions of the United?

Mr. BROWN. It certainly did not apply to the Pratt & Whitney Aircraft Co.

Senator CLARK. There is still a connection between United and Boeing?

Mr. BROWN. No; that was dissolved.

Senator CLARK. I understand you are dissolved, but there is still a very large common ownership of stock by the stockholders?

Mr. BROWN. Yes; there is.

Mr. HISS. There is still a substantial similarity on the board of directors?

¹The information requested was later furnished to the committee by United Aircraft Exports Corporation and is included in the appendix on p. 1597.

Mr. BROWN. There is no one on the board of the United Aircraft Transport that is on the board of the western division, as we term it, which is the Boeing Co., or the airlines.

Mr. HISS. Is that true or not of the subsidiaries of the United Aircraft?

Mr. BROWN. There is no interlocking directorate of the three new divisions: United Aircraft Corporation, Boeing Airplane Co., and United Air Lines Transport Corporation.

Senator CLARK. Now, Mr. Love, outside of the large sales to Germany, the largest part of your export business in the past few years has been done in China, where war is more or less continuous?

Mr. LOVE. Between China and Brazil, I should say; but I think they are about balanced.

Senator CLARK. You testified you had recently been to China?

Mr. LOVE. Yes, sir.

Senator CLARK. Do you have any idea how many serviceable planes there are in China in the Government service?

Mr. LOVE. I have not, exactly. I know what they had when I was there, but I believe they considered that a sort of secret. But there is not as many as people have an idea. A great many of those they do have are training planes instead of fighting planes.

Senator CLARK. Those training planes, as I suggested this morning, are sometimes used for military purposes in these factional disputes in China?

Mr. LOVE. The average training plane is a small flying plane ranging around four or five thousand dollars, which you are better equipped than I to state is not fitted for fighting.

Senator CLARK. It is estimated that by the end of 1935 China would have 500 planes, of which 80 percent are military.

Mr. LOVE. There was an announced program, I thought, for 1936 to have that many planes, but I doubt if they will have them; and if they do, I doubt further if they will have enough pilots to fly them.

Senator CLARK. The newspapers reported recently the sale of 22 Northrop Bombers to China, and a total of 65 Fleet trainers by the Consolidated Aircraft Co., and that a total of 52 Douglas trainers have been delivered. Did you know anything about that?

Mr. LOVE. I have heard about some Douglas bombing planes, but I do not know the details.

Senator CLARK. You were in China last year?

Mr. LOVE. Yes; but these are recent orders. You have shown there 65 trainers from Consolidated, and how many from Douglas?

Senator CLARK. Twenty-two from Northrop and 65 Consolidated planes, and 52 from Douglas.

Mr. LOVE. I think there are considerably more for commercial use than for fighting.

Mr. HISS. Do you know what the proportion has been between training planes and what they call fighting planes?

Mr. LOVE. We do not manufacture training planes, in the category that they buy, I should add. Ours is more of an advanced trainer.

Mr. HISS. Thirteen Corsairs were sold in 1933 to China, and in 1934 a total of about 41 up to August 31. All of those are military planes?

Mr. LOVE. They are all military planes; that is right.

Senator CLARK. Curtiss-Wright, Douglas, and Intercontinent have in process of erection at Hanchow a large factory for the manufacture of airplanes, have they not?

Mr. LOVE. I understand so.

Senator CLARK. Who is Intercontinent; what do they make?

Mr. LOVE. In fact, that is not a manufacturing company. They are the sales agents out there for the Curtiss Co.

Senator CLARK. They are controlled by Sperry, are they not?

Mr. LOVE. I understand they are controlled by one of the big Curtiss affiliated companies, but the exact ramification I do not know.

Senator CLARK. As a matter of fact, Sperry controls both Curtiss and Intercontinent?

Mr. LOVE. Intercontinent is generally purported to be controlled by the Curtiss group.

Senator CLARK. In other words, they might be the export sales agents?

Mr. LOVE. They might be; yes.

Senator CLARK. As a matter of fact, there is in process of erection a large factory for the manufacture of planes within the continent somewhere about 100 miles northwest of Canton; are you familiar with that?

Mr. LOVE. I know that Canton was wanting a factory, but I did not know they had progressed so far as to go ahead with it. They have had that idea a long time.

Senator CLARK. When did you say you were in China?

Mr. LOVE. Last year until about July.

Senator CLARK. Reports come to this committee from official sources that in the year 1933 China had purchased some 200 military planes, and about 80 percent of them were American. Do you know whether that is in line with your observation or not?

Mr. LOVE. I should think that is about right.

Senator CLARK. That is for 1933?

Mr. LOVE. I should think that is about right.

Senator CLARK. In the 13 Corsair planes for China which you sold in 1933 four of these planes were sold to the Nanking National Government and nine to the Canton government?

Mr. LOVE. We sold, I think, the nine to Canton, but I doubt if we sold so small a quantity as four to the Central Government. They usually buy larger quantities than that.

Senator CLARK. Do you know how many you did sell to Nanking?

Mr. LOVE. It is in the record, but it is more likely about 18.

Senator CLARK. In 1934 I find the United Aircraft, Inc., sold to Nanking 41 Corsair planes, and they did a total business of \$1,170,000.

Mr. LOVE. That is about right.

Senator CLARK. And there are still on order eight Corsair planes; is that right?

Mr. LOVE. I am inclined to believe it is a fact that this four is not a sale, it is likely to be a shipment, because we never make four and we never sell four, it does not make a squadron or a unit or anything of the kind.

Senator CLARK. Then, that was a part of a larger order?

Mr. LOVE. I think so; yes.

Senator CLARK. So that in 1934 the business of the Export Co. done with China represented about 40 percent of the total business of the corporation?

Mr. LOVE. I will have to check my figures on that. Of course, bear in mind that shows unfinished business carried over from the last year, or of sales work done the last year.

Mr. HISS. The figures you read, Senator Clark, refer to shipments instead of sales.

Senator CLARK. In other words, sales made the last year or some previous time?

Mr. HISS. So that the shipments to China were over 40 percent of the gross shipments?

Mr. LOVE. That sounds correct.

Senator CLARK. Now, Mr. Love, I call your attention to a letter dated July 8, 1933, signed by L. E. Gale, president of L. E. Gale Co., Hankow, China, addressed to yourself. They were your export agents, were they?

Mr. LOVE. In certain territory in the interior; yes.

Senator CLARK. I offer this letter as a committee exhibit.

(The letter referred to was marked "Exhibit No. 566" and appears in full in the text.)

Senator CLARK. This letter, "Exhibit No. 566", is addressed to yourself, care of the National City Bank, Shanghai, China, and I read from it as follows:

I have just received your letter of July 5th. With reference to your proposed trip to Changsha and Chungking I have just heard from Mr. Litchfield that the war in Szechwan has settled down to earnest fighting. It is not possible to go beyond Chungking city. Marshall Liu Hsing, himself, together with all of the aviators, has gone to the front, approximately 150 miles north of Chungking. The road is not open now, being reserved for military transport, and no other traffic permitted. Under these circumstances it would be of no use to visit Chungking.

I have just heard from Changsha that General Huang, chief of the aviation bureau there has flown to Kweiyang with his assistant to further the cooperative plan of the air defence of these two provinces. Upon his return to Changsha, which is expected in about ten days or two weeks, I would like very much to have you go with me to Changsha to meet him in the event that you are still in China and have the time to spare. The very best bet of all, however, would be to arrange to have one of the new Corsairs demonstrated in Hunan, Kweichow, and Szechwan at the earliest possible moment. If Nahmmacher could fly this demonstration trip and take me along it would be a really wonderful boost of Corsair prestige and an immense help to sales.

Who is Nahmmacher?

Mr. LOVE. He was our representative in China.

Senator CLARK. He was a well-known aviator who was afterward killed?

Mr. LOVE. That is right.

Senator CLARK. The letter then reads further:

I earnestly request you, therefore, to do everything possible to make the necessary arrangement with Nanking to get permits for such a flight. In the meantime I will keep Nahmmacher advised closely of developments in both places. Will let you know as soon as General Huang returns.

That would seem to contemplate a demonstration by a well-known American aviator and practically at the front. Was that plan ever carried out?

Mr. LOVE. No; and I don't believe he ever expected it to be. He refers to the Nanking's permission, and that would never be given.

Furthermore, they do not grant huchaos¹ for any of these interior provinces. The interior provinces were out to buy aircraft and apparently had the funds, but we could not get permission to make a demonstration.

Senator CLARK. In other words, the situation is that each one of these interior provinces maintains at least one or more armies of their own, but they cannot get permission to bring airplanes in, from the government that controls them?

Mr. LOVE. No; not that controls them, but the government that is recognized by the foreign powers, because the customhouse is controlled by the foreigners and they report to the government which is recognized by the foreign government.

Senator CLARK. Did you ever make this trip to Changsha contemplated at that time and postponed for the moment?

Mr. LOVE. No; this is just an enthusiastic salesman who wanted me to go back in the interior.

Senator CLARK. You never got any chance to sell any planes back there?

Mr. LOVE. No, sir.

Senator BONE. What governments are involved in the control of the Chinese customs?

Mr. LOVE. The Nanking government.

Senator BONE. You spoke of foreign governments; whom did you mean?

Mr. LOVE. The Chinese customs is some kind of an international combination. I think it is predominantly controlled by the British, although there are also Americans employed and also French and others.

Senator BONE. What is the purpose of that—to secure a lien on the revenues?

Mr. LOVE. They administer the customs for the Chinese Government, and I believe there are various customs pledged on loans.

Senator CLARK. I hand you a letter taken from your files dated September 12, 1933, addressed to Mr. Thomas F. Hamilton, Paris, France. He is your European agent?

Mr. LOVE. Correct.

Senator CLARK. I offer this letter as an exhibit of the committee under its appropriate number.

(The letter referred to was marked "Exhibit No. 567" and is included in the appendix on p. 1561.)

Senator CLARK. This letter is unsigned, but it has the initials "mn" on it. Do you know who that would be?

Mr. LOVE. The stenographer, Mary Neelan.

Senator CLARK. Who wrote this letter?

Mr. LOVE. I will read it and see, if I may.

Mr. LOVE. Yes, sir; that is the letter that I wrote. That is after I returned from China.

Senator CLARK. I notice that you say in the fourth paragraph [reading]:

Conditions in China so far as they affect our business are very good and I anticipate very substantial business in the immediate future, possibly during the present week.

¹ Import permits.

That had reference to prevalent conditions of continuing war, did it not, Mr. Love?

MR. LOVE. No, sir. That had reference to the fact that I had been out there for several months and they had arranged to make this purchase. But I did not remain in China to collect the order. I came home. The thing was budgeted and set and going through the usual red tape of business issued as an order.

SENATOR CLARK. These were Corsair planes?

MR. LOVE. The same Corsair order; yes. You see, the procedure in selling planes is not the same as ordinary merchandise. Each country sets up a budget, showing how much they have to spend. Then they make up their program as to what they want in the way of equipment, what type of planes. The proposals are submitted and eventually they get their selection decided on, as to what type they want. It is quite a long drawn out affair. This is the order that I worked on in China and eventually it was received.

SENATOR CLARK. Is there any custom or practice arrangement in the companies of the United group as to what will be standard ammunition in the machine guns with which these planes are equipped for military purposes?

MR. LOVE. No, sir.

SENATOR CLARK. Do you have any sort of working alliance with any particular ammunition company, Mr. Love?

MR. LOVE. None at all. We prefer not to and generally do not sell ammunition. About the only time we did—I think it was in two cases—when we were obliged because of our having funds belonging to the supplier, something like that.

SENATOR CLARK. I call your attention to a letter dated June 5, 1933, from Mr. H. F. Beebe, manager foreign department of the Winchester Repeating Arms Co., addressed to S. A. McClellan, care of United Aircraft Exports, Inc., 230 Park Avenue, New York City.

I offer this letter as "Exhibit No. 568."

(The letter referred to was marked "Exhibit No. 568" and is included in the appendix on p. 1562.)

SENATOR CLARK. This letter reads:

DEAR CAPTAIN MCCLELLAN: I am enclosing with this copy of letter I have written to Capt. Antonio Cabral, of the Brazilian Flyers.

Our Mr. E. E. Jonas tells me that you are in charge of their itinerary and I sincerely hope that you will arrange for a visit to our plant.

Confidentially, I have just had a letter from our Mr. Nelson stating that Curtiss secured the order for aeroplanes equipped with machine guns and presumably some cartridges to go with them for China. This bears out what I told you that in my opinion Remington and Curtiss were working very closely in that market and I trust, under the circumstances, you will find it advantageous to work with us just as far as you can in these matters.

That would indicate an alliance between Remington and Curtiss and a proposed alliance between Winchester and United. Did anything further ever come out of that?

MR. LOVE. We had no alliance with any manufacturer at all. This is only quoting this fellow Beebe's opinion that maybe Curtiss has.

SENATOR CLARK. Did you ever encounter any such alliance between Remington and Curtiss, in your competition with Curtiss?

MR. LOVE. No, sir; I think not.

MR. HISS. The testimony shows that Curtiss had a selling agency for Remington in certain countries.

Mr. LOVE. We have never competed for ammunition, so I would not know.

Senator CLARK. I understand that you are not in the ammunition business.

Mr. LOVE. Oh, no; definitely not.

Senator CLARK. I call your attention to a letter dated June 23, 1933, from United Aircraft Export to Mr. Walter C. Thurston, American Embassy, Rio de Janeiro.

(The letter referred to was marked "Exhibit No. 569" and is included in the appendix on p. 1562.)

Senator CLARK. This letter is from Clark M. Carr, representative of United Aircraft Export Co., Inc., and, as I have said, is addressed to the American Embassy at Rio de Janeiro. The letter reads in part:

DEAR MR. THURSTON: Mr. George S. Forman, representative of the Colt's Patent Fire Arms Mfg. Co., and I, as representative of the United Aircraft Exports, Inc., take this opportunity of confirming our conversation with you of yesterday.

Last year's revolution caused the purchase of approximately a 150 military and commercial airplanes from the United States America by the Brazilian Government. This extensive purchase represented the adoption of American material by the Brazilian Air Corps and, simultaneously, the throwing out of French material. The military planes of these orders were supplied with Colt machine guns.

How many of those planes did you sell, Mr. Love?

Mr. LOVE. I would have to look it up to make sure, but I think something over 40. Have you got that handy, Mr. Hiss?

Mr. HISS. Forty-two, I think.

Mr. LOVE. Mr. Hiss says 42.

Senator CLARK. You sold 42 to Brazil. That was in 1933.

Mr. HISS. The company's own figures show shipments in 1932 to Brazil of 45 Corsairs and 14 Boeings. The Boeings were pursuits?

Mr. LOVE. Pursuits; yes.

Mr. HISS. That is the total of 59?

Mr. LOVE. That is right.

Mr. HISS. According to their own records.

Senator CLARK. I just wanted to indicate that there had been some difficulty about obtaining permission to train certain officers in the American Army School.

Mr. LOVE. I have not reached that far in this letter. That seems to indicate that these officers came up to learn how to service and handle the equipment. Necessarily, nobody goes into our factory without permission of the War Department. That permission was limited in this case to 3 days. It was not really a course of training. It was just a matter of staying around to learn something about the equipment.

Senator CLARK. Was that matter straightened out, Mr. Love?

Mr. LOVE. I do not know. Do you recall, Mr. Deeds?

Mr. DEEDS. I do not recall the particular instance.

Senator CLARK. Your agent was asking Mr. Thurston at the American Embassy to cable through the proper diplomatic channels, in an endeavor to correct a situation which, in his opinion, possibly arose through improper handling in the United States.

Mr. LOVE. That is another one of those cases where I was in China, according to the date of that letter. This came up during my absence, and I never heard of it when I got back here.

Senator CLARK. With reference to this order of the Brazilian Government which has been referred to, that included 29 planes which were at that time being constructed by the Vought and Boeing Cos. for the United States Navy and which were diverted to fill those Brazilian orders. That is correct, is it not?

Mr. LOVE. I do not think that any of the Vought planes were diverted, were they, Mr. Brown?

Mr. BROWN. I just do not recall the order, but several years ago—how long ago was that?

Mr. HISS. In 1932.

Mr. BROWN. 1932—that is about right.

Senator CLARK. There were 20 Vought and 8 Boeing planes, Mr. Love.

Mr. BROWN. That is right. In order to make prompt deliveries, application was made to the Navy to set back their deliveries and use the planes that were coming along the line for this order, and that permission was given.

Senator CLARK. And those 29 planes were part of a total order of 42 planes purchased from United at that time?

Mr. BROWN. They were Voughts and Boeings.

Senator CLARK. Forty-two all told.

I offer as an exhibit a copy of a report from the Navy Department in this connection.

(The report referred to was marked "Exhibit No. 570" and is included in the appendix on p. 1563.)

Senator CLARK. What were the terms on which those planes were sold; do you recall, Mr. Love?

Mr. LOVE. Yes, sir. The planes along with other material, parachutes, and some ammunition, and some Waco planes, and different things—owing to the confusion down below and difficulties in the Government, were all lumped into one letter of credit and the order for the whole lot was made to United. That letter of credit, as I recall, was an even 2 million dollars. But it was not all United equipment. We endeavored to get that credit subdivided in its proper proportions to the other factories, in proportion to what was theirs, as we wanted to have nothing to do with it. But that was not successful. So that we drew on our letter of credit to turn money over to these other factories.

The terms, as I recall it now, were \$82,500 per month. That is correct, is it not, Mr. Brown?

Mr. BROWN. I do not recall.

Mr. LOVE. Against the letter of credit, which was through the Guaranty Trust Co. in New York.

Senator CLARK. Was that payment made as planes were delivered, or were the payments strung out after the delivery of the planes?

Mr. LOVE. The payments were strung out after delivery; yes.

Senator CLARK. I am interested in this, because there has been evidence that Mr. Webster, president of the Curtiss-Wright Co. withdrew his bid on this same lot of planes because he was not satis-

fied with the method of financing. Therefore it becomes interesting to know what arrangement those planes were finally sold on.

Mr. LOVE. Now, that is a mistake, Senator. This order came up most unexpectedly. As soon as we heard the news, Mr. Webster took a plane for Brazil immediately. I used the long distance wire, got the specifications, quoted by wire, and our man was on the way north with the order and crossed Webster in Para or Pernambuco; in other words, our man had the order before Webster arrived there.

Senator CLARK. In other words, you used the telephone and got the order by wire, while Webster went down there by plane.

Mr. LOVE. That is correct. There never was a question of the terms. This was an irrevocable letter of credit on government bank of Brazil through the Guaranty Trust Co. Payment was effected in full without any delay at all.

Senator CLARK. Mr. Love, there has been testimony here that Mr. Webster—and it was by Mr. Webster himself, was it not, Mr. Hiss?

Mr. HISS. Yes, sir.

Senator CLARK. That after Webster was supposed to have withdrawn his bid or, according to your statement of it, after your messenger crossed Webster coming home with the order, Webster went to Buenos Aires and there sold 10 Falcon planes from the Curtiss factory in Chile to a certain Mr. Jones who claims to be representing Paraguay, according to Mr. Webster. Mr. Webster later found out that Mr. Jones was a certain Commander Orsini, a Brazilian officer, and that planes were purchased for the São Paulo revolution. Do you know anything about that transaction?

Mr. LOVE. Nothing, only hearsay.

Senator CLARK. You were bidding on this South American business at the same time, and it occurred to me that you might have heard something about it or might have known something about it.

Mr. LOVE. We have never quoted, to my knowledge, on anything to Paraguay, and I never heard of this transaction until after it was all completed. I have never met this Mr. Jones, or Orsini, or whatever his name is; never saw him or heard of him before.

Senator CLARK. He never tried to buy any planes from you for Paraguay?

Mr. LOVE. No. The first I heard of this was in reading about the testimony the other day.

Senator CLARK. Did it not occur to you, from your experiences as a salesman, that it was rather an extraordinary course of conduct for a man named Jones to turn up in South America with cash in his pockets to pay for a lot of planes? Did you ever have such an experience as that?

Mr. LOVE. I testified awhile ago that most of our sales are set up in a budget several months in advance. This Brazilian order was the only one that I can recall that sort of came out of a blue sky.

Senator CLARK. You do know that some time after this incident of these planes turning up in possession of the Brazilian revolutionists, the Curtiss Co. was in the bad graces of the Brazilian Government, do you not?

Mr. LOVE. I only know of this from hearsay. Naturally, I heard this whole story, traveling around down there, but I had no proof and never saw anybody who was involved in it.

Senator CLARK. Your assistant, Mr. McClellan, had information to that effect apparently, and in that connection I call your attention to a letter of March 28, 1934, which I offer for the record as "Exhibit No. 571."

(The letter referred to was marked "Exhibit No. 571" and is included in the appendix on p. 1564.)

Senator CLARK. This letter is from Mr. S. A. McClellan, who was your executive secretary?

Mr. LOVE. Yes.

Senator CLARK. To Mr. Clark M. Carr, Buenos Aires, Argentina. He says:

In this connection it is interesting to have Jonas' comment that our main competitor is being represented by the firm of Sousa Sampaio, which enjoys a most excellent reputation in all quarters and is run by a family prominently identified with the development of both Brazil and Uruguay for a number of generations. We have, in the past, believed that our competitor could not do much in the Brazilian market with the present government because of the bad reputation they got in connection with supplying second-hand equipment during the course of the Brazilian revolution. Apparently, this should be discounted heavily, if not entirely, due first to the type of representation they now have in Rio, and second to the following evidence of the short memory and forgiving disposition of the present Brazilian Government.

Then he goes on to recount the reinstatement of a certain officer who had deserted to the rebel side, fought against the Government during the revolution and was now again an officer in their army.

But, in connection with this reference to Curtiss, is that your understanding of Curtiss' reputation in Brazil following this Jones-Orsini incident?

Mr. LOVE. Well, it is really all agents' reports, based on rumors. It is not entirely true.

Senator CLARK. In this case this is information from the home office to the agents, instead of information sent by some irresponsible agent to somebody else.

Mr. LOVE. These are some more rumors, recounting rumors told by somebody else. He is just passing the rumor along.

I do not believe that Curtiss supplied second-hand equipment there. I think they were new planes from their Chile factory. They did some time previous supply some second-hand trainers, but I was assured by Mr. Webster that they were sold as second-hand and it was understood that they were second-hand.

Senator CLARK. These Falcon planes turned up in the hands of the rebels, did they not?

Mr. LOVE. Yes, sir. I saw some of them there.

Senator CLARK. What was that?

Mr. LOVE. I saw some of them there.

Senator CLARK. Were you looking over the rebel planes as well as the Government planes yourself?

Mr. LOVE. At that time the revolution had finished and these rebel planes were stored in the federal hangar.

Senator CLARK. Mr. Love, last week when the Curtiss people were on the witness stand there was a letter or an interoffice memorandum from the Curtiss-Wright files put in evidence as exhibit 426, to which I again refer.

This is from W. F. Goulding to Mr. Burdette S. Wright. I am not familiar with the particular positions of these gentlemen, but this memorandum says:

Another matter is the question of financing. Apparently United was able to work this out to their satisfaction, but just how it was done I am not entirely aware. As a matter of fact, I think it was worked out in connection with the Farm Board's coffee, but you do not need to tell people this if they do not know it.

What connection did you have with the Farm Board coffee?

Mr. LOVE. Absolutely and precisely none. I never heard of it before.

Senator CLARK. Did you get paid out of the proceeds of the coffee that the Farm Board took in exchange for some other commodity?

Mr. LOVE. No. We definitely got paid on letters of credit from the Bank of Brazil through the Guaranty Trust Co.

You asked me a moment ago if we had sent ahead planes, ahead of our monthly payments. Now that I recall it—I said that we did, which was true, but I think we had sent considerably more than this monthly allotment covered. Mayrink gave to me in Brazil 6,000 contos of milreis. A conto of milreis is 1,000 miresis. It runs into a great many ciphers. But, substantially, it was \$600,000 that they put up in escrow in Brazilian currency until such time as the credit ran out. When the credit ran out the money was turned back to them. That was merely a guarantee that we would receive the money because of the condition of blocked exchange in Brazil at the time, of which you are no doubt aware.

Our payments were all on a letter of credit, a straight letter of credit, and this deposit was merely an additional guarantee on Mayrink's part.

CONTRACT BETWEEN UNITED AIRCRAFT EXPORTS AND PERU FOR THE SALE OF GUANO

Senator CLARK. About the same time—that is to say, the middle of 1932—you entered into a contract with Peru for financing certain purchases that they had already made and certain future purchases to be made, did you not?

Mr. LOVE. You refer to the guano contract?

Senator CLARK. I will offer two contracts, between the United Aircraft Exports, Inc., and the Peruvian Guano Co. for one and the United Aircraft Exports, Inc., and the Peruvian Government for the other.

(The contracts above referred to were respectively marked "Exhibits No. 572 and No. 573" and are included in the appendix on pp. 1565 and 1570.)

Senator CLARK. Under those contracts, Mr. Love, it was provided that a certain quantity of guano was to be turned over to the United by the Peruvian Guano Co.; is that correct?

Mr. LOVE. Yes, sir.

Senator CLARK. That was one contract between the company and the United; that is, the Peruvian Guano Co. Then there was another between the Peruvian Government and the United?

Mr. LOVE. The Peruvian Government intervened and signed with the Guano Co., because they own and control the Guano Co.

Senator CLARK. The Guano Co. is really a governmental agency; is that it?

Mr. LOVE. Yes, sir.

Senator CLARK. Controlled under a Government monopoly. The Government is in complete control of it, with authority to remove officers of the Guano Co. at will, or dissolve the board of directors of it, and in all senses absolutely to control the operations of the company. It is a governmental agency; is that correct?

Mr. LOVE. Yes. But it is a little more complicated than that, because the Guano Co., to get started, formed a preferred stock company, and there are private stockholders who are limited to a 10-percent return on their investments. All beyond that goes to the Government.

Senator CLARK. The beneficial owner, outside of some limited preferred stock, simply for the purpose of originally marketing it—

Mr. LOVE. That is correct.

Senator CLARK. The beneficial owner of the Peruvian Guano Co. is the Government itself; is not that so?

Mr. LOVE. That is correct.

Senator CLARK. Will you outline briefly just what these contracts provide? I realize that they are very complicated, but will you briefly outline the general scheme?

Mr. LOVE. Yes, sir. I have done a great deal of barter business in my life, selling back and forth and exchanging, in substantial amounts at different times. I went down to Peru, where I have been going for over 20 years and know everybody, and saw this situation. They were short of money. They had this guano deposit, for which there was an active market in this country. But they had no sales here to speak of and no money with which to pay the common labor to get out this guano or to buy the sacks or charter the ships and get it up here. In addition, they owed us an unpaid balance which I was trying to collect. I worked out a scheme whereby I advanced under these contracts to the Guano Co. the cost of \$7.40 per ton for paying the labor to get off this guano, to deliver it on board ships.

I agreed to charter the ships. I agreed to pay the cost of weighing and sampling and testing, and so forth, to pay the freight and advance immediately, when they made shipments in Peru, the amount of \$7.40 per ton.

Mr. HISS. That is \$7.20 a ton.

Mr. LOVE. I am corrected on that detail. It is \$7.20 a ton.

That amount of \$7.20 paid all their labor and the local cost and allowed the obligatory 10-percent return on the preferred stock of the company.

We were to sell that in the States at a fixed price, based on the daily chemical-trade reports there. I believe it is called the Oil, Paint and Drug Reporter. That gives the quotations daily of nitrogen and ammonia, and the basis was stipulated in the contract.

After making a sale, we deducted from that our cash advances on the transactions which was \$7.20 per ton in Peru, the steamship charter, the weighing and sacking and testing and delivering, and so forth, and have a certain cash residue, of course, and to help the

Government in their normal requirements we remitted to them one-half of that in cash; one-half of that profit on each transaction. One-quarter of the profit we apply to the payment of our old debt and another quarter, the remaining quarter of the profit, we had assigned to the aviation department for their new requirements, which they needed mostly in spares, to maintain what they had. Their participation, I might explain, really came in to get the assistance of the marine department in effecting this contract.

SENATOR CLARK. Let me see if I understand this correctly, Mr. Love. I think I understand from your statement and from reading the contract. There were certain fixed charges in connection with getting out this guano and getting it to the market.

MR. LOVE. Yes, sir.

SENATOR CLARK. That included insurance and labor?

MR. LOVE. Chartering the ships.

SENATOR CLARK. The freight and everything else.

MR. LOVE. Sampling and analyzing.

SENATOR CLARK. Let us say that that is \$7.

MR. LOVE. Our charges were approximately \$14.50 per ton.

SENATOR CLARK. Just for the purpose of illustration I will say \$7, because that has been mentioned here. Then you sold on a fixed price, to be regulated?

MR. LOVE. We had that sold by professional brokers, H. J. Baker & Co. I do not know at what price they sold, because that would depend on quantities and terms, and so forth.

SENATOR CLARK. I understand that. Then you remitted to the Peruvian Government on the basis of a fixed charge.

MR. LOVE. A fixed percentage of the quotations in the daily New York papers.

SENATOR CLARK. Let us say that price was \$8 or \$7, any figures you might be pleased to take. You would remit to the Peruvian Government the difference between your base cost, which you put at \$7, let us say, and the fixed sale price, which we will put at \$10. You would remit, then, to the Peruvian Government a dollar and a half of that.

MR. LOVE. Yes.

SENATOR CLARK. Fifty percent of the excess between your base cost and the fixed price. You would retain another dollar and a half, of which 75 cents or one-quarter of the excess, was to be applied to the payment on the old debt and the other 75 cents was to be applied on the purchase of new material by the Peruvian Government.

MR. LOVE. That is correct.

SENATOR CLARK. If actually through your brokers' arrangement you are able to sell this material above the fixed price on which you remitted to Peru, that profit belonged to you according to the arrangement that you had made with your broker.

MR. LOVE. It belonged to the broker who carried all of the risk of selling and took the risk of having a loss upon it, because it is a very treacherous business. It depends on the quantity of stones and dead bird feathers that is contained in the guano and the terms, and so forth.

SENATOR CLARK. Then you did not participate in any profit above your fixed price, nor did you share any of the loss?

MR. LOVE. No. We did not take any of the risk at all.

Senator CLARK. You, as well as the Peruvian Government went on the fixed-price basis?

Mr. LOVE. Precisely.

Senator CLARK. Just for the purpose of explaining exactly how this is figured, I call your attention to an extract from a letter written by you from Lima, Peru, on February 27, 1932, which I offer in evidence as "Exhibit No. 574."

(The extract referred to was marked "Exhibit No. 574" and appears in full in the text.)

Senator CLARK. This reads:

Obtain copy of the Oil Paint & Drug Reporter, published at 12 Gold St., New York. Use prices in special section called "Fertilizer materials." Copy I have is Feb. 8th. Take price on page 52, \$19 per net ton for sulphate of ammonia, which converts to \$21.28 per gross ton, containing 20½ units of ammonia. Now a unit of nitrogen (which is the basis for buying the guano) is 1.214 units of ammonia (which is the basis for selling in the States) hence multiplying 20½ units per ton of the sulphate of ammonia equals 24.89 units of ammonia, which, divided into the cost of \$21.28 per gross ton, equals 0.895 cents, which, adding the 20 percent specified in the contract, and which represents the superior quality of guano ammonia, gives a net cost to us of \$0.966 per unit of saleable ammonia as our cost price c.i.f. Atlantic ports.

The price of the phosphoric acid is based on superphosphate which was quoted in same issue as \$7.50 per ton of 16 percent or a cost to us of \$0.466 per unit, and the current selling price is \$0.50. This is little or no profit on this content, but it doesn't matter.

The potash content is furnished free by Guano Co. and seldom passes 1-2 percent, but is saleable at about \$0.50 per unit.

Do not take this matter up with W. R. Grace, as they will surely discourage the transaction and endeavor to block the agency contract. * * *

That was the agency contract in effect?

Mr. LOVE. No, sir; the one I was trying to make with the Government.

Senator CLARK (continuing reading):

I understand that they have 8,500 tons in stock in Jacksonville, which they are endeavoring to sell at \$2.50 per unit. Bearing in mind that a "unit" is merely the trade way of referring to percentage of weight and that the average Grace has is 12 units per ton, you will see that the difference between our apparent cost price of \$0.966 and Grace's reported price of \$2.50 represents a difference in their inventory of slightly over \$150,000. Or if we were to sell at \$1.50 per unit, which in De Laval's opinion would be nearer the market price at which figure large sales are immediately possible, it means a paper loss for Grace of \$100,000.

Mr. LOVE. A paper loss?

Senator CLARK. A paper loss; yes, sir. That apparently explains the basis on which the transaction was begun, does it not, Mr. Love? It illustrates the way in which you figured your cost?

Mr. LOVE. I do not know that this settles the question. You see, this is dated in February 1932, when I was just learning the Guano business. This last paragraph turned out not as reported to me.

Senator CLARK. You got to be an expert on guano, did you not?

Mr. LOVE. I got to know the difference between organic and inorganic, but I have forgotten it now.

Senator CLARK. I offer these in evidence.

Mr. LOVE. This was published in all the papers down there and is a public document, and highly approved by everybody at the time, and is still on file down there.

Senator CLARK. Now, Mr. Love, how did you finance the cost of \$14.50? I believe you said the cost actually ran about \$14.50 a ton.

Mr. LOVE. That was done entirely by Baker, and I think the first few transactions they advanced the money by cable, and later put up, I think, letters of credit in Peru in favor of the Guano Co., and stationed there and have stationed there their own representative, who checks and verifies every shipment and makes immediate payment to them, and Baker turned the money over to us, and it was immediately divided.

Senator CLARK. Did you supply the ships, or did Baker?

Mr. LOVE. Baker chartered them.

Senator CLARK. Baker chartered the ships?

Mr. LOVE. Yes, sir.

Senator CLARK. In other words, as I understand it, it is necessary to have special ships moving this guano because it smells so badly that you could not ship it on ordinary passenger ships or freighters. Is not that true?

Mr. LOVE. I do not think it is especially for the smell. You never notice it when you are around it a few minutes. It is difficult to handle, and they use little tramp steamers, and it is loaded in bulk and not in packages.

Senator CLARK. They did have a special line of boats chartered for the purpose of moving it?

Mr. LOVE. Not a special line, but chartered ship by ship.

Senator CLARK. It is necessary for those ships to come up loaded and to go back empty, as a general proposition, is it not?

Mr. LOVE. That depends on where they charter. They might charter them at the Gulf or around Panama.

Mr. HISS. But, after they deliver a load of guano in the United States, if the same boat were to be used again, it would go back empty?

Mr. LOVE. Normally they do not go back, because there is a limit to the season of shipping guano, 3 months, and they would not have time to load and unload and go back to get another load.

Senator CLARK. Was there any limit on the amount of tonnage which was to be turned over by the Peruvian Government?

Mr. LOVE. Yes, sir; the limit was to be that available for export after supplying all home demands and then I think our original contract required us to take a minimum of 12,000 tons. I think 12,000 a year is correct.

Mr. HISS. For 5 years?

Mr. LOVE. Twelve thousand a year for 5 years.

Senator CLARK. I call your attention to a letter dated December 30, 1932, or, rather, a memorandum, from Mr. F. H. Love, yourself, addressed to Mr. M. F. B. Rentschler, which I offer for appropriate number.

(The memorandum referred to was marked "Exhibit No. 575" and is included in the appendix on p. 1574.)

Senator CLARK. In that memorandum you state [reading]:

I have just had quite a long session with Mr. Smith, partner of H. J. Baker & Brother, regarding the Peruvian situation. I have a high opinion of Mr. Smith's integrity and am inclined to credit fully any statements he makes.

Mr. Smith tells me the Peruvians just approached him—

Mr. LOVE (interposing). I would rather leave that out of the record.

Senator CLARK. I think it is an important part of this transaction.
[Continuing reading:]

Mr. Smith tells me the Peruvians just approached him on a basis to notably *skimp* their analysis in order to double the profit made at this end. We mutually agreed to turn the proposition down definitely.

To date he has moved three times the contracted tonnage and he expects that even this will be further increased, as he has made sample sales in places like Philadelphia which heretofore have never known guano.

Now apparently, Mr. Love, there was some difficulty as to the amount to be furnished you by the Peruvian company because I find this file memorandum, signed J. R. Miller [producing paper].

That memorandum is dated April 3, 1934, and I offer it in evidence with the appropriate reference number.

(The memorandum referred to was marked "Exhibit No. 576" and is included in the appendix on p. 1575.)

Senator CLARK. Who was Mr. J. R. Miller?

Mr. LOVE. Miller is the treasurer of the United Aircraft Exports, Inc.

Senator CLARK. He says:

In talking to Mr. McCormick of H. J. Baker & Bros., yesterday, he advised that the President of Peru had signed a decree dissolving the board of directors of the Compañía Administradora Guano. One of the reasons for this decree is the fact that they have disregarded the President's previous decree instructing them to act favorably with reference to the 15,000 tons of guano for which Baker Bros. placed orders for the coming year.

Mr. McCormick believes that while this action is far from satisfactorily closing the matter, it betters our position somewhat over that which we were in just prior to Mr. Love's departure since the then directors of the Compañía Administradora del Guano were among those opposing our contract for political reasons. Mr. McCormick expressed the opinion that the new directors would probably be more favorable toward us.

So that you did considerably exceed the limits fixed in the contract in the actual movement of guano, did you not?

Mr. LOVE. That 12,000 tons per year—

Senator CLARK. Six thousand?

Mr. LOVE. Twelve thousand was the maximum we agreed to take. We were not obliged to take more than that.

Mr. HISS. That is the minimum?

Mr. LOVE. We agreed to take that as a minimum.

Senator CLARK. You agreed to take 12,000 as a minimum?

Mr. LOVE. Yes, sir.

Senator CLARK. And then you had some difficulty getting more than the minimum from the company and, as a result of that, the President of Peru "fired" the members of the board of directors of the Guano Co.

Mr. LOVE. I do not believe that was the reason why he "fired" them. That is another of these hearsay letters. I know some of the inside politics, and I know that is not the reason for the changes they made there. The contract in general proved very, very advantageous to them; more so than they ever anticipated. That paragraph I asked you to leave out, Senator, will probably show you why there was a dissolution down there.

Senator CLARK. Now, in 1933, Mr. Love, apparently the United was negotiating with the Federal Laboratories and with the United States Ordnance Engineers, the selling agency for the Lake Erie

Chemical Co., regarding a shipment of bombs to Peru on the empty freighters returned in sending cargoes of guano, were they not?

Mr. LOVE. I would not call it negotiations. My recollection is that I suggested to somebody that they might get them down on these guano boats. I do not know. I would have to see that to refresh my recollection.

Senator CLARK. This is a letter to Mr. Francis Love, president United Aircraft Exports, Inc., 230 Park Avenue, New York, being from Mr. B. C. Goss, president of the U. S. Ordnance Engineers. I will offer that in evidence, to be numbered appropriately.

(The letter referred to was marked "Exhibit No. 577" and is and is included in the appendix on p. 1575.)

Senator CLARK. That letter reads, in part, as follows:

In accordance with your request for quotation, we are pleased to quote the following list price, f.o.b. Reynolds, Pa., packed for export.

And then follows schedule A, demolition bombs and ring-type fragmentation bombs; then schedule B, demolition bombs and ring-type fragmentation bombs, body empty, fuze and booster loaded; and then schedule C, body and booster empty, fuze loaded, demolition bombs and ring-type fragmentation bombs, each—

We estimate sixty days for delivery of the above after receipt of an order.

Your discount from the above list prices is thirty percent (30%).

In accordance with our conference in New York on Tuesday last, will you please advise me who in your organization can make specific arrangements for carrying loaded bombs to Peru, Bolivia, Paraguay, etc., in your guano boats in case we should wish to avail ourselves of your kind offer during your absence from this country?

In accordance with your inquiry, the name of our temporary representative in Peru is J. Froletz P. Edificio, Italia 310, Apartado, 1873, Lima, Peru—Telephone 10126.

Thanking you again for making our stay in New York such a pleasant one, I am.

And so forth.

What was that negotiation, Mr. Love?

Mr. LOVE. My recollection on that is that Peru asked us to quote on this, figuring on using their surplus funds for new equipment out of their guano. We did not want to handle this stuff, but felt obligated to quote them prices.

You will notice I was away again, being out of the country, and we tried to get a price delivered down there, and there were not any boats which would get them. They can not go in a passenger boat and they cannot go in a freight boat, which makes certain ports, which forbid explosives to come in. That was merely a suggestion I made to Colonel Goss, whom I know personally, and so forth, that he might get them down on one of the empty guano boats that they were chartering at that time. We did not go into the deal. There is nobody in our organization, and we never chartered a boat and had anything to do with it. That is Baker's job, chartering agents.

Certainly nothing ever came of that thing. It was forgotten by us gladly.

Senator CLARK. Here is once you were not out of the country, Mr. Love [producing paper].

Mr. LOVE. Good.

Senator CLARK. Here is a file memorandum dated December 19, 1933, with copies to Mr. Johnson, Mr. Rentschler, and Mr. McCarthy.

This is signed by Francis H. Love. I will offer that for the record, to be given the appropriate exhibit number.

(The memorandum referred to was marked "Exhibit No. 578" and is included in the appendix on p. 1576.)

Senator CLARK. That letter or memorandum reads in part as follows:

Baker are quite agreeable to their chartered freighters carrying airplane bombs or other material of ours to South America, whenever it may result to our advantage.

That does not sound like an accommodation to Colonel Goss.

Mr. LOVE. No, sir.

Senator CLARK (continuing reading):

I have in mind the \$100,000 loaded bombs for Peru, on which freights on regular passenger steamers or any direct steamers are unavailable. This order will only be taken by us with full cash in advance, or equivalent, and freight assured in advance.

Mr. LOVE. This other material of ours is airplanes, which we had thought at that time of sending down, airplanes on guano boats. You can see there that Colonel Goss is not familiar with the thing, when he talks about going to Paraguay or Bolivia with a guano boat.

Senator CLARK. It does not indicate you were dealing with the matter just for the benefit of Mr. Goss when in this memorandum you state to Mr. Johnson, Mr. Rentschler, and Mr. McCarthy:

Baker are quite agreeable to their chartered freighters carrying airplane bombs or other material of ours to South America, whenever it may result to our advantage. I have in mind the \$100,000 loaded bombs for Peru, on which freights on regular passenger steamers or any direct steamers are unavailable.

That indicated you were going into the bomb business on your own, did it not?

Mr. LOVE. As I explained before, we were obliged to furnish Peru or obliged to furnish them material they ordered from the guano.

Senator CLARK. In other words, this is 25 percent of the guano proceeds, which might be for anything Peru wants besides your equipment?

Mr. LOVE. I think the contract shows that.

Mr. HISS. Was it not your contention that the 25 percent had to be spent for airplane equipment through you?

Mr. LOVE. We had that up; and I think the contract reads, if you have it handy, that it was equipment purchased through United. I tried to have it United equipment, and they would not have it. I think you will find the contract reads, anything purchased through United.

Senator CLARK. If this had nothing to do with the guano contract, Mr. Love, why did you include the following language in connection with this bomb order:

This order will only be taken by us with full cash in advance, or equivalent, and freight assured in advance.

In other words, if you had a lot of money in your pocket, it would not have been necessary to get them to pay in advance, would it?

Mr. LOVE. What I referred to was probably this: This guano money was not a static item, and they were continually ordering against it, and I probably had in mind that we would have that money and earmark it for this.

Senator CLARK. You state in your memorandum that you will only fill the order for cash on the barrel head.

Mr. LOVE. Cash on hand. We never had a fixed amount piled up, but were continually sending them orders against that guano deposit. There were engines, spare parts, plane parts, and so forth.

Mr. HISS. Mr. Love, if you had bought bombs out of this 25 percent from Lake Erie, you would have received the discount which was stated in the letter which was just put in evidence, would you not?

Mr. LOVE. That is true.

Senator BONE. What sort of bombs were those?

Mr. LOVE. We never bought them or handled them, so that I will have to look.

Senator BONE. Were they explosive, poison gas, or what were they?

Mr. LOVE. No, sir; there was no poison gas shipped, Senator. Demolition bombs and fragmentation bombs and others, or just fuzes.

Senator BONE. Where were they manufactured and by whom?

Mr. LOVE. This quotation is from the U. S. Ordnance Engineers, and my recollection is we got a quotation from somebody else. Is that correct?

Mr. HISS. Correct.

Senator CLARK. The U. S. Ordnance Engineers was a private company, was it not, Mr. Love?

Mr. LOVE. Yes, sir.

Senator CLARK. The name might indicate that it was a governmental agency, but it is a private company?

Mr. LOVE. Yes, sir. I did not read all the name. It is the United States Ordnance Engineers, Inc.

Senator CLARK. Yes, sir; the United States Ordnance Engineers, Inc. Going back to the 25 percent, Mr. Love, as to what was purchased and whether you were bound to go out in the market, can you tell us more about that?

Mr. LOVE. I would like to look at the contract.

Senator CLARK. Yes, sir. Here is another letter dated February 17, 1933, signed United Aircraft Exports, Inc., by J. R. Miller, assistant treasurer, addressed to the Director General of Administration, Ministry of Marine and Aviation, Lima, Peru, which states:

DEAR SIR: We have for acknowledgment your letter of January 31, in reply to our cablegram of January 27, relating to the application of moneys in our hands to the acquisition of aviation equipment.

We desire to point out that under the first article of the contract entered into under date of June 25, 1932—

That is the contract to which you have been referring—

between your government and this corporation, it is stipulated that your government will acquire new planes and aviation equipment through this corporation, which agrees to furnish such equipment in accordance with contracts to be entered into with it for that purpose, and that it is only to the purchase of equipment acquired in this manner that this corporation has agreed to apply moneys held by it under the contract. This is clear, since, under the fourth article of the contract, it is provided that 25 percent of the purchase price of the guano "shall be applied by United to new acquisitions", and in the first article the term "new acquisitions" is defined as new planes and aviation equipment acquired "through United."

(The letter referred to was marked "Exhibit No. 579-A", and is included in the appendix on p. 1578.)

Senator CLARK. That, taken in connection with your statement that you would not enter into this field unless there was cash on the barrelhead would certainly clearly indicate that these bombs to which the correspondence referred would not come within the terms of the contract.

Mr. LOVE. Senator, I have this thing here. We had a specific discussion with Commander Galdo, and we tried to get it "by United" and it specified "through United." Mr. Miller's complaint was where they were buying elsewhere and asking us to turn over funds to a third party. That is what we would not do. We had no authority under our contract, first of all, to take their money and apply it to anyone else.

Senator CLARK. Did you understand that these bombs came within the term of "aviation equipment"?

Mr. LOVE. They are airplane bombs.

Senator CLARK. They are not airplanes.

Mr. LOVE. Aviation equipment for military purposes.

Mr. HISS. Was it not your contention, Mr. Love, that it would be unfair of Peru to use you as a purchasing agent for equipment not made by your company?

Mr. LOVE. Yes; that was another thing. When we produced this revenue for them they did not have the revenue at all unless they produced the guano and created a market.

Mr. HISS. It was the contention of your company that Peru must apply that 25 percent and must acquire United Aircraft products and not any bombs or stuff from Lake Erie?

Mr. LOVE. That is what I originally tried, and the contract was amended to say "acquired through United, aviation and military equipment acquired through United."

Mr. HISS. After that you contended, did you not, that Peru was obligated to buy from you?

Mr. LOVE. I told them that; yes, sir.

Mr. HISS. Did they, as a matter of fact, ever buy any equipment other than through United for Peru?

Mr. LOVE. I think there were some emergencies or spares, which was somebody else's material, and we did it as an accommodation and advised it was against the contract.

Mr. HISS. In other words, your construction of the contract is that they were obligated to buy with that 25 percent only United products?

Mr. LOVE. Just the opposite—through United. In other words, they could not buy from somebody else, as I have stated here, and turn this over to a third party.

Mr. HISS. I am sorry. I thought you said the Peruvian Government was morally obligated to obtain that 25 percent from the United people.

Mr. LOVE. I thought so morally; but the contract was amended by them.

Mr. HISS. After the contract read that way, did you not write to Peru telling them that you thought they were morally obligated to get only United products with that 25 percent?

Mr. LOVE. I do not know whether I did or not; but the contract reads that they could buy other stuff.

Mr. HISS. As a matter of fact, did they buy other than United equipment with that 25 percent?

Mr. LOVE. I would have to look that up to be positive, but I think there was one or possibly two small transactions that, to accommodate, we did pay them.

Mr. HISS. The majority of that money has all been used to purchase United equipment. Is not that correct, Mr. Love?

Mr. LOVE. No; I would not say that is correct, because there are certain parts which United does not make—fabric, wires, and parts of that kind, which is made by some company and which was not of our manufacture, but which we currently supplied as spares; instruments, for example.

Senator CLARK. About that time, Mr. Love, Chile owed you some money and you were trying to enter into a negotiation or contract with them to pay on that, were you not?

Mr. LOVE. Yes, sir.

Senator CLARK. What came of that deal?

Mr. LOVE. Nothing up to the present.

Senator CLARK. You are still working on that?

Mr. LOVE. Yes, sir; we are still working on that—no; as a matter of fact, I have dropped it, because since it has been arranged to pay in cash, I turned the transaction over to Baker and they were working on it.

Mr. HISS. Here is a letter of October 31, 1933, which will be "Exhibit No. 579", written by Mr. J. R. Miller to the director general, in which he says that he does consider they should purchase United products [handing paper to witness].

Mr. LOVE. Yes, sir.

(The letter referred to was marked "Exhibit No. 579" and is included in the appendix on p. 1577.)

Senator CLARK. You were also dealing with the Federal Laboratories, were you not, Mr. Love, about being their agent in the sale of bombs in Peru?

Mr. LOVE. Not being their agents. We probably got a quotation.

Senator CLARK. They requested you to be their agent. I call your attention to a memorandum, undated, referring to December 13, signed by yourself, Mr. Love, a copy to Mr. S. A. McClellan, which I will ask to have marked "Exhibit No. 580."

(The memorandum referred to was marked "Exhibit No. 580" and appears in full in the text.)

Senator CLARK. In that memorandum you say [reading]:

During the past week the Government has been indulging in a spree of aeronautical and armament purchases, presumably from the proceeds of the \$7,500,000 loan for "national defense" obtained from the reserve bank last month. A contract has been closed with the Curtiss people for the purchase of nine Curtiss Falcons, three Curtiss Hawks, equipped with "Cyclone" motors, plus about \$80,000 worth of equipment and parts, and quotations have been asked for ten to twenty more planes. As a matter of interest to the United Aircraft people, bidders for these planes were reported to be General Aviation, Northrup, Douglas, Junkers, and Fairey. It is stated that Curtiss promises 40- to 50-day delivery in New York, and for that reason got the edge on the rest of the bidders. Terms are believed to be one-third with order and two-thirds payment against shipment, the credit having been opened under the guaranty of the reserve bank. We are also told that \$100,000 worth of aeroplane bombs have been ordered from the States and that 135,000 gallons of aviation gasoline

were purchased at short notice from the International Petroleum Company of Talara for shipment to Iquitos.

All of this, of course, is an offset to Colombia's reported activities, and it is estimated that the total cost of planes and armament contracted for during the past week is in the neighborhood of \$550,000.

Mr. LOVE. Senator, you will note that is not signed. That is not my language at all. I do not believe I ever wrote that. This one over here is a different memorandum altogether. That is not my language.

Senator CLARK. I beg your pardon, Mr. Love. They were coupled together, and I thought they were the same memorandum.

Mr. LOVE. No.

Mr. HISS. It appeared in the files of the company that they were the same memorandum, being coupled.

Senator CLARK. You do not know who wrote that, Mr. Love?

Mr. LOVE. No, sir. I never used this language.

Senator CLARK. They were coupled together in your file. This memorandum is dated December 27, 1933. It reads as follows:

In conversation with Mr. Young, of Federal Laboratories, on Dec. 19th, he was very desirous that we make some arrangement with him to work exclusively on the Peruvian bomb order with his company. This I declined to do, stating that we were not primarily interested in bomb sales but probably would become involved in this sale for financial reasons and the possibility of making delivery of loaded bombs from the east coast on guano boats.

Federal has an agent in Lima, Mr. de Russey, who at the same time is an agent of du Pont's.

Mr. Young proposes that I contact his agent in Lima and arrange the sale on the basis of empty bombs, which we would have no difficulty whatever in shipping down on regular passenger steamers (query re loaded fuses) and have De Russey, as agent for du Pont, bring in the TNT. Mr. Young would furnish, at an approximate cost of \$6,000 for salary and expenses, a technician to go to Peru and actually load the bombs down there.

Mr. Young states the value of these bombs would be about \$120,000.

I made no commitments of any kind with Mr. Young and would prefer to hold the matter in abeyance until I get down to Peru and see what the actual situation is.

What did come out of that situation, Mr. Love?

Mr. LOVE. Nothing at all, sir. I side-stepped it. As I say, I declined to make any commitments. I say we are primarily not interested in bombs.

Senator CLARK. But you say you are going down to see what could be done about it.

Mr. LOVE. I beg your pardon. I went down on another matter.

Senator CLARK. You say, "to hold the matter in abeyance until I get down to Peru and see what the actual situation is." What did you find out when you got down to Peru?

Mr. LOVE. I never went into it at all. I met the agent of the company and I simply washed out and never spoke to the agent about this matter again. I went to Peru on some guano business and was going down anyway, and this was completely incidental.

Senator CLARK. I understand; but what did you find the situation to be and what did you do about it, if anything?

Mr. LOVE. They never took it up with me and I never took it up any further. I met an agent and he said Mr. Young was going to get it, and I believe he did get it. Mr. Young had a man down there.

Senator CLARK. Did you have anything to do with it?

Mr. LOVE. Not directly or indirectly.

Senator CLARK. You took the trouble to check up with du Pont to find out about their agent down there, did you not? I direct your attention to a letter, dated May 9, 1934, to the du Pont Co. from the United Aircraft Exports, Inc. I offer that for the record.

(The letter referred to was marked "Exhibit No. 581" and appears in full in the text.)

Senator CLARK. This refers to the memorandum which I just offered and states that the Federal Laboratories agent was the agent of du Pont. This letter, as I stated, is signed by the United Aircraft Exports, Inc., by Mr. J. R. Miller, treasurer.

That letter reads:

Mr. Francis H. Love, who is now in Peru, has requested us to address your company, for your particular attention, with reference to the following:

We are at the moment giving consideration to several persons and firms in Peru with the object of establishing suitable representation for this company in that country. Among those being considered is Mr. Ernesto de Rossi, of Lima, Peru, who, we understand, has represented your company for several years.

We would appreciate receiving from you any information which you may have available, which you feel free to divulge regarding this gentleman.

Mr. LOVE. As I mentioned this morning, we appoint no agents without getting full information and without a board meeting in New York, and as to this matter I said we will take it up in board meeting before making appointment.

Senator CLARK. De Rossi's name was first suggested by the Federal Laboratories in connection with the bombing business.

Mr. LOVE. That is where I first heard of him.

Senator CLARK. Du Pont wrote back recommending De Rossi highly, particularly for his facility in connection with the Government.

Mr. LOVE. They recommended him; yes.

Senator CLARK. I offer this letter as an exhibit for the committee.

(The letter referred to was marked "Exhibit No. 582" and is included in the appendix on p. 1578.)

Senator CLARK. You did appoint De Rossi, did you not?

Mr. LOVE. I do not believe we did. No; we were having the re-organization, and I do not believe we went through with that.

Senator CLARK. I call your attention to a letter dated May 11, signed by yourself and addressed to the United Aircraft Exports, Inc., which I offer as an exhibit.

(The letter referred to was marked "Exhibit No. 583" and is included in the appendix on p. 1579.)

Senator CLARK. In this letter you say [reading]:

The De Rossi set-up seems to be working out all right, and I have explained to him that should we appoint him permanent agent he would not share in either Fancett or Panagra business.

Regarding purchases on guano funds, I am afraid we shall have to wish him in, as he is daily in the aviation ministry in Miraflores, in the ministry of marine in Colmena, and two or three times a week in Ancon, and his services will be well worth a commission.

Did you make arrangements with De Rossi for handling your guano business?

Mr. LOVE. As I recall, we have never completed this thing. Mr. Miller suggested no commission on the guano because they have to

buy that from us anyway, and my suggestion was somebody has to go through with the detail work, and as the commission is a nominal one I thought it would be worth the commission. As I recall, that has never been completed.

Senator CLARK. Now, before the treaty was signed between Colombia and Peru, while arms were clashing in those countries, you were engaged in selling both countries?

Mr. LOVE. Attempting to, but we did not do it.

Senator CLARK. The treaty was concluded in May 1934, I believe?

Mr. LOVE. About that date, I think.

Senator CLARK. During 1933 you sold three engines to Colombia, did you not; or at least you delivered three?

Mr. LOVE. Yes, delivered; but I do not know when they were sold.

Senator CLARK. You sold three Corsair planes and miscellaneous equipment totaling \$135,000 to Peru?

Mr. LOVE. That is right.

Senator CLARK. In the period from January 1 to August 1, 1934, you sold three engines and other miscellaneous equipment to Colombia. Is that correct?

Mr. LOVE. That is.

Senator CLARK. And during the same period you sold a total of \$28,223 worth of engines and other equipment to Peru?

Mr. LOVE. Yes.

Mr. HISS. The majority of those purchases were before the treaty was signed?

Senator CLARK. Yes; I believe as far as Colombia is concerned all but about \$2,000 was sold before the treaty.

Mr. LOVE. I believe I testified this morning there was no objection on the part of Colombia or Peru. I believe I quoted one of the high officials saying to me all they requested was equality on delivery and prices.

Senator BONE. Was that the attitude of the officials down there; they had no objection to your selling the other country?

Mr. LOVE. We talk in Spanish down there, of course, and I will try to think of his exact words. It was a Spanish statement, equivalent to, "We cannot object", and he quoted the example of the Skoda Co. selling both parties, and he only requested equality as to prices and deliveries.

Senator CLARK. Apparently your officers in this country were not informed of the intent to sell one, and then to sell the other, as would appear from this document dated April 16, 1934, from J. R. Miller, addressed to Mr. Wilson, president of the Transport Corporation, which I now offer as a committee exhibit.

(The letter referred to was marked "Exhibit No. 584" and appears in full in the text.)

Senator CLARK. I read from this "Exhibit No. 584", as follows:

Following our telephone conversation with you today, we sent the following cable to our representative in Colombia:

"Understand twin-float equipment will materially assist sale Corsairs there. Water rudder available single-float equipment small additional charge. Under penalty sacrifice performance can equip Corsair twin floats. If advisable will quote Corsair so equipped twin floats and prepare specifications plane so equipped."

Since Mr. Love is now en route to Peru, we sent the same cable to him there. In view of the existing relations between the two countries, we did not advise Mr. Love of the cable to Colombia.

So, apparently the other officers of your company were not advised it was agreeable to sell to one country and then to the other?

Mr. LOVE. There was no time to advise them. I was en route between the two, and they had no time to get mail.

Senator CLARK. About the same time you were undertaking to sell to Paraguay and Bolivia, both at the same time, were you not, who were actually in a state of war?

Mr. LOVE. Yes, sir. Would you prefer we take sides in favor of one country or the other?

Senator CLARK. No; I am just illustrating the policy of your company in selling to two combatants at the same time. I will read this letter from you to C. M. Carr, dated January 9, 1934, which I now offer as an exhibit.

(The letter referred to was marked "Exhibit No. 585" and appears in full in the text.)

Senator CLARK. This letter, "Exhibit No. 585," is as follows:

Acknowledging your letter No. 231, as the matter of propeller license seems to be delayed, we believe it would be better to put in some time at La Paz and Asuncion, where there is active purchasing at the present time. This further due to the fact that the complete release for sale of rights for the control able propeller is not yet available though we expect it will be in the near future.

Regarding selling rights on the pursuit and the bomber, we would not donate these rights but would charge a substantial sum for them, dependent on the quality of planes on their initial purchase, terms of payment for license, etc.

Senator CLARK. I also offer in evidence as an exhibit the letter from Carr in which he makes reference to not desiring to become acquainted with the inside of a South American jail nor to experience the sensation of deportation, to which reference has been made heretofore in the examination.

(The letter referred to was marked "Exhibit No. 586" and is included in the appendix on p. 1580.)

Senator CLARK. Mr. Love, what was the relationship of your company, the United group, with the National City Bank of New York?

Mr. LOVE. I think Mr. Brown could answer that better, perhaps. As far as the Export Co. was concerned we had nothing but the regular dealings.

Senator CLARK. Will you answer that, Mr. Brown?

Mr. BROWN. Our relation with the National City Bank was a place where we kept our surplus funds and occasionally went to them for advice on investments.

Senator CLARK. Did they have anything to do with the recent reorganization of the United group?

Mr. BROWN. No; nothing whatsoever.

Senator CLARK. Were the papers prepared by their attorneys?

Mr. BROWN. The papers were prepared by our attorneys.

Senator CLARK. They were also attorneys for the National City Bank?

Mr. BROWN. They may be, but I do not know.

Senator CLARK. Who are your attorneys?

Mr. BROWN. Sherman & Sterling.

Senator CLARK. Do you know Mr. Drum, of the National City Bank?

Mr. BROWN. No; I do not.

Senator CLARK. Mr. Love, do you know him? He apparently has something to do with South America.

Mr. LOVE. Yes; I have known him a great many years.

Senator CLARK. I have a letter from Mr. Carr, of the United Co., "Exhibit No. 546," in which he calls attention to the fact that Mr. Drum in the National City Bank had made certain suggestions with regard to offering scholarships to Argentine, and so forth. Is there any reason why Mr. Drum should be making suggestions to the company?

Mr. LOVE. Mr. Drum happens to be a friend of mine of many years standing. The first time he went to South America I happened to be on the same boat. Furthermore his brother is employed in our office, and he and I have talked over matters, and he has been as helpful to me as he could, this boy being in our company but in a minor position, however.

Senator CLARK. In this letter Carr says you and Mr. Drum seem to have found a solution of a problem that has given him continual worry and he continues to say:

I refer to the fact that with a few exceptions everywhere I go in South America, Curtiss equipment is better known than is our own. In every country visited, there seems to be an army or navy pilot who has at one time or other gone through the Curtiss School or who has received help from Curtiss while visiting the States and who is therefore, particularly partial to our competitor's material.

Were those scholarships ever put into effect?

Mr. LOVE. No; as I have previously explained, scholarships would be of no use in a training school of a pilot who already knows how to fly.

Senator CLARK. I read further in this letter as follows:

As you have indicated, the Argentine would probably be the most appropriate place in which to initiate your scholarship idea. If it did not prove satisfactory, the practice could be discontinued at any time; yet, before having had an opportunity to give the matter adequate consideration, I frankly admit my enthusiasm. As implied in your letter, it would not seem advisable to take such a step in one country without at least the willingness to undertake the same thing in other countries, should circumstances seem to warrant.

And then further as follows:

With your permission, I intend to think this matter over and offer you a fuller opinion on it within the next few weeks. In the meantime, however, if you have no objections, I believe it would be advisable for you to take it up tentatively with our board of directors and perhaps pass along to me an indication as to whether or not they will give it serious consideration.

Mr. LOVE. May I ask what letter you are reading?

Senator CLARK. I am reading that letter I just handed you. I read the later paragraph first.

Mr. LOVE. That is what threw me off. If you will look at the fourth paragraph, and if you take into consideration that Curtiss-Wright was established there certainly 5 years before our Export Co., then it is reasonable to suppose they were better known down there than we were, when we were just starting out.

Senator CLARK. Yes; but what I am getting at is the apparent agreement down there between your company and the National City Bank.

Mr. LOVE. I would hardly say that; but this was an enthusiastic salesman down there.

Senator CLARK. Is that enthusiastic salesman still in your employ down there? He has been dubbed irresponsible several times today, and you now say that is an enthusiastic salesman's talk.

Mr. LOVE. He is in our employ until we get out of this and recall him. He is due to come back at any time.

Senator CLARK. Now, here is another letter from Mr. Carr which I will also ask be offered as an exhibit.

(The letter referred to was marked "Exhibit No. 587" and the handwritten letter enclosed with "Exhibit No. 587" was marked "Exhibit No. 587-A." Both letters are included in the appendix on pp. 1580 and 1581.)

Senator CLARK. I read from this letter, "Exhibit No. 587-A", as follows:

Mr. D. (city bank) brought me in touch with the man referred to in this letter, one Sr. Alberto de Ibarra. This chap is known to have arranged some big deals with the Government on behalf of foreign companies, and to be an intimate friend of the present Minister of Correos y Telegrafos (mail and telegraph—corresponding to Postmaster General) as well as a friend of the President's.

Mr. D. is of the opinion that it might be well worth our while to play along. Sr. Ibarra is hopeful and is the kind of man who does not occupy himself with nonlucrative business. Sr. Ibarra has set out to attempt to kill the two proposals already submitted and has done so without further than a verbal indication from me that we would be willing to consider the feasibility of cooperating with him in case that was deemed to be our best course.

Mr. D. must not be mentioned in any of the official or file correspondence, and the entire matter must be considered as being strictly confidential.

Now, what was Mr. D doing in connection with the United business down there at that time?

Mr. LOVE. Mr. D. had nothing to do with the business except to be of help, if by Mr. D you refer to Mr. Drum.

Senator CLARK. Mr. Drum is who I am referring to.

Now, Mr. Brown, coming back to the question of Shearman & Sterling, I have here a letter dated February 21, 1934, addressed to Mr. Carr, signed by J. R. Miller, which I offer as an Exhibit.

(The letter referred to was marked "Exhibit No. 588" and is included in the appendix on p. 1581.)

Senator CLARK. Mr. J. R. Miller is the treasurer of your company?

Mr. BROWN. Treasurer of the Export Co.

Senator CLARK. In the fourth paragraph of this letter, he says:

We would suggest, where possible, that when you have letters of definite commitment to write that you draft them and have them reviewed by the attorneys of the National City Bank. No commitment of this nature is made by us without such review by counsel.

Why was it necessary for you to have contracts reviewed by counsel for the National City Bank?

Mr. BROWN. Mr. Love said he would like to answer that question for us.

Senator CLARK. All right, Mr. Love.

Mr. LOVE. Because I always assume that the City Bank selected the best attorneys in their different localities where they have branches abroad, and rather than leave to this salesman or to any salesman to select some attorney to pass on things, I told them to get the City Bank attorney, as I believed we would be getting one of the most prominent attorneys in all of these cities, because they have

branches all over the world and it has been my policy, instead of picking an attorney out of a list in the telephone book, to find out who the bank attorney was, and use him.

Senator CLARK. Now, Mr. Gordon Rentschler is a director of the National City Bank and also a director of the United Aircraft & Transport Co.?

Mr. BROWN. That is right.

Senator CLARK. And Mr. E. A. Deeds, the father of Mr. C. W. Deeds is also a director of the National City Bank and the United Aircraft & Transport Corporation?

Mr. DEEDS. That is true.

Mr. HISS. And Mr. Frederick W. Jackson is a director of the United Aircraft & Transport Corporation, and is an attorney in the office of Shearman & Sterling?

Mr. BROWN. That is right.

Senator CLARK. The National City Bank did assist in financing the United Aircraft & Transport Corporation?

Mr. BROWN. The National City Co. did.

Senator CLARK. The National City Co., I should say, which is a subsidiary of the National City Bank.

Mr. BROWN. The National City Co. was an affiliate of the National City Bank.

Senator CLARK. That is, it was an affiliate of the National City Bank, about which much testimony has been put in the record in a hearing before another committee of the Senate, in the last year?

Mr. HISS. Isn't Mr. Joseph P. Ripley a director of United Aircraft & Transport Corporation and a director of the National City Bank?

Mr. BROWN. He was, but he is now president of Brown-Harriman.

Mr. DEEDS. I do not know that he was a director of the National City Bank, but I think it was the National City Co.

Senator CLARK. The National City Bank was one of the fiscal agents for the bond issue floated by Peru in 1928?

Mr. BROWN. I do not know anything about the bond issue.

Senator CLARK. Do you know, Mr. Love?

Mr. LOVE. No; as a matter of fact, Seligman brought it out.

Senator CLARK. The National City Bank participated in that, did they not?

Mr. LOVE. Yes; I think they did participate in it.

Senator CLARK. Now, this guano contract was a violation of the terms under which that bond issue had been floated?

Mr. LOVE. I don't know that it was; no.

Senator CLARK. The sale of the bonds provided against the pledging of Government revenue until those bonds had been taken care of?

Mr. LOVE. No; there was no revenue from the guano until we created it.

Senator CLARK. Nevertheless, it was Government revenue.

Mr. LOVE. And I returned to the Government cash they would never get in any other way. That contract was passed on by the leading Peruvian attorneys acting for the Government. Objections were made by the bankers, particularly by a German banker acting for the bondholders and his position was not sustained by the Peruvian lawyers.

Senator CLARK. I am not asking for the opinion of Peruvian lawyers, Mr. Love, but it is a fact that at a time when the Peruvian bonds sold in this country and floated by the National City Bank and Seligman were in default, governmental revenues had been pledged to you in payment of both old armament business and new armament business.

Mr. LOVE. There was no revenue they pledged to me; I brought revenue to them.

Senator CLARK. It was pledged to you when they allowed 50 percent of the sale of guano to be used in payment of munitions, was it not?

Mr. LOVE. When that began to be questioned down there, the lawyers decided "no."

Senator CLARK. I care not about the opinions of lawyers, but you admit that 50 percent of the revenue arriving from the sale of guano was to be returned by you and applied one-half on old debts for munitions and one-half on new debts for munitions, do you not?

Mr. LOVE. In that purchase; yes.

Senator CLARK. Do you know whether or not the National City Bank in its capacity as fiscal agent for the bond issue made any protest against this diversion of funds?

Mr. LOVE. I do not know.

Mr. HISS. May I read into the record the language of the agreement by the Peruvian Government?

Senator CLARK. I would be glad to have you do that.

Mr. HISS. The Peruvian Government, in the December 1927 loan, and also the October 1928 loan, guaranteed it would—

not issue or guarantee any loan or obligation secured by a lien on specific revenues or without the consent of the fiscal agents, on specific assets unless prior thereto all bonds of the Peruvian national loan are given a lien on such revenue or assets.

The source of that statement is Moody's Government for 1933, at page 943.

Senator BONE. These deposits—were they Government owned?

Mr. LOVE. Senator, there are a few little islands on the coast of Peru.

Senator BONE. I asked, was this the property of the Peruvian Government?

Mr. LOVE. Yes; it is.

Senator BONE. It would be an asset of the Peruvian Government?

Mr. LOVE. Yes.

Senator BONE. There is one question I would like to ask with reference to the bombs mentioned in the correspondence. They were demolition and fragmentation bombs?

Mr. LOVE. Yes.

Senator BONE. The company in question, which has been mentioned here, the Federal Laboratories, make other type of war munitions, do they not?

Mr. LOVE. They make gas of various types, I believe.

Senator BONE. Tear gas and things of that sort?

Mr. LOVE. Yes.

Senator BONE. Do they have a general sale for that?

Mr. LOVE. I don't know that, but I assume so, since they have a catalog on it.

Senator BONE. In your travels through South America—and I take it your contacts are somewhat wide—have you noticed advertisements of such products as tear gas and such?

Mr. LOVE. I have had salesmen tell me of specific sales, but it is always to local governments.

Senator BONE. You have known of sales?

Mr. LOVE. Yes; but it is only to police departments.

Mr. BROWN. He said advertisements.

Mr. LOVE. I have not seen advertisements.

Mr. HISS. May I call attention to the fact that in the memorandum dated December 30, 1932, written by you to Mr. Rentschler, which has already been introduced in evidence as "Exhibit No. 575", you said:

Regarding Chile, Baker formerly did large nitrate business with Anthony Gibbs & Company, one of the prominent exporters in Chile before the formation of Cosach. While in South America recently, Mr. Smith went to Chile and was offered quantities of nitrate by independent producers, which he can readily sell in New York. As Cosach is selling from stocks here and at a loss, based on their original cost price, and as Smith could, by new purchases with the depreciated Chilean exchange, further undersell them profitably, he wanted my opinion as to what he should do and he was perfectly willing to forego a profit of several thousand dollars in the transaction if it would be putting a wrench in the program of the Cosach people who, as you know, are sort of tied up with the bank of Sherman & Sterling. He took this up with me especially in connection with the Sikorsky account in Chile and stated he would use our pesos through him to buy nitrate and he would give us dollars in New York. I intend to consult with Chambers, of Sherman and Sterling, with whom I spent some time in Chile when he was working on this Cosach matter. In the meantime Smith will take no action.

Did you consult Shearman & Sterling about the nitrate business?

Mr. LOVE. No; I did not. Smith and I decided it was not a nice thing to do, and we dropped it.

Mr. HISS. In a postscript to that letter you say:

Since dictating the foregoing I talked with Mr. Chambers, who felt that a small quantity of nitrate would do no harm. He referred me to Mr. Jackson, who is now more actively handling Cosach matters, and Mr. Jackson felt very strongly that no action should be taken detrimental to Cosach's interest.

Mr. Jackson referred to in that postscript is on your board of directors, and also a partner of Shearman & Sterling?

Mr. LOVE. Yes, sir.

Mr. HISS. So Shearman & Sterling said you should not compete with Cosach, in which the National City Bank was interested?

Mr. LOVE. It was a matter of not lowering the exchange. It did not seem to be quite a nice business, and we never did it.

Senator CLARK. It seems United Aircraft got the guano and the bondholders got the sack.

Mr. LOVE. The bondholders got 75 percent of an income that never existed before and never would have existed if I had not made that contract. Furthermore, Peru is now enjoying the production of that guano, which I stimulated, and which, as you know, has caused a small boom in Peru.

Senator CLARK. At the same time, some of the bondholders got nothing?

Mr. LOVE. I think, if I may correct you, possibly it did the bondholders a great deal of good. Peru is on a small boom now, and, with the cessation of hostilities, I expect Peru to be one of the first

countries to come back. The Minister of Agriculture of Peru printed a report while I was there recently showing the cotton growers had a net profit of 40 percent, and it was commonly said he did not put it at 60 percent because he did not want anybody to correct his figures. I think Peru will be one of the first countries to resume its payments. The general morale of the people is so high that as soon as they get established again with the new government I expect its bonds to be given attention.

Senator CLARK. Their morale is higher than that of the people in this country holding the bonds?

Mr. LOVE. No; not higher than the people holding the bonds.

SALES AND OTHER BUSINESS OPERATIONS OF UNITED AIRCRAFT COMPANIES
IN GERMANY IN RECENT YEARS

The CHAIRMAN. Mr. Love, your business in Germany has picked up materially, has it, of late years?

Mr. LOVE. Senator, we do not have much business; our foreign department is so new that we have not been established long enough to make a comparison. It is steadily growing for the reasons I have pointed out—that many of the major air lines over there are equipping with United engines and propellers; and I think it would show a steady and continuous growth.

The CHAIRMAN. I gather your sales to Germany or German concerns are entirely of a commercial nature, having no relation to arming the German people?

Mr. LOVE. Yes; we have never sold any military planes to Germany or any war equipment, such as guns or ammunition.

The CHAIRMAN. What would prevent your selling them planes for military purposes?

Mr. LOVE. I think it is against the Treaty of Versailles, is it not, and such a thing never occurred to us.

The CHAIRMAN. The reason I asked how greatly your business had grown in Germany was the study, which is before us in certain questionnaires. I see it shows that you supplied information for the Black committee. This information that you supplied reveals that materials of the United Aircraft & Export Corporation to Germany from August 6 to December 31, 1929, was \$10,000. You were organized in 1929, were you not?

Mr. LOVE. That is correct.

The CHAIRMAN. And this study further shows that your sales to Germany in 1930 were \$51,000; in 1931, \$2,000; in 1932, \$6,000; with a total in that 3½ years of approximately \$69,000 in round numbers. During the same period, according to the information you supplied, Holland bought considerably more than Germany did. In 1930 your sales to Holland were \$99,000; in 1931, \$210,000; and in 1932, \$130,000, or a total in 3 years of \$439,000 worth of equipment to Holland as compared to \$69,000 to Germany. How do you account for this?

Mr. LOVE. The Holland business was almost entirely engines and propellers, mainly for the Fokker firm, and the Fokker firm was at one time pretty nearly dominating the transport sales. These engines and propellers went on the big transport lines, like the Swedish line and others.

The CHAIRMAN. Is it not true that during the war a great deal of Germany's supplies from the outside world were received through Holland?

Mr. LOVE. That I do not know. You are not referring to any United business?

The CHAIRMAN. No. I am asking you about the period of the war.

Mr. LOVE. That I do not know.

The CHAIRMAN. Have you any knowledge of that?

Mr. LOVE. I have not.

The CHAIRMAN. What assurance have you that a large part of these supplies shipped to Holland were not intended for use in Germany?

Mr. LOVE. I was personally many times in the Fokker plant negotiating with them and dealing with their sales manager, who would show me the sales that he was making in Spain, and here and there and elsewhere, for different transports; and his motors were ordered for particular transports or it would be installations of outboard motors, or things of that sort. I believe we have had service men there, too, have we not, Mr. Deeds?

Mr. DEEDS. Yes.

Mr. LOVE. Who would be checking the installation of these motors?

Mr. DEEDS. Through our service department, we, of course, have to keep in constant touch with engines that have been sold and we have an obligation until those engines are retired from service. We know from our records that substantially all, if not all, that have not been worn out or crashed, are still in the service of the original customers. Most of those are on the K.L.M. line, which is the Royal Dutch Air Line.

The CHAIRMAN. You have, then, pretty good reason to believe that these sales to Holland during the period which we have had under discussion, were not sales to be routed into Germany? You think they were used right there where they were sent?

Mr. DEEDS. We have every reason to believe that because of the fact we had direct contacts in Germany with the Junkers Co., who bought engines for installation in their planes, for sale throughout the world, and B.M.W. works in Munich was at one time our licensee and is now again.

The CHAIRMAN. What agencies or representatives do you have in Holland? Let us take the Export Corporation first.

Mr. LOVE. I have not been handling Europe for approximately 2½ years. I believe Mr. Hamilton, who is our representative, handles all of that direct and has no agent; is not that true?

Mr. DEEDS. That is correct.

The CHAIRMAN. Is Mr. Hamilton here?

Mr. BROWN. No; he is not. Mr. Hamilton is in Europe.

The CHAIRMAN. Do you, Mr. Brown, have any knowledge at all of the sales organization in Holland and Germany?

Mr. BROWN. Our own sales organization?

The CHAIRMAN. Yes.

Mr. BROWN. Yes.

The CHAIRMAN. How much of a sales organization do you have in both countries?

Mr. BROWN. Why, it is represented by—

The CHAIRMAN. Are you speaking of the Export Co. now?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Proceed.

Mr. BROWN. I really do not know anything about agencies, but Mr. Hamilton is the European representative for the United Aircraft Exports.

The CHAIRMAN. Where does he headquarter?

Mr. BROWN. Paris.

The CHAIRMAN. Do you know how much of a force he has in the way of salesmen, agents?

Mr. BROWN. He is assisted there by two young men whom we trained in our organization.

The CHAIRMAN. Assisted in Paris?

Mr. BROWN. Throughout Europe.

The CHAIRMAN. Throughout Europe?

Mr. BROWN. Yes.

Mr. DEEDS. I might add that Mr. Hamilton travels considerably throughout the various countries where our equipment has been sold and is being sold, and that as his assistants he has a group of about four men who came primarily as Pratt & Whitney's technical representatives, installation engineers, and service men who, in connection with their foreign duty under Mr. Hamilton are often called upon to make contacts for him. Their primary function, however, is service and installation work.

The CHAIRMAN. In 1933 your sales to Germany are shown to have included 29 engines, 13 propellers, and other parts, amounting to a total cost of \$272,000 as compared with \$6,000 of business done there in the preceding year. How are we to account for that increase in 1933 over 1932?

Mr. DEEDS. Primarily by the success of the Hornet engine in other parts of the world and the recognition by Germany that they wanted that for their own operations.

Senator BONE. That is a Pratt & Whitney engine?

Mr. DEEDS. It is a Pratt & Whitney engine; yes.

The CHAIRMAN. In the same year, 1933, your sales in Holland also showed a decided increase. In 1933 you sold 32 engines, 36 propellers, and other equipment, amounting to \$234,000. Is the cause for that the same as you attribute to the increase in Germany?

Mr. DEEDS. I think that is a true statement. Our original installations on the K.L.M. Line worked out very successfully and American products of the Wright Co. and our own since that time have been used practically to the exclusion of all foreign engines.

The CHAIRMAN. In 1933, last year, you made sales to Germany in the amount of \$272,000, and from January 1 to August 31 of this year there is shown to have been sales by your company to Germany of 176 engines, two large Boeing transports—is it true that these transports are readily convertible into large bombing planes.

Mr. DEEDS. I would not say that they were. It would take a large engineering project and expenditure of money, thousands of dollars, to convert them.

The CHAIRMAN. Do you not in fact sell this large plane for bombing purposes elsewhere?

Mr. DEEDS. No, sir. It is identical with the plane that is now being used on United Air Lines and has never been sold or considered, to my knowledge, for any other purpose.

Senator BONE. That is the last word in your transport construction?

Mr. BROWN. That is right.

Mr. DEEDS. That is right.

The CHAIRMAN. In addition to these engines and Boeing transports, you sold 6 two-seaters, which are described as mail planes?

Mr. DEEDS. These are single seaters which are conversions of the Vought airplane for a specific purpose by Luft Hansa, to use as a single-engine mail plane, corresponding to such single-engine mail planes as are used in this country for the exclusive use of mail only.

The CHAIRMAN. Is not this the same type of plane that you sell for observation and light bombing work?

Mr. DEEDS. Considerably modified; yes.

The CHAIRMAN. How much of a modification is there?

Mr. DEEDS. There is now none of the fittings or parts for installation of armament installed. The fuselage is modified to provide a large mail compartment, which is usually taken up with the military equipment, the pilot seat, and so forth.

Senator CLARK. How long would it take to convert one of those planes into an observation or light bombing plane?

Mr. DEEDS. I imagine if we had it at the Vought factory it could be done—since we have the jigs and fixtures and the designs for the military equipment, it could be done very quickly. I would not want to make a statement as to how long it would take for the Germans to do it.

Senator CLARK. It would depend on what facilities they had?

Mr. DEEDS. Yes.

Mr. HISS. What is the model number of the transport that you sold to Germany?

Mr. DEEDS. Model 247.

Mr. HISS. What is the model number of the bomber you have been offering to South America?

Mr. DEEDS. I will have to ask Mr. Love; that I do not know.

Mr. LOVE. That has been withdrawn, has it not?

Mr. HISS. On July 12, 1933, you offered Brazil a model 247-X bomber.

Mr. LOVE. That is not the regular bomber.

Mr. HISS. And in January 1934 you offered the same model to Peru.

Mr. LOVE. The regular bomber is 191. That is the bomber model. We had been asked for something in the way of a bomber and we considered the possibility of a conversion. My recollection is that the engineering charge amounted to something like \$50,000. That is for engineering alone. That would make an entirely different airplane. Delivery was so far in advance—I do not recall now; I think it was 10 or 12 months—that the whole matter was dropped. It was not considered feasible.

Mr. HISS. You have never sold any 247 model planes as bombers?

Mr. LOVE. I do not believe we have ever done the engineering, because of the enormous expense of it.

The CHAIRMAN. This sale of 176 engines and 2 large Boeing transports, the 6 two-seaters and other equipment, up to August 31 of this year total \$1,445,000, as compared with last year's total business with Germany of \$272,000. How are we to account for that large increase?

In addition to that, let me add that there was still on order on August 31 and undelivered 21 engines and one more large transport. How are we to account—to what are we to attribute such a great increase?

Mr. LOVE. Last year there were no shipments of planes and this year there are.

The CHAIRMAN. The planes constituted the large part of that order, or was it the 176 engines?

Mr. HISS. According to the records, the two Boeing planes are valued at a total of \$153,730; the six mail planes at a total of \$187,110; one lot of 121 engines is listed at \$627,000.

The CHAIRMAN. So the engines are really the big item?

Mr. HISS. And 29 engines at \$150,000 and miscellaneous engine spares at \$159,000. So the engines were considerably the larger part of the value, larger than the planes?

Mr. LOVE. Yes.

Senator BONE. Are these engines being adapted to planes that are being constructed there or are being held in reserve?

Mr. BROWN. I understand that these engines were purchased for installation in airplanes which have been already ordered.

Senator BONE. You are not furnishing the fuselage and the rest of it?

Mr. BROWN. No, no. We just furnish the engines.

Senator BONE. Who is furnishing the rest of it, do you know?

Mr. DEEDS. Various German manufacturers, of which Junkers is the most prominent.

Senator BONE. That is what I am getting at. In other words, you are shipping in the engines and they are supplying the rest of the planes in Germany?

Mr. DEEDS. Yes.

The CHAIRMAN. After showing a tremendous increase such as that in Germany, let us go back and pick up the sales to Holland of last year, which amounted to \$234,000. In the eight months up to August 31 of this year your sales to Holland amount only to \$128,000. So that quite naturally the committee is impressed by the unusual pickup in business obtained from Germany.

Mr. BROWN. I think in connection with the K.L.M. purchases, the large purchases made in the past are for equipment for their airlines. I would not be a bit surprised that their purchases for 1934 will be rather heavy, because I have been told that they are going to replace a great many of their transport planes that they now have in operation.

The CHAIRMAN. Who are the purchasers?

Mr. BROWN. The K.L.M. Co. of Holland.

Mr. DEEDS. That is the Royal Dutch Air Lines?

The CHAIRMAN. Who are the purchasers, in the main, in Germany?

Mr. DEEDS. The two main purchasers are the B.M.W. Co.—

Senator BONE. What is that?

Mr. DEEDS. That is an engine-manufacturing company which is our licensee in Munich.

The CHAIRMAN. Would you give the name of that company?

Mr. DEEDS. It is the Bavarian Motor Works; and the Junkers Airplane Co. Those are the two big purchasers.

Mr. HISS. You also sold to the Luft Hansa, the commercial air line.

Mr. DEEDS. Those were sales of airplanes.

Mr. HISS. That is right.

The CHAIRMAN. Do you have an extensive European trade in other countries of Europe?

Mr. DEEDS. Yes; in proportion to their size. With the exception of France and England, we have been successful in selling our engines pretty generally throughout Europe.

The CHAIRMAN. I have before me a statement intending to show your sales to the different countries in Europe from January 1 to August 31 of this year. I will read only the round figures:

England, \$4,000; Finland, \$1,000; France, \$6,000; Germany, \$1,445,000; Holland, \$128,000; Italy, \$32,000; Poland, \$81,000; Sweden, \$51,000; Switzerland, \$2,000.

Why are not the other countries showing the urge to replace and to use this newer development in motors as Germany evidently is doing?

Mr. BROWN. England and France have their own manufacturing companies, their own engine companies.

The CHAIRMAN. You are thoroughly convinced, I take it, that your sales to Germany are wholly on a commercial basis?

Mr. DEEDS. That is what I am led to believe.

The CHAIRMAN. The production does not enter into war planes in any way?

Mr. DEEDS. We have all heard rumors to the effect that Germany was going to rearm and that as far as I know applies to the future and is still not a matter of fact.

The CHAIRMAN. Have you at any time, Mr. Deeds, felt that you were aiding in this cause of rearmament over there?

Mr. DEEDS. We have sold engines that are suitable for the equipment of their planes.

The CHAIRMAN. Have you understood that they were to be used in airplanes that had a military purpose, or would become a military plane?

Mr. DEEDS. We have understood exactly the contrary.

Senator VANDENBERG. Could these 176 engines have been placed into military planes or as well as commercial planes?

Mr. DEEDS. Yes; they could have. They would not, however, be in a position to secure the maximum performance with the type of engines that they purchased. Military aircraft, as a rule, use the maximum of supercharging and the maximum of power output. In this case, the engines selected and purchased in Germany were of a lesser degree of supercharging commonly used in this country only for commercial purposes.

Senator VANDENBERG. But do I understand that they have no facilities for making engines themselves?

Mr. DEEDS. They have excellent facilities, and they have selected our engine, the Hornet engine, to manufacture under a manufacturing license at the Bavarian Motor Works, previously referred to.

The CHAIRMAN. And you enjoy a royalty by reason of that manufacture?

Mr. DEEDS. We do.

The CHAIRMAN. How much did your royalty from January 1 up to August 31 this year amount to? That is paid quarterly, is it not?

Mr. DEEDS. Yes. I cannot tell you without referring to the record.

The CHAIRMAN. Then you would have a record of only 6 months or two quarters; is that right?

Mr. DEEDS. I have forgotten the exact date of the agreement.

The CHAIRMAN. We will come back to that later.

Senator VANDENBERG. Do you know in fact where these 176 engines went?

Mr. DEEDS. I do not.

Mr. HISS. Mr. Deeds, there is a type sold known as the Hornet S-4D-2. You say that has no military use?

Mr. DEEDS. No; I did not. I said that practically any engine that is installable in an airplane can be used for military purposes.

Mr. HISS. Is the Hornet S-4D-2 customarily sold by the Export Co. for military purposes to other countries?

Mr. DEEDS. It would depend on the country. You see, the ratings of the engines depend on several factors, namely, the type of fuel and the type of operation for which they are going to be used. For example, that particular rating corresponds to the type of engine used on Pan-American Airways. While the engine that is used in this country—or has been; it is now a generally released model—we call that the series SDG.

Mr. HISS. You also sold some Hornets, 1690-S-D-G to B.M.W. in 1934, did you not?

Mr. DEEDS. We sold one.

Mr. HISS. How about the 1690-T-2-D-1? How do you describe that model?

Mr. DEEDS. That is sea-level rating, direct-drive engine. That corresponds to the commercial rating in this country.

Senator CLARK. Mr. Deeds, what is the amount of royalties received by you this year as an indication of the number of airplane engines manufactured in Germany under your patents?

Mr. DEEDS. The royalties are on a fixed fee for year basis.

Senator BONE. Per engine.

Mr. DEEDS. For a year.

Senator CLARK. The number of engines manufactured has nothing to do with the amount of your royalties?

Mr. DEEDS. No.

Mr. BROWN. I think it would be well to acquaint the committee with the fact that—

The CHAIRMAN. If you will allow me to interrupt, I should like to clarify that and we shall a moment later come back to the agreement and understanding that exist with respect to the royalties and your compensation for whatever they might manufacture under your patents.

What do you know, Mr. Brown, of the pick-up in Germany itself as respects the manufacture of airplanes and engines for them?

Have you had any reports indicating that Germany has greatly increased production along those lines?

Mr. BROWN. I think that I have probably received a letter from our people over there saying something about what their plans are. I believe there is such a letter here with the committee, which is nothing more than what we have been reading in the newspapers.

The CHAIRMAN. Who is Mr. A. B. Butterfield?

Mr. BROWN. Mr. A. B. Butterfield was installation engineer sent over there to supervise the installation and help Mr. Hamilton in the technical problems.

The CHAIRMAN. Before me is a copy of a letter written by him to Thomas F. Hamilton, who is your European representative, which I will offer as "Exhibit No. 589."

(The letter referred to was marked "Exhibit No. 589" and is included in the appendix on p. 1582.)

The CHAIRMAN. This letter is dated May 9, 1933, and is written from London. Let me refer to the fifth or sixth paragraph where Mr. Butterfield says:

One large airplane factory in Germany has doubled the number of its employees since Hitler came into power. The next ranking company has tripled the number of employees in the same period. * * *

In the same paragraph there is this language:

Hawker cannot take care of all of their government orders, and their planes are being built in the Vickers factory.

Are we to understand that Hawker is building some of these German planes?

Mr. DEEDS. Hawker is a British manufacturing company.

The CHAIRMAN. That is not the question. Are we to understand that Hawker is building some of these planes for Germany, or equipping the planes in any way?

Mr. DEEDS. I doubt it very much.

The CHAIRMAN. The manner in which it is tied up in this single paragraph would indicate that very strongly.

Mr. DEEDS. I do not believe that to be the case. I know that the Hawker planes at the moment are among the most popular in the British Air Force. I would judge that he is reviewing the general situation and referring to their manufacture for British consumption.

The CHAIRMAN. Taking this paragraph as a whole one would have Mr. Butterfield painting a picture of such aggressive building in Germany that they were even reaching out and affording Hawker a chance to do some of their building. You do not think that is the case?

Mr. DEEDS. I do not, no. I do not believe that to be the case.

The CHAIRMAN. Have you had any information that would permit you to say that you had heard this from other sources, aside from this letter of Mr. Butterfield's?

Mr. DEEDS. No, I have not heard of any plane from European manufacture being sold in Germany.

The CHAIRMAN. Mr. Love, have you heard of any British planes being sold in Germany or manufactured for use in Germany?

Mr. LOVE. No, sir; I have not. I do not contact that territory at all.

The CHAIRMAN. In this same letter, "Exhibit No. 589", I find this paragraph:

Napier, have obtained the license to build the Junkers Jumo oil burning engines in England. They now have engineers in Dessau.

What is the meaning of that?

Mr. DEEDS. Napier is a manufacturer of water-cooled engines for the British trade.

The CHAIRMAN. With their plant in Britain?

Mr. DEEDS. Their plant is in Britain. The Junkers is the highest development of heavy oil engine in Europe at the present time.

The CHAIRMAN. And their home is where?

Mr. DEEDS. I believe it is Dessau.

Mr. LOVE. Dessau, Germany?

Mr. DEEDS. It is in Germany.

The CHAIRMAN. Mr. Brown, prior to 1933, the Pratt & Whitney Aircraft Co. had granted a license to the B.M.W., and Mr. Hamilton, your foreign representative, wrote to the Hamilton Standard Propeller Co. a letter dated November 3, 1933, which I am offering as "Exhibit No. 590" a copy of which will be placed before you.

(The letter referred to was marked "Exhibit No. 590" and appears in full in the text.)

The CHAIRMAN. Who is the Hamilton Standard Propeller Co.?

Mr. BROWN. They are the propeller company of the United Aircraft Corporation, manufacturing propellers and propeller hubs.

The CHAIRMAN. Located where?

Mr. BROWN. East Hartford, Conn.

The CHAIRMAN. Mr. Hamilton, in this letter "Exhibit No. 590", he says:

During my tour of Germany considerable additional interest was manifest in our controllable and hollow-steel propellers. I purposely broke off the Siemens & Halske negotiations because information I received at the air ministry indicated it would be better to work with and through B.M.W.

Who were Siemens & Halske?

Mr. DEEDS. They are another engine manufacturer in Germany, aircraft-engine manufacturer. They also manufacture other automotive equipment I understand.

The CHAIRMAN. Continuing this letter, Mr. Hamilton says:

I have therefore given B.M.W. to understand that as and when we are ready to conclude for either of these developments they will be given the first consideration.

B.M.W. works rather closely with Krupp, and Krupp is also interested in the hollow-steel development. It is my observation that Krupp would be in a good position to supply the semifinished material, whereas B.M.W. would be in a better position to machine and deliver it as an aeronautical product.

I will give complete information on this first-hand upon my return.

THOS. F. HAMILTON.

Does this indicate also any possible military usage of your rights and patents?

Mr. BROWN. I think he has to deal here with the hollow-steel propeller and suggests that B.M.W. work rather closely with Krupp because this hollow-steel propeller is made with a tube, and Krupp & Krupp are the steel manufacturers of Germany. This is nothing more than a plan of trying to place our products abroad.

The CHAIRMAN. This speaks of a possible contract with B.M.W. It appears that you had an earlier license; had granted a license to B.M.W.

Mr. BROWN. Yes, sir.

The CHAIRMAN. Which was not at all satisfactory from the standpoint of the contracting parties.

I read from a memorandum to Mr. F. H. Love, dated February 6, 1933, which I offer as "Exhibit No. 591."

(The memorandum referred to was marked "Exhibit No. 591" and is included in the appendix on p. 1583.)

The CHAIRMAN. That memorandum states, in part, as follows:

Our previous contract with B.M.W. did not work out well for either of us. Our returns from royalties were next to nothing. We were handicapped in attempting to sell engines in Europe to others outside of Germany, and all in all the plan was just unsound.

Is the committee to understand that under this license B.M.W. had the rights in Europe, or that your rights were in conflict under that contract?

Mr. DEEDS. That is the case. The first contract which was negotiated was prior to the organization of the export company, in which it might be because of our inexperience in that field, we granted the B.M.W. Co. the entire continent of Europe as a territory. It is impractical to handle business in those countries in that manner. National manufacturing units must be the points to contact in each of the countries.

The CHAIRMAN. The writer of this memorandum to Mr. Love was Mr. F. B. Rentschler. Who was he?

Mr. BROWN. Mr. Rentschler was at one time president of Pratt & Whitney Aircraft Co., and also, too, at one time president of the United Aircraft & Transport Corporation.

The CHAIRMAN. How recently did he serve in either capacity?

Mr. BROWN. I believe he resigned about 1 year ago.

Mr. HISS. He is now vice chairman of the board of directors of the United Aircraft Corporation?

Mr. BROWN. That is right.

The CHAIRMAN. He is still connected, then, with the United Corporation?

Mr. BROWN. Yes; he is.

The CHAIRMAN. In the face of this unsatisfactory license, Mr. Rentschler indicated in this memorandum of February 6, 1933, that negotiations were being undertaken then, in February of 1933, to accomplish a new license.

Mr. BROWN. Yes, sir.

The CHAIRMAN. He wrote in that memorandum that B.M.W. needed a more powerful air-cooled engine to compete in Germany. They knew about the Wright Cyclone and indicated they understood that Wright were developing plans to push the Cyclone sales in Germany. The new Hornet D had come to their attention, and they had asked for a proposal covering the licensing to them of the Hornet D engine in Germany. This license to them was to cover the Hornet D alone?

Mr. DEEDS. Yes; I think the wording of the contract will explain that it was to cover that model of engine, or any model within the displacement range of 1,650 to 1,750 cubic inches.

The CHAIRMAN. Did not this give you cause, that early, to suspect that, maybe, these planes and engines and these plans were being mobilized for a military purpose?

Mr. DEEDS. I do not think, from our standpoint, that that entered into the question at all.

The CHAIRMAN. Surely it would, would it not?

Mr. BROWN. All of our engines, as I wanted to explain to you a moment ago, every engine that we are exporting today has been released for export by the United States Government. We, furthermore, report every month the shipment of our products.

The CHAIRMAN. To whom do you report?

Mr. BROWN. To the United States Navy, and if there were any question about whether or not these products should be shipped into Germany, it seems to me that we should have been informed.

Senator GEORGE. How long has that arrangement existed?

Mr. BROWN. The arrangement for the release of engines for export has been in existence ever since we were in business, going back to 1926. It probably goes back earlier than that, but that is the date of which I have knowledge of this arrangement.

The CHAIRMAN. Mr. Love, particularly because this memorandum was directed to you, I want to call your attention to the fourth paragraph thereof, which states:

The present situation in Germany is beginning to change from past conditions. It seems pretty clear that Germany is about ready to insist on reasonable armament programs, which will undoubtedly include aircraft. In the meanwhile Luft Hansa are beginning to expand their program. It seems reasonable and possible that within the next five years the German Government will provide itself, both for military and commercial purposes, with a considerable amount of new equipment. Naturally, all of this equipment would have to be manufactured in Germany, and I am sure we could never sell direct for such a program. This may mean that royalties in the next five years might amount to a reasonable sum.

What is the meaning of the language that you "could never sell direct"?

Mr. LOVE. The idea of that is that there is a great sense of nationalism over there. For example, France insists on manufacturing locally all of her aviation equipment, just as England does, and the idea was that Germany eventually would insist on manufacturing in Germany all of her requirements.

The CHAIRMAN. Yes; but Mr. Rentschler might just as well have said, might he not, that there were ways of selling indirect?

Mr. LOVE. No; I do not think he would have had that in mind. He is not that kind of man.

Senator BONE. Is he a sort of blunt, forthright person? If so, why did he employ language which is somewhat obscure, "selling indirect"?

Mr. LOVE. I am sure he meant we could not sell from our Hartford factory direct. "direct" meaning from the Hartford factory, but would have to sell through a licensee in Germany. I am positive of that.

The CHAIRMAN. You say you are positive of that?

Mr. LOVE. Positive that was his meaning. What he refers to by "Luft Hansa" is that most of their equipment at this time, 2 or 3 years ago, was pretty well antiquated. They had to replace the greater part of both planes and engines because of obsolescence,

just worn out, and his forecast there is true; they have replaced the greater part of the equipment which they had at that time.

Mr. DEEDS. I might add that cycles of replacement programs go on in all countries. In this country, for example, we are now in the stage of almost complete replacement of our commercial air-transport equipment. From time to time that takes place in European countries, as it did in the case of the engine replacements on the K.L.M. line.

The CHAIRMAN. I take it, Mr. Love, that you feel, and the others of you feel, that your business with Germany has been strictly upon a commercial plane; that you have not been doing anything which was, directly or indirectly, in violation of the treaty?

Mr. LOVE. I feel so. As I have said before, I have not touched this German business for 2½ years, since about the time of this memorandum. But I know we report to the Government, and I know that we did not violate any of these conditions. I have furthermore described six places scattered around the world where Junkers have sent commercial planes, powered with our engines. New Guiana, Colombia, Brazil, China, and pretty much everywhere.

The CHAIRMAN. I offer in evidence now "Exhibit No. 592", which is a letter dated March 15, 1933, addressed to Mr. F. B. Rentschler, president United Aircraft & Transport Corporation, Hartford, Conn., indicating that copies of this went to Mr. Mead, Mr. Brown, and U.A.E. Who is that?

Mr. BROWN. United Aircraft Exports.

The CHAIRMAN. Very well. This letter is unsigned.

(The letter referred to was marked "Exhibit No. 592" and is included in the appendix on p. 1584.)

The CHAIRMAN. I wonder, Mr. Brown, since you received a copy of this letter, if you know who the writer of the letter was.

Mr. BROWN. I probably could identify it.

The CHAIRMAN. Do you suppose that was Mr. Hamilton's?

Mr. BROWN. It sounds very much so. I imagine if I should get a letter like that I would say it was Mr. Hamilton's.

The CHAIRMAN. Let us read this letter for the most part, being dated March 15, 1933. We will start with the third paragraph, which follows, presumably, Mr. Hamilton's report on his return from Berlin [reading]:

Germany's determination to have an air force, as previously recorded, is now taking definite form rather rapidly. One of the large bank buildings, practically half a block long, five stories high, has been taken over by the Aviation Bureau. My friend, Dr. Milch, technical director of Luft Hansa, has been made State Secretary for Air Traffic. My conversations with the various departments indicate that their interests extend far beyond matters of traffic.

The CHAIRMAN. By the way, what is Luft Hansa?

Mr. DEEDS. It is one of the largest air lines in Europe.

The CHAIRMAN. One of the largest commercial air lines in Europe?

Mr. DEEDS. One of the largest commercial air lines in Europe and a German commercial air line.

The CHAIRMAN (continuing reading):

My conversations with the various departments indicate that their interests extend far beyond matters of traffic.

Is not the committee to assume that this was a pretty direct report from Mr. Hamilton, to the effect that some of these activities

were indicating a determination to build up her air forces for military purposes?

Mr. BROWN. Perhaps, but I think at the same time in reading this letter over, I would naturally assume that Germany had made arrangements with the other powers to have an air force.

The CHAIRMAN. What is the advantage of an air-cooled motor in a military plane?

Mr. BROWN. We think there are advantages of air-cooled engines in all types of airplanes.

The CHAIRMAN. What is the advantage?

Mr. BROWN. One big reason is it is lighter and does not require all the plumbing that a water-cooled engine requires.

Mr. HISS. Is it not also true, Mr. Brown, that a water-cooled engine can be put out of commission by a bullet through the radiator, whereas an air-cooled engine does not have that risk?

Mr. BROWN. I think you could put an air-cooled engine out of commission if you hit it with a bullet.

Mr. HISS. As easily as a bullet through the radiator of a water-cooled engine?

Mr. DEEDS. I think in answer to the question there is considerable difference of opinion throughout the world, and even in our own country, as to which is the better for military purposes, the air-cooled or water-cooled.

Mr. HISS. I mean that specific point as to the radiator.

Mr. DEEDS. In England the water-cooled engines predominate at the moment.

Mr. BROWN. The air-cooled engine today is standard equipment on every transport line in this country.

Mr. HISS. Also of the United States military forces, is it not?

Mr. BROWN. No; I would not go that far.

The CHAIRMAN. Let us read on in this letter to Mr. Rentschler:

For the past two years I have called upon Director Milch and his assistants in Luft Hansa with hardly any hope of doing business with them directly, and yet keeping them informed of our new developments, both in engine and propellers, so that now that Milch steps into this position he is very well acquainted with our new things.

Their interest centers around the latest Hornet 1690 engines, both direct and geared, and the simplified controllable propeller.

In the past I have made a point of indicating to Milch that our relationship with B.M.W. was cordial, and that while we adjusted our contractual relations so that we were free to sell our products in Europe, B.M.W. was nevertheless the licensee for the Hornet A in Germany, and that we were always in touch with them. This stands us in good stead now as B.M.W. is one of the three or four major companies receiving volume business.

Mr. Brown, having been sent a copy of this letter at the time, is not this pretty strong indication of a military purpose in connection with the enlargement of the aviation facilities in Germany?

Mr. BROWN. Yes, it is; but what I read in Mr. Hamilton's letter is the same as I have read in the press in this country.

The CHAIRMAN. Have you reported conditions, such as this, which have come to your notice, to the Navy Department or the State Department or the Commerce Department?

Mr. BROWN. It never occurred to me that I should.

The CHAIRMAN. Of course, you would appreciate—

Mr. BROWN. We report, you understand, to the Navy on the production which we ship out of this country.

The CHAIRMAN. Yes; but you would, at the same time, appreciate that your Government would not want to be compromised as respects any possible violation of the treaty, would you not?

Mr. BROWN. I would not want to be a party or take any part in having our Government compromised.

The CHAIRMAN (continuing reading):

Junkers is obtaining practically all of the plane business and has some very good orders on hand at the present time.

Heinkel is developing a high-speed plane somewhat similar to the Lockheed Orion, but equipped with B.M.W. 650 HP water-cooled engine which uses up most of the pay load. This plane has recently made a world record of 358 km. in one hour's flying time over close circuit.

Senator BONE. What is the equivalent of that?

Mr. LOVE. Five-eighths of a mile is a kilometer.

The CHAIRMAN (continuing reading):

Siemens & Halske have developed several new engines including a small 5-cylinder 2-cycle Diesel and a new 700 to 800 HP radial engine which is a cross between a Pegasus and a Hornet.

What is a Pegasus?

Mr. DEEDS. A British engine.

The CHAIRMAN (continuing reading):

The foregoing is reported to indicate the trend of developments in Germany. I have already sent New York the only pro forma copy available of the Siemens-Halske controllable propeller contract and am pleased to state that although I am prepared to close at approximately a total of \$25,000, they have not raised too serious objections to the terms that have already been quoted, which I am prepared to reduce by 50 percent if necessary.

In the case of the B.M.W. negotiations, the previous agreement was so favorable to them that it is going to be more difficult to increase the price substantially over that indicated in your cable. I do feel, however, that it is absolutely essential to start higher and trade down as necessary. I am quite sure that if I submitted your original figures they would use them as top figures and trade down in accordance with the European custom. Furthermore, the German Government is so anxious to obtain a reliable high HP air-cooled engine that I am sure they will not consider this figure excessive.

Now, would you say, Mr. Brown, that a report like this, coming from one of your vice presidents, or from your—

Mr. BROWN. Representative.

The CHAIRMAN (continuing). Or from your European representative, would indicate that this was entirely an effort on a commercial scale?

Mr. BROWN. Let us go back to this high-speed airplane to which he was referring up here. The Lockheed Orion is strictly a commercial transport plane. Other things which he has reported here are just general questions on which we were very glad to find out what the people on the other side are doing in engine development.

Senator CLARK. He says the German Government is so anxious to obtain reliable high-powered air-cooled engines that "I am sure they will not consider this figure excessive."

The CHAIRMAN. It is the German Government now which Mr. Hamilton is evidently speaking about, and they were the ones who were in the market, evidently operating through Mr. Milch, for

these high-horsepower air-cooled engines. It seems to me that that is a most direct piece of information to you, that these activities had relation to planes for military usage rather than commercial usage. Is it not fair to draw that conclusion?

Mr. BROWN. I am just wondering if the German Government do not control air transport lines as well as all other aircraft activities. I do not know.

Senator BONE. Those are privately owned, are they not?

Mr. BROWN. I believe the air line of Luft Hansa is.

The CHAIRMAN. Up to this time, with whom were you dealing as respected what you knew to be strictly commercial activities?

Mr. BROWN. The Bavarian Motor Works and Junkers.

The CHAIRMAN. Not with the Government?

Mr. BROWN. Not with the Government.

Mr. LOVE. I would say that is a figure of speech, and he means B.M.W. could sell.

Mr. BROWN. I was told by one of the Bavarian Motor Works engineers, when he was over here in connection with this engine manufacturing contract, that there were plans under way to build an air line from Berlin, Germany, to Shanghai, China, and I believe that line has been started, has it not?

Mr. DEEDS. It was started.

The CHAIRMAN. Mr. Hamilton, following the language of the paragraph which has been read, states:

I shall, of course, be guided by your judgment and instructions on the matter.

What was your judgment and what were your instructions on the matter?

Mr. BROWN. That had to do, Mr. Senator, I believe, with the propeller license, and I am not prepared to say just what the instructions were which were given to him.

The CHAIRMAN. Did you discuss, among yourselves, at the time, the probability that these engines and these activities were of a military nature rather than of a commercial nature?

Mr. BROWN. I do not believe it ever entered our minds.

The CHAIRMAN. Now, coming to the contract between you, the Pratt & Whitney Aircraft Co., and the B.M.W., a new license agreement between you was drawn up as of March 28, 1933. I am sorry I have only one copy of that, but I think we will not need to resort to it materially. At some later date an agreement dated March 29, 1933, or 1 day later, superseded the agreement of March 28, 1933. The March 29, 1933, agreement granted a license to B.M.W. to manufacture an air-cooled aviation engine having a displacement range of from 1,650 cubic inches to 1,750 cubic inches. By article II, section 2 (b), of the March 29 agreement, Pratt & Whitney were to pay a royalty of \$200 on any licensed engine sold by them within the German Reich. Is that correct?

Mr. BROWN. I am going to let Mr. Deeds answer the questions on matters of license. I know about them in general, but he handled it in detail.

The CHAIRMAN. As I review this, if you have a contrary opinion, I wish you would interrupt to say so, Mr. Brown.

Mr. DEEDS. That is correct.

The CHAIRMAN. A royalty of \$200 on any licensed engine sold by them within the German Reich, and not to be exported from the Reich by the purchaser. Furthermore, all such sales were required to be at not less than the current price being quoted by B.M.W.

Under paragraph numbered (i) under section 1 (b) of article IV, B.M.W. was required to pay Pratt & Whitney \$200 for each licensed engine manufactured, leased, sold, or shipped by B.M.W.

Under section 2 of article IV, B.M.W. was to render semi-annual statements to Pratt & Whitney, showing the models and numbers of all licensed engines manufactured and shipped, sold, leased, or used by B.M.W.

Roughly, does that cover the nature of the contract?

Mr. DEEDS. That does. Of course, the reason for the royalty payable to them under that agreement is based on the fact that we have granted them the exclusive territory.

The CHAIRMAN. Germany is their exclusive territory?

Mr. DEEDS. Yes, sir.

The CHAIRMAN. Let this agreement be entered as "Exhibit No. 593."

(The agreement referred to was marked "Exhibit No. 593" and is included in the appendix on p. 1585.)

Mr. BROWN. Would you mind granting us a favor there, that the dollars and cents be omitted from that agreement and just leave that blank, for the reason that I think it is information that you would not want just to throw into our competitors' laps.

The CHAIRMAN. All right. Let that be done.¹

That was March 29, 1933. Under date of March 8, 1934, and prior to the receipt of anything such as were called for under this contract of the year before, prior to any receipt by Pratt & Whitney, the Pratt & Whitney Aircraft Co. released B.M.W. from the royalty provisions, in consideration of a lump-sum payment of \$50,000 a year royalty.

Now, then, at the royalty figure to which there has been reference, at that figure per engine, \$50,000 is equal to the royalty on 250 engines a year. Furthermore, B.M.W. waived the payment of any royalty by Pratt & Whitney under section 2 of article II.

Inasmuch as United Aircraft sold 176 engines to German customers during the 8 months period ended August 31 of this year, that was a sizable concession, was it not, Mr. Brown?

Mr. BROWN. Well, I do not know.

Mr. DEEDS. I do not think it is. Certainly, from our business standpoint, there is insurance of a fixed fee in considerably larger amount than our previous experience on the less remunerative agreement of earlier years.

Senator VANDENBERG. But from their standpoint it indicates that they are going to make more than 250 engines a year, does it not?

Mr. DEEDS. They probably think they will.

The CHAIRMAN. In any event, of the 176 engines which you sold, 150 were Hornet S-4-D-2 and one was a Hornet 1690-S-D-G and 25 Hornet model T-2-D-1. All these types are within the displacement range covered by the license, are they not?

¹The prices quoted in "Exhibit No. 593" were deleted by permission of the chairman. (See appendix, p. 1585.)

Mr. DEEDS. That is correct.

The CHAIRMAN. However, 151 engines sold in 1934 were sold to B.M.W. Is it not likely, as a practical matter, Mr. Brown or Mr. Deeds, that the royalty provision did not affect these sales at all?

Mr. DEEDS. The royalty provision did not affect those sales at all. Those were what we would call interim sales. They did not have the opportunity in less than a number of months to get into production on an engine, and for their interim requirements they purchased from us.

The CHAIRMAN. Of course, these 151 were part of the total of 176, were they not?

Mr. DEEDS. Yes, sir.

The CHAIRMAN. The total compensation gained by Pratt & Whitney, as to which you consented to waive your right to require royalty from B.M.W., is equivalent to the royalty upon approximately 500 engines a year on that basis. Is that right?

Mr. DEEDS. It is 200 into 50,000; 250 engines, is it not?

Mr. HISS. Plus the waiving of your duty to pay them a royalty on any engines you sold in Germany.

Mr. DEEDS. Only 25 of those engines in either lot sold were sold in their territory. What we sell to them directly we would not have to pay a royalty on.

Mr. HISS. There is no clause in the license one way or the other.

Mr. DEEDS. That is a foregone conclusion.

Senator BONE. Your patents in Germany are all filed and they are thoroughly protected under the patent law of that country?

Mr. DEEDS. Yes, sir.

Senator VANDENBERG. Is 250 engines a year a big production?

Mr. DEEDS. I would say it is quite small.

Senator VANDENBERG. Small?

Mr. DEEDS. Yes, sir.

Senator VANDENBERG. How many engines do you produce a year?

Mr. DEEDS. Roughly, 1,000.

Mr. HISS. How many of those are sold to the United States? Do you know, roughly?

Mr. DEEDS. I think we have some figures.

Mr. HISS. Roughly.

Mr. DEEDS. Roughly, between 50 and 60 percent.

Mr. HISS. What were your sales to the Army and Navy of the United States?

Mr. DEEDS. I would say 50 to 60 percent.

Mr. HISS. So that 250 engines would be a maximum production for the Army and Navy per year.

Senator VANDENBERG. How many planes are there in the Army and Navy today? Do you know?

Mr. DEEDS. I cannot answer that question authoritatively.

Senator VANDENBERG. I heard there were less than 1,000 in the Navy, for instance. Does that sound reasonable? About 900 in the Navy?

Mr. BROWN. I beg your pardon.

Senator VANDENBERG. How many planes are there in the American Navy today?

Mr. BROWN. I do not know.

Senator VANDENBERG. Would 900 be a reasonable figure? Does that sound reasonable?

Mr. BROWN. I don't know whether you would want to divulge that secret or not, and I would much prefer you get it from the Navy.

Senator VANDENBERG. I don't know whether there is much secret about it.

Mr. BROWN. I really couldn't give you the exact number.

Senator VANDENBERG. This would indicate they are going to manufacture as many engines as are used in the Navy in 1 year, which would seem to be a relatively high production.

Senator BONE. With their own production and this added, they might easily have 2,000 or more planes within a year.

Mr. BROWN. I have some figures here that would check it up. From 1926, the time we started in business, until December 31, 1933, we have shipped a total of 7,912 aircraft engines. That is to all parties.

Senator BONE. You mean outside of this country?

Mr. BROWN. No; this is the total engines produced, and I hope I am not divulging any military secrets, so if you would like to, you can leave this figure off of the record. I will show this statement to you, if you would like to have it.

Senator VANDENBERG. That is about a thousand a year for 8 years?

Mr. BROWN. We have got it by years here, and I will read into the record what our production was by years.

Senator VANDENBERG. Is this the total production?

Mr. BROWN. Yes. For 1926, 19; for 1927, 271; for 1928, 955; for 1929, 2,017; for 1930, 1,589; for 1931, 1,286; for 1932, 805; for 1933, 989.

Senator CLARK. Is that engines or planes?

Mr. BROWN. Those are engines.

The CHAIRMAN. Do you have the figures up to the present date, this year?

Mr. BROWN. I haven't them with me, but I would be glad to furnish them.

Senator VANDENBERG. Let us take the 989 engines for 1933; how many of those would you say were exported?

Mr. DEEDS. We have it for the total period, 646 engines.

Senator VANDENBERG. Six hundred and forty-six exported out of the 7,900; is that right?

Mr. DEEDS. Yes.

Mr. HISS. But the proportion has increased in the last few years, and you are exporting a larger amount of your production than those figures there for the 8 years would indicate?

Mr. DEEDS. Our export figure has increased; yes.

Mr. HISS. During those years, and at the present time, aren't practically all of the engines made in this country for military use made by your company and the Wright Aeronautical Co.?

Mr. DEEDS. In the power range which we cover; yes.

Mr. HISS. For military use?

Mr. DEEDS. Yes.

Senator VANDENBERG. If your total production was 989 engines for export and domestic trade in 1 year, then would you not say an arrangement contemplating 250 engines in one German plant was a substantially important production?

Mr. DEEDS. I would say that it was not. I don't know; I have never been there.

Mr. BROWN. You will remember, if it is a 3-engine transport, that would represent 3 into 250, which would be about 70 or 75 planes. If it was a 4-motor ship, it would be so much less.

The CHAIRMAN. What has been stated as the beginning of the release from the provisions of this contract is revealed in a letter dated March 8, 1934, addressed to B.M.W. by the attorney in fact of the Pratt & Whitney Aircraft Corporation, which will be entered as "Exhibit No. 594."

(The letter referred to was marked "Exhibit No. 594" and is included in the appendix on p. 1593.)

Senator CLARK. Referring to the estimate made by Senator Vandenberg on the engines constructed in Germany, B.M.W. is 1 of 3 or 4 companies receiving a volume business, and the conclusion to be drawn is that production in Germany is three or four times that of B.M.W., based on the license agreement?

Mr. DEEDS. Our figures here are for one of two or three manufacturers, so that the comparison being made with our production should also be considered in the same light.

Senator CLARK. In other words, the production is three or four times what it appears to be on the figures of your company?

Mr. DEEDS. Yes; the same applies to our domestic production.

The CHAIRMAN. We shall have to leave this matter until in the morning, but I think, in order to have a connected story here, we should put in evidence the reason why B.M.W. stated they desired to modify the royalty provisions as shown in this letter. This letter is dated October 27, 1933, addressed to Thomas F. Hamilton, written by C. W. Deeds, and it is offered in evidence as "Exhibit No. 595."

(The letter referred to was marked "Exhibit No. 595" and is included in the appendix on p. 1594.)

The CHAIRMAN. On the second page of this copy of the letter, in paragraph 5, it reads as follows:

I pointed out that we were not interested in modifying the present B.M.W. agreement and that we would like to have a written request for such modification with the reason therefor. Mr. Hamilton stated he knew the reason, but B.M.W. was not willing to put it in writing, that reason being that they did not want to reveal the number of engines manufactured. This, of course, we anticipated. I mentioned that \$15,000 did not seem anywhere near adequate, and Hamilton pointed out that this was merely their offer and that he had in mind at least be that much. I said I still thought that that was low, considering the possibility of manufacturing 700 to 800 engines per year. He said this was out of the question and that he felt that we would sell them more engines than they would ever build.

B.M.W. referred to is the Bavarian Motor Works?

Mr. DEEDS. Yes, sir.

The CHAIRMAN. What, Mr. Deeds, gave you reason to believe that B.M.W. might manufacture seven to eight hundred engines per year?

Mr. DEEDS. I had no reason to believe it except I offered that as a possibility in connection with the \$15,000 offer they were making us in royalty.

The CHAIRMAN. You must have had some basis for expressing the possibility of their manufacturing 700 to 800 engines per year.

MR. DEEDS. If we assume B. M. W. had a production as large as our company, that would be the case. They have the factory and facilities.

SENATOR BONE. With three big companies operating at full blast over there, they would have no difficulty in exceeding that sort of record, would they?

MR. DEEDS. I don't think so.

SENATOR BONE. How many engines could three big plants of the type of this plant manufacture in the course of a year?

MR. DEEDS. Senator, I have never seen the plant.

SENATOR BONE. What would you think?

MR. DEEDS. I could not answer the question.

SENATOR BONE. You would not speak of 800 planes as an extravagant figure?

MR. DEEDS. We are speaking of engines.

SENATOR BONE. Yes; you would not speak of 800 engines as an extravagant figure?

MR. DEEDS. No; I would not.

THE CHAIRMAN. Through all of this you have no ghost of an idea these planes could be for military purposes?

MR. DEEDS. We are thinking of the future. It was a matter of common gossip that they were anticipating rearmament.

MR. BROWN. That contract was over a period of 5 years, wasn't it?

MR. DEEDS. That is correct.

MR. HISS. You mean the license gave them rights for 5 years?

MR. DEEDS. That is correct.

MR. HISS. And your figure was 700 to 800 engines a year?

MR. DEEDS. That is correct.

THE CHAIRMAN. So that there are 4 years to go on that contract?

MR. DEEDS. Yes; in which time there is a possibility of their reaching the production.

THE CHAIRMAN. Mr. Deeds, this "Exhibit No. 595" purports to be in confirmation of a telephone conversation you had with Hamilton the afternoon of October 27, 1933. Where were you?

MR. DEEDS. I was in Hartford.

THE CHAIRMAN. And Mr. Hamilton, where was he?

MR. DEEDS. I don't remember, but he was in Europe.

THE CHAIRMAN. Then you had a very extended conversation that day, did you not, since this memorandum would indicate you had 12 specific things you wanted confirmation of in that telephone conversation?

MR. DEEDS. As I recall, the telephone bill was \$250.

THE CHAIRMAN. Now, wasn't there actually information given to you by Mr. Hamilton that day concerning the military activities there, and that this great talk about the building of motors and planes had relation to a military program?

MR. DEEDS. I was led to believe that the political situation in Europe in general was very much disturbed and there was very great activity on the part of our competitors, and we were naturally anxious to get our share of the business.

THE CHAIRMAN. In this same memorandum, "Exhibit No. 595", you say in paragraph 7 [reading]:

Mr. Hamilton referred to various cables and communications relative to the demonstration in England and the essential points in the discussion were

that he desired the two-way propeller for the direct-drive engine to be used in the Fury, as among other things the item of expense would enter into the picture.

What was this demonstration for?

Mr. DEEDS. It was a demonstration proposed for the Persian and Finnish in a Hawker-built airplane. The Persians had previously purchased Hawker planes equipped with our engines and were considering a future program.

Senator VANDENBERG. Referring to this 990 engines produced in 1933, what percentage of those engines went into commercial planes?

Mr. DEEDS. We might explain at this time that our records classify everything not sold to the United States Government in a general category of commercial. The Export Co. makes all export sales and, of course, other airplane manufacturers whom the United Aircraft do not represent, purchase engines from us, and they may or may not be exported. Our knowledge to that effect is only as it may be incidental to some correspondence or conversation on the subject.

Senator BONE. These sales are listed as commercial sales.

Mr. DEEDS. I am referring to Pratt & Whitney Aircraft Company's books.

Senator BONE. That is what I mean. That is what your records show.

Mr. DEEDS. Yes.

Senator VANDENBERG. What is the answer to my question, please?

Mr. DEEDS. Of the 989 engines sold in 1933, the number of commercial engines sold, which is engines outside of shipments to the Army and Navy, was 46.4 percent.

Senator VANDENBERG. Out of the 990 engines, that would be in the neighborhood of 450 engines.

Mr. DEEDS. That is right.

Senator VANDENBERG. So your maximum commercial production in 1933 was around 450 engines and the cancelation of this contract for this one German plant having a production of at least 250 and probably more engines, then under the cancelation of this one contract it was only one of three or four plants in Germany, so that they could not all have been converted into commercial traffic to that extent.

Mr. BROWN. I don't see why not. If they have three-motor planes, as I pointed out a while ago, it would mean less planes.

Senator VANDENBERG. You only had four hundred-and-some-odd of them in the United States.

Mr. BROWN. May I just call your attention to the commercial production in 1929 when this country was building up its air transportation. We sold 1,221 motors.

Senator CLARK. Mr. Brown, a while ago, if I understood you correctly, you said this transport you sold to Germany is the latest-type transport ship, like the ships on the United Lines in this country.

Mr. BROWN. As I understand it, that is what it is.

Senator CLARK. That is the same kind of ship that carries the mail over here.

Mr. BROWN. That is right.

Senator CLARK. I understand this type of ship is not readily convertible into a bomber.

Mr. BROWN. That is what I have been told by aircraft engineers.

Senator CLARK. I am interested in that, because we are constantly being requested to vote for these subsidies, because they are interested in having this latest type of ship used in the subsidies because they are fitted for military purposes, and you say they are not fitted for military purposes at all.

Mr. BROWN. Isn't the answer to this that the entire air lines in this country could be turned over to the Government for the transportation of troops and supplies?

Senator BONE. You mean to transport troops on these ships that are carrying the mail?

Mr. BROWN. Why not?

Senator BONE. I am wondering how you could transport any number of troops for any distance in an airplane.

Mr. DEEDS. The Army and Navy have transportation divisions and use transport planes in connection with their activities.

Senator CLARK. I am afraid we will never win a war moving troops by air.

Senator BONE. Did you ever hear of any war where they moved troops by airplane? I am glad Senator Clark brought up the question of these huge subsidies for these air lines on the theory it is of assistance to our defense. If they are not suitable for bombing, what would they be suitable for?

Mr. BROWN. I would prefer to have that question answered by someone who knows the subsidies better than I do.

Senator BONE. Some of the air lines have been the recipients of the largest subsidies on that theory.

Mr. BROWN. I would hardly say that they receive their subsidies on that basis.

Senator BONE. That is the defense made in Congress and in the press, for paying these subsidies, or at least a part of the defense, that they are an assistance to the Army in war.

Mr. LOVE. I have seen cases where they carried a great amount of material and have transferred it by airplane and particularly heavy material.

Senator BONE. We want all of the light we can get on it and if you can enlighten us further on it I, for one, will be glad to have the additional information.

The CHAIRMAN. Mr. Love, you may understand yourself to be excused, but Mr. Brown and Mr. Deeds we would like to have back here at 10 o'clock in the morning.

Until that time the committee will be in recess.

(Thereupon, the committee recessed until 10 a.m., Tuesday, Sept. 18, 1934.)

INVESTIGATION OF MUNITIONS INDUSTRY

TUESDAY, SEPTEMBER 18, 1934

UNITED STATES SENATE,
SPECIAL COMMITTEE TO INVESTIGATE
THE MUNITIONS INDUSTRY,
Washington, D.C.

The hearing was resumed at 10 a.m., in room 310, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), George, Clark, Bone, Pope, and Vandenberg.

Present also: Alger Hiss, investigator.

The CHAIRMAN. The committee will come to order. Mr. Hiss, you may proceed.

TESTIMONY OF DONALD L. BROWN AND CHARLES W. DEEDS— Resumed

Mr. HISS. Mr. Deeds, yesterday it was testified that the two Boeing model 247 planes which were sold to Germany, were shipped to Germany, in 1934 and one Boeing still on order—which I judge is of the same type, is that correct?

Mr. DEEDS. Yes.

Mr. HISS. Represented a transport which was not suitable, in your opinion, for military purposes as a large bomber. Is that a correct summary of your statement?

Mr. DEEDS. That is substantially correct. It is not suitable in its present form, but any equipment that we sell—in fact, practically any commodity that we export—can be made usable for military purposes in time of war and would be used in time of war. To make a bomber out of the 247 would require an expensive engineering program and an expensive manufacturing operation.

Mr. HISS. Would the weight of a Boeing of the 247 type be the same, if it were a military ship, as if it were outfitted purely for commercial purposes; that is, exclusive of armament?

Mr. DEEDS. That is a technical question which I cannot answer. It is something that the airplane designer would have to answer.

Mr. HISS. As late as January 5, 1934, you were quoting the Boeing transport 247-D to the Export Co.'s agent in Bolivia, as a bomber. Does the model 247-D differ markedly from the model 247?

Mr. DEEDS. Well, the 247-D is the successor to or the modification of the present 247 for strictly commercial purposes. Whether or not that designation has been applied by the Boeing Co. to a further modification for bombardment purposes, I do not know. But the 247-D is the type that is just now going into production for air-line use with an increased performance.

Mr. HISS. Let us assume that the 247-D is the same fundamental model actually converted for military purposes.

Mr. DEEDS. It is not.

Mr. HISS. It is not?

Mr. DEEDS. No.

Mr. HISS. Let us take the example of the 247 converted for military purposes. You do not know about whether the weight of the 247 for transport purposes would be the same as the 247 converted for military purposes?

Mr. DEEDS. I do not.

Mr. HISS. How about the load capacity; what would be the capacity of that ship from the specification point of view?

Mr. DEEDS. I do not know that definitely, but I understand that the 247 load as it is now used, the pay load, is approximately 2,500 pounds.

Mr. HISS. There was also put in evidence the fact that during the first 8 months of 1934 the Export Co. shipped to Germany what were described as six mail airplanes. On the list furnished by your company to the committee they are described as the type V-85-6. Is that the same as the Navy SU 2-seater fighter simply with one cockpit converted into a mail compartment?

Mr. DEEDS. Well, it is basically the same design as the Vought Corsair, which is the SU type.

Mr. HISS. Which is used for light bombing purposes, 2-seater fighter, observation, and such purposes?

Mr. DEEDS. Yes. I believe I testified to that effect yesterday.

Mr. HISS. I just wanted to clear it up in the record.

The CHAIRMAN. Mr. Deeds, last night when we took our recess we were discussing such knowledge as may have been yours and that of your company during the past year or more concerning military activities in Germany. Are you maintaining that you had pretty thorough assurance all the way through that these operations which were yours in Germany were not in any way related to a military program?

Mr. DEEDS. I stated yesterday, at least, to the effect that we had statements from our representatives and also general press reports to the effect that Germany was planning to rearm. What method they were going to use was not considered. We have every reason to believe, however, that the normal requirements of the commercial operations in Germany would absorb the orders that we received from them.

The CHAIRMAN. But surely all the reports that you were getting from your agents and representatives abroad clearly indicated that there was a military purpose back of many of these orders, did they not?

Mr. DEEDS. They indicated just as I stated, that Germany was planning to rearm. We did not, from our standpoint, take it into consideration one way or another.

The CHAIRMAN. Mr. Rentschler, in his letter of February 6 to Mr. Love, "Exhibit No. 591", said:

It seems reasonable and possible that within the next five years the German Government will provide itself, both for military and commercial purposes, with a considerable amount of new equipment.

Then in a letter of the following month, March 15, "Exhibit No. 592", which has been identified as a letter probably written by Mr. Hamilton to Mr. Rentschler, there was reference to Hamilton's friend, Dr. Milch becoming technical director of Luft Hansa and becoming State secretary for air traffic. Then he says:

My conversations with the various departments indicate that their interests extend far beyond matters of traffic—

making it seem quite clear that at least Mr. Hamilton knew that these negotiations, involving orders to be placed with your firm, were more or less of a military nature.

In addition to that, you had increasing knowledge, growing knowledge from day to day, of what must be taking place when you observed such tremendous increases in the total of your business with Germany, as instanced by the fact that your business increased from \$6,000 in 1932 to \$1,445,000 in the first 8 months of this year.

There has been reference in your correspondence to the interest of the German Government in these orders and in these plans; and in addition to that I am very confident—and I think you will find reason for our confidence—that the matter of Germany's military plans, as related to their air preparations, were matters of common gossip among the air trade in Germany. Have you not been aware that you probably were helping in a military program, not alone a commercial program?

Mr. DEEDS. I think I have stated the fact that we were aware of that situation as it applied to the future. Incidentally, I looked up last night some facts regarding Luft Hansa, which are published facts—and my purpose was to indicate the size of their operations and that their purchase from us would be a normal requirement—to the effect that they serve 52 German and 31 foreign cities. It is made up of 53 different air lines which comprise the Luft Hansa system, and they operate approximately 175 airplanes. For the first time in history in the winter of 1933-34 they operated all their services throughout the winter, and that required more equipment, replacement equipment.

During 1933 they speeded up their service, and in order to do so they used higher-powered engines of the type which we supplied. That increased their speed approximately 20 percent, just as our own air lines have been speeded up by improved equipment.

The new planes purchased by Luft Hansa for this increase in traffic and service used American-built engines.

From May 1 to August 31, 1933, the German air-line traffic increased more than 25 percent and the passenger traffic more than 34 percent in number of passenger miles and 12 percent in express traffic.

The traffic of November 1933 was 190 percent greater than that of November 1932.

So we have ample justification to believe, from the knowledge that the engines, as stated, were of a current commercial type, that they were normally required in their air-line operations.

The CHAIRMAN. Mr. Deeds, will you tell us what records your home office has regarding the number of men that Mr. Hamilton may have under his employ in Europe? Does Mr. Hamilton submit a statement monthly to you concerning his expenses?

Mr. DEEDS. I am not familiar with that situation. That is handled by the Export Co.

The CHAIRMAN. Mr. Brown, what knowledge do you have of that?

Mr. BROWN. I do not know whether he furnishes his expense statement monthly or not. They go right direct to the Export Co.

Senator VANDENBERG. Mr. Chairman, before you leave the previous matter that was discussed between you and Mr. Deeds, if you will permit me to ask this question; would your explanation, Mr. Deeds, also cover the license permit which contemplates a minimum production of 250 engines a year?

Mr. DEEDS. I should think so; yes.

Senator VANDENBERG. With that included, from your viewpoint, that would still be amply within purely commercial expansion?

Mr. DEEDS. It certainly would. I do not say that that is what it is for.

The CHAIRMAN. Is it not true that between the United Aircraft Corporation and the Pratt & Whitney Co., in April of this year, you had at least six representatives in Germany?

Mr. DEEDS. In Europe.

The CHAIRMAN. In Germany?

Mr. DEEDS. I do not know.

The CHAIRMAN. Are there that many in Europe?

Mr. DEEDS. Yes.

The CHAIRMAN. We had testimony yesterday that you did not have more than two.

Mr. DEEDS. I do not believe that that is correct. I recall stating that we had four men from Pratt & Whitney.

The CHAIRMAN. Perhaps the record as relates to two had reference to the United Aircraft representatives; or do they work together there?

Mr. DEEDS. They work together. I think I explained that yesterday.

Mr. BROWN. Mr. Chairman, I believe that you are correct. When the question was asked of us how many men Pratt & Whitney had over there, I believe I did answer "two", and then Mr. Deeds followed me and explained that we had more than two.

Senator CLARK. I think that is right.

Senator VANDENBERG. I think that is correct.

The CHAIRMAN. Before the committee there is evidence that you had at least six in Germany in April of this year. That would not be an exaggeration, then, would it? There were probably that many?

Mr. DEEDS. If the major portion of our force happened to be in Germany at one time, that would be the case. I do not know that it is a fact.

Senator CLARK. The greatest portion of your business in Europe this year has been with Germany, has it not?

Mr. DEEDS. So far this year; yes.

The CHAIRMAN. Is it not true that the trade has generally recognized that enough American equipment was being delivered into Germany to equip a hundred planes per month?

Mr. DEEDS. I never heard that statement. I do not know how it would be arrived at.

The CHAIRMAN. What have you heard as regards that? How much equipment has been going over there? You have understood that you were not the only firm shipping equipment in there, have you not?

Mr. DEEDS. Are you speaking of aircraft engines?

The CHAIRMAN. Yes.

Mr. DEEDS. I am not familiar with the sales in Germany of other firms.

The CHAIRMAN. Have you understood that you had competition?

Mr. DEEDS. Yes, sir.

The CHAIRMAN. How is that?

Mr. DEEDS. I have understood to that effect.

Senator CLARK. Mr. Deeds, you do not mean to leave the impression with this committee that a company like yours, that has grown something over 10,000 percent in a few years, is entirely ignorant, in a general way, of the volume of business being done by its competitors in this country? You have means of getting information as to what your competitors are doing, have you not?

Mr. DEEDS. Certainly. The published statistics indicate the exports and domestic commercial sales in total by classes, for the industry. We might subtract from the total what we sell and arrive at the total of our competition in this country.

Senator CLARK. Do you not know what is being exported from this country by your competitors as well as yourself?

Mr. DEEDS. Yes, sir; but I do not know where.

The CHAIRMAN. From what you have heard, Mr. Deeds, what would you estimate to be the equipment that was being assembled in Germany per month? What would be its equivalent in the way of a finished product? Would you say 50 planes per month?

Mr. DEEDS. I do not have any information with respect to that.

The CHAIRMAN. Have you heard anything at all on that score?

Mr. DEEDS. Not that I recall.

The CHAIRMAN. As to what their larger program was calling for, in Germany?

Mr. DEEDS. There might be some estimates or guesses from Mr. Hamilton in the files, but I do not recall them at the moment.

The CHAIRMAN. Is it not true that from Germany there has been a flow of cables urging you to speed up your production and speed up deliveries of German orders?

Mr. DEEDS. That was true in connection with the order for 150 engines which we received from the B.M.W. Co. and also some of the Junkers orders that we were behind on.

The CHAIRMAN. Referring to those orders and to the amount of orders on file as yet undelivered, as of August 31, do you have any understanding as to how much business you are going to do with German firms next year?

Mr. DEEDS. We have no information.

The CHAIRMAN. Has Mr. Hamilton indicated what was in prospect for next year?

Mr. DEEDS. I do not recall. His hopes were that there would be more business.

The CHAIRMAN. More business?

Mr. DEEDS. Which has not to date materialized.

The CHAIRMAN. Have you not heard it said that at the end of this year Germany will have at least 2,000 planes?

Mr. DEEDS. I have not.

The CHAIRMAN. You have not heard that?

Mr. DEEDS. No; not to my knowledge or recollection.

Have you, Mr. Brown?

Mr. BROWN. I have not, either.

Mr. HISS. Mr. Deeds, is it not true that the engines shipped to Germany in 1934 can readily be synchronized with machine guns—they are so designed as to be able to do that?

Mr. DEEDS. The engines can be disassembled and a synchronizer drive can be inserted. That is true of any engine manufactured by our company, and I am sure it is true in general of engines manufactured by others.

Mr. HISS. Yesterday you spoke of the fact that most military engines were highly supercharged. Is it not a fact that the addition of a supercharger to one of your engines is quite a simple matter from an engineering point of view?

Mr. DEEDS. I would not say it is a simple matter. In the case of our engine it requires a complete replacement of the gear train in the rear of the engine and the design and manufacture of a higher compression piston.

Mr. HISS. Is it possible to insert a higher compression piston in the engines that you shipped to Germany?

Mr. DEEDS. It is. Such a piston has not been designed, however.

Mr. HISS. What would really have to be done to one of the transports to convert it into a bomber? You merely add a bomb rack, and would not that make it a serviceable bomber?

Mr. DEEDS. I cannot answer that question.

Mr. HISS. Do you think that a bomber for long-distance bombing, not for any particular tactical operations other than merely a long-distance trip for bombing, would have practically the same stress problems from an engineering point of view as the 247 transport?

Mr. DEEDS. Again, that is a technical question which I do not feel qualified to answer.

Senator BONE. You build military planes for the Government; do you not?

Mr. DEEDS. We build engines, military engines.

Senator BONE. Were you connected with a company that did build planes?

Mr. DEEDS. No.

Senator BONE. You were not?

Mr. DEEDS. No; I was not.

Senator BONE. Was any member of your group present here today connected with a company that built planes for the Government?

Mr. BROWN. No.

Mr. DEEDS. I should say directly connected, of course, through the United Aircraft & Transport Corporation we have been affiliated with airplane manufacturers.

Senator BONE. You would know something about the business; would you not?

Mr. DEEDS. Yes.

Senator BONE. Eighty percent of your business at one time was with the United States Government. We might well assume that

you would know a little something about the practical side of military operations.

Mr. DEEDS. But not the technical side.

Senator CLARK. You control the Sikorsky Co., do you not?

Mr. DEEDS. Yes.

Senator CLARK. Do they not build the military planes?

Mr. DEEDS. They have built a few flying boats—very few.

Mr. HISS. The Boeing Co. and the Chance Vought Co., which the Boeing Co. formerly controlled, the Chance Vought Co. still being controlled by the United Aircraft, both build military airplanes?

Mr. DEEDS. That is correct.

Mr. HISS. In 1925, during the hearings before the Select Committee of Inquiries of the House of Representatives into the Operations of the United States Air Forces, at page 836, Lieutenant Van Zant, of the Army Air Service, testified that he had for the past two years been making a special study of the relation of the development of commercial aeronautics to the national defense, that he had traveled abroad during that time, and at page 837 he said that he had personally visited the principal airports of Europe and traveled as a passenger some 6,500 miles on English, French, Rumanian, Polish, German, and Dutch air lines in order to investigate the development of commercial aviation abroad. He testified that the attitude of European governments toward commercial air lines was as follows:

All the principal countries of Europe recognize commercial aeronautics as an indispensable factor in the national defense. In spite of serious financial stringencies, the Governments of England, France, Switzerland, Hungary, Rumania, Poland, Germany, Holland, Belgium, Denmark, and others are contributing liberally to the support and encouragement of commercial air lines.

At page 848, he testified in general that the flyers now in commercial operation—this refers to European flyers—were in the war, had gained their training at government expense during the war.

In answer to a question by Mr. Lea:

Are flyers in these lines—

That is, the foreign lines—

generally in the reserve forces of their country?

Lieutenant Van Zant testified:

Yes. In fact, by the subsidy arrangements they are required to be.

Do you know anything that would tend to contradict Lieutenant Van Zant's opinion that the European governments consider commercial airlines a distinct feature of a national-defense program?

Mr. DEEDS. I do not.

Mr. HISS. Or that would tend to contradict his opinion that the pilots of commercial airlines in those European countries were required to be in the military reserves.

Mr. DEEDS. I do not; no, sir. That was quite a while ago.

The CHAIRMAN. Mr. Deeds—or Mr. Brown, either one of you gentlemen—is it not true that the Sperry Gyroscope Co. has been doing a considerable business in Germany?

Mr. BROWN. I do not know.

The CHAIRMAN. You have no knowledge of that at all, Mr. Brown?

Mr. BROWN. No.

The CHAIRMAN. Mr. Deeds?

Mr. DEEDS. I do not know.

The CHAIRMAN. The committee is advised—and that will be later developed, as to its truth—that the Sperry Gyroscope Co. has been delivering automatic pilots and gyrocompasses and other instruments, sufficient to equip at least 50 airplanes in Germany a month, and that this process of late weeks and months has been considerably speeded up.

You have not heard it said that at the end of this year, or about a year from now, Germany will have about 2,000 or 2,500 planes ready for military use?

Mr. DEEDS. No.

The CHAIRMAN. Do you know anything of the practice in Germany at this time of forbidding the exportation of certain machines?

Mr. DEEDS. I do not. Are you speaking of aircraft?

The CHAIRMAN. Yes; having relation to aircraft in that their production might be standing in the way of production of aircraft engines?

Mr. DEEDS. Why. I have information to the contrary. I know that aircraft are being exported from Germany to various parts of the world, because they have our engines in them.

The CHAIRMAN. Do you know of machine shops in Germany producing things that are divorced quite completely from engine manufacture that are being closed down for their normal production in order that they might have more capacity to produce engines?

Mr. DEEDS. I do not.

The CHAIRMAN. You do not know of any orders placed in America for this production, that is, remote from aircraft production? For instance, a machine shop in Germany might be manufacturing certain instruments, but that particular shop is needed to produce these engines and the shop would have to find some outlet for the production of the other material that they had been producing. You do not know that such orders have been placed in America?

Mr. DEEDS. I do not.

The CHAIRMAN. Or in England?

Mr. DEEDS. I do not.

The CHAIRMAN. How and in what form do you get payments for your work in Germany?

Mr. DEEDS. New York funds in advance of delivery.

The CHAIRMAN. Do you get payments in foreign exchange?

Mr. DEEDS. Well, I cannot answer the question. The Export Co. handles the transaction. The purchaser has the foreign-exchange problem. Our terms are New York funds in advance of shipment.

The CHAIRMAN. Do you know whether or not the foreign funds that have been impounded by the German Government are being used for the payment of military equipment on subsidies to German military establishments?

Mr. BROWN. I do not know.

Mr. DEEDS. I have no information on that. I don't believe I have heard that.

The CHAIRMAN. I find here a copy of a letter dated December 4, 1933, addressed to the United Aircraft Exports, Inc., by the Inter-

national Engineering Co., Inc., by H. F. Scholtz, manager. What is the International Engineering Co., Inc.?

Mr. DEEDS. They are agents of the Exports Co. in Siam.

The CHAIRMAN. I offer this letter as "Exhibit No. 596."

(The letter referred to was marked "Exhibit No. 596" and is included in the appendix on p. 1595.)

The CHAIRMAN. Down in the fourth from the last paragraph is this language:

Three weeks ago a member of the firm of brokers used visited Bangkok and advised us that on Government tenders they would meet any non-German competition, provided we secured the name, nationality, and prices quoted for them to submit to the German Government.

This fact should be known to American firms, as we have recently noted that the foreign funds impounded in Germany are now used in financing such subsidies.

That was last December. Mr. Deeds, what is your recollection of that letter?

Mr. DEEDS. I never saw it. This is addressed to the Export Co.

The CHAIRMAN. Mr. Brown, have you seen that letter before?

Mr. BROWN. I have never seen this letter before.

Senator CLARK. Who takes care of the business of the Export Co. in the office when Mr. Love is on one of his frequent trips?

Mr. BROWN. It is generally handled by Mr. McClellan.

Senator CLARK. And you don't know anything about these matters?

Mr. BROWN. No; because my job was, up to the 1st of September, head of Pratt & Whitney Aircraft Co., and I spent the majority of my time there.

Senator CLARK. You are now with the United, though?

Mr. BROWN. Yes, sir.

The CHAIRMAN. This letter, "Exhibit No. 596", in the fourth paragraph declares:

We know they have been trying to interest the aviation in German engines and we also know that the German Government are subsidizing German manufacturers to the extent of 20% if necessary against non-German competition in all lines.

Have you not encountered this information previously?

Mr. DEEDS. I know we have encountered German competition at what seemed to us low prices.

The CHAIRMAN. The subsidy and price had been operating in a direction that eliminated a great deal of outside business. Mr. Scholtz said in his letter:

We have purchased certain engineering supplies in Germany which, due to prices, eliminated American products in this market.

Have you felt that competition in your business?

Mr. DEEDS. The results indicate that, irrespective of price, we have been successful in selling engines in Siam. I do not remember the figures, but I know a year ago, and even before that, we had some sales and shipments into Siam.

Mr. BROWN. I would like to add here for the benefit of the committee that I have heard that the cost of manufacturing aircraft engines in Europe is considerably higher than the cost here in America.

Senator CLARK. How do you account for that, Mr. Brown, the difference in labor and organization?

Mr. BROWN. No; it should be less, because labor rates over there are lower than they are here.

Senator CLARK. Your trained labor is very much more efficient?

Mr. BROWN. Yes; they are very much more efficient. Perhaps that is one reason why it would be necessary for the German Government to subsidize German manufacturers to the tune of 20 percent, in order to compete. That would be my observation from that statement.

The CHAIRMAN. Now, gentlemen, there has been considerable discussion as to what could and what could not be done under the Versailles Treaty. On August 5, 1933, Mr. Joseph C. Green, of the State Department, wrote to the Under Secretary a letter which I am going to read quite in its entirety, and which is offered as "Exhibit No. 597."

(The letter referred to was marked "Exhibit No. 597" and is included in the appendix on p. 1596.)

The CHAIRMAN. The letter is addressed to Mr. Hickerson—and Mr. Green writes:

I called up the Aeronautics Trade Division of the Department of Commerce this morning and asked whether they had any information in regard to any recent purchase by the German Government of airplanes from American manufacturers. After they had consulted their record, they reported that they had no information in regard to such purchases, but that twenty airplane engines had been exported from the United States to Germany within the last six months.

Do you have before you figures to indicate what number of that total might have been your production?

Mr. DEEDS. Mr. Hiss probably has that.

Mr. HISS. The records submitted by the company do not show the actual date within the year of shipments, but in 1933 a total of 29 engines were shipped to German customers.

The CHAIRMAN. Then at least a part of these engines referred to in this memorandum of Mr. Green were engines of your production, were they not?

Mr. BROWN. They might have been.

The CHAIRMAN. Mr. Green goes on as follows:

Article 170 of the Treaty of Versailles reads in part as follows:

"Importation into Germany of arms, munitions, and war material of every kind shall be strictly prohibited."

Article 198 of the Treaty of Versailles reads in part as follows:

"The armed forces of Germany must not include any military or naval air forces."

Article 1 of the treaty between the United States and Germany restoring friendly relations, read as follows:

"Germany undertakes to accord to the United States, and the United States shall have, and enjoy, all the rights, privileges, indemnities reparations, or advantages specified in the aforesaid joint resolution of the Congress of the United States of July 2, 1921, including all the rights and advantages stipulated for the benefit of the United States in the Treaty of Versailles which the United States shall fully enjoy, notwithstanding the fact that such treaty has not been ratified by the United States."

Article II of the same treaty reads in part as follows:

"With a view to defining more particularly the obligations of Germany under the foregoing article with respect to certain provisions in the Treaty of Versailles, it is understood and agreed between the high contracting parties:

(1) That the rights and advantages stipulated in that treaty for the benefit of the United States, which it is intended the United States shall have and enjoy, are those defined in section 1 of part IV and parts V, VI, VIII, IX, X, XI, XII, XIV, and XV."

Now, on the second page of the exhibit which you have before you, referring to the second from the last paragraph, I read:

As Germany accepted the decisions of the conference of ambassadors as constituting her interpretation of articles 170 and 198 of the Treaty of Versailles, and as this Government, under the provisions of articles I and II of the treaty between the United States and Germany restoring friendly relations, enjoys all the advantages stipulated in articles 170 and 198, the importation of military aircraft into Germany or the possession or use of aircraft by the German police would constitute a violation of the treaty rights of this Government.

In view of the treaty provisions referred to, there was included the following sentences: "It is the policy of this Government not to encourage the sale of arms, ammunition, and implements of war intended for export to Germany * * *" in a confidential memorandum on the policy of the United States in regard to restrictions on international traffic in arms, ammunition, and implements of war, which was submitted by Mr. Stimson to President Hoover in May 1931. This memorandum having received the approval of President Hoover, has since that time been used by the Department as a guide in making decisions on questions relating to the export of arms. In respect to the portion of the memorandum quoted above, it has been the custom of the Department, when occasion has arisen to inform manufacturers and exporters that the export of arms, ammunition, and implements of war to Germany would not be regarded with favor by this Government. In view of the desire and obvious interest of the manufacturers and exporters to do nothing contrary to the wishes of the Government, this admonition is believed to have been sufficient to prevent such shipments. It is possible, however, that some manufacturers, realizing that the export of arms to Germany was not definitely illegal and could not be forcibly prevented, may have, unknown to the Department, exported arms, ammunition, or implements of war to Germany.

It is suggested that Mr. Osborne be informed of the policy of this Government in regard to the export of arms, ammunition, and implements of war to Germany, and that he be further informed that, although this Government is not legally empowered to prevent such exports to that country, nevertheless, should the occasion arise, it would make every effort to dissuade airplane manufacturers from exporting military airplanes to Germany, and that it is probable that such measures would prove effective.

(Signed) J. C. G.
(JOSEPH C. GREEN.)

Now, Mr. Brown, what have been your contacts with the Departments of the Government respecting your exportations to Germany?

Mr. BROWN. Well, gentlemen, I would like to review just how we go about getting releases of our engines to export fields. As a general rule—may I change that? Every engine which we have developed has been developed with the close cooperation of either the officers of the United States Navy bureau of Aeronautics or the officers at the Matériel Division at Wright Field.

There is an order issued by the War Department to the effect that all military engines cannot be released for commercial or export sales without their permission. That has been a policy of the United States Government, and it has been the policy of the Pratt & Whitney Aircraft Co. to follow that to the letter.

Now, in connection with the engines which are under discussion at this time, as well as the manufacturing license agreements which you have before you, we have had permission from the United States Government, Army, and Navy to sell those engines commercially and for the export trade. We have always worked very very close with

both departments of the Government, and for perhaps the last year, I do not know just when this report that I am going to mention started, but we did report to the United States Navy every export shipment which we made.

Now, gentlemen, I am a business man, and I don't believe you would expect me to be as familiar with treaties as our Government people are. We have felt that we had the right to export our engines, and if there was any question about the shipment of engines into Germany, it seems to me that the releases of the engines should have specified release to all countries except Germany.

There has been a great deal of mention about the Versailles Treaty here. I don't know whether this country has ratified that treaty or whether we are any part of it.

Now, gentlemen, I don't like the inference that we have been unpatriotic in the operation of our business.

The CHAIRMAN. Your contact with your Government in these matters has been confined strictly to the Army and Navy?

Mr. BROWN. Yes; we cooperate closely with them in the development of our product.

Senator CLARK. This matter of notifying the Navy of these shipments is comparatively recent?

Mr. BROWN. I qualified that I did not know just when we started that.

Senator CLARK. It is comparatively recent?

Mr. BROWN. It is.

Mr. DEEDS. It covers this entire German situation we are discussing, however.

Senator BONE. It is obvious there was no objection from the Army or Navy to these shipments, or you would not have made them?

Mr. BROWN. That is right.

Senator BONE. So I am taking that statement at its face value, that you had full right to export the engines you have exported. What kind of arrangement did you have, by word of mouth?

Mr. BROWN. No; we have an arrangement that this particular engine is released for commercial and export sale.

Senator BONE. Is that in the form of a memorandum from the Navy Department, or how do they give you a clearance on that?

Mr. BROWN. The clearance generally comes to us in this manner. As a general rule we have an informal discussion as to whether there are any objections on the part of either service to the release of that engine.

Senator BONE. Where are those informal discussions had?

Mr. BROWN. It is generally with the particular division head of the engineering section at Wright Field.

Senator BONE. It is some officer that is in the field rather than with the Department here at Washington?

Mr. BROWN. No; it heads right up to the Department at Washington.

Senator BONE. You have not had any objection from Washington, so it has become a rather routine matter, hasn't it?

Mr. DEEDS. All such releases of any model are signed by either the Secretary of War or the Secretary of the Navy.

Senator BONE. Obviously you can ship into Germany any kind of engine you are making that is released for export?

Mr. DEEDS. We have no information to the contrary.

Senator BONE. You have not had any objection raised; that is what I am getting at.

Mr. BROWN. No; we have not.

Senator BONE. You say all of these engines have been developed in close cooperation with the Government departments. What does that mean or imply?

Mr. BROWN. Let me see how I can best explain that to you, Senator.

Senator BONE. Let me ask some further questions, and perhaps it will develop the idea a little better. Does it mean that the Government itself has a corps of men or body of men that are interested in the technical side of engine manufacture and development?

Mr. BROWN. That staff in its studies are confined solely to their own requirements rather than detailed design.

Senator BONE. Are they men that understand thoroughly the nature of an engine and how it should be built and what they want?

Mr. BROWN. As to general knowledge; yes.

Senator BONE. Otherwise they would be of no use to you?

Mr. BROWN. That is right.

Senator BONE. Does the Government maintain that sort of staff?

Mr. BROWN. Yes.

Senator BONE. Then they frame up a design of what they want or think they want in an engine as to displacement, power, and everything, and they come to you with drawings?

Mr. BROWN. No drawings.

Senator BONE. What do they tell you?

Mr. BROWN. I can illustrate that best by one of our most recent developments. We were requested about a year and a half or two years ago to take under consideration the design and development of a two-row radial engine of a certain size and horsepower output. We made the study and designed and developed the engine, and that is about true with practically all of our other developments.

Senator BONE. If you put that design of an engine in the hands of the Government Army engineers and naval engineers, do they know what it is all about, would they understand the technique, and so on?

Mr. BROWN. Of course.

Senator BONE. Of course, they could not make an intelligent suggestion unless they knew what they wanted. That is right, isn't it?

Mr. BROWN. That is true.

Senator BONE. How long have these relations of the Government with private building outfits been in existence—since before the war or during and since the war?

Mr. BROWN. To my knowledge it goes back from the war days.

Senator BONE. What do you know about this Government's airplane plant in Philadelphia?

Mr. BROWN. Well, I know they have the naval aircraft factory there, which is used primarily, I believe, for research work. They have built some planes there.

Senator BONE. The Government has a staff of men there who are engaged in research work?

Mr. BROWN. Yes.

Senator BONE. Do they have the equipment there to build an engine for experimental purposes?

Mr. BROWN. I couldn't answer that.

Senator BONE. Is the Government actually doing any research work up there, at Philadelphia, do you know; any construction of engines, or any study of airplanes and their characteristics?

Mr. BROWN. That is a part of their research program.

Senator BONE. Do you know whether they are carrying that on now or not?

Mr. BROWN. I don't know, but I imagine they are.

Senator BONE. Have you come in contact at all with the work of that airplane factory up there in connection with plans or suggestions, from either the Army or the Navy?

Mr. BROWN. No; I have not.

Senator BONE. Where do these men in the military service or the naval service of the United States work; who prepare the plans and drawings and suggestions that come to your factory?

Mr. BROWN. The Army Engineering Corps is at Dayton, Ohio, and the Bureau of Aeronautics is located here in Washington.

Senator BONE. Do they have laboratories for that sort of work?

Mr. BROWN. The laboratories for the Bureau of Aeronautics is at the Naval Aircraft Factory in Philadelphia, and the laboratories for the Air Corps is at Dayton, Ohio.

Senator BONE. There has been some testimony in the record—I do not know whether you or Mr. Deeds gave the testimony or whether it was in some of the records filed—but it seems airplane engines were sold to the Government in the early stages of the Pratt & Whitney operation, at somewhere under \$10,000.

Mr. BROWN. That is right.

Senator BONE. What price does your company make the Government now for airplane engines for military and naval purposes? I wish you would just run down the scale and give us some idea of what the Government pays for these engines. Let us go back to say 1925 and 1926.

Mr. BROWN. In 1926, after our engine had completed the test in accordance with the Navy specifications we entered into a contract with the United States Navy for six experimental engines at \$15,000 each. In the year 1927 we sold approximately 200 engines at \$8,737.26.

Senator BONE. Is that to the Government?

Mr. BROWN. I am giving you all military engine prices.

Senator BONE. Is that the same power engine?

Mr. BROWN. This was the original Wasp engine. That represented a reduction in price to the Navy of 41.7 percent.

In 1928, with additional improvements, the engine sold for \$6,700, a reduction of the previous price of 23.3 percent.

In 1929 the engine sold for \$5,200, which was a reduction in price of 22.3 percent.

In 1930 the engine sold for \$4,800, representing a reduction on the previous price of 7.6 percent.

In 1931 the price was \$4,770, being a reduction on the previous price of 1.6 percent.

In 1932 the price was \$4,535.60, being a reduction on the previous price of 4.9 percent.

In 1933 the price was \$4,290, a reduction on the previous price of 5.4 percent.

In 1934 there was a slight increase of price to \$4,447, being an increase of approximately 3 percent.

From 1926 to 1934 the output of the engines had been increased from 400 to 550 horsepower. That is the Wasp prices.

Now, I am going to give the Hornet prices on the 1690 model.

Senator BONE. Is that a larger or a smaller engine?

Mr. BROWN. That is a larger engine.

In 1927 the price on that engine for small quantities—I do not recall now what they were, but I can get it for you.

In 1928 the engine sold for \$7,950, a reduction of 9.1.

In 1929, with our larger volume of business, the price was reduced to \$5,500, a reduction of 34.8.

In 1930 the price was \$4,950, a reduction of 10.0.

In 1931 the price was \$4,915.60, a reduction of 0.6.

In 1932 the price was \$4,915.60, no reduction.

In 1933 it was \$4,663.28, a reduction of 5.9.

In 1934 the price was increased to \$4,875.

Senator BONE. What is the power of that engine?

Mr. BROWN. That engine started out with 525 and now has an output of 750 horsepower.

Senator BONE. These figures would seem to indicate that you were getting into what might be called "quantity production."

Mr. BROWN. That is true, Mr. Senator.

Senator BONE. You sold up to around what figure? What was the figure—eight, nine, or ten thousand engines?

Mr. BROWN. Seven thousand nine hundred and twelve is the total.

Senator BONE. Seven thousand nine hundred and twelve?

Mr. BROWN. Yes, sir.

Senator BONE. How were these engines bought from your firm?

By a call for bids or on what we have frequently had referred to as "negotiated contracts"?

Mr. BROWN. In the majority of cases it has been negotiated contracts.

Senator BONE. What does that term mean? Will you tell us what it means? I am very curious to know how the Department and your company arrive at the idea that they should negotiate a contract instead of calling for bids.

Mr. BROWN. On negotiated contracts the Army and the Navy have in their possession cost figures as a result of an audit.

Senator BONE. What are those based on? If they do not manufacture engines, on what would they base cost figures?

Mr. BROWN. It is on the auditors' report, on the actual audit taken at our factory.

Senator BONE. All right. Go ahead.

Mr. BROWN. It is just a case of sitting down and arriving at a price which is acceptable to the procurement officer of the United States Government and acceptable to us.

Senator BONE. When you speak of the United States Government, you are talking about some officer down here in a building?

Mr. BROWN. Yes.

Senator BONE. And not the Congress or the 120,000,000 people in this country?

Mr. BROWN. That is right.

Senator BONE. That is what I am getting at. What you have got to do is satisfy some gentleman down here in a building that that is the right figure, and that is the end of it.

Is that what we are to understand?

Mr. BROWN. It is not that simple.

Senator BONE. It is almost that simple, is it not?

Mr. BROWN. I cannot agree with you, Mr. Senator.

Senator BONE. You cannot?

Mr. BROWN. No, sir. He has before him complete information of the cost of that engine.

Senator BONE. Let us get back. What authority is there in law for that?

Mr. BROWN. The Procurement Act of 1926.

Senator BONE. Does it provide for that?

Mr. BROWN. Not the negotiated contracts but the audit.

Senator BONE. What authority in law is there for these negotiated contracts?

Mr. BROWN. I am not prepared to answer that.

Senator BONE. I know, but you are a party to one of those contracts. You certainly have legal advice in dealing with people, but unless you conform to the law you have no right to collect, and that is fundamental law.

Mr. BROWN. If we are invited to come down to the United States Government and discuss the procurement of engines, we will do it.

Senator BONE. I have no doubt that the companies prefer to do it that way, but I am trying to get you to explain this matter. Has your legal department ever advised you if that is a legal way for the Government to buy engines?

Mr. BROWN. We accepted it as legal by virtue of the fact that the majority of the Government contracts were handled in that manner.

Senator BONE. We are patently aware of the fact that a lot of them have been handled in that fashion. I was wondering if your legal division ever advised you if that was permissible.

Mr. BROWN. We never thought it was necessary to refer the question to our legal department.

Senator CLARK. Mr. Brown, Pratt & Whitney are equipped to make other things besides airplane engines, are they not?

Mr. BROWN. No, sir; Pratt & Whitney Aircraft Co. specialize in the manufacture of aircraft engines only.

Senator CLARK. Did you have any negotiations with parties in Germany with regard to machinery or furnishing machinery to Germany for manufacturing a machine gun?

Mr. BROWN. Not our company.

Senator CLARK. Do you have any connection with the Pratt & Whitney Co.?

Mr. BROWN. They manufacture tools, jigs, and fixtures, and our company is the Pratt & Whitney Aircraft Co. We were together at one time.

Senator CLARK. At what time?

Mr. BROWN. That was up until the United Aircraft & Transport Corporation purchased the Aircraft Co. from Niles-Bement-Pond.

Senator CLARK. Do you know whether Mr. Rentschler is a director in the Pratt & Whitney Co.?

Mr. BROWN. I believe he is.

Mr. HISS. Are you a director, too, Mr. Deeds?

Mr. DEEDS. I am a director.

Senator CLARK. Mr. Deeds, did you ever know of any negotiations by the Pratt & Whitney Co. to furnish machinery for machine guns in Germany?

Mr. DEEDS. I never knew of any purchase of any such machines.

Senator CLARK. Did you ever know of Mr. Rentschler, or any other director of the Pratt & Whitney Co., within the last year, holding negotiations in Berlin with regard to furnishing machinery for the manufacture of machine guns in Germany on behalf of the Pratt & Whitney Co.?

Mr. DEEDS. The Pratt & Whitney Co. have a standard line of machine tools which would be usable in the manufacture of any product.

Senator CLARK. You do not know of any negotiations in Germany in that regard?

Mr. DEEDS. No, sir.

Senator CLARK. Mr. Chairman, I am going to have Mr. Rentschler subpoenaed at a later meeting to testify in respect to that matter.

The CHAIRMAN. Is he in the country?

Mr. DEEDS. Yes, sir.

The CHAIRMAN. Is Mr. Hamilton in the country?

Mr. DEEDS. No, sir.

The CHAIRMAN. How often does Mr. Hamilton return?

Mr. DEEDS. Once a year.

The CHAIRMAN. What time of the year?

Mr. DEEDS. Usually around June or July.

Senator CLARK. Which Mr. Rentschler is it who is a director in the Pratt & Whitney Co., Mr. Deeds?

Mr. DEEDS. Mr. F. B. Rentschler.

Senator CLARK. He is the same Mr. Rentschler that has been shown in the record was in Germany in the early part of the year?

Mr. BROWN. There is a possibility that it might be his brother.

Mr. DEEDS. I do not recall F. B. Rentschler being in Germany this year.

Senator CLARK. There was some testimony here yesterday to that effect.

Mr. BROWN. G. A. Rentschler is in the manufacture of machinery and equipment, too, is he not?

Mr. DEEDS. Yes, sir.

Mr. BROWN. So that I think you ought to find out what Rentschler it is.

Senator CLARK. It was the Pratt & Whitney Co. to which I was directing my attention.

Mr. BROWN. I doubt if F. B. Rentschler was in Germany. I am sure F. B. Rentschler was not in Germany this early spring.

Senator CLARK. It was not your company.

The CHAIRMAN. In this memorandum Mr. Green wrote, and which was read in great length, can you advise us as to who Mr. Osborne referred to in that memorandum is?

Mr. BROWN. I do not know the gentleman, Mr. Chairman.

The CHAIRMAN. Do you know a Mr. Osborne connected with any aircraft corporation?

Mr. BROWN. I believe there is an Osborne connected with a concern which manufactures floats.

The CHAIRMAN. What concern is it?

Mr. DEEDS. There used to be a Mr. Osborne who operated the Aviation Magazine. I am not sure what his connections are at the present time.

The CHAIRMAN. As to the release of which you speak, which you obtained from the Army and Navy Departments, is it not true that that release was merely upon the design? There was not a release for exportation particularly, but it was a release upon the design which was being exported. Is not that true?

Mr. DEEDS. That is correct. We had no knowledge of any other release or license being necessary.

Senator CLARK. But you did not specifically ask them for a release on exports to Germany. They simply approved your design for general export. Is not that correct?

Mr. DEEDS. On the basis of that, we assumed we could export to any country where there was not an embargo.

Senator CLARK. We are getting to the nature of the release of the War and Navy Departments. They simply approved the general design for export, did they not?

Mr. DEEDS. That is correct.

Senator CLARK. There was nothing said in any communication to the Department about export to Germany?

Mr. DEEDS. Nothing.

Senator BONE. Do you know whether the German Government subsidizes airplane builders over there, Mr. Deeds?

Mr. DEEDS. I do not know.

Senator BONE. Can you advise the committee, Mr. Brown, if that is the case?

Mr. BROWN. I beg your pardon.

Senator BONE. Does the German Government subsidize builders of airplanes or airplane parts?

Mr. BROWN. I do not know.

Mr. DEEDS. We are led to believe that from the correspondence which has been read here today.

Senator CLARK. Does the price at which you supply these engines to the United States Government compare with the price at which you sold these engines in Germany?

Mr. BROWN. The military price is lower.

Senator CLARK. The military price is lower in this country?

Mr. BROWN. We have always given our Government the preferred price on engines.

Senator CLARK. You do not have to ask permission—

Mr. BROWN. With the exception, perhaps, of an isolated case, where one engine might be purchased as a sample. But in general it has been our policy to sell our Government at several hundred dollars less than what we sell the engines for in the export field.

The CHAIRMAN. I think, gentlemen, that that is all, and you will understand yourselves to be excused.

Mr. BROWN. Thank you.

Senator VANDENBERG. Mr. Brown, I would like to suggest that you do the same thing Mr. du Pont suggested he would like to do. I imagine our basic viewpoint will be totally different respecting the control of this situation, but it is perfectly obvious from everything that has been disclosed that your business interlocks with governmental policy—

Mr. BROWN. Very closely.

Senator VANDENBERG (continuing). In every step of the way.

Mr. BROWN. In every step of the way.

Senator VANDENBERG. From the development of the order to the final selling of the order. Obviously, there has not been adequate information and control. Nobody knows better than those who are engaged in the business what the vicissitudes of the business are in the international arms market. Nobody knows better than you do where the need for correction is. Personally, I would be very happy if you would submit to the committee, at your convenience, a brief indicating what you think ought to be done by way of correction of the situation.¹

Mr. BROWN. All right. I would be happy to do so.

Mr. DEEDS. It just occurs to me, if I may have a moment, in reference to the license arrangement with Germany. Yesterday I think there was one point which ought to be taken into consideration, which was not brought out, and that is that the arrangement provides for an interchange of information and the benefits accrue to this country and to our company of any improvements which might be made to our product by the very excellent engineering departments in the German B.M.W. factory.

I think that is important.

This concludes the record of the Pratt & Whitney Aircraft Co. and United Aircraft Exports, Inc. The committee at this point took up the case of the Federal Laboratories, Inc., which is printed in part VII.

¹The brief requested above was submitted to the committee by Mr. Brown on Nov. 21, 1934, and appears in the appendix on p. 1599.

APPENDIX

EXHIBIT No. 528

[Excerpt]

THE PRATT & WHITNEY AIRCRAFT COMPANY FINANCIAL HISTORY FROM INCEPTION TO
DECEMBER 31, 1932

The Pratt & Whitney Aircraft Company was incorporated on July 22, 1925, under the laws of the State of Delaware, in compliance with a contract dated July 14, 1925, between the Pratt & Whitney Company, a subsidiary of Niles-Bement-Pond Company, and F. B. Rentschler and G. J. Mead, with the object of designing, constructing, testing, and experimenting with aeroplane engines, aeroplanes, hydroplanes, etc., and if successful to proceed with the production thereof. The company had at that time an authorized capital of 20,000 shares of 7% preferred stock, par value of \$100.00 per share, and 20,000 shares of no par common stock.

The contract further provided that 5,000 shares of no par common stock be issued at 20 cents per share, 2,500 shares to the Pratt & Whitney Company, 1,375 to F. B. Rentschler, and 1,125 shares to G. J. Mead. Also that the Pratt & Whitney Company was to furnish factory facilities and necessary cash and materials at cost, not to exceed \$250,000.00 during an experimental period to extend for the duration of one year, with interest at the rate of 7% per annum, unless terminated earlier by act of the board of directors of the Pratt & Whitney Aircraft Company. In the event that it was decided to proceed with a production program during, or at the expiration of, the experimental period just referred to, the Pratt & Whitney Aircraft Company was to issue 7% preferred stock for all cash advances, materials, and machinery and equipment theretofore furnished by the Pratt & Whitney Company.

After the completion of the experimental period and during the course of the production program the Pratt & Whitney Company was obligated to advance, as required, additional sums of money not to exceed \$500,000 and to receive therefor preferred stock of the Pratt & Whitney Aircraft Company.

In accordance with the terms of the aforementioned contract, the board of directors of the Pratt & Whitney Aircraft Company declared the experimental period to be terminated on March 31, 1926 and the issuance of the company's preferred stock was authorized. Such stock of an aggregate par value of \$200,000 was issued on April 2, 1926, in payment of cash advances, equipment, and materials at cost furnished to March 31, 1926, as follows:

Cash advances.....	\$140,000.00
Equipment, materials, etc.....	59,390.94
Interest	3,322.35
	<hr/>
	202,713.29
7% preferred stock issued.....	200,000.00
	<hr/>
Balance of advances to 3/21/26.....	2,713.29

During the period from April 1, 1926, to December 31, 1926, additional capital was furnished amounting to \$622,291.04, including accrued interest. Accordingly 7% preferred stock was issued in part payment therefor of an aggregate par value of \$550,000.00 on the dates given hereunder:

Oct. 1, 1926, 3,000 shares.....	\$300,000.00
Dec. 31, 1926, 2,500 shares.....	250,000.00
	<hr/>
Total 5,500 shares.....	550,000.00

There therefore remained at December 31, 1926, a balance of advances from the Pratt & Whitney Company amounting to \$75,004.33. During the year 1927 additional advances amounting to \$205,409.37 were made by the Pratt &

Whitney Company and its parent company, Niles-Bement-Pond Company, which together with the balance outstanding at December 31, 1926, were covered by demand notes payable with interest at 6% annum held by the latter company. These notes, aggregating \$280,413.70, were subsequently paid in 1928.

With reference to the common stock, of which 5,000 shares were originally issued on August 5, 1925, the records of the company reflect the transfer to C. W. Deeds on June 6, 1927, of 200 shares, 110 shares, and 90 shares, being transferred from F. B. Rentschler and G. J. Mead, respectively.

On October 26, 1928, there was declared a stock dividend of 395,000 shares of common capital stock to holders of record November 1, 1928. This dividend was recorded on the books of the company by transfer from surplus to capital account at 20 cents per share, the aggregate amount of \$79,000.00. In connection therewith the following certificates were issued:

Date	Issued to	Number of shares
November 1, 1928.....	Pratt & Whitney Company.....	197,000
“	Frederick B. Rentschler.....	99,935
“	George J. Mead.....	81,765
“	Charles W. Deeds.....	15,800
		395,000

On December 15, 1928, an agreement was entered into between Boeing Airplane & Transport Corporation (name subsequently changed to United Aircraft & Transport Corporation) and the holders of the outstanding common capital stock of the Pratt & Whitney Aircraft Company represented by 400,000 shares, in which it was agreed that the stockholders of the Pratt & Whitney Aircraft Company were to receive in exchange for their holdings, 868,000 shares of common stock of United Aircraft & Transport Corporation. This transaction was consummated on February 11, 1929, as a result of which the entire outstanding common capital stock of the Pratt & Whitney Aircraft Company, represented by 400,000 shares, was transferred into the name of United Aircraft & Transport Corporation.

Prior to the exchange transaction referred to above, the outstanding preferred stock of the Pratt & Whitney Aircraft Company, of an aggregate par value of \$750,000.00, was redeemed at \$107.00 per share, plus accrued dividends for a total sum of \$808,541.10. The necessary funds for the retirement of this stock was obtained through a loan which was immediately repaid by means of an advance from United Aircraft & Transport Corporation. Subsequently in the year 1929, this advance was paid by the Pratt & Whitney Aircraft Company.

As at the effective date of acquisition, namely, October 31, 1928, the capital accounts of the Pratt & Whitney Aircraft Company were represented by the following, after giving effect to the stock dividend declared on October 26, 1928:

Preferred 7% capital stock (authorized, 20,00 shares, at \$100.00 per share; issued and outstanding, 7,500 shares).....	\$750,000.00
Common capital stock (authorized, 500,000 shares without par value; issued and outstanding, 400,000 shares).....	80,000.00
Earned surplus	2,152,821.59
	2,982,821.59

The surplus at date of acquisition reflected in the foregoing summary of \$2,152,821.59, was segregated on the books of account, reduced by the premium on the preferred stock when retired in the amount of \$52,500.00. During the year 1930 such surplus was transferred to "Capital stock" account by resolution of the board of directors, together with the sum of \$3,319,678.41, representing a dividend from subsequent earnings which, at the direction of the United Aircraft & Transport Corporation, was not withdrawn but added to capital. The outstanding capital stock, represented by 400,000 shares, all owned by United Aircraft & Transport Corporation, was thereafter carried on the books at a value of \$5,500,000.00.

EXHIBIT No. 529

[Excerpt]

UNITED AIRCRAFT & TRANSPORT CORPORATION FINANCIAL HISTORY FROM INCEPTION
TO DECEMBER 31, 1932

Boeing Airplane & Transport Corporation (name subsequently changed to United Aircraft & Transport Corporation), a holding company, was organized on October 30, 1928, under the laws of the State of Delaware. Immediately thereafter it acquired the entire outstanding capital stock of Boeing Airplane Company and Boeing Air Transport, Inc., as well as a controlling interest in Pacific Air Transport.

On October 30, 1928, W. E. Boeing, the National City Company (of New York), and Boeing Airplane & Transport Corporation entered into a contract whereby the National City Company agreed to purchase from this corporation 90,000 shares of its 6% cumulative preferred stock, series A, at a price of \$4,500,000.00, cash, together with accrued dividends to date of payment, and to purchase for the sum of \$500,000.00, cash, 45,000 shares of this corporation's common stock, together with warrants for the purchase on or before November 1, 1938, of 90,000 additional shares of common stock, at \$30.00 per share. The stock and warrants were duly issued, and cash in the amount of \$5,000,000.00 received therefor.

During the winter of 1928-1929 arrangements were made for the acquisition by this corporation of the entire outstanding stock interests in the Pratt & Whitney Aircraft Company, Chance Vought Corporation, and Hamilton Aero Manufacturing Company. Effective January 19, 1929, the authorized capital of the corporation was increased from 200,000 shares of preferred stock of \$50.00 par, and 650,000 shares of common stock without par value, to 1,000,000 shares and 2,500,000 shares, respectively, at which time its name was changed to United Aircraft & Transport Corporation.

In order to provide a fund for working capital and expansion, an agreement was entered into with the National City Company on January 29, 1929, for the sale to it of an additional issue of 6% cumulative preferred stock, series A, in the amount of \$7,500,000.00. Upon the issue of this additional stock the total outstanding preferred stock amounted to 240,000 shares, of an aggregate par value of \$12,000,000.00. The preferred stock, so sold, was accompanied by warrants for the purchase on or before November 1, 1938, of 100,000 shares of common stock at \$30.00 per share, and the total purchase price of the preferred stock and the warrants was \$8,812,500.00, plus interest at the rate of 6% per annum on the \$7,500,000.00 from January 1, 1929, to the date of delivery. Of the amount so received, the sum of \$1,312,500.00 was credited to paid-in surplus account.

In addition to the acquisition of the stocks of the subsidiary companies aforementioned, there were acquired, by exchange of stock in 1929, controlling interests in Stout Air Services, Inc., Northrop Aircraft Corporation, Sikorsky Aviation Corporation, Standard Steel Propeller Corporation, and the Stearman Aircraft Company, and during 1930, control of National Air Transport, Inc., and Varney Air Lines, Inc., was similarly acquired.

* * * * *

With respect to the preferred stock, 90,000 shares, having an aggregate par value of \$4,500,000.00, were retired in 1932.

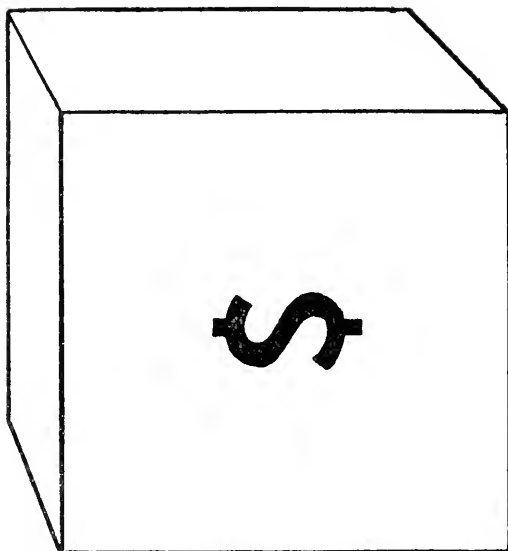
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(Submitted to the Black committee November 6, 1933.)

(The remainder of the preferred stock was retired in January 1934.)

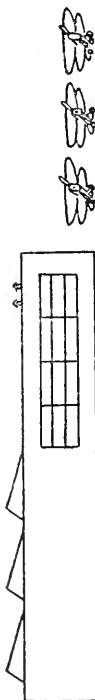
EXHIBIT No. 530

RETURN ON ORIGINAL INVESTMENT IN PRATT & WHITNEY AIRCRAFT CO.



\$ 11,437,250

TOTAL RETURN ON ORIGINAL INVESTMENT BY 1932
 INCLUDES CASH DIVIDENDS OF \$ 6,400,000 AND STOCK DIVIDENDS
 OF \$ 5,037,250



INVESTORS

C. W. DEEDS
 GEO. J. HEAD
 FRED RENTISCHLER
 PRATT & WHITNEY CO.



\$ 1000

ORIGINAL INVESTMENT IN 1925

ORGANIZATION CHART

UNITED AIRCRAFT & TRANSPORT CORP.

CAPITALIZATION OUTSTANDING
 PREFERRED STOCK \$50 PAR \$7,500,000 00
 COMMON STOCK NO PAR VALUE 2,086,839 SHARES

BOARD OF DIRECTORS			
WILLIAM E. BOEING - CHM	FREDERICK B. RENTSCHLER - VICE CHR		
DONALD L. BROWN	CHARLES W. DEEDS	CHARLES W. KUNKERBODNER	GURNEY E. NEWLIN
EDWARD A. DEEDS	FREDERICK V. JACKSON	WILLIAM B. MARD	GORDON S. RENTSCHLER
PHILIP G. JOHNSON	JOSEPH F. MCCARTHY	EDWARD O. MIDDONELL	JOSEPH P. RIPLEY
	GEORGE J. MEAD	GEORGE S. WHEAT	EUGENE E. WILSON

EXECUTIVE COMMITTEE			
W. E. BOEING - CHM	C. W. DEEDS - VICE	G. J. MEAD	F. B. RENTSCHLER
D. L. BROWN	P. G. JOHNSON	G. S. WHEAT	J. P. RIPLEY
F. V. JACKSON	E. E. WILSON		

FINANCE COMMITTEE			
F. B. RENTSCHLER - CHM	J. P. RIPLEY	G. S. WHEAT	E. E. WILSON
C. W. DEEDS			
P. G. JOHNSON			

OFFICERS			
P. G. JOHNSON	CHM	W. E. BOEING	VICE CHM
D. L. BROWN	VICE PRESIDENT	F. V. JACKSON	VICE PRESIDENT
J. P. RIPLEY	VICE PRESIDENT	C. W. DEEDS	VICE PRESIDENT
J. F. MCCARTHY	VICE PRESIDENT	G. S. WHEAT	VICE PRESIDENT
E. E. WILSON	VICE PRESIDENT		
GENERAL COUNSEL NORMAN E. STEBLING		GENERAL AUDITORS ALLEN G. SMITH & CO	

EQUIPMENT COMPANIES

<p>BOEING AIRPLANE CO MANUFACTURER OF AIRPLANE</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>UNITED AIRCRAFT & TRANSPORT CORP. MANUFACTURER OF AIRPLANE</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>THE PACIFIC AIRLINES SYSTEM MANUFACTURER OF AIRPLANE</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>UNITED AIRCRAFT & TRANSPORT CORP. MANUFACTURER OF AIRPLANE</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>THE PACIFIC AIRLINES SYSTEM MANUFACTURER OF AIRPLANE</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>UNITED AIRCRAFT & TRANSPORT CORP. MANUFACTURER OF AIRPLANE</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>
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TRANSPORT COMPANIES

<p>UNITED AIRLINES INC CHARTERED AIRLINES CO</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>BOEING AIRLINES INC CHARTERED AIRLINES CO</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>NATIONAL AIR TRANSPORT INC CHARTERED AIRLINES CO</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>WESTERN AIR TRANSPORT INC CHARTERED AIRLINES CO</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>UNITED AIRLINES INC CHARTERED AIRLINES CO</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>
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OTHER UNITED COMPANIES

<p>UNITED AIRCRAFT & TRANSPORT CORP. MANUFACTURER OF AIRPLANE</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>UNITED AIRCRAFT & TRANSPORT CORP. MANUFACTURER OF AIRPLANE</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>UNITED AIRCRAFT & TRANSPORT CORP. MANUFACTURER OF AIRPLANE</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>	<p>UNITED AIRCRAFT & TRANSPORT CORP. MANUFACTURER OF AIRPLANE</p> <p>BOEING D. L. BROWN W. E. BOEING C. W. DEEDS J. P. RIPLEY P. G. JOHNSON G. S. WHEAT E. E. WILSON</p> <p>OFFICERS W. E. BOEING - CHM D. L. BROWN - VICE CHM J. P. RIPLEY - VICE PRES C. W. DEEDS - VICE PRES P. G. JOHNSON - VICE PRES G. S. WHEAT - VICE PRES E. E. WILSON - VICE PRES</p>
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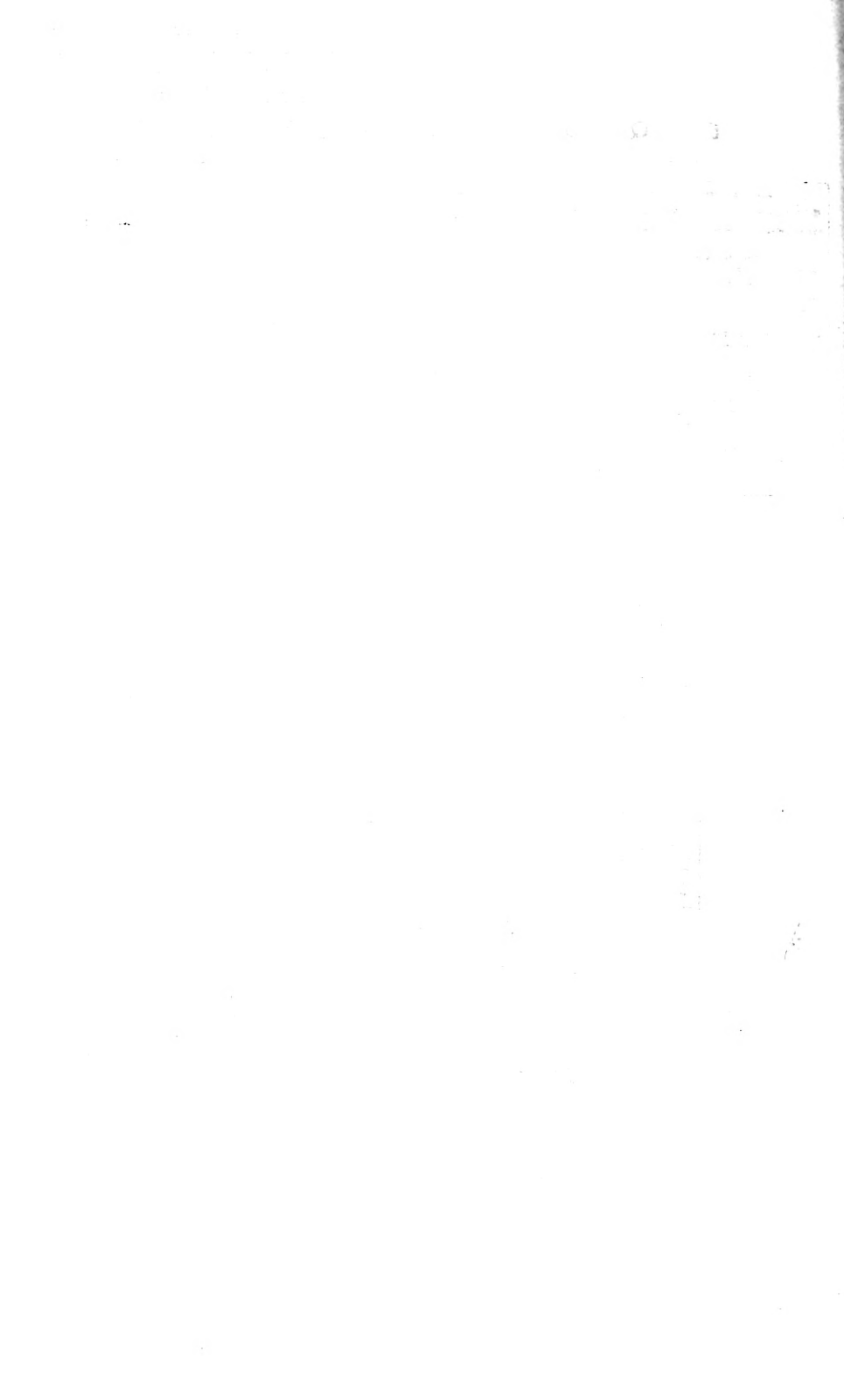


EXHIBIT No. 532

SEPTEMBER 18, 1933.

Mr. CLARK M. CARR,
Hotel Gloria,
Rio De Janeiro, Brazil.
 Letter No. 233.

Re: Material desired for the manufacture of guns and ammunition.

Attached to this letter you will find a copy of our letter of September 12th to Mr. R. M. Derby, of Niles-Bement-Pond, together with a copy of Mr. Derby's reply of September 13th and copy of our letter of even date to Casa Mayrink Veiga.

In sending us this letter of September 13th, Mr. Derby wrote separately:

"Referring to your letter of the 12th instant and our letter of today in reply, I might mention confidentially that for almost a year our company has been working with the Brazilian War Department on a plant for making projectiles, bombs, etc., etc. As a matter of fact, we have practically engineered the proposition for them.

"We have orders for two or three machines on our books for this plant, but the main business has not been placed on account of the shortage of exchange and there is no telling when it will go through.

"If this is the proposition which Mayrink have in mind, they are coming in pretty much at the last moment and it is extremely doubtful whether we could cooperate with them. However, if the proposition which they mention is an entirely new one with which we have not been in touch, it is a different matter.

"I would suggest that you send Mayrink Veiga the letter which we are sending you in quadruplicate, stating that while there are close relations between your company and ours, the export business is handled entirely separately, but that you have given us a strong recommendation in their favor."

We believe this will give you full information on this subject. As you know, we are not interested in the sale of any products not of our own manufacture except as they are incorporated as a part of, or accessory to, a product of our own manufacture.

S. A. McCLELLAN.

original—via airmail
 cc—via regular mail.

EXHIBIT No. 533

Statement of salaries, bonuses, and directors' fees received by C. W. Deeds from Pratt & Whitney Aircraft Corporation and United Aircraft & Transport Corporation

	Salary	Bonuses	Directors fees		Salary	Bonuses	Directors fees
1926-----	\$2,125.00			1931-----	\$24,440.70	\$19,000.00	\$1,260.00
1927-----	7,333.40	\$6,666.67		1932-----	27,750.32	932.36	790.00
1928-----	15,004.00	38,237.42		1933 to			
1929-----	20,626.03	65,909.98	\$814.75	11/30/33-----	25,333.58		
1930-----	20,000.04	20,430.38	1,515.25	Total..	142,613.07	151,176.81	4,380.00

EXHIBIT No. 534

Statement of salaries, bonuses, and directors' fees received by George J. Mead from Pratt & Whitney Aircraft Company and United Aircraft & Transport Corporation

	Salary	Bonuses	Directors' fees
1925.....	\$6,661.00	-----	-----
1926.....	18,750.00	-----	-----
1927.....	36,666.72	\$33,333.33	-----
1928.....	53,333.60	1,997.90 bal. 1927	-----
		90,810.81 a/c. 1928	-----
1929.....	33,750.00	8,587.78 bal. 1928	-----
		93,497.62 a/c. 1929	\$242.50
1930.....	30,000.00	1,245.57 bal. 1929	216.75
		12,226.96 a/c. 1930	-----
1931 P. & W.....	13,500.00	-----	180.00
United.....	19,500.00	-----	-----
1932 P. & W.....	27,000.00	-----	730.00
United.....	18,000.00	-----	-----
1933 P. & W.....	14,625.00	-----	680.00 to Dec. 1
United.....	9,000.00	-----	-----
Total.....	280,786.32	241,699.97	2,049.25

EXHIBIT No. 535

Statement of salaries, bonuses, and directors' fees received by F. B. Rentschler from United Aircraft & Transport Corporation and/or its subsidiaries or predecessors

	Salary	Bonuses	Directors' fees
1925.....	\$6,661.00	-----	-----
1926.....	20,250.00	-----	-----
1927.....	44,000.00	\$40,000.00	-----
1928.....	73,336.00	2,397.47 bal. 1927	\$269.50
		151,351.35 a/c. 1928	-----
1929.....	100,001.07	14,312.96 bal. 1928	1,562.25
		315,667.84 a/c. 1929	-----
1930.....	100,000.08	3,736.72 bal. 1929	2,885.25
		140,000.00 a/c. 1930	-----
1931.....	148,125.30	6,122.23 bal. 1930	2,090.00
		90,000.00 a/c. 1931	-----
1932.....	192,500.61	6,650.29 bal. 1931	1,470.00
1933 to 12/1/33.....	98,646.06	-----	2,330.00
Total.....	783,521.12	770,238.86	10,607.00

EXHIBIT No. 536

WRIGHT AERONAUTICAL CORPORATION,
Paterson, N.J., September 12, 1934.

SPECIAL COMMITTEE INVESTIGATING THE MUNITIONS INDUSTRY,
United States Senate, Washington, D.C.

(Attention Mr. Stephen Rauschenbush, secretary.)

GENTLEMEN: I am in receipt of your letter of September 8th requesting information on certain personnel formerly with the Wright Company and now with Pratt and Whitney. I take pleasure in listing below the personalities requested plus certain other key men. It will be noted that practically the entire executive and supervision personnel are included.

Andrew J. Willgoos, chief draftsman, hired 12/1/19, paid to 8/15/25, cleared 8/5/25.

George J. Mead, chief engineer, hired 3/23/21, paid to 6/30/25, cleared 7/10/25.

Fred B. Rentschler, general manager, hired 1/1/21, paid to 12/31/24, cleared 8/30/24.

Edwin H. Godfrey, engineer, hired 6/1/20, paid to 8/15/25, cleared 8/15/25. Reinstated 1/27/30, paid to 12/31/30, cleared 12/31/30. Reinstated 7/13/32, paid to 8/5/32, cleared 8/5/32. Reinstated 4/17/33, paid to 1/17/34, cleared 1/17/34.

John J. Borrup, superintendent experimental machine shop, hired 12/1/19, paid to 7/31/25, cleared 7/31/25.

Donald L. Brown, materials superintendent, hired 11/15/20, paid to 7/31/25, cleared 7/31/25.

William A. Willgoos, foreman, hired 12/1/19, paid to 12/24/25, cleared 12/19/25.

Phillip Treffert, draftsman, hired 12/1/19, paid to 8/31/25, cleared 8/31/25.

Should there be any other information you may require, we will be indeed glad to furnish it.

Yours very truly,

WRIGHT AERONAUTICAL CORPORATION,
G. W. VAUGHAN, *President*.

GWV:HER

EXHIBIT No. 537

BUREAU OF AERONAUTICS

U.S. Navy contracts with Wright Aeronautical Corporation prior to 1926 for the development of a 400-hp. or above air-cooled radial engine

C-58746 of October 9, 1923, for 3 model P1 engines of 400 hp-----	\$118, 240. 18
C-64097, dated June 20, 1925, for 6 R-1200 engines of 350 hp-----	90, 773. 88
C-64483, dated July 21, 1925, for 12 model P2 engines of 400 hp-----	204, 750. 00
C-66648, dated March 15, 1926, for 2 modified model P2 engines-----	47, 534. 00

EXHIBIT No. 538

[Excerpt]

Vol. 39.

No. 3.

JOURNAL OF THE AMERICAN SOCIETY OF NAVAL ENGINEERS

(August 1927)

AMERICAN AIR-COOLED AIRCRAFT ENGINES

(By Commander Eugene E. Wilson, U.S.N. Member)

(Page 537:)

It was the appreciation of these possibilities, after careful analysis, which resulted in the Navy's undertaking in conjunction with Mr. Lawrance the development of the Wright "P-1" 400 H.P. fixed radial engine. At the time the "P-1" was undertaken we were inexperienced in the design of the radial. As a result the "P-1" engine did not progress as rapidly as was necessary, and we were forced to continue utilizing the water-cooled engines. Naturally, every effort was made to improve and refine the water-cooled engine pending the development of the air-cooled, and so we found ourselves developing the air-cooled engine's competitor right alongside the air-cooled engine. This made the path of the air-cooled engine more difficult as we went along, but the final result was the more complete.

In the summer of 1925 Mr. F. B. Rentschler organized the Pratt & Whitney Aircraft Company, Hartford, Conn., for the express purpose of accelerating the development of the 400 H.P. engine. Mr. George J. Mead, who had wide experience with the Wright Aeronautical Corporation in the manufacture of the "Whirlwind" engine for that corporation, became chief engineer. The Pratt & Whitney Company started out with a clean slate. Mr. Rentschler's experience in the aeronautic world was unexcelled. The facilities of the Pratt & Whitney Company are well known throughout the world. It was to be expected, then, that the final result would be gratifying.

* * * * *

(Page 538:)

The Pratt & Whitney "Wasp" engine was designed in detail by Mr. George J. Mead in close cooperation with the Bureau on one hand and Mr. Vought on the other. For the first time in our history the airplane builder and the engine builder cooperated in such details as the method of mounting the engine, the location of the accessories, the form of the engine for best aero-dynamic arrangement, etc. Manifestly, this in itself was a step in advance.

(Page 541:)

* * * In other words, from the standpoints of weight per horsepower, fuel consumption, dependability, durability, each of maintenance, and cost, the new Pratt & Whitney "Wasp" is superior to the best water-cooled engines known.

From the standpoint of performance, the engine entered the pursuit field and demonstrated immediately that it was equal to or slightly better in high speed at sea level than the best water-cooled fighters. In the matter of altitude performance, including climb, ceiling, and speed at altitude, it is definitely superior even in airplanes equipped with the deck-arresting gear. In one of the latest battleship fighters equipped with this engine, the high speed as a seaplane at sea level was greater by a mile or two than the high speed of the same plane as a landplane. We have, then, today, in production battleship seaplane fighters which are superior in speed, climb, and ceiling to water-cooled shore-based fighters. The Vought "Corsair", a two-seater with 1,277 pounds of useful load, is superior in performance at altitude to some of the best water-cooled fighters with 500 pounds less useful load.

EXHIBIT No. 539

[Copy]

A2-14(5) (330921-3).

DEPARTMENT OF THE NAVY,
OFFICE OF THE SECRETARY,
Washington, 11 September 1934.

MY DEAR SENATOR NYE: Responsive to the request of the secretary of the Special Committee Investigating the Munitions Industry, there is given below an abstract of the service record of former Commander E. E. Wilson, U.S.N., covering the years 1924-1930:

- 1 April 1924, lt. comdr., Bureau of Aeronautics, head of Engine Section.
- 12 April 1925, comdr.
- 12 Oct. 1926, NAS Pensacola (student naval aviator).
- 12 Dec. 1926, designated naval aviator (HTA).
- 13 Dec. 1926, Bureau of Aeronautics, head of Design Division.
- 21 Oct. 1927, senior aide, Staff Aircraft Squadrons, Battle Force.
- 21 May 1929, aide, commander in chief, Battle Fleet.
- 18 Jan. 1930, resigned.

In elaboration of the foregoing, it can be stated that Commander Wilson, earlier in his naval career, had taken a course in postgraduate instruction in mechanical engineering. He was assigned to duty in the Bureau of Aeronautics in April 1924 on account of his technical knowledge and experience. He was placed in charge of the Engine Section, which is a part of the Design Division, which in turn is part of the material branch of the Bureau of Aeronautics. He continued on this duty until October 1926, when he went to the naval air station, Pensacola, and qualified as an aviator, returning to the Bureau of Aeronautics in December 1926 and becoming head of the Design Division. He remained as head of the Design Division until October 1927, when he was detached from the Bureau of Aeronautics. He served at sea for two years before resigning from the Navy.

As head of the engine section Commander Wilson's duties were primarily related to the development of new and better engine designs and their incorporation into naval airplanes. Procurement of engines as such was handled by the Procurement Division, also a part of the material branch. As development and design cannot be separated wholly from procurement, Commander Wilson, as the officer in charge of the engine section, was one of several officers concerned in any matter relating to the procurement of new types of engines.

The organization of the Bureau of Aeronautics was such that no subordinate officer had complete jurisdiction over procurement matters.

The records have been consulted and the following summary is furnished as showing Commander Wilson's participation in matters affecting relations with the Pratt & Whitney Aircraft Company:

(a) April 1924 to July 1925 (and subsequently). Bureau of Aeronautics as leading exponent of air-cooled engines, continued its endeavors to procure from the Wright Aeronautical Corporation, only manufacturer of large air-cooled engines of military size in the United States, improved and larger engines.

(b) July 1925 the Pratt & Whitney Aircraft Company was formed. Proceeded with manufacture of a sample 400 hp. engine. Informed Bureau of Aeronautics what they were doing and ascertained probable naval requirements as to a suitable engine. Continued this development until January 1926, when sample engine was placed on test and was successful. Test witnessed by a naval representative. During this whole period—July 1925 to January 1926—there was the usual cooperation which the Navy Department extends to any manufacturer who is endeavoring to develop a product in which the Department is interested and which ultimately is to be submitted for naval uses.

(c) In March 1926 the first Navy contract was placed with the Pratt & Whitney Company for six engines. These engines were delivered in the summer of 1926. In June 1926 an additional contract was placed for four (later increased to six) engines.

(d) May 1926 files show an internal memorandum from Commander Wilson pointing out that the new 400 hp. Pratt & Whitney engine had passed successful bench tests and was undergoing flight tests and recommending that the program for Navy airplanes for the year 1927 be based on including a number of these large engines. He pointed out the superior performance that would be obtained for naval airplanes through the use of this engine. This memorandum was commented upon by various officers in the Bureau, some of whom showed skepticism as to the proof up to that time that the Pratt & Whitney engine was reliable. Discussion and negotiations continued for several months, with the result that two hundred additional 400 hp. Pratt & Whitney engines were ordered and incorporated in naval airplanes.

Development and perfection of Pratt & Whitney engines have continued since 1927, until now it is considered there are at least two manufacturers in the air-cooled engine field that are in a position to produce engines in various sizes which meet the Navy's requirements.

As illustrating the general situation prevailing at the time in reference to technical engine developments, there is inclosed herewith a copy of a paper delivered by Commander Wilson before the Society of Automotive Engineers. This was issued as a "Technical Note" to the service and it is a copy of this Technical Note which is inclosed.

There is given below:

Summary of engine contracts with Pratt and Whitney Company, April 1924-December 1927

Contract No.	Date	Type of engine	No.	Approximate unit price
66703	3-15-26	R-1300	6	\$15,000
67662	6-19-26	R-1300	6	15,380
910	10- 5-26	R-1300	200	9,245
1645	11-29-26	R-1700	5	21,000
3712	5-18-27	R-1700	2	17,950
3994	6-20-27	R-1300	39	7,800
4375	6-30-27	R-1700	81	9,685
5602	11- 7-27	R-1340B	346	7,276

In addition to the foregoing Pratt & Whitney contracts, a number of experimental engine contracts were placed during the same period with Wright Aeronautical Corporation, Packard Motor Car Company, and Curtiss Airplane and Motor Co., Inc., and production engine contracts were placed with the Wright Aeronautical Corporation to the number 1,062 engines and Packard Motor Car Company to the number 338 engines.

In the course of his duties while in the Bureau of Aeronautics, Commander Wilson did not initiate or pass upon, except as routine procedure or as a matter of information, contracts for airplanes, but responsive to your request there is included a tabulation of the airplane contracts made with the Chance Vought Corporation between the period April 1924–December 1927.

Summary of airplane contracts with Chance Vought Corporation, April 1924–December 1927

Contract No.	Date	Type of airplane	No.	Approximate unit price
60692	6-27-24	Obs.....	20	\$10,500
63738	7- 7-25	Obs.....	40	10,500
64133	6-25-25	Obs.....	20	9,300
67911	6-30-26	Obs.....	20	10,500
67222	5-10-26	Obs.....	2 Exp.	38,000
3375	4-20-27	Obs.....	33	13,250
4358	6-30-27	Obs.....	56	13,650

In addition to the foregoing Chance Vought Corporation contracts, airplane contracts in quantity were placed with other manufacturers during the same period, viz:

Boeing Airplane Co.....	165 airplanes
Glenn L. Martin Co.....	301 "
Loening Aero. Eng. Corp.....	59 "
Curtiss Airplane and Motor Co.....	112 "
Consolidated Aircraft Corp.....	191 "

Sincerely yours,

(Sign.) H. L. ROOSEVELT.

HON. GERALD P. NYE,

*Chairman Special Committee Investigating the Munitions Industry,
United States Senate, Washington, D.C.*

(1 inclosure.)

EXHIBIT No. 540

[Copy]

CHANCE VOUGHT CORPORATION,
Hartford, Connecticut, September 12, 1934.

MR. STEPHEN RAUSHENBUSH,

United States Senate, Special Committee Investigating the Munitions Industry, Washington, D.C.

DEAR SIR: This will acknowledge receipt of your letter dated September 6th, 1934, addressed to Mr. E. E. Wilson. Mr. Wilson is on an extended business trip and to avoid delay in submitting the information called for, I have compiled the answers to the questions contained in your letter from his records and I am tabulating the data below:

(A) November 18th, 1929.

(B) January 18th, 1930.

(C):

Hamilton Standard Propeller Co., February 1st, 1930, to December 31st, 1931.

Sikorsky Aviation Corporation, April 17th, 1930, to December 22nd, 1931.

Chance Vought Corporation, February 1st, 1931.

(D):

	1930	1931	1932	1933	To Aug. 31, 1934
United Aircraft & Transport Corp.....	\$4,166.67				
Hamilton Standard Propeller Co.....	14,999.98	\$11,250.00			
Sikorsky Aviation Corp.....	10,000.00	6,250.00			
Chance Vought Corporation.....		12,500.00	\$33,500.00	\$33,600.00	\$21,600.00

(E) :

	1930	1931	1932	1933	1934
United Aircraft & Transport Corp. (Del. Board).....			\$200.00	\$600.00	\$400.00
Hamilton Standard Propeller Co.....		\$60.00	240.00	220.00	160.00
Sikorsky Aviation Corp.....	\$160.00	160.00	80.00	180.00	
Chance Vought Corporation.....		220.00	200.00	240.00	200.00
United Airports of Connecticut.....		160.00	80.00	100.00	60.00
United Aircraft & Transport Corp. (Executive Com.).....				350.00	100.00

(F) No gifts or gratuities have been received by Mr. Wilson. The bonuses received are as follows:

Hamilton Standard Propeller Co.: 1930, \$1,559.29; 1931, \$3,500.00; 1932, \$853.76.

Very truly yours,

(Signed) T. L. CONLAN,
Secretary to E. E. Wilson.

EXHIBIT No. 541

SEPTEMBER 6, 1934.

Mr. E. E. WILSON,

Chance-Vought Corporation, East Hartford, Connecticut.

DEAR SIR: It is requested that you furnish the Senate committee investigating munitions the following information:

- A. The date on which you resigned from the United States Navy.
- B. The date on which you accepted employment with United Aircraft & Transport Corporation or any of its subsidiaries.
- C. Inclusive dates of employment with each subsidiary company.
- D. Salaries received for each employment to date.
- E. Director's fees.
- F. Bonuses, gifts, or gratuities received, if any.
- G. Items D, E, and F are to show the companies from which they were received and the inclusive dates.

This information is to be furnished as soon as possible.

Sincerely yours,

STEPHEN RAUSHENBUSH, *Secretary.*

EXHIBIT No. 542

[Copy]

JAN. 20, 1934.

Senator HUGO BLACK.

DEAR SIR: Have been following your aviation investigations. Am pleased to note you plan to continue.

I am well acquainted with the early development of the P. & W. Aircraft Company, doing research work from May 1926 to June 1929. Being only a workman holding no office position I am unable with any proof to be able to help you. I believe you are doing a much-needed job.

P. & W. motor plans were made from certain Government specifications. In 1925, and earlier, the Navy Department had been encouraging air-cooled developments. At that time Wrights had a successful motor, an air-cooled fixed radial, and its design was basically copied by P. & W. Only two major changes were made. It was larger, the hp. doubled, and having an supercharger. Just a few months earlier Mr. Rentschler had been practically forced out of Wrights. So with his pull in the Bureau of Aeronautics or Navy Department he then arranged to form a company, having subordinates from Wrights who were naturally familiar with this type of air-cooled motor. This P. & W. motor was built and tested secretly. The Wrights Co. had no knowledge of this motor, its size, or design, although perhaps certain ones in the Navy Department knew.

Maybe for being a good key man Mr. E. E. Wilson landed his later connection with the Chance-Vought Co. You will find many former Government men holding good jobs now on all the United Aircraft divisions. These key men with former connections help to sell planes and motors.

I believe in 1926 the Government gave P. & W. \$100,000 to use in research work, \$75,000 in 1927, and same in 1928. All in all I cannot see where P. & W. venture was of any "chance" nature.

My wages were low in those good times. The Wasp 450 hp. sold in 1929, approximately \$5,000, and today with cheaper materials, etc., this motor sells for approximately the same, and P. & W. wages are as low as forty cents an hour. They take a profit from both ends.

If this "pull" business is cut out the Government then won't be doling out millions to millionaires. And under proper competitive bidding you no doubt will get a better product. It is possible.

Wishing you all success,

Sincerely,

(Signed) ALBERT A. KENNETT,
5 Winter Street, Hartford, Conn.

EXHIBIT No. 543

[Copy]

LA PAZ, BOLIVIA, February 26, 1934.

Letter No. 280—Air mail.

UNITED AIRCRAFT EXPORTS, INC.,
230 Park Avenue, N.Y.

Subject: C. F. Gundlach & Cia.

GENTLEMEN: It hardly seems necessary for me to attempt to report on the financial rating of C. F. Gundlach & Cia., since you have been able to get that information more accurately from our New York bankers, and from the General Motors Export Corporation. Suffice it to say, that the firm's financial standing seems satisfactory, and that it enjoys a good local reputation.

Regardless of whether or not a Government order is secured through Gundlach at the present time, I believe it would be advisable to accord him our sales agreement for the territory of Bolivia, and recommend so doing after pending negotiations are definitely terminated. I do not recommend, however, giving Gundlach any jurisdiction over Lloyd Aereo Boliviano, or any commission on the latter's business. In fact, I emphatically recommend against such procedure. (See my letter no. 278.)

With the above in mind, it is suggested that a clause excluding jurisdiction over L.A.B. be incorporated in our standard form sales agreement, which is sent to Gundlach. I had intended to suggest offering Gundlach a flat discount of 20% on P. & W. spares as well as on engines and accessories, thereby making the difference between what he got and what we allow L.A.B. so small as to be not worth his while to try to horn in, until your direct communication to Gundlach made that difficult. For the time being, Gundlach simply operates on a letter of authority to represent us in pending negotiations with the Bolivian Government, copy of which letter is attached to my no. 278, and additional copy which is attached hereto.

For your general information, in such cases as this, I believe it would be a better policy to increase slightly the amount of commission we have been in the habit of offering on planes (complete units) and decrease the commission we have been offering on spares. I know of no South American agent who can do plane business on a 2- and 2½-percent basis, particularly true if he is an established company doing business in other lines. The agent's sales cost on complete units to a government on this continent is high, whereas his sales cost on accessories, spare parts, and replacement parts (of which he carries none in stock) is generally negligible.

CLARK M. CARR.

EXHIBIT No. 544

[Copy]

BUENOS AIRES, 20th March 1934.

From: Clark M. Carr, letter No. 291.

Ref.: Your letter No. 412.

Subject: Bolivia.

UNITED AIRCRAFT EXPORTS, INC.,

230 Park Avenue, New York.

GENTLEMEN: Regarding the matter of commissions taken up in your letter no. 412: As you are aware, it was impossible for me to report fully on matters in La Paz during my stay there due to existing Government censorship. However, in spite of the fact that the acquisition of as high as ten bombing planes was talked of, it was not believed that a greater number than six actually would be purchased, and there were possibilities that this number would dwindle to three or four.

Concerning your suggestion that we require Messrs. C. F. Gundlach & Co. to work on the basis of a 2½ or 3% commission, I would advise you that Gundlach's sales cost in business of this kind would exceed that figure.

Endeavoring to consider the commission involved in the light of the total amount of an order to be ultimately received is, in my opinion, very commendable theory, but very unremunerative practice, throughout South America as a whole and particularly in Bolivia.

I have been emphatically informed on several occasions that this company does not sanction and takes no official cognizance of extraordinary sales expenses that its agents incur endeavoring to have orders accorded them.

I have likewise been instructed to refrain, whenever possible, from making direct reference to this condition in my official correspondence. However, and whether or not we officially recognize it, the condition exists. In South American countries I do not believe that any agent can make sales in such material as we manufacture on the commission basis you propose. Mayrink Veiga calculate their sales price on planes on the basis of a flat 20% of the net c.i.f. Rio de Janeiro price. I do not recommend any such commission as this in other countries and am making all possible effort to bring the figure down in Brazil without sacrificing business thereby. Nevertheless, talk of a 2½% commission to such a firm as Gundlach & Co. is simply humorous. It would be better to attempt to deal direct, which, in Bolivia, as in many other parts of South America, is equivalent to getting no business at all.

Concerning the suggestion you make that I contact National City Bank attorneys before giving letters of temporary authorization to represent us in specific sales, this is precisely the procedure that I would follow were it possible. In La Paz, however, as you know, no branch of the National City Bank of New York exists, and no good lawyer is available who would not be interested, from the standpoint of personal friendship or for financial reasons, in either Gundlach or his competitors. To follow your suggestion in such a case would be to pay out good money for inaccurate, worthless advice, and in all probability would tip our hand to additional hungry Government officials.

In the last paragraph of your letter no. 412 you suggest that I be very careful to make no commitment to Gundlach & Co. with reference to their permanent appointment as our sales representative; yet by your letter to Gundlach of January 5th, viewed in the light of existing conditions in Bolivia today, you made it impossible for me to deal with anyone else, even had that seemed advisable. Fortunately, Gundlach is our best bet in Bolivia under any circumstances. In my opinion, it is not possible for us to continue on a maybe yes, maybe no, maybe quien sabe policy in these matters in this territory. After receiving my copy of your letter of January 5th to Gundlach and investigating his connections and record on the ground, I naturally assumed that we would appoint him our Bolivian representative, which is both the logical and the wise thing to do. While I have made no definite commitment to the effect that we will appoint him to represent us, I believe it would be advisable for us to do exactly that without further delay. I have previously discussed his connection and relationship with Lloyd Aereo Boliviano and what was decided upon during my visit to La Paz. Our normal contract of sales representation with an additional clause excluding Gundlach from any jurisdiction over Lloyd Aereo Boliviano will, I am sure, be satisfactory to him.

Concerning representation in general, it is possible that we may make occasional mistakes by decisive action in this territory, although I do not believe we will lose nearly as much business thereby as we have lost by our wishy-washy inability to make a decision.

In La Paz, Gundlach is the only suitable agent for our material who is available at present. Until such time as he has made a definite connection with us naturally he will be on the lookout for other important companies. He is disappointed in the fact that General Aviation accorded their West Coast representative to Echenique. Also, during the past year every important aeroplane company in the world has redoubled its sales efforts in South America. In a very short time there will be no suitable agents still without lines.

CLARK M. CARR.

EXHIBIT No. 545

[Copy]

MANUEL TORO,
Bogota, Colombia, S.A., April 24th, 1934.

Letter No. 1.

UNITED AIRCRAFT EXPORTS, INC.,
230 Park Avenue, New York City.

DEAR SIR: We acknowledge receipt of your cable of April 16th, reading as follows:

"Understand twin float equipment will materially assist sale Corsairs there (Stop) Water rudder available single float equipment, small additional charge (Stop) Under penalty sacrifice performance can equip Corsair twin floats (Stop) If advisable will quote Corsair-equipped twin floats and prepare specifications plane so equipped."

We are sending you herewith copy of the letter which we delivered personally to Engineer Jorge Triana, general director of aviation of the Ministry of War.

We have been in daily communication with the Ministry of War in an effort to obtain a favorable decision on our proposal for Corsairs.

The writer recently had an interview with Dr. Alfonso Araujo, Minister of War, who stated that we could be certain that we would shortly receive an order for Corsairs.

Our friends, the Cuban pilots, contracted by the Government, have been cooperating with us in recommending Corsairs to the various officials of the Ministry of War. They informed the writer, and he has confirmed it, that Mr. Love offered them some protection in the business, but we will take this matter up with you definitely when we receive a firm offer for a certain number of planes.

We are also in communication with Mr. William E. Cooper, and are cooperating to satisfactorily arrange some small difficulty which has occurred in connection with his traveling expenses.

We are awaiting your recommendations and complete lists of the machinery and other material which are necessary for the repair shops. We have been informed that the Ministry of War has asked Curtiss-Wright to give suggestions and recommendations for repair-shop machinery consisting of lathes, milling machines, honing machines, and drilling machines to repair aeroplane motors, guns, etc., etc.

Yours very truly,

(Signed) MANUEL TORO.

MTAB cc Mr. F. H. Love.

EXHIBIT No. 546

[Copy]

Letter No. 194.

UNITED AIRCRAFT EXPORTS, INC.,
230 Park Avenue, New York City, N.Y.

DEAR REED: This will acknowledge your letter #246 on the subject of your discussion with Mr. James Drumm, of the National City Bank, concerning suggestions as to our offering scholarships to Argentine and Brazilian military pilots in the Boeing School of Aeronautics.

Frankly, I believe the idea to be a capital one, and one which might be worked out in such a way as to be a tremendous help in the getting of future business in South America. I am in accord with your opinion that it would be hardly reasonable to expect United to stand the expenses of traveling and maintenance for any officers to whom such scholarships should be awarded; nevertheless, it would seem reasonable to suppose that the respective government or governments of such officers would be willing to undertake that item.

As you have indicated, the Argentine would probably be the most appropriate place in which to initiate your scholarship idea. If it did not prove satisfactory, the practice could be discontinued at any time; yet, before having had an opportunity to give the matter adequate consideration, I frankly admit my enthusiasm. As implied in your letter, it would not seem advisable to take such a step in one country without at least the willingness to undertake the same thing in other countries, should circumstances seem to warrant.

You and Mr. Drumm seem to have found a solution for a problem that has given me continual worry. I refer to the fact that with a few exceptions everywhere I go in South America, Curtiss equipment is better known than is our own. In every country visited there seems to be an army or navy pilot who has at one time or other gone through the Curtiss School or who has received help from Curtiss while visiting the States, and who is, therefore, particularly partial to our competitor's material.

With your permission I intend to think this matter over and offer you a fuller opinion on it within the next few weeks. In the meantime, however, if you have no objections, I believe it would be advisable for you to take it up tentatively with our board of directors and perhaps pass along to me an indication as to whether or not they will give it serious consideration.

Best regards,

CLARK M. CARR.

EXHIBIT No. 547

[Copy]

AUGUST 14, 1933.

File—memorandum.

A Captain S. C. Coon called this morning, stating he had just returned from Turkey where he had been working in the Government aircraft factory on the Government pay roll, but aiding and abetting Curtiss-Wright.

Captain Coon said that on his return voyage he met a Persian, who advised him that the Government had bought a number of Pratt & Whitney engines, and believed it was intended to establish a factory in Persia to manufacture planes to take our engines. If this was the case, Captain Coon wanted a job to organize the factory for us.

Coon claims to have been a production man in the U.S. Army Air Corps, leaving there to go with Curtiss-Wright for whom he established the branch factory in Chile, which was closed down by the recent revolution.

Coon was advised that so far as we know there was no factory project in Persia, or anywhere else in which U.A.E. was interested. He asked us to keep him in mind and gave as his forwarding address, the Curtiss-Wright Export Company, 29 West 57th Street, New York City.

Coon supplies interesting confirmation of the fact that Curtiss-Wright, wherever possible, get foreign governments to hire U.S. experts of their recommendation. These people, of course, boom Curtiss-Wright products effectively through the medium of their official connection.

(Signed) S. A. McCLELLAN.

cc—Mr. T. F. Hamilton.

EXHIBIT No. 548

[Copy]

GROSVENOR HOUSE,

London, England, January 13, 1934.

Mr. THOS. F. HAMILTON,
Hotel Adlon, Berlin, Germany.

DEAR SIR: I am enclosing copies of a letter together with the papers referred to from Captain Staudach with reference to the contract that is to be supplied me.

Personally I do not see much sense in the contract of Johnson; some of the clauses are not applicable in my case; others are so worded that it appears to me to constitute entering the military service of the Persian Government, and therefore jeopardising my standing as an American citizen.

In order to lose as little time as possible I believe that it will be necessary for me to draft the contract and submit it to the Persians for approval. Therefore, through the commercial attaché of the American Embassy, I will get in touch with an international attorney and have a tentative contract drawn up, which I will submit to the Persians.

In the case of Capt. Larsson the Persians have already evaded some of the clauses of his contract, if not in the actual wording, at least in the intent. For this reason, coupled with the conclusions that I have been forced to draw from my contact with the Persians, I think that it is necessary to have legal advice and assistance in drawing up an airtight contract.

Very truly yours,

L. G. TRUE.

Copy to: Pratt & Whitney,
United Exports,
Mr. Hamilton (N.Y.).

EXHIBIT No. 549

[Copy]

CUMBERLAND HOTEL,
London, England, Feb. 6, 1934.

Mr. C. G. RUNYON,

*The Pratt & Whitney Aircraft Co.,
Hartford, Conn., U.S.A.*

DEAR SIR: During the week ending January 27, 1934, I checked over the engine that was in the "Fury No. 204" that was crashed at the Air-Ministry test at Martlesham. I was unable to find any indication of damage. The engine, no. 1638, has been put back in the aeroplane and will shortly be ready for an engine run.

The contract with the Persians has been completed and I will be leaving in a few days for Persia. The contract as it is written has, in my opinion, some bad features to it; however, I was unable to get them out of it, and rather than stir up too much of a mess I accepted it and the conditions that I do not like. Paragraphs nos. 3 and 7 are, to my mind, rather objectionable in the way they are worded. The amount of salary and expenses is not what I was led to believe it would be when this matter was discussed with me in Hartford. While discussing this feature in Bern I succeeded in getting the Persians to raise their offer from \$150.00 in U.S. dollars and 3,000 Persian rials, which is equivalent to about \$300.00 60-cent dollars to the present figure, which is about \$400.00 60-cent dollars. In the matter of expense, I was unable to do anything.

I telegraphed Mr. Hamilton of the condition I was up against and asked if the United Aircraft would assume the difference in the present offer and the offer that was made to me in Hartford. Through Mr. Gould I was informed that it was up to me to obtain as good a contract. I will send it to you. I feel that it was the duty of the United Aircraft Exports to have negotiated this contract and not have passed it on to me. This was done, however, and though I have no legal claim, I expect that in all fairness that the terms of this contract will be carefully analyzed by the United Aircraft Co. and Pratt & Whitney and compared to the terms of the sales contract as of date when written. It can clearly be seen that this present contract calls for a salary of \$240.00, gold; bare transportation from Persia to New York; practically no allowance for expenses in Persia.

A letter informing me just what action is contemplated or will be contemplated in this matter is requested.

The Persians recognized the fact to a certain extent that it was not fair to expect me to absorb the loss due to the United States going off of the gold standard, and although their contract provided that the United Aircraft Co. must furnish them a man at not to exceed \$300.00 (dollars United States currency), they have absorbed half of the loss. In the matter of expenses, I had nothing to go on except the sales contract which specified "The expense from

the time of leaving until returning to New York will be paid by the Ministry of War." This I interpreted as it read. The Persians insisted that it was the intent of this portion to pay transportation to and from New York. Transportation when away from the home base in Teheran and a nominal per diem in lieu of expenses. I asked Mr. Gould regarding this point and was informed that this was the intent of Mr. Hamilton and Major Arfa at the time the contract was drawn up. That point I do not intend to question at this time. I do feel, however, that in view of the fact that the expense item is out, that the United Aircraft Company should make up the difference in salary to correspond to payment of \$300.00 on a gold standard.

In the contract the Persians wanted to pay 1st-class fare only to London from New York. I insisted that they refund the actual expenses that I paid in coming to London, and this was made a portion of the contract. When I receive this money I will remit it to the United Aircraft Export Co. The cost of a trip to Antwerp and to Bern I wanted incorporated in the contract, but the Persians would no consent to this. Therefore, that is a question that will have to be settled directly by the United Exports with the Persians.

From the information that I could obtain in Bern it looks very much like the Persians have no intention of testing the new Hornet D engine at all. Captain Cheybani informed me that they were waiting in Bern for instructions from Teheran; that the general staff was tired of all the delay and not in favor of any more tests of any kind; that he had sent a cable to the Curtiss-Wright Co. telling them that the Persians did not want any Wright engines for test purposes; that the general staff did not intend to try to put together any more aeroplanes by bringing an engine from one company and installing it in a plane by another company who had not designed their plane for that particular type of engine; that the general staff at this time was in favor of the British product. This, of course, means Hawker planes with Rolls Kestrel engines. I believe that the only chance of future business with the Persians is to sell them complete units.

I understand that practically every letter that I write after I get into Persia will be censored; therefore, do not expect any too much information other than technical data on what is going on. I will try to arrange some method with the American Legation whereby I can occasionally get a message through in the diplomatic pouch. I will send you my Persian address in a day or two.

In answer to a letter from Mr. Bunce regarding proof of American citizenship, I sent him a certified copy of my Army discharge paper that I had here with me. This copy you are at liberty to put in your files and retain, as I have the original in my possession.

The pass that Mr. Butterfield was to have sent to me to go to Felixstowe never came. I will turn the parts needed and the tools that I had made up over to Mr. Hofman.

The bolts sent for the reduction gears will not be used here in England, and as we would have to pay duty to take them out of the customs, we are having them reshipped to Persia.

The 30 plate clutches are greased and packed at Brooklands. I will leave instructions with Mr. Bulman, chief test pilot for the Hawker Co. at Brooklands, to hold them subject to your instructions.

Please be sure to send the seven springs for the new spring coupling to replace the seven that were taken out of engine no. 1598 and returned to you.

Very truly yours,

L. G. TRUE.

Copy to: United Exports.
Mr. Hamilton.

EXHIBIT No. 550

[Copy]

APRIL 4, 1934.

Letter No. 449.

Mr. THOMAS F. HAMILTON,
Berlin, Germany.

Pratt & Whitney are looking for answers to the questions raised in their memorandum to you of February 21st, addressed to Berlin, Germany, by J. L. Bunce, reading:

"I have just been over True's report of February 6th. I assume that at this time the whole matter of True's contract has been straightened out so will not discuss this matter any further.

"I have noted in the second page of True's letter that he believes all his mail will be censored. I am wondering if the reverse might be true of any letters we would be sending to him. I can foresee there might be certain information we would want to give True, possibly a warning of some trouble to look for, that we might not want to publish directly to the Persians. Will you please advise, therefore, how we should handle any correspondence with True and whether or not it is going to be necessary to send all such matters to your office, for example, to be forwarded.

"We want, for example, to forward enough of the link bolts to take care of the geared engines. Will you let us know how we should handle getting these to True. If we send them direct to the Persians I am afraid they will get all hot up about the necessity of this change, whereas, if True gets them, he can install them when an opportunity presents itself and not cause any alarm. We are holding the bolts for word from your office.

"Under separate cover we are mailing the Berlin office the 7 #10901 springs that True requests in his last paragraph. Will you please see that these are sent to True."

S. A. McCLELLAN.

McC: E.

EXHIBIT No. 551

[Copy]

JANUARY 3, 1933.

Mr. P. G. JOHNSON,

*United Air Lines, La Salle-Wacker Building,
Chicago, Illinois.*

I believe you are fully familiar with the mission of American pilots which has gone to China under the direction of John Jouett to develop and operate a new school for the training of pilots for the Nanking Government.

Mr. Leighton W. Rogers, Chief of the Aeronautics Trade Division of the Bureau of Foreign and Domestic Commerce, now advises us that Canton is going to put in a similar school for pilots except on a smaller scale. In this connection Mr. Rogers' department has been authorized to hire six to eight men, including a pursuit pilot, an observation pilot, a bombing pilot, a photographic expert, a radioman, etc. They must necessarily handle this very confidentially and are advising only Curtiss-Wright, Douglas, and ourselves. Mr. Rogers has agreed, before finally forming this group, to submit to us the proposed list of names to see whether they are acceptable.

Please advise us if you know of any individual or individuals, particularly familiar with our equipment, who might be suitable for the work in question. Undoubtedly Curtiss-Wright and Douglas will be making their own suggestions, and it is advisable for us to get ours in as promptly as possible.

S. A. McCLELLAN.

MYK.

EXHIBIT No. 552

[Copy]

JANUARY 26, 1933.

Memorandum to Mr. F. B. Rentschler.

The parties selected by the Department of Commerce to go to Canton and teach commercial flying methods are as follows: Captain Edward Deeds, Lieut. Clarence Terrell, Lieut. Stuart Baird.

These men are sailing from Seattle on February 5th. They will be under the direct charge of Freddie Wong in Canton.

* * * * *

While it is believed that all three of these men are entirely familiar with Boeing and Corsair equipment, it might be advisable for the Boeing organization in Seattle to take them through the plant before they sail.

We do not have the exact name of the steamer on which these men are sailing, as they are leaving quietly on a small and relatively unknown line. We are promised the name of the steamer in the next few days and will relay it at once to Mr. Nelson.

FRANCIS E. LOVE.

EXHIBIT No. 553

[Copy]

BOEING AIRPLANE COMPANY,
February 6, 1933.

To: United Aircraft Exports, Inc.
Attention: Mr. Francis H. Love.
Subject: Captain Edward Deeds.

The above-named gentlemen called today with a letter of introduction to Mr. Boeing. Due to the fact that Mr. Boeing was absent, Mr. Deeds was referred to me as I took him through the plant, giving him full and complete details on the nine model 267's that we are manufacturing for you for exportation to Brazil, also other pertinent information pertaining to our manufacturing methods, etc.

Showed him the transports, also the one bomber that we had on the assembly floor. He did not show much interest in the former, but was very much interested in the latter type. Gave him whatever information I could and he of course knew that it would be impossible at this time to export any of these machines.

He advanced the information that the Chinese, with whom he had been in contact, are very anxious to obtain some single-seater fighters. As you know, of course, previous to this time, most of the Chinese inquiries have been for two-seater fighters due to the fact that they apparently did not care to fly alone or felt that single-seater equipment would not be suitable, but now, after watching the work done by the Japanese in their single seaters they have become convinced that this is the type not to be neglected.

Captain Deeds also asked for information as to prices, deliveries, etc., but due to the fact that this is entirely up to your office, I advised him accordingly and he then asked me to write to you requesting that you forward such information as you cared to to him % American Commercial Attaché, Mr. Barringer, Hong Kong, China.

ERIK E. NELSON, *Sales Manager.*

EHN: cp.

EXHIBIT No. 554

[Copy]

CHANCE VOUGHT CORPORATION,
East Hartford, Conn., February 6, 1933.

UNITED AIRCRAFT EXPORTS, INC.,
230 Park Avenue, New York, N.Y.

(Attention Mr. Francis Love, Mr. S. A. McClellan.)

GENTLEMEN: Mr. Arthur Wong, president of the Bank of Canton, called me to his office to meet Capt. Ed Deeds, who has been employed by the Canton government to develop an advanced training school for pilots in one of their southern provinces. He is sailing on February 8 and he intends to build his specifications for equipment when he arrives. I have turned to Mr. Deeds certain limited information of the performance data issued by United Aircraft Exports on both V-65 and V-80 airplanes. He is taking this with him to Hong Kong and intends to use same in his set-up. Apparently he has influential backing, for Arthur Wong tells me that he is being sent over by the local Chinese to further train these some 100 Cantonese students, who have had their basic training in this country a few months ago.

Sincerely,

(Signed) R. R. VOUGHT.

RRV
DMc

EXHIBIT No. 555

FEBRUARY 23, 1933.

Mr. FRANCIS H. LOVE,

*President United Aircraft Exports, Inc.,
230 Park Avenue, New York, New York.*

DEAR MR. LOVE: We have received a repeat on the secret code message transmitted to you by means of my letter of February 20. With the corrections, the cable is as follows:

"Canton Aviation Bureau now desires quotations and latest high-speed performance data Vought Corporation equipped Hornet C 600 engine. Quotations desired for quantities of 5 and 20. Have United telegraph by Western Union telegraph code, 5 letter code, to me as they have no business representative active or authorized in my territory, and Fisher will not take lead in securing this prospective business until they authorize him."

Very truly yours,

LEIGHTON W. ROGERS,
Chief Aeronautics Trade Division.

EXHIBIT No. 556

[Copy—Radiogram]

From: Arnold, Shanghai.

Via: Navy Radio—55.

Date: July 6, 1933. Rec'd: 6th.

Routing: 45-14-6.

No. 6.

Canton wishes engage instructor replace Deeds killed July first. Must be active flier with knowledge pursuit, army cooperation, gunnery, observation, map making, holding rank captain or major. Salary, Hongkong dollars one thousand monthly with traveling expenses. Suggest Rogers cooperate with Pawley in securing desired flying instructor.

ARNOLD.

EXHIBIT No. 557

[Copy]

WEEKLY REPORT

SHANGHAI, CHINA, September 7, 1933.

Report for the week ended September 2, 1933.

Submitted by Julean Arnold, commercial attaché.

Rec'd. Foreign Service Oct. 3/33.

(Full excerpt)

Aviator Claiborne is en route from Los Angeles to Canton to take the place vacated by Deeds as head of the Canton air forces. We were responsible in securing him for Canton.

EXHIBIT No. 558

[Copied from carbon copy]

OCTOBER 9, 1929.

Mr. J. S. ALLARD,

*Curtiss Aeroplane Export Corp.,
27 West 57th St., New York City.*

DEAR JACK: For your information, I am attaching copy of a list of "Foreign Officers Attending U.S. Army Air Corps Schools", which I thought might be of

interest to you in connection with the set-up of Export work with their countries.

Very truly yours,

BSW/LII

Dictated but not read.

1 enc.

Washington file: General.

[Copies from original]

(Handwritten notation: "Corrected to Oct. 8, 1929")

FOREIGN OFFICERS ATTENDING U.S. ARMY AIR CORPS SCHOOLS

Lieut.-Colonel Luang Amara, Siamese Army—Air Corps Tactical School, Langley Field.

Lieut.-Colonel Luang Deves, Siamese Army—Air Corps Tactical School, Langley Field.

Justo A. Sepulveda, Colombian Army—Technical School, Chanute Field.

Justino Marino, Colombian Army—Technical School, Chanute Field.

Benjamin de la Pena, Colombian Army—Technical School, Chanute Field.

Captain Ricardo Rodas, Guatemalan Army—Technical School, Chanute Field.

Lieut. I. F. J. Cadaval, Argentine Navy—Technical School, Chanute Field.

Lieut. Enrique Santamaria, Colombian Army—Primary Flying School, Brooks Field.

Lieut. Alfredo Duarte, Colombian Army—Primary Flying School, Brooks Field.

Chia Mei Hu, China Army—Primary Flying School, Brooks Field.

Nai Kwan Wang, China Army—Primary Flying School, Brooks Field.

Sgt. Cesar Nalli, Peruvian Army—Primary Flying School Brooks Field.

Washington file: General.

EXHIBIT No. 559

[Copy]

File memorandum.

MARCH 28, 1933.

Commander H. B. Grow, late Inspector General of Aviation in Peru, called yesterday afternoon in connection with the f.o.b. and f.a.s. New York quotations which had been made to him on Stearman trainers model 6A and Vought Corsairs model V-80.

The Stearman trainer quotation originally made as a landplane only, was modified to include extra seaplane undercarriage. This quotation was made on a basis of:

Edo Aircraft list price on floats and struts is \$1,375.00, plus \$70.00 for water rudders and lifting device and \$120.00 for crating and trucking to shipside New York City, giving a total net figure of \$1,565.00 per plane.

Grow states that he is doing his purchasing for Luis Pardo of the Collecta Nacional. He indicated that he was well on his way to be appointed resident purchasing agent for all of the Peruvian Government's requirements in the United States. He stated that this action was being started by Gilardi, the present head of the air force, and officials of the Government is strong for Grow's return to his old post. Gilardi, wishing to remain in his present position, is advocating Grow for handling purchases in this country so that he can claim he is too valuable up here to be recalled to Peru.

This does not fit very well with Grow's further statement that he was run out of Peru as a result of the deliberate efforts on the part of Webster of Curtiss-Wright Export and "Slim" Faucett who was Webster's main representative in Peru. Gilardi is hand-in-glove with Faucett and with Cliff Travis, the new Curtiss-Wright representative in that territory. If Grow were to handle all purchases in the United States, it would completely upset the Gilardi-Curtiss-Wright combination now existing.

Grow volunteered (admitting it was none of his business) that he felt we had made a great mistake in quibbling with Peruvian authorities over the paying of interest on the overdue portion of their debt to us. He claims that as

long as they owe us money they will continue to duck us in every way possible and buy from other sources of supply. He feels that we should materially scale down the balance due us and effect a cash settlement and place ourselves in a position to benefit from future orders to be placed. Grow pointed out that many of the machines covered by the purchase have already been destroyed and that if the matter continues to hang fire until they have all been destroyed, the psychology of the people is such that they will strongly resist any further payment whatever.

Grow apparently is most anxious to get a job with us, as he repeated several times that United did not sell the planes to the Peruvian Government, but that he, Grow, sold the contract to Mr. Love. Unfortunately, the contract which had been sold to United in good faith proved unsatisfactory, but that was due only to unexpected circumstances and that anyone who was a good enough salesman to sell such a contract to smart people like the United officials would be just the man to sell airplanes to other people in South America.

S. A. McCLELLAN.

EXHIBIT No. 560

[Copy]

GRAHAM, GROW AND COMPANY,
Penobscot Building, Detroit, Mich., March 10, 1933.

UNITED AIRCRAFT EXPORTS CORP.,
 230 Park Avenue, New York, N.Y.

(Confidential: Attention Mr. Miller.)

GENTLEMEN: Would you please be so kind as to inform me at once if you have any Corsairs for immediate release for shipment, or the earliest date that shipment could be made. Should any purchases be made they will be for cash. The situation is as follows:

The Peruvian Government has asked me to locate some planes for them, used or new. I quote the contents of a cable received from them.

In the name of the National Collection Committee and aware of your effection for and interest in Peruvian aviation, we ask you to inform us concerning the existence of pursuit seaplanes for immediate delivery and which given your knowledge of the situation and our needs you can recommend. The machine guns should be of calibre 7.65 since we have that size already. If through your influence and connections you can obtain seaplanes reconstructed for pursuit work and which will satisfy the urgent need of the moment, which includes immediate delivery, it would permit the acquiring of a certain amount of material such as we need at once. In anticipation of the possible embargo of war materials please hasten your reply in order to proceed with the purchase and shipment."

This has been replied to and they have agreed to send me a small sum for travel expenses. They have the money available and are doing a good cash business with Curtiss. (Webster is aware of my connection and may try to block it.) I also quote for you confidential information a paragraph from a letter received yesterday * * *. "Also there is the almost certainty of a contract with the French who wish to sell us 36 planes, among which will be Nieuports, Potez, Henriots, and Moraine Saulniers. The French contract presents the inconvenience that delivery is from 5 to 6 months and we need the stuff *at once*" * * *.

I should like to be able to tell them that I have some good ships for immediate delivery for cash. I wish you would be so kind as to advise me by wire if you can do anything on this matter.

I have good connections down there and the Ambassador in Washington has recommended to the Lima government that they deal through me up here. I am aware of the past sad story of your previous contract with them which I put over, but that is no reason why you should not take a new order if it be cash on the line before you go ahead. It is possible that I shall be able to leave here tomorrow night for New York. I shall as soon as the Consul in New York sends me the necessary funds to travel.

Any information you may be able to give along the lines mentioned will be greatly appreciated as would also your cooperation. If any kind of a deal goes

through I shall purchase the ships from you and shall not do so until I have the cash in the bank here from them.

Sincerely,

(Signed) H. B. Grow.

EXHIBIT No. 561

[Copy]

JUNE 15, 1933.

Commander H. B. Grow,
Penobscot Building, Detroit, Michigan.

MY DEAR COMMANDER: Confirming our telephone conversation of today in connection with your letters of June 7th and 9th.

The three V-S0's were shipped from New York on June 1st aboard the S.S. *President Pierce*. Not having received shipping instructions from Mr. Henriod, it will be impossible for us to ship the floats for these three ships prior to June 29th.

Until receipt of payment for the floats, we will not have received payment in full against this order. However, in view of your request we enclose herewith our check in the amount of \$765.00 in full settlement of the amounts due you on this transaction, in accordance with our letter of April 6th.

We are glad you now understand why it is necessary for us to receive the proposed spare-parts order direct from you in order to definitely free ourselves of any necessity of paying a commission in other quarters. In case you succeed in procuring this business for us, we will pay you on a sales commission of 5%, which will apply to the price of list less 15% f.o.b. the factory, which you have been authorized to offer on these Pratt & Whitney spare parts.

We understand that you expect to be in New York sometime next week and look forward to the opportunity of continuing our discussion over the phone.

With kindest personal regards, I am,

Very truly yours,

UNITED AIRCRAFT EXPORTS, INC.,
S. A. McCLELLAN, *Assistant to the President.*

el

EXHIBIT No. 562

[Confidential]

JUNE 7, 1933.

Mr. S. A. McCLELLAN,
*United Aircraft Exports, Inc.,
230 Park Avenue, New York, N.Y.*

MY DEAR McCLELLAN: The purpose of this letter is to inquire as to whether the V-S0's have been shipped as yet, and if so, if I may expect a check from you soon. I am getting a little short of cash, and it would be of great assistance to me.

The following information will be of interest to you. I have this day received a communication from the Government of Peru of which the following is a translation:

Confidential: "The minister of marine and aviation would like to know under what conditions you would like to return to Peru, to resume your duties in the inspection general of aviation. I am also charged with asking you, what would be your minimum requirements as compensation to go to Peru in the form suggested. Naturally taking into consideration the financial situation of the country—the new contract could not be based on the same conditions as the one which you formerly held."

You will see from the above that I have been making ground down there, but I am in a quandary as to whether to go or not. There is no doubt but that I could stop again all these foreign sales. On the other hand, I question very much whether I could make it worth my while or not.

I should like you to consult the powers that be, in your organization and tell me frangly their reaction. Would they like to have me go? Are they indifferent as to whether I go or not—or would they rather I didn't go?

I wish you would treat this with the greatest of confidence. I anxiously wait your reply.

Most sincerely,

H. B. GROW.

HBS:ld
841 Penobscot Bldg.

EXHIBIT No. 563

JUNE 15, 1933.

Letter #75.

Mr. FRANCIS H. LOVE,
Shanghai, China:

We have received a letter from Commander H. B. Grow, dated June 7th, as per attached copy, to which we have replied under even date, as per attached copy. We called Grow on the telephone in order to forestall the necessity of giving him any answer in writing.

For your information, Grow has been very active and quite successful in selling the three Corsair V-80s to Peru. The commission he reserved for himself was, as you can see, extremely reasonable. In the case of quotations on spare parts now pending, his quotations have included entirely reasonable commissions, although slightly greater in proportion.

As regards the personal background of the men and the questions of political relationship involved, it is obviously for these reasons that the questions contained in the fifth paragraph of Grow's letter have been referred to you for recommendation as to the proper answer.

It is our feeling that Grow will accept this position regardless of what we may say, as his livelihood in Detroit has been so slim as to leave him very little alternative.

S. A. McCLELLAN.

EXHIBIT No. 564

[Copy]

FIRST INCOME TRADING CORPORATION,
835 PENOBSCOT BUILDING,
Detroit, Michigan, September 21, 1933.

Mr. S. A. McCLELLAN,
*United Aircraft Exports, Inc., 230 Park Avenue,
New York, N.Y.*

MY DEAR McCLELLAN: I am writing you to give you the translation of extracts of an air-mail letter that I received today from Peru. This letter of mine has no ulterior motive other than to place in your hands information which will be interesting and may be of value to you.

"But I am grieved at the diversity of types which are arriving in the country. It is certain that foreign representatives have here their representatives sent especially for the purpose of selling planes and place difficulties in the path of the American manufacturers. They are like fleas. You are missed here and somebody should send you as a representative, and I believe that no factory in the world would have a better chance than you above all, in this country, where you have so much prestige, respect, honor, and where there are so many proofs of your professional ability. I do not understand how Americans, who are the best financiers in the world, have no interest in this matter of investing a small amount of money for expenses for a representative in order not to lose a client that they at one time had and which is buying plenty of material.

"Day after day we hear the rumor that you are going to return, and at the present moment speaking with your good friend Mr. Israel, I said to him, 'And why do you not speak with the President concerning the return of Commander Grow?' and he told me that, as a matter of fact, he had just finished speaking about the matter with the President and the President had replied, that he didn't intend to make any radical changes until Congress adjourned, that when this took place he was going to take this matter under consideration.

"Your return should take place sooner or later, it is merely a question of time. When Sanchez Cerro was in office, your return was almost an accom-

plished fact and executives of the bank were working the hardest along those lines. I need not tell you because you well know the happiness that will take place in all the air corps when you come.

"Your V-80's are stupendous. I congratulate you for this purchase. Thus should be all the planes which come to us."

I thought the above might interest you as well as the fact that I am working hard through my political connections down there to put over this new deal for you.

Most sincerely,

(Signed) Grow,
H. B. Grow.

EXHIBIT No. 565

FEBRUARY 21, 1934.

To: Chief of Air Corps, War Department, Washington, D.C.

Subject: Boeing Model 281.

We have an immediate opportunity to sell approximately twenty-four (24) airplanes of our model 281 single-seater (Army P-26 type) to the Turkish Government. Most of these airplanes are to be delivered only partially constructed, with the necessary material, etc., furnished for their completion in Turkey. A small portion will be completed by this company. The opportunity to obtain this business, and in so doing keep our employees from being laid off in large numbers during the summer and fall, depends entirely upon receiving sanction to start delivering parts for partially completed airplanes during June and July 1934 and delivery of the few completed ones in October.

We respectfully request permission to be allowed to carry out this program of deliveries, which will in no wise delay delivery of Government orders now under way in our factory or possible orders resulting from outstanding bids submitted January 26, 1934.

At the present time we have no prospects of any commercial business and have only an insignificant order of Navy parts. Our plant is running at about 60% capacity at present, and our primary shops are already running out of work, necessitating the lay-off of men in these departments. By summer a great number of employees will be out of work, and in the fall all of our present orders should be completed. Because of these conditions we are very anxious to obtain some immediate business which will help to keep a portion of our employees at work and will appreciate your earnest consideration of this situation.

BOEING AIRPLANE COMPANY,
C. L. EGTVEDT.

cle:bk.

cc-BAC. Seattle.

("Exhibit No. 566" appears in text on p. 1467.)

EXHIBIT No. 567

[Copy]

Letter No. 802.

Mr. THOMAS F. HAMILTON,
Paris, France.

DEAR TOM: This is pretty late to be acknowledging your letter of April 22nd, but it chased me around China, and when I did receive it, did not have either a stenographer or a typewriter. In any event, the matter was not of great importance except that I do want to tell you now that there is not a chance of selling used Hornets of B.M.W. or even of our own in the Far Eastern market, otherwise I should have been very glad to cooperate.

The Air Line is in the hands of Pan American and the three Chinese flying fields are in the hands of ex-American Army and Navy officers and nothing will be considered except absolutely new equipment. However, the German Air Line, in cooperation with Luft Hansa, have been sending out some old rebuilt Junkers ships and if there was any possibility at all of using these engines it would be through either Luft Hansa or Junkers.

I am sorry to say that four Junkers with American Hornets crashed while I was there and Jerry Clark says that the American engineering staff at Hangehow was quite insistent that the failure was due to the fact that they did not have a fuel pump on these ships. He strongly recommended that we suggest to Junkers that fuel pumps be put on. I am not sufficiently technical to comment on this but pass it along for what it is worth.

Conditions in China so far as they affect our business are very good and I anticipate very substantial business in the immediate future, possibly during the present week.

Please give my kindest regards to Director Popp and, if you care to, you may suggest that on the old rebuilt Junkers which they are sending out for the German-Chinese mail line, they might be able to dispose of their surplus engines.

I was very pleased to see how your sales in Europe are progressing and wish to congratulate you.

With kindest personal regards, I am

Sincerely,

MN.

EXHIBIT No. 568

WINCHESTER REPEATING ARMS COMPANY,
June 5th, 1933.

Capt. S. A. McCLELLAN,
*c/o United Aircraft Exports, Inc.,
230 Park Avenue, New York, N.Y.*

DEAR CAPTAIN McCLELLAN: I am enclosing with this copy of letter I have written to Capt. Antonio Cabral, of the Brazilian flyers.

Our Mr. E. E. Jonas tells me that you are in charge of their itinerary and I sincerely hope that you will arrange for a visit to our plant.

Confidentially, I have just had a letter from our Mr. Nelson stating that Curtiss secured the order for aeroplanes equipped with machine guns and presumably some cartridges to go with them for China. This bears out what I told you that, in my opinion, Remington and Curtiss were working very closely in that market, and I trust, under the circumstances, you will find it advantageous to work with us just as far as you can in these matters.

With the signer's kindest regards, we remain,

Yours very truly,

H. F. BEEBE,
Mgr. Foreign Department.

HFB: ERJ-93.

EXHIBIT No. 569

RIO DE JANEIRO, *June 23, 1933.*

Mr. WALTER C. THURSTON,
American Embassy, Rio de Janeiro.

DEAR MR. THURSTON: Mr. George S. Forman, representative of the Colt's Patent Fire Arms Mfg. Co., and I, as representative of the United Aircraft Exports, Inc., take this opportunity of confirming our conversation with you of yesterday.

Last year's revolution caused the purchase of approximately a 150 military and commercial airplanes from the United States America by the Brazilian Government. This extensive purchase represented the adoption of American material by the Brazilian Air Corps and, simultaneously, the throwing out of French material. The military planes of these orders were supplied with Colt machine guns.

Months ago, after most of these airplanes had arrived and were assembled, the Brazilian Government, after due consideration, decided that it was necessary to send a group of officers to the United States for the purpose of familiarizing themselves with the necessary technical knowledge to enable them to properly use and maintain the material which American factories had supplied them.

This matter was brought to the attention of our military attaché, Major Sackville (and through him to the attention of Ambassador Morgan), who cooperated with the plan. Major Sackville, naturally, in approval of the idea, accompanied by Mr. Carr, visited General Aranha, the chief of the military aviation for Brazil, and, at that time, the general was assured by Major Sackville, unofficially, that if the Brazilian Government requested permission for a visit to certain Army and Navy aviation fields and American factories who had supplied the material, this request would be acted upon favorably by the American authorities.

Accordingly the Minister of War of Brazil nominated a special commission of officers from the Brazilian Army Air Corps, who were charged with the duty of going to the United States to learn the proper handling and care of this purchased American material. The commission, headed by Major Plinio, left for the United States about eight weeks ago.

We visited the cabinet of the Ministry of War today and found that there was a feeling of deep dismay at the lack of understanding of the matter. They had received official information from Major Plinio, the head of the commission in the United States, to the effect that our War Department has given permission to visit certain factories, *but* that this permission was drastically limited to one-, two-, and three-day visits. Since these officers were sent to gain technical knowledge relating to the purchased products, so limited a visit was, of course, considered entirely useless. The officers spoken to at the Ministry of War here were deeply disappointed as they had been given no reason to believe that there could be any objection to the plans which had been adopted and duly discussed in advance.

We respectfully suggest that it would be inimical, not alone to American trade interests, but also to the spirit of good will which prevails between the two countries, to allow this matter to remain as is. Brazil went to quite some expense and trouble to send the mission to our country, and under the circumstances it is left with the alternative of suddenly recalling it. Would it not, therefore, be advisable to cable through the proper diplomatic channels in an endeavor to correct a situation which, in our opinion, possibly arose through improper handling in the United States.

Respectfully yours,

UNITED AIR CRAFT EXPORTS, INC.,
CLARK M. CARR, *Representative*.
COLT'S PATENT FIRE ARMS MFG. CO.,
GEORGE S. FORMAN, *Representative*.

CMC/fk

EXHIBIT No. 570

[Copy]

Aer-M-2-EP.

NAVY DEPARTMENT,
BUREAU OF AERONAUTICS,
Washington, D.C., 17 September, 1932.

(Confidential.)

From: The Chief of the Bureau of Aeronautics.

To: The Chief of the Bureau of Supplies and Accounts.

Subject: Aircraft for foreign sale.

Reference: (a) Bu. Aero. letter Aer-M-2-BA, L11-4(2), dated 6 September 1932 to Bu. S&A.

(b) Sec. Nav. letter (SC) EF12, dated 15 September 1932.

(c) Sec. Navy letter Op-13B-PS(SC) EF12, dated 16 September 1932.

(d) Bu. Aero. letter, Aer-M-2-BA, L11-4(2), C-21737, to Bu. S&A.

1. Reference (b) approved the diversion of twenty (20) Vought planes and eight (8) Boeing planes for foreign sale. Reference (c) so modified reference (b) as to allow the Bureau of Aeronautics "In its discretion to release for foreign sale such number of Vought and Boeing planes as may be desired, provided the total released does not exceed twenty-eight (28)."

2. Reference (a) requests the Chief of the Bureau of Supplies and Accounts to authorize the diversion of fifteen (15) SU airplanes from delivery to the Navy to enable them to make delivery of these planes for foreign sale. It is requested that this authorization be modified to allow the Chance-Vought Cor-

poration to divert fourteen (14) SU airplanes instead of fifteen (15) for foreign sale from contract nos. 24198.

3. Reference (d) authorize the diversion of a total of eight (8) Boeing fighters under contract nos. 21737 for foreign sale. It is requested that the Boeing Company be permitted to divert from delivery to the Navy to permit foreign sale of a total of fourteen (14) Boeing fighters instead of eight (8) airplanes as previously authorized to be diverted.

A. B. Cook,
Captain, U.S.N.,
Acting Chief of the Bureau.

EXHIBIT No. 571

[Copy]

MARCH 28, 1934.

Letter No. 442.

Mr. CLARK M. CARR,
Buenos Aires, Argentina.

Mr. F. S. Jonas, who represents Federal Laboratories and Remington Arms Company in Latin America, has just returned from a trip down the east coast of South America.

Jonas reports to us that there is considerable aviation activity in the Argentine due to a combination of the realization of their need for a greater air force, which has been accentuated by the recent revolutions, and a widespread national feeling of the inferiority of their air force occasioned by the display of aerial strength made by the Brazilian Government at the time of President Justo's visit to Rio de Janeiro.

Jonas asked if we had an agent in the Argentine and, being advised in the negative, stated that that is one place we certainly should have one, and recommended the firm of Leon & Bonasegna to us. Jonas states that they are a live outfit, specializing in government business.

In connection with Brazil, Jonas states that the army and navy have received an appropriation of twenty-five million dollars for all arms of the service for the current fiscal year. The division of this appropriation between the two services and into the different arms of each service had not been made prior to his departure. However, it is definitely understood that the army is going to acquire twenty amphibion planes in order to properly patrol the upper Amazon in anticipation of recurrence of hostilities between Colombia and Peru.

Jonas advised that Federal Laboratories had broken with Casa Mayrink Veiga due to their practice of representing the product of competing firms; in this case, Lake Erie Chemical. It is Jonas' opinion that Casa Mayrink Veiga are in very poor repute with the government and not improving their situation materially as the days go by.

In this connection it is interesting to have Jonas comment that our main competitor is being represented by the firm of Sousa Sampaio, which enjoys a most excellent reputation in all quarters and is run by a family prominently identified with the development of both Brazil and Uruguay for a number of generations. We have, in the past, believed that our competitor could not do much in the Brazilian market with the present government because of the bad reputation they got in connection with supplying second-hand equipment during the course of the Brazilian revolution. Apparently, this should be discounted heavily, if not entirely, due first, to the type of representation they now have in Rio and, second, to the following evidence of the short memory and forgiving disposition of the present Brazilian Government.

Captain Muricy has just expressed his personal indignation over the receipt of news from Brazil that a certain officer in the Brazilian army aviation, who deserted to the rebel side in the last revolution, has been reinstated with his old rank and seniority. This officer not only deserted to the rebel side, but took with him the best of the pursuit planes, a French Dewoitine, and during the course of the revolution engaged in combat, using this plane, against Captain Muricy flying a Waco. Only the failure of the machine gun in the Dewoitine saved Muricy's life, because of the vastly superior performance of the more powerful machine. Now, this man is not only Muricy's "brother-in-arms", but his senior in point of rank. Knowing Latin temperaments and personalities, I am sure you will agree that if such action is taken regarding

individual's the government will not scruple too long over the past performance of our competitor.

The writer has just received a visit from Captain Aguirre, of the Brazilian Navy, who apparently is doing odd jobs for Casa Mayrink Veiga in addition to serving the Brazilian Government in this country. Captain Aguirre wished me to advise him where he could get information regarding standard United States Army long-range observation planes and bombers. He was reading his requirements from a letter which was carefully folded to conceal the letterhead. I drew out the information that he expected to get in touch with the Glen L. Martin Company and was looking for the names of other manufacturers. By upsetting some material from the desk, I caused the captain to jump, revealing the familiar letterhead of Casa Mayrink Veiga. It is reasonable to assume from this that they are neither anxious to, nor contemplating, concentrating their attentions on the merchandising of United Aircraft products in the aviation line. I advised Captain Aguirre that the United States Army had no occasion for long-range observation planes, due to the fact that we do not contemplate any offensive wars and the topography and wide-spread development of this country did not require long-range observation planes for use in connection with defensive military operation. I called his attention to the excellent range of the new Corsair and to the performance of the Boeing bomber.

The great distances involved in South America, together with the unsatisfactory means of communication in certain sections are fully appreciated by us. These considerations, however, would seem only to further point to the necessity of having adequate local representation in the countries where potential business exists. With proper agency set-ups, our interests would not only be continually followed on the ground, but you yourself would be continually advised of the developments in different quarters and be able to plan your own movements for maximum effectiveness. This would also make it possible for you to keep us fully advised of the general developments and changed political and economic situations. As the situation exists at present, we receive much more information of this type from outside sources than from yourself.

Naturally, we are ready to assist you in any suitable way toward the end of developing and coordinating our necessary sources of information and selling efforts in South America.

S. A. McCLELLAN.

mvk.

EXHIBIT No. 572

Augusto Changanaqui, Notary. Address, Botica de San Pedro (Giron Ayachecho), No. 410. Telephone 751. Lima.

(Rubber stamp:) Office of Notary Changanaqui, Botica de San Pedro (Ayachecho) 410. Telephone 30-751. Safe for the custody of files.

ORDINARY COPY OF THE INSTRUMENT OF SALE GRANTED BY THE COMPANIA ADMINISTRADORA DEL GUANO IN FAVOR OF THE UNITED AIRCRAFT EXPORTS, INC., FO NEW YORK. No. 1332. FOLIO 1980 (FORWARD)

Introduction.—In Lima, on the thirtieth day of the year nineteen hundred and thirty-two, before me, Notary Augusto Changanaqui Brent, appear Messrs. Adolfo Lainez Lozada, Peruvian citizen, single, engineer, possessor of Electoral Registration Card No. thirty-six thousand one hundred twenty-three, and with evidence of having deposited ballot in Desk No. three thousand three hundred forty-two, a resident of this city, in his capacity of Manager of the Compania Administradora del Guano; Francis Henry Love, representing the United Aircraft Exports, Inc.; and Harold Sylvester McCormick, both Americans, married, business men, residents of the city of New York, on passage in this city; the three of legal age, conversant with the Spanish language, whom I know; proceed with capacity, freedom, and sufficient knowledge to contract, as I have verified through the examination I have previously made in accordance with the provisions of the Notary Law, and hand me, for the purpose of legal registration of recorded instruments, the minute which I file, the literal tenor of which is the following:

Minute.—Please enter in your registry of legal public instruments the present contract of Purchase-Sale of Guano, entered into and between the Compania Administradora del Guano, on one part, represented by its manager, Engineer

Mr. Adolfo Lainez Lozada, hereinafter called the "seller", and United Aircraft Exports, Inc., a company of the State of New York, hereinafter called the "buyer", and which is represented by Mr. Francis H. Love, as per powers of attorney, which you will please insert.

First. *Object and duration of contract.*—During the period commencing on the date of this instrument and which will end on the first day of June of year nineteen hundred thirty-seven the seller agrees to sell to the buyer and the buyer buy guano of the Peruvian Islands, pure and unadulterated, in the quantities, at the prices and subject to the terms and conditions set forth in the following clauses:

Second. *Territory.*—The sales market assigned to the buyer is composed of the following territories:

a) The territory of the United States of America, with the exception of the States of Washington, Oregon, California, Idaho, Nevada, Arizona, New Mexico, and Wyoming.

b) The Dominion of Canada.

c) Puerto Rico.

d) Cuba.

The seller guarantees that no quantity of guano or mixtures containing it, except under this contract, will be sold or offered by him for resale in the said market or territory.

Third. *Quantity.*—Maximum limitations: The seller agrees to accept orders from the buyer only up to the limit permitted by the available tonnage for export after all the requirements of the Peruvian agriculture have been provided for and the existing contracts made by the seller, which contracts the buyer declares as known to him. In accordance with clause four the seller is obliged to advise the buyer on each year the quantity available for export and for sale in accordance with this contract.

Minimum limitations: The buyer agrees to purchase not less than twelve thousand English tons per year; that is, between the first day of June of each year and same date of the following year. Consequently, this contract is made on the basis that the buyer purchase not less than sixty thousand tons in the course of the five years of the life of this contract.

The tons referred to in this contract are of two thousand English lbs. each.

The seller may cancel this contract if the buyer does not purchase the minimum stipulated quantities, without any responsibility nor indemnization for damages or prejudices from one part against the other.

The buyer cannot place orders for the purchase of guano for less than five hundred tons, but the seller shall not be compelled to effect shipments until these amount to two thousand five hundred tons.

Fourth. *Orders.*—Fifteen days after the legal registration of this contract, the buyer shall advise the seller the quantity of guano which he expects to purchase during the first year. On the first day of June of each year, or before this date in each of the following years of the duration of this contract, the buyer shall make a similar notification. On receipt of this advice the seller shall, in turn, notify the buyer by cable, within ten days, if he can totally or partially attend to the order.

It is understood that failure on the part of the buyer to advise the seller within the period stated in this clause shall entitle the seller to cancel this contract.

The buyer may at any time issue orders to the seller for shipment during months expressly specified. All these orders or instructions given to the seller on or before July 15 of each year, within the tonnage notified to the buyer as available for shipments as stipulated above, shall be immediately accepted by the seller, confirmed by him to the buyer, and a firm contract shall be in effect for the purchase and sale of the ordered quantity on the same basis of this contract, unless specially agreed upon. The seller is not compelled to accept orders for the shipment of guano from August fifteen until February first, inclusive, during which time the incubation and reproduction of the guano birds takes place, except by special agreement in this respect. All orders given to the seller after July fifteenth of any year shall be subject to acceptance or rejection of the seller at its option. Such quantity, if accepted, shall be considered for computation of orders given by the buyer for the purpose of applying the minimum limitation provision of clause 3 hereof. All orders shall include specific shipping instructions.

Since several months of this first year of contract have passed, during which months orders could be placed and shipments could be made, the seller and

the buyer agree to extend in this first year the period during which shipments can be made.

Fifth. Quality.—The guano for delivery under this contract shall contain:

(a) Not less than 8% total nitrogen. Any quantity giving analysis of more than $13\frac{1}{4}\%$ total nitrogen shall be considered, for the purpose of determining the price, as hereafter provided, as analyzing only $13\frac{1}{4}\%$.

(b) Not more than 12% sand and siliceous material.

(c) Not more than 25% moisture.

(d) Not more than 6% stone.

Any excess over these percentages of stone, sand, and siliceous material and moisture shall be deducted from the weight to be paid for by the buyer.

Sixth. Weight.—The weight of each cargo or part thereof discharged at any port shall be established on discharge by steamer by public weigher at seller's expense. The buyer and the seller may be represented at the weighing operation. The buyer may be represented by person or persons as it may designate, in the islands or at any shipping points for the purpose of control weight and quality of guano to be made before each out-going shipment, thus offering both parties a basis, as approximate as is possible, for the provisional computation of the price referred to in clause nine hereof.

Seventh. Analysis.—Representative samples of each shipment shall be drawn on arrival of each shipment by the public weigher. For the drawing of a representative sample of each shipment or part thereof discharged at each port, the weigher shall take a sample from each car lot, or where cars are not used, from each 20-ton lot, equivalent to one-half of one percent of its net contents. If the guano is discharged in bags, the same proportion from the total number of them will be drawn, such bags being alternatively selected by the weigher. If the cargo is unloaded in bulk, the samples shall be put in bags. All the bags containing samples shall be placed in a spot protected from any cause that might alter its composition, after having been sealed by the weigher or the representatives of the buyer and seller. Of the total number of the separated and sealed bags, there shall be selected 50, alternatively, by the representatives of both parties, or the total number of bags if they do not reach this number. The bags thus selected shall be weighed, the net weight being established by the difference between the gross weight and that of the empty bags. The guano emptied from the bags shall be passed through a steel sieve of 5-mm mesh over which the lumps of guano which remain shall be rubbed strongly in order that all the guano may pass through the sieve, so that only the stones will remain. These stones, after being cleaned, shall be weighed so as to establish the percentage they represent with relation to the weight of the guano taken to constitute the sample. The guano, which has passed through the sieve, shall be carefully mixed and by successive removal of part of it, its quantity shall be gradually reduced until sufficient quantity is obtained to fill 6 jars with screwtops to contain one pound each, which jars shall be waxed and sealed by the representatives of the buyer and the seller.

The buyer and seller may each select a public fertilizer chemist in the United States of good business reputation, and each shall send to the chemist so selected one of the bottled samples in their possession. Each chemist shall then determine in its sample the total nitrogen, available phosphoric acid, moisture, and siliceous material. The average of these two analyses shall be the basis of payment unless there should be between them a difference of $\frac{1}{2}$ unit for the nitrogen or 1 unit for the available phosphoric acid. In the event that the difference in one or more of these elements, nitrogen or available phosphoric acid be greater than that as indicated, the seller and buyer will each send bottled sample in their possession to Messrs. Wiley & Co., Baltimore, who will thoroughly mix the two samples and determine the element or elements in dispute. The average between Wiley's analysis and the analysis nearest to Wiley's shall be considered as final. The analyses shall be made in accordance with the methods adopted by the American Association of Official Agricultural Chemists. The seller and buyer shall each pay the fees of their respective chemists, but the cost of Wiley's analysis shall be borne by the party whose chemist shows the greater difference with this analysis.

Eighth. Price.—The price to be paid for the guano delivered under this contract c.i.f. port or ports of destination shall be the sum of the price of its contents of nitrogen and available phosphoric acid (soluble in citrate of ammonia and water) indicated by the analysis and determined in the manner as hereinafter established.

For the fixing of the price of the nitrogen contents the following procedure shall be observed: Of the section Current Market Quotations of the issue of the review Oil Paint and Drug Reporter of New York, nearest prior to the date of cable order by the buyer, there will be taken the lowest price per ton of sulphate of ammonia, domestic production, for commercial use, in bulk, f.o.b. Atlantic ports, including Baltimore; and the lowest price for imported sulphate of ammonia of same class as the previous one, c.i.f. Atlantic ports, including Baltimore. These two prices shall be averaged into each other. The average shall be divided by 20.5625, thus obtaining the price per unit of nitrogen in the sulphate of ammonia, which shall be increased by 30 percent in order to obtain the price per unit of nitrogen in the guano. This latter price shall be multiplied by the number of units of nitrogen given by the analysis, subject to limitation of its contents of nitrogen, as per clause fifth hereof, thus obtaining the price of the contents of nitrogen in the guano. The procedure for the price of the contents of available phosphoric acid shall be as follows: From section Current Market Quotations of the issue of the review Oil Paint and Drug Reporter of New York, nearest prior to the date of the cable order by the buyer, it shall be taken: the lowest price per ton of 16% superphosphate, in bulk, f.o.b. Atlantic ports, including Baltimore. This price shall be divided by 16, thus obtaining the price of the available phosphoric acid unit. This price shall be multiplied by the number of units of available phosphoric acid given by the analysis provided in clause seventh hereof and the result shall be the price of the contents of the guano in available phosphoric acid.

If, for any reason, during the life of this contract, the prices appear in the section Current Market Quotations of the Oil Paint & Drug Reporter for the imported sulphate of ammonia be nominal and should not correspond to actual sales, in this case, the price of the guano shall be fixed on the basis of the quotation for the domestic sulphate of ammonia only. If the quotation for the domestic sulphate of ammonia should be nominal and not actual, the price of the guano shall be fixed on the basis of the quotation for the imported sulphate of ammonia.

In these circumstances the buyer shall cable the seller advising the situation for its approval.

If the buyer should purchase or order delivery of ground guano in bags and the seller could supply said guano on account of having adopted the necessary machinery, the seller and the buyer shall, by agreement, fix an extra price for the guano manipulated in such manner.

The buyer shall, from time to time, notify the seller of the quantities resold by the buyer (or, in the case above provided for, by the person to whom the buyer has resold) the dates of such sales and the market price determined as aforesaid.

Ninth. Payment.—The payment of the guano paid under this contract shall be made in the following manner: Against delivery to the National City Bank, Lima branch, of the corresponding complete shipping documents, including consular invoice of the estimated value, certificate that the guano emanates from the islands and copies of the charter party, the seller shall receive a sight draft equal to the sum of seven dollars twenty, U.S. funds, for each ton included in the said shipment. If the equivalent in Peruvian money of the seven dollars and twenty cents which the buyer shall advance to the seller added to the sum covering freight would not be sufficient to cover the expense of exploitations and freight incurred by the seller plus a sum of 10 computed on the basis of the cost of exploitation and such a fact verified by the seller the advance of seven dollars and twenty cents shall be increased by mutual agreement of both parties.

The sense of this clause is that the seller is not compelled to sell guano at a loss and without a minimum profit of 10% over the cost of exploitation and exportation of guano.

The balance, until the sales price is completed, shall be placed at the disposal of the seller as soon as, in accordance with the terms of this contract, the definite price of the shipment is established.

From this balance the buyer shall deduct the sums paid to the seller as advance of price, in accordance with this contract, including the amount of insurance, the issuance of which for the account of the seller, is herewith expressly authorized.

Tenth. Shipment.—The shipments of guano shall be made in steamers in quantities of 2,500 tons, as minimum, such tons of 2,000 lbs. each during the period from April 15 to August 15, inclusive, on each year in accordance with

instructions from the buyer. The deliveries shall be made at not more than three ports for each shipment, between and including Galveston, Tex., and Saint John, New Brunswick, inclusive, and the rotation of ports shall be from south to north. The buyer has the right to order the shipments to any port within the range above named, where the steamer may safely enter and lie afloat. Should the buyer desire shipments made to ports in Puerto Rico or Cuba, for which port there is freight available, the buyer must cable the seller the corresponding advice and the seller shall notify the buyer of the difference in the price as compared with the usual rate between Galveston and Saint John. The buyer may then notify the seller whether or not to ship, the difference in freight being for the buyer's account.

The ocean freight for each shipment and the insurance shall be paid by the buyer for the account of the seller on arrival and shall be deducted from the purchase price of the guano. There shall also be deducted the \$7.20 U.S. funds, per ton delivered buyer in accordance with clause ninth hereof and any other payment which the buyer might have made on account and with the consent of the seller.

It is agreed that the guano shall be shipped in class A-1 steamers only, unless the insurance underwriters accept and assume responsibility on shipment by any other steamer.

The steamers carrying the guano shall be sent to the order of the buyer, who, directly or through his agents shall give the captain instructions as to the ports of call, which shall not be more than three, and located successively, from South to North, unless otherwise agreed upon. Instructions as to the second or third port shall be given within twenty-four hours after arrival at first or second port.

On arrival of each steamer carrying the guano at the port or ports of destination, the buyer agrees to have the necessary arrangements made, for the steamers' account, for the discharge of all or part of the cargo, which must be effected on the minimum proportion of 100 tons per weather working day, Sundays, holidays, and half holidays excepted. Payment of demurrage, which, in accordance with the charter party must be paid to the steamer for a daily rate of discharge inferior to the indicated one of 100 tons per day, shall be for the account of the buyer.

Eleventh. Import duties and others.—In the event that the importation of guano into the territory, be affected by the United States law, usually known as the Antidumping Act, or other laws which fundamentally alter the contract through their effect, all penalties as provided in such laws shall be for the account of the buyer and if the buyer should decide not to assume any responsibility for such laws on subsequent shipments or in the event that additional import duties or any other restrictions may be imposed on the importation of guano into the territory or the sale or use of guano prohibited, the buyer has the option of cancelling this contract, and in the case of the buyer canceling the contract, all buyer's responsibilities thereof shall cease, with the exception of payment, in accordance with the provisions set forth in this contract, of any balance which might be due for guano purchased and delivered prior to this termination.

Twelfth. Re-exportation.—The buyer agrees not to re-sell any quantity of guano purchased under this contract for its exportation from the territory. Payment of damages for breach of this clause shall be 50% of the purchase price of the guano, computed in accordance with this contract, knowingly resold for export, to be credited to the seller by the buyer.

Thirteenth. Force majeure.—Neither party shall be responsible to the other for failure of delivery or receipt of the guano under this contract when such failure shall be originated by fire, strikes, lock-outs, civil war, revolution, acts of God or public enemies or any other superhuman, irresistible cause not within the control of the parties, but in any such case the party claiming the benefit of this article shall use due diligence in order to remove any cause and to resume the compliance of this contract as soon as possible, the compliance of the other party being in suspense and excused meanwhile.

Fourteenth. Transfer.—It is recognized that the buyer may become associated with other persons, be it individuals or collectively, to exploit this contract, resell the guano in its totality, or transfer its rights to a third entity. In the latter case the seller, at the request of the buyer, may deal directly with the third entity to the extent requested by the buyer; however, the buyer shall not be exempt of responsibilities or obligations under this contract.

Fifteenth. *Arbitration*.—Any disagreement between the buyer and the seller as to the interpretation of this contract or its compliance shall be resolved by the Chamber of Commerce of Lima, Peru, in the capacity of arbitrator.

Sixteenth. *Fees*.—Law fees and attestation for the seller are for the account of the buyer.

Seventeenth. *Authorization*.—The seller forthwith lends his consent so that the buyer may commit or entrust everything concerning the sale of guano which he—the buyer—obtains to the firm H. J. Baker & Bro., of New York, but the buyer shall totally assume the responsibility for the manner in which the said firm manages the business with which it is entrusted. The representative of the H. J. Baker & Bro., Mr. H. S. McCormick, signs this contract as a sign of acceptance.

Eighteenth. *Conventional address*.—The buyer forthwith indicates as his local address in this city, for all communications and summons in connection with this contract and exclusively in relation with the seller, the premises of the National City Bank, Edificio Italia, ground floor, located at the corner of Coca Street and Jesus Nazareno. The buyer shall be able to change his address at any time for any other in this city with advice to the seller through notary.

You are requested to append the conclusions of the law and to insert the powers of attorney proving the representation of the Messrs. Love and Lainez Lozada. Lima, May 30, 1932. A. LAINEZ LOZADA, FRANCIS H. LOVE, H. S. MCCORMICK.

Notation.—Exempt of taxes. Lima, May 30, 1932. Department of Deposits and Consignments, office of the collector, Gmo. Ureta Solar, head of the department.

EXHIBIT No. 573

[Copy]

AGREEMENT—THE GOVERNMENT AND "UNITED AIRCRAFT EXPORTS, INC.", OF NEW YORK

Introduction: In Lima, on this twenty-fifth day of June, nineteen hundred thirty-two, before me, notary, Augusto Changanahui Brent, at the Direction General of Finance of the corresponding Ministry, appear Messrs. Felipe S. Portocarrero, Peruvian lawyer, with electoral registration card no. 340008 and with evidence of having cast his ballot at desk no. 1743, in his capacity as Director General of Finance, representing the government; and Francis H. Love, North American business man, in his capacity of president of United Aircraft Exports, Inc., of New York, both married, of age, residents of this city conversant with the Spanish language, whom I know; proceed with capacity, liberty, and sufficient knowledge to enter a contract, as I have verified through previous examination in accordance with prescriptions of the notary law, and deliver for the purpose of registration as public instrument the minute which I file and the tenor of which is literally as follows:

Minute: To the notary: Please enter into your Registry of Public Instruments one evidencing contract being entered into between the supreme government, represented by the Director General of Finance, Dr. Felipe S. Portocarrero, according to supreme resolution which you will please insert, on one part, and United Aircraft Exports, Inc., represented by Mr. Francis H. Love, according to power of attorney which you will also insert hereinafter called "United", on the other part, on the terms and conditions which follow:

First. The supreme government owes United, as of May 31, the sum of \$746,647.48 U.S. dollars by virtue of contract of purchase sale of aeroplanes and equipments entered on recorded public instrument on January 29, 1930, before notary, Mr. Augusto Changanahui, as per statement attached hereto, as integral parts of this contract, which you Mr. Notary will please insert in this public instrument. This debt during the course of this contract will be referred to as "Contract debt 1930." Furthermore, the supreme government, through the Ministry of Marine and Aviation, will acquire from time to time new planes and aviation equipment for military and commercial purposes in Peru, through United, who shall furnish them on conditions and terms to be specified in contracts to be entered for the purpose. The obligation in which the supreme government may incur on account of these acquisitions will hereinafter be referred to as "new acquisitions."

Second. In order to procure the Government the necessary funds for the liquidation of the contract debt 1930 and the necessary funds for the new acquisition, United has, by virtue of recorded public instrument of May 30, entered a contract with the *Compania Administradora del Guano*, hereinafter called "*Compania*", before notary public, Mr. Augusto Changanahui, for the purchase sale of guano on terms and conditions stipulated in the said contract.

Third. Clause no. 8 of the said purchase-sale contract stipulates that the price of the guano acquired by United shall be paid for in the following manner: Against receipt of complete shipping documents United shall pay the equivalent of the sums actually expended by the *Compania* covering freight plus the sum of \$7.20 U.S. dollars per ton of guano comprised in each shipment. The balance (less the expense incurred by United for the account of the *Compania* inclusive of insurance charges) is stipulated to be paid as soon as, in accordance with the contract, the price of the shipment is definitely established. By virtue of the present contract the Supreme Government agrees to expressly and irrevocably assign United fifty percent of the balance of price mentioned in the preceding paragraph, and which constitutes fiscal profit in the sale of guano for export and which exclusively corresponds to the Government, for the purpose of having United apply it to the amortization of the contract debt 1930 and to the liquidation of contracts which may be entered into for future acquisitions. United shall pay the *Compania* the other 50% (fifty percent) in accordance with, or as stipulated by, the contract. This contract does not alter general payment obligation assumed by the Government in contract of January 29, 1930, before Notary Changanahui, and the other conditions stipulated therein, and shall be construed as complementary of the latter, procuring the economical means to the Government for payment of its obligations.

Fourth. Of the 50% retained by United, 25% shall be applied to the amortization of the capital on the old debt, amounting to \$746,647.48 U.S. dollars, and the balance of 25% shall be applied by United to new acquisitions. The liquidation of the interest accrued only on principal \$708,544.59 U.S. dollars, beginning June 1, shall be agreed upon between both parts.

If, after a period of 6 months of liquidation of one guano shipment, the Supreme Government did not make any aeroplane or equipment purchases nor should there be any debits to the Government on account of new acquisitions, the sum representing the 25% shall be retained by United with instructions to apply it solely and exclusively to the amortization of such contracts that may be entered into for new acquisitions. If during the life of this contract, the contract debt 1930 should be completely liquidated, the 25% applying to this debt shall be retained by United for the amortization of contracts entered into covering new acquisitions. In the event that United should not be totally paid on the old debt as well as on the new acquisitions at the expiration of the guano contract and this contract should not be renewed, the Supreme Government and United shall agree as to the manner of payment of the unpaid balance.

Fifth. The assignation for payment of the 50% of the fiscal profit, computed as indicated and in accordance and subject to the conditions of the preceding clauses, is obligatory and irrevocable during the total life of the contract for the purchase-sale of guano between United and the *Compania*. At the execution of this contract, the Supreme Government shall officially notify the *Compania* the irrevocable assignation being made in favor of United, thus being understood as paid to the *Compania*, in each case, 50% of the balance of the price stipulated in clause no. 8 of the contract purchase-sale of guano. Without further additions, attending to the insertion of the power of attorney referred to and the Supreme Resolution approbative of the contract also authorizing the Director General of Finance, to sign it, in representation of the State, please enter this minute as recorded public instrument. Lima, June 6, 1932. Felipe S. Portocarrero—seal of the Direction General of Finance of the corresponding Ministry—Francis H. Love.

Evidence: Being after 2 p.m. time during which the respective office of *Caja de Depositos y Consignaciones Departamento de Recaudacion*, and being of urgent need to execute the instrument at once, at the request of the interested parties, I reserve the right to obtain the passage of the minute at the first working hour.

Inserts: Inquiry: To the Minister of Marine and Aviation: F. H. Love, President of United Aircraft Exports, Inc., respectfully depose and say: That I enclose a statement of account between the Supreme Government and the

company I represent as of the 31st inst. so that you may duly approve it upon revision. The enclosed statement is, as mentioned, as of the 31st instant, and an error was corrected therein, incurred in the previous statement showing the computation of interests. Therefore, I beg you to accede to my request. Address: National City Bank, Lima, May 30, 1932. United Aircraft Exports, Inc. Francis H. Love, President.

Statement of account of United Aircraft Exports, Inc., with the Government of Peru, as of May 31, 1932, which must be recognized by the Minister of Marine and Aviation. Number. Payments due per contract. Payments received. Payments in arrears. Maturity date. Date of Payment. Day in arrears to May 31, 1932. Interest on days in arrears to May 31, 1932: 1. 1930. 1930. 6% 1.—January 31, \$25,000. January 31. March 18. 46 \$189.04 2. Feb. 28, \$25,000 \$25,000 Feb. 28, April 25. 56. \$230.13; 3 March 31, \$25,000 \$25,000, March 31, June 16, 77, \$316.43; 4, April 30, \$25,000 \$25,000 April 30, Ag, 6—\$98, \$402.73; 5, May 31, \$25,000 \$25,000 May 31, in arrears 731, \$3,004.40; 6, June 30, \$25,000 \$25,000 June 30, in arrears 701 \$2,881.12; 7—July 31, \$25,000 \$25,000 July 31, in arrears 670 \$2,753.72; 8—Aug. 31, \$25,000 \$25,000 Aug. 31, in arrears 629, \$2,626.33; 9—Sept. 30, \$25,000 \$25,000 Sept. 30, in arrears 609 \$2,503.04; 10—Oct. 31, \$25,000 \$25,000 Oct. 31, in arrears 578, \$2,375.65; 11—Nov. 30, \$25,000 \$25,000 Nov. 30, in arrears 548 \$2,252.36; 12. Dec. 31, \$25,000 \$25,000 Dec. 31, in arrears 517, \$2,124.97 1931 1931—13—Jan. 31, \$25,000 \$25,000 Jan. 31, in arrears 486—\$1,997.57; 14—Feb. 28, \$25,000 \$25,000 Feb. 28, in arrears 458, \$1,882.51; 15—March 31, \$25,000 \$25,000 March 31, in arrears 427, \$1,755.11; 16, April 30, \$25,000 \$25,000 April 30, in arrears 397 \$1,631.83; 17, May 31, \$25,000 \$25,000 May 31, in arrears, 366—\$1,504.43; 18—June 30, \$25,000 \$25,000 June 30 in arrears 336 \$1,381.15; 10—July 31, \$25,000 \$25,000 July 31, in arrears 305 \$1,253.75; 20—Aug. 31, \$25,000 \$25,000 Aug. 31, in arrears 274 \$1,126.36; 21—Sept. 30, \$25,000 \$25,000 Sept. 30, in arrears 244, \$1,003.07; 22—Oct. 31, \$25,000 \$25,000 Oct. 31, in arrears 213 \$875.68; 23—Nov. 30, \$25,000 \$25,000 Nov. 30, in arrears 183 \$752.30 24—Dec. 31, \$25,000 \$25,000 Dec. 31, in arrears 152 1932 1932 25—Jan. 31, \$25,000 \$25,000 122 \$508.32; 26—Feb. 28 \$25,000 \$25,000 92, \$383.32; 27—March 31, \$25,000 \$25,000 62 \$258.32; 28—April 30 \$25,000 \$25,000 31 \$129.16; 29—May 31, \$25,000 \$25,000; 30—June 30 \$25,000 \$25,000; 31—July 31 \$25,000 \$25,000; 32—Aug. 31, \$25,000 \$25,000—\$8,544.59 \$8,544.59. Obligation to May 31, 1932. Total payments without including interest on payments in arrears \$808,544.59, \$100,000, \$708,544.59. Payments nos. 5 to 32 inclusive, \$708,544.59. Interest May 31, 1932, \$38,102.89. Total of obligation including interest to May 31, 1932, \$38,102.89. Total of obligation including interest to May 31, 1932, \$746,647.48—Lima, May 31, 1932. Francis H. Love, President.

Report: From the Director General of Administration of Marine to Minister of Marine. Subject: Sum owed United Aircraft Exports, Inc. (reference A). Contract entered into between the supreme Government and United Aircraft Exports, Inc.

First. (Under reference A.) A contract was entered into for the acquisition of 26 military planes and construction of the respective spares for the school of aeronautics and the passenger and mail services in the mountain airways in the total sum of \$745,000 plus interest accrued in the amount of \$59,600, in view of the fact that payment should be made in monthly sums of \$25,000, making a total of \$804,600.

Second. This contract has been fulfilled by United Aircraft Exports, Inc., who delivered in due time all the machines and spare parts mentioned under reference A.

Third. In view of the fact that the freight, insurance, and other expenditures have been exceeded by \$3,944.59 over and above the stipulated quantity under reference A for payment of the expenses in accordance with clause no. 3 of reference (A) payment of this sum corresponds to the Government.

Fourth. The supreme Government has only met the payments of \$25,000 corresponding to the months of January to April 1930, equal to a total of \$100,000, therefore owing the sum of \$708,544.59 as of May 31, 1932, plus the interest corresponding to instalments unpaid until May 31, 1932, which amount to \$38,102.89.

Fifth. This direction gives its conformity to statement showing the total amount of \$746,647.48 U.S. dollars, which, as per attached inquiry is presented by Mr. Francis H. Love, representing United Aircraft Exports, Inc.

Sixth. Consequently recognition of the said credit is in order, passing it to the Ministry of Finance for proper course. God bless you! Captain N. V. Galdo.

Supreme resolution, Lima, June 8, 1932: Upon examination of the attached folio followed by United Aircraft Exports, Inc., requesting payment of supplies made of training equipment for the aviation schools of the Republic and planes for the mail-air service and passenger-air service to the mountain, in accordance with its contract entered into on January 9, 1930, and following the reasons bring forth, it is hereby resolved: Recognize for payment in favor of United Aircraft Exports, Inc., the sum of soles (gold 3,135,919) three million one hundred and thirty-five thousand nine hundred nineteen gold soles and forty-one cents, equivalent to \$746,647.48 U.S. dollars at the rate of exchange of \$4.20 (four dollars twenty cents) balance of planes and equipment delivered during the years of 1930 and 1931, and in consequence pass it on to the Ministry of Finance in order to affect the said credit to entries of concluded budgets. This resolution to be reported and entered. Signature of the President of the Republic, Benavides—Ministry of Finance—Notification desk. Volume D.F.V., letter U no. 1, folio 767. Received June 25, 1932.

Another—Ministry of Finance, Lima, June 25, 1932. Examined (a) The contract of purchase-sale of guano entered into between the Compania Administradora del Guano and United Aircraft Exports, Inc., per recorded public instrument, date May 31, last, before notary Mr. Augusto Changanqui Brent.

(b) The supreme resolution of the 8th inst. dictated by the Ministry of Marine & Aviation, recognizing the sum of three million one hundred thirty-five thousand nine hundred nineteen soles and 41 cents (3,135,919 gold soles and 41 cents) as balance of the value of planes and equipment delivered in 1930 and 1931, and

(c) The contract to be entered into between the supreme Government and United Aircraft Exports, Inc., covering payment of the debt for the supply of planes and accessories for its future provision; whereas:

Payment as stipulated in said contract is convenient for the good standing and credit of the State, which payment permits the progressive amortization of the debt for the supply of planes and training equipment for the aeronautical schools of the Republic, with the proceeds of the sale of guano, which the same United Aircraft Exports, Inc., will develop, and insures with the said funds, the acquisition of machines and equipment which may be required by the military and commercial aviation of Peru; and that there have been consigned in the general budget, approved by the constituent congress for the present year, the corresponding entries in the respective folios for the service of amortization and interest on the debt and for new acquisitions. It is resolved: Said contract is herewith approved, containing five clauses, which shall be entered as recorded public instrument, authorizing the Director General of Finance to sign the minute and public instrument in representation of the Government. It is established that on the sums pertaining to the Government and which shall be retained by United, in accordance with clause no. 4, the Government shall perceive the corresponding legal interest. To be communicated and registered. Signature of the President of the Republic. Brindariz, Ministry of Finance. Notifications desk. Registered on folio 742, no. 586, Lima, June 25, 1932. A. Lanfranco.

Evidence: (Power of attorney of Mr. Francis H. Love follows.)

Conclusion: The grantors ratify the contents of this instrument, which I read in the presence of witnesses Messrs. Miguel R. Estrada and Humberto Zeballos, respectively, with electoral registration cards 96870 and 554605, with evidence of having cast ballots at desks nos. 3291 and 3405, both of age, residents of this locality, whom I also know; in witness whereof, Felipe S. Portocarrero. Seal of Direction General of Finance of the corresponding ministry, Francis H. Love, Miguel R. Estrada, H. Zeballos, Augusto Changanqui Brent, notary.

Marginal notation: I do hereby certify that this public instrument has not incurred fiscal tax. Lima, June 25, 1932. Changanqui Brent.

This first testimony agrees with its principal entered into my registry, folio no. 2112 and over. Lima, June 27, 1932.

EXHIBIT No. 575

DECEMBER 30, 1932.

Confidential.

Memorandum for M. F. B. Rentschler:

I have just had quite a long session with Mr. Smith, partner of H. J. Baker & Brother, regarding the Peruvian situation. I have a high opinion of Mr. Smith's integrity, and am inclined to credit fully any statements he makes.

Mr. Smith tells me the Peruvians just approached him on a basis to notably skimp their analysis in order to double the profit made at this end. We mutually agreed to turn the proposition down definitely.

To date he has moved three times the contracted tonnage and he expects that even this will be further increased, as he has made sample sales in places like Philadelphia which heretofore have never known guano.

The basic price of sulphate of ammonia is rising and future shipments should show a better return than the last four cargoes. Mr. Smith is further pressing the matter of screening in Peru, which would eliminate our advancing \$7.20 per ton, plus freight charges, etc., on a considerable percentage of weight of plain stones, dead birds, feathers, etc. I am writing to all guano friends in Peru supplementing his efforts.

Regarding the Grace situation, I am in pretty direct touch with the new, and, apparently permanent, President of Chile, and also with Mr. Ballen, who has the nitrate concessions, and we feel that eventually we could take this away from Grace. However, we mutually agreed to do nothing and let Grace carry on as, in any event, their tonnage is very small—about 10,000 tons per year at present.

Grace just lost a steamer loaded with guano on the Honduran coast, having a total shipment of 5,400 tons of which they salvaged only 750. Smith has voluntarily offered Grace any quantity of Peruvian guano they need for their retail establishments in Florida, but they do not buy direct, but do buy from Baker through undercover agents, who frankly informed Baker for whom they are purchasing. A sale of 500 tons was made last week by Baker to Grace through a third party.

Smith wishes me to help him to endeavor to get the European sales of Peruvian guano, and I am doing so, although we realize it will be difficult. Selorder, the banking house, is now taking for Europe 15,000 tons a year minimum, and keeping 60% of the proceeds for interest on Peruvian guano bonds.

Mr. Smith is cooperating thoroughly in supplying various original documents, which the Guano Company have requested in relation to the four shipments made to date.

Regarding Chile, Baker formerly did large nitrate business with Anthony Gibbs & Company, one of the prominent exporters in Chile before the formation of Cosach. While in South America recently Mr. Smith went to Chile and was offered quantities of nitrate by independent producers which he can readily sell in New York. As Cosach is selling from stocks here and at a loss, based on their original cost price, and as Smith could, by new purchases with the depreciated Chilean exchange, further undersell them profitably, he wanted my opinion as to what he should do, and he was perfectly willing to forego a profit of several thousand dollars in the transaction if it would be putting a wrench in the program of the Cosach people who, as you know, are sort of tied up with the bank of Sherman & Sterling. He took this up with me, especially in connection with the Sikorsky account in Chile, and stated we could use our pesos through him to buy nitrate and he would give us dollars in New York. I intend to consult with Chambers, of Sherman and Sterling, with whom I spent some time in Chile when he was working on this Cosach matter. In the meantime Smith will take no action.

Regarding the Argentine Smith is at present buying an average of \$250,000.00 a year in bone meal, dried blood, and other slaughterhouse products based on his paying the official rate of 25 cents per peso. The bootleg rate is 20 cents per peso, and on this basis he can, he says, double or triple his present purchases there, and while the bank cannot officially handle it for him, I am, as a matter of good will, arranging in a personal confidential way through Drumm, of the City Bank, to make connection with a money broker who will get him his 20 cents pesos. The main point on this Argentine transaction is that a few months hence, when they come to purchase aircraft, we can, if necessary, take payment in Argentine money or some kind of an exchange transaction and Baker can readily use up any funds we might thus acquire.

As pointed out to you in the Brazilian transaction with Mayrink, the exchange profits are sometimes much greater than the actual merchandise profits.

Regarding Brazil, on the official rate of 13 milreis to the dollar, Baker cannot handle the slaughter products there, but on a rate anywhere from 16 to 20 he can handle quantities of Brazilian fertilizers, and in the event that we ever have to take over the 6,000 contos deposit to the account of Mayrink, we can probably work it on Brazilian exports through Baker.

F. H. LOVE.

mvk

cc—Mr. J. F. McCarthy.

P.S.—Since dictating the foregoing I talked with Mr. Chambers, who felt that a small quantity of nitrate would do no harm. He referred me to Mr. Jackson, who is now more actively handling Cosach matters, and Mr. Jackson felt very strongly that no action should be taken detrimental to Cosach's interest.

F. H. L.

EXHIBIT No. 576

[Copy]

APRIL 3, 1934.

File memorandum.

In talking to Mr. McCormick of H. J. Baker & Bros. yesterday he advised that the President of Peru had signed a decree dissolving the board of directors of the Compania Administradora del Guano. One of the reasons for this decree is the fact that they disregarded the President's previous decree instructing them to act favorably with reference to the 15,000 tons of guano for which Baker Bros. placed orders for the coming year.

Mr. McCormick believes that while this action is far from satisfactorily closing the matter, it betters our position somewhat over that which we were in just prior to Mr. Love's departure, since the then directors of the Compania Administradora del Guano were among those opposing our contract for political reasons. Mr. McCormick expressed the opinion that the new directors would probably be more favorable toward us.

We are not passing this along to Mr. Love, since he will have reached Peru prior to receipt of this memorandum.

J. R. MILLER.

mvk

cc—Mr. P. G. Johnson.

EXHIBIT No. 577

[Copy]

U. S. ORDNANCE ENGINEERS, INC.,
Cleveland, Ohio, Dec. 9th, 1933.

Mr. FRANCIS LOVE,

President United Aircraft Exports, Inc.,
230 Park Avenue, New York, N.Y.

DEAR MR. LOVE: In accordance with your request for quotation, we are pleased to quote the following list price, f.o.b. Reynolds, Pennsylvania, packed for export:

<i>Schedule A—Fully loaded:</i>	
250-220 lb. demolition bombs, each.....	\$150.00
700-110 lb. ".....	31.50
700-25 lb. ".....	69.30
700-30 lb. ring type fragmentation bombs, each.....	31.50
<i>Schedule B—Body empty, fuze and booster loaded:</i>	
250-220 lb. demolition bombs, each.....	72.00
700-110 lb. ".....	29.30
700-25 lb. ".....	
700-30 lb. ring type fragmentation bombs, each.....	22.90
<i>Schedule C—Body and booster empty, fuze loaded:</i>	
250-220 lb. demolition bombs, each.....	68.00
700-110 lb. ".....	27.30
700-25 lb. ".....	19.80
700-30 lb. ring type fragmentation bombs, each.....	21.40

The bomb rack from which the various bombs are to be used makes no difference, except for the location of the suspension lugs and this has no bearing on the cost. The same is true regarding the fuze timing, on which we will be glad to give them anything they want.

The 30-lb. ring-type fragmentation and 25-lb. demolition bombs are equipped with Mk. XIV nose fuze, booster, and adapter, made in strict accordance with U. S. Army specifications; the 110-lb. demolition bombs are equipped with Mk. VIIMII nose fuze, made in strict accordance with U. S. Army specifications; the 220-lb. demolition bombs are equipped with Mk. VIIMII nose fuze, plus Mr. VMI tail fuze.

We estimate sixty days for delivery of the above after receipt of an order. Your discount from the above list prices is thirty per cent (30%).

In accordance with our conference in New York on Tuesday last, will you please advise me who in your organization can make specific arrangements for carrying loaded bombs to Peru, Bolivia, Paraguay, etc., in your Guano boats in case we should wish to avail ourselves of your kind offer during your absence from this country.

In accordance with your inquiry, the name of our temporary representative in Peru is J. Froletz P. Edificio, Italia 310, Apartado 1873, Lima, Peru, telephone 10126.

Thanking you again for making our stay in New York such a pleasant one, I am,

Very truly yours,

U.S. ORDNANCE ENGINEERS, INC.,
B. C. GOSS, *President*.

beg.
bls.

P.S.—We are sending you, under separate cover, three Baby Giant gas guns with six shells, for which there will be no charge.

B. C. G.

EXHIBIT No. 578

[Copy]

DECEMBER 19TH, 1933.

File memorandum.

I had luncheon yesterday with Mr. Smith, of H. J. Baker and Brother, regarding the guano situation.

It is probable that Mr. Smith, one of the partners of the firm, will come down to Peru when I am there next month, to assist in getting additional tonnage. They are endeavoring to obtain far in excess of the original commitments of approximately 6,000 tons a year as they could use up to 40,000 tons a year. It is doubtful that they can obtain more than the maximum of 25,000 tons annually, due to the increased prices for Peruvian cotton and sugar, which have greatly increased local demands. Apparently Peru has put in some sort of a national recovery act, permitting preference to local consumers, notwithstanding foreign commitments.

The Peruvians are endeavoring to force on H. J. Baker a certain tonnage of low-grade guano, not over 2% ammonia, on which the expenses would just about equal the sales price, and this would act detrimentally to our present contract. While H. J. Baker are willing to accept a certain amount to insure their getting the rich guano, any such agreement on their part would have to be according to the legal document exempting it from our present contract.

Should the unusual domestic demand continue, I shall endeavor (with H. J. Baker's permission) to extend the present contract anywhere from two to five years, as a off-set. It is hoped that the consumption of low-grade guano in Peru can be encouraged, thereby releasing more high-grade guano for export.

The Chilean rich guano, controlled last year by Mr. Vallen, of Peru (friendly to ourselves), is now back in the hands of the Chilean Government. We understand that W. R. Grace are endeavoring to obtain the American sale, but to date have been unsuccessful.

There is a debt of approximately \$25,000 of the Chilean Government to Sikorsky, which we were hoping to get out in the near future on indirect exchange. Letters from the American consul and the American commercial

attaché in Santiago, Chile, indicate a great need for aviation equipment, and with Baker willing to take, under the usual conditions, all the rich Chilean guano we can obtain, unless something unexpected occurs in the meantime, I have agreed with Baker to endeavor to negotiate with Chile a similar guano contract to what we have with Peru. Our particular Sikorsky debt is not of great importance, as usually we would get this anyway, but we might tie in Chile for future aviation purchases from guano proceeds for some five years.

Baker are quite agreeable to their chartered freighters carrying airplane bombs or other material of ours to South America, whenever it may result to our advantage. I have in mind the \$100,000 loaded bombs for Peru, on which freights on regular passenger steamers or any direct steamers are unavailable. This order will only be taken by us with full cash in advance, or equivalent, and freight assured in advance.

No additional commitment of any kind regarding the Peruvian situation or the Chilean situation has been made with Baker or with the Guano Co. I am to have a final meeting with members of the firm of H. J. Baker before I leave next month, when they are to give me written authority for additional negotiations in our mutual behalf.

FRANCIS H. LOVE.

mn.

c.c.—Mr. P. G. Johnson.

Mr. F. B. Rentschler.

Mr. J. F. McCarthy.

EXHIBIT No. 579

[Copy]

OCTOBER 31ST, 1933.

DIRECTOR GENERAL OF ADMINISTRATION,

Ministry of Marine and Aviation, Lima, Peru.

SIR: We have for acknowledgement your letter of October 10th, in reply to our cable of October 6th, which in turn referred to our letter of February 17th. In that letter, we took the position that moneys held by us under the contract of June 25th, 1932, were applicable only to the purchase of equipment acquired through us. We are pleased to note from paragraph (a) of your letter that you are in agreement with this view, when you say that the contract establishes in a definite form that the purchase of aviation material will be through our medium. There seems to be no lack of accord between us on any point, except that, if we understand you correctly, you insist that the moneys should also be applicable to the purchase of equipment not acquired "through our medium", if for any reason we should not ourselves be able to supply such equipment. Having in view the history of the negotiations which culminated in the signing of the contract, we find ourselves unable to subscribe to this point of view. The contract was intended to provide a means to assist in the liquidation of a very large indebtedness of your Government to us, and one of the principal inducements for our entering into the contract was the consideration that we were thereby assured that one-half of the guano proceeds would accrue to our benefit either through the discharge of existing indebtedness or through the sale of additional equipment. The contract was drawn with this in view, and we believe gives full effect to the deliberate intentions of the parties at the time of its signature.

As noted above, we do not understand that you dispute our interpretation of the contract, but rather that you take the view that it should be presently revised so as to permit the application of moneys in a manner other than is now provided for. As our president, Mr. Love, is contemplating a visit to Lima in the early part of next year, an opportunity will doubtless arise of pursuing this matter with him at that time. It may well be that, upon a further examination of the question, the justice of your position will appear, but until such time as the contract is revised upon mutual consent, we have to suggest to you the propriety of proceeding under the contract according to its present provisions.

Yours very truly,

UNITED AIRCRAFT EXPORTS, INC.,
J. R. MILLER, *Treasurer.*

mn

cc—Mr. C. M. Carr, Rio.

EXHIBIT No. 579-A

[Copy]

(Translate into Spanish)

FEBRUARY 17, 1933.

Capitan de Navio M. V. GALDO,

*Director Gral. de Administracion,
Ministerio de Marina y Aviacion.*

DEAR SIR: We have for acknowledgment your letter of January 31 in reply to our cablegram of January 27 relating to the application of moneys in our hands to the acquisition of aviation equipment.

We desire to point out that under the first article of the contract entered into under date of June 25, 1932, between your Government and this corporation it is stipulated that your Government will acquire new planes and aviation equipment *through this corporation*, which agrees to furnish such equipment in accordance with contracts to be entered into with it for that purpose, and that it is only to the purchase of equipment acquired in this manner that this corporation has agreed to apply moneys held by it under the contract. This is clear since, under the fourth article of the contract, it is provided that twenty-five percent of the purchase price of the guano "shall be applied by United to new acquisitions", and in the first article the term "new acquisitions" is defined as new planes and aviation equipment acquired "through United."

We have no doubt that upon a review of the terms of the contract above referred to the director general will be in complete accord with our interpretation of the contractual provisions, and that further misunderstanding with respect to the application of moneys held by us under the contract will be avoided.

Yours very truly,

UNITED AIRCRAFT EXPORTS, INC.,
J. R. MILLER, *Assistant Treas.*

Original—via airmail.
copy—via regular mail.
cc Mr. J. F. McCarthy.
Mr. C. L. Gault.

(" Exhibit No. 580 " appears in text on p. 1484.)

(" Exhibit No. 581 " appears in text on p. 1486.)

EXHIBIT No. 582

[Copy]

E. I. DU PONT DE NEMOURS & COMPANY,
*Wilmington, Delaware, May 14, 1934.*UNITED AIRCRAFT EXPORTS, INC.,
230 Park Avenue, New York City.

(Attention Mr. J. R. Miller, Treasurer.)

GENTLEMEN: We have for acknowledgment your letter of 9th May 1934, in which you request information regarding Sr. Ernesto De Rossi, of Lima, Peru.

Sr. De Rossi has been this department's agent for many years. We have found him quite satisfactory in the conduct of our business, particularly in negotiations with the Government. These appraisals are made on the writer's personal observations of Sr. De Rossi's activities in Lima, where it was found he had very good and intimate connections in Government circles, both army, navy, and aviation. We are glad to be given the opportunity to put in a good word for Sr. De Rossi, which, we assure you, is based solely on merit.

Yours faithfully,

FOR E. I. DU PONT DE NEMOURS & Co.
(Signed) M. E. BATES, Jr.

EXHIBIT No. 583

[Copy]

LIMA, May 11th, 1934.

UNITED AIRCRAFT EXPORTS, INC.,

230 Park Avenue, New York, N.Y.

DEAR SIR: I attach copy of protest I am handing to the Minister of Hacienda, Benjamin Roca.

I have arranged with Mr. de la Valle on my absence to follow up on this about every two weeks and will send down copies to you.

There is plenty of cash here but until the war scare with Colombia is adjusted, there is frankly little hope of getting payment on the old debt. It is generally expected that the matter will be adjusted without war and we should then be in line to get some payment.

Roca had a full page article in yesterday's paper, proving conclusively that the cotton producers of Peru (the largest industry) are earning 40% net per year, and, as you can imagine, general business, including Government incomes, are in a boom period, and it is only the diversion of Government income for war material which prevents our getting some quick payment.

In the meantime we have in the new budget to be approved next week soles 250,000 to be applied on our old debt on a monthly basis. I have a little arrangement with a certain political people whereby we shall probably get this money in addition to any guano proceeds. The same deal will cover any further payments not budgeted if they can be obtained.

The immediate moment is not at all favorable for my pushing for substantial settlement of old account because of the war scare and when this blows over another visit may be necessary.

There is nothing new on the general situation except the personal confidential assurance to me of Mr. Ballen that he thinks that he shall have at least 15,000 tons of rich guano from us the present year.

Regarding the small balance of the war department, I have discussed this with Grace's lawyers and they have a supreme resolution ordering payment.

As above stated, while the war scare is still on, no payment on old debt will be made but Grace's lawyer, Mr. Espinosa, feels that there is little doubt of eventual full collection.

I have an unexpected opportunity to get quickly into La Paz by flying four hours to Cuzco (normally about 12 days from Lima and catching train from Cuzco and boat in Titicaca to La Paz). I shall be there very briefly to close up with Gundlach and go right on to Santiago.

I have just learned from Travis and Webster that they got the Bolivian order for three Condor bombers based on price and delivery. Travis is en route to the States to his home in Seattle and will visit our Seattle factory and probably will have to fly these bombers down, hence temporarily he is out of the picture for the position I have mentioned in a previous letter. Of the two I have in mind, Travis and Tobin, I really prefer Tobin and I shall be sending his letter either enclosed or later mailed so that you may make the customary investigations.

Regarding Jim Spencer in Santiago I have known him for about 22 years and believe he will make an excellent agent for us.

I have your cable no. 18 and have wired Spencer of my arrival and have wired Carr to sit tight in Buenos Aires and I have further asked Spencer to cable you direct regarding arrival of Lucas.

The De Rossi set up seems to be working out alright, and I have explained to him that should we appoint him permanent agent he would not share in either Faucett of Panagra business.

Regarding purchases on guano funds, I am afraid we shall have to wish him in as he is daily in the Aviation Ministry in Miraflores, in the Ministry of Marine in Colmena and two or three times a week in Ancon and his services will be well worth a commission.

I have just come from Las Palmas and they are running some new tests on the Corsairs.

They have readjusted the tails in accordance with your latest drawings, but the pilots are afraid of the machines and they chose the three biggest, strongest, huskiest pilots to make the tests because they claim in a dive that takes a strong powerful man using both arms to pull the plane out. Further they claim normal acrobatics are not what could be reasonably expected. Gillardi and Bellatin (chief of the field) feel that substituting a Wasp for the Hornet may correct the difficulty.

I understood they did put on the new tails without any improvement, then your new drawings came along last week and then made some readjustments. This is what we are now testing at Las Palmas on wheels and one on floats at Ancon.

Yours truly,

(Signed) F. H. LOVE.

("Exhibit No. 584" appears in text on p. 1487.)

("Exhibit No. 585" appears in text on p. 1488.)

EXHIBIT No. 586

[Copy]

Letter no. 274.

LA PAZ, BOLIVIA, *February 8, 1934.*

UNITED AIRCRAFT EXPORTS, INC.

GENTLEMEN: Referring to your letter No. 366, under date of January 9, 1934, addressed to me at La Paz, Bolivia. In the first paragraph of this letter reference is made to the possibility of my "putting in some time" in the respective capitals of two countries at present at war.

Under present conditions most incoming Bolivian mail is *censored*, outgoing mail to the U.S. is not watched so closely, while outgoing mail to southern South American countries is carefully scrutinized.

It is respectfully requested that in future you refrain from such references as that mentioned above, at least when the letter containing the reference is addressed to me while I am located in one of the belligerent countries. I have no desire to become acquainted with the inside of a South American jail nor to experience the sensation of deportation—neither of which would help out business interests in the country in question.

CLARK M. CARR.

EXHIBIT No. 587

[Copy. Strictly confidential]

BUENOS AIRES, ARGENTINA, *December 14, 1933.*

No. 238

UNITED AIRCRAFT EXPORTS, INC.,

230 Park Avenue, New York City.

MR. S. A. McCLELLAN.

DEAR STEVE: In the second part of my letter no. 18 of May 16, which was headed "Air-line equipment and single-engine cabin", I reported upon the possibility of the establishment of one or more national Argentine air lines. At that time it was believed that if anything were done, the Argentine Government would grant concessions to a private group here, and there seemed little hope of our getting initial business from the proposed company here due to the fact that they contemplated the use of such equipment as Cabin Wacos and Stinsons. The same group reported upon in that letter have continued their efforts to secure such concessions, although, up to the present time, none have been granted them.

A few days ago there came to my attention the possibility of our being able to forestall the plans of these people and to secure the substitution of a plan which would involve the acquirement of equipment built by our manufacturing companies.

A certain gentleman here is known to have successfully negotiated business with the Argentine Government for various important foreign companies, and is interested in cooperating with us to the end that the proposed system be undertaken by the Government itself and that we furnish the necessary mobile equipment. Under such an arrangement we might also be called upon to furnish tentative plans for the establishment of maintenance and overhaul bases,

or even to provide a limited number of keymen trained in air-line operation work.

There is reasonable hope that the above-mentioned gentleman could successfully "spike" the plans of the private group seeking a Government concession. This, for the reason that he has on his side the powerful argument that, should the air line be established by the Government itself, it could be used as an effective weapon in case of internal disorder, and as a second line defense in case of international conflict. This man would have to act in the capacity of our special agent for the particular business involved, and would, of course, receive a legitimate commission should his services on our behalf result in the consummation of actual business.

During President Justo's recent visit to Brazil he was very much impressed with the display of air force there and has, I am told, returned here more enthusiastic about aviation and more determined to foster its advancement in the Argentine.

It is readily apparent that this matter could reach the point of constituting very well worth-while business, for which reason I should appreciate your taking it up with officials of the parent organization and giving me a prompt indication as to what extent we would be interested in cooperating with the establishment of such a system.

CLARK M. CARR.

Care the National City Bank of New York.

(December 15. P.S.)

Since dictating the above a little further information has been obtained. In addition to the private group referred to in paragraph one, page one, of this letter (who are endeavouring to negotiate with the highest Government officials) another proposition has been submitted, by Lee Wade and associates, who are dealing through the head of the civil aviation department, Sr. Mendes Goncalves. The first group plans and has resources to finance themselves to a considerable extent. The second would have, I believe, less to draw upon, and both schemes call for offering stock to the public. In this same general connection, Pan American Airways a few months ago, tried to arrange permission to establish a line from B.A. to Ascuncion. They dealt through Col. Zuloaga and were flatly refused.

C. M. C.

EXHIBIT No. 587-A

[Copy. Handwritten letter]

DEAR STEVE: Mr. D. (city bank) brought me in touch with the man referred to in this letter, one Sr. Alberto de Ibarra. This chap is known to have arranged some big deals with the Government on behalf of foreign companies, and to be an intimate friend of the present minister of "Correos y Telegrafos" (mail and telegraph—corresponding to Postmaster General) as well as a friend of the President's.

Mr. D. is of the opinion that it might be well worth our while to play along. Sr. Ibarra is hopeful, and is the kind of man who does not occupy himself with nonlucrative business. Sr. Ibarra has set out to attempt to kill the two proposals already submitted, and has done so without further than a verbal indication from me that we would be willing to consider the feasibility of cooperating with him in case that was deemed to be our best course.

Mr. D. must not be mentioned in any of the official, or file correspondence, and the entire matter must be considered as being strictly confidential.

C. M. CARR.

EXHIBIT No. 588

[Copy]

Letter no. 412.

FEBRUARY 21, 1934.

Mr. CLARK M. CARR,

c/o American Legation, La Paz, Bolivia.

Re your letter no. 172.

Sub: Bolivia.

We acknowledge receipt of your letter no. 172, advising us with reference to the purchases under consideration by the Bolivian Government.

We believe that subsequent cables have precluded the necessity of replying to many of the points mentioned in your letter. We would, however, like to mention your letter of January 24th to Messrs. C. F. Gundlach & Company, a copy of which was attached to your subject letter. This is not the type of letter which we would approve for granting the authority which you invest in Gundlach. There are certain portions of it which have definitely no application. We refer specifically to the last sentence in the second paragraph, which we do not believe applies in this case in any respect and offers no qualification or protection to the commitment which you are making. Without knowing the circumstances under which you are endeavoring to work, we might suggest that we would have endeavored to limit the time for which the authority is granted Gundlach to some definite period.

Further, your later cables indicated that as high as ten bombers were under consideration and a lesser number of pursuits. On this basis this would be a very large order, were it consummated. The commission of 7% on the maximum sales figures involved would have produced for Messrs. Gundlach a handsome remuneration. We endeavor in all cases, where granting authority for representing our interests in connection with specific sales, to try to consider the commissions involved in the light of the total amount of the order to be ultimately received.

We would suggest, where possible, that when you have letters of definite commitment to write that you draft them and have them reviewed by the attorneys of the National City Bank. No commitment of this nature is made by us without such review by counsel. Further, we believe, where negotiations of the importance of those under consideration are involved, that if there is no National City branch where your negotiations are being carried on that you should cable us requesting the names of the attorneys who are our New York counsel's correspondents in that territory. There may, of course, be reasons why you prefer not to enlist the services of even those whose names we may give you. We believe, however, that if this procedure is followed, you will find it will be profitable in the long run.

We are now in receipt of a letter written by Gundlach & Company in reply to yours of January 24th. We suggest that you be very careful in making no commitment to Gundlach & Company with reference to their permanent appointment as our sales representative until such time as you have had sufficient time to review our new contract of sales representation which is now being prepared. Further, we believe that the question of Lloyd Aereo Boliviano in connection with their representation agreement should be considered from all angles.

J. R. MILLER.

EXHIBIT No. 589

[Report No. 28]

LONDON, ENGLAND, *May 9, 1933.*

To: Thos. F. Hamilton,
From: A. Butterfield.
Subject: General news items.

In Rotterdam I met Mr. and Mrs. Guy Vaughn, of Wright Aero. Mr. Vaughn had only been over here less than a week. They were staying in Holland two days and then were going to Berlin, where I believe they were to meet Melvin Hall. From Berlin they were going to Frankfurt, Germany. They have some deal on there that I cannot figure out. They are then visiting Warsaw, Poland, for a few days and proceeding to Moscow, Russia, for two weeks. After that they plan on visiting Budapest and Vienna and are ending up at Milan, Italy.

Bob Farmsworth, of Curtiss Wright, has leased an apartment in Constantinople for the summer.

Hulse, former Pan American airport engineer, is still in Turkey in charge of the commercial air line.

Napier have obtained the license to build the Junkers Jumo oil-burning engines in England. They now have engineers in Dessau.

Curtiss Wright have changed their Paris address to 18 Rue Matignon, Paris SE. Telephone, Elysee 25-50.

One large airplane factory in Germany has doubled the number of its employees since Hitler came into power. The next ranking company has tripled the number of employees in the same period. Hawker cannot take care of all of their government orders and their planes are being built in the Vickers factory.

KLM have taken over three Wasp T1D1 engines from Fokker and will put them into an F-12 for tests with the controllable pitch propellers. They plan on buying three Wasp T1D1 to replace these engines at Fokker's.

Test flights on the Fokker (KLM) "F-9" are scheduled for about May 18. This plane has the Hornet T1C1 (choked down to 600 h.p.). One Junkers "G-38" transport (four motored) has been recommissioned and is now in service on the Berlin-London run. The other plane of this type is being equipped with Junkers Jumo oil engines of 650 h.p. The weight of this engine is 1,430 lbs. I heard in Dessau on rather good authority that twenty of these four-motored commercial planes will be built during the next year.

Mr. and Mrs. Mollison are planning a flight to New York sometime in July. They will use the new deHaviland "Dragon" with two Gypsy 125 h.p. engines. From New York they plan to fly east with Bagdad as their objective in an attempt to break the straight-line distance record.

Madame Florman is visiting friends at Walton-on-Thames, just outside of London. Capt. Florman is in Stockholm. Mrs. Majstrom plans on visiting Constantinople the latter part of June.

A. B. BUTTERFIELD.

("Exhibit No. 590" appears in text on p. 1502.)

EXHIBIT No. 591

FEBRUARY 6, 1933.

Memorandum to Mr. F. H. Love,

A week or more ago Mead received a letter from B.M.W. The gist of it was that they needed a more powerful air-cooled engine to compete in Germany. They knew about the Wright Cyclone and indicated they understood that Wright were developing plans to push the Cyclone sales in Germany. The new Hornet D had come to their attention, and they have asked for a proposal covering the licensing to them of the Hornet D engine in Germany.

We must now make a decision whether to go on with some limited license for B.M.W. or endeavor to sell all types of engines entirely upon our own account.

Our previous contract with B.M.W. did not work out well for either of us. Our returns from royalties were next to nothing. We were handicapped in attempting to sell engines in Europe to others outside of Germany, and all in all the plan was just unsound.

The present situation in Germany is beginning to change from past conditions. It seems pretty clear that Germany is about ready to insist upon reasonable armament program, which will undoubtedly include aircraft. In the meanwhile Luft Hansa are beginning to expand their program. It seems reasonable and possible that within the next five years the German Government will provide itself, both for military and commercial purposes, with a considerable amount of new equipment. Naturally, all of this equipment would have to be manufactured in Germany, and I am sure we could never sell direct for such a program. This may mean that royalties in the next five years might amount to a reasonable sum.

From our past experience I certainly am unwilling to consider any license for B.M.W. for sale of engines outside of Germany. Past experience has proved this point definitely. In the same manner I feel that they should have no claims whatever except to the one engine type they are interested in, which in this case would be the Hornet D.

There is another angle to this whole matter which we should consider carefully, namely, sales price. If B.M.W. are able to sell the Hornet D much more cheaply than Pratt & Whitney, then their sales price might jeopardize our whole price structure to other countries in Europe. Other things being at all equal, the other countries would no doubt prefer to purchase directly from Pratt & Whitney, but if B.M.W. sales price were wholly out of line, we would find ourselves in plenty of trouble.

If we undertake to license B.M.W. for the Hornet D, the arrangement should include sending them a sample engine, for which, of course, they should pay. In addition, it will be necessary to send them complete drawings of the engine and possibly some details and data in regard to fixtures and jigs. I doubt if

they will want any parts, although they may. I also doubt whether it would be possible to get any large sum of money for the drawings, although we might get \$10,000. It might be possible to raise the old rate of royalty. After all, \$150.00 an engine is not very much; \$200.00 or even \$250.00 would not be unreasonable. Moreover, there should be some guaranteed minimum royalty.

We have been thinking of the advisability of Mead's making a brief trip to Europe. This would furnish an ideal opportunity to carry on these negotiations with B.M.W. It seems to me that in order to bring this to a head, we might proceed to draft a new contract containing the provisions and along the line generally indicated above. In the meanwhile there will be opportunity for all of us to comment on the whole situation, and I am sure that we can keep B.M.W. interested and satisfied until matters can be brought to a head.

I am sending a copy of this memorandum to Hamilton for his information but am asking him not to contact B.M.W. until we request him to do so.

F. B. RENTSCHLER.

Copies to Messrs. G. J. Mead, D. L. Brown, J. F. McCarthy, T. F. Hamilton.

EXHIBIT No. 592

MARCH 15TH, 1933.

Letter no. 178.

Mr. F. B. RENTSCHLER

*President United Aircraft & Transport Corporation,
Hartford, Conn.*

Copies to Mr. Mead, Mr. Don Brown, U.A.E.

I was very sorry to learn from George Mead's cable that he is unable to come to Europe this month. I had counted so much on his help in connection with several projects pending. If he is able to come later, please let me know.

I have just returned from Berlin, and was indeed glad to get away from there on account of the Nazi situation at the moment. I left because the political situation is such that no decision could be taken for a week or ten days. I feel, however, that things will probably clear up, for better or for worse, in the very near future.

Germany's determination to have an air force, as previously recorded, is now taking definite form rather rapidly. One of the large bank buildings, practically half a block long, five stories high, has been taken over by the Aviation Bureau. My friend, Dr. Milch, technical director of Luft Hansa, has been made State Secretary for Air "Traffic." My conversations with the various departments indicate that their interests extend far beyond matters of traffic.

For the past two years I have called upon Director Milch and his assistants in Luft Hansa with hardly any hope of doing business with them directly, and yet keeping them informed of our new developments, both in engine and propellers, so that now that Milch steps into this position he is very well acquainted with our new things.

Their interest centers round the latest Hornet 1690 engines, both direct and geared, and the simplified controllable propeller.

In the past I have made a point of indicating to Milch that our relationship with B.M.W. was cordial, and that while we adjusted our contractual relations so that we were free to sell our products in Europe, B.M.W. was nevertheless the licensee for the Hornet A in Germany, and that we were always in touch with them. This stands us in good stead now as B.M.W. is one of the three or four major companies receiving volume business.

Junkers is obtaining practically all of the plane business and has some very good orders on hand at the present time.

Heinkel is developing a high-speed plane somewhat similar to the Lockheed Orion, but equipped with B.M.W. 650-hp. water-cooled engine, which uses up most of the pay load. This plane has recently made a world record of 358 kn. in one hour's flying time over close circuit.

Siemens & Halske have developed several new engines, including a small 5-cylinder 2-cycle Diesel and a new 700- to 800-hp. radial engine, which is a cross between a Pegasus and a Hornet.

The foregoing is reported to indicate the trend of developments in Germany. I have already sent New York the only pro forma copy available of the

Siemens-Halske controllable propeller contract and am pleased to state that although I am prepared to close at approximately a total of \$25,000, they have not raised too serious objections to the terms that have already been quoted, which I am prepared to reduce by 50% if necessary.

In the case of the B.M.W. negotiations, the previous agreement was so favorable to them that it is going to be more difficult to increase the price substantially over that indicated in your cable. I do feel, however, that it is absolutely essential to start higher and trade down as necessary. I am quite sure that if I submitted your original figures they would use them as top figures and trade down in accordance with the European custom. Furthermore, the German Government is so anxious to obtain a reliable high hp. air-cooled engine that I am sure they will not consider this figure excessive.

I shall, of course, be guided by your judgment and instructions on the matter.

I already have made several appointments and am not sure that I can go to Munich before the end of the month. In any case the contract which has been sent there instead of here will probably not arrive before that time.

I shall keep you fully informed by cable or telephone, if necessary, in case any major changes are required.

EXHIBIT No. 593¹

[Copy]

Agreement this 29th day of March 1933 between the Pratt & Whitney Aircraft Company, a corporation organized and existing under the laws of the State of Delaware, United States of America, having its principal place of business in the town of East Hartford, State of Connecticut, United States of America (hereinafter referred to as "Licensor"), party of the first part, and Bayerische Motoren Werke, A.G., a corporation organized and existing under the laws of the German Reich, having its principal place of business in the city of Munich, Bavarian Free State, German Reich (hereinafter referred to as "licensee"), party of the second part.

In consideration of the payments to be made by the licensee to the licensor in the amounts and manner hereinafter provided, and of the mutual promises herein set forth, the parties hereto hereby agree as follows:

ARTICLE I. DEFINITIONS

The following definitions shall apply to the terms employed in this agreement wherever such terms are so employed, respectively, unless a different meaning be clearly indicated by the context:

(a) The term "licensed engine" shall mean any single-row, air-cooled radial aviation engine within a displacement range of from 1,659 cubic inches to 1,750 cubic inches, both inclusive, of any type or model which may at any time during the term of the license granted by this agreement be manufactured commercially by the licensor: *Provided*, That no engine of any type or model shall at any time be deemed to be a licensed engine for any purpose of this agreement unless and until the Government of the United States of America shall have approved and consented to the commercial export of engines of such type or model into the licensed territory as herein defined. For the purposes of this agreement an engine shall be deemed to be of a type or model distinct from the type or model of another engine, if it shall be of a design basically different from the design of such other engine, or if any essential operating part thereof shall be of a design basically different from the corresponding operating part of such other engine, or if it be of a displacement size more than fifty cubic inches larger or smaller than such other engine.

(b) The term "licensed part" shall mean any spare or replacement part for a licensed engine: *Provided*, That such term shall not include within its meaning any spare or replacement part peculiar to an engine of a type or model which shall not be a licensed engine within the meaning of this agreement.

(c) The term "licensed product" shall include within its meaning any and all licensed engines and licensed parts.

¹By permission of the chairman all mention of prices has been deleted from "Exhibit No. 593."

(d) The term "licensed territory" shall mean only the territory embraced within the present limits of the German Reich.

(a) The term "licensee" shall mean the party of the second part and also any and all persons to whom the party of the second part shall grant sublicensees under this agreement with the written approval of the licensor: *Provided*, That such written approval shall be a condition precedent to the validity of any such sublicense.

(f) The term "affiliated company" shall mean any corporation of which a majority of the outstanding share capital shall, from time to time, be owned or controlled, directly or indirectly, by another corporation which contemporaneously shall own or control a majority of the outstanding share capital of the licensor, and shall also mean any corporation of which a majority of the outstanding share capital shall, from time to time, be owned or controlled, directly or indirectly, by the licensor.

(g) Words and clauses employed in the disjunctive order shall be deemed to be employed also in the conjunctive, and *vice versa*.

(h) Words importing persons shall include also firms, associations, and corporations.

(i) Words importing the singular number shall include also the plural number, and *vice versa*.

ARTICLE II. RIGHTS GRANTED AND RESERVED

SECTION 1. The licensor hereby grants to the licensee, upon the terms and conditions and subject to the limitations, reservations, and rights of termination herein set forth, the exclusive right or license, for the term or period of ten (10) years commencing April 1, 1933, and ending March 31, 1943, to manufacture, sell, or otherwise dispose of any and all the licensed product within the licensed territory, but not elsewhere: *Provided*, That if at any time any person not within the control of the licensor shall, without the procurement or consent of the licensor, ship into or sell or otherwise dispose of within the licensed territory any of the licensed product, such shipment, sale, or other disposition thereof shall not be deemed to be a violation of the exclusive right granted to the licensee by the provisions of this agreement, and the licensor shall be under no liability or responsibility to the licensee with respect thereto.

SECTION 2. Anything herein contained to the contrary notwithstanding, the following rights are hereby expressly reserved to the licensor and its affiliated companies, respectively:

(a) The licensor or any affiliated company shall have the right at any time or times to ship into and sell within the licensed territory any and all engines, including licensed engines, designed for installation in airplanes, and neither the licensor nor any affiliated company shall be under any liability or responsibility to the licensee for any payment, as royalties or otherwise, with respect to any engines so shipped or sold: *Provided*, That at the time of shipment, the shipper shall have received and shall in good faith rely upon assurances from the purchaser of such engines that, under *bona fide* contracts then subsisting, such engines are to be exported for use outside the licensed territory.

(b) The licensor or any affiliated company shall have the right at any time or times, either before or after the date of this agreement, to ship into and sell or otherwise dispose of within the licensed territory completed airplanes equipped with licensed engines: *Provided*, That for each licensed engine so shipped, sold, or otherwise disposed of the licensor shall pay to the licensee the sum of _____).

(c) The licensor or any affiliated company shall have the right at any time or times to ship into and sell or otherwise dispose of within the licensed territory any and all licensed engines, in the event that the purchaser thereof shall prefer to purchase engines manufactured by the licensor rather than engines manufactured by the licensee: *Provided*, That the price received for any such engines by the licensor shall not be less than the price then currently and regularly quoted by the licensee for similar engines manufactured by it: *And provided*, That for each such engine so shipped, sold, or otherwise disposed of by the licensor, the licensor shall pay to the licensee the sum of _____).

(d) The licensor or any affiliated company shall have the right at any time or times to ship into and sell or otherwise dispose of within the licensed territory any and all spare or replacement parts for any licensed engines which at any time, either before or after the date of this agreement, may be shipped into or sold or otherwise disposed of within the licensed territory under any

of the provisions of this section 2: *Provided*, That, for each spare or replacement part so shipped, sold, or otherwise disposed of, the licensor shall pay to the licensee a sum equal to _____ of the net sale price thereof received by the licensor or its affiliated company, as the case may be.

The term "net sale price", as employed in this paragraph (d), shall mean the net amount received from sales of parts, less returns and allowances, but in no case shall the net sale price of any part be less than the factory cost of such part, determined in accordance with the licensor's usual practice, from time to time.

SECTION 3. Any and all payments herein provided to be made to the licensee with respect to any and all engines or spare or replacement parts which may be shipped into and sold or otherwise disposed of within the licensed territory pursuant to any of the provisions of the foregoing section 2 of this article II shall be made by crediting the licensee with the amount thereof against the royalties payable by the licensee, from time to time, as herein provided in article IV hereof.

SECTION 4. Within thirty (30) days after the close of each six-month period commencing with the six-month period ending September 30, 1933, the licensor shall render to the licensee a statement in such reasonable detail as the licensee shall require (duly verified by oath of a proper officer of the licensor), showing (a) the models and numbers of all licensed engines shipped and sold during such six-month period under the provisions of paragraphs (a), (b), and (c), respectively, of section 2 of this article II. Each such statement shall contain such further information (if any) as may be reasonably requested by the licensee, from time to time, for the purpose of enabling it to determine the amount of any payments payable to it hereunder. Any statement rendered by the licensor to the licensee, if not questioned by the licensee within six months after the date of the receipt thereof by it, shall be deemed to be final and incontestable as to both parties hereto.

SECTION 5. The licensor shall keep full and accurate books with respect to engines and spare or replacement parts shipped, sold, or otherwise disposed of under any of the provisions of section 2 of this article II; and such books shall be open at all reasonable times during business hours to the inspection of the licensee, or its duly authorized agent, for the purpose of verifying the statements to be rendered to it by the licensor under the provisions of the foregoing section 4 of this article II.

ARTICLE III. DRAWINGS, SPECIFICATIONS, MANUFACTURING EQUIPMENT, PARTS, ETC.

SECTION 1. Whenever requested by the licensee, the licensor shall deliver to it, with reasonable dispatch, at the licensor's principal place of business in East Hartford, Connecticut, complete sets of detailed-part blue-print drawings, bills of material and specifications covering each type or model of licensed engine specified in such request, complete sets of operation sheets for the manufacture of each such type or model so specified, and blue-print drawings of changes in any such licensed engine or part thereof; additional specifications thereof, etc.; *Provided*, That at or before the time of the delivery thereof to the licensee, the licensee shall pay to the licensor (a) the sum of _____ for each complete set of detailed-part blue-print drawings, bills of material, and specifications; (b) the sum of _____ for each square foot of operation sheets; and (c) the sum of _____ for each square foot of blue print drawings of changes, additional specifications, etc.

SECTION 2. The licensor shall deliver to the licensee, within three months from date of this agreement, f.a.s. port of New York, one direct-drive licensed engine manufactured by the licensor and one licensed engine manufactured by the licensor incorporating a 3:2 ratio propeller-reduction gearing, each with standard equipment as usually furnished by the licensor with similar engines, to serve as samples in the manufacture of the licensed product by the licensee: *Provided*, That at or before the time of delivery of such engines as herein provided, the licensee shall pay or cause to be paid to the licensor the sum of _____ for the direct-drive engine and _____ for the geared engine. Any further engines which may from time to time be purchased by the licensee from the licensor shall be furnished by the licensor on such terms as may be agreed upon by the parties hereto at the time of purchase.

SECTION 3. Whenever requested by the licensee, the licensor shall deliver to it, with reasonable dispatch, f.a.s. port of New York, any and all standard or special manufacturing equipment (including patterns, dies, machines, tools, jigs, fixtures, gages, etc.) or material and any and all such finished or partly finished parts as may be reasonably necessary or useful in the manufacture of the licensed product by the licensee, and also complete drawings and specifications for any and all such special equipment: *Provided*, That at or before the time of delivery of any such equipment, material, or parts, as herein provided, the licensee shall pay or cause payment to be made to the licensor for the same at such prices as the parties hereto may agree upon from time to time.

ARTICLE IV.—LICENSE FEE AND ROYALTIES

SECTION 1. In consideration of the license rights hereby granted to the licensee, as set forth in article II hereof, the licensee agrees to make the following payments to the licensor:

(a) As and for an initial license fee, the licensee shall pay to the licensor the sum of ———, the receipt of which sum is hereby acknowledged by the licensor. The licensor agrees that the said sum shall be credited against the first royalties payable by the licensee as herein provided.

(b) As and for royalties on the licensed product manufactured, sold, or otherwise disposed of by the licensee, the licensee shall pay to the licensor the following sums:

(i) For each licensed engine unit manufactured under the license granted by this agreement, and leased, sold, or used by the licensee, or shipped by it from its plant or plants, the sum of ———: *Provided*, That such sum need be paid once only with respect to any engine manufactured under the license granted by this agreement: *And provided*, That for the six months' period ending September 30, 1933, and for each subsequent six months' period ending March 31 or September 30, as the case may be, during the term of the license granted by this agreement, the aggregate net royalties payable under this subparagraph (i) shall not be less than ———, irrespective of the actual number of engine units leased, sold, used, or shipped during such period: *Provided further*, That anything herein contained to the contrary notwithstanding, the aggregate amount of royalties payable in accordance with the provisions of this subparagraph (i) shall not, in any twelve months' period, ending on March 31 in any year, be in excess of ——— with respect to the first fifty (50) licensed engines leased, sold, or shipped by licensee during such period and with respect to which no royalties shall previously have been paid.

(ii) For any and all spare or replacement parts manufactured under the license granted by this agreement, and shipped, used, sold, or leased by the licensee during the term of this agreement, a sum equal to ——— of the respective net sales and net rentals thereof received by the licensee: *Provided*, That the term "net sales", as employed in this article IV, shall mean the net amount received by the licensee from sales of parts, less returns and allowances, but in no case shall net sales of parts be less than the factory cost of such parts, determined in accordance with the licensee's usual practice, from time to time.

SECTION 2. Within thirty (30) days after the close of each six months' period, licensee during such six months' period and not accounted for on any previous shall render to the licensor a statement in such reasonable detail as the licensor shall require (duly verified by oath of a proper officer of the licensee), showing

(a) the models and numbers of all licensed engine units manufactured under the license granted by this agreement and shipped, sold, leased, or used by the licensee during such six months' period and not accounted for on any previous statement, and (b) all net sales and net rentals received by the licensee during such period on account of spare and replacement parts manufactured by it under the said license, together with the gross amount received by the licensee during such period on account of sales and leases of such parts. Each such statement shall contain such further information (if any) as may be reasonably requested by the licensor, from time to time, for the purpose of enabling it to determine the amount of net royalties payable to it hereunder. Any statement rendered by the licensee to the licensor, if not questioned by the licensor within six months after the date of the receipt thereof by it, shall be deemed to be final and incontestable as to both parties hereto.

SECTION 3. At the time of rendering each statement in the manner provided in the foregoing section 2 of this article IV, the licensee shall pay to the licensor the full amount of the royalties payable in accordance with the terms

of this agreement, both with respect to the engine units shown by the said statement to have been leased, sold, used, or shipped during the period covered thereby (which amount shall not be less than the minimum net royalties if any, payable with respect to such period as provided in subparagraph (i) of paragraph (b) of section 1 of this article IV) and with respect to the net sales and net rentals of parts so shown to have been received by the licensee during the said period: *Provided*, That such amount may be reduced by an amount not in excess of the net aggregate amount of all credits accruing against royalties as herein provided and not previously availed of by the licensee.

SECTION 4. The licensee shall keep full and accurate books with respect to the licensed product manufactured, shipped, sold, or otherwise disposed of by the licensee; and such books shall be open at all reasonable times during business hours to the inspection of the licensor, or its duly authorized agent, for the purpose of verifying the statements to be rendered to it by the licensee under this agreement.

ARTICLE V. NEW MODELS AND IMPROVEMENTS

SECTION 1. Whenever the Government of the United States of America shall approve and consent to the commercial export into the licensed territory of any new type or model of licensed engine during the term of the license granted by this agreement, the licensor shall give prompt written notice thereof to the licensee: *Provided*, That the licensor shall not be required to deliver to the licensee any blueprint drawings, bills of material, specifications, operation sheets, or other details with respect thereto, except upon prior receipt by it, in payment therefor, of the respective sums specified in section 1 of article III of this agreement.

SECTION 2. Whenever the licensor shall make any improvement in the design or construction of any licensed engine, which improvement shall not, when applied to such engine, create an engine of a distinct type or model within the meaning of this agreement, the licensor shall give prompt written notice thereof to the licensee: *Provided*, That the licensor shall not be required to deliver to the licensee any drawings or specifications covering any such improvement, except upon prior receipt by it, in payment therefor, of the sum specified therefor in section 1 of article III of this agreement: *And provided further*, That if the commercial export into the licensed territory of the engine or part, as the case may be, affected by such improvement shall require the approval or consent of the Government of the United States of America, the licensor shall not be required to furnish to the licensee any of the particulars, drawings, or specifications provided for in this section 2 until the said approval or consent shall have been granted. Anything herein contained to the contrary notwithstanding, it shall be sufficient compliance with the terms of this section 2, if improvements made during any six months' period ending March 31 or September 30, as the case may be, shall be notified to the licensee within thirty days after the close of such period, unless service use of the engines of the type or model affected thereby shall make necessary the earlier notification of any such improvements, in which case notice of the improvements shall be given as soon as practicable after they shall have been definitely adopted by the licensor.

ARTICLE VI. SPECIAL AGREEMENTS OF THE LICENSEE

SECTION 1. Whenever the licensee shall make any improvement in the design or construction of any of the licensed product, the licensee shall, as soon as practicable, furnish to the licensor, without cost to it, full particulars of such improvement, together with drawings and specifications completely disclosing the same: *Provided*, That if the licensee shall be required by the Government of the German Reich to obtain the approval or consent of the said Government before making such disclosure, the licensee shall not be required to furnish to the licensor any of the particulars, drawings or specifications provided for in this section 1 until the said approval or consent shall have been granted. When such disclosure shall be made, all rights in and to such improvement shall, subject to the license granted by this agreement, but without any act by either of the parties hereto, pass to and vest in the licensor to the same extent, for all intents and purposes, as if such improvement had been made by the licensor. Nevertheless, if necessary to protect the licensor's interest therein, the licensee shall make prompt and due application for a patent covering any such improvement within the licensed territory, and shall diligently prosecute

such application to a conclusion, and, upon the granting of any such patent, shall (unless it be granted directly to the licensor or its nominee) duly assign the same to the licensor or its nominee, without requiring the payment of any fee or royalty with respect thereto: *Provided*, That such patent shall relate only to features peculiar to the licensed product: *And provided*, That the cost of obtaining such patent shall be for account of the licensor.

The licensee agrees that, during the term of the license granted by this agreement or of any license which may be granted to the licensee pursuant to the provisions of section 6 of article VII hereof, the licensor shall at all times have the free right and privilege to adapt to its own use and to employ in the design, manufacture or construction of any or all engines of any type or model nor or hereafter manufactured by it any or all principles of design, construction or operation which may from time to time during such period or periods be embodied in, covered by or secured under any letters patent (of any government or country) which may be owned or controlled, directly or indirectly, by the licensee, and shall also have the right and privilege, without the payment of any royalties, fees, or other charges therefor or with respect thereto, to manufacture, sell, lease, use, or otherwise dispose of, either in the United States of America or elsewhere in any part of the world, subject to the terms and provisions of this agreement, any and all engines embodying any or all such principles of design, construction, or operation.

SECTION 2. The licensee recognizes the validity of any and all patents now or at any time hereafter owned or controlled by the licensor covering the licensed product or any part thereof within the licensed territory.

SECTION 3. The licensee shall comply with all the licensor's reasonable requirements as to marking the product manufactured, sold or otherwise disposed of by the licensee under the license granted by this agreement, and, among other things, shall attach to each licensed engine shipped by it an appropriate legend to the effect that such engine is manufactured under license from the Pratt & Whitney Aircraft Company. The licensee shall not, however, employ the licensor's trade mark, or any colorable imitation thereof, on any engine or part thereof.

SECTION 4. The licensee shall not make, manufacture, use, license, sell, or otherwise dispose of, either during the term of the license granted by this agreement, or at any time after the termination hereof, any type of model of aviation engine, or parts therefor, embodying any of the principles of design or construction peculiar to the design or construction of any engine or any part thereof then manufactured by the licensor, other than such engines, or parts thereof, as may be manufactured either pursuant to the license granted by this agreement or pursuant to other licenses (if any) granted to the licensee by the licensor.

SECTION 5. The licensee shall at all times use its best efforts to promote the demand for and use of the licensed product within the licensed territory.

SECTION 6. The licensee shall not at any time export any licensed engine or licensed part out of the licensed territory or directly or indirectly cause or procure the same to be so exported: *Provided*, That if at any time any person not within the control of or in any way affiliated with the licensee shall, without the procurement or consent of the licensee, export any of the licensed product out of the licensed territory, such exportation shall not be deemed to be a violation of this covenant by the licensee.

ARTICLE VII. *Termination—Right to nonexclusive license*

SECTION 1. If at any time the licensee shall be in default in making any payment hereunder at the time and in the manner herein provided therefor, or shall be in default in observing or performing any other agreement or condition herein on the part of the licensee to be observed or performed, and any such default either in payment or in observance or performance shall continue for a period of sixty (60) days after notice thereof shall have been given by the licensor to the licensee in the manner herein provided; then, in any such case, the licensor shall have the absolute and unconditional right, at its option, to terminate this agreement by giving notice of such termination to the licensee; and, upon the giving of such notice, this agreement and all rights of the licensee hereunder shall immediately terminate and come to an end, except as hereinafter otherwise provided.

SECTION 2. If the licensee shall fail to make, sell, and ship at least one licensed engine during the twelve months' period ending on March 31, 1935,

or during any other twelve months' period ending on any March 31 or September 30 thereafter, the licensor shall have the right, at its option, in its absolute and uncontrolled discretion, to terminate this agreement at any time within nine (9) months after the expiration of any such twelve months' period, upon giving to the licensee at least six (6) months' prior written notice of termination, which notice shall specify the date (which shall be not less than six (6) months after the date of giving the notice) on which such termination shall take effect. If, and when, such notice shall have been given, this agreement and all rights and interests hereunder of the licensee shall terminate and come to an end on the date so specified, except as herein otherwise provided.

SECTION 3. Anything herein contained to the contrary notwithstanding, the licensor shall have the right, at its option, in its absolute and uncontrolled discretion, to terminate this agreement on March 31, 1938, upon giving to the licensee at least six (6) months' prior written notice of such termination; and if and when such notice shall have been given, this agreement and all rights and interests hereunder of the licensee shall terminate then and come to an end on the said date, except as herein otherwise provided.

SECTION 4. Upon the termination of this agreement, either at the expiration of the term of the license hereby granted or upon notice as provided in this article VII, all rights to manufacture the licensed product, or any part thereof, shall immediately cease, except that the licensee may thereafter ship, sell, lease, or otherwise dispose of any of the licensed product manufactured or in course of manufacture by it at the date of termination. No such termination shall relieve the licensee of any of its obligations under article IV hereof either with respect to the payment of royalties on any of the licensed product shipped, sold, or leased by it, whether before or after the date of termination, or with respect to the rendering of statements and the keeping of books. Upon any termination of this agreement, the licensee shall forthwith return to the licensor any and all drawings, blueprints, bills of materials, specifications, operation sheets, and engineering data then in its possession with respect to the licensed product; *Provided*, That the licensee shall have the right to retain two sets of drawings (in the German language), one set for safe-keeping according to German Government requirements and one set for overhaul and maintenance purposes.

SECTION 5. In case of the termination of this agreement (either at the expiration of the term of the license hereby granted or upon notice as provided in this article VII) before the aggregate net amount of royalties paid by the licensee under subparagraph (1) of paragraph (b) of section 1 of article IV shall have amounted to the sum of ———, the licensee shall pay to the licensor the unpaid balance of such amount immediately upon such termination.

SECTION 6. Upon the termination of this agreement, either at the expiration of the term of the license hereby granted or upon notice pursuant to the provisions of either section 2 or section 3 of this article VII (but not in case of termination upon notice pursuant to the provisions of section 1 of this Article VII), the licensor, if thereunto requested in writing by the licensee not later than thirty (30) days prior to the date of such termination, shall grant to the licensee a new non-exclusive license to manufacture, sell, or otherwise dispose of any and all of the licensed product within the licensed territory, but not elsewhere, for an indeterminate term, which new license shall embody substantially all the provisions set forth in articles IV, VI, VII, and VIII hereof respectively, so far as in the judgment of the licensor the same shall be reasonably applicable, except (i) the provisions of paragraph (a), section 1 of article IV, (ii) the provisions of the first paragraph of section 1 of article VI, (iii) the provisions of sections 2, 3, 5, and 6, respectively, of this Article VII, (iv) the provisions of section 8 of article VIII hereof, and (v) the provisions of article IX hereof; *Provided*, That, under such new license, the licensor shall assume no obligation or responsibility to the licensee with respect to any of the matters set forth in articles II, III, and V hereof, respectively.

ARTICLE VIII. MISCELLANEOUS PROVISIONS

SECTION 1. As one of the essential terms of this agreement it is hereby expressly stipulated that the license granted hereby is limited to the manufacture, sale, or other disposition by the licensee of licensed engines within the licensed territory, and to the manufacture, sale, or lease within the said territory of spare and replacement parts for use in or in connection with the

operation of any licensed engines so manufactured, sold, or otherwise disposed of within the licensed territory, and that nothing herein shall be interpreted as authorizing the licensee to dispose of any engine parts for assembly by unlicensed manufacturers into complete engine units or partially complete units either in the licensed territory or elsewhere.

SECTION 2. The respective parties hereto will use their best efforts to prevent the unauthorized distribution or use of licensed engines in unauthorized territories: *Provided*, That neither of the parties hereto shall be under any obligation to have recourse to the courts for such purpose.

SECTION 3. Anything herein contained to the contrary notwithstanding, all prices of equipment, material, engines, or parts which may at any time be furnished by the licensor to the licensee hereunder shall be f.a.s. port of New York, and any and all payments which may at any time be made by the licensee to the licensor hereunder shall be in New York City funds current at the time of payment.

SECTION 4. In case any dispute, disagreement, or misunderstanding shall arise between the parties hereto in connection with this agreement, or with respect to the interpretation of any of its provisions, such dispute, disagreement, or misunderstanding shall be referred to arbitration in the State of Connecticut, United States of America, in the following manner:

Each party hereto shall appoint one arbitrator, and the two arbitrators so appointed shall appoint a third arbitrator; and the parties hereto agree to accept, abide by, and carry out any decision arrived at by a majority of the three arbitrators so appointed. The cost of any such arbitration shall be borne by the respective parties hereto in such proportions as a majority of the arbitrators may determine.

SECTION 5. In addition to any and all other remedies hereby or by law conferred upon the licensor (whether for the recovery of damages in the case of breach of this agreement by the licensee or otherwise), it is hereby expressly stipulated that, in case of breach or threatened breach, directly or indirectly, of any of the provisions of this agreement on the part of the licensee to be observed or performed, an injunction may issue out of any court of competent jurisdiction, upon the suit of the licensor, restraining the licensee, its successors, assigns, and sublicensees, and their respective successors and assigns, from any such breach or threatened breach.

SECTION 6. Any notice or communication herein provided to be given by the licensor to the licensee shall for all purposes be deemed to be duly given and received, if sent by registered mail, postage prepaid, addressed to the licensee at its principal place of business in Munich, Germany, or if sent by cable or radio to the cable address "Bayermotor", Munich.

Any notice or communication herein provided to be given by the licensee to the licensor shall for all purposes be deemed to be duly given and received, if sent by registered mail, postage prepaid, addressed to the licensor at its principal place of business in East Hartford, Connecticut, United States of America, or if sent by cable or radio to the cable address "Aircraft", Hartford, Connecticut.

SECTION 7. This agreement shall be interpreted in accordance with the plain English meaning of its terms, and the construction thereof shall be governed by the laws of the State of Connecticut, United States of America.

SECTION 8. If at any time prior to the termination of this agreement the licensor shall become willing to grant a license for the manufacture, sale, or other disposition within the licensed territory of any engine or spare or replacement parts of engines not falling within the definition of licensed product, the licensor, before offering such license to any other party, will offer the same to the licensee upon such terms and conditions as the licensor shall then be willing to accept. If within sixty (60) days after so offering such license the parties hereto shall have been unable to agree upon the terms and conditions thereof, the licensor shall thereafter be free to offer such license to any other person, association, corporation, or governmental department within the licensed territory, or elsewhere, and in negotiating with such other person, association, corporation, or governmental department shall be free to make any and all such modifications in the terms and conditions of the license as theretofore offered to the licensee as the licensor shall, in its discretion, deem advisable.

SECTION 9. All promises and agreements herein contained by or in behalf of either of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not: *Pro-*

vided, That the rights of the licensee hereunder shall not be assignable without the prior written consent of the licensor.

ARTICLE IX. RESCISSION OF PREVIOUS AGREEMENT

This agreement is entered into in substitution for the agreement dated March 28, 1933, heretofore entered into between the parties hereto, covering substantially the same subject matter, which said agreement is hereby cancelled and rescinded as to all its terms and provisions, as of the date of this agreement, to the same extent, for all intents and purposes, as if the said agreement, dated March 28, 1933, had never been entered into.

In witness whereof the parties hereto have caused this instrument to be executed, in duplicate, by their duly authorized and empowered officers or representatives, in the city of Munich, Bavarian Free State, German Reich, as of the day and year first above written.

THE PRATT & WHITNEY AIRCRAFT COMPANY,
BAYERISCHE MOTOREN WERKE, A.G.

EXHIBIT 594

MARCH 8, 1934.

BAYERISCHE MOTOREN WERKE, A.C.,

Munich, Germany.

(Attention of General Director Popp.)

GENTLEMEN: Referring to the agreement, dated March 29, 1933, between Bayerische Motoren Werke, A.G., and the undersigned the Pratt & Whitney Aircraft Company, and confirming our oral understanding, we beg to advise that, for the period of four (4) years, commencing April 1, 1934, and ending March 31, 1938, the Pratt & Whitney Aircraft Company consents to receive as royalties on any and all licensed engines manufactured, sold or otherwise disposed of by you under the said agreement, the sum of _____ in each year, payable in the manner provided in section 3 of article VIII of the said agreement in equal quarterly installments of _____ each, on the first day of each of the months of April, July, October, and January during the said four-year period, which payments will be accepted by the undersigned in lieu of the royalty payments provided for in subparagraph (i) of paragraph (b) of section 1 of article IV of the said agreement. Prior to April 1, 1934, and after the expiration of the said four-year period, payments of royalties on licensed engines are to be made as provided in the said agreement.

No modification is to be made with respect to the royalties payable under the said agreement on spare or replacement parts manufactured under the license granted thereby and shipped, used, sold or leased by you during the term thereof.

We also confirm that, during the said four-year period, the Pratt & Whitney Aircraft Company will waive compliance by you with the requirements of sections 2 and 3, respectively, of article IV of the said agreement, insofar as the same relate to licensed engines; provided, that all the provisions thereof shall continue to apply, as heretofore, to any and all spare and replacement parts manufactured by you under the said agreement.

We understand that in consideration of our consent and waiver as above set forth, you have agreed to waive, during the whole of the remainder of the term of the said agreement, the payment by the Pratt & Whitney Aircraft Company of any and all royalties under the provisions of section 2 of article II thereof, together with each and all of the provisions of sections 3 and 4 and 5, respectively, of the said article II.

Except as expressly modified by this letter, the said agreement is in all respects confirmed.

If the foregoing conforms with your understanding, kindly confirm the same on the accompanying carbon copy of this letter; whereupon the said agreement of March 29, 1933, shall for all purposes be and be deemed to be modified as above set forth, as of this date.

Yours very truly,

THE PRATT & WHITNEY AIRCRAFT COMPANY,
By _____, *Attorney-in-Fact.*

The understanding expressed in the foregoing letter is hereby confirmed.

BAYERISCHE MOTOREN WERKE, A.G.,
General Director.

EXHIBIT No. 595

[Copy]

OCTOBER 27, 1933.

Mr. THOMAS F. HAMILTON: This will confirm telephone conversation with Hamilton this afternoon. The following items were discussed:

1. I am gabling regarding his questions about relationship between power of the S3DIG and the SDG in order that I did not waste time discussing this over the phone.

2. I told Hamilton to be sure to advise B.M.W. that the D series small diameter Hornet was available for them to manufacture if they desire and to advise us if they wanted the drawings thereof. I explained that on the geared model the only difference was in the length of the cylinders, pistons, push rods, and intake pipes, but that on the direct-drive model the crankshaft was different and the main crankcase and main bearings were also different, as well as the difference in cylinders, pistons, etc.

I explained that the D1 series was given to them on the assumption that it was desired for commercial purposes and that they could expect better service out of the longer piston and the lower compression ratio for 80 octane fuel. Their situation has apparently changed and it is obvious that they desire engines for military as well as commercial purposes and therefore the D series small diameter with higher compression ratio and higher blower ratio may fit into their picture. I wanted to make clear that there was no intention on our part to withhold from them anything that we were giving to other people. It is true, however, that we were not willing to furnish the small-diameter series to anyone at the time B.W.M. requested the drawings and agreement with them was entered into.

2. I advised Hamilton that we were not willing to go to 15% and he advised that he was not interested in doing so. He felt, however, that he should be given ample leeway because the Wright Company was working very hard for this business and promising the world. I pointed out that there was practically no margin of profit between our present cost and present selling price of the geared Hornet, and that after taking the Export commission of 10% we were well under cost. I pointed out that on the direct drive we had a somewhat wider margin of profit, but after Export commission there was little or no profit left. Mr. Hamilton raised the point that we were selling at much lower prices to our own Government. I advised that the price was somewhat lower, but that since it was below cost we anticipated higher prices to the Government in the future.

I advised that we were not in a position to give away the 10% that now goes to Export, as this was a United policy and must be referred to Johnson, who is not available at the moment. I promised Hamilton he would have a wire in Paris tomorrow morning telling him how far he could go.

3. Mr. Hamilton emphasized the importance of delivery and criticized us for not being prepared to make better deliveries. I pointed out that although we had been forewarned we could under no circumstances anticipate or consider deliveries of 100 engines in thirty days as he requested. The deliveries as quoted we thought were very good and that we could start delivery on any model selected within thirty days. Our telegraphic delivery quotations indicated that we could deliver from 25 to 50 engines dependent upon the model, by February 1st, provided order was placed this week.

4. Mr. Hamilton explained this matter would probably be closed within the next few days.

5. I pointed out that we were not interested in modifying the present B.M.W. agreement and that we would like to have a written request for such modification with the reason therefor. Mr. Hamilton stated he knew the reason but B.M.W. was not willing to put it in writing, that reason being that they did not want to reveal the number of engines manufactured. This, of course, we anticipated. I mentioned that \$15,000 did not seem anywhere near adequate and Hamilton pointed out that this was merely their offer and that he had in mind at least be that much. I said I still thought that that was low considering the possibility of manufacturing 700 to 800 engines per year. He said this was out of the question and that he felt that we would sell them more engines than they would ever build.

6. Mr. Hamilton stated that he disagreed with our desires to furnish #40 splined two-way controllables for the B.M.W. 6 engine. I told him that we would have to design and build such a propeller and he wanted to know how

soon that could be done. I said if we started on it it would take at least ninety days to get the first one and asked why they wanted the 50 spline. He stated that they are contemplating increasing the power output of the B.M.W. 6 to about 800 hp. Hence the 50 spline. I replied that if they got that much horsepower they should have a three-bladed propeller to keep the tip speed down and get proper efficiency, and that we had a 50-spline three-way controllable.

7. Mr. Hamilton referred to various cables and communication relative to the demonstration in England and the essential points in the discussion were that he desired the two-way propeller for the direct-drive engine to be used in the "Fury", as among other things the item of expense would enter into the picture. I pointed out that we recommended the three bladed as superior from all angles of performance. I advised that the SDG was being shipped very shortly and that we were following it up as soon as possible with the SD for the "Fury."

I explained that unfortunately we did not have a controllable that we could ship with the geared engine for use in the "Audax" and he recommended that we prepare one for shipment as soon as available as in all probability the tests that they contemplate undertaking immediately will be delayed for six or eight weeks.

Mr. Hamilton criticized our comparative data because it showed no rate of climb or time of climb to ceiling. I pointed out that the reason we could not show this was that we had not received the data for the present plane, and all the results computed were on the basis of comparison. He said he would try to get this information.

8. With relation to the demonstration in England which is primarily for Major Arfa, he feels that this is extremely important as it will be witnessed by the Finns and representatives from practically all European governments. It is extremely important that we show superior performance to the Cyclone.

9. Mr. Hamilton is leaving Paris tomorrow evening for Munich and can be reached at the Regina Hotel, Munich, until Monday afternoon, when he leaves for Italy and sails on the *Rex* November 2nd from Italy for the United States.

10. We may expect almost immediately an order for three C1 Wasps and three controllables for prompt delivery to Italy for a long-distance flight project being arranged by General Balbo.

11. I advised Mr. Hamilton that Senator Agnelli had been here this morning and is sailing from New York tomorrow on the *Comte de Saroia*. I pointed out that the only opportunity to discuss Wasp Juniors with him was the statement to him to the effect that we understood he was interested in a quantity of these engines and that we would be prepared to cooperate with him to the fullest possible extent in shipping such engines disassembled or otherwise, as was required by him.

12. Hamilton advised that the Bristol negotiations for controllables had been postponed because of lack of support from the Air Minister. He attributed this to the fact that the revised links which were mislaid by us were so long in getting over to them.

C. W. DEEDS.

c.c.: 2 Paris.
Exports.
Haines.

EXHIBIT No. 596

DECEMBER, 4, 1933.

The UNITED AIRCRAFT EXPORTS, INC.,
230 Park Avenue, New York, U.S.A.

DEAR SIRS: We wish to acknowledge receipt of your letter of November 9th referring to an enquiry received from B. Grimm & Co., for 3, 6, and 9 P. & W. Wasp C. engines.

While we appreciate your quoting prices sufficiently high to assure us of no close competition we wish to point out that this enquiry is without question for information only and the prices quoted will be used quoting German competitive engines and not P. & W.

This firm and other firms have used such methods with other companies we represent, which has resulted in eventual loss of orders.

We know they have been trying to interest the aviation in German engines and we also know that the German Government are subsidizing German manufacturers to the extent of 20% if necessary against non-German competition in all lines.

We have purchased certain engineering supplies in Germany, which, due to prices, eliminated American products in this market.

Three weeks ago a member of the firm of brokers used visited Bangkok and advised us that on Government tenders they would meet any non-German competition, provided we secured the name, nationality, and prices quoted for them to submit to the German Government.

This fact should be known to American firms as we have recently noted that the foreign funds impounded in Germany are now used in financing such subsidies.

It also creates a bad impression for the firm representing manufacturers to have others quote for the items they represent.

We are not writing this in protest, but to warn you of competitors' practices which we have experienced and which if not known by American manufacturers should be made known through the proper agency.

Yours very truly,

THE INTERNATIONAL ENGINEERING Co., INC.,
By H. F. SCHOLTZ, *Manager*.

HFS/CTW

EXHIBIT No. 597

AUGUST 5, 1933.

Mr. HICKERSON,

The Under Secretary:

I called up the Aeronautics Trade Division of the Department of Commerce this morning and asked whether they had any information in regard to any recent purchase by the German Government of airplanes from American manufacturers. After they had consulted their record they reported that they had no information in regard to such purchases, but that twenty airplane engines had been exported from the United States to Germany within the last six months.

Article 170 of the Treaty of Versailles reads in part as follows:

"Importations into Germany of arms, munitions, and war material of every kind shall be strictly prohibited."

Article 198 of the Treaty of Versailles reads in part as follows:

"The armed forces of Germany must not include any military or naval air forces."

Article I of the treaty between the United States and Germany Restoring Friendly Relations, reads as follows:

"Germany undertakes to accord to the United States, and the United States shall have and enjoy all the rights, privileges, indemnities reparations or advantages specified in the aforesaid joint resolution of the Congress of the United States of July 2, 1921, including all the rights and advantages stipulated for the benefit of the United States in the Treaty of Versailles which the United States shall fully enjoy notwithstanding the fact that such treaty has not been ratified by the United States.

Article II of the same treaty reads in part as follows:

"With a view to defining more particularly the obligations of Germany under the foregoing article with respect to certain provisions in the Treaty of Versailles, it is understood and agreed between the high contracting parties: (1) That the rights and advantages stipulated in that treaty for the benefit of the United States, which it is intended the United States shall have and enjoy, are those defined in section 1, part IV, and parts V, VI, VIII, IX, X, XI, XII, XIV, and XV."

Articles 170 and 198 of the Treaty of Versailles are included in part V referred to in article II, quoted above.

Violation of articles 170 and 198 by Germany would constitute, therefore, not only a violation of Germany's obligations to the other parties to the Treaty of Versailles, but also a violation of its treaty obligations to the United States. The Department has so held in a letter of August 19, 1931, to the Secretary of War.

Germany's legislation of 1921, pursuant to her obligations under part V of the Treaty of Versailles, was not deemed satisfactory by the conference of ambassadors of the allied and associated powers parties to that treaty. The conference at various meetings in Paris drew up regulations interpreting part V of the treaty. These regulations were agreed to by the German Government. On August 21, 1926, the conference of ambassadors addressed a letter to the Secretary General of the League of Nations, reading in part as follows:

"I have the honor to forward to you the documents listed below which constitute the agreement concluded between the governments represented on the conference of ambassadors and the German Government, with a view of the application of article 198 of the Treaty of Versailles."

No. 2 of the annexed documents referred to in the preceding paragraph reads in part as follows:

"The police may not possess aircraft. No other special air-police organization shall exist in Germany."

As Germany accepted the decisions of the Conference of Ambassadors as constituting her interpretation of articles 170 and 198 of the Treaty of Versailles, and as this Government, under the provisions of articles I and II of the treaty between the United States and Germany restoring friendly relations, enjoys all the advantages stipulated in articles 170 and 198, the importation of military aircraft into Germany or the possession or use of aircraft by the German police would constitute a violation of the treaty rights of this Government.

In view of the treaty provisions referred to, there was included the following sentence: "It is the policy of this Government not to encourage the sale of arms, ammunition, and implements of war intended for export to Germany * * *" in a confidential memorandum on the policy of the United States in regard to restrictions on international traffic in arms, ammunition, and implements of war, which was submitted by Mr. Stimson to President Hoover in May 1931. This memorandum having received the approval of President Hoover, has since that time been used by the Department as a guide in making decisions on questions relating to the export of arms. In respect to the portion of the memorandum quoted above, it has been the custom of the Department, when occasion has arisen, to inform manufacturers and exporters that the export of arms, ammunition, and implements of war to Germany would not be regarded with favor by this Government. In view of the desire and obvious interest of the manufacturers and exporters to do nothing contrary to the wishes of the Government, this admonition is believed to have been sufficient to prevent such shipments. It is possible, however, that some manufacturers, realizing that the export of arms to Germany was not definitely illegal and could not be forcibly prevented, may have, unknown to the Department, exported arms, ammunition, or implements of war to Germany.

It is suggested that Mr. Osborne be informed of the policy of this Government in regard to the export of arms, ammunition, and implements of war to Germany, and that he be further informed that, although this Government is not legally empowered to prevent such exports to that country, nevertheless, should the occasion arise, it would make every effort to dissuade airplane manufacturers from exporting military airplanes to Germany and that it is probable that such measures would prove effective.

JOSEPH C. GREEN.

UNITED AIRCRAFT EXPORTS CORPORATION,
East Hartford, Conn., November 19, 1934.

MR. STEPHEN RAUSHENBUSH,

Secretary, Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: As indicated in Mr. D. L. Brown's letter of November 12 to you, your letter of November 5 addressed to Mr. Brown was referred to this company for reply.

As you are probably aware, United Aircraft Exports, Inc., predecessor to this company, handled the entire export business of the various subsidiaries of the United Aircraft & Transport Corporation. All of the sales records of such export business are therefore in our hands.

We have reviewed these records and, in accordance with your request, submit the following summary showing, to the best of our knowledge, that proportion

of the products of those companies which was sold abroad for commercial purposes and that proportion which was sold abroad for military purposes:¹

	Total units	Percent- age, com- mercial	Percent- age, military
Hamilton Standard Propeller Co., propellers.....	969	78	22
Chance Vought Corporation, airplanes.....	183	3	97
Sikorsky Aviation Corporation, airplanes.....	7	57	43
Boeing Airplane Co., airplanes.....	33	9	91
Hamilton Metalplane Co., airplane.....	1	-----	100
Stearman Aircraft Co., airplanes.....	14	14	86

We trust that the foregoing information is in accordance with your requirements.

Yours very truly,

UNITED AIRCRAFT EXPORTS CORPORATION,
J. R. MILLER, *Treasurer*.

¹ The summary submitted covers the period from August 6, 1929, to August 31, 1934.

**STATEMENT OF VIEWS OF THE UNITED AIRCRAFT CORPORATION
PERTAINING TO THE FORMULATION OF A NATIONAL POLICY
CONCERNING THE MUNITIONS INDUSTRY**

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UNITED AIRCRAFT CORPORATION,
East Hartford, Conn., November 21, 1934.

HON. GERALD P. NYE,
*Chairman, Special Committee Investigating the
 Munitions Industry,
 Washington, D. C.*

MY DEAR SENATOR: At the recent hearings before the Senate Committee Investigating the Arms and Munitions Producing Industries, you invited me to submit the views of the officials of the United Aircraft Corporation and of its subsidiaries, in aid of the formulation of a national policy regarding those industries and the aircraft industry in particular. I am happy to respond.

THIS INDUSTRY'S ATTITUDE TOWARD THE OBJECTIVES OF THIS INQUIRY

I believe that I can speak for the entire aircraft industry in assuring you of its whole-hearted sympathy with the advancement of the cause of international peace both here and abroad, which apparently is the principal objective of your committee. Apart from considerations of humanity and patriotism, which demonstrably actuate in high degree the officers and members of this industry, the good common sense of this industry can lead to no other attitude. No aircraft executive who has envisioned, however partially, the brilliant future of commercial aviation, both within and beyond our national borders, can face without apprehension a possibility that these prospects may be destroyed, or their realization be long postponed, by the dislocations of war.

Conversely, I feel confident that your committee must share our appreciation of the vital importance to this Nation of an aircraft-producing industry with sufficient trained personnel developed and maintained to the point of readiness to meet emergencies of national defense.

The sorry condition of unpreparedness in which the declaration of war in 1917 caught this country, and the terrific waste, expense, and delays which that condition caused, particularly in the supplying of matériel to our Army is too easily allowed to dim in memory. We are not justified, however, in expecting that in the event of another war we shall be as fortunate in having strong allies in the field to hold the lines while America prepares, and to lend matériel, airplanes, and supplies wherewith to enable our armies to defend the safety and integrity of our country.

Our country is traditionally conspicuous among the great powers for its maintenance of a small military equipment in peace time. This policy can only be reconciled with a responsible attitude toward our national defense by the coexistence of great peace-time commercial industries whose plants and trained personnel can, in national emergency, be rapidly converted to the creation of military matériel and supplies.

Every nation should discourage wars. But, since no practical assurance of world peace through concerted international action has yet been achieved, any policy predicated upon a refusal to face the realities of a world which harbors powerful, aggressive, nationalistic states, well armed and determined to alter their present status, can only invite disaster to this country.

APPROACH TO THE PROBLEM: THE COORDINATION OF STIMULANTS TO INTERNATIONAL PEACE WITH THE REQUIREMENTS OF OUR NATIONAL SECURITY

In approaching the problem which this committee is considering, therefore, it seems to me essential that at all points the stimulants to international peace must be coordinated with the needs of our national security.

In the hope of aiding this committee in the solution of this problem, I am submitting at the conclusion of this letter a concrete proposal. In order, however, that the factors which are reflected in that proposal may be clear to you, I shall first review them briefly.

I. THE MILITARY INCENTIVE OF OUR NATIONAL DEFENSE AND THE COOPERATION OF OUR GOVERNMENT WITH PRIVATE INDUSTRY ARE LARGELY RESPONSIBLE FOR THE AERONAUTICAL DEVELOPMENT OF THIS COUNTRY

(a) The United States has heretofore led in aeronautical development

The American aircraft industry has been unquestionably the finest in the world. It is operating transport and commercial lines over the entire extent

of both American Continents and through a large area of China. It is moving rapidly toward the establishment of trans-Pacific and trans-Atlantic routes. Passengers, mail, and express have been carried rapidly, safely, and with scheduled regularity night and day for distances inconceivable 10 years ago. Conditions of weather, altitude, topography, and climate, as diverse as can be found between the Andes and the Caribbean, the Isthmus of Panama and Alaska, have been met and successfully overcome. Ordinary cruising speeds have been increased until our east and west coasts are but a day's trip apart, and the farthest capitals of South America can be reached within a week. Meanwhile, rates have dropped for all services until they compare very favorably with those of older methods of transportation.

The most modern equipment in the world in propellers, engines, and planes is in use on the American lines. Constant experiment and research is conducted at the plants of the manufacturing companies, and the results are put promptly to public use. Our pilots and mechanics have acquired over a period of years a broad experience which is irreplaceable.

The volume of business being done and the size of pay rolls in the industry have come to be significant factors in maintaining a part of the economic life of the country. Increased patronage of mail, express, and passenger transport is showing that the services of the air lines have already become indispensable to the transaction of the Nation's business.

In short, the American aircraft industry has been brought to the point where, not only because of its high intrinsic merit and its importance to our national security, but because of its bearing upon all of our economic life, its continued development must not be impeded.

(b) The interlocking factors responsible for this development: Government cooperation with private enterprise and stimulus of individual initiative

But this outstanding achievement in organization and engineering has not been the result of accident. Other countries do not lack engineers of ability, competent executives, and dependable pilots. Nor has it been the result of governmental manufacture, operation, or monopoly.

This success has been the result of a carefully planned governmental policy, which has balanced proper governmental assistance with individual freedom of competitive development and operation in such a manner as to provide the best possible conditions for the operation of private initiative. Unless that policy be continued—unless indeed it be enlarged—we need not expect such success in the future.

The component parts of this policy are inseparable. They are integrated in the closest interdependence.

(i) *The carriage of mail.*—One of them is the system of air-mail contracts. The early mail rates, which were relatively high while volume was low, were responsible for the initial development of air transport, just as land grants and other governmental concessions were responsible for the primary periods of expansion of the railroads.

Through revenues derived from the carriage of mail, the lines have been able to maintain a volume of business sufficient to take care of charges which commercial transport alone could not begin to carry. These include heavy overhead charges in conducting experimental developments, in obtaining and maintaining modern equipment, in surveying and developing pioneer routes, and in operating new routes prior to the development of paying traffic over them. The cost of these services to the Government has been and is being steadily reduced. But at present the lines must have governmental help.

(ii) *Private production of military equipment.*—Another element of our aviation policy, perhaps even more fundamentally important in its favorable effect on commercial development, is the system of private production of our military aeronautical equipment. This link between commercial and military production is a stimulus and basic cause of our success.

The exactions of military use are so great—the standards prescribed by the military services are so strict—as to call forth continuously the greatest efforts of the producer. The experience and technical discipline acquired in this work become available immediately to the American public through commercial aviation. The benefits of the discoveries made likewise become available to commercial use as soon as some newer development and higher standard of performance has been achieved for our national defensive services. The military engine of today becomes the commercial engine of tomorrow. In this, as in

other countries, the continual striving for perfection of military design and equipment has been the greatest stimulus to rapid progress in aviation.

(iii) *Industrial volume stimulated by technical progress*—*Governmental economies result from mass production.*—The Government not only contributes to marked technical improvement and consequent increased volume of business done by the manufacturers, but also makes possible the more efficient functioning of their plants for all purposes. Conversely, the cost to this country of matériel thus produced is handed back to the Army and Navy in the form of reduced prices made possible through mass production proportionately to the increased volume of commercial business thus stimulated. Airplane engines, for example, are sold to this Government by the American industry at prices ranging from \$3,000 to \$5,000 less per engine than engines of equivalent horsepower have been sold to the Governments of Great Britain, France, and Italy by their own national manufacturers.

Through design competitions, the protection of individual rights in discoveries and inventions, and the negotiation of contracts (the Army and Navy having full access to our cost records) which allow room for designing and experiment and for the constant and rapid changes in productive equipment upon which the possibility of making new models depends, the Government makes use of individual incentives to the mutual benefit of the military services of this country and the industry.

More can be done along this line. The policy can and should be adhered to with greater consistency than in the past. For the Government does not have to wait for a war or national emergency to let the public realize on its investment in military aircraft. Through quick adaptation to commercial needs, the public utilizes it in the improved carriage of mail, passengers, and express.

And, from the viewpoint of national security, there can be no question of the rock-bottom soundness of this policy of governmental cooperation with private industry in fostering the development of national resources against the eventuality of national emergency. The continuance and maintenance of the aeronautical industry at a high point of development is vital to our national defense. This industry, none the less, in actual effect, is only secondarily a munitions industry so far as the public benefit is concerned.

II. FROM A MILITARY VIEWPOINT AN AERONAUTICAL INDUSTRY IN PRIVATE HANDS SUBJECT TO THE INCENTIVE OF COMPETITION AND PROFITS IS A VITAL NATIONAL NEED

GOVERNMENTAL MONOPOLY OF AERONAUTICAL DEVELOPMENT WOULD SOUND THE DEATH KNELL OF AVIATION IN THIS COUNTRY

(a) *The successful results of previous policy*

The policy hereinabove outlined cannot be questioned from a military standpoint. It has proved eminently successful to the Army and Navy of this country as well as to the development of the industry to the foremost place in world competition. From last place among the air powers at the time the policy was inaugurated, the United States reached a position of indubitable preeminence in the quality of its military and naval planes, engines and accessories, and in its technical skill and knowledge.

(b) *The insufficient supply of our national defense equipment*

It is true that our country lags behind in the quantity of first-line-defense equipment in actual service. General MacArthur concludes his report as Chief of Staff of the United States Army, 1933, by saying:

"At this moment the Army's strength in personnel and material and its readiness for employment are below the danger line. I consider it of the most urgent importance to the United States that this condition be rectified without delay."

Deficiency in quantity can be remedied by providing the necessary funds. This condition is unrelated to the existing system of production which has proved itself in practice. But this condition makes it doubly imperative that adequate trained personnel and facilities for production be maintained at a point of readiness to produce quantity when required.

(c) *Experience has uniformly shown governmental inability to produce successful developmental results*

It has been demonstrated conclusively throughout the world that governments cannot themselves design and produce the equipment of precision and performance which under private initiative has given this country a preeminent position in the aeronautical field. During the years since the war this Government has attempted developmental projects. It has maintained extensive facilities and employed able men. It has spent vast sums of money. In the past several years, however, governmental effort in this country has operated within the limits of research, experiment, and criticism of design.

The Army and Navy officers assigned to this work have made a splendid contribution to the advancement of aviation. But I believe it is the unanimous conclusion of the Army and Navy officers themselves that the primary responsibility and initiative should rest with private industry.

Our experience in this country has been paralleled in that of all the major powers. The American aviation commission, which in 1919, under the instructions of the Secretary of War, made a personal survey in France, Italy, and England, emphasized the unanimous opinion of its members that immediate action was necessary to safeguard the air interests of the United States to preserve for this Government some benefit of the great aviation expenditures made during the period of the war and to prevent a vital, necessary industry from disappearing, and recommended—

"That in view of the experience of England and France, it is dangerous to allow the Technical Division to operate under normal or war conditions a department of complete design in heavier-than-air machines or in motors, as such competition results immediately in stopping private departments of design. The Technical Division, therefore, should be a critic of, and supplementary to, private design, rather than aim at design on its own account. The policy of the Technical Division should be to maintain and encourage a considerable number of well-manned and well-equipped private-design plants and to cooperate with these plants in all undertakings that meet with the approval of the Technical Division, and to place orders with these plants, at fair prices, for design and for experimental construction of motors, planes, and appliances. Competition of the Government with the industry should be avoided; the only allowable exception being cases where, either on account of expense or for other cause, the Technical Division cannot obtain needed material or design from existing sources.

"That careful thought shall be given to the establishment of competition in motor, plane, balloons, and accessory design, and encouragement be offered in every reasonable way to the promotion of competitive events and the establishment of standard records."

One may speculate upon the reasons of this universal governmental failure—the lack of incentive for the individual, the repressive effect of procedural red tape, requisitional delays, and unwillingness to take risks which cannot be compensated for in profits, the uncertainty of appropriations, the limitation and earmarking of developmental appropriations, the fear of criticism of waste resulting from the scrapping of expensive but unsuccessful developments. All of these factors doubtless contribute their effect, but the resulting facts must be taken as proved—that the Government is simply unable to achieve successful results on its own account in this field.

There is in my opinion no question that if this country should pursue a policy of developing aircraft in Government plants or of manufacturing them there, either as a monopoly or in competition with the private industries, which would be deprived of the governmental stimulus and assistance hereinabove indicated, this policy would spell the rapid atrophy of aviation and ultimately the end of successful aeronautical development in this country.

(d) *A Private Commercial Foundation is a Vital Reserve Against National Emergency*

In another way, commercial air operations and adequate air defense are inextricably united. National air strength depends less on the actual number of planes ready for immediate action than on the reserve facilities of the country in planes and men available from commercial life, in widespread technical competence, and in industrial capacity for production.

The volume of commercial business stimulated by governmental cooperation in design as outlined above, bears directly upon the readiness of this country to throw itself into the manufacture of military aircraft and equipment in time of emergency with an adequately trained personnel.

A well-developed system of operating commercial lines is the first requisite of an adequate reserve air strength. The possibility of rapid expansion of productive facilities, which implies numerous existing plants and well-trained technicians, is another. Our World War experience is enough proof to the informed that only private industry is capable of such expansion. It is confirmed by the great activity of the war plans board (created by the Army) in preparing a comprehensive inventory of American industry for use in case of national emergency.

Experts agree that in the event of war aircraft will constitute our first line of defense. The aeronautical resources of our country, as compared with those of its opponents, available for military production at the outbreak of hostilities may well be decisive of the outcome. The men and equipment necessary as a nucleus must be maintained through the years of peace, and this is possible only if the commercial foundation exists.

III. THE RELATION OF EXPORT BUSINESS TO THE AMERICAN AIRCRAFT INDUSTRY

(a) Export volume contributes to development of American industry, American pay rolls, and lower costs of equipment to our Government

Fully as important to American aeronautics as the air-mail policy and the military-procurement policy, has been the attitude of the military departments of the Government toward the export of aircraft and equipment. The great importance of an adequate business volume, if research, experimental production, and the opening of new commercial routes are to be continued, has rendered a sound and growing export business absolutely indispensable.

In this field also American industry has been preeminent. Foreign competition has been steadily supplanted in South America, Europe, and, until recently, in Asia. American planes and engines are being sold in practically all the countries of the world. Foreign buyers are coming to our shores in increasing numbers. Our success has been based squarely upon the quality and the price of our products.

This export business is partly commercial, partly military. A few years ago most all aircraft, aircraft engines, propellers, instruments, accessories, etc., which were exported were for military purposes. More lately the commercial requirements in the export field have grown to tremendous proportions, and it is hoped that, with a continuance of the former governmental policy, in the future they will far exceed strictly military requirements.

The increase in volume brought to the American manufacturing industry through the export market (military as well as commercial) contributes diverse benefits to this country:

(1) This export volume is reflected directly in the reduced costs of aircraft products to our own Government, as increased volume means lower cost.

(2) It is reflected directly in American pay rolls. For instance, the figures of the United States Bureau of Foreign and Domestic Commerce show that the volume of export business done by the American aeronautical industry in 1933 amounted to \$9,227,821. This export business provided work and subsistence for thousands of American workmen and their families in many industries throughout the entire country.

(3) This export volume also contributes substantially to the maintenance of an established American aeronautical industry readily available to meet the needs of a national emergency.

(b) What would be the actual results of a national policy of outright prohibition of exports?

To what extent, therefore, do considerations of promoting international peace call for a curtailment of that market and the consequent narrowing of the breadth of foundation of our national preparedness? What practical furtherance of international peace would accrue from a policy of governmental prohibition of the export of aircraft and kindred products at the present time? The national

and international interests of this country require that these questions be most carefully considered.

The following are too real to be ignored as potential results of a national policy prohibiting exports from this country:

(1) *Increased sales volume to competitive countries.*—In the absence of joint international embargo rigidly enforced, a policy of prohibition on the part of one nation might well result simply in an increase in the volume of exportation from competitive producing countries at the expense of our own national military foundations and economic welfare.

(2) *Foreign construction under American processes and from samples of American products.*—No prohibition of military aircraft could possibly prevent a country which desires to do so from obtaining samples or specifications and designs of American planes and building its own equipment or having some other country build its equipment from those samples, specifications, and designs. Moreover, the State Department now permits technical observers of foreign governments and of foreign arms-producing plants to visit and observe the procedure of American manufacture in American plants.

Shall we by adopting a policy of export prohibition invite others to steal the technical excellence of our American product and dump the benefits of American initiative and governmental cooperative aid into the laps of other countries and their producers?

(3) *Foreign exploitation of American patents.*—Under our present patent laws, the price which an American inventor must pay for protection of the results of his ingenuity is a public disclosure to the world (through publication of the Patent Office) of the details of his invention. Every military secret, therefore, ceases to be a secret from the moment its inventor seeks legal protection. Under our patent laws our Government promptly publishes his invention and disseminates its details to any nation or to any arms manufacturer in the world who may be interested.

For this additional reason, prohibition of the export of such military devices, even by joint international action, could not prevent the exploitation of American patents by foreign governments determined themselves to produce armaments or to have their nationals or the nationals of other countries produce armaments for them.

(4) *Stimulation of reprisals or new construction abroad of armament-producing facilities.*—The possibility exists of embarrassment to this Government through its prohibition of export to a friendly nation which desires aircraft. Reprisals might well be provoked, to the injury of this country's trade and foreign relations.

Moreover, might not joint international embargo stimulate countries which are not now equipped for armament production to create and build up their own armament-producing industries? And when built, they would naturally seek volume. Is it not possible that even joint action on the part of the great armament-producing powers to the end of restraining export to weaker countries might, as a practical matter, initiate a new type of race in armament-production facilities and even in armaments?

(5) *Convertibility of commercial products to military uses.*—Most commercial aircraft engines, propellers, instruments, etc., are convertible to military uses with greater or less facility, depending upon the technical ability and industrial and financial resources of the country making the conversion and on the type of military operations to be undertaken by it. This, however, is equally true of almost any commercial product. Logically, if export of all aircraft were prohibited, virtually our entire export trade should be prohibited.

An isolated policy of prohibition would hardly achieve the withholding of aeronautical equipment from a nation determined to acquire it. In my view, whatever policy be adopted, in order to justify its sponsorship, must work in practice and accomplish in fact the pacific purpose which it is intended to accomplish.

(c) *Abuses in export practice should be eliminated*

As to the existence of questionable practices in the export field on the part of some concerns, suggested by certain testimony which has been heard by you, my reply is that these practices can be eliminated in the future by proper methods of control within the limits of our present system. It is my personal opinion that their elimination would be heartily welcomed by the industry and by the governments of the foreign importing countries.

I believe that wherever international cooperation in restrictive export provisions can be procured, to the end of a concerted effort at promoting peace, or in any specific instance where the Government of this country might determine that the isolated restriction of export from this country would actually (and not merely colorably) serve the ends of repressing combatant activity, it can be done effectively through a system of export control correlated with our foreign policy such as is hereinafter suggested. I believe that such a system of control would be both workable and consistent with the requirements of our national security.

IV. SUMMARY OF FACTORS TO BE CONSIDERED

The creation of a government arms monopoly would greatly endanger our national defense and would be deeply injurious to numerous vital peace-time industries. An examination of the aircraft industry in its relation to our national needs both in time of war and peace reveals the complex interdependence of military and commercial developments, domestic and export operations, governmental assistance and private initiative—an interdependence vital to our first line of defense in national emergency and one which has produced phenomenally successful results under our present system.

Therefore, if the Government of the United States should dismember these industries and attempt to monopolize their military activities it would strike a death blow, not only to peaceful commerce and manufacture and to the contribution to national economic well-being traceable to great industries, but also to the peace and security of the Nation.

Report after official report of investigations into this subject by various committees of the Congress, and others under their direction, from the war days to the present time, will corroborate my position. I shall not burden you with a list of these reports, for you are undoubtedly as familiar with them as I.

A contemplated national policy (especially in the absence of joint international action) containing any element of prohibition against the exportation of arms, aircraft, or other munitions or potential munitions should be carefully scrutinized from the viewpoint of the results which as a practical matter would accrue therefrom.

I am convinced that the drastic steps which have been considered would not in fact promote international peace, but, on the contrary, would simply supplant American sources of supply, transfer pay rolls from American to foreign labor, invite foreign exploitation of American patents, processes, and products, and other evasive practices, and quite possibly have the effect of a boomerang on pacific objectives through stimulating new sources of manufacture and new races for sales volume.

I am equally convinced that such drastic steps are utterly unnecessary in order to insure the furtherance of our foreign policy, the observance of treaties, the conduct of export business on the highest ethical plane, and the elimination of excess profits from any war in which this country should engage—all without the necessity of causing to shrivel the enterprises and industries serving the purposes and uses of commerce and trade in peace time, upon whose prompt convertibility into the manufacture of military matériel in war time, the Nation must depend for its security.

Abuses can and should be eliminated within the framework of the present structure without tampering with any of its integral parts or destroying any element of its foundations.

V. A SUGGESTED PROPOSAL FOR ADEQUATE GOVERNMENTAL CONTROL OF ARMS EXPORTATION CONSISTENT WITH THE REQUIREMENTS OF OUR NATIONAL SECURITY, AND FOR ELIMINATION OF EXCESS PROFITS FROM ANY WAR IN WHICH WE MAY ENGAGE

(a) *Coordination of export control with national foreign policy*

It seems to me that regulative control of the export of arms and munitions might well be vested in a special division of the Department of State so that the administration of such control may at all times be coordinated with our national foreign policy, much as is the case in Great Britain. I suggest a special division of that Department for this purpose, staffed with permanent officials, in order to insure the acquisition and application of experience and

continuity of policy free from the fluctuation and interruption of political changes.

It the event that a Federal aviation administrative body should be created at any time in the future, the administrative control of the export of aeronautical equipment could, I should think, well be vested in that body or in a special division thereof, in which case such control division would cooperate closely with the Department of State to the same end.

(b) Determination of products and countries subject to export control

The control division could be empowered by Congress to determine from time to time—

(1) What products of American industry are of a military or potential military nature, the export or import of which is consequently a matter of administrative concern; and

(2) What countries as potential importers of any such articles are the subject of administrative concern.

These determinations undoubtedly should not be made public for obvious diplomatic reasons, but the control division clearly should inform each industry confidentially of its determinations which pertain to the products of that industry. Thus, each industry would be given such official information as would enable it to cooperate with the Government to the end of observing the governmental policy relative to exportation of its products.

These determinations and advices should undoubtedly be revised from time to time to exempt products theretofore included as subject to control whenever, because of obsolescence of design or for any other reason, they have ceased to have any real relation to the objectives sought and, similarly, to exempt countries to which the export of such products has ceased to interest the Government.

(c) Administrative power to forbid exportation, in furtherance of congressional or executive policy

Whenever any American company contemplates the export of any product which it is so advised is subject to control, to a country similarly determined to be subject to control, then such company should be required to give notice to the control division of its intention to seek such order from such country. The division will be vested with power to issue prohibitory orders forbidding the contemplated exportation, within limits defined by the Congress. It would exercise this power pursuant to policies of embargo from time to time enacted by the Congress or proclaimed by the President.

The control division would insure the observance of treaties to which this country is a party through its power of regulation, pursuant to Presidential proclamation.

To preclude the possibility of governmental embarrassment, no affirmative approval of any export shipment should be required. The control division would simply exercise a veto power. It would seem practicable to provide that, if the division should not expressly forbid such export within, say, 10 days from the giving of notice as above provided, then the company so notifying the division should be free to accept and fill the order.

Proper safeguards undoubtedly should be provided to insure that the division could play no favorites as between competitive American companies. It would obviously be grossly unfair to forbid one American company to export while permitting another company to export similar products to the same countries under substantially the same circumstances. A permanent personnel in the division would, I think, contribute to the desired result.

(d) Liaison between State, Army, Navy, and other departments

The control division, moreover, should act in close cooperation with the War and Navy Departments to insure the protection of military secrets, and its control should be supplementary to the control of design release now exercised by the Army and Navy. It might well also work closely with the Departments of Commerce and Labor relative to the economic factors involved.

(e) Control of dissemination of technical knowledge having a military value

The same rules and administrative control should apply—

- (1) To permitting technical observers of foreign governments or foreign manufacturers to have access to American plants;
- (2) To the giving of information concerning our methods of production to the official technical representatives or nationals of other countries;
- (3) To the granting of rights under American processes for use abroad; and
- (4) To aiding foreign nationals or foreign governments in the construction of facilities for duplicating our products.

Your committee might deem it wise to recommend changes in our patent laws to provide for protection without full public disclosure wherever devices having a military purpose or value are concerned; otherwise, the objective of the suggested control might fail of accomplishment.

(f) Elimination of improper business practices

A procedure could be provided whereby the control division would conduct hearings upon complaints of questionable practices, and in the event of a finding that such practices have occurred would prohibit the offending company from exporting any products to the country affected for a specified period of time, the duration of such penalty being proportionate to the gravity of the offense.

The control division should be granted a limited power of investigation and subpoena in support of the administration of its control function, but safeguards should undoubtedly be provided against the disclosure of information adduced in such proceedings either to competitors or to countries where such disclosure would cause diplomatic or trade repercussions.

(g) Elimination of profiteering from any war in which this country may engage

Excessive war-time profits have been freely and loosely charged in the press against the arms-producing industries. It is my personal conviction that the entire aircraft industry would willingly accept a sound plan for the taxation of excess profits, if any, in war time. Such a plan to be sound, however, should be applicable to all other industries. In war time, shoes, beef, foodstuffs, clothing, virtually every national resource, becomes a munition of war.

I do not pretend to be able to submit a ready-made plan for the taxation of excess war-time profits. It would clearly require extensive study and consultation. It seems clear, however, that the general principles applicable should be—

(1) The elimination of profiteering by a tax on those profits which exceed fair normal peace-time rate of return on capital invested in that industry;

(2) The application of such a tax to all industry—not merely to the producers of armaments and the direct materials of combat; and

(3) The preservation of a sufficient profit motive to insure the exercise of technical ingenuity and excellence from top to bottom and to provide an incentive for intensive accomplishment, enterprise, and initiative, and the undertaking of great risk. (These initiatives cannot be drafted.)

(4) provisions for governmental absorption of capital losses incurred as a result of private expenditure on plant expansion. The Government clearly must finance losses due to expansion in national emergency, especially when profits on the capital devoted to such expansion are limited by taxation. Without such Government financing, the necessary expansion would not take place. Capital losses due to readjustment on account of such excess plant facilities, which become useless after the conclusion of hostilities, should be absorbed by the Government pursuant to a previously defined policy.

CONCLUSION

I believe that a policy based upon the foregoing suggestions would give the Government a thoroughly adequate control over the export of munitions,

would eliminate abuses, and would bring export practice into harmony with congressional enactment, treaties, and executive proclamation.

The elimination of profiteering in wartime through a tax imposed upon the excess war profits of all industries would insure that profits from war would not exceed profits from peace.

Past experience and governmental investigation show that a policy of Government monopoly or of drastic prohibition of exports of military matériel would be disruptive of our national economic well-being and technical development, and disastrous to our industrial resources available against a national emergency; and it is at least extremely doubtful whether they would in fact accomplish anything concrete toward the elimination of war. Such policies might, on the contrary, stimulate evasions, reprisals, or even new armament races. A policy of wise control is capable of greater accomplishment than a drastic policy of monopoly or prohibition.

One final thought is perhaps in order. The aviation industry is not primarily an arms-producing industry, any more than are the chemical, steel, or automobile-building industries. Those industries likewise have, through their technical progress, made great contributions to our civilization, and at the same time constitute an indispensable reserve of our first-line national defense. As with those industries, the greatest opportunity of the aircraft industry in the future lies in the commercial field. The fullest potentialities of our industry can only be achieved proportionately to the maintenance of peace. But we are sensible of the fact that the existence of a flourishing and technically competent aviation industry is vital as a national resource against the occasion of a national emergency.

Though military requirements have always been of necessity a stimulus to technique, we of the aviation industry know that our primary interest and our best hope for prosperity lie in pressing forward to the perfection of the peace-time work of air transportation.

Respectfully submitted,

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