

● PSF

Germany

1933-38

PSF: Germany

For a merry Xmas  
and a very happy  
New Year I want  
to express my  
sincerest wishes.

We all hope that  
the New Year may  
bring lots of happiness  
and success to  
you Excellency  
and your great  
Country.

Louis Ferdinand.

LOUIS FERDINAND  
PRINZ VON PREUSSEN

Retrieved from

Christmas  
1932

  
LF

PSF: Germany

[33?]

Berlin, 3-3-26

Your Excellency:

Please accept my best  
thanks for your kind letter  
which was handed to me  
by Ambassador Dodd.

I was very touched at the  
thought that Your Excellency  
should find time to write  
to me in spite of your  
tremendous work.

I am indeed very anxious  
to pay another visit to  
the United States. There is  
a chance for me to run  
over in March or April.  
I would of course be very

happy if I could pay you  
my personal respects on  
that occasion.

With my sincerest wishes  
to you & all your and  
your whole family

I remain as always  
yours very truly

Louis Ferdinand

[Prince Louis Ferdinand, <sup>[second son]</sup> eldest son of the former  
crown prince of Germany.]

[See N.Y. Times Apr. 18 1936 p. 1275.]

<sup>file</sup>  
<sup>"personal"</sup>  
To His Excellency  
President + Franklin D. Roosevelt.  
The White House.

THIS OVERSIZE ITEM HAS BEEN  
MICROFILMED IN SECTIONS.

London

(6)

THE TIMES TUESDAY MAY 2 1933

### The New May Day

The "Day of National Labour" was celebrated in Berlin yesterday by a holiday on an unprecedented scale, at which, however, the manual workers who observed it by marching to the Tempelhof Field earned a full day's wage. And since to this inducement was added the known consequence of hostility to any sort of Nazi celebration in any part of Germany it is not surprising that the great parade-ground outside the capital was more crowded than it had probably been even for the most glittering military occasions of Imperial Germany. Over a million persons are estimated to have gathered there in the evening, after a day of marches and speeches and patriotic songs, jubilant at once for the death of Marxism and for the birth of a new Germany; and the day closed with a display of fireworks which must have cost the German State several thousands of pounds. To this item of unproductive expenditure must be added, on the day's balance-sheet, the immense loss to national industry caused by the cessation of work all over the country. The extravagant wastefulness of Labour Day has of course become proverbial in many nations, and seems to have been most egregious yesterday in Madrid, where all the public services were paralysed, banks, offices, shops, and theatres were closed, traffic was suspended, and mails were undelivered. The miserable inhabitants of the Spanish capital were granted indeed one privilege denied to them on the same day last year—they were allowed to bury their dead. In Chicago the Day was ushered in by a series of bomb explosions. In Vienna the normally easy-going population found machine-guns at the more important street corners. Only in the neighbouring capital of Budapest do the trade union leaders seem to have had the sense to cancel the annual holiday on account of the serious economic conditions. In almost all countries where the right of free speaking is still preserved thousands of speeches must have been delivered on the Socialist and Communist theme of international solidarity. In Communist Moscow there was nevertheless a formidable parade of military force. More than 50,000 troops marched past LENIN'S tomb, the salute being taken by STALIN in uniform, while hundreds of tanks clattered past in column and as many aeroplanes circled overhead.

This melancholy transformation of the pleasant May Day customs which used to gladden our ancestors has received its latest impress at the hands of HERR HITLER. The moment which has been appropriated for some decades as meet for the glorification of class-warfare has at least been celebrated by the National-Socialists of Germany as an occasion for the abolition of class differences, and for the unification of workers and employers on the Fascist model. The Corporative State, subordinating by statute the interests of employers and employed to those of the community as represented by the Government, is at least worthy of careful study. Upon Italy, where the system has for some time been practised it has conferred the immense benefits

ment, is at least worthy of careful study. Upon Italy, where the system has for some time been practised, it has conferred the immense benefit of avoiding strikes. There class-warfare has been ended. The institution of "after-work" associations, moreover, is a bold bid to improve the moral and material condition of the manual worker. The Government makes his intellectual and physical improvement its special care. In one form or another this idea has taken root in most countries. On other lines Great Britain has of course been a pioneer in social legislation; and Germany since long before the War has had an elaborate State system of workmen's insurance and similar measures. HERR HITLER is intent upon giving his national institutions a new form. He opposes of course, as he made clear again in his speech last night, the "international solidarity" of the working-classes; there is to be a "new economic order," but it is to be of another sort. He wants neither conventional Socialism nor a return to the pre-War conditions which the chief industrial authority in his Cabinet, DR. HUGENBERG, would like to see restored. The Nazi leader regards the all-powerful financial "boss" and the docile factory-worker as belonging to the past. The banners strung across the streets of Berlin yesterday flaunted defiance to the Nationalist members of the Nazi-Nationalist coalition. The Hitlerite National-Socialists are driven forward by the double impulse of making the State identical with their party and of fulfilling the implication of the second part of their hyphenated title, the first part of which, a new Nationalism, was celebrated at Potsdam six weeks ago, and the second part, a new Socialism, yesterday.

What the new Socialism is to be did not emerge with any clearness from the Nazi Chief's speech. HERR HITLER proved himself once more greater as showman than as director of policy. He reasserted his intention to introduce labour conscription. Universal service in the ranks as manual workers is intended to weld young Germans of all classes together, and to take the place, as a disciplinary university, of the military conscription which was abolished in 1918. There were numerous passages in the speech referring to oppression from without and the regaining of might from within; and unfortunately, as our Berlin Correspondent observes, catchwords

of this sort are more to the taste of a modern German audience than a stern programme of constructive work.

PSF Germany 5-8-33

*neu*  
Durchdruck  
Entziffertes Telegramm. (guz.)

Aus Berlin.

Ankunft: Washington, den 8. Mai 1933, 9 Uhr - Min. V. m.

Nr. 174 vom 8. Mai.

Auf Schlußsatz Telegramms Delegation

Schacht Nr. 3.

Bitte Präsident Roosevelt den Dank des Herrn  
Reichspräsidenten für freundliches Gedenken und herzliche  
Grüße zu übermitteln.

Buelow

*Money from President Hindenburg*

*Germany - 1933*

DEPARTMENT OF STATE  
DIVISION OF PROTOCOL

July 10, 1933.

Dear Colonel McIntyre:

In March last you sent over to the Department a letter addressed to Prince Friedrich of Prussia by the President transmitting his autographed photograph.

The letter and its accompaniment were forwarded to the American Embassy at Berlin for delivery and the Department is now in receipt of a despatch from the Chargé d'Affaires ad interim enclosing Prince Friedrich's reply which you will find herewith.

*Charles Lee Cooke.*

Enclosure:  
From Prince Friedrich of  
Prussia to the President.

PC:CLC:JBW



CECILIENHOF  
POTSDAM

June 25, 1933.

Dear President:-

I want to give your Excellency sincerest thanks for your kind letter and the wonderful picture which I received with the greatest joy. Your Excellency cannot imagine, how immensely I appreciate your great kindness.

I will never forget the grant time and the hospitality I enjoyed in your country and I will be too glad in accepting your very kind invitation to see you in Washington on the very next occasion which will present itself to me to make another trip to the United States.

DIVISION OF  
DEPARTMENT OF

With my kindest regards and best  
respects also to Mrs. Roosevelt I am always  
yours very sincerely

*Friedrich*



Louis Ferdinand

F.D.A. Pass

Germany - 1933

1933  
Aug  
18

10/10  
10/10/10

THE CHATHAM



SECOND BOULEVARD AT PINGREE  
DETROIT, MICHIGAN

8. 13. 33.

Your Excellency :

Having returned from my trip abroad I wanted to take the liberty in informing Your Excellency that I am back on my job with the Ford Motor Company in Detroit.

I had a most interesting and delightful time in Europe. My dear Grandfather took the most wonderful care of me and put me through a very severe cure in order to restore my health which had been rather delicate. I just got to Germany in time to watch as a close spectator the great developments which have inaugurated a new aera in the Fatherland. Germany is also having her " New Deal ".

It was one of the greatest satisfactions of my whole life, when I witnessed the historical speach of Hitler in the Reichstag, when he could grasp the powerful hand which Your Excellency in the name of your great Nation had stretched out in order to help restore the confidence and peace in this world. I hardly could dominate my emotion at that moment knowing that I belonged to those who had the great honour of having met America's great Leader. I believe it not to be too assuming if I daresay like many millions of my countrymen, that we never will forget

THE CHATHAM



SECOND BOULEVARD AT PINGREE  
DETROIT, MICHIGAN

this voice of friendship and understanding which was raised by the President of the United States at one of the most critical moments in the history of the post war.-

Mr. Henry Ford very kindly is giving me a most wonderful opportunity to get in closer contact with the enormous country by sending me out as a free lance roadman. On this trip, which will take me all over the United States, I shall study Mr. Ford's great Organization as well as conditions at large. I am so happy and thrilled to be able to do this at a time, when the whole Nation under Your Excellencie' leadership is making an unequalled effort to get on it's feet again. The trip, which will last until Christmas will end up at New York. I would be only too happy if on my way from Atlanta, which is going to be my last stop in the South, I could get a chance to see Your Excelency for e few seconds in Washington and have a short talk. I am very likely to go back to Germany in January for my Grandfather's 75th birthday and I do not know yet if I shall be able to return to thas country, beeause my family wants to get me ~~trained~~ to take care of the family affairs since my brother William resigned his rights because of his marriage.

My brother Fritzi fortunately is feeling much better now, though his leg still is rather weak. He was awfully tickled to get your picture and his brother envies him, hoping

- 3 -

THE CHATHAM



SECOND BOULEVARD AT PINGREE  
DETROIT, MICHIGAN

to get one too eventually.

With my very best wishes and most respectful regards  
also for Mrs. Roosevelt

I am always yours very sincerely

*Pouy Terchinant*

THE UNDER SECRETARY OF STATE  
WASHINGTON

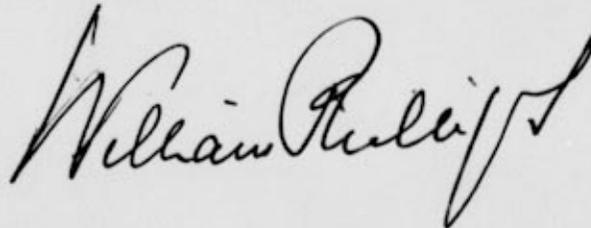
December 14, 1933.

Dear Mr. President:

With reference to the exchange of telegrams with Ambassador Dodd which has already been brought to your attention, I am enclosing a copy of another confidential telegram regarding Germany's position on disarmament which I have just received.

It does not seem that this calls for any reply. I have sent a copy, in paraphrase, to Norman Davis in New York.

Faithfully yours,



1 enclosure.

The President  
The White House.

*Telegram returned to  
State Dept.  
12/28/33  
J.D.P.*

PSF: Germany

THE UNDER SECRETARY OF STATE  
WASHINGTON

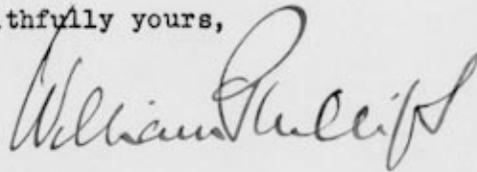
April 24, 1934.

Dear Mr. President:

I feel that the information contained in this letter from the Acting Commercial Attaché at Berlin to Doctor Willard Thorp is of sufficient importance and even urgency to bring to your attention. In view of the bankers' meeting which is scheduled to meet in Berlin in three days, the last paragraph of the enclosed letter appears to be of especial significance.

Faithfully yours,

1 enclosure.



The President

The White House.

COPY/

April 4, 1934.

PERSONAL AND CONFIDENTIAL

Dr. Willard L. Thorp,  
Director, Bureau of Foreign and Domestic Commerce,  
Washington, D.C.

Dear Dr. Thorp:

Subject: American Firms Assisting Germany's  
Air Armaments.

The subject matter of this letter does not ordinarily fall within the scope of the Commercial Attaché's office and accordingly I have already informed the Embassy and the Military Attaché concerning everything that is herein contained. Nevertheless, the subject is such an important one and I have received a first-hand evidence on it, I believe to a greater extent than some of the other Government representatives here, so that it may be desirable for me to submit this information to the Bureau for what use you decide to make of it.

In the last few weeks, several representatives of American aviation companies have discussed with me their new orders in Germany. The United Aircraft concern, and particularly their Pratt & Whitney unit, have had a total of six representatives in Germany for some time. They are selling aviation equipment, principally motor parts, including crankshafts, cylinder heads and other items which the Germans apparently cannot make satisfactorily. They are delivering now enough material for about 100 airplanes per month and are increasing this figure as fast as they can, as the Germans are bombarding them with cables for more speedy shipments. In all, they now have orders for equipment for 2,000 airplanes. A representative of the Sperry Gyroscope Company informed me last week that his firm is delivering automatic pilots and gyro compasses and other aviation instruments here to equip 50 airplanes per month at the present rate of delivery and are speeding up the process. Furthermore, that they have sold the manufacturing rights to the Askania Works here for the manufacture of a number of their devices, including, I believe, some of their fire control systems for anti-aircraft guns.

Today, a representative of the Curtis-Wright Company informed me that he is just starting business in Germany and hopes to get in on some good orders. A few Curtis-Wright machines have already been sold here. The Douglas Company has also had some business here lately.

Altogether, putting things together it seems quite clear that Germany will have a fleet of new airplanes numbering about 2500 at the completion of their present air drive. This ought to be about one year from now. This means that Germany will be armed in the air and under the protection of this air armament can proceed more slowly to build up her land and sea forces. Progress in these other directions is somewhat slower than in the air army, but a good deal is going on nevertheless, for example, two weeks ago I was informed by the export manager of the Ludwig Loewe company of Berlin, manufacturers of machine tools, that they had some export orders, including one from Yugoslavia, for 30 million marks worth of machinery for making machine guns, that they are unable to fill because the German army authorities had forbidden the export of such machinery, saying that they needed themselves all that could be made here. The German firm was trying to get in touch with American machine tool manufacturers Pratt & Whitney, and eventually met a director of that firm who happened to be in Berlin at that time. The order will either go to this firm or to Vickers in England.

From my conversations with the American aviation representatives it seems that they are able to get payments in foreign exchange for shipments of airplane parts, whereas ordinary business firms are suffering the most severe difficulties and in many cases they are practically embargoes on the import of goods from the outside. It seems evident that Goering has got the right of way with his air armament program and has first call on what foreign exchange the Reichsbank can get together.

Very truly yours,

---

Douglas Miller  
Acting Commercial Attaché.

PSF: Germany

DEPARTMENT OF STATE  
WASHINGTON

June 5, 1934.

Dear Mr. President:

It occurs to me that it may be of interest to you to glance through some excerpts of despatches and private letters written by Mr. Messersmith shortly before he left Berlin for his new post.

I am enclosing a memorandum from the Office of the Economic Adviser with regard to direct trade interchanges with the German Government at the present time. I feel that the substance of this memorandum is of sufficient importance to suggest that you may find it well worth while to glance through it.

Mr. Messersmith is definitely of the opinion that the Hitler regime is in far more serious straits than is generally realized and, as he puts it, "there are only two ways out which the Germans can see. The one is by negotiation of very favorable agreements with the major suppliers of raw materials, and the other through the getting of credits.

With

The President

The White House.

bring a realization of the dangers to the regime. The

"With respect to the first way out, Germany has already concluded a considerable number of agreements with her imports; but these do not assure her of the major supplies of raw materials which she needs and do not open to her for her exports the major markets which she needs desperately ... I think they still believe that we are so eager to find an outlet for our agricultural surplus and that agricultural interests can exert such a pressure on our Government, that an agreement very favorable to them would be made by us.

"The second way out would be through credits... and I rather think that the Government will place its main reliance in that. Schacht wants a credit from us for the purpose of propping up a regime which is daily by its acts and by those of a Party, which it is frankly proclaimed is the State, discriminating against American imports and American interests in Germany guaranteed by treaty and international practice. He wants a credit from us to help a regime which, by its own acts, is destroying its capacity to repay."

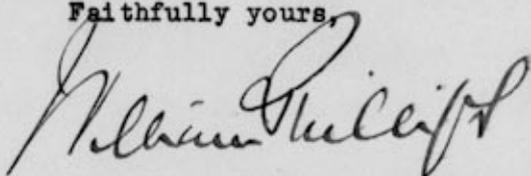
Quotations from a still later letter:

"The acuteness of the export and the raw material question has done more than any other single factor to influence to get credits for raw materials and bring

bring a realization of the dangers to the regime. The intelligent foreign observers here who in December felt that the regime might last are now, so far as I can see, a unit in believing that it cannot continue for more than five or six months at the most. I talked last evening with the best informed of the American correspondents here and the one who has wide and close contact with the highest leaders of the Party, and he was very direct in his statement that they would be finished in five or six months, unless help comes to the regime from the outside which will prop its falling prestige in the country and which will provide the raw materials which they have to have. I have information showing that business men in various parts of the country who have been rendering lip service to the present regime for various reasons are now being more outspoken and have lost all confidence.... Schacht can hardly agree to pay anything, because if he does, it is practically certain that he can't pay anyway. If he did agree to pay and if they could pay, I am sure the agreement wouldn't be of any use, for the secondary people in control here are not going to permit any exchange to be used for interest payments. Their only hope is to try to force us into some agreement by which they pay nothing and the bankers promise to use their influence to get credits for raw materials and to add  
credit

credit or bilateral agreements through which Germany will pay for raw materials with exports of finished goods. I realize thoroughly that we want an outlet for raw materials and that Germany is potentially one of our best customers for such materials; but I am convinced that anything that we do now, directly or indirectly, will be of no real help to us and will merely aid to maintain a regime which is beginning to totter, and that the only hope for Europe, and for us all, is that this regime does fall so that it may be replaced by a Government with which we can deal in the ordinary way.... As I see it, we have nothing to lose and everything to gain by a policy of waiting."

Faithfully yours,

A handwritten signature in cursive script, appearing to read "William Phillips". The signature is written in dark ink and is positioned below the typed name "William Phillips".

DEPARTMENT OF STATE

OFFICE OF THE ECONOMIC ADVISER

MEMORANDUM

June 4, 1934.

Economic Considerations regarding the  
Desirability of entering into Direct Trade Interchanges  
with the German Government at the Present Time

(1) The elements of recent German commercial policy (of which the chief factors have been quotas often established on arbitrary bases, the creation of state monopolies for import, treaties giving arbitrary and sometimes discriminatory rights to import, and restrictions on exchanges) have deprived our most-favored-nation treaty with Germany of effectiveness. The German Government refused an invitation extended by this Government some months ago to mutually define most-favored-nation rights.

(2) In regard to the commodity most often mentioned, lard, the German Government has (a) created a monopoly for dealing in all fats, which monopoly strives to develop home supplies to the utmost, regardless of price, and (b) in treaties signed with other countries has given these other countries quotas for lard import more favorable than those

allotted

allotted to the United States (this is measured by reference to previous trade). Thus, if we were given an increased opportunity for lard export, it would merely be restoring a part of the trade opportunities we are entitled to under the treaty.

(3) If the German Government finds that by harsh and discriminatory curtailment of shipments of American goods, it can secure as a consequence special concessions in the American market, it is almost certain that existing curtailment will be maintained and possibly extended with the German Government asking for special market opportunities or special credits.

(4) If we deal with the German Government on this basis, it is quite possible that other European countries will feel that Germany has gained an advantage and will seek to impose the same conditions for continuation of American trade. In short, dealing with Germany on this basis might open the way to having much of our trade deliberately shut off and then only having it restored for special and directly compensating

compensating concessions. The European countries which consider their trade balances with us to be unfavorable are likely to believe that much more can be gained this way than by merely entering into ordinary reciprocal treaties with us.

(5) It would be difficult to promise an expansion of the American market for any substantial quantity of German goods -- (a) because so many of Germany's goods are competitive with American products, and (b) because of the widespread boycott on German goods in this country.

(6) Failing the ability to quickly increase the market for German goods, we would be likely to be called upon to extend credit to the German Government. As bearing on that it may be remembered (a) there would be a great number of prior claims on the resources of the German Government, so that all German Government paper would have a very dubious credit standing; (b) Germany has defaulted on the payment of most of the long term government securities held in this country.

(7)

(7) The formulation of any special trade agreement with the German Government at the present time, even though the scope of the agreement is small, is not apt to increase the friendliness in economic matters of those European countries which are at present opposed to German policies.

(8) It is probable that the German Government's interest in the transaction is not so much a calculation that its trade situation would be greatly eased thereby as (a) the knowledge that any special arrangement of this type with the American Government would enhance the prestige of the Hitler Government, (b) perhaps form the beginning of a credit arrangement, and (c) create a generally advantageous bargaining position vis-à-vis the United States, divested of treaty obligations.

(9) It may be added, in conclusion, that over a period of time, even as short as six months, it would be difficult, if not impossible, for Germany to get along without a large part of the raw materials now purchased from the United States.



THE SECRETARY OF STATE  
WASHINGTON

December 14, 1934.

Personal and Confidential

My dear Mr. President:

With reference to the proposed German cotton deal, which is in the nature of a bartering transaction, it is the function of the State Department to concern itself only in so far as the proposed transaction affects the general trade agreements program which we have undertaken, our commercial policy, and our general foreign relations. The Department only offers such comment and information as may be in the main supplemental to that already possessed by government officials dealing immediately with this proposal, and such as may be deemed of value to the President and other governmental agencies concerned in making a final decision.

Naturally, the State Department must deal with broad policies and broad trade methods rather than with individual projects or individual barter transactions

or

The President,

The White House.

REGRADED UNCLASSIFIED

PSF: Germany  
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Paula J

or limited transactions, especially those partaking of a bartering nature. It is the policy of the State Department to maintain the broad general policy and practice, as nearly as possible, of the doctrine of equality of commercial and industrial treatment, and hence, of opposition to its violation by the numerous sorts of discriminations and preferences well known to the public. This doctrine is the corner stone of our present foreign policy and of our reciprocal trade agreement program; it is the basis of our repeated protests to Germany, in particular, against her discriminations against us and the preferences recently granted to other countries and their nationals, with respect both to the payment of debt service and to trade.

If exceptions are made to the most-favored-nation policy of equality, it should be made only in case of emergency and temporary conditions and upon thoroughly considered decisions. This rule should not, of course, minimize the important needs of export markets for our various burdensome agricultural and other surpluses, but instead these needs should at all times be duly considered.

The sole purpose of the present program of reciprocity trade agreements is to provide as rapidly as possible in

in a broad way for the exportation facilities especially for our more burdensome surpluses, such as cotton, tobacco, lard and other hog products, wheat, automobiles, etc., etc. It is believed that the one most effective way to accomplish this vitally important objective is to maintain and promote a policy of gradually reducing discriminations and preferences and increasing equality of trade and commercial treatment, and that the maintenance of this attitude in the public mind of the world is all-important.

The experience and attitude of the State Department toward Germany since the spring of 1934 has been in brief as follows: When Germany was openly planning and practicing defaults on her \$2,000,000,000 of debt due in the United States, she at the same time approached the State Department more than once with a professed proposal to agree on a new trade arrangement. It was not possible at that early stage on account of the tariff situation and certain other conditions, for our Government to take up the matter, even if it had been willing to ignore such discriminations as the wholesale debt default to our nationals while paying nationals

of  
strongly believed, as it still does, that the reverse  
was true and that Germany should first be forced to buy  
at least 500,000 bales of cotton from the United States,

and

and that she could and would pay cash for it, as she  
of other countries, and also discriminating against  
our commerce with her. I courteously replied on each  
occasion expressing the desire of this Government in  
every feasible manner and as early as feasible to enter  
upon satisfactory trade arrangements with all countries  
so disposed, and that Germany in this respect was placed  
in the same deferred class with England, Canada, and  
a majority of the nations of the world.

Germany, during the past summer, repeated her  
trade agreement proposals as stated, but, while paying  
other countries both her debt and trade balances, she  
flouted our nationals and declined in any trade conversa-  
tions that might take place to indicate with the slightest  
definiteness or detail or method any terms to which she  
might agree, either to pay our nationals or to cease  
discriminating against our commerce under our commercial  
treaty with her.

In the meantime reports constantly came to  
the Department to the effect that we would in any event  
be forced to sell Germany our cotton and perhaps some  
copper, lard, etc. The Department at the same time  
strongly believed, as it still does, that the reverse  
was true and that Germany would first be forced to buy  
at least 500,000 bales of cotton from the United States,

and

and that she could and would pay cash for it, as she was promptly paying cash for immense armament and vitally desirable products.

It was in these circumstances that the State Department, since last spring, has not undertaken either a special or general trade arrangement with Germany, but with the strong belief, as stated, that Germany within a reasonable time would find it necessary to make the purchases from us for cash, the Department has gone forward with its plans to promote a system of reciprocal trade agreements bottomed on equality rather than discrimination. This includes Brazil and numerous other countries with whom conversations some time ago had reached an advanced stage of understanding.

This program and this policy have been constantly thrust in the face of Germany, of Japan, and other countries which seemed bent on preferences and discriminations, especially against us. This broad and consistent course is calculated to avoid giving any country any ground or pretext to discriminate, much less driving it to do so.

It was in the foregoing circumstances that the proposed cotton deal came to the notice of the State Department two or three weeks ago. In view of what has been said above it is not necessary to elaborate further upon the effects of the proposed deal.

Deberkreuz  
If  
Alfolla qestr  
msu bionbfja  
suq ruf spe

Faithfully yours,

*Cozwell Hull*

*Experts views*

CONSIDERATIONS RELATIVE TO THE PROPOSED

GERMAN COTTON DEAL

1. The plan would seriously endanger our trade agreements program.
2. If we enter into a special preferential arrangement of this character, other cotton export countries, like Brazil, will be compelled to seek similar preferential arrangements in the German market. Brazil has already expressed grave concern with regard to this proposal.
3. If German fertilizer is given preferential treatment in our market, such as this plan would provide, Chile would be compelled to dump nitrates in our market. Representations to this effect have already been made by the Chilean Ambassador. Will we be able to apply the anti-dumping law against Chile while admitting German fertilizer at prices below the official reichsmark rate?
4. The plan would discriminate against other gold standard countries and given special preference to German exports to the United States through the sale of reichsmarks at a discount. If we seek and grant preferential treatment, can we seek equality of treatment for our commerce and nationals from other countries?
5. The proposed plan is a device to undo, in part, the devaluation of the dollar.
6. The sale of German marks at a considerable discount is likely to exert a depressional influence on

American

American prices and seriously affect those American industries which would be subjected, under this plan, to sharp German competition.

7. On top of her gross discrimination of American nationals, this deal would make a very good trade bargain for Germany, but with little gain and large risks for the United States.

8. There is no assurance that the suggested 800,000 bales can, under the proposed plan, be sold to Germany, since cotton exporters might not, in fact, be able to get dollar exchange.

9. It should be noted also that even though the plan does not break down, there is no assurance that American cotton exporters will not be forced to sell cotton at a loss.

10. Attention should, moreover, be called to the fact that the United States Government, through the Export-Import Bank, stands to suffer what may amount to substantial losses.

11. If this plan goes through, would the Treasury be able to apply the anti-dumping law to similar deals privately arranged and privately financed?

12. The proposed plan is almost certain to engender extreme resentment among that large section of the American public which is violently opposed to the Hitler régime.

ELABORATION OF POINTS MADE IN SUMMARY DRAFT

ON THE PROPOSED GERMAN COTTON DEAL

1. The Interdepartmental Trade Agreements Committee after thorough study of the proposed plan has reached the conclusion that the proposed plan is not only economically unsound but would also militate seriously against the success of the whole trade agreements program. Indeed, countries may refuse to conclude agreements with us if the concessions are nullified by special preferential arrangements such as that contemplated in the German deal.
2. This Government has already made definite proposals to Brazil involving joint declaration by both Governments against special preferential arrangements by either party and taking a stand for the principle of the open door in commerce and equality of treatment. Indeed, we have pressed Brazil to refrain from making special preferential arrangements with Germany. In consequence, Brazil cut off negotiations with Germany pending the conclusion of the trade agreement with the United States. The representatives of the Brazilian Government now say that if we conclude the proposed cotton deal with Germany, they will not be able to make the proposed agreement with the United States, and will themselves be compelled to enter into the preferential arrangements with Germany which had earlier been contemplated.

On

On the other hand, should we refrain from the proposed German cotton deal, Brazil has indicated willingness to proceed along the lines of our original proposal.

3. The concern of the representatives of the Chilean Government with respect to the discrimination against their nitrates in case the German fertilizer is given preferential treatment, as would be the case under the proposed cotton deal, is indicative of the character of protests which may be expected from other countries.

4. How will other gold standard countries look upon a plan which discriminates in favor of the German mark; which in some measure reestablishes the old dollar value of the mark while at the same time gold currencies are selling at the devalued dollar rate. If the plan is limited to Germany, it would amount to definite discrimination in favor of German exporters as against exporters of gold standard countries. If it is argued that we might offer to make a similar arrangement with any of the gold standard countries, it would still be true that such a plan would not, in fact, give equality of treatment to all countries unless, indeed, each of the gold standard countries were as urgently in need of the cotton at premium prices as is the case with Germany.

5. The proposed plan is a device to undo, in part, the devaluation of the dollar. Whatever advantages have accrued to the United States because of devaluation, whether in

terms

terms of the adjustment of domestic prices or of stimulus to export trade, tend to be lost vis-à-vis Germany. The device aims to establish a special depreciated German mark, and this, of course, implies a corresponding appreciation of the dollar in terms of the German mark.

6. The sale of German marks at a considerable discount is likely to assert a depressional influence on American prices and seriously affect those American industries which are subject to sharp German competition. The power to sell marks at a large discount might have a considerable effect upon a wide range of American prices. The sale of German marks at a discount of 41 percent would be equivalent to a kind of dumping, which might represent a serious competitive threat for many American industries. Consideration needs to be given to the political implications involved in this threatened intensified German competition. Substantially the same result would, to be sure, follow from an open depreciation of the German mark. But there is the important difference that, under the proposed plan, the depreciation of the mark would be actively promoted by our own action, and, therefore, any unfavorable reaction upon our own industries could be charged directly to our own Government.

7. The proposed plan is clearly to Germany's advantage, but offers little advantage and many disadvantages for the United States. If Germany secures a preferred market for her increased exports to the United States.

her

her exports, in exchange for the one American product which her economy vitaly needs and must have even at premium prices, she will have made a very good trade bargain indeed, on top of her gross discrimination of American nationals.

In the extraordinarily difficult position in which Germany finds herself because of her prevailing balance of payments, Germany will be compelled to strain herself to the utmost to rigorously curtail imports. If, despite this fact, she is willing to pay premium prices for American cotton, it is clear that this import is of extraordinary value to her. Were it not for the fact that we have a commodity such as cotton, which is so essential to the economy of Germany, it would be quite impossible to adopt this peculiar device by means of which exports from Germany to the United States are, in effect, subsidized. It is to be noted that while the proposed plan, on the one side, is said to facilitate cotton exports to Germany because more dollar exchange will be made available to Germany through her additional exports to this country under the proposed subsidy, on the other side cotton exports to Germany are, under the plan, penalized by the premium price of 22-1/2 percent which must be paid. It is by no means certain that the disadvantages of the premium price may not outweigh such advantage as may accrue from the expected increased dollar exchange made available to Germany through increased exports to the United States.

If

If Germany is compelled to pay a higher price for cotton, the cost of German cotton manufactures for export will increase. In consequence, either the German Government will be compelled to subsidize the export of cotton textiles, or else German exports of cotton textiles will decline. In the first case, Germany would be engaged in competitive dumping in the world market, including our own; in the second case, she would be compelled to buy less from abroad, including American products.

8. Despite the commitment on the part of the German Import Company to buy 800,000 bales, there is no assurance, under the plan, that this amount of cotton will, in fact, be sold. This is true for the reason that while the German Import Company may be prepared to buy the cotton, American cotton exporters will not sell the cotton unless they can get dollar payments. The plan does not insure dollar payments for the reason that should the Export-Import Bank be unable to sell the accumulated marks at \$.2382 or more, no dollars would be available in the Cotton Shippers Exchange Fund, from which American cotton exporters could get dollar payments.

9. There is no assurance that the American cotton exporter will, in fact, get the prevailing U. S. market price in terms of dollars for his cotton. Should it turn out

out that the reichsmarks are sold by the Export-Import Bank at a rate below \$.3045, the cotton shipper would not be able to get the prevailing market price for his cotton in terms of dollars. Should the marks sell at as low as \$.2382, the cotton shipper would obtain, in dollars, 15 percent less than the U. S. market price. In this event, not only would German goods be dumped in this country, but also, on the other side, cotton would be dumped in Germany, since the American cotton exporter would be laying down cotton in Germany at a lower price than that prevailing in the United States.

10. Attention should, moreover, be called to the fact that the United States Government, through the Export-Import Bank, stands to suffer what may amount to serious losses. Under the plan, the Export-Import Bank engages to convert reichsmarks into dollars at the average rate at which it sold reichsmarks on the preceding day. The new reichsmarks thus purchased may, however, have to be sacrificed subsequently at a very considerable loss.

11. The question may be raised whether the Treasury, by refraining from applying the anti-dumping law to American importers of German goods who have purchased reichsmarks from the Export-Import Bank, thereby also commits itself to refrain from applying the anti-dumping law with respect to importers of German goods who have bought

blocked

blocked marks at a discount and other devices designed to subsidize German exports to this country.

12. Consideration may also be given to the resentment which the proposed plan would likely arouse among that large section of the American public which is violently opposed to the Hitler régime, and which would view with grave disfavor any plan that helped to bolster the economic stability of that régime.

...

The German Import Company agrees to deposit to the credit of the Export-Import Bank reichsmarks covering 50 percent of the purchase price. The Export-Import Bank intends to convert the reichsmarks thus received into United States dollars for the benefit of American cotton exporters.

This arrangement would be accomplished in the following manner: In the first instance, the German Import Company agrees to deposit to the credit of the Export-Import Bank 1,000,000 reichsmarks. The Export-Import Bank would sell these reichsmarks to American importers for use exclusively in payment of German products imported into the United States. The Export-Import Bank may sell these...

ADDENDUM TO MEMORANDUM ON PROPOSED GERMAN COTTON DEAL

1. Brief Summary of Proposed Plan.

The German Import Company agrees that the purchase price of the cotton acquired in the United States under the proposed plan shall be the domestic market price plus a premium of 22-1/2 percent. The German Import Company agrees that the purchase price shall be payable in the following manner: (a) 25 percent of the purchase price shall be paid in United States dollars; and (b) 75 percent of the purchase price shall be paid in terms of reichsmarks computed at the official rate of \$.4033.

The German Import Company agrees to deposit to the credit of the Export-Import Bank reichsmarks covering 75 percent of the purchase price. The Export-Import Bank intends to convert the reichsmarks thus received into United States dollars for the benefit of American cotton exporters.

This conversion would be accomplished in the following manner: In the first instance, the German Import Company agrees to deposit to the credit of the Export-Import Bank 1,000,000 reichsmarks. The Export-Import Bank would sell these reichsmarks to American importers for use exclusively in payment of German products imported into the United States. The Export-Import Bank may sell these reichsmarks

marks at such rates as it may determine but in no event at a rate less than U.S. \$.2382. The dollar proceeds derived from the sale of these reichsmarks shall be deposited by the Export-Import Bank in a separate account designated as "Cotton Shippers Exchange Fund." From this fund, the Export-Import Bank would then convert into dollars, for the benefit of American cotton exporters, the reichsmarks received in payment of cotton shipments to the German Import Company. The conversion rate to cotton exporters would vary from day to day according to the average rate at which reichsmarks had been sold by the Export-Import Bank to American importers of German goods on the preceding day.

As explained above, with every shipment of American cotton the German Import Company agrees to deposit reichsmarks covering 75 percent of the purchase price to the credit of the Export-Import Bank. The American cotton shipper then draws upon the Export-Import Bank in reichsmarks, and at the same time, requests the Export-Import Bank to convert reichsmarks into United States dollars in the manner just described. Thus, a revolving fund is set in operation. As the Export-Import Bank sells reichsmarks to American importers of German goods, dollars thus obtained are exchanged for new reichsmarks created by further cotton shipments. The Export-Import Bank, however, does not agree to convert reichsmarks into dollars for

for the benefit of cotton shippers unless dollars are already available in the Cotton Shippers Exchange Fund. In other words, should the Export-Import Bank find it impossible to sell the reichsmarks even at the low dollar price of \$.2382, cotton shippers would find it impossible to get payment in terms of American money.

2. The Purpose of the Plan.

From the American standpoint, the plan is designed to facilitate the export of cotton to Germany. The argument is made by Germany that she cannot continue to buy cotton from the United States unless she can find the necessary dollar exchange through exports to the United States. From the German standpoint, the plan is designed to facilitate German exports by means of a device which, in effect, subsidizes German exports to the United States.

Germany has hitherto sought to stimulate German exports by means of the discount on the various varieties of blocked marks. Foreign holders of German securities have, in effect, been called upon to subsidize German exports through the device of the discount on blocked marks, and also through the profits realized from the purchase of German securities in foreign countries at a discount.

There has been some discussion of a general plan to tax all German importers and use the funds so derived to subsidize directly German exports. The proposed plan

is a special form of a tax on German importers designed to subsidize German exports, the tax in this case being limited to the importers of American cotton, the subsidy being applied to German exports to the United States. This subsidy takes the form of a sale of German marks to American importers at a discount, thereby enabling them to buy German goods at a favorable dollar rate.

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L F

Germany - 1934

Muenchen, 12 - 16 - 34

Your Excellency:

Please let me thank you most heartily for your extremely kind letter, which I highly appreciate. It is so awfully nice of you to have written me personally, in spite of the tremendous burden of work and worries you are carrying. I am looking forward to going to America and paying Your Excellency my respects at the White House, but unfortunately I do not think that I shall be able to make the trip during the Winter, because my family wants me to stay in Germany for the time being. But anyhow I hope to run over to my beloved United States as soon as possible, even if it were for a week or two.

Wishing your Excellency and your whole family a merry Christmas and a most happy and successful New Year I remain with my best wishes

very sincerely yours

Carl Feilmayr

**Einschreiben**



**His Excellency**

**President Franklin D. Roosevelt.**

**The White House.**

**Washington D. C.**

**U.S.A.**



Dr. Prinz

"his personal"

PSF Hemm (S) (2)

LEGATION OF THE  
UNITED STATES OF AMERICA

Vienna, December 21, 1934.

Dear Mr. President:

I wish to tell you how appreciative I am, as well as all of us in the Foreign Service family here in Vienna, of your very thoughtful and generous letter of November 19, giving us your Christmas and New Year's greetings.

All of us here, and I am sure the Foreign Service as a whole everywhere, are deeply grateful to you for the understanding which you have shown of the needs of the Service and of its problems, as well as of the very real support which you have given to the Service. We know the high ideals of public service which you hold, and the courageous manner in which you carry a burden such as probably none of your predecessors in your high office has had to carry. It is an encouraging example to all of us to meet our responsibilities in the Foreign Service, which are probably more vital now than at any time in the past.

Your generous support and appreciation are very real encouragement to every member of the Service, and I should like again to

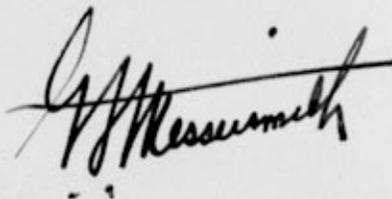
President Franklin D. Roosevelt,  
The White House,  
Washington, D. C.

- 2 -

say how deeply grateful we all are here,  
and at the same time express to you and  
Mrs. Roosevelt our respectful and heart-  
felt wishes for a happy Christmas season  
for you and your family and for a new  
year filled with good things.

Believe me,

Very respectfully yours,

A handwritten signature in cursive script, appearing to read "J. Messersmith". The signature is written in dark ink and is positioned to the right of the typed closing. There is a small mark below the signature.



Reichsparteitag  
1935  
Nürnberg  
10.-16. Septemb.

10 rue de Courcelles, Paris. Paris, Sept. 14, 1935

Postkarte  
[please show your chief]  
Reichsparteitag der R.S.D.A.F.  
in Nürnberg 10.-16. September 1935

Dear Miss He Hand. 7

Just arrived in Paris after 4 very difficult & days in Nuremberg as personal guest (only unofficial one) of Hitler. Constant negotiation through Tschammer von Osten (his Reichsportführer) over the Olympic Jew question. Finally, succeeded in having Streicher (the Jew baiter) pulled out of the whole affair, and Tschammer authorized to invite a prominent <sup>German</sup> Jew athlete to join German Olympic team. It had previously been the plan to welcome foreign teams with Jews, but ban German Jews. Also, Streicher's entire Jew speech at opening of Nazi Rally was cancelled & he merely welcomed the public.

C. V. Sherrill

Miss  
Leland  
See back of  
last page.

file  
confidential

VERY CONFIDENTIAL  
(from C.H. Sherwell)

Miss  
Germany  
(S) (2)

[Sept 10 1935]

His Excellency Reichskanzler Adolf Hitler received me at noon August 24th., 1935, in his own private Munich residence (since long before he came to power) 16 Prinzregentenplats. That audience was preceded and concluded by two good omens, each taken from the very best that Germany has ever produced - Hindenburg and Bismarck. ~~Was~~ State Secretary Meisner (long Hindenburg's closest assistant) came to fetch me from my hotel in an automobile belonging to the deceased Field Marshal, while my audience closed by Hitler showing me Lenbach's finest picture of Bismarck, hanging right across from the desk where he writes!

Let me first of all frankly confess that this will not prove ~~an~~ a journalistic interview with Germany's Chief of State. It merely narrates a foreigner's visit to an undeniably great leader, and tells the impression he made upon this particular outsider. He was good enough to retain me for an hour and ten minutes, so many things were discussed, some of which it would both be indiscreet and discourteous to report.

There was no official nonsense or exaggeration about arrival, reception, or departure - no armed men in uniform, <sup>etc.</sup> Outside, ~~by~~ a member of the so-called Stormtroopers (all in black) saluted and conducted us indoors, where another one met and led us up one flight of stairs to a door with Adolf Hitler on the door-plate. In the entrance hall stood the aide de camp, - a fine well set-up German, who after a brief greeting took us in to see his chief.

Hitler was standing, and at once extended his hand to complete ~~the~~ <sup>my</sup> his smiling welcome. The apartment house is on a corner but a rather flattened one, and therefore Hitler's corner apartment gives the effect of swinging slightly back right and left of the central door. To the right is his writing desk, etc., but he turned to the left, where we sat down at a large table, just before an alcove room, crammed to the ceiling with books. The apartment is a comfortable one, but not too comfortable, and its furnishings are good, but not too good.

I was immediately struck by the fact that Hitler deliberately chose the seat facing the window and it's bright sunlight. When in 1921 I talked with 15 European Prime Ministers plus four Presidents, and two years later nine kings, none of them did this, nor have any leading statesmen I have since then met. This German's face and figure showed he is ~~in~~ perfect health - good color, but not too much, well-built, but not too heavily, good height, but not really tall.

His eye is clear, his glance is frank, his replies prompt, but limited. About what he said and how he said it, there was no July 4th. nonsense (as we call it at home) - no speechifying, such as politicians are prone to use even with an audience of one.

Especially did I notice the clarity and neatness of his German; - if all Germans spoke so, we poor foreigners would better understand them! His precision of phrase reveals the practised orator. He evidently knows exactly what he wants to say. No great

political leader in any country has ever had his text-book so widely read as has been Hitler's "Mein Kampf". But very few foreigners notice the accent he therein casts upon two things - the importance of the spoken (as contrasted with the written) word, and his constant demand for physical fitness <sup>throughout</sup> Germany. Well, he <sup>himself</sup> is a perfect example <sup>both</sup> of the finished orator, and of the physically fit. This matter of providing the mens sana with it's corpore sano is as noticeable for Hitler, as it is for Mussolini, for President Roosevelt, or for President Kamal of Turkey. He showed his interest in all three of these foreign leaders several times during our talk.

We began by speaking of his eagerness for bettering the bodies of Germany's youth, and he explained why his book prefers boxing to fencing. - "only fencing was then thought correct and elegant in Germany", said he, "but, though fencing is a fine sport, it lacks the physical contacts of boxing, to say nothing of the latter's all round muscular effects." In this case, as in every other subject we touched upon, he gave reasons for the conclusions he stated.

Because I am a member of the International Olympic Committee, we naturally spoke of our 1936 Games scheduled for Berlin and Garmisch. In these he expressed keen interest. This is not the place to write of the unfortunate Jewish question or similar religious matters. Those matters touch Olympic policy and should be publicly discussed, ~~by our Committee's President alone~~ by our Committee's President alone. But it is only fair to say that if <sup>Hitler</sup> ~~he~~ were an American he would

understand why it strikes us as more appropriate that a Huey Long handle the struggles by Have-Nots against Haves rather than a Father Coughlin;- religion has far loftier duties than mixing in professional politics! Pardon this translation of German thought into American speech, and let us get back to the German Führer.

His photographers do him great injustice in two regards - they do not show enough the strength of his upper head (above the expressive eyes) and give no hint of the engaging human being he can be when he wants to be. Never until this talk with him did I understand how he gathered the personal <sup>following</sup> ~~contacts~~ that started his Nazi movement, but now I do.

When near to him, his manner of abbreviating the mustache ends seems more normal than our beloved Charlie Chaplin's chop-off. It suits Hitler's face while speaking, because revealing all the expression around the mouth, and don't forget how he values the spoken word, which means <sup>that</sup> a speaker's facial expression must be free to supplement what he is saying.

I ventured to present him with my book comparing Bismarck and Mussolini, and another one on ancient German Stained Glass.

How he feels about the great German and the great Italian appears from the fact that the chief adornment of his home is Bismarck's portrait, and that in his private room at Nazi headquarters - the Brown House - his two portraits of Frederick the Great have only

one companion - <sup>a</sup> bronze head of Mussolini.

The stained glass book recalled that he began earning his living as a young man by architecture studies and water color painting, and his comments on glass showed him an earnest student of Germany's mediaeval art. It is a strange, almost a Nazi fact, that, no matter under what flag old German glass is found to-day, there the people still speak German, be it Switzerland, or Alsace, or Austria. Go but a few kilometers beyond that glass, and German speech stops!

The personal neatness ~~of~~ of the man and of his home seems to echo the amazing change that has come over all of Germany since his becoming it's Leader. Everywhere the country, so run down a few years ago, is as cleaned up as Holland has always been, yes - and brightened up too. Houses have everywhere been painted, and more gayly than before, and flowers everywhere, many more than formerly. Best of all is the brightened look in the people's faces, Courage has come back to the discouraged, and the confident expression that so characterizes the Leader's face, is reflected on those of his people.

Of this general change for the better in the nation's state of mind he spoke simply and feelingly: "Germany has come back, but has not yet finished coming, <sup>," said he.</sup> And foreigners must not forget the downhearted Germany from which this Leader has lifted up the new Germany of to-day.

This long audience finished on the high note that began it - Bismarck and his portrait that dominates Hitler's home.

Nothing was greater in Bismarck's character than his grasp of foreign psychology, and his farseeing handling thereof. When I mentioned meeting Colonel Beck, now Polish Minister of Foreign Affairs, when he, as a private citizen, lunched at my Embassy in Turkey, the Reichskanzler spoke in high tones of how loyally both Colonel Beck and his Berlin representative had collaborated in bringing about the present agreeable relations between the two countries. But he modestly said nothing of what a striking piece of Bismarckian statemanship was this Hitlerian change from the former state of affairs when the Dantzig Corridor was almost "a fighting word" in Germany. It took both the foreseeing diplomacy of the Führer, plus his hold on the German people to cause Germany's agreement to drop discussion of the Corridor for ten years. But Hitler achieved it, and he is the only German since Bismarck who could have effected what the writer considers a high-water mark of recent European statemanship.

Revealing of the man's personality ~~as~~<sup>was</sup> this long interview, even better was to follow.

A nation's political leader must be seen in action, if a foreigner hopes to understand his power over his people. How do they react when he speaks to them?

The reader can imagine my satisfaction when the Führer invited me to come as his guest to Nuremberg September 10th to hear him address the great Nazi rally there, - and better still to watch the effect upon them of his spoken word.

(A.H. Sherill)

Very Confidential.

Dear Miss Le Hand.

Will you please show this report to your Chief.

Am off to Nuremberg as Hitler's personal guest to hear (and see!) him address the great Nazi rally there.

Near the close of my hour-+10 minute Munich talk with him, I broached the German Jew question for next year's Olympic Games. Explosion!!

Was shocked to find he knew nothing of June 1933<sup>pro-Jew</sup> letter from his own Ministerium des Innern which I secured for Int. Olympic Com. - and is flatly opposite to a dreadful new anti-Jew move he had just said he projected.

My book "Bismarck + Mussolini" lay before him, + he faced a fine Lenbach portrait of Bismarck. It was a last chance, so I went right at him with question "what Bismarck, master of foreigners' psychology, would do today"? He was polite, but showed nothing. Had my appeal won? - no sign!

Yesterday Tschammer von Osten (their Sportführer) gave me <sup>in Berlin</sup> a small luncheon, given (said he) on Hitler's telegraphed orders. A Ministerium des Innern official was present to say he had just showed copy of their June 1933 letter to Hitler, + this lunch was to announce he would fulfill its terms for German Jews, + that the new move against them was dropped - thank God!

Of course it was dreadful nerve for me to tackle him in his own Munich home, but I am only a private citizen, and he can't eat me!

France is safe, but God help the Communist Soviets when his army is ready! He greatly admires Mussolini, and, upon hearing my new book (M., F. D. R., + Kamel) is now in press at Paris (French edition) and at Bologna (Italian edition) he asked in detail about your Chief.

Faithfully yours

C. N. Sherwell

(10 rue de Courcelles, Paris,  
until sailing home Oct. 19)

(Signed B.H.D.)

*PSF Germany*  
*7-11*  
~~AMERICAN CONSULAR SERVICE~~

Berlin, Germany

*Sept 17*  
October 16, 1935

Dear Mr. Moore:

I am sending you herewith a copy of a letter which I have recently written to Mr. Messersmith, the American Minister in Vienna, to whom, by way of being helpful, I furnish a resume of the situation here from time to time.

The letter is brief, but defines on broad lines the present trends of German policy at home and abroad and I think a perusal of the contents might be interesting and helpful to you.

I remember with great pleasure our talks when I was home this summer. With very kindest personal regards, I am

Very faithfully yours

*Raymond H. Geist*  
Raymond H. Geist  
American Consul

Honorable Robert Walton Moore  
Assistant Secretary of State  
Washington, D. C.

PSF Germany

Berlin, October 7, 1938.

10-7-38

Dear Mr. Messersmith:

The German Government at the present time is watching the European situation as it is affected by the Italo-Abyssinian dispute with a profound interest. Word has gone out to the newspapers to refrain from criticisms which might reflect unfavorably on the attitude of "splendid isolation" which has been officially assumed. The German public on the other hand is one hundred per cent back of the Abyssinians and follows the events with a passionate interest, hoping for reports of Italian reverses. The neutral attitude of the Government and the press attracts no attention; but if a pro-Italian policy were adopted and publicly appeared as such in the press it would certainly be secretly opposed by the mass of inhabitants. A few papers such as the Frankfurter Zeitung have not been able to conceal their disapproval of the Italian policy.

It was thought at first that the German Government would bring the Memel question to a head at the end of last month and take advantage of the strained position between England and Italy; but this appears not to be the case. The Germans are going to do nothing in a military way for the time being; though a serious outbreak of war in Europe might change the attitude of the Nazis. A high personage in the Reichswehr last week explained that Germany was not going to make any military move in any direction; that Germany would not abandon its claim to Memel and that it would not "let up" on Memel until it was reincorporated in the German Reich. The Fuehrer's speech at Nuremberg in this regard was the beginning of a steady campaign to this end; but the problem of Memel was bound up with all the other eastern questions, which eventually the powers would prefer to settle than have a Germany which is steadily increasing in military might and prestige, make Memel more and more a disturbing element in the complex of European peace.

A few words about the position of the Reichswehr will illuminate the actual situation. The Reichswehr is now proceeding feverishly toward perfecting its peace

strength.

strength. It is now reasonably sure that by the middle of 1936 it will have about 600,000 well trained soldiers and possess the heavy artillery which a first-class well equipped army needs. The preparations are going on according to conservative regulations and rules; no hurry or rush is evident. The usual necessary time is being allotted to the training and development of the new recruits. As to the further development of the army, that is to bringing it up to a war-time strength, probably on the same footing as it was in 1914 when Germany was able to place into the field a first-class army of 2,400,000 men, it is expected that that will be accomplished by the middle of 1938.

No one can give for the moment a clear picture of what is really going on in the highest Government circles. The situation is complicated and very much obscured. The radical element in the Party are no doubt bringing considerable pressure to bear upon Hitler and the net result of the Nuremberg rally was to increase their prestige outwardly if not inwardly. What is really going on inwardly is the great question. Hitler leans strongly toward the old party guard and he is not yielding everything to Schacht, the Reichswehr and other conservative forces. For instance I am informed that a considerable struggle is going on now between the Reichswehr and Hitler regarding the maintenance of a division of S.S. men whom Hitler wants to equip with heavy arms, just as any division of the Reichswehr. This still shows lack of trust on both sides; and I understand that this "lack of trust" is very real. Nevertheless the relations between the Party-State and the Reichswehr are not being severely tested. Both sides are avoiding that; and I am informed quite reliably that if a show-down came between the Party and the Military Conservative forces the Party would win. Since this opinion is shared in very responsible circles in the Reichswehr I have no doubt that it represents the actual situation. This indicates the strength of Hitler and his party. Furthermore, in spite of the lack of raw materials and the food shortage which is most aggravating to the general public no sacrifice of Nazi principles is even thought of to relieve this situation. Instead the principal Nazi leaders have

taken

taken the situation in hand and are exhorting the people to tighten their belts so that the necessary raw materials can be imported instead of food. Goebbels' speech on this subject last Saturday was brilliant contribution to this campaign.

The persecution of the Jews goes on unabated and it is reasonably certain that a good deal of actual expropriation will be increasingly resorted to. It looks as though the object is to get the Jews out of the country and confiscate their property. The most serious factor in the whole situation is the lack of raw materials; this is increasingly evident and everything possible will be resorted to to get enough foreign exchange to get the necessary raw stuffs, except there will be no change in any of the radical platforms to which the Party is committed. Bankers are prophesying financial collapse; but these statements cannot be taken seriously. The Nazis know how to muddle through and I am confident that Mr. Schacht's financial machinery will stand a great deal of strain and for a comparatively long time to come. A banker of some prominence said to me that the total extra-budgetary expenditures were not much over 11,500,000 marks; while estimates have been made up to 20 billions.

The main lines of the present policy might be summed up as follows:

- 1) In Home Affairs: Proceeding with all measures which favor the idea of the total supremacy of the State: racial, social and religious.

Preserving the supply of raw materials for armaments and work at the sacrifice of the food supply; consequently a reduced standard of living.

No change in the wage policy; but increased propaganda to placate the workers with regard to their social status in the new Germany: Kraft durch Freude, etc.

- 2) In

2) In Foreign Affairs: No action at the present time which would involve running military risks unless the European situation got into such difficulties that an open door stood wide ajar, and that it would be a sign of weakness not to take advantage of the opening.

Any radical change in the line-up of the great powers might create an entirely new situation for the Germans. They are quiet and conservative.

They will endeavor to establish a German-Polish-Hungarian block; but the difficulties at present are too great - nevertheless they can see no harm in having intercourse and conversations.

Very sincerely yours,

PSF: Germany

<b>CROSS-REFERENCE</b> (Name, number, or subject under which this form is filed)		
		
<b>IDENTIFICATION OF RECORD</b>	<b>DATE</b>	November 28, 1935
	<b>TO</b>	
	<b>FROM</b>	
	<b>BRIEF SUMMARY OF CONTENTS</b>	Address delivered by Ambassador William E. Dodd at Thanksgiving Day Dinner, Berlin, Hotel Esplanade
<b>FILED</b> (Name, number, or subject under which the document itself is filed)	Hopkins Papers, Sherwood Collection, Book 2: Interventionists # 1.	
<small>Optional Form 21 Feb. 1962 GSA Circular 209</small>		
<b>CROSS-REFERENCE</b>		
RHP 2-8-71		



*"file personal"*

*TSF Germany  
Germany  
(S) 125*

Vienna, December 11, 1935.

Dear Mr. President:

I am deeply appreciative indeed of your cordial note of November 27, extending to Mrs. Messersmith and myself and to the officers and employees of our Government in Austria your best wishes for Christmas and the New Year. I am particularly appreciative of the generous words which you use concerning our endeavors to keep you informed of developments in this part of the world in these difficult days.

We all of us here realize the extraordinary burden which you are carrying, and are filled with admiration of the courage, vision, and wisdom with which you are carrying out the heavy responsibilities of your high office. The results of these wise efforts are already apparent in the increasingly better situation in our own country, and our wisely directed foreign policy has added to our prestige abroad. We all feel it a great privilege to be serving our Government under your wise guidance and stimulus, and are deeply appreciative of the generous support of and interest in the Foreign Service and its personnel which you have so definitely shown.

I had planned to make a brief trip home before the end of this year and to have the privilege of seeing you. I deemed it advisable, however, in view of the situation over here to postpone my trip home until the spring when I look forward with great pleasure to seeing you again.

May I on behalf of Mrs. Messersmith and myself and of the officers and employees of our Government here and their families, offer to you and Mrs. Roosevelt our heartfelt wishes for a happy Christmas season and for a New Year filled with good things.

Believe me,

Very respectfully yours,

The President  
The White House,  
Washington, D. C.

*L. Messersmith*

*file  
private  
Germany* PSF Germany

DEPARTMENT OF STATE  
WASHINGTON

March 9, 1936

My dear Mr. President:

I am transmitting herewith a memorandum giving a brief analysis of the action taken by the German Government in sending troops into that part of the Rhine zone which was demilitarized under the Treaty of Versailles and which demilitarization is likewise provided for in the Treaty of Locarno. This memorandum gives the pertinent clauses of the Treaty of Versailles and the Treaty of Locarno which are applicable to the German action. It likewise gives the procedure provided for under the Treaty of Locarno in the event of a violation of the restriction against the assembly of armed forces or the maintenance and construction of fortifications on the left bank of the Rhine.

It would appear from this brief analysis that the action of the German Government has constituted both a violation of the Versailles and Locarno pacts, but as far as the United States is concerned it does not appear  
to

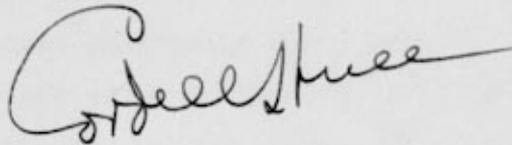
The President,

The White House.

to constitute a violation of our treaty of August 25, 1921 with Germany, as our treaty with Germany does not include Part 3 of the Treaty of Versailles which contains the provisions for the demilitarization of the Rhineland zone.

We are continuing to watch closely the developments arising from this German action and I shall keep you currently informed of all the information which becomes available to us in the premises.

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 closing "Faithfully yours,".

Enclosure:  
Memorandum,  
March 9, 1936.

March 9, 1936

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The White House.

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We are continuing to watch closely the developments arising from this German action and I shall keep you currently informed of all the information which becomes available to us in the premises.

Faithfully yours,

Cardell Hull

Enclosure:  
Memorandum,  
March 9, 1936.

DEPARTMENT OF STATE  
DIVISION OF WESTERN EUROPEAN AFFAIRS

MEMORANDUM

March 9, 1936.

The action of the German Government in sending troops into the demilitarized zone contravenes Section III of the Treaty of Versailles.

This Section reads as follows:

"ARTICLE 42.

"Germany is forbidden to maintain or construct any fortifications either on the left bank of the Rhine or on the right bank to the west of a line drawn 50 kilometres to the East of the Rhine.

"ARTICLE 43.

"In the area defined above the maintenance and the assembly of armed forces either permanently or temporarily, and military manoeuvres of any kind, as well as the upkeep of all permanent works for mobilization, are in the same way forbidden.

"ARTICLE 44.

"In case Germany violates in any manner whatever the provisions of Articles 42 and 43, she shall be regarded as committing a hostile act against the Powers signatory of the present Treaty and as calculated to disturb the peace of the world."

The German action in this matter is likewise an infringement of Article 1 of the Treaty of Locarno, which specifically guarantees observance of Articles 42 and 43

of

of the Versailles Treaty. The pertinent Article of the Treaty of Locarno is quoted below:

"ARTICLE 1.

"The high contracting parties collectively and severally guarantee, in the manner provided in the following articles, the maintenance of the territorial status quo resulting from the frontiers between Germany and Belgium and between Germany and France and the inviolability of the said frontiers as fixed by or in pursuance of the Treaty of Peace signed at Versailles on the 28th June, 1919, and also the observance of the stipulations of articles 42 and 43 of the said treaty concerning the demilitarised zone."

The Treaty of Locarno likewise indicates how infractions of its terms shall be dealt with. The procedure is outlined in Articles 4 and 5, which are quoted below:

"ARTICLE 4.

"1. If one of the high contracting parties alleges that a violation of article 2 of the present treaty or a breach of articles 42 or 43 of the Treaty of Versailles has been or is being committed, it shall bring the question at once before the Council of the League of Nations."

"2. As soon as the Council of the League of Nations is satisfied that such violation or breach has been committed, it will notify its finding without delay to the Powers signatory of the present treaty, who severally agree that in such case they will each of them come immediately to the assistance of the Power against whom the act complained of is directed."

"3. In case of a flagrant violation of article 2 of the present treaty or of a flagrant breach of articles 42 or 43 of the Treaty of Versailles by one of the high contracting parties, each of the other contracting parties hereby undertakes immediately to

come

come to the help of the party against whom such a violation or breach has been directed as soon as the said Power has been able to satisfy itself that this violation constitutes an unprovoked act of aggression and that by reason either of the crossing of the frontier or of the outbreak of hostilities or of the assembly of armed forces in the demilitarised zone immediate action is necessary. Nevertheless, the Council of the League of Nations, which will be seized of the question in accordance with the first paragraph of this article, will issue its findings, and the high contracting parties undertake to act in accordance with the recommendations of the Council provided that they are concurred in by all the members other than the representatives of the parties which have engaged in hostilities.

"ARTICLE 5.

"The provisions of article 3 of the present treaty are placed under the guarantee of the high contracting parties as provided by the following stipulations:-

"If one of the Powers referred to in article 3 refuses to submit a dispute to peaceful settlement or to comply with an arbitral or judicial decision and commits a violation of article 2 of the present treaty or a breach of articles 42 or 43 of the Treaty of Versailles, the provisions of article 4 shall apply.

"Where one of the Powers referred to in article 3 without committing a violation of article 2 of the present treaty or a breach of articles 42 or 43 of the Treaty of Versailles, refuses to submit a dispute to peaceful settlement or to comply with an arbitral or judicial decision, the other party shall bring the matter before the Council of the League of Nations, and the Council shall propose what steps shall be taken; the high contracting parties shall comply with these proposals."

Germany has likewise failed to comply with the terms of the Treaty insofar as the manner of bringing about its termination is concerned. Article 8 provides that the Treaty "shall remain in force until the Council, acting on a request of one or other of the high contracting parties notified

notified to the other signatory Powers three months in advance, and voting at least by a two-thirds' majority, decides that the League of Nations ensures sufficient protection to the high contracting parties; the treaty shall cease to have effect on the expiration of a period of one year from such decision."

The Treaty between the United States and Germany restoring friendly relations, signed on August 25, 1921, provides in Article II "that the rights and advantages stipulated in that Treaty (Treaty of Versailles) for the benefit of the United States, which it is intended the United States shall have and enjoy, are those defined in Section I, of Part IV, and Parts V, VI", et cetera, et cetera.

Since Articles 42, 43 and 44 are embodied in Part III of the Treaty of Versailles "the rights and advantages" stipulated therein would not appear to apply to the United States.

WE:RES:EG:SS

THE SECRETARY OF THE TREASURY  
WASHINGTON

January 15, 1937

My dear Mr. President:

I am inclosing herewith extract  
from Cochran's cable of January 12  
reporting a conversation with Schacht  
whom he met at the meeting of the  
directors of the Bank of International  
Settlements.

Respectfully,

*W. M. C. [Signature]*

The President,  
The White House.

*P.F. Germany*

*P.F.  
Bill Germany.*

PSF: Germany

EXTRACT

I had a separate conversation with Schacht. He made reference to his article in Foreign Affairs on the question of colonies for Germany. I asked whether he had made any progress in this regard with the French and the British. The French attitude, he said, after his visit to Paris late last summer, was satisfactory; the Germans had found it entirely possible to have direct conversations with the French. The British, he said, had not yet given a definite or formal answer to Germany's plea for raw material resources although he had been most discouraged by Eden's attitude and the British rebuff to the French approach on this subject after Schacht's visit to Paris. Schacht reminded me of the Hitler Government's sincere offers for disarmament and peace. One after another of these offers, he said, including that of limiting the army to 300,000 men had either been totally ignored or had been refused. He told me he thought they might be making their last offer in the outstanding offer for peace in return for colonies. Great Britain and the world, he said, should understand that the Hitler Government is firmly established, and if there is any attempt to humble Germany the German people will be solidly behind it. Schacht said again that it is not possible to have world peace without German peace. He emphasized the efforts

Schacht's Nazi representative, Hoescher, told me and

aims of the United States toward peace. He expressed the hope that the United States would not let slip the opportunity which he says is now ours, particularly the President's, to take the lead in solving the outstanding questions of Europe, and primarily German's problems.

The idea of a Washington conference was mentioned by Schacht; I asked him why in Washington, and he replied that the United States has now the world's leadership and the wealth to make it effective so that other nations should be called to Washington for conference and discussion. I asked Schacht whether he had been told the scheme which had been suggested to me that day by one of my earnest Central Bank friends; i.e., for Germany to borrow from the United States to buy neutral territory from England and for the latter to apply the proceeds of the sale upon British war debt to us. This suggestion was made by Yanagita (Japan). The reply of Schacht was that he was not suggesting the measures that should be taken; however, he hopes that we would take advantage of Runciman's visit and that of another distinguished Britisher - Niemeyer, I assume - to indicate to the British that we are interested in a final and happy liquidation of the problems facing Germany.

Schacht's Basel representative, Heschler, told me  
that

that the atmosphere created by press accusations of German activities in Morocco had disgusted Schacht. This subject was discussed at length by Schacht and Norman. According to Heschler, Schacht told him (Heschler) that the whole press story was a pure fabrication, that Germany had sold certain supplies to France and the latter could not pay in cash; consequently there was some activity in France shipping to Germany in a barter for such supplies, ores, and other materials which could be obtained in Spanish Morocco. The affair was no more than that. Niemeyer remarked, in discussing the article of Schacht's in Foreign Affairs, that the two raw materials which are needed most by Germany, rubber and wool, are not commercially available in the colonies which Schacht is seeking.

February 8 has been set as the date for the next meeting of the B.I.S.

PSF  
Germany

April 21, 1937

CONFIDENTIAL MEMORANDUM FOR  
THE SECRETARY OF STATE

I have read Dodd's letter with much interest.

I am especially concerned with the possibility, even though it may not be a probability, that German food supplies will call for even more imports and that the demands for certain other raw materials like copper, steel billets and scrap steel will continue, thus forcing up our price level unduly and perhaps even causing an actual shortage in the supply for domestic consumption.

This makes it opportune for us to start an immediate study of the subject of embargoes on certain materials, such embargoes to be put into effect by Executive Order, by hearings, which seem the simplest way.

Will you, therefore, undertake this study joining to yourself such other persons from your own and other Departments as you may desire. For example, Henry Grady, as a member of the U. S. Tariff Commission, would be valuable and you would probably want someone from Commerce, Agriculture, Bureau of Mines and Central Statistical Board.

FDR

Enclosure

fdr/tmb

Returning to Sec. Hull let. addressed to him from Ambassador William E. Dodd, Berlin, Germany, 4/5/37 re situation there.

PSF Germany - 1937

SEYMOUR HOUSE,  
17, WATERLOO PLACE, S.W.1.

Private &  
Personal.

7th May 1937.

*File  
Private & confided to  
Foreign File*

My dear Norman,

Here are the reports of the Berlin interviews. Remember that they are for your own eye and that of the President alone.

Yours ever,

*Lord Latham → Latham  
Great Britain*

*Norman Hans Coy*

PSF Germany

INTERVIEW WITH HITLER, MAY 4TH, 1937.

Hitler received Lord Lothian and Mr. Conwell-Evans at 4 p.m. at the Chancellery in the Wilhelmstrasse, the only other person present was Dr. Schmidt, from the German Foreign Office, who acted as interpreter. Both visitors were very cordially greeted; but one had the feeling from the beginning that the Chancellor was in a grave mood; at times his tone showed traces of bitterness, if not disillusionment in regard to the more recent British attitude to Germany, nevertheless the frank discussion lasting 2½ hours indicated his earnest desire to bring about a permanent improvement and cooperation.

Lord Lothian asked what were the causes from the German point of view of the apparent deterioration of the last six months in the relations between the two countries.

The Chancellor replied that the deterioration was due in the first place to factors in the international position which affected Britain and Germany only indirectly. It arose from the different ways in which Germany and England regarded events in Abyssinia and in Spain. Another cause was the discussion of the colonial question to which he would refer later.

The divergence in the opinions of Britain and Germany on Abyssinia and Spain was explained by the fact that Communism and its gangers were regarded in a very different light in England and Germany.

Lord Lothian asked what the Abyssinian affair had to do with Communism. Hitler replied that if Italy had been defeated, Europe would have lost one of the leading protectors of its civilization, as Italy would have become Bolshevik.

We Germans, said the Chancellor, would have understood if Britain, from the point of view of its own interests, had taken a strong line at the beginning in dissuading the Italians from embarking upon the adventure. But when the campaign had started, inter-

vention was dangerous, as it might have ~~the~~ led to the defeat of one of the very few countries in Europe which had made itself immune from Bolshevism. If he the Chancellor had been the British Prime Minister he would have done one of two things, he would have sent two or three British battalions to Lake Tana, and defined spheres of influence in Abyssinia or he would have refrained from taking any action. To do neither of these things but on the contrary to mobilise the League of Nations with Bolshevik Russia as a leading member, was, the Chancellor felt from the beginning, to court certain failure. The French in the person of Laval had moreover given ~~the~~ the Italians a free hand in Abyssinia, in return for which they expected the Italians to stand on the Brenner Pass, for these circumstances, Germany had not the slightest interest in opposing Italy.

Regarding Spain, the Chancellor said that the English were wrong in stating that Germany wished to get influence in Spain. "I am not interested in Spanish territory nor in its colonies" said the Chancellor. But if Bolshevism swept over that country, Germany trade would be vitally affected. I fail to understand Great Britain's policy. If Great Britain wants to prevent outside influences from dominating Spain, she ought to support France. If this had been done from the beginning, the troubles in Spain would have come to a very speedy end.

The Führer in his demonstrative way grasped his brow with an air of perplexity and said that ~~the~~ the British attitude in not wishing to support the maintenance of a national Spain completely puzzled him. Franco would have preferred England's support; France was facing a 'new Social revolution' and was not a comparable factor. Our trade relations have been gravely affected already, said the Chancellor - 15,000 Germans engaged in trade have had to leave the country. Raw materials, fruit and oil from ~~Spain~~ Spain constituted our trading requirements. The Chancellor had no other interest except trade, he was not interested in seeing Italy established in Spain. Why were these false ideas held in England

about his policy. England might be able to look lightly at the ravages of Communism elsewhere, or indeed to regard its spreading with relative equanimity. If Spain went Bolshevik, followed by France, England could withdraw and rely on her Empire. We Germans had no Empire. For us the spread of Communism was a question of existence, to be or not to be (sein oder nicht sein). That was the reason for their Four Year Plan to achieve a relative independence. How could anyone believe that his attitude to national Spain was in any shape or form anti-English. He wished that England could do something more positive to assist the people of Spain, but this attitude on the part of England was no barrier to Anglo-German understanding, so far as Germany was concerned. He did not believe that Italy had any intention of setting itself down (fest setzen) in Spain. It was unfortunate this divergence in the British and German attitude, but time alone would say who was right. The Chancellor deplored most profoundly "the fantastic" stories in the British Press regarding supposed German action in Guernica. (It was clear that these tendentious reports in The Times and other papers had <sup>greatly</sup> upset the Chancellor, and accounted for the rather heavy atmosphere during the first hour of the discussion.

#### The Colonial Question.

The Chancellor then proceeded to refer to what he regarded as another cause of estrangement - the colonial question. His manner became even more grave. He directed Dr. Schmidt to pay particular attention to the accuracy of the translation at this stage.

"I am not going to trouble myself with expounding the case for our own claims for colonies. I am not going to do this. It is sufficient to repeat what England says about our claims, and that is for us scarcely tolerable (schwer erträglich).

"England says: America needs a large vast area to feed its people. Precisely. Absolutely correct. Russia needs a vast area to feed its people. Correct.

France needs her colonies for the same purpose.

Absolutely right.

England needs her Empire to feed her population.

Good. Quite right.

Holland needs her colonies to feed her people.

Belgium needs her colonies for the same purpose.

Good. Quite right.

Portugal needs her colonies to feed her people.

Good. Selbstverständlich.

But Germany, say the English, in no circumstances needs colonies to feed her people".

"This," said the Chancellor emphatically, "is absolutely intolerable (unerträglich)."

"Such a view shows neither statesmanship, nor common sense, nor a trace of political instinct".

The Chancellor did not believe that such an attitude could be maintained. The English went further. They were not content with warding off claims to territories under their control, they declare that Germany should not have any possessions at all from any other country. This was not common sense. "We were back in the atmosphere of November 1918".

"For me", continued the Chancellor, "it was doubly difficult to be faced with such an attitude. I have always been pro-English. Long before I became Chancellor, in my writing days, I advocated cooperation with England. I have never written a single line against England. I have always stood for close cooperation between the two countries". But this purely negative English attitude is intolerable (unerträglich) this stubbornness (stour) this unreasonable attitude has made us embittered (verbittert) on the German side.

One thing was clear, if the War of 1914 did not prove to be the last war, another war between the two peoples, said the Chancellor, would mean the end of the two countries. Such a war

would be fought to the end, but how would it benefit those who lived after it? He was sure that common sense would triumph, and that the two peoples racially akin with the finest qualities would not commit suicide.

Lord Lothian stated that England had had no experience of Bolshevism, there had only been two Communist M.Ps. since the War. Regarding Spain, most Englishmen thought that Spain had best be left to work out its own salvation, and would find means eventually of establishing a Government characteristic of the Spanish nation, which would be neither a government of Generals nor Communist, but something <sup>in</sup> between. Anglo-German friction on this subject would disappear.

Regarding the colonial question, this was inseparably mixed up with economic questions. Territorial exchange was an extremely difficult matter. But it was not right to assume that England took the view that Germany should have no colonies, colonial adjustment, though not on a large scale, was not impossible. There were other questions, particularly Eastern Europe. Lord Lothian enlarged on nationality as basic factor in the modern world, and how recognition of the right of each to existence was the corrective of the British Commonwealth, and had made possible the new relationship between U.S.A. and the South American States. Was not the establishment of a similar relationship between Germany and Eastern European States the key to the solution of Germany's European problems? If confidence could be created in Germany's will and power to respect the integrity of Eastern nations of Europe it would make an immense difference in England. Moreover was not recognition of nationality a basic principle of National Socialism? Germany's role in this sphere was clear. (The British Foreign Minister, preceded Lothian, in his speech at Leamington had defined British Foreign Policy in an authorised statement. This was the British constitution to clearing up the situation regarding sphere of vital interest. Britain had no primary interests in Eastern Europe.

Mr. Eden had declared that England would go to war, if necessary to defend (1) the integrity of the British Empire, (2) France and Belgium if they were victims of unprovoked aggression, (3) Egypt, that meant the Suez Canal, (4) Iraq. England would necessarily regard problems elsewhere as matters of concern because in the nature of things the risk of war anywhere affected everybody. But she had no military obligations or commitments except in these four places and Mr. Eden had made that clear at Leamington.

Hitler stated that ~~he~~<sup>it</sup> regard to the nations of Eastern Europe, no difficulties were created by him. He was entirely in favour of the independence of the Czech and other peoples. If Lothian emphasised the nationality principle what had he to say to the claims of 3.7 million Germans "Czecho-Slovakia, to the Germans of Austria, and to those of Memel".

He hoped that the Czech would appreciate the point of view expressed by Lord Lothian. They are trying to denationalise the Germans in that State, who suffer from severe discrimination. The<sup>ir</sup> oppression long ante-dated his coming to power. It went on years before that. It was unbearable. It may soon have to be recognised that it is unbearable.

Just as Mr. Eden laid down, proceeded Hitler, that the independence of Belgium and Egypt was a matter of direct concern to England, so Germany had similar matters of direct concern in Europe.

If Czecho-Slovakia continued as a "section" (Sektion) of the Russian State finally to suppress the Germans in Czecho-Slovakia, Germany would have to say in the same sense as Baldwin once stated regarding the British frontier being the Rhine that the German frontier lay much further east than its present position. Czecho-Slovakia is alone responsible for the unsatisfactory relations with Germany. Poland is friendly to us and would not allow her country to be an outpost of Russia. Another vital sphere is the Memel area. Conditions have improved there of late for the

160,000 Germans. But if Lithuania resumes her policy of oppression, we shall not tolerate it in future. We shall move swiftly, and it will not be necessary to mobilise the entire German Army for the purpose.

Again, another vital matter which would call for action would be the restoration of the Hapsburg monarchy in Austria. Such a restoration would be in defiance of the will of 90 per cent of the people of Austria. Such a measure would be brought to nought at once. Lord Lothian's nationality principle moreover applied here. The Austrian people were not allowed to elect their government, they were ruled by a papal government which did not enjoy the confidence of the people. Austrians often stood outside the Chancellery in Berlin to show their feelings. What did Lothian think of a Government which imprisoned a citizen for laying a wreath on the grave of his (Hitler's) parents, who were Austrian subjects, his father being an Austrian civil servant?

Lord Lothian replied that England at any rate was not the obstacle here but Mussolini and the Pope. The Pope certainly, said the Chancellor, smiling. Lothian said that neither England nor Germany liked the political activities of the Pope very much, and jokingly reminded Hitler that one of France's chief supportens was the Pope. Well, said the Chancellor with a laugh, its the lesser of two evils; he had forbidden his Ambassador to interfere with France's military operations, or to talk about National Socialism.

After this diversion, the atmosphere became considerably lighter, and there were smiles all round.

Hitler proceeded to say that no difficulties would arise from the German side in regard to Eastern Europe. But the Czechs had no right to oppress 3 million Germans. Suppose the Germans went into Sweden or Denmark, and behaved as the Czechs do, what would England say? Hitler did not see any cause for conflict with France. The Saar question was solved. With Poland, the only difficulties were created by the League of Nations with its

interference in Danzig. Germany and Poland could find a harmonious solution, if not interfered with by Geneva. We regret the conduct of the League of Nations in this matter.

Lord Lothian asked if he thought the moment propitious to continue negotiations regarding for instance the Western Pact and other questions? But he thought that personal contacts were at this time of vital importance. There was a great deal of unfounded suspicion on each side, this would disappear as soon as people came into personal contact, as the reality was so different from the conception based on reading and hearsay. Personal confidence between principals was an essential need, as the problems to be solved presented real difficulties and these could only be solved if conditions of understanding and confidence had been established between the ~~main~~ principals. Hitler agreed. Regarding Pacts, there was one very great difficulty. A pact to renounce war should be clear and indisputable. But whenever Germany offered such a renunciatory pact (Verichts Pakt) the French, the Czechs, and the others agreed to accept only with a "but" - (aber) we have ~~treaties~~, they would say, with Russia, with Czecho-Slovakia which require exception to be recognised. They make important exceptions to the renunciation of war. This won't do at all. Germany will only sign agreement to renounce war in the future without qualifications. The non-aggression Treaty with Poland, it is true, was open to the objection that on the Polish side renunciation was conditional. But in future Germany would insist on treaties requiring complete renunciation of war. In these conditional treaties reference was made to the League of Nations, as a controlling factor. He had no confidence in the League in this respect. This argument did not impress him. Abyssinia was a clear example of the consequence of placing one's trust in the League.

My offer, continued the Chancellor, of a non-aggression Pact to Czecho-Slovakia still stands, but the essential condition of its conclusion would be full satisfaction of the claims of the German minority.

Lord Lothian raised the question of the possibility of armament limitation. The Chancellor asked rather ironically would England agree now to limitation. Did we Germans start? asked the Chancellor. Germany began re-arming from the height of the small little hill the Kreuzburg (outside Berlin) and England from the Zugspitze (the highest mountain peak in Germany in Bavaria). The Chancellor went on: he had made several important offers of armament limitation, in 1934 April, air limitation, and he described the proportional strength he then offered, abolition of bombing, and of offensive weakness, he then referred to the economic Russian armament with its 7000 tanks etc. England alone, continued the Chancellor, had accepted one of these offers in the Naval Treaty.

The Chancellor proceeded to say that in spite of everything he was convinced that Great Britain would wish to be on friendly terms with Germany and cooperate closely with her. After the Spanish affair was over he hoped that England would be ~~convincing~~ convinced of German loyalty in this respect. He wished to say that he the Chancellor welcomed England's Gentleman's Agreement with Italy. He was of the opinion that friendly relations between England, Italy, Japan and Germany were of the greatest value to each of these countries. He expressed the view that Japan's new position in the Asiatic Continent harmed England less than if it had pushed its expansion in other directions. Japan with a population of 90 millions had to expand in one or other direction. English interests were better served by the present position. He liked to think that the old traditional friendship between Japan and England would continue. He, Hitler, would like to encourage this friendship - he hoped that the British Government realised that his policy in this field had this aim -

of bringing about good relations and cooperation between these four Great Powers.

England and Germany should work together, the united strength of 120 million Germanic peoples would be an irresistible power. The British Sea Power, assisted by the German Fleet with its 35 per cent limitation, and the German Army, which was now unsurpassed in quality by any other country would be a powerful guarantee of peace. Others would wish to join this powerful combination, Italy would be no danger, in which circumstances, though he wished to emphasise that Italy wished to be at peace and to pursue a peaceful policy.

Lothian: How about the Rhodes idea of Germany, England and U.S.A.?

Hitler replied: Such a combination would of course be most powerful, but he doubted whether U.S.A. would depart from its policy of absolute detachment. He regretted the blunder made in 1900 when Joseph Chamberlain's offer was not accepted.

Together England and Germany could defend their vital interests with the least expenditure of effort, of preparations and so on. Their energies could be released for other purposes.

The Chancellor in conclusion turned to ~~him~~ Mr. Conwell-Evans who then said speaking in German that he was very glad to hear Herr Hitler as head of the State express his conviction that England would wish to be on friendly terms with Germany and cooperate with her. From his own observations in England, he could state that from the highest quarters to the man in the street, the view of majority in this respect could not be mistaken. There was moreover a definite improvement in this respect in British opinion; the true face of England could not be read in the newspapers. The British people yearned for good relations with Germany. When the situation had so greatly improved, as at present, some mischance such as Press reports (Guernica) gave certain evil forces an opportunity to check progress, but the growing strength of British opinion regarding

friendly relations with Germany was such that he felt he wished to confirm if possible the convinced beliefs of the Chancellor regarding our future relationship.

The Chancellor stated that there should be no Press reports but stated to ~~the~~ G-E. that he did not object to his taking notes.

---

In receiving the two visitors, General Goering said that as Mr. Conwell-Evans spoke German there was no need of an interpreter, and a discussion of 2½ hours took place with no one else present.

---

General Goering wore a white uniform, and looked genial with his clear blue eyes and clear complexion. He listened with the greatest attention and seriousness and his replies were slowly delivered.

He said that Lord Lothian was one of the very very few statesmen in England who showed any sympathy for Germany's troubles. His visit to Berlin at a time when the sky was overcast with dark clouds gave him (General Goering) a glimmer of hope. Goering said that he was for co-operation with England on two grounds

- (1) because he was a loyal servant of the Fuehrer
- (2) because he was himself convinced that the harmonious development of the world depended on the co-operation of these two great nations. He hoped that Germany would never seek security or never be compelled to seek other ways than the Anglo-German road.

Lothian said that he entirely agreed about the importance of Anglo-German co-operation for peace. He thought that there were two main questions facing England and Germany, Eastern Europe and the colonial question, and economic.

The difficulty regarding Eastern Europe arose from the fact that although England in the Great War fought for her own security primarily, opinion was profoundly impressed by the declarations of the leaders, and particularly of President Wilson, about freedom for all nations, and from the war arose the new nations Czecho-Slovakia, Finland, Poland, Yugoslavia; in the British Empire Ireland and Egypt had self-government and progress in the same direction was taking place in India and elsewhere.

Nationality was a basic factor to be reckoned with. What were Germany's relations with Eastern European nations going to be? If Germany chose the right method - for it was a question of method - <sup>and</sup> he understood that national socialism recognised the right of all nationalities to independence - British public opinion would be reassured and confidence would be stabilised.

Mr. Eden had shown that British vital interests did not lie in this sphere. At Leamington for the first time an attempt had been made to re-define British policy in terms of reality. In that speech the Foreign Secretary with the approval of the Cabinet had defined the points for which Great Britain would go to war and a definition of these vital interests was regarded an important contribution to peace. They were:

(1) The integrity of the British Empire. (2) The security of France and Belgium against unprovoked aggression. (3) Egypt - the Suez Canal. (4) Irak.

If a serious crisis did happen in Eastern Europe, declared Lothian, it was a matter of how British public opinion would react. It would depend on the circumstances. But if Germany could convince British public opinion that it has no intention of destroying the independence of other non-German races in Eastern Europe the situation would be immensely simplified, especially if Germany protested the Eastern States against the growing power of Russia. Lord Lothian drew the analogy of the relation between England and the Dominions, U.S.A. and the South American State, in which the principle of nationality was recognised as the necessary basis for organisation.

Secondly there was the colonial question, stated Lord Lothian. Territorial change was a formidable problem, always the most difficult. It affects the national pride and the vested interests which have grown up. England recognises that

there are two policies open to Germany :-

- (1) the Bismarckian, in which Germany's interests in Europe are paramount.
- (2) that of the Kaiser, William II, expansion across the seas involving a navy possibly superior to the British or American, and eventual conflict.

He did not think that Germany today contemplated the second policy.

On these bases Lord Lothian did not see any insuperable obstacles to closer co-operation. If confidence were established as to ultimate purposes, the response would be rapid. In England, an exploration of all these questions was important, as mutual confidence would make the settlement of other questions more possible.

General Goering said he would discuss questions on the basis of realities (real basis).

Speaking with emphasis he declared what Germany's attitude is to the British Empire.

It is Germany's primary interest not to see a weakening of the British Empire. Germany has no territorial claims in the Empire. The General would go so far as to say that if the British Empire were gravely menaced, it would be Germany's interest to come to its support.

Germany, moreover, respects not only the territorial integrity of the Empire but all those English vital interests, such as the status quo in the West, Belgium, the Franco-German frontier, the Mediterranean, East Asia. But England should concentrate 100 per cent on its own interests and not pursue a doubtful policy in pursuance of the vague requirements of the League of Nations.

Germany has no sort of wish to interfere (autasten) with English interests.

As for Colonies, continued the General, naturally Germany wishes to have colonies.

We need raw materials.

But as important, if not more important, is our legitimate influence on the Continent.

It is surely not opposed to English interest that Germany should have an interest sphere in Eastern Europe. Russia can be a menace to the British Empire in India, Persia, East Asia. A strong Germany would be valuable from the point of view of British interests.

In field of real politics, there is no great point of dispute (gegensaten). The western frontier of Germany - the Franco-German frontier is regulated for ever. It will not be changed. Even if France attacked Germany and Germany in self-defence crossed the frontier, Germany would not change that frontier unless England took part in the struggle,

These are psychological difficulties, proceeded Goering, arising from the different political regime in each country, democratic in the one - so-called dictatorship in the other. Germany was not ruled by a dictatorship, the popular will prevailed though in a form different from that in England. We respect the British form of democracy - not the slightest difficulty would be caused by us regarding it. But we have another form of democracy more suitable to our character and tradition.

England should preserve its democracy with the greatest care - he saw signs of it weakening through the increasing power of Left forces in England, and the weakening of the Two-party system.

There were different points of view regarding Church questions. We were not against the Church or any religion - we merely attempted to prevent politics being conducted from the pulpit. There was here no fundamental difference between England and Germans.

Now regarding a full statement of the aims of German

foreign policy, there were difficulties. The relations between the British Foreign Office and the Quai d'Orsay well well-known. Before we made such a statement one should be assured that everything which we said today to the Foreign Office would be known to the Quai d'Orsay within twenty-four hours.

I can, however, set forth general aims.

Here is a sine qua non.

(1) 6 million Austrians are an organic part (Bestand Teil) of the German nation.

Austria after the war in the 1st paragraph of its constitution laid down that it was a part of the German Empire (Bestand Teil des Deutschen Reiches). Hostile powers prevented the self-determination of this people, and now a papal government holds it down. Austria is not the concern of other states.

(2) There are 4 million Germans in Czecho-Slovakia. General Goering asked what would England say if 4 million Englishmen were oppressed by Ireland. What solution would England offer?

The Germans were neither better nor worse than the English in this respect.

(3) There was Danzig, which was German.

Then General Goering proceeded, the colonial problem could be settled in a friendly way; one should also give Germany the possibility of developing trade and influence in Eastern Europe, economic agreement might recognise special spheres, and also co-operation in other spheres. England should give Germany absolute recognition of equality in regard to respect for her vital interests as Germany does in the case of England.

Lord Lothian in reply stated that England recognised that Germany was not pursuing the Kaiser's policy - the naval agreement with England was a proof of this, and was highly appreciated in England. As a national compliment England had not introduced conscription.

General Goering interposed he would not regard refraining from conscription in England as a compliment to the naval treaty - not at all. They, the Germans, did not mind a large army in Britain.

Lord Lothian continued: The imponderabilia are important as Bismarck had stated. It was not by upsetting the integrity of other nations that peace or lasting stability would be reached. Some colonial adjustment might be possible - in the West African area - but it would be fair to say that a large scale change would not be possible. The difficulties created by public opinion would be too great.

General Goering said that Lord Lothian's principle of nationality should apply to Austria. What would Lothian say if the Austrian people elected to come, in some way, into the German Empire, against the protests alone of the Austrian Government. Here no question of war would arise. It was a case of the people's will.

In passing Goering stated that no Austrian would ever take up arms against Germany - if war broke out the Austrians would come over with flying colours to the German side.

Applying further the principles set out by Lothian, Goering said that the relations between Germany and Yugoslavia fully answered to these. They enjoyed the very best relations with that country, and would come to its aid were it attacked by any country, Italy, Russia or Hungary. They had also excellent commercial relations with that country.

With Poland, and Czecho-Slovakia the position was not so clear. French influence was active. Both countries suffered from a bad conscience because each contained millions of German citizens, and for that reason Germany was regarded as a menace.

Czecho-Slovakia was so much under Russian influence (in Russischen Fahrwasser) that a change in the sense suggested by

Lothian was quite impossible.

Poland might perhaps offer wholly friendly relations one day, but Czecho-Slovakia never.

General Goering continued: Lothian should understand that England is a saturated power.

But from Germany everything had been taken away; Germany lived in narrow confines, with a growing population, 500,000 surplus births over deaths, increasing soon to a million.

What is going to happen to us? England should agree that an agreement must be a fair and a real one, an agreement requiring Germany to renounce all her claims would be of no value.

The Germans would not follow the policy of William II.

They were not going in for a strong Navy. The naval Treaty was a proof of this attitude.

England had distributed its peoples across the world. Was it going to object to Germany a modest solution of its difficulties?

Lothian seemed to have proposed a small change in colonial matters, as for the rest, things were to remain as before.

Germany was to renounce her claims to Austria and so on.

Such a one-sided proposal was no pact, provided no basis for an understanding.

Goering proceeded that he regretted to see British policy weakened by a hypnotic fear of Germany - Britain had lost a great deal in all directions because it had allowed itself to fall under this most unfortunate hypnosis - that was the cause of its failure in the Abyssinian affair and he could name some others. It misinterpreted on that account Germany's pursurance of friendly relations with Italy and Japan.

Goering further stated that a feeling was beginning to arise

which he deplored.

The ordinary German was beginning to feel that whenever the German hand "plucked a feather from a goose, the English boot was immediately applied to kick the German hand away". England, in the ordinary German's mind, might soon be regarded as the country which opposed Germany's claims to colonies, to Germany's rights in Eastern Europe, that England stood in Prague preventing a solution of the German question in Czecho-Slovakia; that England prevented a just solution of Austria, of Danzig and Memel and so on. This was extremely dangerous. He hoped that such a policy would not continue. The German Government was doing everything to prevent the spreading of this feeling, because it laid such tremendous value on Anglo-German cooperation. He begged Lord Lothian to realize that the two countries should not let themselves drift to disaster. He spoke with great earnestness. Germany was not a menace to Britain, why therefore did Britain pursue this policy against Germany. With Britain Goering wished to co-operate. He felt it to be somewhat awkward and against the grain (wickwarks) to co-operate with Italy; it was not what they primarily wished, but it was better than having no friends at all.

He declared with the utmost solemnity that Germany at the present time had no agreement (alliance) with any country, neither with Japan nor with Italy.

Nothing is lost yet, continued General Goering. But England should be the first country to appreciate the fact that Germany would not allow her people to be oppressed. Germany should be treated as a real Partner with the responsibilities of "working" Partner of equal rank.

Lord Lothian in reply agreed that we had reached a dangerous stage. At the beginning of the century England and Germany had drifted apart and each had begun to look for Allies.

Do not let us repeat that tragedy. Where were the real difficulties? There was a difference of opinion as to the extent of colonial adjustment. But England regarded Eastern Europe as Germany's sphere, provided Germany would be the protector of the independence of the small nations. It seemed to him the question narrowed down to their detachment from dependence on France and Russia but that would only be possible if Germany guaranteed their independence. With this conclusion Goering most emphatically agreed and said in reply to Lothian that in a Czecho-Slovakia friendly to Germany under these circumstances, the Sudeten Deutschen Problem (the German minority) would be readily solved without territorial changes.

General Goering was so interested in the discussion that despite the warnings of his Adjutants he allowed himself to be late for lunch with the Fuehrer.

He had returned from Italy the previous day.

DR. SCHACHT. May 5th 1937.

At the Reichsbank. Present Lord Lothian & Mr. Conwell Evans.

Lord Lothian repeated the views he had placed before the Fuehrer and Goering regarding the need for establishing confidence (see previous pages).

Dr. Schacht said he was glad that the visit to him showed some appreciation of the business world, as too often importance was attached to Nationalism and to Socialism, but <sup>not</sup> to those people who paid for both. England should encourage the business people in Germany to play their rightful part. Now through control, and also the vast scale public work scheme, they were rather in the background.

Replying to Lord Lothian's remarks regarding the integrity of Eastern nations, Schacht said that the old National Socialist policy of looking towards the East was losing its appeal even among the party leaders. It had no reality.

Poland was an over-populated country, so was Czecho-Slavakia, Austria and other states. Even Western Russia was over-populated. What could Germany do with such countries, poor too in other respects, lacking in raw materials needed by her and without any great agricultural supplies for export. Moreover territorial <sup>expansion</sup> expression meant war, a very costly means for a very doubtful result. War was the most fatal of all methods. But the idea of self-determination should also be applied to Germans as to ~~many~~ other peoples, the Germans in Austria for instance. As for Czecho-Slovakia the name was an offence to the Germans of Bohemia. Czecho-Slovakia was an artificial <sup>was not</sup> creation of the peace treaties. It ~~marked~~ an ancient nationality at all. No German would ever call himself a Czecho-Slovakian. The inhabitants were German, Czechs and Slovaks. At the same time Schacht stated that the Germans in Czech-Slovakia given cultural autonomy should remain in that country. He did not approve of secession.

Schacht proceeded to draw a picture of a Germany of 67

million people and growing.

What is to happen to her? She needs to be fed. Her position is unique among great States. She need not be concerned with the little States all of whom can practically feed themselves.

Consider, however, the position. All great States except Germany can feed themselves. U.S.A. Russia. France with her colonies, Great Britain with the Empire. Germany alone is closely confined to a narrow space and deprived of a sea position. She needs Colonies: What colonies? It is natural to answer her former colonies, though she would not insist upon these if she were given equivalents elsewhere. All countries should contribute. Roosevelt might take the lead in calling for a contribution to the solution of Germany's economic problems to which many countries would contribute. He would contribute under the head of war debts. This was not a small matter. It was a vital matter. The peace of the world was involved in finding a solution and if the nations knew that by these relatively important concessions they would assure peace they would readily pay the price. People objected on grounds of strategy. On the contrary Germany's colonies would be so many hostages to fortune, particularly in view of the Anglo-German naval Treaty.

Besides, Schacht would undertake to accept the most binding restrictions. They would not insist upon sovereignty provided Germany would be in charge of economic arrangements.

Schacht thought if refusal was persisted in, Hitler would come to the view and might state publicly, namely that "He, Hitler, had again and again attempted to arrive at a peaceful settlement with England, had again and again offered a peaceful solution of the colonial question. This had been refused. He would then add that the responsibility for maintaining peace was no longer his."

Schacht proceeded to allude to Amery's advice to Germany - you can't have colonies, but Eastern Europe lies before you.

This was most inhuman advice. While England sits in the midst of peace and plenty, Germany was being advised by Englishmen to make war against Eastern countries to divert her energies from constructive tasks. Germany did not intend to do so.

Lothian repeated his arguments that the key to the solution of Germany's problems in Europe was unreserved acceptance of the sovereignty of these nations. Then as in the case of U.S.A. and in Great Britain a real economic solution would be possible and Eastern Europe would be safe under German protection.

Schaecht said that offered no difficulty. Of course the treatment of Germans in Czecho-Slovakia was the cause of serious difficulties, there was Danzig and Austria. As for the rest, where should difficulties arise?

Lothian said that there was now so much suspicion about that there was urgent need of personal contacts between responsible people.

Schaecht said that he would be prepared at any time to come to England. He thought personal contacts should be between Ministers. He deprecated long preparation of public opinion as a prior condition to meetings - public opinion would be best educated by meetings of responsible people in the near future.

Schaecht continued: if Germany lived under normal conditions of economic opportunity, all the rather strange ideas, anti-semitism, racialism, would disappear. They are the result of the terrible pressure and privation which the German population has had to bear since Versailles. Normal conditions would bring normal thoughts. English were wrong in repressing Germany to become normal first. When you are normal we will do something to alleviate the situation. It was the other way round.

We had tried methods of persuasion, of fulfilment, of

bowing and scraping. Think of the efforts of Muller, Stresemann and Brüning. I would not have voted for Hitler in 1923, but I did in 1930 as did every decent German likewise

Schacht agreed that the handling of the Jewish question was wrong, but some thing had to be done to reduce the Jewish domination of the German national and cultural life.

Schacht warmly approved that personal contacts should be established. The need was urgent, and the time was short.

*file  
memo returned  
to Sec. Welles*

*PSF Germany*

THE UNDER SECRETARY OF STATE  
WASHINGTON

December 16, 1937

My dear Mr. President:

The British Ambassador yesterday gave me for our confidential information the memorandum which I attach herewith. This memorandum covers the conversations between Lord Halifax and Hitler as related by the former to the French Prime Minister and Foreign Minister on the occasion of the visit of the latter to London on November 29 last. I think you will want to read it.

I also enclose a memorandum of my conversation with the German Ambassador on November 29 relating to the same topic. You will notice that the German Government advised us confidentially of the results of these conversations a

The President,

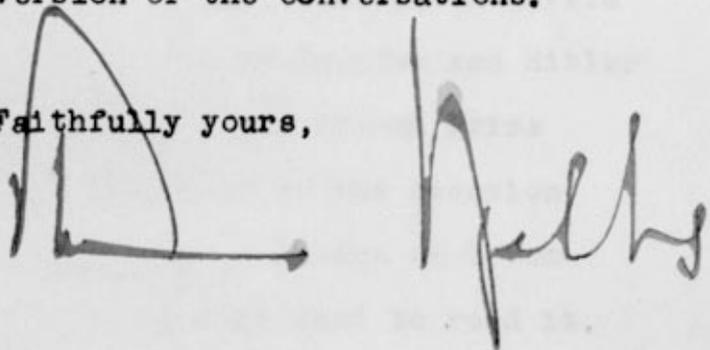
The White House.

considerable time prior to the date upon which the British Government gave us information with regard thereto.

I think you will consider as particularly significant the statements made by Hitler to the effect that he was willing to agree immediately to qualitative limitations upon armaments although that phase of the conversations is barely mentioned in the British version of the conversations.

Believe me

Faithfully yours,

A handwritten signature in dark ink, appearing to be 'Adolf Hitler', written in a cursive style. The signature is positioned to the right of the typed phrase 'Faithfully yours,'.

Encs.

January 8, 1938.

*file  
Germany*

**Memo from Sec. Hull to President**

**Encloses clippings and memorandum in answer to  
Pres. request for quotations from Goering and  
Mussolini concerning democracies.**

**SEE--Cordell Hull--Drawer 1--1938**

*Germany*

Feb. 10, 1938.

Pres. Memo to Admiral Leahy--attaches excerpt from Col Lindbergs' letter on German Aviation-<sup>number</sup> of planes etc. for his information Leahys reply attached also memo from J. Kennedy and Gray

SEE--Navy folder-Drawer 1--1938

file <sup>2</sup>  
Germany

oral account of a conversation on March 3rd  
between Sir N. Henderson and Herr Hitler at which  
Herr von Ribbentrop was present. The latter is  
coming to London for two or three days this week  
when Lord Halifax will have a conversation with him.

SEE--Sumner Welles folder-Drawer 1--1938

175F

Germany 1938



DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
PR 862.0011/74

March 11, 1938

My dear Mr. McIntyre:

I am enclosing herewith a letter from Prince Louis Ferdinand of Prussia addressed to the President, which was forwarded to the Department by the American Embassy at Berlin.

The Embassy states that this is a letter of thanks to the President for the good wishes expressed in his letter of January 12, which was delivered to the Prince through the Embassy.

Sincerely yours,

Enclosure:  
Letter.

*George F. Sumner*  
Chief of Protocol.

The Honorable

Marvin H. McIntyre,

Secretary to the President,

The White House.

LF

Berlin, 2-14-38

Yours Excellency:

Please let me thank  
you most heartily, also in  
Kira's name, for your  
and Mrs. Roosevelt's wish,  
which both of us were very  
happy to receive. It was so  
sobermely nice of you  
to write a letter in spite  
of the tremendous burden of  
work which you have got  
to carry.

We are planning a long

honey moon trip and both  
hope it will take us to the  
U. S. A., a country I love  
and I sincerely adore.

It certainly will be a very  
great pleasure for both of  
us to call on you and  
Mrs. Roosevelt.

With my most respectful  
regards and best wishes

I am always yours

very sincerely

Louis Ferdinand.

*Post  
to  
e.*

To His Excellency

President Franklin D. Roosevelt

The White House.

Washington D. C.

U. S. A.

March 12, 1938.

*Germany,*

Memo to Johnson, Acting Sec. of War  
attaches memo sent to Chief of Staff  
in re-Rumored attempts by German and Italian  
Nationals to obtain certain concessions in Mexico.

SEE--Louis Johnson folder-Drawer 1--1938

*Germany*  
*2*

March 16, 1938.

Memo to President  
From Sumner Welles

Enc. memo of talk he had with the German Ambassador  
on March 14, 1938.

SEE--Sumner Welles folder-Drawer 1--1938

Dear Mrs. Proctor -  
This is  
the matter -

MRS SCHUYLER NELSON WARREN

Spencer and  
I spoke to -  
for about -  
the - that -



47 EAST 65TH STREET

PSF:

Germany

March 28, 1938.

Dear Mrs. Warren,

Of course I deeply appreciate your feelings in the matter in regard to Dr. Schuschnigg. I also feel that anything that could be done should be done.

On the other hand, I am quite sure that the State Department is fully aware of the present situation in regard to Dr. Schuschnigg and that in line with the President's recent statements, he desires to offer every assistance to those who are seeking to leave Austria that representations have been made through American and other National representatives in Vienna looking to the release of Dr. Schuschnigg.

I send this to you my  
Doubt as it is interesting  
of Sh - he helped

PSF: Germany

1148 Fifth Avenue  
New York City

March 26, 1938

Dear Mrs. Roosevelt:

I am writing with regard to a matter which a German Catholic priest, a certain Father Reinhold, told me about a few days ago, and which may appear as important to you as it does to me. Father Reinhold was exiled from Germany in 1935 and formerly lived in Hamburg. He is both a cultivated and intelligent person, and is now a professor at Portsmouth Priory, near Newport, which is a Benedictine foundation.

Father Reinhold told me that the former Austrian Chancellor - Schuschnigg - is, according to the press, a prisoner of the Nazi Storm Troopers, in the Belvidere Palace, Vienna, and that his son is held as a hostage for his father. The fear is that Dr. Schuschnigg will either be assassinated or imprisoned in a concentration camp for a long period of time.

Father Reinhold is a friend of Dr. Schuschnigg, having been a fellow-student of his at the University of Innsbruck many years ago, and regards him highly. He believes that if informal re-

presentations could be made by the American Government to Baron Neurath, the President of the German Government's Advisory Council on Foreign Affairs, that Dr. Schuschnigg might be released and allowed to leave Austria. In the case of Bruening, the former German Chancellor, who likewise was a prisoner and in danger of his life, informal representations were made by the British and French Ambassadors in 1933 to Baron Neurath, and which resulted in Dr. Bruening's release, permitting him to escape in 1934. This incident was related to Father Reinhold by Dr. Bruening himself.

In consequence Father Reinhold believes that if the situation concerning Dr. Schuschnigg could be brought to the Administration's attention without agitation or publicity of any kind, Dr. Schuschnigg's safety and release might be obtained by means of an informal and friendly application to the German Government.

Since Father Reinhold is unable to act in this matter I am taking the liberty of writing to you about it, with the hope that if you thought it wise it might be brought to President Roosevelt's attention.

With kind regards, and thanking you in advance for anything you may be able to do in this matter,

Sincerely yours,

*Alvin C. Harbo*

*Germany*

April 29, 1938.

Confidential Telegram from Wilson--Germany

To Cordell Hull

In re-Helium

Attached letter from Cordell Hull to President  
and copy of his letter to Sec. of the Interior,  
copy of Sec. Swamsons' letter to Sec. of Interior  
and copy of Sec. Woodring's letter to Sec. of Interior.  
All dealing with the exportation of helium.

SEE--Hugh Wilson-Foreign file-Drawer 2--1938

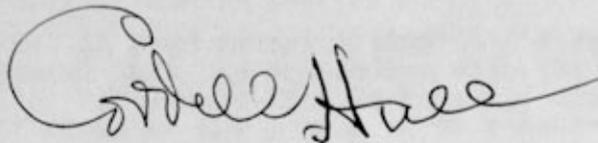
DEPARTMENT OF STATE  
WASHINGTON

May 9, 1938.

My dear Mr. President:

I enclose, for your information, a copy of a letter in regard to the exportation of helium which I addressed on May 6, 1938 to the Secretary of the Interior, and copies of letters on the same subject addressed to the Secretary of the Interior by the Secretaries of War and of the Navy on April 27 and 29, respectively.

Faithfully yours,



Enclosures:

1. To the Secretary of the Interior, May 6, 1938.
2. From Secretary of War, April 27, 1938.
3. From Secretary of the Navy, April 29, 1938.

The President,

The White House.

DEPARTMENT OF STATE

Washington

In reply refer to  
CA 811.659 Helium-American  
Zeppelin Transport, Inc./76

May 6, 1938

My dear Mr. Secretary:

I acknowledge the receipt of your letter of April 16, 1938, in reply to my letters of March 15 and April 5, in regard to the proposed sale of a quantity of helium for export to Germany.

I am not interested in the commercial exploitation of helium but solely in carrying out the duties relating to the exportation of helium delegated to me by the Helium Act, and, in the case of the particular proposed shipment to Germany to which your letter refers, in avoiding, if possible, any action on the part of this Government which might unnecessarily jeopardize American interests in Germany or give rise to any well-founded charge of bad faith on our part.

You are correct in your understanding that I do not concur in the proposal that, in connection with the proposed sale of helium for exportation to Germany, one-half million dollars be fixed as the amount to be stipulated in a surety bond required under one of the amendments to the "Regulations Governing the Production and Sale of Helium". As I intimated in my letter of April 5, there does not appear to be a necessity for the imposition of any bond whatsoever.

As you have requested my opinion in this matter, I may add that the Regulations Governing the Exportation of Helium Gas, which were approved on September 3, 1937, by the National Munitions Control Board and the authorized

representative

The Honorable  
Harold L. Ickes,  
Secretary of the Interior.

representative of the Department of the Interior as required by the provisions of the Helium Act, appear to me to provide ample safeguards of the nature of those which the amendments to the sales regulations are apparently designed to afford. Moreover, these amendments would appear to impose unnecessarily onerous burdens upon prospective purchasers so that their application might operate to defeat the intent of the Helium Act in respect to the advancement of commercial aviation by airships and the policy of this Government as indicated by the letter signed by the Secretaries of State, War, the Navy, Commerce, and the Interior which was transmitted by the President to the Chairmen of the Military Affairs Committees of both Houses of Congress with an expression of his approval; by the granting of an allotment of 17,900,000 cubic feet of helium to American Zeppelin Transport, Incorporated, with the unanimous approval of all the members of the National Munitions Control Board and the Secretary of the Interior, as required by the provisions of the Helium Act; by the action of the Department of Commerce in approving the proposed schedule of flights by the LZ-130; and by the action of the Navy Department in leasing terminal facilities at Lakehurst for that airship. In view of these facts, would it not seem that these amendments are both unnecessary and undesirable?

Furthermore, these amendments might be held to constitute an encroachment on the jurisdiction of the National Munitions Control Board as that jurisdiction is defined in Section 4 of the act. The effect of the amendments would apparently be to control, and perhaps even to prevent, the exportation of helium although the responsibility for the control of exportation rests, under the terms of the act, upon a group of six Cabinet officers rather than upon one alone.

You may agree with me that it would be advisable to submit the question raised by this apparent conflict of jurisdiction to the Attorney General for his decision. If, however, you find, after further consideration, that my position in regard to this matter is well founded, it is possible that you may wish to recommend to the President that the amendments be rescinded.

The letters addressed to you by the Secretaries of War and of the Navy on April 27 and April 29, respectively, would appear to confirm in full the statements referred to in my letter addressed to you on April 5 to the effect that "safeguards already provided by the Helium Act and by the export regulations issued thereunder would seem to be

sufficient

sufficient to preclude the necessity of a provision for liquidated damages" made orally by the experts on lighter-than-air navigation designated by the Secretaries of War and of the Navy to advise the Secretary of State in the carrying out of his duties as Chairman of the National Munitions Control Board.

In regard to the safeguards against the misuse of helium exported from the United States contained in the Helium Act itself and in the export regulations issued thereunder, I may point out that it is not proposed that the total quantity of helium which has been allotted to American Zeppelin Transport, Incorporated, be exported at one time. The allotment contemplates exports of helium extending over a period of one year and the gradual exportation of the helium is assured by the requirement that a series of export licenses for partial shipments be obtained from the Secretary of State in accordance with the schedule of exports which was submitted under oath with the request for the allotment. This schedule of exports was carefully considered by the military and naval experts designated to advise the National Munitions Control Board. They took into account various factors such as the quantity of helium required for the initial inflation of the LZ-130, the probable loss during operations of the aircraft as a result of dissipation of helium through the walls of the aircraft, the necessity of occasional valving to offset excess buoyancy, and available facilities by which such losses may to some extent be obviated. The object of this study was to determine whether the proposed schedule of exports was limited to those quantities of helium which would be sufficient only for initial inflation and required test flights, current needs for reinflation after each flight, and a reasonable reserve for emergency losses.

Should any attempt be made to use the LZ-130 for purposes other than those specified in the request for allotment, or should there be any reason to suppose that there was any disposition on the part of the German company or the German Government to put the airship to any uses other than those specified, no further export licenses would be issued under the allotment, all outstanding licenses would be immediately revoked, and with the unavoidable dissipation of the helium already on hand the operations of the airship would necessarily have to be discontinued in short order or hydrogen substituted for helium.

All

All the evidence which has been obtained directly by this Department and all the evidence transmitted to me as Chairman of the National Munitions Control Board by the War and Navy Departments indicates definitely that neither Deutsche Zeppelin Reederei, G.m.b.H., nor the German Government has any intention whatever of using any of the helium to be exported under the allotment mentioned above otherwise than for the inflation of the airship LZ-130 in commercial operations between Germany and the United States.

I have examined the memorandum prepared by Mr. Richard C. Horne, transmitted to me with your letter. I venture to suggest that, in evaluating any statements made by Mr. Horne in regard to the exportation of helium, it should be borne in mind that he is the Washington representative of All-American Airways, Incorporated, a company which proposes to develop lighter-than-air navigation in the United States and apparently entertains the hope that competition by foreign companies may be forestalled. I have no further comment to make in regard to Mr. Horne's memorandum.

I am transmitting copies of this letter to the President and to the members of the National Munitions Control Board for their information.

Sincerely yours,

CORDELL HULL

In reply refer to  
G-4/16494-89

G-4  
KB  
LCS

April 27, 1938.

The Honorable,

The Secretary of the Interior.

Dear Mr. Secretary:

Receipt is acknowledged of your letter of April 16, 1938, concerning the foreign sale of helium for airship inflation.

It is noted that you are unable to determine what relation the amount of liquidated damages proposed in the joint letter of the Secretaries of State, War and Navy, of March 15, 1938, and confirmed in the letter of April 4, 1938, from this Department, bears to the amendment to the regulations governing the production and sale of helium which was prepared by your department. The amendment in question, although of direct concern to the War Department, was not referred to this Department prior to its adoption. Had the Department been consulted in the matter, it would have advised against the inclusion in a commercial contract, for reasons substantially as stated in the letter of April 4, 1938, any features which sought to control military operations by the exaction of a forfeitable cash bond. Being faced with an accomplished fact which placed a certain responsibility upon the Secretary of War, it was felt that that responsibility could best be met in the manner stated in the above mentioned joint letter of March 15, 1938.

It is the opinion of this Department that the intent of the Congress by its passage of the Helium Act was that helium, a natural commodity of which the United States has known resources greatly in excess of its own domestic needs, should, for humanitarian reasons, be made available to other nations for commercial uses. Certain features were included in the Act which were designed to safeguard the interests of the National Defenses and prevent any helium which might be exported under the Act from being used for military purposes. At the time the Act was being considered by Congress, the War Department carefully examined those safeguarding features and deemed them satisfactory for the purpose. The chief safeguard in this respect is the responsibility placed upon the National Munitions Control Board to determine whether or not exported helium is to be used

Again, the military value of lighter-than-air craft of all kinds depends upon the situation of the nation wishing to use them. Lighter-than-air craft have little offensive value. In the opinion of this Department their operation under European conditions, in close proximity to anti-aircraft artillery and within easy range of high performance shore based aircraft, would be fraught with risks that would outweigh the possible advantages that might be gained.

In more direct response to the questions raised in the third paragraph of your letter:

First - It is hardly possible that 10,000,000 cu. ft. of helium could be used for military purposes in Europe. If it were so used, the resulting performance of lighter-than-air craft would not be as effective as that obtainable with hydrogen, and since this quantity of helium would be rapidly dissipated, it is not probable that helium would be used in any European military operations.

Second - if helium were used for military purposes, it is doubtful that it would result in saving the value of any lighter-than-air apparatus. Helium is not known to have saved the cost of any lighter-than-air apparatus as distinguished from saving the lives of people carried.

Third - it is difficult to appraise the value of military observation balloons containing 10,000,000 cu. ft. of helium because no nation has seen fit to employ helium in observation balloons, largely because of the difficulties and expense of delivering helium to the balloons and because so doing would reduce the performance of observation balloons to a point below that obtainable with hydrogen. The value of military balloons, regardless of what is used to inflate them, is a moot question on which the Navy Department is not the best authority. So far as naval operations are concerned, observation balloons are entirely obsolete. The use of helium in barrage type balloons, such as are reported as being con-

sidered by certain European nations for protective purposes, seems impracticable because the altitude obtainable with such balloons with helium is much reduced over that obtainable with hydrogen.

To sum up, it seems apparent that there is no military value in helium itself. It all depends upon how it is employed. As to the quantities of helium, herein discussed, the military value of helium to a European nation would be insignificant. The problems of maintaining a supply of helium for war purposes is so great that no nation has ever seen fit to base military plans solely on helium. For military use, hydrogen is superior.

The memorandum transmitted with your letter has been examined. As to the accuracy of its quotations, a reading of the entire testimony, from which these quotations are partial extracts, will show the inconsistency of the memorandum with the full testimony. In regard to foreign building of lighter-than-air craft for military purposes, the Navy Department has no information that indicates that any European power is building such craft for military purposes. It is reported that there is some construction of small commercial airships in Russia, and that this country is endeavoring to develop recently discovered sources of helium. How accurate these reports are cannot be definitely stated.

In considering the allocation request, the experienced airship personnel of this Department found that the quantities requested were in accordance with accepted airship practices. In this connection, it is pointed out that of the total quantity allocated, only such portions as are actually necessary will be shipped abroad. Moderate reserve supplies of helium are required both at the foreign and the United States terminals, but these reserves are to be progressively supplied, and under the stated schedules of shipments, would probably never exceed about 2,000,000 cu. ft. at either terminal. At the expiration of one year's operations the expectation is that there would remain in captivity only the 7,000,000 cu. ft. of helium in the airship, the remainder having been used at the rate of 3% to 5% per month, plus 3% to 6% per trans-oceanic trip. Any operations of United States airships to foreign terminals would require the placement at those foreign terminals of helium for "topping up" purposes, to the same extent as has been estimated for the contemplated operations of this German airship.

Finally, this Department considers that the reasons which led to the approval of this export allotment in November 1937

are

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are still applicable, and the quantity of helium therein requested was not then, and is not now, considered to be of military consequence, nor inimical to our national defense.

Sincerely yours,

CLAUDE A. SWANSON

Hon. Harold L. Ickes,  
Secretary of the Interior.

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dneup  
11111111

SM-FKA 4/22/38  
1/L14-2(371020)

April 29, 1938

My dear Mr. Secretary:

Receipt is acknowledged of your letter of April 16, 1938, in further reference to the matter of exportation of helium under the terms of the Helium Act of 1937, Public Law No. 411, and regulations promulgated as extensions of this Act.

The regulations which were considered, and later adopted, by the National Munitions Control Board, and the Secretary of the Interior, and were promulgated by the Secretary of State in September 1937, were referred to the Navy Department for consideration, with special reference to military safeguards. In the opinion of this Department these regulations are adequate to safeguard the interests of National Defense.

Your letter refers to the March 10, 1938, amendments to the January 14, 1938, sales regulations. Prior to the adoption of these amendments, the Navy Department was not consulted.

In attempting to appraise the possible military values of helium, factors are encountered which are impossible to evaluate on a monetary basis. Helium in itself is not any more a military commodity than, say, fuel oil. Helium in the transportational sense is the means of sustentation of lighter-than-air craft. Due to its reduced lifting power, helium actually results in a craft having inferior performance over the same craft if filled with hydrogen. For military purposes hydrogen is, in the opinion of many, superior to helium. If a lighter-than-air craft is pierced by sufficient bullets or bombs, its fate whether helium or hydrogen filled, will probably be the same, except that in the case of helium the risk to human life is considerably less, due to the reduction in fire risk. For commercial air transportation, it is possible to overcome the reduced lifting power of helium by employing a slightly larger airship, and by proper conservation methods, it is possible to operate helium filled airships with no more expense for gas than if hydrogen were used. However, as long as there is only one geographical source of helium supply, the utilization of helium will always be surrounded by the problems and the expense of transporting this gas to the craft which wish to use it. It seems inconceivable that any nation not possessed with its own sources of helium would base any plans for military operations around a commodity so difficult and expensive to obtain, and so readily dissipated, as helium.

contrary to the intent of the Act.

The military importance that is being attached to helium at the present time is out of proportion to its known military value. Helium in itself is not a weapon but is merely a commodity that possesses certain value when used in connection with certain types of aircraft. In this respect, it is comparable to other commodities such as gasoline when used in connection with bombardment airplanes or tanks. The only known military use for helium is for the inflation of lighter-than-air craft. The military value of such craft, other than possibly that of captive observation balloons, has never been established either in this country or abroad. On the other hand, the military value of heavier-than-air craft has been definitely established. The ever increasing efficiency and wide ranges of use of the latter are causing them to supplant all other means for aerial operations. The War Department has definitely abandoned the idea of employing airships in military operations and the current trend is away from the use of captive observation balloons as recent developments in heavier-than-air craft indicate that such craft may soon be far superior to balloons for observation purposes. The diminishing military value of helium is evident.

In so far as the use of helium is concerned, it must be remembered that the gas does not remain constant in quantity, but, when used to inflate airships or balloons, must be frequently replenished. To assure the continuous operation of these craft, reserve supplies of the gas must be maintained and made available to the craft after each flight. The amount of loss and wastage can be determined for each type of such craft and reserve supplies of the gas provided for accordingly. If helium is to be used in time of war for the inflation of airships, large reserves of the gas must be built up in time of peace. From information now available to the War Department, adequate natural reserves of the gas exist only in the United States. For a nation to build a military program dependent upon a commodity not natural to it or readily available to it in time of war would be contrary to all known military practices.

While hydrogen is highly inflammable and craft inflated with it face the constant danger of destruction by fire, its greater buoyancy gives a craft added lifting power and greater maneuverability. Even though helium is non-inflammable, it is still debatable as to which of the two gases possesses the greater value for military operations. Regardless of the inflating agent, however, lighter-than-air craft are highly vulnerable to gun fire and their destruction is a comparatively easy accomplishment. The mere fact that such a craft might be inflated with non-inflammable helium is no guarantee against its loss.

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has been  
Helium  
the blue  
type  
completely

In view of the above facts, it is not felt that the possession by a foreign nation of a limited supply of helium, with restrictions on the replenishment of losses from that supply, will be an incentive for war or that such possession will constitute a menace to the peace of this or any other country.

The chief use for helium appears to lie in the commercial field. Due to its non-inflammable nature, it offers certain assurances of safety to personnel not found in other agents used for the inflation of airships. It was undoubtedly this humanitarian appeal that aided in the passage of the present Helium Act.

As stated in previous correspondence, the War Department is not interested in the commercial exploitation of helium, but is primarily concerned in protecting the interests of the National Defense. From this viewpoint, it rendered its opinion of the military importance of the proposed exportation of helium to Germany at the time the application of the American Zeppelin Transport, Inc., for an allotment of 17,900,000 cubic feet of the gas was under consideration by the Board authorized by the Helium Act to grant allotments of this commodity for export. It was the opinion of this Department at that time, and remains the opinion, that the subject exportation was not a menace to the peace of this or other nations; that it was not inimical to the interests of our National Defense; that the action of the Board in making this allotment for commercial uses was justified and in keeping with the intent of the Helium Act, and that additional safeguards for its proper use were not necessary.

The following are specific answers to the questions on Page 2 of your letter:

10,000,000 cubic feet of helium could be used for military purposes, but without adequate reserves available, it would not be so used for any appreciable length of time.

If helium were used for military purposes, it would not save from destruction by enemy fire the lighter-than-air apparatus. It might afford a measure of safety to the lives of the personnel on the craft so destroyed.

Depending upon the type of aircraft, the monetary value of the equipment containing 10,000,000 cubic feet of helium might vary from \$1,000,000 to \$4,000,000. Its value from a military point of view is not rated very high by present day military opinion.

The

The War Department has no comment to make upon the memorandum, prepared by Mr. Richard C. Horne, McGill Building, Washington, D. C., an attorney representing All American Airways, Inc., which you inclosed with your letter.

Sincerely yours,

(Sgd.) HARRY H. WOODRING

Secretary of War.



DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
PR 033.6211 - Prince Louis Ferdinand/2

May 18, 1938

PSF  
Germany - 1938

My dear Miss LeHand:

I am enclosing herewith for the President a copy of a despatch dated May 9, 1938, from the American Ambassador at Berlin, transmitting a letter which Prince Louis Ferdinand has written to the President.

It will be noted that Prince Louis and his wife expect to arrive at New York on the steamer Bremen on May twenty-sixth. The Department has already requested the Treasury Department to extend customs courtesies and free entry to Prince Louis and his bride.

Sincerely yours,

*G. S. J. J. J.*  
Chief of Protocol.

Enclosures:  
From Berlin, May 9, 1938,  
with enclosure thereto.

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

Department of State

BUREAU  
DIVISION

PR

ENCLOSURE

TO

Letter drafted 5/18/38

ADDRESSED TO

Miss LeHand

Berlin, May 9, 1938

No. 138

Subject: Transmitting letter from  
Prince Louis Ferdinand

The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to report that Prince Louis Ferdinand, son of the former Crown Prince of Germany, has just been married and is about to proceed abroad on a visit to the United States as part of a round-the-world tour that they are making.

Prince Louis Ferdinand has written a letter, which is herewith enclosed, to the President, with whom he is personally acquainted, informing the President, he tells me, of the Prince's arrival in the United States.

I trust that the Department will be good enough to forward the letter to its destination.

Respectfully yours,

Rugh R. Wilson.

Enclosure:  
Letter.

030  
HRW/hu

A true copy of  
the signed origi-  
nal. 184

PSF Germany



HAUS RIEDE  
KR. BORKEN  
WESTFALEN

5-6-38

Dear Excellency:

I am very happy to announce  
that my grandfather gave  
visa and me a trip  
around the world as a  
wedding present. This trip  
will take us of course first  
to the United States and  
we shall arrive aboard  
the Bremen at New York  
on May 26<sup>th</sup>. We plan to

dear

spend about a month in  
America and shall visit  
an old friend Mr. Paul May  
Dijelow at Malden and  
my former "boss" Mr. Henry  
Ford at Detroit. We are  
both looking forward  
to calling on Mr. Roosevelt  
and Mrs. Roosevelt. -  
Our wedding at Potsdam  
and soon came off beauti-  
fully and it was a great  
satisfaction to see the delight  
of our Parents and my



HAUS RHEDE  
KR. BORKEN  
WESTFALEN

Dear old Grandpa. - We  
are both spending a few  
very happy days at the  
house of an aunt who  
is my godmother.

With many good wishes  
and most respectful  
regards also to Mrs. Roose-  
velt may I say "Auf  
Wiedersehen" & always  
very sincerely yours  
Louis Feschina.

To

His Excellency  
The President.

Washington D. C.

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PSF Germany - 1938

  
LF

May 31st 1938

Dear Excellency:

Before leaving the Hudson-  
valley and the hermitage  
of my centenarian friend,  
Kira and I want to thank  
you and your family most  
heartily for the lovely week-  
end we could spend at  
Hyde park. I do not need  
to say that the honor and  
pleasure were equally great.

You were so sweet to  
both of us that we entirely  
forgot that we were at  
the house of the President  
of the United States and  
not home at Potsdam  
many thousand miles  
away. We certainly never  
shall forget the Hyde Park  
weekend and both take  
it as a wonderful over-  
ture for our future life.  
We shall continue our

LF

2  
honey moon trip around  
this restless globe with  
great gratitude in our  
hearts for the unique  
welcome we were given  
by the President and  
his lovely family.

With many good wishes  
also from Nina I am  
always your very sincerely  
Louis Ferdinand.



TO HIS EXCELLENCY  
THE PRESIDENT OF  
THE UNITED STATES.  
THE WHITE HOUSE.  
WASHINGTON D. C.

Prime Louis Ferdinand  
of Prussia.

THE WHITE HOUSE  
WASHINGTON

*Jib  
Personal*

Hyde Park, N. Y.,  
October 21, 1938.

MEMORANDUM FOR  
THE SECRETARY OF STATE

TO READ AND RETURN

F. D. R.

*Thanks  
CH*

PSF GERMANY 1938

Warsaw, October 6, 1938.

My dear Mr. President:

1/

As pointed out in my cable of March 12, (forwarded from Paris Embassy in my behalf by Mr. Wilson, a copy of which is attached hereto) and on the following, among other subsequent occasions (see my cable no. 179, September 13, 8 P.M.; no. 190, September 19, 12 noon, paragraphs 5 and 6; no. 205, September 25, 3 A.M., paragraph 2) my observations had led me to feel (a) that the Western European powers would not go to war over an Austrian Anschluss, nor indeed, over Czechoslovakia, and (b) that while in the latter case they might come right up to the brink of war, Britain and France in the final analysis might conceivably conclude that Czechoslovakia was not the issue over which the democracies should go to war. I subsequently cabled in early September (cable no. 179, September 13, 1938) that my observations from here prompted me to feel we were in for a period of "show-downs, back-downs, let-downs" and increased tension. As it turned out, Europe avoided war this year by the "skin of its teeth".

At this moment, European statesmen are re-examining the positions of their respective states in the light both of the far-reaching events of the past few weeks, and of the potential implications of the Munich conference; and are faced with the question: "After Munich, what?"

Although it has not yet become clear here whether there exists a definite plan for carrying the Munich ground work to a hoped-for formula, looking to durable European appeasement and pacification, I discern distinct signs of renewed British efforts to "play ball" with Mussolini. In fact, confidential reports reaching here today

The President  
The White House

today indicate grounds for hope that Mussolini might favorably consider making a gesture in terms of advancing the time-table of removal of volunteers from Spain as his contribution towards bringing the Anglo-Italian Agreement into operation. Such event would prove a step forward and might serve towards tranquilizing a number of sore spots which have developed in the Mediterranean area during the past few months and which have been eclipsed by the Czechoslovak situation.

Moreover, another ray of hope is attributable to further confidential reports reaching here today that the British Government plans, in event of succeeding in bringing about the operation of the Anglo-Italian agreement, to initiate a move for a "Great Powers" conference. Furthermore, it is intended that while the first meeting might be limited to the major powers, the scope of the conference will subsequently be extended to include other powers.

Meanwhile, there are still numerous issues requiring urgent consideration such as Spain, further minority problems in Czechoslovakia, Palestine, Germany's demands in the colonial domain, et cetera.

Moreover, statesmen in countries east of Berlin, meanwhile stand upon a pile of debris consisting of scrapped alliances, bankrupt system of collective security, Eastern and Central European disillusionment in Western European moral and military support, shattered principles governing conduct of international dealings, and now face a transitional period. Moreover, they are faced, even as are the statesmen in London, with the question as to whether it would be better to "play ball" with Germany, or to build up their respective armed and diplomatic strengths against a potential increase in the scope of Hitler's appetite.

I am personally inclined to feel Hitler's voracious appetite will have been only whetted by his recent gains. Moreover, I am aware that official circles here feel there are as yet no tangible grounds for a belief that Hitler has altered his determination to continue driving eastward and southeastward.

In this connection, one thing is becoming clear in my numerous conversations with Polish officials. That is  
to

to say, they feel that recent events have shown that the difference in strength between the major powers (particularly of Western Europe) and the lesser powers (especially in event of a combination among certain of them) is not as marked as it was in the pre-war days. Indeed, according to my informants' opinion the Western European powers have shown they are not in a mood to fight. Subsequent analysis shows in effect they feel they have all to lose and nothing to gain. On the other hand, however, the lesser powers who do not enjoy the same extent of economic and territorial contentment, have less to lose and more to gain. This my informants state is the mood in which most of the lesser states east of Berlin are found today. Accordingly, the chances are more favorable for their resisting a German attempt to absorb them today than even before the recent crisis. In fact, my informants feel that these lesser states would henceforth be more apt to come to each others assistance than hitherto.

Until tangible evidence of some practical formula which might serve to turn the Munich proceedings into a factor for future appeasement and pacification emerges, statesmen in this part of Europe may be expected to regard the current and near future period in the light of an armed truce. Indeed, to my mind, if the statesmanship and diplomacy of Europe fail to conceive of a basis of a satisfactory readjustment and do not succeed in advancing in rapid order a practical formula looking to durable European pacification, I feel that we may expect a recrudescence of tension no later than the early days of March.

As for Poland's position at the moment, signs are becoming increasingly evident of Poland's dissatisfaction over non-inclusion in the Munich conference (see my cables no. 139, November 24, 1937, paragraph 11; no. 53, April 21, 10 A.M., Section I, paragraph 2, subparagraph d; no. 53, April 21, 10 A.M., Section II, paragraph 6; my cable transmitted from London under date of March 8, 1938; and no. 54, April 22, 11 A.M., wherein I pointed out that one among other factors motivating Poland's earnest desire for inclusion in a conference looking to a three, four, or more power pact, (especially in the event of German participation therein) is that Poland, aside from her non-aggression pact with Germany, is apprehensive over the fact that Germany has never declared her satisfaction  
over

over the status quo of the German-Polish frontier. Hence Poland feels her inclusion in a multi-power pact including Germany would tend to augment stability of Poland's western frontier.)

Briefly, from Poland's standpoint the situation is still open and has not yet taken sufficiently clear form whereat Poland may be expected to define her position. In reviewing past performances, in terms of Polish foreign policy, there was a period when the latter concentrated upon balancing between Germany and Russia. Then came a period during the past year, when Polish policy, while continuing its former balancing, embarked upon a new phase of balance: between the Rome-Berlin and London-Paris Axes. I now discern the earmarks of Polish foreign policy's additionally embarking upon a balancing game between Rome and Berlin. What in this connection might later appear to be a leaning towards the Rome-Berlin Axis, may, to my mind at the moment, be put down to temporary tactics, rather than a permanent orientation. In other words, I look for Poland fundamentally to protect her own position of independence.

With every good wish and warmest regards, I am,

Faithfully yours,

*Tony Biddle Jr.*

C O P Y

March 12, 1938.

B-1

Secstate

Washington

3 87, March 12, 4 P.M.

Following message from Ambassador Biddle:

STRICTLY ~~CONFIDENTIAL~~

My several conversations with authoritative Polish and Italian circles in London and Paris bring to light the following essential points which have an important bearing on conceivable developments in Central Europe in terms of the immediate and long-range outlook:

1. The following set of circumstances have caused Chamberlain to shift temporarily at least his aim from a four-power conference to bringing about a revised Stresa Front;

2. British Ambassador to Berlin, Henderson, had reported to London Hitler's insistence on (a) Germany's claims in colonial domain; (b) a free hand for Germany in Austria and Sudeten Deutsch.

Moreover,

Moreover, during recent Halifax-Ribbentrop conversations, Ribbentrop, in outlining his envisaged foreign policy, stated his intention to attach himself closely to a Nazi foreign policy which dealt with two fundamental questions: (a) unity of Germanic peoples; (b) colonial expansion, having regard for raw materials, population problems, shipping, etc.

In connection with colonial demands, British perceive that an underlying factor contributing to Germany's desire for colonies is Germany's aim to make them a reason for a larger navy on grounds her sea-borne traffic requires protection. Hence a condition British would demand of Germans in return for colonial concessions would be that the naval increase question not be raised.

Ribbentrop, moreover, emphasized Hitler's insistence on the return of former colonies and his refusal to accept any compromise or diminution of claims. In emphasizing his aim for unity of Germanic peoples, Ribbentrop stressed Hitler's conviction that the Germans of Central Europe should be granted the right to establish racial, cultural, and economic connections with the Reich.

3. Halifax had replied, in effect, that Ribbentrop's  
representations

representations had put a new complexion on the problem as a whole. Halifax would have to take up the matter with the Cabinet. Moreover, Halifax pointed out emphatically that he considered the colonial question a part of a general settlement and involving other powers.

Moreover, Halifax, realizing that Hitler's insistence on above described three points would prove too much for British public opinion to stomach at the time, and that it would only alienate democratic public opinion in general, had told Ribbentrop that if Hitler did anything precipitous which might serve to alienate British public opinion, Hitler might conceivably torpedo Chamberlain's efforts to bring about a general settlement of grievances without resort to war. Halifax, moreover, cautioned against the risk of precipitating fresh anxiety on the part of British public opinion over any sudden attempt to deal with minority questions by short-cut methods.

4. The result of the foregoing conversations leads the Poles to expect Britain to concentrate on negotiations with Rome, shoving German negotiations into background for the moment for Halifax realizes Hitler's insistence on the three above-mentioned points would make it difficult to come to grips and to find a common ground for Anglo-German negotiations. Poles also feel that British current tactics envisage bringing Italy into line at the earliest possible

possible moment. Also, the British hope an Anglo-Italian agreement will serve to hold Hitler down and make Hitler eventually more amenable to trading on a more reasonable basis.

In this connection, British Ambassador to Rome, Perth, when recently in London, had informed his Government that Mussolini had urged Britain to hasten the negotiations and try to have an Anglo-Italian agreement a fait accompli before Hitler's May visit to Rome. Mussolini had given as his reason therefor that he was concerned over evidences of Hitler's increasingly leaning more in the direction of the more radical Nazi element. Moreover, at outset of current negotiations, Mussolini had made it clear he was not to be expected to break or endanger his arrangements with Germany, and stated that during the Anglo-Italian negotiations it would be helpful if the British Government could prevent the British press from attacking Hitler and Germany, for the absence of such attacks would help negotiations in view of Hitler's Rome May visit.

According to my informants, both British and Polish reports from Berlin indicated Hitler very cocky and that he means (a) to do business in connection with Czechoslovakia,

and

and (b) consolidate German position in Austria. Poles, moreover, feel Hitler is now in the mood wherein he feels "there is nothing he can get from Britain at this time". (Besides, previous to Eden's resignation, French had been urging him for British cooperation in event of German move against Czechoslovaks. Eden had not been able to acquire Chamberlain's approval thereon before resignation.)

Poles, moreover, are of the opinion that if Germany succeeded in confusing the issue in the event of a move vis-à-vis Sudeten Deutsch neither Britain nor France would march. Britain at moment was neither in position nor mood to risk war through active intervention, and France would not initiate independent military action. Vigorous diplomatic protests and a tense period might be expected to be met by immediate German assurances of guaranties in respect to integrity of Czechoslovak territory, which would contribute towards serving as face-saver for protestants, but there would be no war, for Poles feel that a "Sudeten annexation" would not, in the final analysis, be considered by the British Government, and consequently the French Government, as the question over which democracy should go to war.

Indeed, the Poles feel Britain would succeed in

persuading

persuading France that they both should raise their sights to a longer-range objective and keep their powder dry for the day within the next two years when, according to British apprehension, both Britain and France might conceivably be challenged by an ambitious Germany for the control of the whole of Europe.

Judging the reality of events and from the substance of my various conversations, I do not look for a major conflict to result from the current situation. Nor do I look for a war to result from a German move vis-à-vis Sudeten Deutsch, providing the Germans succeed in confusing the issue, for Britain is neither in position nor mood to engage in war over a German move in Sudeten Deutsch at this time, and I do not believe France would initiate independent military action. As for Poland, I look for her (a) to sit tight in event of the aforementioned move; (b) and believe she might conceivably demand autonomous administration for the Polish minority in the Teschen district."

WILSON

AJDB/lhh/emq

[11-15-38]

PSF  
Germany

~~at~~

~~to make~~

1938

The news of the past few days from Germany  
has <sup>disably</sup> shocked public opinion in the United States.  
Such news from any part of the world would in-  
evitably produce a similar <sup>profound</sup> reaction among ~~the~~  
American people. <sup>sure part of the nature</sup> With a view to gaining a first-  
hand picture of the situation in Germany I asked  
the Secretary of State to ~~order~~ our Ambassador  
in Berlin <sup>to return at once</sup> ~~to return here~~ for report and consultation.

I myself could scarcely believe  
that such things could occur in  
a twentieth century civilization.

C.H.

PSF: Germany

DEPARTMENT OF STATE  
ADVISER ON  
INTERNATIONAL ECONOMIC AFFAIRS

December 12, 1938.

FIGURES ON INVESTMENTS AND CURRENT PAYMENTS  
UNITED STATES - GERMANY

I. Investments

The following figures refer to later dates than any estimates heretofore published or made. The figures concerning private investments are obtained from Mr. Dickens of the Finance Division of the Bureau of Foreign and Domestic Commerce, the specialist in this field.

In brief, American investments in Germany, excluding intergovernmental debts, are estimated at \$713,000,000, taking obligations at their nominal par values; German investments in the United States are estimated at \$118,000,000, which is about 16 1/2 percent of this estimate of American investments in Germany. Taking present market value of German dollar bonds as 25 percent of par, and short term obligations as 50, the American investment would be appraised at \$140,000,000 plus whatever value is attributed to direct investments having a book value of \$234,000,000.

United

United States Investments in Germany

Private investments

1. Direct investment, about ..... \$234,000,000
  2. Long term bonds, par value, about ..... 380,000,000
  3. Short term obligations, about ..... 99,000,000
- Total, about ..... \$713,000,000

Intergovernmental obligations

4. German Government bonds in the United States Treasury.
  - a. For costs of American Army of Occupation -  
bonds ..... 997,500,000 Rm.  
accrued unpaid interest ..... 17,505,077.36  
Total ..... 1,015,005,077.36 Rm.
  - b. Mixed Claims awards -  
bonds ..... 2,040,000,000 Rm.  
accrued unpaid interest ..... 47,940,000  
Total ..... 2,087,940,000 Rm.

(For dollar equivalent see note below)
5. Austrian Government bonds in the United States Treasury -  
bonds ..... \$25,980,480.66  
interest ..... 25,000.33  
\$28,005,480.99

German

German investment in the United States

6. Long term investment of all kinds, about .....	\$100,000,000
7. Short term investment, about .....	<u>18,000,000</u>
Total, about .....	\$118,000,000

Notes and comment

1. The previously published estimate of \$228,000,000 direct investments of Americans in Germany has been raised to \$234,000,000 to include direct investments in Austria.

2. The figure of \$380,000,000 for par value of German long term bonds owned in the United States has been increased from a previous estimate of \$365,000,000 to include holdings of Austrian bonds. This estimate would mean that present American holdings of German bonds are about 50 percent of the total amount once owned by Americans and still outstanding. Some private students think that American holdings are much smaller. Dr. Brinkmann, the competent German official, in discussion with Mr. Reuben Clark last June, accepted the latter's figure of \$300,000,000, exclusive of Dawes and Young bonds on which partial interest payments are made. American holdings of the latter are about \$80,000,000. If the \$380,000,000 total be taken, the present market value of American holdings of German bonds would probably be something under \$100,000,000.

3. The estimate of \$99,000,000 of short term German obligations owed to Americans is as of September 28, 1938, and shows debt reduction of \$27,000,000 in nine months from a heretofore published figure of \$126,000,000 estimated as of December 31, 1937.

4. The German Government bonds held by the United States Treasury are expressed in Reichsmarks and there is no very good way to convert them into a dollar sum which can be entered into a tabulation

of

of American investment in Germany as a figure comparable with the amounts of private investment. The amount of the Reichsmark obligations was originally established by converting dollar amounts into Reichsmarks at 23.8 cents. When the Reichsmark amounts are converted back into dollars at the current exchange rate of 40.33 cents, the 1,015,005,077.36 total indebtedness for costs of the American Army of Occupation is equal to \$409,351,547.70 and the 2,087,940,000 Reichsmark indebtedness for mixed claims awards is equal to \$842,066,202, these amounts being about 69 percent greater than the dollars which would have been payable had the dollar not subsequently been devaluated. The debt agreement provides that the obligations of Germany to pay annuities on mixed claims awards "shall cease as soon as all of the payments contemplated by the Settlement of War Claims Act of 1928 have been completed and the bonds not then matured evidencing such obligations shall be canceled and returned to Germany". The balance-due payment for mixed claims awards as of September 30, 1938 is only \$157,697,841.57, but the awards are interest-bearing and a few new awards may still be made so that the amount eventually payable cannot now be determined. Moreover, as the German Government bonds held by the United States Treasury are non-interest-bearing until the respective bond has become due and has been defaulted, the amount of the bonds, being a sum of annuities payable over a long period of future years, is not directly comparable to the figures for private investments. For all these reasons, although the Treasury must list among its assets Reichsmark bonds of the German Government equivalent to about \$1,250,000,000 par value at current rates of exchange, a tabulation listing this amount in the same column with \$713,000,000 of private investments would give a distorted picture.

5. The bonds of the Austrian relief debt are also non-interest-bearing annuities, the accrued unpaid interest of \$25,000.33 having been incurred only by virtue of the Hoover Moratorium arrangements.

6. --

7.

7. The \$18,000,000 estimate of short term investment of Germans in the United States is as of September 28, 1938, and shows a reduction of such German assets by \$21,000,000 since December 29, 1937, when they were estimated at \$39,000,000, and a reduction of \$9,000,000 in the two months after June 29, 1938, when the estimate was \$27,000,000.

## II. Balance of Payments

Important items of payments between the United States and Germany for 1937 may be tabulated as follows, on the basis of Department of Commerce estimates.

German

German Payments to the United States

1. Purchase of American exports .....	\$126,343,000
2. Interest and amortization on German bonds ..	5,000,000
3. Remitted earnings of American controlled corporations in Germany - no estimate available, probably very small.	
4. Expenditures of German tourists on American vessels or in the United States .....	7,000,000
5. Earnings of American shipping for carriage of exports to Germany .....	6,000,000
6. Movement of Capital	
a. Increase in German balances in American banks.....	7,000,000
b. Reduction of United States balances and blocked funds in Germany .....	40,000,000
c. German purchases of American securities	<u>16,000,000</u>
Total .....	\$207,343,000

American Payments to Germany

1. Purchase of imports from Germany .....	\$92,468,000
2. Expenditures of American tourists in Germany	18,500,000*
3. Expenditures of American tourists for travel on German vessels .....	20,000,000
4. Payments to German shipping for freight ....	22,000,000
5. Personal remittances .....	5,000,000
6. Movement of Capital	
Sales of German-owned securities in the United States .....	<u>22,000,000</u>
Total .....	\$179,968,000

\* Most of the \$18,500,000 expended by American tourists in Germany was blocked funds of American banks in Germany, the so-called

In the case of shipping, it may be of interest to go beyond the figures showing the payments between Germans and Americans, and give more inclusive figures as to the total earnings of German shipping in passenger and freight traffic to and from American ports. During 1937 such earnings are estimated to have been at least \$63,000,000, itemized as follows: passenger traffic, \$20,000,000 (estimated expenditures of American passengers only); cargo inbound to the United States, \$22,000,000 (paid by Americans); cargo outbound from the United States, \$21,000,000 (about \$15,000,000 paid by Germans and about \$6,000,000 by other foreigners, not Americans, to German shipping plying to and from American ports). There would also be a few million dollars spent by alien passengers on these German lines for which no estimate is available.

The figures for investments in the first part of this memorandum have been brought down to recent dates in 1938, and notes to items 3 and 7 therein show changes in the nominal par value amount of short term capital investment between December 29, 1937 and September 28, 1938. No

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estimates

called "travelmarks" established to liquidate the funds of foreign banks frozen by the Standstill Agreements. Such expenditures did not provide Germany with any current dollar exchange, but merely with the means of reducing short-term debt of Germansto Americans.

estimates of payments from shipping, tourist expenditures, et cetera, during 1938 are available. During the first ten months of 1938 American exports to Germany were \$89,408,000 as compared with \$99,761,000 during the first ten months of 1937; imports were \$51,351,000, compared with \$77,276,000. Since May 6, 1936, our trade figures with Germany have included trade with Austrian territory. The following table gives monthly figures of trade with the combined territory of Germany and Austria from January 1937 through October 1938:

American

American Exports to and Imports from Germany  
and Austria

(in thousands of dollars)

	<u>Exports</u>		<u>Imports</u>	
	<u>1937</u>	<u>1938</u>	<u>1937</u>	<u>1938</u>
January ....	7,562	8,984	8,043	6,079
February ...	9,548	8,546	6,773	4,402
March .....	9,749	8,653	8,525	4,664
April .....	12,624	9,672	8,016	4,936
May .....	7,445	8,170	8,022	4,911
June .....	9,149	6,633	8,060	4,535
July .....	8,103	6,438	8,765	4,393
August .....	11,377	10,743	9,307	5,624
September ..	12,090	12,150	7,873	5,794
October ....	<u>14,528</u>	<u>10,166</u>	<u>8,793</u>	<u>7,289</u>
10 months ..	<u>102,175</u>	<u>90,155</u>	<u>82,177</u>	<u>52,627</u>
November ...	13,034		8,640	
December ...	<u>14,219</u>		<u>7,408</u>	
Year .....	<u>129,428</u>		<u>98,245</u>	

Statistics for 1938 trade by commodities with Germany are not yet available. However, in the important case of exports of raw cotton, our exports to Germany in the first nine months of 1938 were 214,000 bales valued at \$11,392,000, compared with 435,000 bales valued at \$30,410,000 for the first nine months of 1937. For the twelve months ending September 30, 1938, the figures were 579,000 bales valued at \$31,225,000 compared with 687,000 bales valued at \$47,342,000 in the twelve months ending September 30, 1937. For the full year 1937 our cotton exports to Germany were valued at \$50,243,000.

Other important United States exports to Germany during 1937 were copper (refined copper \$9,904,000, old and scrap copper \$2,552,000); petroleum products (gasoline \$3,251,000, crude petroleum \$2,004,000, cylinder oil \$4,540,000, lubricating oil \$3,440,000). Other export items which exceeded a value of \$1,000,000 in 1937 were in the order of importance - scrap iron, scrap brass and bronze, tobacco, phosphate rock, carbon black, dried and evaporated fruits, industrial machinery, boards (including planks, and scantlings), sodium borate, and aircraft including parts.

Our principal imports from Germany in 1937 were potash, \$6,668,000; palm kernel oil, \$4,644,000; cameras, \$3,372,000;

\$3,372,000; iron pipes and tubings, \$3,118,000; wood pulp, \$2,788,000; synthetic alizarin, \$2,537,000; intermediate coal tar products, \$2,212,000; crude potassium sulphate, \$2,107,000. No other items reach the \$2,000,000 figure for the year 1937.

*H. M. [Signature]*



THE SECRETARY OF THE TREASURY  
WASHINGTON

*file  
Confidential*

January 17, 1939

MEMORANDUM TO THE PRESIDENT

This is in response to your memorandum of December 27, 1938, in which you ask me to check the figures submitted to you by the State Department on investments and current payments between the United States and Germany.

1. The figures in the memorandum, obtained from the Finance Division of the Bureau of Foreign and Domestic Commerce, are the best available and are accurately presented. More recent data on investments available to us do not substantially alter the results.

2. However, the memorandum does not appear to adequately point out the range of possible error in the data. Figures of German investments in the United States are subject to even a wider range of error than are figures of the investments of most other countries because of the incentive to avoid the foreign exchange restrictions of Germany. For instance, it has come to our attention that substantial amounts of German capital -- rumored at being more than \$50 millions -- have come to the United States in the past four months, but these funds did not show up in our figures because the nationality of the owner was effectively masked.

3. The estimates of the flow of payments between the two countries are also the compilation of the Department of Commerce and are the best figures available. It must be remembered, however, that at least 50 percent of our trade with Germany is carried on by barter. The stated value of imports from Germany on barter transactions is about 25 percent more than the amount of dollars called for to pay for the imports. Therefore the stated value of our imports from Germany in 1938 should be reduced in the balance of payments by \$10 - \$15 million.

*J. M. Guthrie*

file  
personal

PSF:Germany

DEPARTMENT OF STATE  
WASHINGTON

December 20, 1938.

My dear Mr. President:

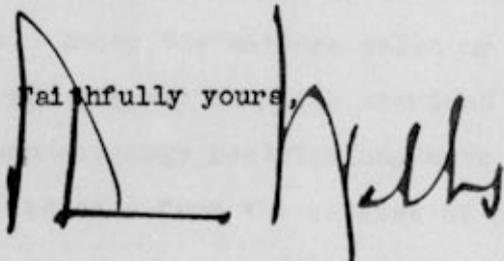
I believe you will be interested in the memorandum of my conversation of this morning with the German Chargé d'Affaires, of which I enclose a copy.

This is the first evidence that the German Government has shown of its willingness to take any step in the interest of our nationals by making exceptions to the existing exchange regulations so that American citizens can withdraw from Germany in full properties which they have inherited.

I am of course confident that this step would not now have been taken by the German Government except for the fact that I indicated to the German Ambassador that public opinion in this country was demanding retaliatory measures.

Believe me

Faithfully yours,



The President,

The White House.

COPY

DEPARTMENT OF STATE

*Memorandum of Conversation*

DATE:

December 20, 1938.

SUBJECT: Claims of American citizens to the  
estates of persons deceased in Germany.

PARTICIPANTS: Herr Hans Thomsen, Chargé d'Affaires ad  
interim of Germany;  
The Under Secretary.

COPIES TO:

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\*\*\* 1-1408

The German Chargé d'Affaires called to see me this morning by instruction of his Government.

Dr. Thomsen reminded me of a conversation which I had had with Ambassador Dieckhoff shortly before the latter's departure in which I had taken up with the Ambassador in considerable detail the question of the manner in which American citizens residing in Germany were not receiving treatment equal to that received by German citizens residing in the United States. Among the matters taken up by me in that conversation was the way in which American citizens because of German exchange restrictions were unable to receive in full legacies from the estates of persons deceased in Germany.

Dr. Thomsen handed me an aide memoire, which reads as follows:

"In reply to your communication to Ambassador Dieckhoff concerning the treatment of inheritance claims of American citizens to the estates of persons deceased in Germany, I am in a position to state that all inheritance credits of this kind, reciprocity provided, will be transferred to the beneficiaries in full extent."

I stated to the German Chargé d'Affaires that I assumed and gathered from the text of the communication he had given me that the assurances so provided related to all American citizens without distinction. The Chargé d'Affaires replied that my understanding was correct.

The Chargé d'Affaires concluded the interview by stating that he believed Ambassador Dieckhoff's conversations in Germany would be useful. He stated that he believed his Government was beginning to understand that the Government of the United States would not agree to any discrimination between American citizens in Germany. He stated that he thought it was useful for this Government to continue "to affirm that position".

I thanked the Chargé d'Affaires for the communication he had made to me and for the interest which Ambassador Dieckhoff and he had taken in this question. I said I hoped the assurances given would prove to be the forerunners of other more general assurances to the effect that the rights of all American citizens in Germany without distinction would be scrupulously observed.

PSF:

Germany

THE UNDER SECRETARY OF STATE  
WASHINGTON

December 23, 1938

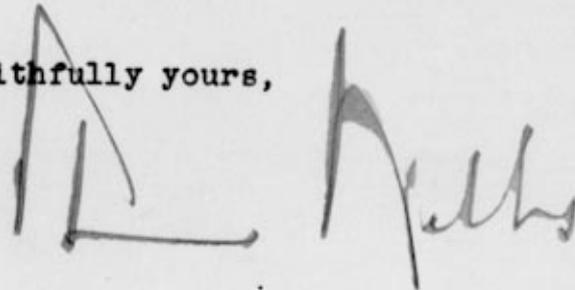
My dear Mr. President:

Some time ago you asked Ambassador Wilson to prepare for you a memorandum showing:

(a) the amount of capital invested by Germany in the United States, as well as the amount of capital invested by the United States in Germany, and (b) an analysis of the flow of payments between the two countries.

As Mr. Wilson did not have time to prepare this himself we have had such a memorandum prepared in the office of the Adviser on International Economic Affairs here. I am enclosing herewith a copy.

Faithfully yours,



Enclosure:  
Memorandum

The President,  
The White House.

file  
Confidential

PSF:Germany

DEPARTMENT OF STATE  
WASHINGTON

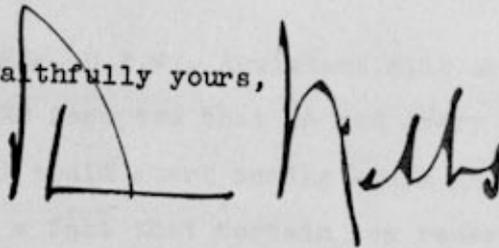
December 23, 1938.

My dear Mr. President:

I believe you will find the views contained in the enclosed memorandum of a conversation between the Chief of the Division of European Affairs and our Assistant Military Attaché in Berlin of interest.

Believe me

Faithfully yours,



Enclosure.

The President,  
The White House.

COPY

DEPARTMENT OF STATE

PSF: Germany

*Memorandum of Conversation*

DATE:

December 22, 1938.

SUBJECT: Germany.

PARTICIPANTS: Major Percy Black, U.S.A.  
Mr. Pierrepont Moffat, Chief,  
Division of European Affairs.

COPIES TO:

\*\*\* 1-1408

Major Percy Black, U.S.A., Assistant Military Attaché in Berlin called. He reported that he had every reason to believe that Germany would start moving again in the early Spring. He knew as a fact that certain key reserve officers and certain transport bodies had received orders to hold themselves in readiness as of January 20. (Curiously enough this date coincided closely with the time Ambassador Kennedy had told him the British regarded as the end of the safe era). He thought that the move would be eastward this time though he was indefinite in his opinions as to just where it would strike. He felt that Danzig would be absorbed without difficulty and likewise Memel. He thought that ultimately the Polish Corridor would be solved, - not by granting Germany an autobahn across the Polish

Corridor but by granting Poland an autobahn to Gdynia across German re-covered territory. He did not believe that this eastward movement would result in general war: (a) partly because France and England could not close in the gap between Germany and themselves, and (b) partly because nobody would fight for Poland. On the other hand, he thought the Poles themselves would fight, rather than follow the surrender technique of the Czechs. During the crisis of last September the Germans had denuded East Prussia of troops and had made no efforts to cover their left flank in Silesia. This could only indicate close cooperation between Polish and German General Staffs. I asked Major Black how long he thought it would have taken the German Army to overcome Czech resistance. He replied, "Not more than two weeks and probably less". The Czech defenses such as they were were excellent, but there were serious gaps in them which the Germans knew about. More important, however, was the fact that the Czech plan of defense was to protect the frontiers with approximately equal strength everywhere rather than mass a preponderant strength at some key positions. Thus if the Germans broke through at any one point the collapse of the line followed. The German military had told him after taking over the Czech Maginot-Line that the war would have lasted even less than they had anticipated.

Major Black went on to say that Germany was definitely planning a customs union and a monetary union with the smaller states to the southeast; that she was going very slowly for the moment in Czechoslovakia as it was a laboratory test being watched by her neighbors. As to German psychology he said that instead of regarding the acquisition of Czechoslovakia as a vast victory for Hitler achieved by his having stronger nerves than his opponents, the man in the street had reacted somewhat as follows: He never believed that there was going to be any fighting until some time in September. He viewed the prospect with horror. Then Chamberlain came over to Germany and war was averted. Ergo, Chamberlain was the man of peace and a public hero in Germany. As the acquisition of the Sudeten area had been assumed from the beginning it was not considered an undue triumph. The German authorities did not like having Chamberlain or the British so popular in Germany; as a result the Goebbels propaganda against England was intensified and has been going full blast ever since. The Germans did not take too seriously the Italian demands for expansion in the Mediterranean; they were merely useful in keeping French and British attention concentrated elsewhere than on themselves.

PSF:Germany

THE WHITE HOUSE  
WASHINGTON

December 27, 1938.

MEMORANDUM FOR  
THE UNDERSECRETARY OF STATE

The President has read  
the enclosed and asks me to  
return it to you for your  
files.

M. A. Le Hand  
PRIVATE SECRETARY

Confidential memorandum from  
~~Erwin~~ Prentiss Gilbert,  
Charge d'Affaires ad interim,  
Berlin; Subject: Comment on  
the German Political Situation,  
dated October 5, 1938.

PSF:Germany

DEPARTMENT OF STATE  
WASHINGTON

December 23, 1938

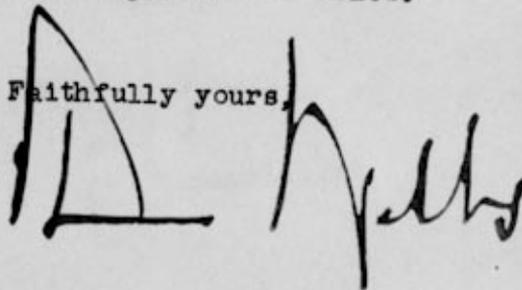
My dear Mr. President:

While I realize it is rather long, I feel that the despatch from Berlin which I am enclosing herewith is of such intrinsic interest that you will wish to read it.

When you are done with it may I ask that it be returned to me for the Department's files.

Believe me

Faithfully yours,



Enclosure:  
Despatch No. 480,  
Berlin, December 5, 1938.

The President,  
The White House.



