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Belgium

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DEPARTMENT OF STATE
WASHINGTON

January 29, 1938

My dear Mr. President:

You will recall that in April 1937 the Governments of France and of the United Kingdom requested Mr. Paul Van Zeeland to undertake a mission of inquiry into the possibility of obtaining a general reduction of quotas and other obstacles to international trade.

On January 6, 1938, Mr. Van Zeeland made his report to these Governments and through the Belgian Foreign Office delivered a copy to the Embassy in Brussels with the request that inasmuch as the United States is a party to the Tripartite Declaration of September 26, 1936, it be transmitted to you. In accordance with this request I am enclosing herewith copy of Mr. Van Zeeland's report as it has been received by the Department over the cables. There may be, therefore, slight inaccuracies
of

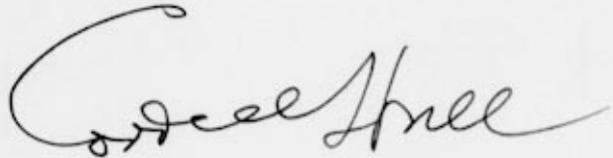
The President

The White House.

- 2 -

of text therein. I am also enclosing, as of possible interest, a summary of the recommendations of the Van Zeeland report which has been made in this Department.

Faithfully yours,

A handwritten signature in cursive script, appearing to read "Cordell Hull". The signature is written in dark ink and is positioned to the right of the typed name "Cordell Hull".

Enclosures:

Mr. Van Zeeland's report.

Summary.

Department of State

BUREAU } EA
DIVISION }

ENCLOSURE

TO

Letter drafted

ADDRESSED TO

.....**THE PRESIDENT**.....

CONFIDENTIAL UNTIL PUBLISHED IN THE MORNING NEWSPAPERS OF
FRIDAY, JANUARY 28, 1938.

CAUTION The following unofficial text of a report made on January 26, 1938, to various European countries by Mr. Paul Van Zeeland of Belgium is made available to the press in Washington. This is not an American Government document and the accuracy of the text is not guaranteed. Mr. Van Zeeland is making the document available to the European press on Thursday evening, January 27 for publication in the morning papers of Friday, January 28.

I. First part. Introductory.

A. Terms of reference.

In a communication dated 3 April 1937, the Governments of France and of the United Kingdom did me the honor of entrusting me with a mission consisting, to quote the text, of "an inquiry into the possibility of obtaining a general reduction of quotas and of other obstacles to international trade."

In compliance with the terms of this mandate, I have collected the information and suggestions which form the body of this report.

B. Preliminary question: International economic collaboration or autarchy?

At first sight, it would seem that a task of this kind assumes that one preliminary question is already settled, viz., is it a useful thing to develop international trade? Or, in other words, "Are the methods, which, taken as a whole, form the system of international trade, fundamentally preferable to those autarchic tendencies, which, in varying degrees, have inspired either new theories, or a series of practical measures taken in numerous places?"

In my opinion, there can be no doubt whatever as to the reply. It is the reply which follows from our experience of the crisis as well as from our experience of the period subsequent to the crisis.

The isolated, divergent and contradictory measures by which the nations, in the first period of the late crisis, attempted to protect themselves against it, and push off the burden on to their neighbors, have only served to precipitate it and to render it yet more grievous for all.

No country was able to escape the crisis, whatsoever may have been its means, its resources, or the degree of "self support" which it had reached or retained.

In certain large markets, international trade only constitutes a small portion--sometimes less than ten percent--of their total economic activity. Yet these countries were just as sensitive as any other to the international movements, both of crisis and of recovery.

This does not mean that a state has only to allow itself to drift with the general current in order to find prosperity. Here, too, the examples are clear: they show that it is necessary to row and to steer skillfully even to utilize and to follow the line of favorable currents.

But it does mean that no country can avoid being influenced by general movements of the international economy, whether for good or for evil.

Must we conclude then that autarchy is unattainable? Theoretically, no. It is evident that autarchy is out of the question except in a large national market, dominated by an exceptionally powerful central authority. If a country, which fulfills these conditions, wished, at any price, to isolate itself from the rest of the world--economically, financially, monetarily--it could do so, at any rate to a very large extent, as the existing technique would probably enable it to do so.

But that is not the question. It is rather a matter of knowing whether such regime--theoretically possible--would in fact be better than the other; or in other terms, what is the price which would have to be paid for its realization?

Such a regime involves--as its definition almost implies--an increase in the real cost of living, that is to say, a lowering of the standard of life of the population concerned. International economic life is founded on exchanges, which only start or continue if the two parties find them to their advantage. Artificially to interrupt these currents is to deprive the country concerned of that advantage. More effort must be made in order to achieve the same result, or rather the result will probably be less, whatever may be the effort.

In several old countries with dense populations, it is even doubtful whether under autarchy the present population could continue to live, to whatsoever level of existence it might resign itself; the regime, if it were pushed to extremes would in the long run be liable to result automatically in a reduction in the number of the population.

What has been demonstrated, however, by a whole series of attempts in the direction of greater economic independence, is the elasticity of the home market. Perhaps the absolute importance of the international market had, in certain cases, been exaggerated. Whether that be so or not, its relative importance appears today to be as great as ever; its marginal influence is real and powerful; whatever may be the role of the home market, the fostering of international trade must remain an element of capital importance for economic prosperity within the national frontiers.

C. Results of the first tentative inquiries.

We must assume that these views are, in the long run, shared practically unanimously by all statesmen of the present day. In fact, the preliminary consultations which I undertook enabled me to ascertain that everywhere the mission with which I had been entrusted would meet with a most sympathetic reception.

As regards the principle of collaboration in order to reduce the obstacles to international economic relations, not a single discordant voice was heard.

The attitude adopted in all the capitals has been so sympathetic that it revealed something more than a mere polite, but platonic interest; it took the form of an active interest in an effort the results of which could not fail to be beneficial.

But if this first reception was thus far encouraging, the positive reactions, which I was able to record, were less so. I was anxious to elicit some concrete suggestions and to collect some practical proposals in order to place them side by side, to compare them, and to evolve from them the rudiments of a general solution. I could not but note, however, that when once the first and eminently favorable stage had been passed, the attitude, almost everywhere, became qualified by a very marked reserve. It seemed that nobody wanted to commit himself to advance in any direction, before being certain that the path had been taken, or that, at any rate, it had been mapped out by several others.

Besides, it must be recognized that the numerous and diverse problems, which a return to better international collaboration is bound to raise, are closely inter-related; in most of these problems, practical solutions can only be conceived in connection with their counterparts in other directions. One can understand that statesmen hesitate to take a step forward without knowing whether others will make their contribution, and if so, in what form. So, the first conclusion, which immediately emerges, is that we find ourselves confronted with a general problem which equally demands a general solution.

The following, therefore, is the general impression, which I gathered in the course of a large number of contacts:

On the one hand, every possible interest, evident good will, a definite desire to collaborate in a general action directed towards the development of international trade;

On the other hand, very great reserve as soon as it comes to the question of actually embarking upon the stage of practical solutions.

However, initiatives have been taken which emphasize the general will to advance in the direction indicated; and constructive suggestions have been made, for instance,

by

by the Economic Committee of the League of Nations during its session in June-September, 1937; by the International Chamber of Commerce, in its Congress at Berlin in June-July, 1937; by the committee appointed by the League of Nations to study the problem of raw materials in its report dated September, 1937; et cetera.

Besides, a whole series of suggestions or of interesting and helpful ideas have been submitted to us in the course of our many conversations both semi-official and private.

If one takes account of all the numerous elements, then it seems possible, with some chance of success, to attempt to take action in the direction of international collaboration.

I have done my best, therefore, to collect a statement of proposals or suggestions which, if applied as a whole, would, in my opinion, be of such a nature as to guarantee a fresh impetus to international economic relations, and which, in the long run, would provide indubitable benefits to those national economies which would accept the program.

II. Second part.

The principal direct obstacles in the way of international trade and the means for reducing them.

The factors which most seriously prejudice international trade are to be found, some in the economic sphere properly so-called and some in the financial sphere.

Among the former, I shall concentrate on three, viz tariffs, methods of indirect protection, quotas.

Among the latter, I shall refer to sudden and excessive exchange variations, hindrances to capital movements, and restrictions on payment.

I shall examine in turn each of these points, and I shall try to find the methods by which it would be possible to reduce the obstacles which they present to international relations.

A. Economic sphere.

One. Tariffs.

(a) The existence of a general tariff is not in itself to be included in a list of the most serious obstacles to international trade. The average incidence of a tariff taken as a whole has its repercussion on internal prices and especially on the cost of production; little by little, it is absorbed therein. In this way, at the end of a certain time, a sufficient degree of equality of competition is established between home and foreign producers.

But there are certain characteristics which produce in the case of customs duties such harmful effects that they constitute a serious, and in some cases an insurmountable, obstacle to international transactions.

We must observe, first of all, that the argument set out above applies only in cases where a tariff has existed long enough for its incidence to have become absorbed in internal prices. During the whole intermediate period, the duties undoubtedly act as a kind of brake, the force of which gradually lessens but which in the meanwhile is liable to interrupt or disturb normal or regular commercial currents.

On the other hand, the diminution of the harmful effects of a tariff taken in its entirety does not extend to the damage caused by duties the amount of which is considerably more than the average incidence of the tariff; these, indeed, constitute a real and permanent measure of protection in the degree in which they exceed the average level of the tariff.

For example, let us take the instance of a tariff, the average incidence of which is ten percent: products, in the case of which there is an import duty of one hundred percent, will be effectively and permanently protected to the extent of ninety percent. It is clear that duties of this kind must be regarded as real obstacles to trade.

Finally,

Finally, there are tariffs which are applied to such numerous categories of goods, or which have so heavy an effective incidence, or which are so complicated that they constitute, by their very nature, a real hindrance to international transactions.

(b) What means are there of improving this state of things?

There is no doubt that a general movement for the reduction of tariff duties would acquire a symbolic significance, and would thus have a powerful moral effect. Unfortunately we are bound to recognize that a gesture of this kind, however desirable it might be, does not at present come within the range of possibility.

But if a policy, consisting from now onward in a progressive reduction of tariff duties, cannot be entertained in actual conditions, other measures could be applied which would suffice to achieve the object at which we are aiming within the limits of a more modest but more flexible plan.

It would be necessary and it would be sufficient for governments to undertake on the one hand not to raise nor to widen the range of their tariffs and, on the other, to carry out a gradual reduction of such duties as are of an exceptional character and the amount of which is notably greater than the average incidence of the tariff. Such transition could moreover be embodied in the most easily adaptable forms, if necessary even in parallel declarations.

It would be desirable that another undertaking should be given, of a different character, covering the suppression of duties or taxes, prohibitions or restrictions affecting the export of raw materials.

Such undertakings are not of such a kind as to revolutionize existing situations. Moreover, they could be accompanied by detailed arrangements which would cover the necessary transition stages. The undertaking to file down the sharp points of a tariff could be spread over a certain number of years; the level finally reached could be allowed to remain above the average rate of the tariff, provided that the excess over the average did not, in point of fact, retain its prohibitive character. Finally, the suppression of restrictive measures with regard to exports need not imply the complete suppression of duties, so long as their effect did not in any way injure the general economic interests of importers.

But side by side with such undertakings of a general character, it appears that, in the present state of affairs, the negotiation of bilateral commercial agreements, based on the most-favored-nation clause, remains one of the most efficacious methods for reducing tariff barriers.

The method has recently been consistently applied by certain countries and it has produced indisputable results.

For instance, no one would underestimate the effect which would be produced--either directly, in its reaction on the two national economies concerned, or indirectly, in

its repercussion on the whole world by the conclusion, in a spirit of international collaboration, of a commercial agreement covering a wide range, between the two great Anglo-Saxon communities.

On the other hand, the most-favored-nation clause, in the form in which it has been conceived and applied in the years following the war, has often acted, not as a factor in reducing tariff barriers, but as a supplementary element of rigidity in this sphere. In order that the clause may completely recover its favorable influence, more respect should be paid to the spirit which originally inspired it. In this connection, among the observations which have been laid before us, there are some which seem to be particularly well founded, and which it would be opportune to adopt in future agreements. These observations can be summed up as follows:

The clause should remain, in principle, general and unconditional;

Nevertheless, there should be provided an exception, allowing its application to be suspended in the case of countries which employ inadmissible discriminations or which refuse to participate in a general effort aiming at the reduction of obstacles to international trade;

Finally, it ought to be drawn in such a way as not to obstruct the conclusion of group agreements or regional pacts, so long as these do not tend to constitute a discriminatory regime, but to lower tariff barriers, and so long as they are open to the accession of all those who are willing to accept the combined obligations and advantages.

Two. Indirect protection.

Under this general heading, it is usual to set out certain practices which constitute formidable hindrances to international trade.

(a) There are a whole series of regulations or of administrative practices which, by a restrictive interpretation or by an abuse of regulations in force, result in excluding certain foreign products. The best known example is the abuse of sanitary regulations, in order completely to close the home market against various agricultural products.

Another method consists in exaggerating the detail of tariffs and in elaborating specification to such a point that the regulations so drawn up are in fact aimed against some individual producer, while deceptively retaining the appearance of being general regulations.

Finally, one must remember how often "dumping" is invoked as a pretext for measures which prove, in fact, to be fatal not only to unfair competition but to all competition from abroad.

(b) It is, of course, right and proper that each country should defend itself energetically against any "dumping" methods. It is also necessary to apply strict

measures

measures of safeguard such as sanitary cordons. And there are cases where, failing sufficiently precise specifications, the wisest and most necessary regulations would be eluded in an improper way.

These reflections serve merely to illustrate the delicate nature of the measures which we are here discussing; but in no degree do they diminish the necessity of removing the hindrances which, in fact, arise from their misuse.

(1) Here, too, it seems that the method of bilateral agreements would, in the circumstances, be the best fitted to produce rapid results, whether it is a question of simplifying and stabilizing customs formalities, or of standardizing the criteria applied in determining the origin or place of shipment of goods as well as the value which serves as basis for the payment of ad valorem duties.

It would be useful, if, in such cases, the negotiators would base themselves upon the international conventions already concluded in this sphere and upon the very detailed studies on these specific points, which have been carried out by the competent organizations and especially by the Economic Committee of the League of Nations and by the International Chamber of Commerce.

(11) However, when it comes to applying the stipulations of commercial treaties, or when we are confronted by one of those unforeseeable cases such as so often arise in business life, then it is desirable also to resort to another more elastic procedure, which reserves to the parties concerned all necessary liberty of action, while preventing abuses. For this purpose, it would be wise to have recourse much more widely to the creation of "joint committees", the opinion of which could be invoked by either of the interested parties if he feels that he has cause for complaint against some unfair practice in the nature of indirect protection.

Further, in cases where this method of conciliation does not succeed, it would be desirable that interested states should undertake to accept the award of an appropriate arbitral body.

There are already arbitral bodies in existence whose good offices it would be easy to utilize for this purpose. Mention may be made among others of the "procedure for friendly settlement between states of differences of an economic character" instituted by resolution of the Council of the League of Nations in 1932 and also the arbitral court of the International Chamber of Commerce.

As regards specifications, in the absence of special reasons, it would be highly desirable not to go beyond the limits laid down in the Geneva nomenclature; it ought, if necessary, to be possible to bring any case going beyond those limits before the arbitral body.

Three. Quotas.

The use of quotas appears from experience to be one

of the most formidable obstacles to the development of international trade. As the years go by their arbitrary and artificial character becomes more and more evident. Even when they have been fixed according to figures which correspond to the level reached during a period of unrestricted trade, they remain harmful because they hinder desirable developments and prevent indispensable adjustments.

(a) In the first place I recommend the suppression of industrial quotas. This proposal does not exclude the possibility of spreading out the measures of suppression over a fairly long period, so that nobody should be taken by surprise. Neither does it exclude the possibility of replacing the quotas either by tariff duties or if absolutely necessary and on a temporary basis by "tariff quotas". This latter method consists of applying to one and the same product a reduced duty for a certain quantity first imported and thereafter a higher rate of duty for quantities imported after the first quota is exhausted.

Further, the suppression of the quotas would not prevent the state concerned from maintaining or from re-establishing whatever measures it might consider effective in order to resist "dumping" methods. In this connection it is impossible to overlook the serious problem constituted by the competition of countries whose standard of living is so much lower than that of their principal competitors that the normal conditions of international competition are thereby distorted; it is conceivable that measures may be necessary, in strictly defined cases, at least in order to give time for the necessary adjustments to take place without occasioning drastic disturbances.

On the other hand, the state which suppresses its quotas appears entitled to demand the reduction or suppression of any duties imposed by other states as a reprisal against such quotas.

Finally, the suppression of quotas by no means implies the suppression of international cartels. Cartel agreements proceed from entirely different conceptions and ought to be treated according to quite different rules. One might if necessary contemplate the maintenance of the quotas necessary to assure the working of such international cartels as conform to the general interest.

(b) As for agricultural quotas, they have often a special character of their own which distinguishes them from the industrial quotas. First of all, there are numerous cases where the seasonal or perishable nature of these agricultural products constitutes a dominating factor; at a given moment, to import unlimited quantities of, for instance, vegetables or fruits would result in the complete ruin of a whole category of national producers. In such cases, the agricultural quotas can be regarded as aiming not so much at a quantitative limitation as at an orderly regulation of imports throughout the year in such a way as to make competition normal.

Besides, the conditions which prevail in agriculture are peculiar. In times of crisis, agricultural production cannot adapt itself to the contraction of demand with

the same elasticity as is possible with industrial production. Often indeed, in order to meet the fall in prices, the agricultural community shows a tendency to increase the volume of its production. A considerable surplus has to find outlets abroad. The number of free markets diminishes. Those which remain then find that they are being swamped because upon them are concentrated all the efforts made to dispose of these products, many of which are perishable and consequently have to be sold quickly and at any price they can fetch. Here, once again, we become aware of the character of reciprocity or of generality, which the solutions contemplated must necessarily present, if we wish them to be practicable or acceptable. In a case of this kind, the abolition of the quotas in question must be undertaken by the states principally interested, practically simultaneously.

To put it shortly, in the agricultural as in the industrial sphere, the tendency should be in the direction of suppression or reduction of quotas. At any rate, agreement ought to be reached that no new quotas should be imposed, and that no existing quotas should be tightened up. At the same time certain reservations are required in the case of agricultural quotas; quotas affecting seasonal or perishable products might be retained, but they should be made more flexible with a view to spreading importations over appropriate periods and not to restricting them absolutely; further, it might happen that in exceptional circumstances, in order to take account of the conditions peculiar to agricultural production, particularly the difficulty of restricting production at a given moment, transitional measures might prove necessary and proper, pending a fundamental solution of the problem of production.

B. Financial sphere.

Of all obstacles to international trade there are none more harmful and more formidable than those which arise either from monetary disturbances or from restrictions regarding the transfer of capital or of commercial payments.

One. The obstacles.

(a) Sudden or violent variations in the mutual relation of currencies run the risk of interrupting the normal currents of trade and causing financial movements along abnormal channels (hot money) at any rate during the period while internal prices are adapting themselves to the new monetary parity. Uncertainty in this sphere is a very grave impediment to the conclusion of business operations over any protracted period, as well as of the credit operations necessary for their normal execution.

(b) Restrictions regarding the transfer of funds, even when they are limited to movements of a financial character, deprive international trade of the essential assistance of credit facilities whether on short, middle or long term, without which such trade cannot develop fully and with certainty.

But these difficulties, real and serious as they are, appear slight in comparison with those which arise from

prohibitions

prohibitions and restrictions of commercial payments. These introduce into international economic relations an element of absolute rigidity, which renders impossible most of the spontaneous adjustment which is so necessary to the normal functioning of the system; in particular they deprive commercial relations of their triangular or multilateral character.

In present circumstances, it seems that the continuance of exchange control systems and of "clearings", constitutes one of the most serious obstacles to the development of international trade.

Two. How can this situation be remedied?

(a) Let us consider first of all what can be done to reduce or to suppress the element of insecurity in monetary matters.

Admittedly the best policy would be to reach a definite solution of the problem of the international monetary standard. Such a solution would have to be sought in the reestablishment of the gold standard, though on a considerably altered basis. But as yet it is probably too early to make any such attempt. It would only succeed if we could find that a whole series of conditions had first been realized such as would permit the return of a sufficient degree of international equilibrium both in the economic and financial spheres. Now, this situation can only come about, so it seems to me, as the result of a prolonged application of international agreements in both these spheres. The final and definitive solution of the problem must therefore be placed not at the beginning but at the end of the effort of international cooperation towards which we are aiming.

However, we must find some interim solutions. There is one which does not appear to raise insurmountable difficulties, and which, while we await the hour for the final solution, should suffice to provide practical assurance of monetary security for international transactions. This would consist in the revision and extension of the agreement reached in the form of a tripartite declaration by the United States of America, United Kingdom and France with the adherence of Belgium, the Netherlands and Switzerland.

This agreement should be adapted to the new conditions and extended in such a way as to embrace all the countries participating in the effort of collaboration.

The parties interested would agree to define the reciprocal parities of their currencies, in relation to each other, and would pledge themselves to keep any eventual variations within certain limits. The undertaking should extend over a period long enough to free current commercial operations from any monetary risk; it should be for one year or at least for six months--proviso being made for quite exceptional circumstances, a character practically equivalent to that of force majeure.

The decision to fix the level at which the national currency would be exchanged for foreign monies clearly is

a matter involving the sovereign action of each state. But, in a balanced international economy, there are obligations and limitations which each state must accept, and duties which each state has towards others. In order to be a fair one, the solution, once again, must be found in a general agreement. As for the form of such an agreement, there would be no objection to its retaining the very flexible one of joint declarations.

The problem, moreover, has lost much of its extreme difficulty. Most currencies, after the devaluation operations resulting from the crisis, have recovered a relative equilibrium both as regards internal as well as external factors. Prudence advises us to retain this equilibrium on an empirical footing.

On the other hand there remain at present certain countries which have not yet reached this stage; general agreement could be reached as to certain criteria which would enable us to determine, with sufficient accuracy and in an atmosphere of fair play, the level of monetary equilibrium, internal and external factors being alike taken into account. All that is required is the existence of the will or the desire to arrive at a solution. This will, however, is of capital importance. Each country must, above all, rely on itself: it is for each country to take necessary action and pass the necessary measures which will make possible its participation in international action. It has the right to expect of the other states that they will not confront it with artificial obstacles, and even that they will await a general attitude in conformity with the requirements of a sincere spirit of international collaboration. But the decisive effort is essentially the responsibility of the individual state and of it alone.

Further, as soon as the international circuit has been reestablished, it is probable that a whole series of our present difficulties, and especially those which have to do with credit, would soon find an easy solution, thanks to the normal intervention of private initiative.

(b) Having provisionally dealt with the question of monetary security so far as foreign trade is concerned, we now come to the disadvantages presented by the various types of restriction on the transfer of funds from one market to another.

(1) As regards movements of a financial nature, it is not only the debtor markets which have adopted such measures but also the creditor markets. The latter by forbidding or restricting foreign lending--and particularly loans by means of public issues--have deprived international trade of a valuable support. It is exceedingly desirable that this policy should be altered in conformity with the other measures of international collaboration.

(2) But the principal difficulty obviously arises from the imposition of exchange controls and from "clearing" systems.

In this matter the only attitude which would

correspond

correspond with the effort of international collaboration at which we are aiming, and which would enable a country to resume its normal place in the framework of the international economy is the renunciation of the system in question, that is to say, the abolition of exchange controls and clearings.

Such a measure must of course be introduced by stages; it is only possible if a certain number of preliminary conditions are realized and if precautions are taken to ease the transition.

The recourse to clearings is a consequence, direct or indirect, of the establishment of exchange controls. The latter are themselves the result of a state of disequilibrium between the national economy concerned and the international markets. To attempt to get rid of exchange controls while allowing this disequilibrium to persist would be a waste of labor. But the measures suggested to us, both in the economic and in the monetary sphere, are designed precisely to facilitate a return to equilibrium. To this end measures must be taken, of which many depend solely on the will and the decision of the state concerned, but some are also dependent on the co-operation of other states. It is in this atmosphere and these conditions that the freeing of the exchanges might be and should be induced.

If the object at which we may aim is a return to complete freedom of all movements of funds, it is clear that what is most urgent and important is to free commercial transactions themselves and the settlements to which they give rise.

It is easily conceivable that, in certain cases, measures of control would have to be maintained, at least temporarily, in order to prevent capital movements which might endanger equilibrium after this had been restored.

However that may be, the first and most urgent step is to bring about the suppression of all restrictions on payments for merchandise.

Whether, however, it is to be carried out in one or in several stages, the suppression of exchange controls requires that the past should first be liquidated.

The liquidation of the past implies an agreed adjustment of external debts which weigh on the country, as far as may still be necessary and warranted; such adjustment should be carried out on conditions, with regard to interest and amortization, which should take into account modifications which may have arisen in the respective situations of creditor and debtor; and they must also take into account the general purposes of common interest to all which the measures studied in this report are designed to promote.

But the liquidation of the past, also and above all, implies the settlement of the clearing arrangement. In this connection we must distinguish between, on the one hand, the arrears which arise out of old credits completely immobilized and regarded as only payable little by

little in the manner of a sinking fund on a long term debt, and on the other hand, the balances on current trade and the current financial debts arising out of recent transactions which are due to be paid in full and without any long delay under the operation of the clearing itself.

For the arrears of the first category I propose to recognize realities and to have recourse as far as possible to consolidation. It seems to me that any attempt to take the other course, in so far as it may succeed in expediting the liquidation of these heavy debts of the past, weighs on the present by reducing the resources which the debtor country could use for imports of goods.

In all cases in which such consolidation might prove practicable, it should, however, be carried out in a form which would make it possible to guard, to some extent, against the difficulties which it might otherwise entail for the creditor firms.

To this end, it would be desirable in particular that the bonds issued to the creditors by the debtor state should be expressed in the currency of the creditor at the parity fixed in the exchange agreement.

In addition, it would be well to envisage some kind of extra facilities for mobilizing the bonds for commercial purposes with the help, if necessary, of international institutions.

As regards the other arrears of a current nature, these should be treated in the same way as the new debts, which will be incurred under the restored regime of freedom.

The past having been liquidated in this way, it would be desirable to ease the transition. For this purpose it would be necessary to provide those countries which have been freed from restrictions, with appropriate facilities which would remain at their disposal during the period of adjustment.

These credits should enable them, on the one hand, to afford the necessary support to their export trade, and on the other to finance a part of their imports--at least at the start.

It would seem possible to secure this object to a certain extent by an agreed extension of the method of reciprocal credits recently instituted by the Bank for International Settlements. The banks of issue would open through the Bank for International Settlements credits in favor of one another in the national currency of each of these. These credits would be used to finance the exchange of merchandise between the countries concerned. The exchange risks entailed by these credits can be set off against one another in so far as the trading operations balance. As regards the remainder, the risk might be in part covered by a multilateral clearing carried out by the Bank for International Settlements acting as clearing agent.

For the balances, that is to say, the amounts which

the

the Bank for International Settlements could not cover by clearing, it would be advisable to have recourse to the forward exchange markets where these are active and broad. Elsewhere, it would seem advisable to attempt to set up forward exchange markets whose terms would not unduly burden commercial transactions.

For the final balances which would not be covered otherwise, it would be necessary to require a special obligation the payment of which would in the last analysis have to be made by the debtor state. This risk would in any case be slight and of a temporary nature. In practice it would be quite a negligible burden.

But apart from this system, in consideration of the general advantages which the freeing of commercial settlements would bring, and in consideration further of the fact that this freedom would be based on the measures adopted by the interested parties to reestablish the external equilibrium of their economy, it would be appropriate that united effort should be made by all the states prepared to join in a program of international cooperation.

Among the suggestions brought forward to give effect to this idea, there is one which appears to me to merit special consideration; this is the possibility of establishing through cooperation of all these states, a common fund, the resources of which might be applied, under appropriate conditions, to facilitate the financing of legitimate trade operations during the period of readjustment.

It seems to me that the international organization designed to assume the direction of such a fund would be the Bank for International Settlements.

The activities of the fund should not in any case overlap or compete with those of existing institutions and organizations, whose business in normal times covers the financing of commercial operations. It would come into play only in special cases, to fill permanent or temporary gaps, where normal methods prove insufficient.

It may be added that, in this sphere, more than in any other, it is highly probable that the necessity for these exceptional methods--useful and, no doubt, indispensable during the period of transition--would very soon disappear. If the international economy were to recover its vigor and flexibility, private institutions would quickly respond, in the majority of cases, to the normal needs of business on almost all the international markets.

III. Third part

General Conditions Necessary For Success

I am convinced that the loyal and general application of a plan composed of suggestions such as have just been outlined might result in giving a new and considerable impetus to international trade.

But if I were to conclude my report at this point I would not have fulfilled the essential part of my mission.

Indeed, the important matter is not to provide theoretical definition of the difficulties, nor even to indicate the channel by the application of which they could be solved. The main point is to suggest methods which have some chance of being effectively adopted and of leading to concrete results. We must therefore push our examination rather further, so that we can discover the conditions in which such measures as are recognized as being useful or desirable will have a chance of being effectively applied by the great majority if not by the total number of the interested countries.

We must, at this point, admit the considerable difficulties which cumber the ground. If we consider the political plane, reasons to hope for a rapid and cordial rapprochement appear slighter than at any moment since 1918.

If we place ourselves on economic plane, it seems at first sight as if the most favorable moment for strictly economic collaboration were past. The general check in the recovery movement, and the special economic difficulties of certain great countries, are once again bringing back on to the program schemes of national protection, which bear a remarkable likeness to the efforts of the crisis.

In the course of the last few months I have several times had to modify the provisional conclusions which I had reached. I have postponed the submission of this report in the hope of collecting fresh indications or of witnessing the appearance of more favorable circumstances. At one moment, seeing the obstacles piling up, I asked myself whether it were not preferable to give up attempting at the present moment any major effort of collaboration in the sphere of international economics, and to await a clearer atmosphere.

But, taking all in all, it seemed to me that such an attitude would have been sterile and even dangerous. One has never the right to renounce action or at any rate to renounce attempted action. No effort is ever completely lost, even if it does not succeed all at once.

On the other hand, the persistence of a general situation, which is very confused and bristles with contradictions, would incur the risk of very serious consequences, both in the political and in the economic order. More and more numerous are they who take account of this fact and draw the conclusion that a rapid and profound reaction is necessary. In such conditions, the moment is perhaps favorable, in spite of appearances, for a new attempt, based on reason and common interest.

Let

Let us try, therefore, to find the way for a practical solution, without going beyond the limits of this mission, which is of an economic character, by pretending that it can be artificially isolated from the political factors which surround it and which impose upon it their conditions.

A. The exact position of the problem.

The first reflection which occurs in this connection is that the difficulties which we have just been examining all interlock; in the same way the solutions which we have suggested are closely interdependent. Tariff policy, exchange control, capital movements, stabilization of currencies, quotas, clearings, et cetera, are closely connected problems. One cannot hope really to solve them except by means of a comprehensive solution.

On the other hand the attitude of a number of countries is dominated by the policy of certain great powers whose economic influence is a determining factor either for the world as a whole, or for certain parts of it. It is necessary then, in order that any solution should achieve its maximum efficacy, not only that it should cover the whole network of interlocking difficulties, but also that it should unite a very large majority, if not practically all of the nations concerned.

But international trade is not an end in itself, it is only a means directed towards an end. This end cannot be other than the improvement of the standard of life of the masses, the increase of the well-being of the population. Under our present organization this end is pursued by national entities.

Here we reach the heart of the problem. In order to diminish the obstacles to international trade and to restore to it a degree of flexibility which will allow of its development, it is necessary in particular to induce many countries to mitigate or to abandon the measures of protective self-sufficiency which they have adopted in different degrees and at different times, and to return to a more complete system based on the international division of labor. But these measures of national protection were not resorted to lightly or frivolously, and if the countries protected by them still retain today the armor which they felt bound to put on, it is not without serious reasons.

We must therefore make our dispositions in such a way that the new system shall offer to all participators advantages greater than those of the position in which they now find themselves; and at the same time that the transition from one system to the other may be brought about without danger, and even with immediate advantage.

As our task is above all to achieve practical results, it is not necessary to enter into a long analysis of the reasons which have provoked all these measures of national protection. Nevertheless, it is necessary to underline certain characteristics of the present situation.

Once more let us emphasize the futility of the arbitrary distinctions based on views or arguments of an over-

simplified

simplified nature, in the light of which attempts are made to divide the nations into distinct groups. In fact, we do not find on one side states devoted to a policy of complete autarchy and on the other side faithful to a strict observance of international free trade. If we go beyond appearances and refuse to be satisfied with verbal distinctions, we cannot fail to note that on the one hand all states, one after another, have had recourse to measures of their own, differing widely in conception and effect, but all inspired by the idea of national protection; while on the other hand they have all continued and must continue to submit to a system of international exchange.

Movements so general and so pronounced must without doubt have a deep-seated cause. Let us recognize that international economic relations are today on a very different basis from those of the period before the war. Formerly international exchanges were exchanges effected across frontiers between individuals, private firms or private interests. Today international economic relations are taking on more and more a character of exchanges between economic units constituted by the states themselves. It is true that the part played by the private firms and undertakings which operate on either side as the connecting links in commercial exchanges remains without exception an essential one, but in determining the flow of trade considerations of national interest are assuming more and more importance; transactions are every day more and more dominated by decisions emanating from the constituted authorities and inspired by a national economic policy. That is a fact which we must take into account.

The tendencies which are driving states towards a greater degree of economic autonomy are based on widely differing considerations. Some of these tendencies are purely political in their origin; others are based on considerations of a social order, such as the problems of employment or of the adaptability of labor; others again are due to purely economic anxieties.

Among the latter there is one which is loudly invoked in several countries in which an effort is being made to substitute synthetic raw materials for the corresponding natural products, and which may be summarized as follows:

If the countries which are producers and exporters of raw materials refuse to take payment in manufactured goods, or place obstacles in the way of entry of such goods into their own country, the countries which are importers of these materials find themselves obliged to give up buying them, or at least to limit their purchases as much as possible; they must thus devote themselves to finding other sources of these same products or look for products which may take their place, especially synthetic products. The protectionist policy of the countries which are producers of raw materials thus reacts against themselves as well as being damaging to those who were counted among their traditional customers.

At the same time it must be added that this line of argument, though not rejected in principle, is regarded in other quarters as putting the problem in an oversimplified

form or even as reversing the true order in the allocation of responsibility; according to this view, we are in the presence of a vicious circle brought about in the first instance by the reduction of the importation of certain staple world products by countries which formerly imported them.

However this may be, in spite of the ravages of the last crisis, in spite of the profound modifications which the international economic structure has undergone, in spite of the increasing difficulties of all kinds with which business men are faced, international commercial exchanges had nevertheless until recently shown signs of renewed vigor, a striking proof of their inevitable necessity. The volume of international trade had returned during the second three months of 1937 to a level corresponding to that reached in 1929, that is to say, at the height of the period of prosperity.

Alas, we are still looking for the means of freeing ourselves from these hindrances; and already we are threatened with a fresh setback!

Is it simply a flattening of the curve, is it a minor crisis, or must we fear worse? The economic policy which we now adopt may, if it is good, mark the beginning of a new era of prosperity in the world; it may also, if it is bad, transform the present hesitations of trade into a new and more serious crisis.

It therefore becomes more urgent than ever to restore international economic relations to a sound basis.

The events of the last few months have served to emphasize another aspect of the problem. International trade may be not only impaired by causes of an economic and financial nature; it may suffer equally severely from political and especially from moral influences. For economic activity to develop it is not sufficient that a demand should exist, that the products should be available and that capital should be abundant; there must also be the will to show enterprise, to act, to run the risks inherent in the production and exchange of goods. These conditions require an atmosphere in which at least a certain degree of confidence, good will, sincerity, order and clarity prevails in international relations.

B. Actual hindrances.

Let us therefore seek to determine in a spirit of complete objectivity what are the difficulties or obstacles which, without being direct impediments to international trade, nevertheless hinder the smooth flow of commercial relations between nations.

(One) Review of the difficulties.

There are those who see the origin of their difficulties in the unequal distribution of raw materials, or more exactly, in the fact that certain great countries do not possess in the territory under their control the raw materials which they consider themselves to require.

At this point we cannot but record that certain states see no solution to the problem except in the re-distribution of colonies.

There are others who attribute their difficulties to the exaggerated protectionism of countries or groups of countries which ought in their view to absorb a larger share of their products. Particularly numerous are those who protest loudly against systems of preference which distort the normal channels of trade.

Others again blame the unequal distribution of capital and the lack of adequate understanding on the part of the great markets which dispose of accumulated funds.

Certain states insist on the important influence on their economy of demographic problems, particularly those connected with emigration and immigration.

Intelligent judges do not fail to emphasize the depressing influence on financial markets--both in the moral and practical sphere--of the absence of a definite settlement of international political debts.

Many circles put the blame above all on the effects of the widespread policy of intensive rearmament. They express anxiety at the probable reaction which will take place when the orders due to rearmament will have reached saturation point; they emphasize the disastrous effects which the budgetary burden of rearmament imposes, or is liable to impose, on national economies, either directly or through its indirect repercussions.

Finally, there are many who maintain that political anxieties are determining factors in the present retarding of trade, and that these anxieties are more of an obstacle to the development of international commercial relations than all other hindrances put together.

There is no doubt that repeated shocks to the basic principles of international law exercise a pernicious influence on the economic as well as on the political relations between the nations. It is time to bring back to light the sanctity of plighted engagements and the necessity for respecting the rules of international law.

Whatever may be the degree of truth contained in these various assertions, we are bound to take the assertions themselves as facts and to see in them problems which call either directly or indirectly for solution.

(Two) Some of the suggestions elicited.

Suggestions have indeed already been made in widely varying directions with a view to solving these different points. It would be impossible to enumerate them all and I shall confine myself to reproducing a certain number which seems to me to have aroused interest in many quarters.

With a view to assisting the solution of the colonial problem it has been suggested that the regime of mandates should be revised, that the national element should be

removed

removed and that the system should be made completely international, both from the economic and the political point of view.

In the case of colonies properly so called, it would perhaps be opportune to seek for the means of generalizing the system of the open door which obtains in the conventional basin of the Congo, a system the general result of which it is impossible to criticize.

In those colonies when such a regime cannot be organized certain circles have recommended that the possibility be examined of creating privileged companies, whose activities would be strictly limited to the economic sphere and whose capital would be divided internationally in such a way as to offer real guarantees of impartiality.

With regard to raw materials a most interesting proposal has been formulated tending to the supply of colonial goods in exchange for industrial products. An agreement would be concluded between a colony and an industrial state, and colonial goods supplied would be carried to an account and paid for by the execution in return of important public works--bridges, railways, ports, et cetera. The intermediate finance would be provided by the metropolitan state.

Lastly, the rules of international law might, in the opinion of many, be specified and reenforced in such a way as to secure from seizure or confiscation in every case, even in time of war, private property held in colonial territories, whatever the nationality of the owner.

(Three) Guarantees of a political nature.

The conclusion which arises to my mind from the multiplicity of problems inherent in these complaints, demands and suggestions is that it is time to face them and submit them to a close discussion. This, however, can only be done in an atmosphere of loyal cooperation in which each one concerned would seek in his own interest to render assistance to the others.

Does such a spirit exist? If not, everything possible must be done to create it. If it exists steps must be taken to dissipate the mutual misunderstandings which prevent it from coming to light.

Surely there is no object in attempting to conceal from oneself the difficulties of such an undertaking.

In this report I have deliberately debarred myself from touching on the strictly political aspects presented by a number of questions with which we are faced. It is, however, impossible to ignore the fact that we are working in their shadow. There are indeed some which are so intimately bound up with certain of the suggestions which I have made that it is impossible to abstract them.

Thus one can understand the preoccupation of those who fear to see the financial assistance, the credit facilities, or the facilities for obtaining supplies which would

be granted in the execution of the remote program of action diverted from their object to serve war-like ends. Guarantees would have to be provided in this respect, and such guarantees are necessarily political in their nature.

Again, is it possible to provide an economic solution for the difficulties with which certain national economies will be faced when the point of saturation has been reached in their rearmament policy, without evoking the problem of the limitation of armaments?

Conversely, it also appears to be true that any concerted policy for the limitation of armaments would require, if its application were not to be obstructed, means accompanied by economic measures which would also have to be internationally concerted.

C. A pact of international collaboration.

Faced with a task of this complexity, our best course will be to attempt a new method very general in its nature, which should appeal to mutual good will, but the object of which will be above all to secure to each participant the tangible advantages of collective action.

The moment has thus perhaps arrived to propose the conclusion of a "pact of economic collaboration" embracing the largest possible number of states, and in any case open to all. This pact might perhaps, drawing inspiration from a precedent which has proved successful, take the form of a collection of joint declarations.

The object of the pact would be to assist the participants to raise the standard of living of their nationals by improving the general well being. It would contain two parts, one negative, by which the participating countries would bind themselves to abstain from a certain number of practices contrary to the interests of the community of participants; the other positive, but general in its nature, by which the participating countries would bind themselves one towards the other to take up and to examine in a spirit of understanding and mutual assistance the problems and difficulties arising in their economic relations.

Under the aegis of this general pact, and in accordance with its spirit, might be concluded separately other more detailed arrangements incorporating, in so far as they could be satisfactorily worked out, the numerous suggestions which I have made or referred to in this report.

I have given those suggestions deliberately in a succinct and simplified form; I have intentionally refrained from entering into details; it has been my object to confine myself to the principal outlines. If the ideas on which these suggestions are based should be accepted, it would be comparatively easy to develop them, to give them precision, and to run them into the appropriate technical moulds. On most of the points which I have mentioned prolonged studies have been undertaken; plans for putting them into effect could be quickly drawn up with the assistance of specialized organs such as the Economic and

Financial

Financial Committees of the League of Nations, the Bank for International Settlements, the International Chamber of Commerce, the International Institute of Agriculture, et cetera.

As for the international arrangements for putting them into force, certain of these by their very nature would have to be of general application; others would include only certain countries; others again would have to take the form of bilateral agreements.

D. Methods of realization.

How are we to assure practically and effectively the success of such a plan? Let us recognize that to obtain the full results it would be desirable that an effort of this kind should receive the support of the great countries which are leaders in economic activities and in the different political tendencies.

(1) It is desirable, then, to bring together as soon as possible representatives of the principal economic powers; and at least of France, the United Kingdom, the United States of America, Germany and Italy. There would be advantages in a method which would ensure that this contact were of a purely preparatory nature. The object would be above all to take soundings and to prepare the ground. The agenda would contain four or five questions drawn up in some such terms as the following:

(One) Are you agreed to take part in an attempt at international economic collaboration?

(Two) Do you, with this object in view, accept as a basis for discussion the main lines of the present report?

(Three) What are the points in this report, if any, which you would wish to see either omitted or emphasized?

(Four) What points not mentioned in this report do you think it desirable to include within the scope of the attempt to be undertaken?

The answers given in the course of this preliminary and informatory stage would clearly determine the future course of the whole undertaking.

(2) If, as may be hoped, the answers were constructive and such as to encourage a serious hope, it would be appropriate to pass to a second stage.

This stage would be intrusted to a bureau appointed for the purpose; an invitation would be addressed to all states asking them to acquaint the bureau within the shortest possible time, and following the framework of the present report, with the difficulties which they meet with in their international commercial relations, as well as with the measures of assistance which they feel entitled to expect from other states and those which they are prepared to render.

The answers to this invitation would constitute substantially a review of the complaints brought by the nations against the economic commonwealth, and of the needs for the satisfaction of which outside assistance or collaboration would be more effective than national effort.

The bureau would proceed as rapidly as possible to classify and synthesize these answers. It would analyze their contents in an entirely objective manner, extract from them such suggestions as seemed reasonable, and would so draw up, basing its work on the present report, a program of constructive action.

(3) It is then that we should pass to the third and final stage of the undertaking. It would be necessary to ensure through the diplomatic channels that there was an agreement of principle among the interested parties on the main lines of the program drawn up. If a sufficient number of states, including the great economic powers, took up a favorable attitude the bureau referred to above would be instructed to draw up the texts for signature.

Lastly, a conference would be summoned to put the final touches to the necessary diplomatic instruments and to exchange signatures.

As I conceive it the pact so concluded would be only a portico to the work which it would be necessary to continue, to build up, to complete and to adapt to changing circumstances in a process of perpetual evolution.

Nevertheless, the conclusion of such a pact would be a gesture of capital importance, for it is this pact which would give the initial impulse and would impart to the world the impetus which it is awaiting in order to recover its confidence in the pacific destiny of nations.

And this portico might perhaps lead to a new edifice in which, side by side with the halls devoted to economic collaboration, would arise others in which might be worked out the political conditions of a lasting peace.

Brussels, January 26, 1938.

P. Van Zeeland

POSITIVE RECOMMENDATIONS OF THE VAN ZEELAND REPORT

S U G G E S T I O N

Substance

Procedure

A. Proposals or suggestions which, if applied as a whole, would, in Mr. Van Zeeland's opinion, be of such a nature as to guarantee a fresh impetus to international economic relations, and which, in the long run, would provide indubitable benefits to those national economies which would accept the program.

1. Tariffs

(a) Undertakings by Governments not to raise or to widen the range of their tariffs.

(b) Gradual reduction of such duties as are of an exceptional character and the amount of which is notably greater than the average incidence of the tariff.

(c) Suppression of duties, taxes, prohibitions or restrictions on the export of raw materials.

(d) As regards the most-favored-nation clause, it should remain, in principle, general and unconditional. Nevertheless, there should be provided an exception, allowing its application to be suspended in the case of countries which employ inadmissible discriminations or which refuse to participate in a general effort aiming at a reduction of obstacles to international trade.

It ought to be drawn in such

To be embodied in the most easily adaptable forms, if necessary even in parallel declaration.

Side by side with such undertakings of a general character, it appears that, in the present state of affairs, the negotiation of bilateral commercial agreements based on the most-favored-nation clause, remains one of the most efficacious methods of reducing tariff barriers.

S U G G E S T I O N

Substance	Procedure
<p>a way as not to obstruct the conclusion of group agreements or regional pacts, so long as these do not tend to constitute a discriminatory regime, but to lower tariff barriers, and so long as they are open to the accession of all those who are willing to accept the combined obligations and advantages.</p>	
<p>2. <u>Indirect Protection</u></p>	
<p>Each country should defend itself energetically against "dumping" methods. Each country should also apply strict measures of safeguard, such as sanitary cordons.</p>	
<p>However, all abuses and misuses of indirect protection, including exaggerations of tariff classification, should be avoided.</p>	<p>It seems that the method of bilateral agreements would, in the circumstances, be the best fitted to produce rapid results. Such bilateral agreements, however, might well be based upon international conventions and special studies already concluded in this sphere.</p>
	<p>Adjustment of particular cases through "joint committees". Arbitration.</p>
<p>3. <u>Quotas</u></p>	
<p>(a) <u>Industrial quotas</u>: Suppression of industrial quotas, by stages where necessary. This does not exclude possible replacement either by tariff duties or if absolutely necessary and on a temporary basis by tariff quotas (The analysis here is confused by half-hearted support of the idea that if quotas are suppressed States might have to use means to resist "dumping" methods, especially by countries having low standard of living).</p>	

S U G G E S T I O N

Substance	Procedure
<p>(b) <u>Agricultural quotas</u>: Tendency should be in the direction of suppression or reduction of quotas, or at any rate, agreement ought to be reached that no new quotas should be imposed, and that no existing quotas should be tightened up. But seasonal quotas may be retained and transitional measures (undefined) might be necessary and proper.</p> <p>4. <u>Financial Measures</u></p> <p>(a) Avoid sudden or violent variations in the mutual relations of currencies. The parties interested would agree to define the reciprocal parities of their currencies and would pledge themselves over short periods to keep eventual variations within certain limits - proviso being made for exceptional circumstances, practically equivalent to <u>force majeure</u>.</p> <p>(b) Creditor countries should alter policies of forbidding or restricting foreign lending "in conformity with other measures of international collaboration".</p> <p>(c) Abolition of exchange controls and clearings by stages, and with necessary precautions to ease the transition.</p>	<p>Revision and extension of the agreement reached in the form of a tripartite declaration, which should be adapted to the new conditions and extended in such a way as to embrace all the countries participating in the effort of collaboration.</p>

SUGGESTION

Substance	Procedure
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(d) Agreed upon adjustments of external debts which should take into account modifications which may have arisen in the respective situations of debtor and creditor.

It is suggested that frozen balances on current trade and current financial debts arising out of recent transactions should be given priority as to time and terms over old credits completely immobilized.

(e) Credits. To ease the transition it would be necessary to provide those countries which have been freed from restrictions with appropriate facilities which would remain at their disposal during the period of adjustment.

National central banks apparently to offer credits to each other through the B.I.S. both for liquidating the past and for financing current transactions.

To an undefined extent, possibly long term loans.

(f) Creation of "common fund" to facilitate financing of legitimate trade operations during the period of readjustment.

Exchange risks entailed by these credits to be set off against one another in so far as the trading operations balance (meaning obscure). The remainder of the risk to be covered in part by multilateral clearing carried out by the B.I.S. acting as clearing agents.

These loans to be extended by opening through the B.I.S. credits in favor of one another.

This to be handled under direction of the B.I.S.

SUGGESTION

Substance

Procedure

B. Suggestions put forward by Mr. Van Zeeland, not as direct recommendations of his own, but as selections from suggestions which have been put forward and which seem to him to have aroused interest in many quarters.

(1) Revision of mandates régime so as to make it completely international both from the economic and political point of view.

(2) In colonies, generalization of the open-door system which now obtains in the conventional basin of the Congo.

(3) Possibility of creating privileged companies with capital divided internationally to engage in colonial exploitation.

(4) Special barter arrangements between a colony and an industrial state for the exchange of colonial products for public works.

(5) Revision and reinforcement of rules of international law to protect private property in colonial territories against seizure and confiscation even in time of war.

C. Proposal by Mr. Van Zeeland of a "Pact of International Collaboration".

The pact should embrace the largest possible number of States, being in any case open to all.

This pact would contain two parts, one negative, by which the participating countries would bind themselves to abstain from a certain number of practices contrary

SUGGESTION

Substance

Procedure

to the interests of the community of participants; the other positive, but general in its nature, by which the participating countries would bind themselves one towards the other to take up and examine in a spirit of understanding and mutual assistance the problems and difficulties arising in their economic relations.

Under the aegis of this general pact, and in accordance with its spirit, separate or more detailed arrangements might be concluded.

Mr. Van Zeeland does not give further details, saying it will be comparatively easy to develop such details, to give them precision and to run into appropriate technical molds.

Without tying into any clear pattern of procedure or relationship the many items and elements that he reviews, Mr. Van Zeeland then concludes his report with this proposal, which he labels "Methods of Realization": "It is desirable, then, to bring together as soon as possible representatives of the principal economic powers; and at least of France, the United Kingdom, the United States of America, Germany and Italy". The object would be to take soundings and prepare the ground. The agenda would contain, according to Mr. Van Zeeland, four or five questions drawn up in some such terms as the following:

(a) Are you agreed to take part in an attempt at international economic collaboration?

(b) Do you, with this object in view, accept as a basis for discussion the main lines of the present report?

(c) What are the points in this report, if any, which you would wish to see omitted or emphasized?

(d) What points not mentioned in this report do you

SUGGESTION

Substance

Procedure

think it desirable to include within the scope of the attempt to be undertaken?

If the answers given are such as to encourage a serious hope, Mr. Van Zeeland then states that it would be appropriate to pass to a second stage. This stage would be entrusted to a bureau appointed for the purpose, which would ask all States to inform it as to the difficulties which they are now meeting in their international commercial relations, as well as the measures of assistance which they feel entitled to expect from other States and those which they are prepared to render. The bureau would then clarify and synthesize these answers and analyze their contents, and then draw up, basing its work on the present report, a program of constructive action.

It is then that Mr. Van Zeeland contemplates the third and final stage, which would be the ensuring, through diplomatic channels, of an agreement on principle among the interested parties on the main lines of the program drawn up. If a sufficient number of States, including the great economic powers, took a favorable attitude, the bureau referred to would be instructed to draw up the text for signature.

Lastly, then a conference would be summoned to put the final touches to the necessary diplomatic instruments and to exchange signatures.

Belgium - 1938



Palais de Bruxelles

30 mai 1938.

En ce jour de souvenir, le peuple belge, fidèle à une pieuse tradition qui lui est chère, couvre de fleurs les tombes des vaillants combattants américains qui ont généreusement versé leur sang pour que règnent le droit et la liberté.

Je m'associe de tout coeur à ce témoignage de profonde reconnaissance et tiens à Vous exprimer la très sincère gratitude que le peuple belge et moi-même ne cessons d'éprouver pour la grande nation américaine, à laquelle nous adressons l'hommage de notre admiration et de notre inébranlable amitié.

Liopold

file
private.
PSF: Belgium d-2

New York, N.Y.,
July 5, 1938.

STRICTLY CONFIDENTIAL

Dear Mr. President:

Enclosed herewith is a copy of a memorandum which I have given to Mr. Rosov at his request to send to his principals with his own explanations.

It was his idea to leave the situation "blind" as to names because of the possibility that he might transmit it by cable.

I think it covered the situation as you outlined it to me.

With assurances of my highest regard and respect,
I am

Yours faithfully,

Joe
Joseph E. Davies

The Honorable
Franklin D. Roosevelt,
The White House,
Washington, D.C.

I had a fine trail with
Jim on the plane

1 - The matter was thoroughly discussed at length with the principal and his chief assistant.

2 - The principal and his chief assistant have been very much gratified by the gesture of friendship, good faith and good will which the discussions have called forth; and the situation has been productive of much good.

3 - It was, however, considered advisable by the principal and his chief assistant to leave the matter open for the present, to be taken up subsequently if considered desirable.

4 - That the reason for this was because of the particular internal conditions which exist now, particularly because of the proposal now pending.

5 - That after that proposal is disposed of we will all know what is possible.

6 - That when that time comes, if it is desired to take the matter up again, the principals here are most friendly and hopeful that some formula can be worked out that will be helpful to both parties.

7 - That at that time, if desired, the same agents can take the matter up with a view toward trying to arrive at a solution that will be possible of accomplishment and helpful to both parties.

8 - That the matter is understood to be held in the strictest confidence and precautions have been taken that only the immediate principals with their present agents have any knowledge of the facts ~~at all~~.

New York, N.Y.
July 5, 1938.

STRICTLY PERSONAL AND CONFIDENTIAL

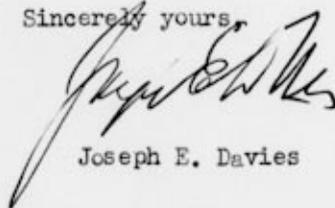
My Dear Miss LeHand:

Would you be good enough, please, to see that only the President himself receives the enclosed envelope? Thank you very much.

Mrs. Davies and I were both sorry that we did not have the pleasure of seeing you before leaving.

With kind regards, I am

Sincerely yours,



Joseph E. Davies

Miss Margaret LeHand,
Secretary to the President,
The White House,
Washington, D.C.



DEPARTMENT OF STATE
OFFICE OF THE SECRETARY
WASHINGTON

*File
Personal*

July 22, 1938.

The Secretary of State encloses a copy of a telegram from the Ambassador at Brussels, for the President. (No. 72)

JR

GRAY

Brussels

Dated July 22, 1938

Rec'd 7:41 a.m.

Secretary of State,
Washington.

72, July 22, 11 a.m.

PERSONAL FOR THE PRESIDENT.

Upon the presentation of my letters of credence to the King I took the opportunity of giving him your personal message. The King asked me to say to you that he was very deeply touched by your remembrance of him and by your kind references to his father. Referring in terms of specific and highest personal admiration for you, he referred to the fact that he had interchanged letters with you and then expressed the hope strongly that some day he might meet and know you personally. He impressed me particularly by the maturity and dignity of his mind. He is a strong and able man and if circumstances permit will, in my opinion, make his influence felt with constantly growing force in the future.

General pessimism as to European peace has increased during the last two days but the best judgment that I can get from all sides here is that while the situation is serious,

-2- #72, July 22, 11 a.m., from Brussels.

serious, war will not be precipitated this year barring
some accident.

DAVIES

GW:HPD

Mary - file

Brussels, Belgium,
December 1, 1938.

Dear Mr. President:

The following may be of interest in connection with this icon, which at this Christmas Season I hope you will accept with our affectionate greetings.

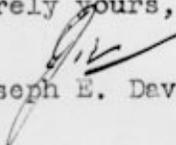
In the course of an "industry" inspection tour of Southern Russia in the winter of 1937, I was in Dnepropetrovsk to see their steel rolling mill (12,000 employes). Dnepropetrovsk is a handsome old city with a population of about 600,000. While there, I took occasion to visit a famous old Greek Orthodox cathedral, built in honor of Catherine the Great. It is now being used as an anti-religious museum.

It was here that I obtained this icon, with the consent of the Russian authorities.

The Soviet art experts advised me that it was probably painted by a then famous Italian artist attached to Catherine's Court in or about the middle of the eighteenth century. This icon is of particular interest in that the lineaments of the St. George are probably those of some member of the royal family of that period. It was customary to canonize Russia's rulers of royal birth in this manner.

With assurances of my affectionate regard and great respect, I am

Sincerely yours,


Joseph E. Davies

The Honorable
Franklin D. Roosevelt,
The White House,
Washington, D.C.

*File
Personal*

Brussels, December 23, 1938

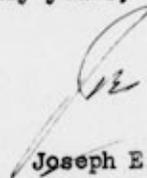
My dear Boss:

As a philippic the enclosed is a peach.
I thought it would give you a laugh.

That was one of your greatest speeches
that you made in North Carolina.

Marjorie is fine, and joins in affection-
ate and devoted greetings to Mrs. Roosevelt and
your wonderful self.

Faithfully yours,



Joseph E. Davies

The Honorable
Franklin D. Roosevelt,
The White House,
Washington, D. C.

MR. LLOYD GEORGE

POLICY OF "GIVING AWAY"

Mr. LLOYD GEORGE (Caernarvon Boroughs, Ind.L.) congratulated Mr. Hogg on not taunting those who disapproved of Government policy with wanting war. It was only fool-brained partisans who made charges of that kind. The only question was, which was the best method of achieving peace. There were some who said it could best be achieved by a policy of surrender; who were prepared to pay a very high price for it—a price which many of them thought involved the question of honour, integrity, and right. There were others who said we could only secure peace with aggressive nations by showing firmness.

The Prime Minister had asked what would they have done. The Prime Minister presumably referred to the last moment. But that was not the time to take the necessary steps. If Herr Hitler had known before Berchtesgaden that there was a possible combination of the British Navy and the French and Russian armies against him he would not have taken any steps against Czechoslovakia. It was only at Berchtesgaden—after they had received of the encouragement of *The Times*, the editor of which had been the Signor Gayda of the Prime Minister, announcing in advance what the policy of the Government was going to be—that he committed himself. Mr. Malcolm MacDonald had stated that there had been a policy of give and take. It was all giving away.

"ASKING FOR MORE"

When the Prime Minister gave in at Berchtesgaden there happened what must be expected if surrender was made to these aggressive dictators—Hitler asked for more. From Munich the Prime Minister returned with a scrap of paper, and no sooner had he and M. Daladier turned their backs on Hitler than he and Mussolini tore it in pieces and went on with their job. Members of the British Legion, picked survivors of the Great War, were to go to Germany by agreement with Herr Hitler to occupy territories where there was to be a plebiscite. After they were landed on the Continent—

Mr. H. G. WILLIAMS (Croydon, S., U.)—They never left Southend. (Laughter.)

Mr. LLOYD GEORGE.—After they had left their homes. The hon. member thinks that is a joke.

Mr. H. G. WILLIAMS.—No.

Mr. LLOYD GEORGE.—Then do not laugh. It is not a joke at all. You go to the British Legion and laugh. They were sent back when they had been dragged from their homes. (HON. MEMBERS.—"They were not dragged.") They were invited by the Government to go there and occupy these territories, and after they had been brought up in great pomp and circumstance they were sent back without a thank you from Herr Hitler for their services. Why? He went and occupied these territories without a plebiscite.

Continuing, Mr. Lloyd George said that he would like to know on what the Prime Minister based his extraordinary complacency. (Hear, hear.) It was not shared by anybody outside. He had not met anybody who regarded this agreement and the various transactions in which the dictators had broken faith with us in agreement after agreement, while we still went on making fresh agreements, with satisfaction. It was not lugubrious, malicious partisans who were distressed. Some of the most experienced and ablest among the Government's supporters in the House had broken away. They had felt the force of Mr. Eden's view—that the dictators should show they intended to keep agreements before fresh agreements were made with them, and that was the opinion of the vast multitude of people.

SURRENDER TO DICTATORS

The Prime Minister had had four visits to the Continent to meet the leading statesmen, but was the outlook for peace any brighter? Germany had indulged in a flood of scurrility against some of our leading statesmen. Even the Prime Minister had not escaped. He (Mr. Lloyd George) was amazed to see in a speech of Herr Hitler a reference to the umbrella-carrying statesmen of the past, which he thanked God were extinct in Germany. It was rather insulting for a man who treated the Prime Minister as a friend and whom the Prime Minister treated in the same way in a perfectly candid and courteous manner, and went out of his way to meet, to say that. It was mean. (Cheers.) But, apart from that, the general attitude of the whole of the German Press was hostile, and the German Press was essentially official. Now there was the Italian cry for Tunis, Corsica, and Nice. It was a mistake in dealing with men of this kind to surrender to every demand they made. Italy had poured reinforcements into Spain since the agreement made by the Prime

Minister, and it was Italian reinforcements of aeroplanes, guns, and bombs which mattered, for the gallant fellows on the West Coast of the Mediterranean could deal with all the men Mussolini sent. The fact of the matter was that the dictators were treating us with contempt. There was great anxiety about the Prime Minister's visit to Rome. People thought that he was no match for these astute, crafty, ruthless, unscrupulous dictators. Let them be quite honest about it—he was not.

Czechoslovakia, that barrier of democracy, was given away by the Prime Minister and M. Daladier, leaders of two great democracies, and then they came home so pleased, as if they had achieved something, won some great victory for democracy, a real triumph. They met in France the other day, and it was just like Wellington meeting Blücher at La Belle Alliance, shaking hands and congratulating themselves on a historic triumph that would ring through the ages. (Laughter.)

The Prime Minister began to tell us what a fine fellow M. Daladier was and how this tremendous victory could never have been achieved without him. The French Prime Minister, in the Chamber of Deputies, spoke of "this magnificent old man."

"PAX VOBISCUM"

He agreed that the Prime Minister had a right to complain about that appellation. There was nothing in his appearance to justify it, and there was certainly nothing in the agility he displayed in tossing away one province after another. (Opposition laughter.) At the same time he saw M. Daladier's point of view. They both ran away as hard as they could from their obligations, but our Prime Minister, in spite of his more advanced years, kept well ahead, and M. Daladier said, "What a magnificent old sprinter!" (Laughter.)

They both ran away and were very pleased with each other. That was why he felt very troubled about sending a man in that frame of mind to Rome to meet Mussolini. It was a dangerous state of obsession which he had got into. And the Prime Minister was a very obstinate and stubborn man. He had said to-day that nothing he had done in the last 18 months he would see undone. Who would say that except a very self-complacent man? A man with that obsession could not be sent to Rome to meet Mussolini, and he (Mr. Lloyd George) was not comforted in the least by the fact that Lord Halifax was going with him. He was not an adequate keeper. (Laughter.)

They had been trying to find out beforehand what the Prime Minister was going to say there. The House was entitled to know. We were confronted with a *fait accompli* before; might it not happen again? Yet the Prime Minister thought it enough to say "I am out for peace." The Prime Minister had got the idea of Wamba in "Ivanhoe" that he could get through anywhere simply by shouting *pax vobiscum*. That might have been all right in dealing with a besotted Norman baron, but the Prime Minister was going to be confronted with one of the most astute diplomats in the world. What was the Prime Minister going to give him? It was not as if he was going not knowing what was in Signor Mussolini's mind. He had practically told us what he had in mind.

TROOPS IN SPAIN

Where did we stand about non-intervention? The 10,000 men of the Foreign Legion had gone from the Republican side, but there were at least scores of thousands of Italians in Spain. There were divisions preparing now, under German and Italian generals and officers, for a fresh offensive. He took that from *The Times*. The insurgents had 3 to 1, at least, in aeroplanes. That also he took from *The Times*. They had 5—1 in artillery, inexhaustible ammunition, and help at sea to sink ships. Lord Halifax had said that we must take into account that Mussolini was bent upon a victory for Franco. They were entitled to ask whether that meant that if Mussolini and Hitler went on sending aeroplanes there, and ammunition, up to a point where Franco secured a complete victory, we would still enter into a pact of friendship with Italy while that was going on. Would the new and revised pact be based on the assumption that that was going on? Would it also mean that, while Germany and Italy were allowed to send as much stuff as they considered necessary to achieve a Franco victory, the policy of non-intervention would be imposed upon France and ourselves?

There was an attempt to starve Spain into surrender. Food ships being sent there were being attacked and sunk, some by aeroplanes supplied by Mussolini. Some of those aeroplanes came straight from Italy, landed at Majorca, and after resting there went straight to attack and then flew back to Italy. He took that from one of the papers supporting the Government—he believed, *The Times*. If there was a pact of friendship with Italy, was it to be entered into on the assumption that Italian planes could sink British or other food ships carrying something which was not contraband and with non-intervention officers on board? Was not the Prime Minister not only going to ask a question about that but make a condition?

THE CAMPAIGN AGAINST FRANCE

There had been a great campaign against France. The unofficial spokesmen of Signor Mussolini had declared their intention to recover Tunis, Corsica, and Nice. Before the Prime Minister entered into a new pact was he going to have a complete understanding that no steps would be taken in any one of these directions? If so, what was he going to surrender? And what was he going to bring away? Was he going to have an agreement which would give an equal chance to the two combatants in Spain—the people fighting for the independence of Spain, and the people who were trying to establish a Fascist régime with the aid of foreign troops? Franco knew that he could not conquer Spain without the aid of foreign troops, and that he could not maintain his authority without their continued aid.

There was great suffering in Spain. It would become worse, and would not be altogether the suffering of the combatants. He saw in the newspapers that day that there was no milk in Barcelona for the children. There would have been plenty had it not been for Italian aeroplanes and submarines. (Opposition cheers.) The battle in Spain was a real epic in the history of democracy. The children, wives, mothers, and fathers of the valiant men who fell in the battle of the Ebro were to be starved out this winter by Italian aeroplanes. Was the Prime Minister going to offer the hand of friendship, in the name of the greatest democracy in the world, to men who were waging that savage warfare against women and children? (Opposition cheers.)

THE WHITE HOUSE
WASHINGTON

1/5/39

MEMO FOR MISSY

When you prepare letter to thanks
to Joe Davies for the picture, thank
him for the interesting letter from
Lord Davies.

F. D. R.

PSF: Belgium

Brussels, December 17, 1938

My dear Chief:

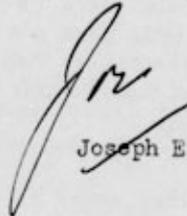
Here is a most unusual and able letter which I have just received from Lord Davies, a Member of Parliament and a very great admirer of yours in England.

He makes a very interesting suggestion. It is not new but there is a tremendous lot of yeast in it.

I think it will pay you to read the letter.

With assurances of my affectionate regard and esteem, I am,

Yours very sincerely,



Joseph E. Davies

The Honorable
Franklin D. Roosevelt,
The White House,
Washington, D. C.

C O P Y

Plâs Dinam
Llandinam
Montgomeryshire

5th December, 1938.

My dear Ambassador,

I must apologize for the delay in writing to thank you most cordially and sincerely for your great kindness in sending us a message from the President on the occasion of the Opening of the Temple of Peace at Cardiff.

* * * * *

I can't tell you how grateful we all feel to the President for his inspiring message, which I know is tremendously appreciated by the people of Wales.

* * * * *

I am afraid things seem to be becoming more and more desperate in Europe, with the sword - or rather, the aeroplanes - of Germany hanging over our heads, ready to strike whenever Hitler, Goebbels and Goering think the opportune moment has arrived. In the meantime our immediate job here is two-fold: (a) to re-arm to the utmost limit, and (b) to replace our existing Government by one which will try and rebuild the shattered fabric of the League and the system of collective security. This may seem to be a counsel of despair - perhaps it is - but the only alternative, which of course would be a much more excellent way, is to persuade your great and statesmanlike President to summon an International Conference to deal with all outstanding issues, and to give a lead to the democracies before they are overwhelmed in detail.

There appear to be signs that America is waking up to the dangers and perils which beset her, or will beset her, if Europe falls under the domination of Hitler and his gangsters. This feeling, I imagine, will

H. E.
The Hon. Joseph E. Davies,
Embassy of the United States of America,
Brussels.

continue to grow, but it will be a tragedy if, following the course of events in the World War, it fails to assert itself before and not after the catastrophe happens. Now is the time, my dear Sir, by strong and bold action to prevent a war. The British Empire no longer counts as a moral force in the world. France is down and out. Russia is disorganized and disgruntled. The small nations are obsessed with fear. No one knows what is going to happen. The Dictators make the pace and hang on to the initiative. Nothing can possibly prevent war except the intervention of your country, backed by all the democratic countries. It isn't simply a case of picking the chestnuts out of the fire to save the British Empire; the whole future of civilization and the world is at stake. Once the Sawdust Caesars are eliminated in Europe, Japan will collapse and China will be saved. We can then repair the mistakes of Versailles, and give Germany and Italy their appropriate places in the scheme of things. Economic recovery in Europe will follow, with all its repercussions upon the prosperity of America.

Therefore I would beg of you to do your damndest to persuade the authorities at Washington to act now, before it is too late. Summon an International Conference at Washington. Hitler and Mussolini will, of course, refuse to attend. Their non-participation will condemn them in the eyes of the whole world. But all those countries who are represented will probably be of the same mind. In view of the common dangers which threaten all of them, they will be willing to do almost anything your President asks them. He has the whip hand, provided that at the outset it is made clear that the moral and material resources of the United States will be used to support his plan. "Put Force at the back of Righteousness," said Theodore Roosevelt. Without this, I agree, a Conference will be useless.

Here, my dear Ambassador, is surely a priceless opportunity which only comes to few men to win immortality, and as Theodore said, "The ruler or statesman who should bring about such a combination would have earned his place in history for all time, and his title to the gratitude of all mankind."

Today the democracies are crying aloud for leadership. It is leadership which counts, more in the long run than even guns and aeroplanes. Rally the world as Wilson did. Hoist the flag of Liberty, democracy and the rule of Law. There will be a marvellous response from every country, even in the totalitarian states, when their peoples understand what is afoot. Appeal once more to those glorious formulas - the rights of man; personal liberty; equity; justice - which have never failed to stir the human conscience and the heart of man. Even Hitler, in his book, admits that.

Let us have an Equity Tribunal and an International Police Force. Let us prove our sincerity to our ideals by expressing them in terms of institutions. Chamberlain and Company are in the hollow of the President's hand. No British Government could now endure for a week which refused to join in an American plan, as John Simon did a few years ago when he gave Stimson the cold shoulder. Therefore, now is the President's chance; it may not recur again until Europe is soaked in blood and London is a heap of ruins.

I must apologize for this long and interminable letter, but I am sure you will forgive me because I feel so deeply that no opportunity should be lost.

With renewed and hearty thanks for all your kindness and help, and with cordial greetings to you and Mrs. Davies, in which my wife joins,

Believe me to be,

Yours very sincerely,

(Signed)

DAVIES

(Copy of letter addressed to
Ambassador Joseph E. Davies
from Lord Davies)



In reply refer to
PR 811.032/330

file personal B-1

PSF: Belgium

DEPARTMENT OF STATE
WASHINGTON

January 11, 1939

My dear Mr. McIntyre:

I am enclosing herewith for the President a
paraphrase of a telegram dated January 5, 1939,
which was received in confidential code.

Sincerely yours,

G. J. Hemmeski
Chief of Protocol.

Enclosure:
Paraphrase of
telegram.

The Honorable

Marvin H. McIntyre,

Secretary to the President,

The White House.

Department of State

PR

BUREAU
DIVISION

ENCLOSURE

TO

Letter drafted.....

ADDRESSED TO

White House

(Paraphrase of telegram)

BRUSSELS

Dated January 5, 1939

Rec'd 5:10 p.m.

FOR THE PRESIDENT.

Today while I was on a tour of inspection of one of Belgium's largest industrial plants in Antwerp, a luncheon was tendered to me which was attended by many prominent officials of the Belgian Government, including the Premier, the Governor, and members of the Cabinet. I am happy to say that the main topic of conversation at the luncheon was your magnificent address to Congress, which made a tremendous and heartening impression here. Because of the high rank of the guests in attendance, this universally favorable comment was all the more impressive. Your peerless leadership of the world's democratic thought is most gratifying to Americans at home and abroad.

DAVIES

PSF: Belgium

full
confidential
Belgium

Brussels, Belgium,
March 23rd, 1939.

PERSONAL AND CONFIDENTIAL

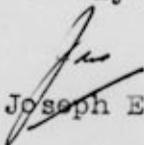
Dear Colonel:

Enclosed herewith is a personal note to the Chief, together with copies of my confidential cable to him and of my letter to Senator Pittman. I sent the latter in the hope that it might possibly help some in connection with the amendment of the Neutrality Act, in which the President is interested.

I am glad to take this opportunity to forward something to our great Boss through his distinguished new Secretary.

With warm congratulations and best regards, I am

Sincerely your friend,


Joseph E. Davies

Colonel Edwin M. Watson,
Military Aide to the President,
The White House,
Washington, D.C.

TELEGRAM SENT MARCH 21, 1939 (No. 32)

Please note that this message is addressed to the President and to the Secretary of State.

Embodied in this message is an idea that may already be under consideration. It is my belief that it has substantial potentialities.

The President's energetic timely action immediately preceding the Munich Conference is accepted among those here who are well informed as having been the deciding factor in the Fuhrer's decision for peace at that time.

The peace of Europe is now again tottering.

And again the President could probably contribute to securing peace in Europe - this time by influencing the decision of the Duce.

That Hitler wants war as his only way "out" is a growing conviction. That theory is supported by cumulative information out of Germany and by my own observations in Germany, where I have been for the past ten days.

Unless he can secure Mussolini's cooperation, it is probable that Hitler won't risk war. In other words, as goes the Duce so goes the peace of Europe this year.

The Governments of Great Britain and France are now trying desperately to wean Mussolini from the Fuhrer.

The Fuhrer's strategy requires that he have the support of the Italians and that he now encourage the Duce to make drastic demands on the French and in such a manner as to make it impossible for the French to accept them. The Duce would then become the spearhead and would be committed definitely to go to war and would be unable to "run out", which is what is feared by the Germans.

Then

Then Hitler would have his war for his own purposes with the assurance of the support of the Italians.

It is probable that Mussolini would be influenced greatly if the President were to convey directly to him through Ambassador Phillips or through the Italian Ambassador to Washington: (1) that undoubtedly the Neutrality Act will be amended speedily; this would in itself be a major, helpful factor at this time; (2) that with the public opinion of the world mobilized against the totalitarian states, they would probably lose eventually; (3) that even though they should be successful, Germany would crush Italy next, room for two Caesars in Europe being out of the question; (4) that the present and future interest of Mussolini is clearly with the western democracies as a preserver of the peace of the world and of international law; (5) that it is the hope of the President that Mussolini will proceed slowly and that he will not take an extreme stand on the 26th of March and that he will not precipitate a crisis at this time by making demands which French pride could not accept; (6) that by delaying action, time might be afforded to work out an arrangement which would satisfy the Italians, the French, and the British, and which would tend to insure a permanent peace on the Continent of Europe; (7) that as matters stand, the Duce probably could not get anything from the Berlin axis except through a war; (8) that Mussolini, taking the other position, would be the saviour of world peace, would bring to his country the maximum of benefits at least cost, and would prevent the domination of Europe by a single state.

I am on very good personal terms with the Italian Ambassador to Belgium, who is one of the Duce's war buddies and who has the personal confidence of Mussolini. It would be possible for me to

sound

sound him out informally and on purely personal grounds and possibly secure reaction from Rome, provided such action by me were considered desirable. It is my judgment, however, that a message should be sent directly by the President to Mussolini. Such a message could do no harm, it seems to me. It is up the alley of peace. Should it be successful, it would command the world's everlasting gratitude.

DAVIES

Brussels, March 21, 1939.

STRICTLY CONFIDENTIAL

Dear Senator:

Supplementary to the information on the European situation which contacts at this "listening post" afford, I have found a great deal of value in a number of books - some of them published over here and which perhaps ordinarily do not reach the American market.

It occurred to me that the members of the Foreign Relations Committee might find some of this material of value. So I am sending to you, for your Committee, the following books, which please accept with my compliments:

Germany and a Lightning War,
The War Against the West,
Hitler's Drive to the East,
The Battle for Peace,
Britain Faces Germany,
Strategy of Raw Materials,
Hitler's Magician: Schacht,
Hitler Over Russia,
Hitler Over Europe,
Inside Europe (latest revision).

Events here move with lightning rapidity. Conditions change from day to day. Ten weeks ago, deepest pessimism as to European peace prevailed. Four weeks ago, optimism was equally as marked and quite as extreme. Today, the pessimism is the deepest that I have found in Europe since I have come here. Chamberlain's Birmingham speech and complete volteface have changed the entire picture. Heretofore there was an underlying belief that come what may, the Chamberlain Government would pursue its policy of appeasement, at least through the year of 1939, and at almost any cost. Now that factor is absent. The action of France in clothing Daladier's Government with supreme war power, not only in its essential facts, but in the manner in which it was done (quietly and speedily within

The Honorable
Key Pittman,
United States Senate,
Washington, D.C.

within seventy-two hours), is more eloquent of a hardening of purpose than any amount of French speeches. This fact, coupled with Chamberlain's change of policy, has brought the situation down now to bare knuckles. Hitler knows now, for the first time, that Britain and France will fight. He therefore has to make up his mind whether he is going to settle or risk the great adventure of war.

The destruction and absorption of Czechoslovakia were a foregone conclusion after Munich. The basic menace in Hitlerism lies in the fact that he has impregnated the German people with the doctrine of their aryan racial superiority and destiny. This, with their capacity for regimentation, makes them thrice armed. In order to demonstrate their superiority, they have to acquire subordinates and that can only be done through conquest. The essential will of Hitler's Germany is not a will for peace, but a will for domination at any price. In Hitler's determination whether it will be peace or war, he is confronted with the fact that if he settles now for permanent peace, he can only do so by agreeing with England and France to disarmament as a condition precedent to the discussion of colonies, etc. Chamberlain has made it clear that he will not sit across the table for discussion when one of the parties carries a six-shooter on his hip. That means that Hitler will pay a terrific price for settlement, for to really embark upon a plan of disarmament, it would mean a terrific strain on industrial, economic, and social conditions. Vast numbers would be thrown out of employment and there is no other line open to absorb them. The Government has no reserves of gold or credits to take care of the unemployed, and no established foreign trade. Even with enormous financial help, Germany would find it a tough, uphill job to prevent most serious discontent on the part of the populace and possible threats of overthrow of the established regime. It is the hard way.

There is no doubt but what the temptation of foreign adventure is enormous to Hitler. From a military point of view, Germany and Italy are at their peak. To the extent that there is economic, financial, and social distress within, to that degree is it desirable to divert the public through foreign war. Italy and Germany have 120 million men between them, against the approximately 80 million of France and England. Today the blockade cannot starve Germany and Italy. The crumbling of the Czechoslovakian bastions has assured that. Hungarian wheat and Rumanian oil are in the hollow of Germany's hand. In 1914, with Italy as an enemy and with the British blockade, Germany came within an inch of winning the war. Today, Germany is more self-sufficient

sufficient from within than she was then and while weaker in many respects, on the face of the record, she is, as a matter of fact, in essentials much stronger. The rewards or spoils which a victory over the western democracies would afford offers a staggering temptation to a man who already has been thrice successful in challenging his fate against what seemed impossible odds.

That these considerations are in his mind has been demonstrated by his course of conduct against the Czechs and by the doing of those things which have caused so much uneasiness with reference to Holland and Belgium. The battle that is going on just now in the lull after Prague is a battle of diplomacy between Hitler and the democracies. Hitler is attempting to stimulate Mussolini into making impossible demands and become the spear head, on the one hand, and France is trying to wean Mussolini and buy him off, on the other. I heard many German people say that Hitler would require Mussolini to start the war in the West, so that he would be committed positively and could not run out, which they feared he would do if Germany started it. A few days ago, it looked as though Italy might be weakening a bit so far as the Berlin axis was concerned. My own judgment is that it would take a Caesarian operation, and a major one at that, to separate the two dictators.

It now looks as though we would be in a period of suspended diplomatic representation so far as Berlin, Paris, London, and Washington are concerned. Germany will probably stand pat and become increasingly hostile and belligerent against the United States and the western democracies, as she feels the effect of an economic boycott. Hitler will subside for a time and Mussolini will take the center of the stage, with Hitler's backing. There will be "alarums" of war and much thumping of the war tom-toms. Mussolini can make extravagant demands right up to the verge of war, and Hitler can always come in as friendly negotiator and induce his friend Mussolini to moderate his terms for the sake of preserving peace. That, however, is on the supposition that Hitler wants to do that. If he wants war, he has the situation in the hollow of his hand by refusing to do it.

Just what will happen no one can tell. Hitler is unpredictable. Of course, it is possible that he might turn his outside adventure to the East, and to the Ukraine. He cannot do that, however, unless he has closed his back door with the Mediterranean settled. That is going to be a pretty hard door to get closed. Mussolini has to get something to take home in his basket.

basket. There is grave doubt that he would be contented with Djibouti, the Addis-Abeba railroad, and some arrangement on the Suez Canal. It has been reported that the French offered him that a few weeks ago, but he would have none of it. To get more than that, when the French would have to do it at the cost of their umbrella, is rather improbable. The next few weeks will disclose which door Hitler will attempt to get closed first: the door on the East, or the door on the West. That he will not be content to remain passive long is a foregone conclusion. The reports which have been published by the German general staff describing the power and might and effectiveness of the Russian army, seem to have dulled Hitler's taste for the "Drang nach Osten". The net of it all that I get out of the mess is that prospects of peace in Europe for this year look worse to me than at any time since I was appointed in 1936. The paradox of it is that no people want war and yet forces seem to be irresistably throwing them into just that. The tragedy will mean possibly the annihilation of what we call civilization for the large part of Europe. If the dictators should win, liberty in the western hemisphere and our forms of government would be in the most serious jeopardy.

From all I get among the diplomatic corps and particularly from the ministers of smaller countries in Europe, there is no doubt but what President Roosevelt's utterances and your own, and the realization of the rising hostile public opinion in the United States have been among the most effective factors in deterring the aggressors.

One of the most prominent European diplomats here said to me yesterday: "If the United States would amend the Neutrality Act tomorrow, peace would be assured in Europe for this year." That is probably an extreme statement, but it is illustrative of how conscious, not only the dictators, but all Europe is of what the attitude of the United States might mean and does mean in this situation.

This letter has reached out into lengths that I had not intended it should. However, it is written to you and to the members of your Committee and is, of course, "off the record".

Please remember me cordially to my friends on the Committee. With assurance of my great respect and esteem, I am,

Very sincerely yours,

Enclosures, under
separate cover;
Ten books

Joseph E. Davies

JED:VG

PSF: Belgium

JED
copy

April 19, 1939.

Dear Joe:-

Many thanks for your wire and also for your note of April fifth. It must have been good to see old L. G. again. I wish that I, too, could get a glimpse of him. The years certainly sit lightly on him.

These are indeed hectic days and I need a little sleep but otherwise all is well.

My best wishes to you and Marjorie. I rather envy you both being in the thick of things.

As ever yours,

Honorable Joseph E. Davies,
American Embassy,
Brussels,
Belgium.

Brussels, Belgium,
April 5th, 1939.

PERSONAL AND CONFIDENTIAL

RE Lloyd George.

Dear Boss:

I had a long visit with our old friend, Lloyd George, in London last Sunday. He wanted to know all about you. The old man is in wonderful form -- physically fit and as alert as ever. He is keenly interested in the political situation in the United States.

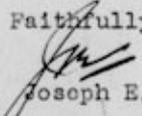
He thought that the United States was at the crossroads in its struggle to save democracy. He discussed all the leading candidates of the Democratic and Republican Parties and said that he couldn't see anyone of sufficient stature to lead the country except yourself. He hoped that you would run again. There is no reason, he said, behind our "third term" precedent and he felt that it was time it was smashed on the ground that the people had a right to declare for whom they wanted. He added that the situation in the United States and, in fact, the world needed the greatest leadership that could be afforded and he knew of no one adequate for such leadership, not only for the United States but for the world, but yourself.

The old boy is a really very great man. He wished particularly to be remembered to you personally and asked that I express to you his high admiration for the great service you are rendering to democracy.

I have reported to the Department a complete account of this interview and also of one I had with my old friend, Winston Churchill. On a separate sheet I enclose the gist of it.

Marjorie is fine. We often think of you and talk of you, always in terms of affectionate devotion and real appreciation.

Faithfully yours,


Joseph E. Davies

The Honorable,
Franklin D. Roosevelt,
Washington, D.C.

Following is the gist of views expressed to
Ambassador Joseph E. Davies by David Lloyd
George (Liberal) on the International Situa-
tion, at London, on April 2, 1939.

That up to the last two weeks, he had been very confident that the hostilities would not break in Europe this summer; but

That now he was not sure and was definitely uneasy and fearful, for "Hitler was going on";

That "the country" and all parties were behind the Government to a man;

That personally he was much concerned lest this new policy might not be implemented into effective and vigorous action;

That Hitler would doubtless press to re-nationalize Danzig and secure a concession of a military highway across the corridor to East Prussia; that he was set on getting Silesia;

That Britain would not ordinarily fight for Danzig, which after all was a German city;

That if Poland fought, however, Britain would now have to fight;

That unless vigorous and definite military arrangements were made with great initiative and speed, both England and France would be rendered ineffective, and it would result in a declaration of war "without fighting a battle";

That it was vitally necessary that England should, wholeheartedly and immediately, aggressively bring Russia into close cooperation with definite and specific mutual military arrangements;

That he had talked with "Neville" (Chamberlain) about Italy and that he (George) believed that Mussolini was simply waiting for Hitler to absorb the attention of France, when he would make a military drive in Africa. This would probably result in the Mediterranean being closed to troop ships, and with Franco in Spain, the lines of communication for naval and troop ships, to get troops into the Soudan around South Africa, would be menaced by German submarines from a Spanish base on the Atlantic;

That there was no immediate prospect of a coalition government in England because Labor would not cooperate;

That if hostilities broke, there was danger that it would be a long war, with the possibility that Hitler would ultimately fight a defensive campaign within the Siegfried lines and, if finally necessary, try to make a peace, retaining what he held;

That

That public opinion of England, however, had now definitely hardened into a resolution to fight it out if necessary;

That the desperate internal situation which Hitler and Mussolini faced, politically, industrially, and economically, coupled with the fact that the democracies were making rapid strides in preparedness, were factors which were driving Hitler ahead.

Following is the gist of views expressed to
Ambassador Joseph E. Davies by Winston
Churchill (Conservative) on the International
Situation, at London, on April 1, 1939

That war was bound to come, if it were now not already upon us;

That the last two weeks had shown a new England - morally aroused, mad clear through, and definitely committed to stopping Hitler and his attempted world domination;

That the idea of unilateral protection of Poland and other European states was England's own - not that of France, nor of Poland. So far as the latter was concerned, it was unsolicited, surprising, and perhaps even embarrassing.

That Mussolini faced a desperate situation which was driving him on to hostilities. It was his (Churchill's) opinion, however, that the British and French navies could overwhelm and demolish Mussolini's naval forces. Their dominance was 4 to 1.

That he was positive that there was now no opposition to bringing in the Soviet Union because of ideological differences; it was simply a question of what would be the wisest method of projecting joint defense against aggression. Russia, in his opinion, would have to fight anyway, but nevertheless she should be brought in.

That Belgium would have to make up her mind to take sides, or England would have to abandon her to shift for herself. They did not need Belgium as the Maginot line would "do the necessary".

That the country and all parties would be back of Chamberlain to a man;

That enormous strides had been made in the last few months in protection against air raids and that with an additional six months time, England would be secure against bombing attacks in the day, and this "horrible menace of blackmail" would be relieved;

That war, if it came, would undoubtedly be characterized by early German successes, but that ultimately the aggressors would be smashed;

That Hitler's speech in reply to Chamberlain could not be taken as reassuring in any way; that Hitler was unpredictable and that he, Churchill, was fearfully concerned.

May 31, 1939

JED
OK the
page
me

Dear Joe:

Thank you for your letter of May eleventh enclosing resolutions from various organizations in Belgium and communications from Belgium citizens expressing gratitude for my note to the heads of the governments of Germany and Italy. I was, of course, pleased to see them.

I have not seen Jimmy since his return from Europe, but expect to shortly and know that he will bring the latest tidings of you and Mrs. Davies.

Very sincerely yours,

F. D. R.

Honorable Joseph E. Davies
Ambassador Extraordinary and
Plenipotentiary
Brussels
Belgium

JHR:G

15
Thank
P.

Brussels, May 11, 1939.

PERSONAL

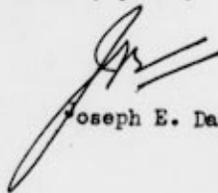
My dear Chief:

The spontaneous expressions of gratitude to you in connection with your note to Hitler and Mussolini, which have come to me from all classes of people, are extraordinary in their warmth and depth of feeling. I have, of course, forwarded them to the State Department. They should be, however, in your own personal archives, so I am sending along the enclosed.

They have been supplemented with innumerable oral expressions of members of the diplomatic corps, business and professional communities, and also from people that I did not even know, who would accost me, explaining their wish to express "gratitude and thanksgiving for the noble action of the greatest President of the United States", and similar expressions.

With affectionate regards from us both, I am,

Hastily yours,



Joseph E. Davies

Enclosures.

The Honorable
Franklin D. Roosevelt,
The White House,
Washington, D.C.

Brussels, April 24, 1939.

At the meeting held this day, presided over by its founder, Professor N. Robiette, the International League for Justice and Peace adopted the following resolution:

This League, created in order to safeguard the peace of peoples by justice, protests solemnly and energetically against the cruel and arbitrary actions involved in the annexation of Czechoslovakia and Albania, which were brutally invaded and violated against the will of their peoples and contrary to the sacred law of nations and of treaties signed freely and without restraint. The League appeals to the common sense, to the sense of justice and to the love of peace of peoples - including the Italian and German peoples - in order that they may bring pressure to bear upon their rulers to the end that they may work toward the restoration of the independence of these two unfortunate countries - victims of criminal greed - and may enforce peace in their own countries, by declaring: 1.- that war is a crime against humanity; 2.- that it is the duty of all to avoid it by active and effective cooperation in sincere ideas and sentiments.

The League calls on all men of good will, without distinction of nation or race, in order that its appeal may be heard by all and spread abroad everywhere.

The League pays a tribute of respect and admiration to courageous President Roosevelt - a defender of the right, of democracy and of peace - for the noble and fearless statement which he has addressed to the totalitarian States and which has had a considerable repercussion throughout the world and has had a deep and salutary effect even upon the aggressors.

The

The League begs Your Excellency to believe that he has won the esteem and gratitude of the civilized world, in placing the peoples face to face with the real problem, that of the conception of genuine peace through the proposal for an international economic plan which would serve as a brake to unjust and dangerous greed.

There is, in truth, we are convinced, an altruistic, generous, fruitful plan to be presented to the peoples, in order that an equitable share of activity and of production, in common, may be distributed to each one of them. The dance (fluctuations) of currencies, commercial chaos, will then cease to exist, and the peoples will be able to live no longer by theft, banditry and crime, but in integrity and uprightness, by work duly and justly remunerated.

President Roosevelt names the way: AN ECONOMIC PLAN. It exists! The President of this League has advocated the plan for years, but this plan must be in a large measure international, constructive, practical, concrete, capable of being put into effect immediately, and of extending to all fields of human activity. The possibilities of this plan when applied will be unlimited. This conception is not a dream on too large a scale. It is realistic and could be applied without further delay. The world possesses sufficient riches and land, affords sufficient work with enough manpower to accomplish it, so that all peoples may find their share of happiness and affluence, without being obliged to have recourse any longer to pillage and crime.

The members of the International League for Justice and Peace, assembled at this meeting, present to President Roosevelt their sentiments of satisfaction and profound gratitude for the splendid gesture which he has made by sending his historic message, and they hope, for the good of humanity, that a long life is still ahead for him and his family.

MOTION

A part of the population of Ans assembled today, April 22, at Ans, by the Associations, THE FAR-SIGHTED WOMAN (La Femme Prévoyante) and the SOCIALIST WAR VETERANS OF ANS-ALLEUR-LONCIN and vicinity:

After having bowed to the memory of the ten million war veterans sacrificed from 1914-1918;

Having heard the wonderful statements of Miss Lucie Dejardin, member of the Committee of WOMEN FOR PEACE, and of Mr. Louis Pierard, member of the Chamber of Representatives of Belgium, on PEACE and DEMOCRACY;

RESOLVES to request Mr. Davies, Ambassador of the United States at Brussels, to transmit to Mr. Roosevelt, President of the United States, their feeling of profound gratitude for the humanitarian action which he dared to take in sending to the totalitarian States a clear appeal for PEACE;

EXPRESSES the most sincere wish that this courageous policy of President Roosevelt may continue in favor of PEACE, which must spare from so much suffering, old men, women, children, husbands and wives, in one word, the whole UNIVERSE.

AND PROCEEDS WITH THE BUSINESS OF THE DAY.

FOR THE COMMITTEE:

The Assistant Secretary,
(s) H. WARNANT
23 rue de Bolzée
Loncin

The President,
(s) C. WERY
305 rue de l'Yser
Ans

RESOLUTION

The Bureau of the C.C.S. (Confederation of Christian Syndicates of Belgium), meeting at Brussels on April 18, 1939,

Having taken note of the message sent on April 15 to Germany and Italy by Mr. Roosevelt,

Is deeply grateful to the President of the United States for his effort to avert war which would be a terrific disaster for all of humanity;

Hopes that the Governments will find a solution likely to assure a durable Peace, to which the enormous majority of men aspire and which, brushing aside the spectre of war and re-establishing confidence among peoples, and ensuring economic revival, will favor a policy of social progress inspired by the respect due to the human being.

MINISTER OF STATE

Brussels, April 19, 1939.

Mr. Ambassador,

I have the honor to inform you that the Right Wing of the Chamber of Representatives, in its session yesterday, acting upon my proposal, rendered unanimous homage to the initiative which has just been taken by President Roosevelt with a view to preserving peace.

I avail myself of this opportunity, etc...

(s) H. CARTON DE WIART

NATIONAL FEDERATION OF VETERANS
Brussels Section

Brussels, April 20, 1939.

Mr. Ambassador:

Our committee, which met on April 19, 1939, having taken note of the message transmitted to the Powers by the President of the United States of America, resolved, with the unanimous vote of all its members, to transmit to you the following motion which we would ask you to kindly ~~bring to the~~ attention of the President.

"The fighting generation, represented by us, Belgian war veterans of the N.F.V., Brussels Section, 24 rue Auguste Orts, who have suffered in body and property, the horrors of modern warfare, beg Your Excellency to transmit to His Excellency Mr. Roosevelt, President of the United States, the expression of their deepest sympathy and their most sincere and respectful thanks for the really touching appeal to ^{the} wisdom and reason of the rulers, which, we are certain, will have tremendous influence on the course of events."

May he be convinced that his happy gesture will have rendered incalculable service to humanity and to the cause of civilization.

Renewing our entire approval, we remain, etc....

For the Committee:

The Secretary,
(s) M. Géva

The President,
(s) F. Boumont

TRANSLATION

Telegram of April 17, 1939.

Audenaerde

His Excellency Davies

American Ambassador, Brussels

The Society of trade and crafts, representing the middle classes of Audenaerde and surroundings, in a general meeting present warmest homage and deepest thanks to President Roosevelt for his noble peace efforts. Are still thankful for invaluable aid and heavy sacrifices of life during last war in favor of Belgian nation. Pray God bless President Roosevelt and his people.

Verschraeghe, President.

TRANSLATION

Telegram of April 17, 1939.

Courcelles

Ambassador of the United States

33 rue de la Science, Brussels

A group of Belgians asks you to convey to President
Roosevelt sentiments of admiration and gratitude.

Buchet, Lawyer, Courcelles

COPY

Telegram of April 16, 1939.

London

The Honorable Joseph Davies

American Embassy, Brussels

New Commonwealth Society congratulates you most cordially
on President's magnificent message opening up new era of
hope to stricken world Rousevelt am byth writing.

(Lord) Davies

COPY

Excerpt from Personal Letter from
Brazilian Ambassador, dated
April 17, 1939.

.....

May I congratulate you upon the magnificent action
taken by your great President and aiming at the peaceful
solution of the world crisis?

.....

(s) Mario de Pimentel Brandao

YOUNG PEOPLE'S BLUE CROSS
Kindness to Animals

Brussels, April 17, 1939.

His Excellency the Ambassador of
the United States of America,
Brussels.

Excellency:

I have the honor to send you, for transmission to
him, an expression of gratitude for the noble President
F. Roosevelt.

This message, coming from the hearts of thousands
of children, will be such as to move Him who took this
splendid initiative to try to save the Peace of the World.

I remain, etc.

(s) L. Eymael

President-Founder of the Young
People's Blue Cross

COPY

TELEGRAM OF APRIL 15, 1939
to the White House, Washington

THE PRESIDENT.

Allow me to congratulate you for the message you had the courage to send. It creates great enthusiasm and engenders a ray of hope for the restoration of peace. At the charming reception given tonight by Ambassador and Mrs. Davies where we met your son everyone highly praised your initiative.

Paul Grosjean

COPY

TELEGRAM OF APRIL 17, 1939,
to Washington.

The President,

The White House

The Belgian Labor Party assembled in Congress at Brussels
on this 17th day of April is greatly desirous success for
your efforts on behalf of peace.

(s) Jauniaux, President

Deblock Piot, Secretary

TRANSLATION

Anderlecht, April 15, 1939.

Mr. President,

All peoples, no doubt, desire peace, and the touching message of Your High Personage will considerably increase today the hope of all those who hope, in spite of everything, to know better days.

Millions of human beings will bless, in their hearts, your generous gesture.

Although I am only a humble intellectual, I nevertheless dare to be among those who give you evidence of their gratefulness by a positive action, by expressing it to you in writing.

I should like, Mr. President, to be able to do so in a more eloquent manner. But I am not able.

I implore the Heavens to bless your noble initiative in order that it may be crowned with the greatest success.

Condescend to forgive the liberty I have taken to approve your attitude, but as I took part in the world war, and am still suffering from it, I am one of that innumerable host who appreciate at their just value, the blessings of Peace, of which you are one of the most powerful supporters.

I remain, etc.

(s) Fr. Spinnoy,
1433 Chaussée de Mons,
Anderlecht

Very humbly and very respectfully
To Mr. Roosevelt,
President of the United States,
New York.

*
* *

FOR PEACE,
HOW MANY ARMS!

When every country arms to defend itself,
Who can reproach such precautions?
And yet, if endlessly, arming must spread,
What is to happen, O poor nations?

Submitting

Submitting to the attraction of vicious circles,
Any State may be caught in the wheels;
Everyone is aware of it, everyone is anxious,
And the human mind wants to divert the storm.

Ah! If the heart spoke, all might be solved,
For, we feel it clearly, it is the heart which must act;
Justice, Humanity, stop the thunderbolt
Which is about to fall; to annihilate us!

We have lived through more than one striking example
Of human passion, desperate and gone beyond bounds.
Fulfil, O Lord, our suppliant wish:
Restore to all hearts, the Peace so desired!

August 1936

Fr. Spinnoy, Anderlecht.

THE BARTER PROPOSALS WITH U.S.

Mr. SHINWELL (Seaham, Lab.) asked the President of the Board of Trade whether he was in a position to make a statement on the exchange of goods by barter between the United Kingdom and the United States of America.

Mr. GARRO JONES (Aberdeen, N. Lab.) asked a similar question.

Mr. OLIVER STANLEY (Westmorland, U.) referred them to the reply which he gave to questions on May 23.

Mr. G. GRIFFITHS (Hemsworth, Lab.)—Would it be possible to exchange Mr. Chamberlain for Mr. Roosevelt? (Laughter.)

Mr. OLIVER STANLEY.—I am always ready to consider any exchange that is to the mutual advantage of both countries. (Renewed laughter.)

Mr. R. MORRISON (Tottenham, N., Lab.)—Is the right hon. gentleman aware that there is an impression in business circles that the Government do not intend to go on with this proposal?

Mr. OLIVER STANLEY.—If that is the impression it is entirely unfounded.

Belgium - 1939

Jaune 3

June 2, 1939

MEMORANDUM FOR MR. SUMMERLIN:

The President has signed the letter to His Majesty Leopold III, King of the Belgians, and I am returning it herewith, as suggested in your letter of June first.

M. A. Lehland
PRIVATE SECRETARY

hm

Letter signed by the President to King Leopold, III, dated 5/30/39 thanking for message on Memorial Day.

May 30, 1939

Your Majesty:

The American people join with me in deep appreciation and thanks for Your Majesty's thoughtful and gracious Memorial Day message. As we gather today to honor our dead we will be keenly mindful of Belgium's great sacrifice and her heroic dead.

Your Good Friend,

His Majesty
Leopold III,
King of the Belgians.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
PR 811.458 Belgium/85

June 1, 1939

My dear Miss LeHand:

I am enclosing herewith a Memorial Day message addressed to the President by the King of the Belgians, together with a translation thereof. As this has been received through the Belgian Ambassador at Washington, it will be appropriate for the President's reply to be sent through the American Embassy at Brussels. Accordingly, I am enclosing a reply to His Majesty's message for the President's signature.

Should the President approve the text of this reply I will, upon its return, have it sent to the American Embassy at Brussels for delivery to His Majesty.

Sincerely yours,

G. G. Thompson
Chief of Protocol

Enclosures:

From the King of the Belgians,
May 30, 1939, with translation;
Draft reply to above.

Miss Marguerite A. LeHand,
Personal Secretary to the President,
The White House.

Department of State

BUREAU }
DIVISION }

PR

ENCLOSURE

TO

Letter drafted 5/31/39

ADDRESSED TO

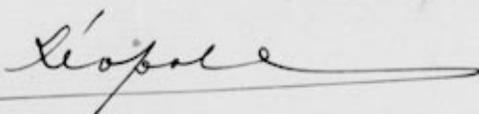
Miss LeHand

30 mai 1939.

DECORATION DAY.

Le 30 mai de chaque année, la Belgique toujours reconnaissante fleurit les tombes des héros américains qui ont courageusement combattu sur son sol pour la défense du droit et de la liberté.

En ce jour consacré à un pieux souvenir, le peuple belge et moi-même, unis dans une même pensée émue de profonde gratitude, nous adressons à la Grande Nation Américaine l'expression de nos sentiments de vive admiration et de très sincère amitié.


Leopold

[Translation]

Brussels Palace

May 30, 1939.

DECORATION DAY

On May 30 every year, Belgium, ever grateful, decorates with flowers the graves of the American heroes who bravely fought on her soil for the defense of law and liberty.

On this day consecrated to a holy memory, the Belgian people and I, united in a single emotion of profound gratitude, send to the Great American Nation the expression of our feelings of warm admiration and very sincere friendship.

LEOPOLD.

Handwritten: *get copy*

OFFICE OF THE
ATTORNEY GENERAL

Brussels, Belgium
June 8, 1939.

Dear Boss:

Marjorie and I have been wondering whether you wouldn't like to get a sail on a real sailing ship and take the SEA CLOUD for a bit this summer. It will be back home about the first of August. There is pretty good fishing off Block Island and Montauk even during the warm weather, I am told. There is an elevator that can be used from the deck down to the stateroom quarters, and I think you could be made comfortable. You could have some fun sailing the ship yourself. Of course we'd want you to make up your own party, stag or otherwise, as you might wish.

Everyone over here is optimistic, but I have my fingers crossed all over the place. The Soviet-British agreement does not look too good just now. Chamberlain will soon have to make up his mind or the old Bear will get tired of being cuffed around and make peace on his own terms possibly with Germany. If that happens, Europe will be in the hollow of Hitler's hand. The only preventative against a peace imposed by the dictators is a strong London-Paris-Moscow axis to offset Berlin and Rome. No doubt Rome and Berlin are making herculean efforts to hold Russia benevolently neutral.

The Vatican is making a big effort to settle the Dantzic question and assuage Mussolini. Chamberlain wants to but France is getting her back up and the British Ambassador here tells me that Britain is

The Honorable
Franklin D. Roosevelt,
The White House,
Washington, D. C.

having much difficulty with France as France is "very difficult." In the meantime, the Soviet negotiations are dawdling along and the Soviets are getting sore. To my surprise, the attitude of the Polish Minister here has completely changed on the desirability of having Russia come in. He is hostile to the settlement of Dantzig because he says that after Dantzig it is only a postponement to some other issue.

If the Soviet negotiations fall through, the prospect for hostilities this summer is imminent via Dantzig. Otherwise, it'll be postponed until the fall, until the harvests and until the weather is cooler for the African campaign. Conditions inside Germany and Italy are desperate, economically, industrially, financially and politically. The real menace to peace is the desperation of the régimes. Standing in the dictators' shoes, it might appear that their easiest way out is through a foreign war, on the theory that they can hold out and then make a peace with the "decadent" democracies, hold what they have and be no worse off than they are now. Germany almost did it in '14 and '17, when the blockade existed and when Italy was an enemy. They now have food, the Czech armament and Rumanian and Arabian oil, with the eastern part of the Mediterranean pretty well bottled up. That, in brief, is the way it looks to me. Unless Chamberlain makes his mind up P. D. Q. and brings Russia in, the outlook is very bad.

I recall our talks of two years ago when it seemed so perfectly clear that the only real assurance for peace was a realistic London-Paris-Moscow axis, now that the League of Nations is destroyed. It is perfectly amazing to me that the power and strength of the Soviet Government and Army is not accepted in spite of the overwhelming evidence that is at hand. When the house is burning, it seems so silly to be fearful of bringing in the Fire Department because the water might get your feet wet.

I have followed the situation at home with the keenest interest, and champ at the bit a little when I smell the smoke of battle. You have been

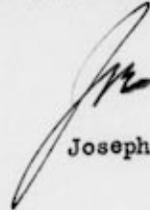
batting 1000%. Your speech to the Retailers was perfectly grand.

Attached hereto is an amusing excerpt from the debates in the House of Commons. I do not much blame this man Griffiths for wanting to make an exchange of leaders as well as commodities.

Marjorie joins in devoted affection to you and to Mrs. Roosevelt and to all.

We had a grand visit with Jimmy.

Faithfully yours,

A handwritten signature in dark ink, appearing to be 'J. E. Davies', written in a cursive style with a long, sweeping underline.

Joseph E. Davies

PSF: Belgium
Belgium
1

July 7, 1939.

Dear Joe:-

It is good to have your letters -- and I read that Marjorie arrived in New York last Saturday.

Since you wrote the general situation seems to have changed little for the good, though there is no actual crisis as yet.

I take it you will be back in a few weeks if the dam does not break, and it will be grand to see you again.

I will remember Orme Wilson. I have known him well since he was a small boy.

As ever yours,

Honorable Joseph E. Davies,
American Embassy,
Brussels,
Belgium.

Brussels, Belgium,
June 21st, 1939.

PERSONAL AND CONFIDENTIAL

My dear Boss:

Knowing of your keen interest in the personnel of the Diplomatic Service and in the merit system, I venture to call to your attention a situation with which I have come in contact in the event that you should be considering the appointment of any career men to the posts of minister.

The best man that I have met in the field in the career service is Orme Wilson, our counselor here. He does not know that I am writing this letter.

He is remarkable for his good judgment, loyalty, capacity to make contacts and procure information, diligence and indefatigable work. He has impressed me tremendously. I would be glad to have him in my own organization in private life at any time. He is an exceptionally valuable man. He is handicapped somewhat by his innate modesty and his rather retiring personality. In spite of that, however, he makes a strong impression upon men with whom he comes in contact within a very short time.

I have made it a point to inquire into his past service. He has served well and ably for many years and, in my opinion, is thoroughly deserving (far more than some I know) of promotion at your hands.

Forgive me for intruding this upon you in the midst of a busy life, but I felt sure that you would want to know the facts.

The Honorable
Franklin D. Roosevelt,
The White House,
Washington, D.C.

Marjorie and I will be home this summer --- if the international situation permits --- as it has been more than a year now that we have been away. We will be mighty glad to get home and hope to see you.

Always with our devoted affection,
I am

Faithfully yours,



Joseph E. Davies

N.B. - I don't think I have made it strong enough here that, in my opinion, Wilson, by reason of his abilities and stature, is eminently fitted for a ministerial post.

J.E.D. *J.E.D.*

THE WHITE HOUSE
WASHINGTON

*file Belgium
personal
(1)*

July 19, 1939.

MEMORANDUM FOR THE PRESIDENT:

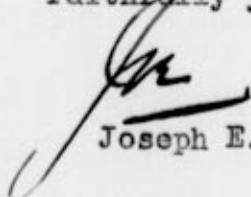
Dear Boss:

I did not want to bother you to report on yesterday's conferences -- but I was on the job. Apparently events are marching inexorably. You have made the record. Your judgment, in my opinion, will be justified.

Take care of yourself. God bless you. If there is any hole that I can stop or any service that I can perform, I am at your command.

Attached hereto is a rather interesting map and memorandum of the strengths and resources of the European powers issued by the London Chronicle. I brought it over as I thought it would be interesting to you as a reference.

Faithfully yours,


Joseph E. Davies



DEPARTMENT OF STATE
WASHINGTON

August 30, 1939

Belgium

My dear Mr. President:

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

Believe me

Faithfully yours,

Enc.

The President,
The White House.

EMBASSY OF BELGIUM

Washington, August 28, 1939

D. 7442 - 4923

No. 3243

Mr. Secretary of State:

By order of my Government, I have the honor to advise Your Excellency that I have been instructed to communicate to the President of the United States that His Majesty the King, My August Sovereign, highly appreciated his communication of August 25, 1939 and expresses his thanks for it.

The Belgian Government has advised of this reply the Governments of the States of the Oslo group.

I take the liberty of having recourse to Your Excellency's habitual courtesy to the end of transmitting this message to its high destination.

I avail myself of this opportunity, Mr. Secretary of State, to renew to Your Excellency the assurance of my highest consideration.

R. v. STRATEN

To the Secretary of State,
Department of State,
Washington.

Personal
File Personal

PSF: Belgium
Em Pauli Brussell:

EMBASSY OF THE
UNITED STATES OF AMERICA

Sept. 5. 39-

Dear Chief:

I'm off. All I can do
job in Brussels in a week.
All I wanted to say on the
phone was -

Do take care of your energies. Do
spare yourself for the heavy days
ahead. - Not only our country but
Civilization needs you now.
Again, I wait you to know

old friend that to the end of
the road. I shall always be
grateful to you for your confidence
and trust. Both. My Margie ^{and}
I will remember it always -

God Bless you! - The Stars
are marching! Don't all else
save yourself as much as you
can for the Great Tasks that are
ahead of you. - My affectionate
remembrances to all the family &
my deep gratitude & affection to
you & yours. - Joe (Whelan)

EMBASSY OF THE
UNITED STATES OF AMERICA

PSF: Belgium
File
personal
FDR

Dear General :-

Will you be good enough to
hand this to the Boss. -

Thanks a lot. old fellow.

Love to - Please remember
me cordially to your lovely lady.
My best always to your wonderful self
Joe

TELEGRAM SENT

Prophecy

To: Secstate, Washington

Date: October 7, 1939, 5 p.m.

No.: 152

Code:

Charged to:

*** 1-1142

The following message is for the President and the Secretary of State:

Here in Belgium there is great fear that possibly there is imminent some move on the part of one or the other of the belligerent countries that will harden the existing situation into an irrevocable, real, bitter, long and terrible conflict. This fear is not directed only to the possibility of an immediate assault on the Wester Front by the Germans, but to the fact that the Allies might do something precipitately that would bring total destruction to the unstable "Bridge of Peace," which delay might yet afford. They are still desperately clinging to the hope that time and the development of some possibly unforeseen occurrence might obviate the catastrophe before it is hardened into finality. In this, their darkest hour, a high source has requested me to say to you that the only one in the world who can do something that might possibly avert the holocaust is President Roosevelt, and to express their hope that the President might find some way of once again making some effort similar to those noble ones that commanded in previous crises the admiration of the liberty-loving world.

A despatch is following by special messenger, who will embark on the Clipper scheduled to leave Lisbon on October 11.

DAVIES

GENERAL SERVICES ADMINISTRATION
The National Archives



THE FRANKLIN D. ROOSEVELT
LIBRARY

Hyde Park, N. Y.

Three Centimeters

Papers of President Franklin D. Roosevelt
President's Secretary's File
Box 43 (Belgium, 1939)

SUGGESTED DRAFT OF IDEA TO BE CONTAINED IN
MESSAGE TO HITLER FROM THE PRESIDENT OF THE
UNITED STATES.

At this eleventh hour, after hostilities have already begun and before war of unprecedented violence and horror shall have become irrevocably cast and fixed through the hardening processes of suffering and passion, I make this appeal to you in a last minute effort to Save the Peace.

Can not you and the great and fine German people renounce those conquests by force of arms which have demonstrated your purposes and your strength and, on a basis of the status quo ante, propose a conference at which you will submit your case, for which you have so eloquently and ably pleaded, to the fairness and justice of other nations, your peers who are equally desirous of establishing permanent peace for the security of Europe and thereby reaffirm confidence in the God that has implanted justice and right in the hearts of mankind?

As you have said, such a conference must ultimately be held. It would be an inestimably greater achievement and more durable in character if this could be done by processes of conciliation and mutual concession through conference of minds rather than through the arbitrament of the sword.

Countless millions in the world, if such project could succeed, would bless your name.

I ask this in the name of humanity.

GENERAL SERVICES ADMINISTRATION
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Three Centimeters

Papers of President Franklin D. Roosevelt
President's Secretary's File
Box 43 (Belgium, 1939)

THE WHITE HOUSE
WASHINGTON

October 13, 1939.

MEMORANDUM FOR
THE SECRETARY OF STATE

To read and return. I
do not think this requires any
action at the present time.

F. D. R.

Cable from Ambassador Davies
to the President and Secretary Hull
in re request from high source to
state that the President of the United
States is the only person in the world
who can possibly avert the holocaust,
etc.

TELEGRAM

The White House
Washington

file
Journal
PSF: Belgium
1

Oct 8th

530 am Oct 8 1939

The following is a paraphrased code cablegram received at the State Department;

Brussels, Oct 7, 1939, 5:00 p.m. from Mr. Davies.

For the President and Mr. Hull

Here the fear is great that either one or the other of the belligerents may possibly undertake imminently some action that will harden the situation, as it now stands, into a bitter, irrevocable, horrible and really long war. The possibility of an immediate assault by Germany on the Western front is not the only cause of this anxiety, but there is also the fear that the other side might destroy by some precipitous action, the trembling bridge of peace which might yet be afforded by delay. Here people continue to cling desperately to the hope that time, together with the development of some possibly unforeseen events, might cause the catastrophe to be averted before it is definitely and finally established.

I have been requested, in this, their darkest hour, by a high source to state that the President of the United States is the only person in the world who can possibly avert the holocaust. I have likewise been asked to say that they hope that somehow he might find a way of making again an effort of some sort similar to those noble ones which he has made in previous crises and which have so evoked the admiration of all the lovers of liberty throughout the world. A special messenger bearing a dispatch in regard to this is following on the clipper.

(from the Secretary of State's office)

PSF: Belgium

**THE WHITE HOUSE
WASHINGTON**

October 19, 1939

MEMO:

The original copy of this letter, signed by the President, today, and addressed to Ambassador Davies in Brussels was given by me to Mr. Stanley Richardson to be taken by him personally to the Ambassador. Mr. Richardson advised me that he would go to Brussels via Pan American Airways Clipper, leaving Long Island, New York, Sunday morning, October twenty-second.



S. T. E.

Belgium
Belgium

Oct 19th

Dear Joe:

I am more than appreciative of the trouble you took to see that your letter of October 7th was placed in my hands with the least possible delay. I have read it with the utmost care, and I hope that you will tell the King that I have given real study to his analysis of the situation as it exists today, and to his suggestion that I make some new move with a view to bringing about peace.

Not a day passes without my trying to see if a favorable opportunity exists for some move that would lead to peace. But now that hostilities are already under way I feel that any endeavor on the part of the United States to bring an end to this war should only be taken after it has become abundantly clear that the path towards which we may point does in fact lie in the direction of peace. I hope you will tell the King that I shall continue to watch the situation day by day, to study - as he does, though in my case from a greater distance - developments as they occur, and if the time should come when I felt that some action on our part would have a good chance of turning the world back towards peace, I could seize it with the firm conviction that I had the support of the united country.

Let me add a line of thanks for your excellent and objective reporting. I follow news from Belgium

with

FDR to Davies, 10-19-39, published in Foreign Relations U. S., 1939, vol. 1, pp. 517-18.
An electrostatic copy of this letter has been put in the open file: Belgium.

RHP
4-7-65

with personal interest, and I was particularly happy to note the King's statement to you that he looked upon me as the friend of his late father, of himself, and of Belgium.

Very sincerely yours,

The Honorable
Joseph E. Davies,
American Ambassador,
Brussels, Belgium.

Eu:PM:CMS
10/19/39

DEPARTMENT OF STATE

THE SECRETARY

October 19, 1939.

MEMORANDUM FOR THE PRESIDENT

In accordance with your request, I am enclosing a draft of a letter to Ambassador Davies in reply to his letter of October seventeenth.

CH

Dear Joe:

I am more than appreciative of the trouble you took to see that your letter of October 7th was placed in my hands with the least possible delay. I have read it with the utmost care, and I hope that you will tell the King that I have given real study to his analysis of the situation as it exists today, and to his suggestion that I make some new move with a view to bringing about peace.

Not a day passes without my trying to see if a favorable opportunity exists for some move that would lead to peace. But now that hostilities are already under way I feel that any endeavor on the part of the United States to bring an end to this war should only be taken after it has become abundantly clear that the path towards which we may point does in fact lie in the direction of peace. I hope you will tell the King that I shall continue to watch the situation day by day, to study - as he does, though in my case from a greater distance - developments as they occur, and if the time should come when I felt that some action on our part would have a good chance of turning the world back towards peace, I could seize it with the firm conviction that I had the support of the united country.

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father, of himself, and of Belgium.

Very sincerely yours,

The Honorable
Joseph E. Davies,
American Ambassador,
Brussels, Belgium.

Eu: PM: CMS
10/19/39



S

Brussels, Belgium,
October 7th, 1939.

STRICTLY PERSONAL AND CONFIDENTIAL

My dear Boss:

This is dictated in great haste to catch the Clipper. It involves such a delicate situation and so urgent a matter that I am anxious for you to have it at the earliest moment. I have decided to have Stanley Richardson, at my personal expense, take it to you by the Clipper flying Wednesday.

On Friday morning, our mutual friend, Mr. Dannie Heineman, came in to see me. The King, he said, had been with his troops all week, was tired and terribly worried over what appeared to him to be the inevitability of a war of the greatest violence and bitterness which would destroy millions of people in Europe. The King asked Heineman to see me and ascertain whether I could come out to see him unofficially at the Palace that evening. I spent three hours with King Leopold.

The gist of the matter, as stated, was that:

The King is greatly concerned with the extreme delicacy of his position as between Hitler and Britain and France and is desperately trying honorably to conserve the strictest neutrality which his Government has pledged. In personal feeling he, along with his people, is definitely not neutral but anti-Hitler.

He looks upon you as the friend of his late father, of himself and of Belgium and feels confident that whatever you might be able to do, if you thought favorably of doing anything, would be done in such manner as would protect his situation so far as

The Honorable
Franklin D. Roosevelt,
The White House,
Washington, D.C.

Britain, France and Germany are concerned. It was his desire that not even his ministers should know of our discussion.

It is the King's opinion that the British Government has been stupid in the extreme; that their diplomacy during the past three years has constituted the darkest page in British diplomatic history; that they have been weak when they should have been decisive, bold when they should have been cautious; that when they should have been preparing they were not, with the terrible result that even now they are "like children" ruthlessly rushing into a war that will involve the destruction of millions of men and possibly of Europe when they are not ready for it and when the issue may be in the gravest doubt. He feels that something must be done to stop this catastrophe or at least make for delay.

Prior to Hitler's speech on Friday he feared that Hitler would precipitate a violent attack upon the western front, and then irrevocably a long and bitter war would ensue. He does not now exclude that possibility entirely. His fears now, after Hitler's speech, are that even though Hitler were to remain passive for the winter, Britain and France through their obduracy will, on the other hand, precipitate a condition that will harden the situation into irrevocable finality.

There is still a slender hope for peace but he fears that the "Bridge to Peace," fragile and trembling as it is, might be destroyed in the immediate future and that the die may be cast. War, long, horrible and uncertain in outcome, would be irrevocable. The outcome, even if the democracies were successful, would probably bring the destruction of our form of life and the domination of Europe by unexhausted, fresh Russian troops and communism.

The only hope that he can see in the world today, that this imminent tragedy may be averted, is you.

He has been importuned by many French

sources to engage in activities which would destroy his neutrality and which, if he acceded to them, would undoubtedly precipitate violent war by Hitler. He has been compelled to refuse them. (This was also stated to me by Prime Minister Pierlot yesterday, although he knew nothing of the conference I had with the King).

In view of your great noble efforts in previous times of crisis, the King hopes that your genius may find some means of preserving the "Bridge to Peace," at least for the winter. Something might happen in the interim; Hitler, he says, "cannot live forever," and anything might happen in Germany.

He made it clear that he fully appreciates that the overwhelming opinion not only of his own people but of the European democracies is "no peace with Hitler:" and that no trust can be placed in his word when (yesterday) he openly justified the breaking of innumerable promises by the fact that it was for the "success" of Germany.

He fully appreciates, of course, that if Hitler wins, it is the end of Belgium. Peace now with Hitler, he also recognizes, will not be a conclusive peace; but he clings to the belief that while there is still life in peace there is still hope that something might be worked out during the winter months.

He fears that the democracies are not adequately prepared now but that if time permits, Hitler and his regime may disappear. His thought is: "don't precipitate irrevocable fighting now," even though peace with Hitler is not peace.

After this conference, I decided to send you a cable, a paraphrase of which is attached. It necessarily had to be "blind" to protect the King against a possible breakdown of our code. I had to assume that you would understand where the suggestion came from.

There is no doubt this morning that the slogan now is: "no peace with Hitler." There is no doubt, also, that that is the underlying belief of the people

here. Among objective minded persons, however, there is a begrudging recognition that Hitler's speech was more moderate in tone than heretofore, exceedingly plausible and able and especially made for home consumption. It was an adriot attempt, through obvious ex parte statement, to affect world public opinion, particularly among the advocates of peace.

Whether you could, one more, publicly urge that every possible avenue of preventing war should be explored and considered and urge upon the belligerents on both sides to modify their claims so as to bring about a possible meeting of minds, your judgment could best determine.

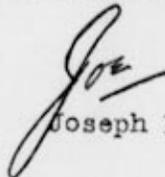
My conviction is that if you did, it would still be to no avail for, as I have expressed to you heretofore, I am certain that Hitler's will is not for peace but for war. It is his only way out. Regardless of what you might do, in my opinion, he will still persist.

Such an appeal, if you considered it wise, even if it failed, would have been worthwhile. It would be another great and noble effort to save the peace, even up to the eleventh hour, and it would, in any event, again be of great value as "putting the bee on the b" and place the responsibility where it belongs. I enclose a short, hurried memorandum of suggestions as it makes my thought concrete.

Of course, your judgment as to this would be better than mine, and in addition thereto you have wider perspective and a broader knowledge of the facts.

I am sorry that this letter is not as compact as I might desire, but I am dictating against time.

Faithfully and hastily yours,



Joseph E. Davies

EMBASSY OF THE
UNITED STATES OF AMERICA

Brussels, Belgium.

PERSONAL AND CONFIDENTIAL

The Honorable Franklin D. Roosevelt,
The White House,
Washington,
D.C.

(BY SPECIAL COURIER)

Stanley Richardson
Will come in on
Friday to take
reply.

Brussels, Belgium
November 8, 1939.

file →
Personal and
Confidential

My dear Boss:

Stanley Richardson brought back your letter and I immediately saw His Majesty the King. Upon his request, I read to him both my letter to you and your reply.

He stated that he was greatly impressed by your letter and that he was deeply grateful.

He asked me whether he could not have copies of the letters. I replied that I was sure there could be no objection to this. Unless I hear from you to the contrary, I will give him a copy of each.

As I reported to you by cable, I also had a long visit with him immediately after he and the Queen of Holland issued their mediation proposal to the belligerents. I enclose herewith copy of report which I sent to the Department.

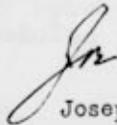
The gist of it is that at the end of last week, insistent rumors reached both the Holland and the Belgian Governments, of German storm troops being assembled on the Dutch and Belgian borders; also that there was great activity in the preparation of pontoon bridges, etc., and that these troops were allocated along the borders in a manner identical with that which preceded the attack on Poland. These reports induced the gravest fears on the part of the Dutch Government that an invasion was impending.

The Honorable
Franklin D. Roosevelt,
The White House,
Washington, D. C.

On Sunday these were also communicated to the King by the Queen of Holland. Late Monday night, accompanied by his confidential military aide and the Minister for Foreign Affairs, he motored to The Hague. The offer of mediation by the two monarchs was the immediate result. The first reaction in Germany was one of violent attack on Belgium and Holland. Belgian protest on Tuesday night resulted in the assurance that these press attacks would stop. The King himself is of the opinion that it is too late in the season to project an offensive, and intimated that he considered it was more or less an effort at intimidation. However, as stated in my letter to you of October the 7th, he is deeply concerned with trying to exhaust any possibility of preserving a "bridge to peace" and joined the Queen in this effort. He hopes that something may come of it, but does not, I believe, have very much hope. He stated that while Hitler appears at times to be unbalanced, he has indicated great caution and shrewdness on many occasions. But because Hitler is unpredictable, every contingency had to be guarded against.

At the conclusion of an extended visit at the Palace, he again impressed upon me that I tell you how deeply he appreciated your message to him, and that he was particularly touched by the references which you made to his father, to himself and to the Belgian people.

Faithfully yours,



Joseph E. Davies

TELEGRAM SENT

Propose

To: Secstate, Washington

Date: October 7, 1939, 5 p.m.

No.: 152

Code:

Charged to:

*** 1-1142

The following message is for the President and the Secretary of State:

Here in Belgium there is great fear that possibly there is imminent some move on the part of one or the other of the belligerent countries that will harden the existing situation into an irrevocable, real, bitter, long and terrible conflict. This fear is not directed only to the possibility of an immediate assault on the Wester Front by the Germans, but to the fact that the Allies might do something precipitately that would bring total destruction to the unstable "Bridge of Peace," which delay might yet afford. They are still desperately clinging to the hope that time and the development of some possibly unforeseen occurrence might obviate the catastrophe before it is hardened into finality. In this, their darkest hour, a high source has requested me to say to you that the only one in the world who can do something that might possibly avert the holocaust is President Roosevelt, and to express their hope that the President might find some way of once again making some effort similar to those noble ones that commanded in previous crises the admiration of the liberty-loving world.

A despatch is following by special messenger, who will embark on the Clipper scheduled to leave Lisbon on October 11.

DAVIES

SUGGESTED DRAFT OF IDEA TO BE CONTAINED IN
MESSAGE TO HITLER FROM THE PRESIDENT OF THE
UNITED STATES.

- - - - -

At this eleventh hour, after hostilities have already begun and before war of unprecedented violence and horror shall have become irrevocably cast and fixed through the hardening processes of suffering and passion, I make this appeal to you in a last minute effort to Save the Peace.

Can not you and the great and fine German people renounce those conquests by force of arms which have demonstrated your purposes and your strength and, on a basis of the status quo ante, propose a conference at which you will submit your case, for which you have so eloquently and ably pleaded, to the fairness and justice of other nations, your peers who are equally desirous of establishing permanent peace for the security of Europe and thereby reaffirm confidence in the God that has implanted justice and right in the hearts of mankind?

As you have said, such a conference must ultimately be held. It would be an inestimably greater achievement and more durable in character if this could be done by processes of conciliation and mutual concession through conference of minds rather than through the arbitrament of the sword.

Countless millions in the world, if such project could succeed, would bless your name.

I ask this in the name of humanity.

- - - - -

THIS OVERSIZE ITEM HAS BEEN
MICROFILMED IN SECTIONS.

SECRET

M.I.D.

Date 12-16-57 Initial 182

BELGIAN ARMY DEPLOYMENT

NOVEMBER-16-1939

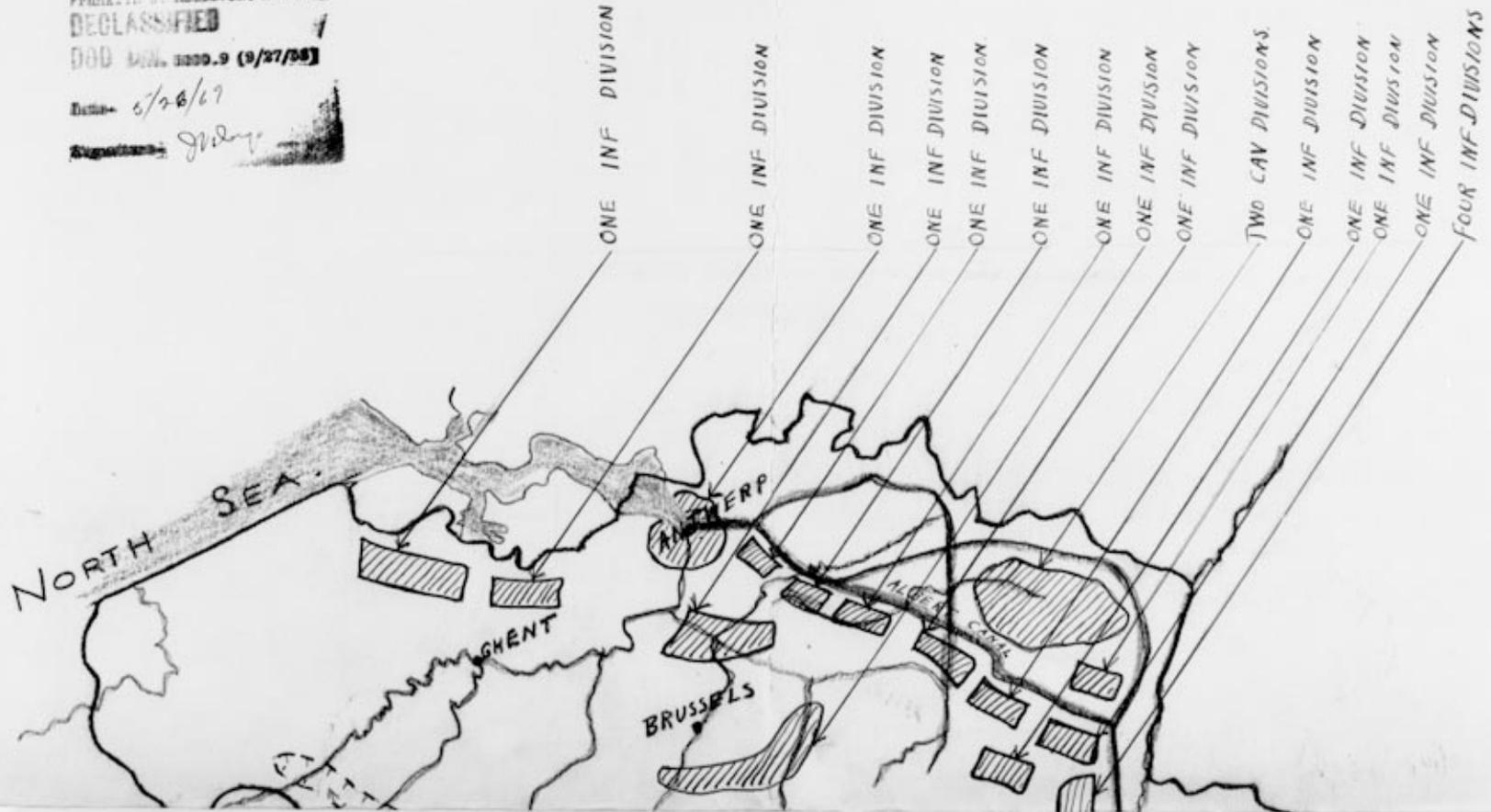
FRANKLIN D. Roosevelt Library

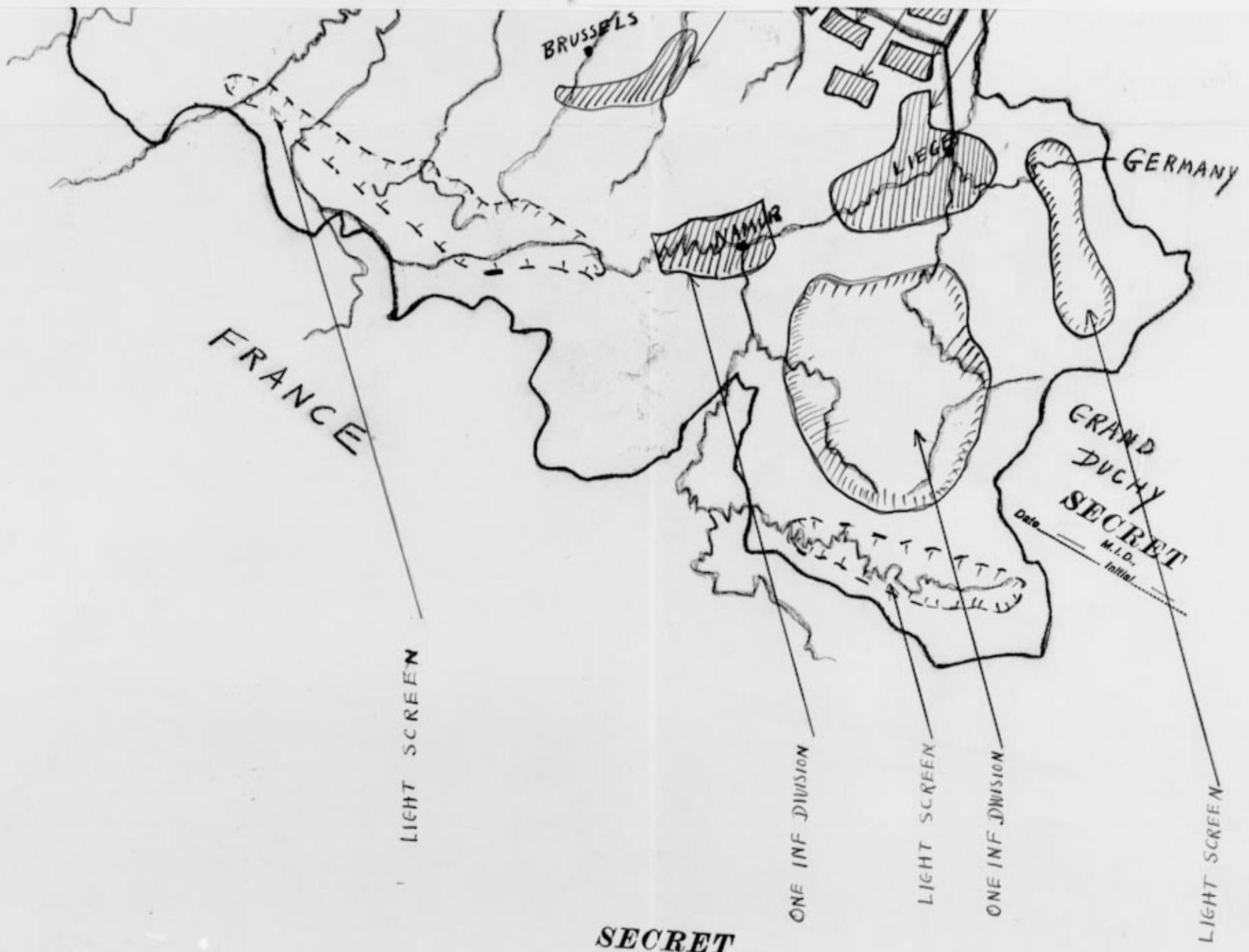
DECLASSIFIED

DOD FORM 1300.9 (9/27/58)

Date- 6/26/69

Signature: *J. Wiley*





SECRET
 M.I.D.,
 Date..... Initial.....

GRAND DUCHY
SECRET
 Date.....
 M.I.D.,
 Initial.....

Brussels, November 8, 1939.

No. 511

Subject: Conference with King Leopold III at the
Palace at Laeken on November 8, 1939.

Confidential.

The Honorable

The Secretary of State,
Washington.

Sir:

Supplementing my cables of November 7 (Nos. 166, 1 p.m.; 167, 5 p.m.; 168, 6 p.m.; 169, 9 p.m.; and 170, 10 p.m.) with reference to the hurried trip of His Majesty King Leopold III to Holland on Monday night, November 6, and the offer of mediation by the King of the Belgians and the Queen of Holland to Germany, France and England, I beg leave to advise that I had an extended conference with King Leopold today at 2.30 at the Laeken Palace, with the understanding that the information which he gave me was to be employed solely for the use of the President and the Secretary of State and the Government of the United

States. . .

States. He outlined to me very frankly what has occurred, as follows:

That it was quite clear that the belligerents on both sides were reluctant to precipitate the full violence of unrestricted war;

That one of the difficulties of the situation was that there were no contacts of approach as between the belligerents with a view to securing a possible meeting of minds, looking to a composition of the matters in difference;

That it would be inconceivable to him that Germany would wish to pursue the war if peace were possible, because the situation in Eastern Europe had been "rectified" from the German viewpoint;

That Germany has brought great pressure to bear upon the smaller neutral countries to emphasize what was termed their obligation to furnish such contacts of approach and try to establish some means of composing differences between the belligerents, as otherwise they would not escape, themselves, the horror of possibly unlimited warfare;

That Hitler recently sent for the dean of the Military Attachés in Berlin, a Swede, and had told him specifically that the neutrals would have to do something about this or war in its most horrible form would result;

That for some days last past, the German press had assumed a most violent attitude toward the neutral countries, particularly Holland and Belgium, in connection with their alleged inability to protect their sovereignty and neutrality;

That many rumors had reached the Government of Holland and the Government of Belgium of the massing of German shock troops on their borders and the preparation of pontoon bridges

and . . .

and the like - all pointing to a possible imminent invasion of Holland and possibly Belgium;

That on Sunday and Monday the Queen of Holland became seriously alarmed and took the matter up with him, with the result:

That he motored over to see Queen Wilhelmina on Monday night and took with him not only the Foreign Minister, Mr. Spaak, but also one of his Generals, Major General Van Overstraeten (his personal military aide and his liaison officer with the General Staff). The joint proffer of mediation by the two rulers sent to the three belligerents was the result of their conference;

That the two Sovereigns were hopeful that this offer might possibly lead to a discussion of peace terms, which at least would serve to delay the outbreak of ultimately disastrous warfare;

That, prompted possibly by the presence of one of King Leopold's Generals with him in Holland, the German press had attacked both Holland and Belgium very violently;

That yesterday a protest was filed by the Belgian Foreign Office against these press attacks, with the result that Belgium was assured that they would stop.

.

His Majesty went on to say that he could not conceive how the German High Command could possibly rationally decide upon a violent offensive at this time. He pointed out that mechanized and motorized warfare was peculiarly dependent upon weather conditions and that any big offensive required long hours of daylight, which does not prevail here at this time of year. Moreover, there was very little that the Germans could gain at best.

Even . . .

Even though successful, he said, the Germans could only push forward their lines into Belgium, to be stopped there or certainly at the Maginot Line in France, and be then confronted with another stalemate. This would be very costly in every respect and particularly because it would completely alienate world public opinion. For these reasons he could not believe that it would be possible for the German High Command to embark upon such a plan.

He gave the impression to me that in spite of this, he was impressed by the attitude and fears of Holland, particularly because the decision resided within the mind of one man - Hitler - the quality of whose judgment one could not rely upon. In that connection he stated that he had been recently informed by certain Germans within the past three weeks that there was some question as to whether the German High Command would go along with Hitler unless its judgment was in accordance with the wisdom of his plan.

His Majesty stressed the advantage which would accrue to the democracies to explore the possibilities of securing peace through the mediators, because, he said, at least it would consume time, even though it did not result in an agreement. It was the King's opinion that Hitler definitely desires peace now.

King Leopold left here for Holland at eight o'clock Monday night by motor, dressed in the uniform of the Commander-in-Chief of the Belgian Army. At the palace in The Hague he conferred with the Queen until the early hours of the morning. The discussions were resumed the following day.

The offer of mediation by the Sovereigns was prompted by a mixture of motives: one, of possibly affording a means of

averting . . .

averting a terrible, intense war; and the other, to impress Germany with the fact that the neutrals were attempting to do their share to preserve peace, in the hope of at least stalling off the fateful hour of invasion.

I asked His Majesty whether it were possible that Belgium could remain neutral in the event of an invasion of Holland. To this he did not reply directly. He stated, however, that perhaps the Germans would consider his trip into Holland, accompanied by his confidential military aide, as indicative of a very close relationship between the two countries, in which they would find themselves standing together.

As was stated in my cable No. 172 of November 8, 4 p.m., the King and his Government are taking no chances but are making every preparation to be in readiness, should the worst happen. The tension here is everywhere apparent.

Respectfully yours,

Joseph E. Davies

JD.

File No. 710

JED:AFH

Belgium
1

November 9, 1939.

Memo for the President from Cordell Hull

Attaches map and memo by Moffat on situation
relating to Belgium and Holland in event of possible
German invasion.

See: Cordell Hull folder-Drawer 1-1939

General Watson.
Will you give
this to me the next
time I leave the
War Council.

PSF: Belgium
1939

Brussels, November 17, 1939

My dear Chief:

Attached hereto, by way of the pouch, I am sending you a sketch showing the deployment of the Belgian army as of November 16, 1939, and marked "Secret, M.I.D." which has been prepared by Colonel Brown, the Military Attaché here.

It occurred to me that it would interest you particularly as it shows exactly where Belgium anticipates attack, and it also shows specifically the manner in which they are prepared to meet it. You will note that there are practically no armed forces on the southern boundary.

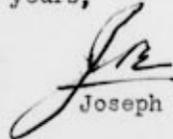
This report of Colonel Brown can be relied on. He is accurate and energetic, and has also excellent judgment.

This has come to me in the course of the weekly reports which each member of the staff submits to me on the outstanding developments of the week, for consideration in connection with my weekly cable to the Department.

The tension here has definitely relaxed. Apprehension, however, is still high and vigilance is not relaxed, although it is generally considered that the attack has been postponed until next year.

With assurances of my great respect and also my affectionate regards, I am,

Hastily yours,



Joseph E. Davies

The Honorable
Franklin D. Roosevelt,
The White House,
Washington, D. C.

EMBASSY OF THE
UNITED STATES OF AMERICA
OFFICE OF THE MILITARY ATTACHE
BRUSSELS, BELGIUM

November 17, 1939

MEMORANDUM: For the Ambassador.

I think that the outstanding events of the past week were the following :

1. The high tension of the past week-end, which has since slightly subsided, but which has certainly not disappeared. The Holland Government's attitude of assurance to the people looks to me like an effort to win the good graces of Germany. German troop masses still conserve the strategical possibility of a mass attack on Holland, and although the German Press campaign has subsided, the troop concentrations exist. There has been some slight German retrograde movement of course.
2. The rather stiff attitude of the Belgian Government in relation to the press. This and other measures of course are designed to thwart action that might bring down German protest as a result of anti-German articles and items, but the result is a muzzled press.
3. Full maintenance of defense measures in Belgium.
4. Increased tax measures in Belgium.

I recommend for inclusion in cablegram the following :

"* * * BELGIAN DEFENSE MEASURES UNRELAXED".



ROBERT DUNCAN BROWN,
Lt. Colonel, General Staff,
Military Attache

PSF: Belgium



Château de Laeken

Le 29 novembre 1939.

My dear President and Friend,

A l'occasion de son départ pour les Etats-Unis, j'ai reçu ce matin Mr. Davies pour lequel j'ai tant de sympathie. Au cours de notre entretien, votre ambassadeur m'a remis votre aimable lettre pour laquelle je m'empresse de vous remercier cordialement.

L'accueil que vous avez accordé à mon message me touche vivement et j'apprécie hautement toutes les facilités dont Mr. Echeunis est entouré pour l'accomplissement de sa mission. Il m'est infiniment précieux d'être assuré que mon Pays pourra compter sur votre aide dans les circonstances qu'il traverse et qui chaque jour peuvent devenir plus difficiles.

Je saisis cette occasion pour vous dire encore, ainsi qu'à Madame Roosevelt, combien je suis

sensible à l'offre si aimable que vous m'avez
faite de recevoir éventuellement mes enfants
chez vous. Cet intérêt personnel que vous portez
à ma famille me va droit au cœur, et c'est une
satisfaction morale pour moi que de sentir que
j'ai en vous un véritable ami.

En formant des vœux pour que longtemps
encore vous présidiez aux destinées de votre grand
Pays, je vous prie de croire, mon cher Président,
à mes sentiments de cordiale affection.

Liopold

Son Excellence Mr. Franklin Roosevelt
Président des Etats-Unis d'Amérique.



Château de Laeken

Franklin
file 1939

A Son Excellence
Mr. Franklin Roosevelt,
Président des Etats-Unis d'Amérique
Washington DC

DEPARTMENT OF STATE

ASSISTANT SECRETARY

THE WHITE HOUSE

Returned to the White House for The President's files. The letter has been transmitted to Brussels for presentation to the King.

November 3, 1939.

My dear King Leopold:

Your Majesty's letter of September 26, 1939 has been handed to me by Monsieur Theunis in fulfillment of the special mission with which you entrusted him. It was a great pleasure to receive Monsieur Theunis, who is well known to me; and I have seen to it that he will be accorded every facility.

I am especially glad to have the benefit of your personal views on the particular position of Belgium. This is in part due to the very close and intimate affection which the American people have for the memory of your Father, King Albert, whose stand for the independence of the Belgian nation won for him in this country the highest admiration and respect. But it is also due to the fact that the Government of the United States, and I personally, have followed with very deep sympathy Your Majesty's recent inspiring efforts to preserve peace in Europe. Certainly you personally have the satisfaction of knowing that you
did

His Majesty

Leopold III,

King of the Belgians.

did everything within your power to avert the calamity which has come to pass.

I am in entire agreement with your belief that peace-loving nations, like your own, cannot be satisfied that their mission ended with the outbreak of war. The search for a lasting peace based on justice must go on; indeed, the neutral nations are charged with a greater responsibility before the human race than previously, since they, more than any others, can express the desire for a world in which order in law has once more been restored.

We cordially agree that while the conflict continues, those nations still at peace must attempt to minimize the effects of economic warfare, to keep commerce flowing where possible, and to insist that the carrying on of war does not set up any right in belligerents to deprive neutral nations of the necessary economic basis for the continuance of their normal existence.

The Government of the United States is ready to discuss measures with Monsieur Theunis to achieve this end, and to examine with great care any suggestions he may have to offer. The economic position of Belgium is well understood; it is fundamentally unjust that any nation should be forced into idleness and famine because it refuses to make war; the humanitarian grounds which Your Majesty asserts are of the
highest;

highest; and you may be assured that this Government will not be indifferent to the appeal which you have made.

The Government of the United States will, therefore, take great pleasure in actively searching for ways and means by which the end you seek may be brought about.

Please be assured of my warm personal regard and friendship for Your Majesty, and my cordial good wishes for your success in seeking a just solution of the grave problems confronting you.

Yours very sincerely,

(Signed) Franklin D. Roosevelt

A true copy
of the original
is in the file
of the
J.M.