

United States Senate

MEMORANDUM

Oct. 31, 1952

Walter Jenkins:

FYI, here's a copy of
the memorandum I wrote for Senator
Johnson after talking to you.

GER

COPY

October 30, 1952

MEMO to Senator Johnson
FROM George Reedy

I talked to Walter today and the following is the extent of our work on Westbrook's tungsten deal:

(1) A few days after our tungsten report was issued on July 5, 1951, Colonel Westbrook and Dr. Heintz Pulverman of Rye, New York, came to the office. Dr. Pulverman was a former German national who had settled in America but who had extensive contacts in Europe.

7,000 (2) Colonel Westbrook stated that he and Dr. Pulverman had the necessary contacts to organize a number of independent Portuguese miners and secure large quantities of tungsten up to a minimum of 70,000 tons over a lengthy period. They had approached GSA and had been given what Colonel Westbrook described as a "brush-off."

(3) I sent Westbrook and Pulverman to Larry Sherfy who seemed impressed with Westbrook and Pulverman and recommended that we make an appointment for them to see someone in authority in GSA. I contacted Jess Larson's office and was told tungsten was handled by a Mr. Walsh. I called Walsh who in turn arranged a conference between Westbrook, Pulverman and a Mr. Gumbel.

(4) Following the conference Mr. Gumbel called me and seemed highly excited at the prospects of getting tungsten from Westbrook's proposed organization. He stated it was his belief that Westbrook had encountered some minor GSA official who had not realized the seriousness of the situation and consequently had given them a "brush-off."

(5) Westbrook remained in contact with me for some time and seemed to think that the deal was going through, but called me late in September or early in October of 1951, and said that he was unable to get to any official of GSA with authority and could I arrange an appointment. I called Jess Larson and according to my memorandum expressed to him that we were not trying to sell Westbrook's tungsten, but were merely asking for an appointment. Larson agreed to the appointment but never kept it.

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(6) Westbrook maintained contact with me over the following period and invited me out to his house a number of times, but I only accepted one social engagement in which we did not discuss his tungsten deal. Finally, on February 7, 1952, he called me and said the thing had blown up completely and would I call Larson once more and arrange an appointment. He had just accepted the position on the Democratic National Committee at that time, and I told him I did not think it would be proper for me to make such a call. He called back the following day and said that he was thinking the situation over very seriously and was planning to resign from the Democratic National Committee with a blast at Larson and at General Wilson who was Larson's European representative for holding up the tungsten deal. He seemed to think that GSA and the Emergency Metals Procurement Agency had made an improper deal with a Portuguese firm named Bensaude for an exclusive tungsten buying arrangement and that he was being deliberately frozen out despite the fact that he had tungsten and Bensaude had none. He said he would formally request the Senate Preparedness Committee to make an investigation. I replied that if he would document his charges and submit them to the committee that I was confident the committee would consider them on their merits and determine whether an investigation should be made.

At that point, I wrote a memorandum to you outlining all of the steps that had been taken. A copy of that memorandum, plus a partial transcript of my conversations with Westbrook on February 7th and 8th, plus a copy of the memorandum that Westbrook wrote for his attorney, in which he stated that I had arranged an appointment with Gumbel, are the only memoranda that Walter has been able to find in the files. I believe there is a transcript somewhere of my conversation with Larson, but so far it has not turned up.

(7) That was the last contact that I had with Westbrook involving tungsten. I have only seen him once since then and that was in the lobby of the Hilton Hotel in Chicago where we merely exchanged greetings.

(8) From the New York Herald Tribune story, which Walter read to me this morning, it appears that Westbrook finally consummated the tungsten deal this September - - 7 months after the last contact we had

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with him and 11 or 12 months after our last contact with any federal agency. Presumably he was fired by Steven Mitchell on two grounds: (1) that he was entitled to a 5% commission on all the tungsten sold by the Portuguese company "Atlantica" which he and Pulverman organized but which was headed by a Portuguese nationale, and (2) that he signed the contract after he became a member of the Democratic Committee.

(9) Either on the same day that Westbrook came to see me, or on the following day, an American nationale of Portuguese origin named Silva, who lives in Joe Martin's district, came to me with a similar problem. He said that he had 90 tons of tungsten ready to sell to the United States and that a Captain Maul of GSA was all ready to buy it when somebody intervened from above and prevented consummation of the deal. Since the amount involved was relatively small, I told him to state the facts in a letter to the committee and we would see what consideration they merited.

I have seen Silva once or twice since that time, but the conversations were trivial and I cannot recall details. However, Bryant tells me that he entered the office about 10 days ago complaining again that he was getting a run-a-round. Consequently, Bryant sent Devlin and McGillicuddy over to GSA and they have been actively investigating Silva's complaint. They were told that Silva's tungsten was not up to specifications and that GSA had cancelled their contract with him because Westbrook's firm was offering enough tungsten to supply all of GSA's requirements and that they were happy with the proposition.

(10) As the attached clipping states, Larson apparently has cancelled the contract with Westbrook and there has been no loss to the government since money was to be paid only upon delivery of tungsten. Apparently Westbrook has not delivered any tungsten.

(11) In the Herald Tribune story that Walter read to me, Westbrook was quoted as saying that this was all part of a scheme by Wilson to deliver votes and that he was "going to ask the Senate Preparedness Committee to investigate the whole situation."

RECOMMENDATIONS:

1. That if questioned on this point you merely state that we will consider any charges brought to us by Colonel Westbrook on their merits and decide whether an investigation is warranted.

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2. That in case we are questioned about any connections we may have had with Westbrook that we merely state the facts, which I do not think are damaging, in that we arranged two appointments for him at a time when he was not a member of the Democratic National Committee and at a time when there was a crucial need for tungsten and he seemed to be holding out a major source of supply.

this

3. At ~~the~~ time I don't think we should say anything that would indicate a belief in Westbrook's guilt since it certainly isn't established on the basis of the present facts. He was fired on what appeared to be rather technical points, and even his 5% commission doesn't seem particularly reprehensible in view of the fact that he and Pulverman actually organized the Atlantica company. Personally, I think Mitchell may have acted too hastily and certainly the firing of Westbrook will hurt the Democratic Party. Of course, we do not know what Westbrook has been doing on the tungsten deal since last February, and it may be that a further investigation will show that he really put some influence into the picture. Until that time, however, I think we should decline to comment on his possible guilt and state we don't know the details.

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Mac Razor with AF called me and wanted to know if the committee would investigate Westbrook's charges. I told him that naturally if any charges were submitted to the committee they would be considered in the usual manner by the members who will determine whether there should be an investigation.

February 8, 1952

George, I was right about what has happened. On Tuesday at the behest of the Munitions Board, EPS stopped buying tungsten for the stockpile -- they are not buying for future delivery. They are not making a contract for future delivery.

There is something pretty lousy about that thing. We are going to document it early next week and want to take it up with Lyndon. We would like to discuss the documentation with you before we take it up with Lyndon because you have been in on the whole thing.

They ^{won't} ~~won't~~ encourage one pound over the present production of what it is in peace time because of that policy. Any steps -- policy -- that they follow that doesn't encourage it -- merely discourages it -- I think would be terrible.

(G) Yes, that is terrible.

I think we should talk to Lyndon and let him talk to Jack Small. If they get our contract or any other similar one in Portugal, we will increase the production in tungsten not only for the immediate purpose but for all time.

I am quite sure some of the people who are fighting it got to somebody and sold them a bill of goods. EPS had agreed to this contract the latter part of December. This fellow Mooney has been ~~to~~ the instigation of some of these people -- has been putting us off and putting us off and I think we will have to go to Small about it.

(G) Give me a call next week after you get it documented.

If we may, we would like to discuss it with you and then make an appointment with Lyndon and just lay the whole thing before him. You will be hearing from us on Monday.

February 7, 1952

The thing has been so described by the Embassy over there. What they have had over there is a damned outrage and the man's behavior is completely inexcusable. They have promised that they will come up with something today -- that has been going on for thirty days -- there is no question about the acceptability of these functions to the Portuguese companies. The Commercial Attache went down with us to talk to Lane (?) about it. They made it absolutely clear that the Portuguese Government not only approved the question but the people who were trying to do it.

It is an inexplicable thing. I know Lane(?) is trying to handle it and I think Walsh is. Mooney is backed by somebody higher up. Wilson and this Paris group have had designs on the strategic group as a whole. It is a conspiracy to make a whole lot of money out of it.

(G) They haven't given you a definite answer one way or another?

Bausende Larson went over there and said nothing would be done. ~~Manosco~~ (?) never could. He doesn't know anything about it. I know that at the time I left there, there was only 50 tons being produced. The whole thing is beginning to have a very bad odor.

I suppose the best thing to do is just wait and see what happens this afternoon. I don't want to get into a controversy involving somebody in the Administration in my position with the Democratic Committee. I may have to resign from that.

(G) I thought it over very carefully. It might look peculiar if I were to call them at this point. I have to stay very strictly within the proprieties.

We wouldn't have gone into it after the brush-off we got if it hadn't been for the encouragement we got on the tungsten situation.

They are getting no production than they would get normally for peace times. We will see what happens today and I will begin to document the thing to talk to Lyndon about it.

(G) That is the proper way to handle it -- get the whole thing documented.

At 2:30 this afternoon Hill, our attorney, and I are going to call them and ask for a showdown. I will call you later about it.

1911 R St., N. W.,
Washington 9, D. C.,
December 19, 1951.

Captain H. S. Maull, Jr.,
Emergency Procurement Service,
7th & D Sts., S. W.,
Washington, D. C.

Dear Captain Maull:

Within a few days I shall present to you a revised proposal for the sale of wolframite on behalf of Companhia Atlantica de Desenvolvimento e Exploracao de Minas of Lisbon, Portugal. Preliminary to this proposal I take the liberty of submitting to you for your consideration certain general information relative to the production and marketing of wolframite in Portugal which I obtained during my five weeks' visit to that country. It is hoped that information will be of broad interest to you and, also, that it will be useful in evaluating our proposal when it is submitted.

1. Present and Potential Production. Current production of wolframite in Portugal is at the rate of approximately 3600 tons per annum. (Export licenses for the first ten months of this year aggregate 3000 tons.) Potential production is undoubtedly in the neighborhood of 10000 tons. In 1943 the officially reported production was 7477 tons. Informed estimates of unreported production smuggled out of the country during that year run from 2000 to 3000 tons. The existing great lag between actual and potential production may be ascribed to two major factors, the first of these being the uncertainty of the future market and the second the Portuguese Government export tax of \$19.51 per ton, almost one-third of the present ceiling price.

Of these two factors the absence of a dependable future market is unquestionably the most important. Current annual production is only about 20% greater than it was during the peace-time years of 1947-48, although prices for these years were in the range of only \$28.00 to \$30.00 per ton. According to the best informed opinion in Portugal, even quite substantial increases in spot prices over the current ceiling of \$85.00 would have only a slight effect on production.

Examination of the situation reveals that nearly all the current production comes from a very few large producers whose production costs are low enough to permit them to operate profitably at near capacity under normal peace-time conditions. The smaller producers, from whom any substantial increase in production must come, can not produce at less than from \$10.00 to \$15.00 per ton over normal peace-time prices.

2. The Existing Situation. The following conclusions are based upon inspections of mining properties, conferences with their owners and consultations with Portuguese mining engineers, wolframite dealers, bankers and Government officials. I found them to be substantially agreed to by competent Portuguese authorities, as well as by our own Embassy.

a. Any important increase in wolframite production in Portugal must come from small mines which have a potential capacity of from two to fifteen tons per month, and which are definitely marginal under normal peace-time conditions.

b. In order for these small mines to expand their operations above present levels, they must invest in additional equipment and provide adequate assurances of continuous employment for the required labor force.

c. The existing policy of spot purchasing through normal dealer channels does not provide these small mines with the protection necessary to justify their making the expenditures for expansion referred to in (b) above. Although they admittedly could make a good profit selling at the ceiling of \$35.00 which has been paid for most spot purchases during the current year, they do not, of course, know how long such a price will prevail, and they do know that they would lose their investment if they had to sell at average peace-time prices. Consequently, production from these potential producers is now negligible, as is shown by current production figures. The proposed new international agreement would not help unless the guaranteed floor price should be somewhere in the neighborhood of the present spot price.

d. Not only does the existing policy of preferred prices for spot purchases fail to provide incentive to producers for increased production, but it is said by the producers themselves to seriously interfere with their present operations. They claim that competing dealers, although paying up to the maximum allowed under the established ceiling price, frequently give rival producers other inducements which make the actual price paid considerably greater than the ceiling. They say that this practice causes a constant shifting of pilaffs (piece workers) from one producer to another, thereby disrupting individual production schedules and preventing the orderly carrying out of operating plans. It is assumed that the dealers for their part are similarly compensated above the ceiling price by the private purchasers to whom they sell. It is rumored that the Bensande organization, which is general agent in Portugal for Morris Automobiles, has adopted a program under which its Morris dealers in the mining areas will purchase wolframite at ceiling prices plus

concessions in the price of automobiles sold to the producers concerned. In addition to causing confusion among producers, this practice obviously would make the ceiling price established by international agreement of no value whatever.

e. The only feasible way to assure any material increase in the production of wolframite in Portugal is through guaranties to producers of a market for a sufficient part of their product for a sufficient length of time at a sufficient price to enable them to profitably make the investments necessary for expansion. To be effective such guaranties should be in the form of contracts with each producer. It is also essential that contracting producers be protected from the disruptive spot buying practices now being allegedly followed by speculative dealers who accumulate and hoard wolframite for the obvious purpose of disposing of it in tempting quantities at prices higher than established ceilings.

f. The United States, being by far the largest consumer of wolframite, and the United States Government being better able financially than any other country to undertake forward commitments for its purchase, is the logical agency to provide the guaranties referred to.

g. Since it would be manifestly impracticable for the United States Government to enter into individual contracts with large numbers of small producers in Portugal, it is desirable to have such contracts executed with a Portuguese company, organized for this purpose, which would be able to enter into a single contract with the United States Government for delivery of the aggregate quantities obtained from each of the producers concerned.

3. Companhia Atlantica de Desenvolvimento e Exploracao de Minas, as reorganized according to my recommendations, adequately fulfills the requirements for the Portuguese company referred to. This revised organization and operating plan have been fully discussed with Ambassador McVeagh and his aides, and it is believed that he is prepared to indicate his approval of the new set-up.

Very truly yours,

Lawrence Westbrook.

W/mt

1911 R Street, N. W.
Washington 9, D. C.
October 31, 1951

MEMORANDUM FOR BARNES & HILL

Subject: The Portugese Tungsten Situation

1. The purpose of this memorandum is to supplement the information already furnished you with respect to the efforts of the writer and his partner, Mr. Heinz Pulvermann of Rye, New York, acting on behalf of a group of Portugese Mining Companies, to negotiate a contract for the sale of 4800 tons of wolframite (tungsten ore) to the United States Government. A copy of the Twenty-Seventh Report of the Preparedness Subcommittee of the Senate Committee on Armed Services dealing with the question of tungsten demands and supply is attached.

2. According to the Preparedness Subcommittee's report, tungsten, the hardest metal made use of by man and having the highest melting temperature ($3410^{\circ} \pm 20^{\circ}$ Centigrade), is one of the most essential metals for the prosecution of modern war. An idea of its importance in the production of munitions may be obtained from consideration of the fact that, whereas consumption of tungsten in the United States in the post-war years of 1946 - 49 was less than 90 pounds to each 1000 tons of steel produced in the United States, during World War II tungsten consumption was more than 200 pounds per 1000 tons of steel. Consumption under the existing defense program is, or should be, a military secret, but such factors as the invention of new types of armor-piercing shell, the vastly increased use of jet-powered aircraft and other equipment requiring steel of extreme hardness and temperature and acid resistance have beyond question considerably increased proportionate as well as absolute requirements.

Not only has the cold war with Russia and China vastly increased requirements of tungsten for use in the United States, but the fact that more than half the world production comes from Asia and Soviet Russia has drastically curtailed supply. Furthermore, the cost of production in Asia and in areas controlled by Russia is so comparatively low that production in other areas, including the United States, is nearly all marginal and would be grossly inadequate to meet even normal peace-time requirements, without the incentive of high prices

or subsidies. The foregoing statements of fact and many others of similar pertinence are clearly set forth and abundantly supported in the Report of the Senate Preparedness Subcommittee.

3. Portugal ranks fourth of countries of the world in the production of tungsten ore. In 1943, out of a total European production of 12,000 tons, Portugal produced 7500--62-1/2%. Portugese mining of tungsten, however, is extremely primitive, being carried on in large part by numerous small companies with little or no mechanical equipment. Individual miners and their families are said to account for a substantial part of production. In spite of the abundance of ore, mining costs are relatively high, due to lack of equipment and to inefficient operating methods.

The 7500 ton production level of 1943 was achieved only because of the very high prices engendered by competition between German and Allied buyers. The nature of this competition was such that there are no reliable records of prices actually paid, but, in comparison with prewar experience, they were fantastic. The Allies and the Germans bid prices up, not only to fulfill their own heavy requirements, but to prevent each other from obtaining the precious ore. Under these conditions, it is understood from reliable Portugese sources that production that year was actually much greater than the officially stated 7500 tons - probably 10,000 tons or more.

For a brief period there was undreamed-of prosperity among Portugese mine owners,- miners and dealers in tungsten. Speculation in tungsten ore became everybody's favorite road to riches. Then, with the cutting off of Germany from the market in 1944, and the end of the war in 1945, the bubble burst. Many mining companies and dealers were ruined. Miners turned to other occupations. The industry, which had never been organized on an efficient basis, practically fell to pieces. Production dropped to 4000 tons in 1944. In 1945 it was so small as not to be officially estimated. Even with the advance in prices from less than \$20.00 to more than \$60.00 per unit since the beginning of the Korean war, production estimates (based upon exports for the first half of 1951) are still only slightly more than 3000 tons per annum. The industry is still sadly disorganized and inefficient; mining companies, miners and financial backers, recalling their recent sad experience, are afraid to commit themselves to a program of expansion. There is no dependable market for tungsten ore in

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Portugal today. Most of the production is purchased in small quantities by speculative dealers at varying prices and sold to the highest bidders.

4. In June of this year, the writer's partner, Mr. Heinz Pulvermann of Rye, New York, who was formerly head of the largest group of lignite mines in Europe, was requested by a group of wolframite (tungsten ore) mining companies in Portugal to advise them relative to the rehabilitation of their properties and the expansion of their operations. As a result of his visit to Portugal for this purpose, Mr. Pulvermann and the writer were engaged to develop an organization of Portuguese producers of wolframite and tin for the purpose of consolidating production and sales, and of improving methods of operation. As compensation for our services it was agreed that we should be granted exclusive sales rights for the products of the affiliated companies in the United States, Germany, France and Switzerland.

In his preliminary investigations in Portugal last June Mr. Pulvermann quickly discovered the deplorable condition of the wolframite mining industry as set forth in paragraph 3 of this memorandum. It was inescapable that no program of rehabilitation and expansion could be successfully undertaken unless reasonable assurances of a continuing market for at least two or three years could be provided. As a first step towards obtaining such a market, Mr. Pulvermann obtained from a group of producers a conditional option for the sale of from 1000 to 3000 short tons of wolframite to be delivered within two years. Early in July he returned to the United States and, together with the writer, attempted to enter into negotiations with GSA on the basis of this option.

At first the representatives of GSA, to whom we were referred, declined to discuss the matter, saying that they had no interest in long term contracts for wolframite, and that any spot sales would have to be made through their exclusive agent for the Iberian Peninsular, Messers, Bensaude and Company of Lisbon. At about this time, however, the Preparedness Subcommittee of the Senate Armed Services Committee issued its report on tungsten stockpiling, pointing out the alarming deficiency of supplies of the metal in the United States and severely criticizing previously existing methods of procurement.

The writer thereupon got in touch with Senator Johnson's

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office and was referred to Mr. George Reedy of the Subcommittee Staff. Mr. Pulvermann and I explained to Mr. Reedy the possibilities of obtaining imported additional quantities of wolframite in Portugal and showed him the option from Portuguese producers. Mr. Reedy expressed amazement that a proposal of this nature should have been brushed off without consideration, and arranged for Mr. Pulvermann and me to see Mr. Irving Gumbel, Assistant Administrator of GSA in charge of Defense Coordination. After two conferences with Mr. Gumbel, he said he thought that, provided a firm offer could be submitted on behalf of the mines represented by us and reasonable assurances of delivery afforded, direct negotiation might be entered into with GSA. This arrangement was strongly opposed by Gen. Tom B. Wilson, adviser on strategic materials, to Mr. Larson, who insisted that all negotiations should be carried on through Bensaude and Company. Mr. Pulvermann and I could not, of course, assume to prescribe the manner in which GSA might conduct negotiations, but Mr. Pulvermann was skeptical that a contract satisfactory to the producers whom we represented could be entered into through Bensaude and Company because these producers apparently thought there would be "more than one slip between the cup and the lip" under such arrangements.

5. After discussing this aspect of the matter with Mr. Reedy, who said that he felt that a valid offer from actual producers of the quantity of wolframite involved would unquestionably merit direct negotiations with responsible procurement officers of the United States Government, Mr. Pulvermann returned to Portugal for the purpose of obtaining firm commitments and organizing a Portuguese company competent to carry them out.

Mr. Pulvermann and the writer agreed that the officers and directors of this company should be men of recognized personal standing and reputation, familiar with the wolframite mining industry and, having the respect and confidence of the Portuguese Government; and that the company itself should be sufficiently strong financially so that, with firm commitments from participating mining companies, compliance with any contract entered into with the United States Government would be reasonably assured.

With these criteria as his guide, Mr. Pulvermann set out with his Portuguese friends to perfect the organization of such a company. This company, Companhia de Desenvolvimento e

Atlantica

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Exploracao de Minas, was formally incorporated on August 21, 1951 with a provisional capital of 1,000,000 escudos. Among the officers and directors of the company were the following prominent Portuguese citizens:

a. President, Dr. Celestino Soares; formerly Governor of Portalegre; in 1941 organizer and manager of Companhia Portuguesa de Minas which was the principal supplier of wolframite and tin to the war-time British purchasing organization, the United Kingdom Commercial Corporation; and in 1944 General Agent of the United States Purchasing Mission in Lisbon.

b. President of the Board of Auditors, General Barros Rodrigues, Chief of Staff of the Portuguese Army.

c. Director, Sr. Arrochela Lobo; Commissioner General of Unemployment of the Portuguese Government.

d. Director in Charge of Mining Operations, Dr. Teixeira Queiroz; President of Fomento Nacional de Industria, Portugal's leading tin producer.

e. Chief Engineer, Sr. Lopes da Silva; Chief Engineer to the International Commission for Enemy Property in Portugal.

Ten mining companies producing wolframite were listed as participating companies, with which contracts for delivery of wolframite had been, or were in course of being, negotiated.

On September 13, upon authority of the Board of Directors of Atlantica (our Portuguese company), the writer sent a letter to Honorable Jess Larson, Administrator of GSA, advising him of the organization of the company, the names and backgrounds of its officers and of the participating mining companies; stating that the company was ready to proceed with negotiations for the sale of 4800 tons of wolframite to the United States Government over a period of three years, and requesting a conference for discussion of this proposal. On September 21 the writer received a letter from Honorable A. J. Walsh, Commissioner of the Emergency Procurement Service, to whom Mr. Larson had referred my letter of September 13. In this letter Mr. Walsh stated that our proposal was receiving consideration, and that "appropriate action was being taken to confirm the information" furnished by this writer.

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Mr. Pulvermann had previously reported to me that, in the course of his activities in organizing the new company, he had found considerable evidence of strong, under-cover efforts on the part of Bensaude and Company (the Agent of GSA in Portugal) to prevent the organization of the company and to prevent the Portuguese Mining Companies from dealing directly with the United States Government. A Mr. Kelsey of the ECA office in Lisbon had told Mr. Pulvermann that he understood that Dr. Soares, who was a leading figure in the new organization, had been convicted of embezzling government funds, in 1922, had served a term in prison, and had been guilty of other scandalous conduct. Mr. Pulvermann thoroughly investigated these charges, and found them to be completely false, obtaining statements from the Portuguese Government and other sources, photostatic copies of which I have furnished you. Other evidence of Bensaude opposition was financial pressure brought upon prospective stockholders in the new company and the circulation of rumors and press reports that Bensaude and Company was the sole agent for the United States in Portugal in connection with wolframite, with the implication that no proposals not handled through Bensaude would receive consideration in the United States.

Although the charges against Dr. Soares were manifestly false, as evidenced by documentary evidence obtained by Mr. Pulvermann and amply attested by the confidence and support of General Rodrigues, Chief of Staff of the Portuguese Army, Senor Lobo, Commissioner General of Unemployment and other leading figures in Portuguese official and business life as hereinbefore indicated, the writer was fearful that, because of the official designation of Bensaude and Company as agent for the United States in Portugal, any report that Mr. Walsh might receive about Atlantica would be colored by the Bensaude influence, unless a full and careful investigation should be made by our Embassy. For this reason the writer, after having received Mr. Walsh's letter of September 21, immediately wrote him giving the details of the activities in opposition to the organization of Atlantica, and urging the most careful checking of any reports that might be sent him. In a telephone call to Mr. Walsh the writer gave him Mr. Pulvermann's address in Lisbon, and asked him to have his investigators talk to Mr. Pulvermann.

On September 30 the writer telephoned Mr. Pulvermann in Lisbon, told him of the investigation supposedly being conducted by Mr. Walsh. He said that neither he nor any of the officers

Atlantica's

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had been approached by any one seeking information about Atlantica. The writer told Mr. Pulvermann to get in touch with the United States Embassy at once to find out what was being done and also to ascertain whether inquiries had been made of the Portugese Ministry of Commerce or Bureau of Mines.

On October 2 Mr. Pulvermann telephoned the writer from Lisbon giving an account of an interview he had had that day with Mr. Bartley Richards, Commercial Attache' of our Embassy, and Mr. Kelsey of ECA. Mr. Richards told Mr. Pulvermann that Mr. Kelsey prepared a report on Atlantica for Mr. Walsh and that it would be sent forward that night. Mr. Pulvermann told Mr. Richards that neither Mr. Kelsey nor any one representing him had approached him (Mr. Pulvermann) or any official connected with Atlantica, and that he had been advised by the Portugese Ministry of Commerce and the Bureau of Mines that neither of them had been approached in this connection. Mr. Pulvermann thereupon made a formal protest that the report be withheld until representatives of Atlantica could be heard.

Mr. Richards then sent for Mr. Kelsey, who angrily repeated his previous charges against Dr. Soares, said that certain statements in the writer's letter of September 13 were lies, and that Atlantica's proposal had been turned down without further discussion. Upon Mr. Pulvermann's rejection of Mr. Kelsey's statements and renewal of his protest, Mr. Richards said that Mr. Kelsey's report would not be sent forward, and that he, himself, would continue the investigation. Since that time Mr. Pulvermann has furnished Mr. Richards full information in refutation of Mr. Kelsey's charges, and has been received and given most courteous attention by Mr. Richards.

Your own files will disclose the results of conferences held by Mr. Hill and the writer with Capt. Maull and Mr. Mooney of Emergency Procurement Services. Although Capt. Maull has been most courteous and has indicated that recent reports from our Embassy in Lisbon have not substantiated Mr. Kelsey's charges and statements, negotiations are still suspended. The responsible officers of Atlantica, which has requested neither cash nor credit from the United States Government, are not able to understand why their proposal is not being considered.

The writer is not able to understand either, and, as you were advised this morning, it is his intention to fly to Lisbon next week to try to find out what is behind all this nonsense.

Lawrence Westbrook

MEMORANDUM

February 6, 1952

TO : Senator Johnson
FROM: George Reedy

Approximately four or five days after the issuance of the Committee's report on tungsten on July 5, 1951, I was contacted by Colonel Westbrook and Dr. Heinz Pulvermann. They told me that they were in a position to organize a number of Portuguese companies which could sell a considerable amount of tungsten to the United States that would not be available without the type of organization they were proposing. However, they said they had approached General Services Administration and had received a distinct brush-off.

I sent them to Larry Sherfy who discussed the proposal and told me that it appeared to have considerable merit. Therefore I arranged an appointment for them with A. J. Walsh, head of the Emergency Procurement Service of GSA.

Walsh called me after his talk with Westbrook and Pulvermann and seemed highly enthusiastic over their proposition. I distinctly recall his telling me that he believed that they had been given a "brush-off" only because they had run into some minor official at GSA.

Late in September or early in October Westbrook again came to me and said that despite Walsh's endorsement he was unable to get any definite yes or no answer from GSA on his proposition and was unable to see any high officials of the organization. I called Larson who said he would be willing to talk to Westbrook. In my conversation with Larson I stressed heavily that this office was only requesting an appointment and had absolutely no position on whether Westbrook's tungsten should, or should not, be bought.

Colonel Westbrook has maintained sporadic contacts with me as to the progress of his negotiations but the above is the extent of the service that has been performed.