Berlin, Germany, May 12, 1935.

SUBJECT: With further reference to the interference with the treaty rights of American firms in Germany.

THE HONORABLE
THE SECRETARY OF STATE
WASHINGTON.

SIR:

I have the honor to refer to my strictly confidential despatches No. 1233 of April 11, 1933, No. 1245 of April 18, No. 1273 of May 2 and No. 1296 of May 9 with reference to the interference with the treaty rights of American firms in Germany. In this latter dispatch I indicated to the Department that although we had received the official assurance of the German Government that this interference with the rights of American-owned German firms in Germany would cease, and also had the assurance of leaders of the National-Socialist party that they were interested in every way in the maintenance of the treaty rights of foreign firms and capital and would see that they were respected, the interference with American firms was continuing in spite of these assurances and that it might be necessary for the Department
Department to intervene.

I now have to inform the Department that I believe that this matter is in a fair way towards settlement and that direct intervention by the Department may not be necessary. As a result of my last visit to the Ministry of Commerce outlined in my despatch No. 1296 I am now in receipt of a letter from Staatssekretär Dr. Bang, dated May 10, 1933, who is the active head of the Ministry of Commerce, in which he informs me that his Ministry has been in touch with the "Kampfbund des gewerblichen Mittelstandes" which has assured the Ministry that the book listing so-called pure German firms which the Kampfbund intended to get out, will not be published until the Ministry of Commerce has been able to control the list of firms contained therein so that the rights of American firms guaranteed by the treaty will in no sense be infringed. There is transmitted herewith a copy of the letter of the Ministry of Commerce, together with a translation.

As the publication of this list of so-called approved firms by the Kampfbund des gewerblichen Mittelstandes would have been a most dangerous precedent and if published in the form intended would have worked infinite harm of a most serious nature to American interests in Germany, I thought it advisable to do everything in my power to have the publication of this list which was imminent, postponed, and at the same time endeavored by lodging the proper information
to secure abandonment of the project. I therefore called upon Staatssekretär Dr. Milch in the Ministry of Aviation who is the most trusted adviser of Minister Goering in matters of this kind, on May 10 and had a long conversation on this subject with him. He gave me the distinct assurances that Minister Goering was definitely against any violation of the rights of foreign firms and capital, and he informed me that the arguments which I had advanced and the comments which I had made during a conversation which I had had with Minister Goering had made a very definite impression on him in this respect and that he realized very definitely that there must be no interference with American firms and American capital. He said that all these activities against foreign firms and capital came from the so-called "Kampfbünde" which are fighting organizations of various groups in Germany, industry and other forms of German life. He said that the Minister understood that in many instances these organizations were interested merely in advancing selfish aims of individuals and of particular firms, and in the majority of cases merely wished to rid themselves of annoying competition in a particular field. He said that the Minister understood that the objects of these organizations were for the most part selfish and not dictated by really patriotic or national motives and that it was appreciated that they were trying to carry out their selfish aims under the cover of the party. I spent some
length indicated to Dr. Milch what the unfortunate effects of some of these Kampfbünden were, not only so far as foreign interests are concerned, but also how dangerous they were to the internal economy of Germany itself. Dr. Milch stated that this was appreciated and that the activities of these organizations had become so annoying to the chiefs of the party that it was quite likely that a good many of them would be compelled to dissolve.

I also called on May 10 on Dr. Hanke in the Ministry of Propaganda, who is one of the most trusted collaborators of Dr. Goebbels, the Minister of Propaganda, and we discussed at length the letter which I had written to the Minister, a copy of which was transmitted with my despatch No. 1296 of May 9. As Dr. Hanke was obviously anxious to discuss this question at length we went into it in considerable detail and he repeated practically the same statements as those which had been made by Dr. Milch as above reported. I discussed with him particularly again the difficulties placed in the way of the Associated Press G.m.b.H. and of the New York Times G.m.b.H., and stated that the disloyal competition of the German firms and the defamatory remarks made by them were reaching such a point that the Ministry could hardly refrain longer from taking action. I pointed out in this connection particularly the activities of the "Verein Deutscher Presseillustrationsfirmen e.V." which
on purely competitive grounds was making most of the trouble for these American firms. Dr. Hanke stated that he appreciated this and that it had to stop; that if the American firms could furnish a picture in two hours of a public ceremony which the German firms could only furnish in four or five hours, then the German firms would have to abide the consequences. He indicated that he would take up with the Minister, Dr. Goebbels, the advisability of dissolving this Verband as a purely trouble making organization and interested only in selfish ends.

I also brought to his attention a small newspaper published in Berlin which constantly printed defamatory articles with regard to American firms and which is carrying on this program under the cloak of the National-Socialist party and as a National-Socialist organ. Dr. Hanke at my request carefully examined this paper and he said that he would consider recommending to the Minister to-day the suppression of this newspaper.

I gathered from the conversation which I had recently in the Ministry of Commerce, in the Air Ministry and in the Propaganda Ministry that the activities of these so-called Kampfbunde or fighting organizations are causing the leaders of the party considerable concern. They are almost invariably acting on the basis of selfish interests or in favor of parts of an industry rather than of an industry as a whole. At a recent meeting in the Kaiserhof Hotel, Minister Goering
Goering announced that he was dissolving a recently formed Kampfbund which was active in theatrical circles, and he served a warning to others not to carry on their selfish activities under the cloak of party or patriotic action. The energetic action in the case of the newly formed Kampfbund in the theatre leads me to believe that the indications which I have received with regard to action against other fighting organizations may not be mere words.

It will interest the Department to know that in my conversations with both Dr. Milch and Dr. Hanke they indicated that the party now felt itself strong enough to take certain action against its adherents which before they had to be somewhat careful of.

This action against foreign firms and the promise to relieve German manufacturers of all foreign competition in Germany was of course preached by the National-Socialist party to its adherents for years during the struggle for power. Now that the party is in power these various Kampfbunde have been organized to carry out the party promises, but the party leaders, as has been indicated in my previous despatch, realize that the contemplated action is not possible under the treaties in many instances, and in others would be directly contrary to the best interests of Germany and of the party. They are therefore now in the position of having to repress the very activities which they have started. They
have had to be careful in repressing these activities which they themselves had started, in order not to too greatly disappoint their followers, and there has obviously been a great hesitation on the part of the leaders to carry through determined effort into effect their changed attitudes. In my conversations with them, however, I have not failed to bring out the fact that when these activities amount to treaty violation and hit definitely important foreign interests, action cannot be too long delayed. I have particularly called to their attention the fact that the longer these Kampfbünde are allowed to act undisturbed, the stronger they will become and the more difficult it will be for the Government and the party to repress them and to bring about their dissolution.

In view of the letter which is transmitted here-with from the Ministry of Commerce and in view of the further assurances which I got from Dr. Milch and from Dr. Manke that the Ministry of the Interior and the Ministry of Propaganda are both considering the dissolution of some of these Kampfbünde, I feel that action by the Department may not be necessary at all, and is not for the present. The most urgent thing was to stop the publication by the Kampfbund des gewerblichen Mittelstandes of its proposed White List, and I believe that this is definitely stopped through our efforts. I believe further that we have gone a long way towards bringing about the dissolution of a number
of the most dangerous of these Kampfbuende, and with their going out of existence the discrimination against American firms should cease. The Consulate General, however, will not fail to continue to keep in close touch with this situation, and together with the Embassy will continue its efforts to protect in every way the interests of American firms in Germany. Should action by the Department become necessary along the lines set forth in my despatch No. 1296, the Embassy and the Consulate General will not fail to inform the Department.

Through one of my German friends who holds a high position in German industry, I have just learned that a new organization has been effected, known as the "Deutscher Volkswirtschafts-Dienst". This is an organization which has for its object teaching the German people to buy only German made goods. According to them there is to be no legal discrimination against foreign goods as this would be contrary to accepted international practice, but there is to be a definite boycott against all imported goods or those manufactured by foreign firms. To this end all firms which are admitted into the organization will have the right to place on their merchandise an insignia which it is their present plan, shall be the German eagle. The German public shall be taught that only goods which in some form or other contain this eagle shall be bought by them as the eagle shall only be authorized on goods

which
which are "purely German". The object of course of this organization is not only to exclude foreign merchandise, but also that merchandise manufactured by firms in Germany which are Jewish-owned or operated or which have a Jewish interest shall not be allowed to use the insignia. I am informed that several very important persons in the German industrial world have already indicated their willingness to serve as officers of the new organization. When reproached by some of their friends for associating themselves with such a movement they stated that they were in it to keep it as little radical as possible. On the other hand, from the information so far gathered it is evident that this new organization is just as selfish and narrow as the Kampfbunde to which reference has already been made in this despatch. This new organization also is to carry on under the patronage of the party. I have already had the opportunity of bringing the peculiarly selfish activities of this new organization to the attention of important persons in the Government who have already expressed the belief that if it is similar to the Kampfbunde it will be desirable to have it suppressed before it is even definitely organized. I am only sending this preliminary information regarding the Deutsche Volkswirtschafts-Dienst to the Department to indicate that the Consulate General is keeping in close touch
with all these extraordinary developments in order to do what it properly can to keep them from developing into organisms dangerous to American interests in Germany.

While the action of the authorities has not been as rapid as we could desire in this matter of the protection of the treaty rights of American firms, I am convinced of the sincerity of the leaders of the party, not only to maintain treaty rights and to protect the interests of American and other foreign firms, but also to dissolve these organizations which they perhaps themselves fostered, but which they now find so dangerous. One can appreciate the difficulties which they have in doing some of these things rapidly, but I think the steps which we have taken have been effective in bringing about a proper attitude on the part of the authorities and I feel that now very quickly the disturbing elements will be suppressed as dangerous to the party prestige and to the economic interests of the country.

Respectfully yours,

George S. Messersmith,
American Consul General.

Enclosure:
Copy and translation of letter dated May 10.

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