MEMORANDUM COMPARING BRIEFLY CERTAIN ASPECTS OF THE SITUATION IN EUROPE IN 1914 AND 1936.

In informed circles in Europe as well as among the greater part of the masses there is the conviction or the fear that Europe is faced by a war of catastrophic proportions which seems almost inevitable. As the developments in Europe within the last few years have been such as to give reasonable grounds for this conviction and fear, there will in this memorandum be set forth briefly by countries certain factors which it is useful to consider in this connection.

A detailed and exact comparison of the respective situation in each country of Europe in 1914 immediately preceding the World War and of the situation of today, covering the following points, would undoubtedly be useful:

A. The economic and financial situation then and today.

B. Social conditions then and today, particularly as they may relate to existing and potential unrest and possible internal eruptions which might find an outlet in war.

C. The military position then and today from the viewpoint of man-power, physical armament, and the capacity from within the country of maintaining war of an offensive or defensive character.

D. Foreign policy in each country then and now as it would affect the possibilities of localized or general war in Europe.

While a detailed and exact study of the above mentioned situations and their comparison would undoubtedly be helpful in making more accurate estimates of the possibilities in the European situation today, such a study would involve the collection of exact data which it would take some time to gather and collate. Such a study would also necessarily be so long and so burdened with statistics as to restrict its use. As such a comparison brief, undocumented, and perhaps in parts not altogether accurate because of this brevity, still has a very definite value, the following has been prepared in the hope that it may be of interest.

ENGLAND.

The economic and financial position of England was easier in 1914 than it is today for the public debt and taxes are higher and individual income in the middle and upper classes has for the most part decreased, while the wages of the workers are only slightly higher with relatively higher living costs.
The financial position of the Government, however, is perhaps respectively as strong today as it was in 1914 and England remains the strongest financial power in Europe with ample facilities for the financing on an ample scale of the rearmament program which it has undertaken.

The social situation in England is not as good today as it was in 1914. England is one of those countries of Europe in which the standard of living of the masses has remained practically stationary. The Socialist and Labor movements have developed very strongly as a consequence and there is undoubtedly greater social unrest today than in 1914. While this unrest with its potentialities is not a dangerous factor, yet it is one which has to be considered by the Government in formulating internal and external policy to a greater degree than in 1914.

The military and naval establishments today are somewhat stronger than in 1914, but as compared with the military and naval establishments of most other powers in 1914 are today relatively weaker. The British fleet is the strongest in Europe, but the land and air establishments were neglected. As a result of the recent blows which British prestige has undoubtedly suffered in Europe in the last year, and of the realization that further blows to prestige are dangerous to the Empire, to Empire communications, and the position of England in Europe, a rearmament program has been undertaken on a great scale. The threat to England on the land, in the air, and on the seas is now appreciated and the three arms of defense are being rapidly strengthened. The endeavor will be made to use the rearmament program as a stimulus to British industry, but the need for rapid action is realized so that the program is being supplemented by purchases abroad. As rapidly as public opinion will permit it the British Government will undertake measures for the training of man-power.

Basically British foreign policy today offers little different from that in 1914, but is faced by far greater difficulties internally and externally. Up to 1914 and for some years following the World War British foreign policy was made by a small group and was perhaps the best example of continuous, firm, and well reasoned foreign policy to be found in any country. Public opinion played very little part in the formation of foreign policy and the press and public opinion followed the lead of the Government. Partially as a result of the growth of social unrest within the country and more recently as the result of bringing matters affecting foreign policy into the internal political situation, popular opinion is playing a greater part in the formation of foreign policy and this is one of the factors which has influenced that weaker, vacillating and uncertain tendency in British foreign policy within the last two years.

In 1914 the British Empire was more closely knit together than it is today and foreign policy for the Empire was made in London and the complete support of practically every part of the Empire for that policy could with reasonable assurance be expected. Today Empire ties are weaker at a time when
Empire communications and British prestige are more definitely threatened. The Dominions, whose aid in the form of manpower, raw materials, and moral support is necessary, are playing a more important part in the formation of British policy than before and their position is one of greater independence.

The British policy in 1914, as today, was one which aimed at the maintenance of peace, of the Empire, of Empire communications, and of British prestige and future security of the British Isles. There is on the whole a policy of the maintenance of the status quo and England has no territorial aspirations in any direction.

The situation which has arisen in Europe as a result of the development of the authoritarian regimes has made the formation of definite foreign policy to meet the dangerous situation on the Continent much more difficult. That group in England which has believed that binding arrangements can be made with Germany which will assure peace, and a part of which group believes definitely that England should ally herself with Germany and abandon France, has grown weaker. This group had considerable support in popular and uninformed public opinion which support grew out of the dislike of war and the real fear of the growing power of Germany on the land and in the air. The wavering policy towards France and the increasing desire on the part of a certain group for accommodation with Germany led to uncertainty in British policy on the Continent which has had serious results and in several instances led to serious blows to British prestige. The failure of the German Government to answer the British memorandum, the distrust of the Austro-German accord of July 11, the avoidance by a narrow margin of Germany and Italy's using the Spanish troubles for their own purposes, the ostentatious way in which the still small German fleet has been used in Spanish waters, the increasing efforts of German-Italian cooperation, the possibilities for disintegration in Southeastern Europe, as well as the realization of the dangers and ultimate significance of the German objectives, which are directed in the end against England and the Empire and the British position generally, are all factors which have combined to bring about a better understanding of the position in Europe so far as England is concerned. Even those groups which have believed in the possibility of arrangements with Germany are now coming to the opinion that Anglo-French cooperation must, in spite of all reserves remain the basis of British continental policy. The recent movements of the British fleet in the Mediterranean, the visit of the King to Yugoslavia, Greece, and Turkey, the completion of the new agreement with Egypt and the more decisive measures to be taken in Palestine, are positive steps which Britain has taken to consolidate its position and to restore its prestige which had undoubtedly been affected.

British policy which has been so wavering and uncertain, is beginning to emerge in spite of internal difficulties, on the basis of recognition that Germany has definite objectives against England, poorly concealed as they may be for the present.
Her policy as it now seems to be emerging, appears to be one of trying to gain time in order to bring physical rearmament in England to a point where Britain can speak with the necessary force behind her words. The time for recognition has come that adequate force is the only element that will add requisite authority to British policy and that a preponderance of force is the only way to avoid war. It is generally believed that England desires at least until 1939 to complete physical rearmament and to bring public opinion in England and in the Empire into line. She will undoubtedly be forced by the German measure of two year military service to begin the training of man-power in the near future. Her policy will be one conciliatory to Germany in the meantime and of avoiding aggravating the authoritarian regimes, and every avenue will be explored in the end of endeavoring to prevent the formation of hostile blocs in Europe during the period of preparation for the conflict which still seems inevitable. In this period England will continue to explore every avenue which will lead to peace and will endeavor to facilitate arrangements leading to peace. To reach the end of peace she is apparently prepared for far-reaching sacrifices, but the end has probably been reached of permitting blows to her prestige.

On the whole, the position of England and of the British Empire today to face war is not as strong as it was in 1914. The whole end of British policy and British effort, now that the dangers seem to be recognized, is directed towards consolidating her position and strengthening her defensive and offensive power in the hope that it may be done in time and may be used as an instrument for the avoidance of war.

FRANCE

The economic and financial positions of France are weaker today than in 1914. The public debt and taxes are heavier, income of the middle and upper classes has decreased; wages, and to a degree, living conditions among the masses are better than in 1914, but prices are relatively much higher than in 1914. The economic position within the country is not as serious as it is painted, and the further devaluation of the franc, which the Government has not yet been prepared to face, is one of the measures which is essential.

The social situation is much worse than in 1914, for social unrest in France today has dangerous potentialities which are one of the gravest causes for preoccupation in Europe. Uninfluenced by external developments, the French social position does not present any particularly grave danger either for France or Europe. The difficulty for France in this respect is that she is passing through a series of social crises just at a moment when decisions in external policy of the gravest importance and when her own internal situation may be affected by social and political developments outside. In the case of France's being faced by any external danger the probabilities are, however,
still that the internal position would be rapidly consolidated and her defensive power not be weakened. Her offensive power from the social point of view, however, is respectively weaker than in 1914.

From the point of view of naval strength France is slightly stronger than in 1914. From the point of view of military strength, her position is very much stronger than in 1914, particularly in physical armament, frontier defenses, and capacity to produce materials needed in war within the country. From the point of view of man-power, while the effectives are high, the position is respectively weaker than in 1914 for her population has decreased and the point has been reached where population losses during the war will be felt in the classes called up for service. From the point of view of military offense and defense, France is today on the whole stronger than in 1914, leaving out of account the dangerous possibilities of the internal social situation in the case of war other than purely for defense of French territory.

The external policy of France in 1914 was, as today, definitely directed towards the maintenance of peace and of the status quo. She had no territorial aspirations then, as now, with the exception of the hope in 1914 for the ultimate return of Alsace and Lorraine. France, however, in 1914 could not have undertaken a war to regain Alsace and Lorraine. She was on the defensive then as she is today. Through her fear of Germany following the war, she built up an elaborate system of defensive alliances in Eastern and Southeastern Europe which system since the coming into power of the National Socialist Government in Germany, has been definitely threatened by direct and indirect action.

Although France has no territorial aspirations herself and the present Government of Germany has on various occasions indirectly indicated that it has no desire to get back Alsace and Lorraine, the French Government has reason to believe that it would be unwise to nourish any illusions in this respect. It is convinced, and most objective observers agree, that although the present Government in Germany is prepared to make what seems altogether satisfactory arrangements for the maintenance of the western frontiers, this is only for the purpose of gaining a freer hand in the East and Southeast, and that with the consequent accretions to German territory and prestige, the reconquest of Alsace and Lorraine would later inevitably become a definite matter of German prestige. France is definitely convinced that the breaking up of Anglo-French cooperation and the disappearance of her alliances in the East and Southeast will result in placing France, as well as England, in a completely secondary position in Europe, accompanied by loss of territory for France in Europe and among her colonies and dependencies.
The Foreign policy of France today is in the main that of 1914, but in a completely different Europe. Her principal objective today is the maintenance of her security and of the status quo in Europe as necessary to her security. The most fundamental factor in this policy is the maintenance of Anglo-French friendship and cooperation. Next in importance is the maintenance of the Franco-Soviet pact and of the defensive alliance with Poland. Next in importance, but still considered of primary importance, are her relationships with the Little Entente and the Balkan Union. Corollary to this is the endeavor to cooperate in as full a way as possible with Italy, to maintain the Franco-Belgian pact, to prevent the formation of hostile blocs, and, together with England, to explore all possible arrangements with Germany which give a promise of peace.

In the meantime the French Government will have to endeavor to consolidate its internal position, economically, financially, and socially, as well as politically. Her military power within the country will be maintained and she remains in physical armament and man-power one of the two strongest powers on the continent.

The position of France today is exceedingly difficult not only on account of the internal social and financial position, but because of the steady drive of the present Government in Germany to separate France and England, to break down the Franco-Soviet, Franco-Polish, and Franco-Belgian agreements and to bring about disintegration in Southeastern Europe through German economic and political pressure. Presently her position is made almost precarious through the possible repercussions of the Spanish situation which may conceivably result in the adding of another frontier to be defended along the Pyrenees. With respect to Italy, France will endeavor to follow a conciliatory attitude in order to prevent the formation of hostile blocs and she is undoubtedly prepared to go far if Italian exigencies do not become too great. In spite of her difficulties internally and externally, it would be a mistake to consider the French position in Europe as weak, for as a military factor she remains, and probably will remain, a primary factor. She has at considerable sacrifice, just strengthened her position with Poland, and the disintegration in Southeastern Europe which had been accelerated through falling English and French prestige, has been temporarily halted.

ITALY.

A comparison of the economic and financial position of Italy in 1914 and today is difficult, but on the whole her financial position is much weaker than in 1914. The public debt is greater, taxes are higher, and while the wages of the workers are somewhat higher, prices have increased and wages have not increased in the same measure as in most countries in
Western Europe. Industrially Italy is unquestionably stronger than in 1914, and Italian industry has been placed on a much more effective basis. Her industries have not only been expanded in scope, but plants have been largely renewed and modernized. The position of the masses in Italy so far as the standard of living and purchasing power are concerned, has not improved and she is faced by the necessity for serious sums for internal needs as well as for Abyssinia, which she hopes to get from England, France, and the United States.

Social conditions in Italy on the face of it are better today than in 1914, but the situation is still a precarious one. Although Italy is a dictatorship and the aim is a completely totalitarian State, the shrewd way in which the internal and external policy has been handled has during the last eighteen months made the dictatorship fairly popular among all classes of the population. It would be more correct to say that the dictatorship per se is not popular, but the dictatorship of Mussolini is popular. Because of the recent successes in Abyssinia and the various successes of Italian foreign policy, there is a kind of intoxication among the Italian masses and which extends to practically all classes. This has in it elements of great danger for this intoxication has taken the form of a greater part of the Italian people being convinced that Italy has a greater role to play in Europe than that for which she is prepared. For the time being, nevertheless, in spite of the really serious situation of the Italian financial and economic structure, the social order is well established and there is perhaps a greater measure of contentment among the masses today than in 1914. On the whole, however, the position is a very unstable one and is potentially dangerous. It can only be maintained as long as the attention of the masses can be directed away from their own unpleasant situation.

From the point of view of military and naval strength, Italy is tremendously stronger than in 1914. Her naval power is much greater than in 1914, particularly in small vessels for offensive action. Her military power, both from the point of view of man-power and physical armament, is much greater. There are those who doubt, and perhaps with some reason, the effectiveness of the Italian Army against a European power, but relatively, in spite of such doubts, the military power of Italy today is much greater than in 1914, both in a defensive and in an offensive sense. The Army is maintained at its high levels of Abyssinian campaign and its effectiveness is being constantly strengthened. Mussolini has during the last manoeuvres made it clear that he is prepared if necessary to bring nine million men under arms, and large units could effectively be trained in view of the training measures which are being carried on in Italy down to the very young boys.

In 1914, so far as foreign policy was concerned, Italy was following the lead of London, Paris, and Berlin, and did not play a primary rôle in European politics. Briefly one can say
that up to 1914 it was customary to consider Italy after London, Paris, and Berlin had reached their decisions. This situation has very much changed today for from a comparatively passive rôle in Europe Italy has assumed one of primary activity. Through the conquest of Abyssinia Italy declares, now one of the satisfied powers, but under the guise of the rôle of insisting that all powers must be satisfied if there is to be peace, she is directing her efforts towards gaining additional stature and influence in Europe and aims at eventual control of the Mediterranean with all the implications that this has. Her declaration that she is a satisfied power is understood at its real value in Berlin, as well as in London and Paris.

Declaring herself a satisfied power Italy has undertaken a policy of cooperation with Berlin which has gradually evolved from negative into quite positive forms, the objective being the bringing of pressure on London and Paris. A poorly concealed objective of Fascist Italy is to weaken the position of France and England in order to consequently strengthen her own position in Europe. To this end she is willing to play with Germany, at the same time harboring a definite distrust of the present German policy and objectives which she knows in the end are as dangerous to Italy as they are intended by Berlin to be dangerous to London and Paris. Italy in spite of what has been accomplished by the dictatorship within the country and in Abyssinia and by her increasing influence in Southeastern Europe, realizes that her internal position is one which will in the end require attention and which may become dangerous to the entire internal structure. She realizes that without money from without neither the Italian internal position can be consolidated nor the occupation of Abyssinia be exploited. No money is available from Germany and it is money which Italy for the present needs most. The cooperation with Germany therefore means primarily pressure on England and France for the necessary money and commercial arrangements rather than the formation of a bloc with Berlin, as has been generally prematurely assumed. Rome remains as distrustful of Berlin as Berlin is of Rome and it is important to remember so far as Berlin-Rome relations are concerned that it is as difficult for the dictatorships in Berlin and Rome to agree as it is dangerous for them to disagree.

For the present further Italian territorial aspirations are being kept in the background. Even negative cooperation with Berlin makes it impossible for her to carry out any of her objectives she formerly had against Yugoslavia. In Central Europe her rôle as protector of Austria is temporarily somewhat in the background as a result of the Austro-German accord of July 11, 1936, but Italy has no illusions that this will guarantee Austrian independence or relieve her of the fear of having Germany on the Brenner. Italian policy in Central Europe will continue to be active as an irritant to France, to prevent the too rapid spread of German influence, to maintain Italian prestige, and to keep open a field for Italian economic expansion in that area. Her interest in Southeastern Europe is a necessity as a part of the far-reaching Mediterranean policy which she has by no means abandoned, if for the moment it is in the background.
For the moment the internal position of Italy is certainly stronger than in 1914 and her military power and voice in Europe are tremendously greater. Her entire structure rests on such an unstable base within the country that her pressing need is for money and for this the slowing up of her external program may be made the price. There is as yet no Central European bloc of which Rome forms a part and she has not yet cast her lot with either London, Paris, or Berlin. Her ultimate decision will depend upon arrangements which can be made with London and Paris, and to a lesser degree on the developments in the general situation in Europe. As a dictatorship with unbounded ambitions and which go far beyond the possibilities of the country, Italy remains as one of the greatest dangers to peace in Europe, even though her immediate territorial ambitions may be in the background for her ambitions and her position require the dictatorship to play a rôle which makes Italy under a dictatorship dangerous to peace. It is important, however, to bear in mind that she is not in the German camp and has no desire to be in that camp if she can find a comfortable position in another.

There are as yet unconfirmed rumors that Italy is offering a loan in the amount of approximately $60,000,000 in Swiss francs and through Swiss banks in which French, English, and American interests have already participated. If this loan is a success, it is reported by those who have seen Mussolini lately, it is his intention to maintain a policy of reserve, reducing the cooperation with Berlin and showing a more conciliatory attitude towards France and England. It is important, however, to bear in mind that the Mediterranean aspirations of Italy have not been given up and there are indications that the next months may be the most propitious for the bringing about of a Mediterranean pact sponsored by England. The attitude of the Mediterranean States other than Italy is distinctly favorable for such a pact as that which England and France want and the chances are better now for Italy's being obliged to accept it. The most recent information from Berlin is that in Party circles the distrust of Italy has increased, that Italy is believed "to be selling out Germany" and that German plans must be made on the basis of not being able to depend on definite Italian support.

POLAND.

Poland owes her integrity and independence to the allied powers and to the post-war treaties. Comparisons therefore are difficult except along very broad lines. The economic and financial position of the masses in Poland is apparently no better than it was under Russian rule, but the country as a whole has come to assume a very great importance in Europe. It is a country of 35,000,000 people whose economic,
social, and financial status is about the same as it was in 1914, and this is on the whole an unhealthy situation for it is a country which, like Italy, does not have behind it those conditions entitling it to a place as a first-rate power in Europe to which Poland has been lately aspiring. The economic situation within the country is not good and the position of the peasants and of agriculture is extremely difficult. It is one of those countries of Europe with large population but without the internal resources enabling it to create wealth through which to better the position of the masses. In spite of its territory because of the nature of so much of the land Poland cannot even hope to create much wealth or purchasing power through agriculture. The financial position is fair in view of all the circumstances, but is maintained by strict government control. There are internal difficulties which may lead to shifts in the government, but which do not threaten the position of the country itself. In spite of the poor economic situation, social disorders are not likely as the masses do not know anything better than what they now have.

From a military point of view the Polish position is stronger. It has no navy to speak of, but the beginnings of a merchant marine have been developed. A very strong army has been built up and is well organized and by military observers believed to be effective. To a certain extent industry has been improved and developed, particularly in the production of military supplies. The Polish military establishment in a country of 35,000,000 people is one of the most formidable in Europe from the point of view of man-power, organization, and equipment.

Polish foreign policy has given much room for uncertainty and has been one of the disturbing factors in a disturbed Europe. It is a policy which is best understood when it is appreciated as the purely selfish policy of a new state which is definitely oriented towards the maintenance of its position and increasing Polish prestige abroad. One of the most disturbing factors in Polish policy has been the apparent effort to assume a position in Europe corresponding to its population and which is greater than she can support or safely exercise as yet. Poland is one of the countries definitely interested in the maintenance of the status quo. She has no territorial aspirations. Her military establishment has been made largely necessary through her fears of Soviet Russia end of Germany and may quite safely be said to be one for defensive rather than offensive purposes. Poland has a military alliance with France for defensive purposes and to France she should have a deep debt of gratitude for her present national existence. When originally entered into this military alliance with France was primarily for protection against Soviet Russia, but it later also assumed greater importance as respects Germany when the National Socialist Government came into power there in 1933. The fear of Germany under the new condition
led to a lessening interest in the Franco-Polish alliance in Poland, particularly under the German attacks thereon and to a correspondingly greater interest in German-Polish rapprochement as the German military power grew. This resulted several years ago in a German-Polish agreement the exact nature of which no one seems to know, but which from the latest developments is not as far-reaching as it has been believed to be.

German-Polish relations are disturbed by the Corridor, which Germany definitely aims to eliminate, and by Danzig which Germany definitely aims to reincorporate into the Reich. German-Polish relations are disturbed by the uncertain status of the Baltic States which are more or less constantly under German pressure. The Poles further know that the Germans are dissatisfied with the Polish-Silesian frontier and desire a correction thereof. The Poles know the German aspirations in the Ukraine which they cannot view with complacency. Polish-Czechoslovak relations are disturbed over Teschen, but this is a comparatively minor difficulty which under proper conditions can easily be arranged. The Poles fear of Soviet Russia is on the whole as great as that of Germany, but for the present Poland has much more confidence in the peaceful intentions in Europe of Russia than of Germany.

The situation in Europe has been much complicated by what superficially appears to be the difficulty of Poland to make up her mind as between Germany and France. This in fact is not the question, for as between Germany and France Poland has had always only one mind. Poland knows that she has nothing to fear from France, while she has definite, well-grounded fears of Germany. She knows further that so far as Russia is concerned although French help might be difficult, it would be much more certain than any from Germany, and that for any German help she would have to pay a heavy price in territory and prestige. Germany has used every possible means to woo Poland by stimulating fear of Russia and emphasizing all the dangers of the spread of communism. The efforts of her present Minister President Beck have on the whole been oriented towards bringing Poland more into the German sphere. Since the death of Pilsudski the Polish Army has again been veering towards increased support of the Polish-French agreement which had been disintegrating under German pressure. The recent visit of General Gamelin, the head of the French General Staff, to Warsaw and the return visit of the head of the Polish Army to Paris shows the new orientation towards France strongly. The orientation back to the Polish-French agreement is basically due to the recognition by the Poles that the German offensive on Communism is merely a cloak for their real objectives which are the isolation of France and Russia, and a means of gaining sympathy for German policy as a result of the general reaction in Europe to the excesses in Spain.

Poland realizes that as a potential disturber of the peace in Europe Germany is more to be feared than Russia and that Russia for years to come does not desire war, just as Poland does not desire war, but prefers to consolidate her position
Internally. The Polish fears of Germany have been augmented in the last months as a result of the German pressure on Danzig and the general orientation of German objectives towards the East and Southeast. This fear has found its concrete expression in the recent cordial exchange of visits between Paris and Warsaw, which it seems almost certain will result in new credits for Poland from France which are intended to be used for the strengthening of the Polish military and economic position.

It would be wrong and premature to consider Poland as being definitely in either a French or German camp. Poland has now definitely shown that she prefers to maintain her alliance with France if France remains strong. If there are adequate evidences of Anglo-French cooperation Poland will not under any circumstances enter into an alliance with Berlin. In the case of Poland, as in the case of Italy both of which have strong military establishments, her position will depend upon developments in the general European situation and principally upon how definite evidence there is of adequate and far-reaching Anglo-French cooperation.

RUSSIA.

Comparisons of the position in Russia in 1914 and in 1936 are difficult, particularly of the social, economic, and financial positions. The economic and industrial position of Soviet Russia in 1936 is unquestionably better than that of Imperial Russia in 1914. Whether the situation of the masses has improved on the whole it is difficult to say, but one can say that although the masses may not be satisfied with Communism, they would not wish to return to any of the social conditions of Imperial Russia. Industry, and to a degree agriculture, have been greatly improved and have assumed entirely different proportions and aspects from what they had in 1914. Considerable progress has been made in building up basic industries and in modernizing agriculture, although it is doubtful if the position of the great mass of the small farmers has been improved. From a financial point of view comparisons are also difficult, but on the whole the situation is not worse than in 1914.

From a military point of view Soviet Russia is stronger. Her navy is probably not as strong as in 1914, but her army in man-power, organization, and equipment is more effective than under Imperial Russia in 1914. The military establishment is one of the most formidable in Europe, with tremendous reserves of man-power, with the same doubts, however, as in 1914 as to how effectively these could be used. The question remains as to how formidable a weapon the Russian military establishment would be in a defensive or offensive war for the Soviet regime is an oligarchy of an extreme few exercising control over 120,000,000. The attitude of the Army and the population in case of a defensive or offensive war is still one of the restraining influences which keeps Russia interested in peace.
This uncertainty is one of the principal reasons why, in spite of the strong military establishment, Soviet Russia does not wish to risk a war and prefers peace for the present in all parts of the world.

Comparison is difficult between the foreign policy of Imperial Russia in 1914 and of Soviet Russia in 1936 as the basic situations within and without the country are so different. The foreign policy of Soviet Russia is more and more directed towards the maintenance of peace in Europe and in the Far East, and of the status quo. She is interested in the defence of her present position and the maintenance of the status quo with it so as to allow time for the evolution and consolidation of her internal position which under the best of circumstances will take years. This will for peace is distrusted in many parts of Europe and in other parts of the world because of the Third International, and of the communist form of the Government. Russia is one of the most threatened countries in the world today and has the most to fear and the least to gain from war. Japan in the Far East has definite territorial aspirations which aim at Russian territory or which clearly endanger the position of present Russian territory. In the West she has to reckon with a fearful Poland which without desiring further Russian territory dreads the growing power of Russia and eventual aggression from her. In the West also Russia is faced by Germany, which under the present Government is definitely anti-Russian and anti-Communist and definitely aspires to the acquisition of Russian territory in the Ukraine as a part of the German program to make Germany more self-supporting in war and to reduce the necessity of overseas supplies. Because of the increasing fear of communism in Europe the fear of Russia has within the last years increased in Europe generally and this has resulted in consequent distinct distrust of her will for peace.

Russia is now the object of attack and it might seem to the superficial observer that this is a development growing out of the Spanish situation. There is a great deal more to it than that. One of the objectives of German policy has been the annexation of the Ukraine and therefore to create unfriendly sentiment towards and suspicion and distrust of Soviet Russia. The present German Government came in on the ground that it was saving Germany from communism and during the last three years communism and Russia have been constantly attacked. The Polish fear of Russia has been constantly kept alive by Berlin and the Polish-German agreement is one of the concrete outgrowths of this. Every effort has been made over a year to create distrust of Russia in France, and the signing of the Franco-Soviet pact, in spite of German efforts in Paris and elsewhere, is one of the major defeats and one of the very few that the policy of the National Socialist Government in Germany has so far met.
HOLLAND.

The economic situation in Holland is better today than in 1914, and wages are generally higher, while the cost of living is not materially above 1914 levels, as it was always fairly high. The social position is weaker today than in 1914, for social unrest in Holland has considerably increased in recent years. The financial position of Holland today is on the whole stronger than in 1914, but Holland is faced by a devaluation of the guilder if this action is taken in France and certain other countries.

The industrial situation in Holland is better today than in 1914 and industrial plants have been modernized, improved, and expanded. There is, however, very little manufacture of war materials in Holland, and she is dependent almost entirely on the outside for military equipment. The military establishment of Holland is stronger today than in 1914, and while the strength of the army has not been increased, it is better equipped and the defenses of the country have been strengthened. The Dutch navy is about on pre-war levels and its merchant marine has been maintained just about at pre-war levels.

The foreign policy of Holland remains today that of 1914. Holland has no territorial desires and wishes nothing more than the maintenance of the status quo and to be left in peace and that others be at peace. She realizes, however, that she has valuable colonies in the East Indies, as well as a few islands in the West Indies, and that these form one of the objects of German aspirations.

There has been a tendency in Holland to believe that its neutrality preserved during the last war to the considerable financial and economic advantage of the country, could be maintained again. But this sentiment has been slowly disappearing during the last three years as the attitude of the National Socialist Government in Germany became more aggressive. It is now believed generally in Holland that in view of the attitude of the new government in Germany the former position of neutrality will not be possible and that Holland in the next war must take active sides with Germany or will be subject to immediate invasion. The strength of the military establishment in Holland and of the border defenses has therefore been in progress and on the whole closer relations with Belgium cultivated.

The possibilities for social unrest in Holland exist, and although the strike movement has been kept down more than was possible in Belgium, the possibilities for social upheaval are perhaps even greater there under certain conditions than in Belgium. Strong groups of radicals exist in Rotterdam and Amsterdam and these groups are more radical than those in Belgium or France. The National Socialist Party and the Fascist
A renewed attack, well planned and with far-reaching objectives, is now being made in France and elsewhere on the Franco-Soviet agreement and communism in general, and one of Dr. Schacht's principal objectives in Paris was to talk the communist danger with the Spanish troubles as background. While the Franco-Soviet agreement is principally under attack in preparation for the new Locarno conversations, flank attacks are being made on the Franco-Soviet pact in Czechoslovakia. These attacks in Southeastern Europe take the direct form of endeavors to undermine the Czechoslovak-Soviet pact and the Romanian-Soviet Friendship. The prospect of an agreement between Czechoslovakia and Germany has been held out recently to a much pressed, harassed and, to a degree, bewildered Prague if she will give up her Czechoslovak-Soviet pact, but Prague has countered this by saying that she is glad to welcome better Berlin-Prague relations if they are preceded by better Paris-Berlin relations. The German offensive in Rumania has been slightly more effective, partly as a result of the accord of July 11, 1936, between Berlin and Vienna. It appears that through under-hand methods Titulescu has been forced out as Foreign Minister, largely because of his friendly attitude towards France and towards Soviet Russia, but Rumania nevertheless insists that Franco-Rumanian relations remain the same, but less has been said concerning Rumanian-Soviet relations. The success of the recent French-Polish conversations which have resulted in again cementing the Paris-Warsaw ties, will keep Rumania friendly towards France and Poland.

The Spanish situation, where the resentment of the people against what is believed by them to be centuries of oppression by the Church has been turned cleverly into a communist menace and because of the support given by the communists to the Madrid Government Moscow is blamed for trouble that has been stewing in Spain for generations, has played into the hands of Germany in her present anti-Soviet activities. The recent executions in Soviet Russia, coming at the same time as the Spanish outrages, have had a tendency to weaken the Soviet position generally in Europe and to increase distrust of her peaceful intentions.

It must be recognized that just as the primary objective of German policy is to separate England and France, so the next important objective is to isolate Russia by creating a fear of communism in Europe. The present German Government during the three years that it has been in power and in spite of making the fight against communism one of its principal themes and claims to power, has not been able to convince the German people of the communist menace. Now the fact that the communists in Spain are fighting with the Madrid Government has fitted in very well with the German campaign for discrediting Russia and her alliances, which campaign had already started before the Spanish troubles, in preparation for the Locarno conversations. The present attack on communism which Germany is exploiting by all possible means serves the purpose of deflecting public opinion in Europe from the generally unfavorable attitude towards the present German regime.
In addition to the direct and indirect methods of attack on Russia, there are indications of some internal difficulties in Russia the nature of which is not yet clear, but which seem to be traceable to what may be a serious illness of Stalin and a desire to get rid of some of the more radical elements in the Communist Party favoring direct communist action from Moscow abroad. The active part which Moscow has been playing at Geneva has been emphasized by German diplomats in most capitals and the tendency which Moscow had shown to be more active in Southeastern Europe was used to create distrust. In general, as a result of the German offensive against communism and of the events in Spain, the Russian external position is for the present weaker.

The Russian military position, however, remains strong and is becoming stronger and Germany knows how great a military factor she is to be reckoned with. Before the present German Government came to power the German General Staff was in close touch with the Russian General Staff and prepared the way for German-Russian cooperation. Because the present German regime based its claim to power so largely on the fight against Communism, this military cooperation was abandoned by Germany but Berlin knows that Russia today is in a military sense far more formidable than the Russia which Japan had to face and the Russia which disintegrated so rapidly before Germany in the last war. Most objective observers are of the opinion that Russia is building up her military strength for the present for defense as she is so definitely threatened in Europe and in Asia, by the two strong powers definitely wanting Russian territory and showing definite preparations for taking it. These observers believe that while Russia may eventually intend to use this military power for aggressive purposes of her own, she may not be able to do so and certainly not against a united Europe. These observers believe that the cooperation for peace which Soviet Russia is now prepared to give should be used for the consolidation of peace in Europe and in this way when the internal situation in Russia is consolidated and she may be able to make an aggressive war from within, she would find herself faced by a united instead of a disunited Europe.

Russia further believes that there is real understanding between Berlin and Tokio even if there is no actual written agreement. The way in which this has been put in the Wilhelmstrasse through one of its more important spokesman is "We have no need of any agreement with Japan for when Japan will be ready we will be ready and when we will be ready Japan will be ready". The probabilities are that today Russia does not want war in Europe for she knows that this would inevitably mean war in the Far East and under these circumstances Russia would be one of the countries sure to suffer the most. Russia doesn't want war in either the East or the West and this is why she is particularly interested in peace in Europe and why in spite of all the reserves which may be held about communism it must be recognized that Russia is interested in peace. The military power in Russia can therefore for the present be considered more an instrument for the maintaining
of peace in Europe than an instrument intended for offensive action. The great danger is that the distrust of communism and of Russia may be turned into an instrument by Germany and thoughtless people in Europe through which the Russian cooperation for peace may not be availed of.

BELGIUM.

The economic and industrial situation of Belgium today is little changed from that in 1914. Belgium is primarily a manufacturing country and has just about succeeded in maintaining her position. It has for many years been a country of cheap living costs, low wages, with a saving, careful people who in the manufacturing and agricultural classes had a standard of living lower than that of most of her neighbors in Northern Europe. This situation has little changed, and one of the difficulties of Belgium is that the standard of living has not gone up as much since the war as among some of her neighbors. To maintain her markets wages have had to be kept down, although higher than before the war. Belgium has a heavier public debt and the income of her upper and middle classes has decreased. The position of the masses has not been sufficiently ameliorated to prevent discontent.

From a military point of view Belgium is stronger today than in 1914, and her military establishment, in view of the size of the country, is stronger both as to man-power and equipment. As a result of the Franco-Belgian military alliance entered into immediately after the war, the Belgian defenses have been greatly improved and modernized and close contact between the French and Belgian Army Staffs has been maintained. She has no navy and her merchant marine is not much above pre-war levels.

The foreign policy of Belgium remains today that of 1914. It is one dedicated to maintenance of the status quo, retention of her colonies, and to this end the closest military and political cooperation with France, and the maintenance of the closest relations with England, which country looks upon Belgium as one of their first lines of defense. Belgium prefers friendly relations with Germany because of the port of Antwerp which is the natural port for the entire highly industrialized Ruhr district. Her relations with Germany have been hampered by her being given the two very small districts of Eupen and Malmédy under the Versailles Treaty, which Belgium really did not want and which National Socialist Germany is now bent on reincorporating into Germany. Further, the dream of the Pan-Germans has always envisaged the Flemish part of Belgium as German and the National Socialist Government now in power is renewing the efforts begun during the German occupation of Belgium from 1914 to 1918, to win the Flemish population. While this has not made much progress, the Franco-Belgian military alliance has never been
popular with the Flemish population of Belgium, which numbers half of the total population. Events more recently, especially since the aggressive intentions of Germany have become more obvious, have had a tendency to strengthen the Franco-Belgian alliance, but roughly it may be said that Belgium has viewed lately with much sympathy the efforts of England to search every possibility of peace in Europe through negotiations with Germany.

Although the military power of Belgium is therefore stronger today than in 1914, and she is an industrial country with considerable capacity for the production of armaments and materials of war, she is largely dependent on the outside for the feeding of her population and her frontiers are difficult to defend.

The internal social position is not good because of the discontent among the masses. The Rexist movement which has developed within the last year may become exceedingly dangerous and under certain conditions grow rapidly. Its founder, Degrelle, would deny that it is either Fascist or Nazi, but there is much reason to believe that it is a movement which could readily be turned into a Nazi-Fascist movement. If certain developments should come in Europe it is a movement which could grow rapidly and conceivably get control of the Government. Degrelle himself is young, ambitious, unreliable, and an opportunist. The successes of authoritarian governments in other parts of Europe could rapidly lead to the formation of an authoritarian government in Belgium under the guiding hand of Degrelle. If the authoritarian-fascist movement does not progress in Europe, but receives a set-back in Spain, the position in Belgium will be considerably stabilized and her policy remain closely coordinated with that of England and France. Belgium's fears are of Germany, which desires to get Eupen and Malmedy, and which has jealous eyes on the large Belgian colonies in Africa.

It is interesting that the latest indications from Belgium are that the Degrelle movement has for the time being lost strength and that if an election were held now the representation which the Rexist have secured in Parliament would be considerably reduced. This is a situation, however, which could rapidly change under the influence of developments in Spain, France, Holland, and in Southeastern Europe.

From the point of view of military preparations, the Belgian Government has provided additional funds for its military establishment and is giving careful thought and active attention to the further strengthening thereof. The German action in bringing in the two year military service may compel Belgium, as well as France, to establish from two to three years military service in the near future. This will be the more difficult for the present in view of the situation within the country where the sentiment would be somewhat hostile to such measures of preparation. It is likely, however, that popular support can be rapidly built up for increase in the military establishment and for a government directed strongly to the Right or to the Left following developments outside of Belgium.
movement are still weak in Holland, but are becoming more active with the increase of German power in Europe. Rost van Tonningen, the former financial adviser of the League in Austria, who is young, ambitious, self-confident, active, and to a degree, unscrupulous, has offered his services to the Party, which have been eagerly accepted, and he is to return as the editor of the Party paper which is in the future to appear as a daily sheet. Rost expects to make himself rapidly, through his intelligence and initiative, the head of the National Socialist movement in Holland and to cooperate with Degrelle in Belgium.

The foreign policy of Holland remains definitely oriented away from Germany, but under the fear of Germany and her aggressive policy.

DENMARK.

Of the Scandinavian States Denmark is in the most difficult position by virtue of her bordering on Germany and her strategic position vis-a-vis England and Russia. The internal position of the country is on the whole good, and it is one of the most flourishing and happy countries on the Continent. This happy position is largely due to the social measures which have been taken in the last two decades. Her military and navy establishments are on about the same level as in 1914 and cannot be considered as serious factors in a European conflict. The policy of Denmark has been one based on dependence on her friends rather than on her own defensive establishment. Her foreign policy is definitely oriented towards the maintenance of the status quo and of friendly relations with everyone. Her foreign policy is closely coordinated with that of England whom she considers her great and strong friend. There is a definite feeling in Denmark that in case of war the neutrality of Denmark will be difficult to maintain and almost certainly impossible under German pressure. There is a growing feeling in Denmark that not only would war mean Germany's seizing this opportunity to correct the Danish-German frontier according to its desires, but that it would also inevitably lead to the occupation of the entire country as a strategic necessity for Germany under new conditions. It is not probable that the military establishment in Denmark would be greatly strengthened under the stimulus of recent events in Europe, for the country feels that it is not in a position to defend itself against the strong forces which would come into play.

NORWAY AND SWEDEN.

The situation in Norway and Sweden is relatively good, for the economic, social and financial positions are perhaps stronger than in 1914. There is little
social discontent as compared with most countries of Europe. Very little has been done to strengthen the military establishments, for both countries hope to maintain their neutrality in another war and look towards England, France and Russia for support in their attitude. They believe, however, that a neutral position would be more difficult in case of another war and that they would be subject to greater pressure from Germany. In both countries sentiment in general is adverse to the present National Socialist Government in Germany, and they consequently look upon the Germany of today with greater fear for their interests than they looked on the Germany of 1914.

GERMANY.

A comparison of the economic, industrial and financial situation in Germany in 1914 and today is extremely difficult. The industrial position of Germany today is undoubtedly stronger than in 1914 from the point of view of plant equipment. The industrial establishments of Germany have for the most part been enlarged, modernized, and in many cases completely rebuilt. As a part of the program of the present National Socialist Government to make Germany self-sufficient and through the rearmament program new plants have been built, others expanded, and in some cases progress has been made in shifting certain key industries from the periphery of Germany to the center, where they are less exposed to attack in case of war. As Germany is the principal industrial country of Europe, any review of industrial progress is impossible within the scope of this memorandum, but from the point of view of potential production within the country of fabricated goods, Germany must be recognized as much stronger than in 1914.

At the same time this expansion has carried with it through decreasing foreign markets inherent weaknesses and dangers. Industry is at present concentrated on a rearmament program which to a degree compensates for lost foreign markets and for a non-expanding internal consumption. Individual firms, including large as well as small ones, are financially weaker, as they have been obliged to use up most of the large surpluses which had been built up and most German firms are under the necessity of employing workers in numbers exceeding their real needs. The German industrial structure while therefore working at a higher capacity than in 1914, is on the whole in a weaker and precarious state, and when the rearmament program must of necessity slow up, readjustments must be made within industry which will be exceedingly difficult.

A comparison of the financial situation of Germany in 1914 and today is impossible within the compass of this memorandum. Although a good part
of the public debt was wiped out through inflation, a new debt has arisen particularly during the last three years, the exact extent of which is not known but which unquestionably amounts to the public debt in 1914. It is held largely by the banks of the country, and the financial position of Germany is unquestionably weaker than in 1914. The reserves of the Government, of industry, of private insurance companies, and of the banks have practically been used up, and a system of internal financing prevails of a nature which makes definite comment impossible. Of the inherent difficulties in the financial situation in Germany nothing further need be said in this memorandum, for they are well known.

The decrease in German markets abroad, the difficulties in securing exchange even under strict Government control of all financial operations, and the increasing difficulties in securing necessary raw materials, as well as the comparative failure of the program for the production of replace materials have created a position which foreign observers believe can only lead to eventual breakdown of the economic and industrial structure unless foreign markets are secured or foreign credits given. In view of the foreign and the internal position and of the policy which the present Government is following and which is raising such distinct fears in Europe, it is not likely that this relief in the way of markets or credits will be accorded. How long the existing program can be carried on under existing conditions it is impossible to predict.

Economically, financially, and in spite of the apparent activity, industrially also Germany is weaker than in 1914. She has lost her important foreign markets and her credit.

A completely new social order has been set up in Germany during the last three years under the National Socialist régime. The details are so well known that no reference need be made to them in this memorandum. The position of the German people was, however, unquestionably better in 1914 than it is today. The National Socialist régime has failed to bring to the German masses the high standard of living and better conditions generally which it promised. Germany passed through difficult years after the armistice, and the relief which had been promised in 1933 by the new Government has not materialized. Practically everything that was done in the way of the improvement of the housing, living conditions and social conditions of the German masses was accomplished between 1919 and 1933. There has been no important building of improved housing, no real amelioration of the situation of the workers during the last three years. On the whole wages have recently decreased rather than increased and prices have gone up. The discontent of the masses
can find no expression because of the repressive measures exercised by the authoritarian government, but there is unquestionably greater social discontent in Germany today than there was in 1914. This discontent, however, has not taken the form of increased communism nor the tendency in that direction should a change of government come. The constant reiterations of the National Socialist Party that it saved Germany from communism and is the bulwark against communism, and that its disappearance would mean the establishment of communism in Germany are statements which are not justified by facts. The German people are prepared to accept a strong conservative government to replace the present Government, and the danger of communism does not exist and will not exist until such a new Government should utterly fail to re-establish the German position.

The German navy is very much weaker than in 1914 and is as yet not an important factor in European naval armament. Despite of the naval agreement with England, building is going on rapidly in the German shipyards in entire disregard of the provisions of the agreement. The rebuilding of the German navy is only limited by the means at its disposal, but under the best of circumstances it will take three or four years more before Germany reaches her naval strength of 1914.

In a military sense Germany is probably still weaker today than she was in 1914 except in the air. Tremendous reserves of equipment of various kinds are being built up, but in heavy guns and heavy military equipment considerable progress has yet to be made to bring Germany to its 1914 levels. In the air Germany is probably the strongest country in Europe today, and technical as well as manufacturing developments have been on an enormous scale. The development of the German Air Force is so well known that it requires no further mention. It is the favorite arm of the present German Government which definitely believes in the accomplishment of its aims through terror, and it is recognized that the air force would be most effectively used and most quickly developed. The air force will continuously be developed more rapidly than the other military services.

The German Army under the National Social régime has been rapidly developed, and the recent measure putting into effect two year military service will in two years give Germany an overpowering man-power unless even longer military service is made obligatory in other countries of Europe. The Army to a degree remains an independent factor from the Party, but is increasingly under Party influence. As time goes on the young officers are more and more under Party influence, and if the present Government is able to hold out for another two years the probabilities are that it will be a complete instrument of the Party. The restraining influence of the Army, which has been
discreetly exercised in matters pertaining to foreign policy, has in some respects grown stronger and in others weaker.

The German rearmament program is accompanied by great difficulties, growing out of the financial weakness of the country, the lack of foreign markets, and the difficulty in getting adequate exchange for raw materials. The rearmament program under this pressure has already somewhat decreased in tempo, but on the whole it goes forward steadily and in two years Germany will on the land and in the air be the strongest and much the strongest country of Europe.

The intoxication of the Party leaders of a year ago when they felt that they would be able to impose their will on Europe has steadily died down during the last year. The measures which have been taken in Russia, in France, in England, in Czechoslovakia, and in Poland, as well as the growing military power of Italy, have finally impressed upon the Party leaders the knowledge that other countries can and will arm as well as Germany. The rearmament program in other countries of Europe has had a sobering effect, and within the last few months particularly Party leaders have realized what the Army has long known—that Germany is not prepared to fight an aggressive war and that rearmament without Germany, which may be used against her, is growing at a more rapid rate than within Germany. If the probabilities of war in the near future in Europe have decreased within the last few months, it is due to the realization in Party circles that a preponderance of force is still against Germany and that in any offensive action she would be bound to suffer defeat.

As respects foreign policy, comparison between 1914 and today is difficult, for the territorial and other objectives of the present National Socialist Government know no bounds. If in 1914 and before Germany nourished Pan-German objectives and envisaged economic and political domination of Southeastern Europe, her territorial aspirations were still small as compared with those of the leaders of National Socialism today. It is the aim of the National Socialist Government in Germany to make Germany the strongest country of Europe and the strongest country in the world. National Socialist foreign policy in its many ramifications grows out of this. Germany must be made as self-sustaining as is possible and made independent as far as possible of all overseas supplies. To this end the annexation of a good part of the present Russian Ukraine is a primary objective of policy. Danzig and Memel must be incorporated into the Reich, and the Corridor eliminated. The Silesian frontier with Poland must be corrected so as to bring back the territory there which Poland got under the treaty and
the consequent plebiscite. Austria is to be incorporated as a whole into the Reich. The Czechoslovak state is considered as a hybrid and impossible product, and a partition of Czechoslovakia is a definite objective. German economic and political penetration and domination are to be pressed in all of the states of Southeastern Europe to the Dardanelles, so that this vast hinterland which Germany considers as peculiarly and solely her own shall be to all intents and purposes a part of the Reich, although the form of sovereignty of most of these states shall be permitted to remain. In the West the reconquest of Alsace and Lorraine is an objective which is to be attained as the program in the East has been carried through. Eupen and Malmedy are to be recovered from Belgium and a separatist movement in Belgium stimulated with the eventual intent of bringing the Flemish provinces with the port of Antwerp into the Reich. Denmark, because of its strategic nature, is to be absorbed into the Reich. The colonial desires of Germany are being rapidly brought into the forefront, and with growing military power and domination, the Party conviction is that Germany will rapidly have more than her proper share of colonies in Africa and elsewhere.

The Party program was well elaborated and carefully planned for both internal and external action. The internal measures were carried through during the first three years of the control of the Party and culminated in the military reoccupation of the Rhineland on March 7, 1936. With that action Germany had thrown off all the shackles of the Treaty of Versailles, and further action had to be taken beyond the frontiers. The program internally was carried through with a definiteness and with a thoroughness which must arouse certain admiration, but it gives a specious impression of the power of Germany both to the people within Germany and in Europe.

Since March 7, 1936, whatever steps Germany may take must be taken beyond her frontiers and the momentum of the German program has definitely slowed down since that date. When Greiser lost his temper at Geneva over Danzig he made a slowing up of the German program in Danzig necessary in order not to provoke England, France and Poland. The difficult relations with Rome over Austria and the impossibility of Berlin to answer the British memorandum made the Austro-German accord of July 11, 1936, a necessity and committed Germany publicly to the recognition of Austrian sovereignty and non-immixtion in Austrian internal affairs. The plans for the setting up of an autonomous state in Czechoslovakia leading to the disintegration and partitioning of that state had to be given up for the time being for fear of provoking a conflict for which Germany realized she was not ready.

Although German economic expansion in Southeastern Europe is proceeding rapidly in most of the countries in that area, it has not been followed by the degree of political predominance which was anticipated. While
Germany has been able to prevent the conclusion of a Danubian Pact, was able to sabotage partly the Austro-Czechoslovak trade treaty early this year, and has succeeded in preventing any measure of economic cooperation in Southeastern Europe from making headway, the Little Entente still remains and is somewhat stronger than it was a few months ago. The German program on the whole in Southeastern Europe has been disappointing to Berlin. In practically every direction, therefore, German policy since March 7, 1936, has had a set-back and as was to be foreseen, the external program cannot make the progress which was made in the internal program, as the problem is an entirely different one. Europe was content to permit Germany to take action within her frontiers which she is not yet prepared to permit her to take beyond her frontiers, or at least Germany does not yet feel herself strong enough to take action beyond her frontiers which might provoke defensive or aggressive action when she feels that the balance of power would yet be too strongly against her.

As the very essence of National Socialism is such that it must maintain its position within the country by constant stimulation of the population, the Party cannot remain static.

Internally the Party program against the Churches had already raised considerable silent opposition to the Government, and it was recognized that externally the treatment of the Churches and of the Jews and other social measures had made progress towards gaining sympathy in England for Germany difficult. As the Party had to undertake some action, and action on the external program was for the time bound to be difficult and slow, the decision was reached to intensify the so-called struggle against communism which would also serve the purpose of weakening Russia, and indirectly France and England. The attack on communism, therefore, was launched some weeks before the troubles in Spain started. The communist support in Spain of the Madrid Government and the atrocities committed against the Church and its priests and nuns were immediately utilized by the Party to intensify the anti-communist movement it had set in motion. Evidences now point to an agreement having been reached between the Vatican and Berlin on the basis of which the Vatican will support an anti-communist movement throughout the world and in return Germany will sign a new Concordat which the Church hopes will improve the position of the Catholics in Germany. Through the united action of Berlin and the Vatican this anti-communist movement is likely to assume wide proportions and may have far-reaching political consequences in a disturbed Europe, as the movement is aimed in reality not so much against communism as having for its objective the isolation of Russia and the weakening of France and England.
German policy within the next months will be directed towards improving the atmosphere for German success in the approaching conversations which are to lead to a new agreement in Western Europe. Emphasis will be laid on the need for German markets if the rearmament program is to be modified in Germany, and while the European powers are prepared to recognize that such markets are necessary, they are not yet prepared to open their markets to Germany when the distinct danger remains that the only result would be the strengthening of the German position without any change in objectives. Germany needs time, markets and credits and a generally more favorable attitude towards her in order to be able to carry through her external program, but there is no indication that there is any change in German objectives or that the National Socialist Party can change any major aspect of its policy or its objectives.

CZECHOSLOVAKIA.

As Czechoslovakia is one of the succession states of the former Austro-Hungarian Empire, the comparisons contemplated by this memorandum will not be attempted except in a very brief form, and this procedure will be followed with respect to all the states of Southeastern Europe.

The economic situation in Czechoslovakia is on the whole not much better today than in 1914. In the part inhabited by the German-speaking population the situation is, if anything, worse than in 1914. In the rest of the country it is as good as, if not somewhat better than in 1914. Industrially Czechoslovakia is stronger as a whole than in 1914 and her industries have been expanded and plants modernized. If anything, the industrial development has been too rapid in face of non-expanding foreign markets. Financially the situation is fairly sound. The social situation is not one to give cause for particular concern, but the standard of living on the whole in Czechoslovakia remains about the same as in 1914.

The military establishment has been considerably strengthened, and Czechoslovakia has a relatively strong, well organized and well equipped army. The well known Skoda Works and other industrial establishments are capable of turning out large quantities of military equipment. A considerable loan has recently been authorized which will be largely used for the strengthening of the military defense. In a military sense Czechoslovakia is relatively strong.

From the very outset of its existence the new Czechoslovak state has had to maintain a struggle for its existence, and they early entered into the Little
Entente as a measure of defense and to maintain their integrity. Aside from the Little Entente, with its close relations with France, Czechoslovakia has a pact with Russia. The German-speaking section was considerably neglected by the Prague Government in the early post-war years and this led to disaffection of the German-speaking population which assumed serious forms when the National Socialist Government came into power in Germany and Henlein assumed the leadership of the Sudetendeutschen Partei which had affiliations with the National Socialist Party in Germany.

Relations with Poland have consistently not been good, although not reaching any aggravated stage. Hungary, particularly, has assumed a consistently unfriendly attitude towards Czechoslovakia, and the relations between Prague and Vienna were not on a particularly cordial basis.

As the National Socialist objectives in Germany became more clear Prague endeavored to improve her relations with Austria and strengthen her ties with the Little Entente, and she is today the country most interested in the maintenance of the Little Entente. When early this year the fears of Germany became acute through the danger that under the stimulus of Germany a separate German state might be set up in Czechoslovakia, Prague made considerable concessions to Vienna through the form of the Austro-Czecho-Slovak trade treaty which, although objected to by Germany, has been put into effect in an emasculated form, but even in that form is giving unexpectedly good results. Prague also expressed greater interest in closer economic relations with the other states of Southeastern Europe, but these advances were coolly met and no progress has been made. The present efforts of the Czecho-Slovak Government are directed towards bettering conditions in the German-speaking section of the country and in bringing that section more in sympathy with the Prague Government.

Czechoslovakia is interested in the maintenance of her territorial and political integrity and has no territorial aspirations beyond her present frontiers. As a small state, incapable of defending herself against a powerful neighbor, the keystone of Czechoslovak policy is the holding together of the Little Entente, maintaining its friendly relations with France, and dependence on its agreement with Russia. The policy of the Prague Government of indifference to the interests of some of the other states of the Southeast has much changed under its own feeling of insecurity during the last year. Her definite fears are of Germany, which she believes aims at the disintegration and division of the country. The policy of Prague can be expected to be one of willingness to make many concessions which may bring
closer identity of interest and closer political and commercial relations between the states of Southeastern Europe. She is prepared for more friendly relations with Berlin, but is not prepared to pay the price which Berlin is now asking, of giving up her friendly relations with France and her agreement with Soviet Russia. Since the accord of July 11, 1936, between Berlin and Vienna Czechoslovakia feels herself, and perhaps properly so, the most immediately threatened of the Southeastern European states.

AUSTRIA.

The economic situation in Austria today is on the whole as good as, if not better than, in 1914. It was the opinion of most economists and many statesmen in Europe after the war that the new Austria as an economic unit was an impossibility and could not possibly maintain itself without continuous outside assistance. For some years it seemed probable that this opinion was justified, and it culminated in the earlier attempt at Anschluss with Germany, which movement was stopped by the foreign allied powers, principally through French action. During the last two years the economic situation in Austria has steadily improved, while that among her neighbors has remained stationary. It is now generally admitted within and without Austria that not only can Austria live as an economic and political unit within its present frontiers, but that with more normal relations with her neighbors she can be a very prosperous country. This improvement has resulted from a variety of factors which cannot be even touched on within the scope of this memorandum, but the results are indisputable.

Financially both public and private finances have been put on a sound basis, and relatively the Austrian financial position is very sound. The financial control of the League has had a good deal to do with this, and a most significant development within the last months has been the resignation of the League financial commissioner, who on retiring recommended that no successor be appointed, as control was no longer necessary. While the present situation in public and private finance was brought about through many sacrifices in which foreign interests participated to a considerable degree, the opinion is justified that with reasonably good management the favorable position can be maintained.

Owing to the personal interest of Hitler, who is a born Austrian, in the incorporation of Austria into the Reich, the German efforts under the National Socialist Government to incorporate Austria took on new and increasingly dangerous forms. The terroristic acts and disturbances in Austria, stimulated by the National Socialist Party in Germany, led to the murder of Chancellor Dollfuss in July, 1934, and had as their consequence the birth of a real will in Austria to
maintain its independence. The improvement in the financial and economic situation was favorable to the development of this will, and through a combination of major circumstances in Europe the accord of July 11, 1936, between Berlin and Vienna came into being, in which Germany recognized the independence of Austria and agrees not to interfere in her internal affairs. Although the Austrian Government was not directly interested in having this accord come into being, as it believed it was better able to defend its independence under former conditions; although Italy has no confidence that the accord will definitely keep Germany away from the Brenner; and although the reaction of the German press to the accord openly showed that it did not mean the giving up by Germany of her aspirations for the absorption of Austria, it is not improbable that the accord may result in the maintenance of the form, if not the complete substance, of Austrian sovereignty and integrity.

The Austrian military establishment has until recently been very small, being limited by treaty provisions, and expansion was impossible as well on account of the financial difficulties of the Government. Austria depended on the friendship of England, France and Italy for the support of her independence, and more lately on Italy. The accord of July 11 is not accepted in Austria as definitely guaranteeing Austrian independence, but the Austrian Government has shown since the signing of the accord a distinct will to maintain its position and the present Government has the support of the majority of the population in this attitude. While the support by Italy of Austria has been very real, both in a military and economic sense, it has not been popular in Austria. The Italian Government, in spite of its apparent recent cooperation with Berlin, maintains a definite interest in Austrian independence, for it is interested in not having Germany on the Brenner as much as ever. This is a factor which must always be kept in account in considering Berlin-Rome relationships.

While from an economic and financial point of view Austria has justified her existence as a separate state, and politically has shown the will to maintain her independence, it is quite clear that the aspirations of Germany for the absorption of Austria remain. Whether Austria remains as an independent state depends upon developments in the rest of Europe and on continuation of the support politically which has been given her, for of herself her six and a half millions of population are powerless against the sixty-eight millions of Germany.

From a military point of view it should be noted that while the Austrian Army is being slightly expanded, its present strength does not number over 50,000 effectives, and from the point of view of military equipment Austria is poorly prepared for defense and has no offensive power. Her air establishment is practically negligible.
HUNGARY.

Of the Succession States Hungary is perhaps the most dissatisfied and in the most difficult economic position. The financial situation does not give particular cause for concern, but is not strong. The standard of living in Hungary has not improved since 1914. It is an agricultural country and is finding much difficulty in securing adequate markets for her surplus and very low prices. Just as in Czechoslovakia the balance is a bit too strong in favor of industry, so in Hungary the balance is too strongly on the side of agriculture. The internal social situation does not give cause for concern, but there is a great deal of discontent, and electoral reform measures are being planned for the near future.

In a military sense Hungary is stronger than Austria, and although bound by the same treaty restrictions, the Hungarian Army has been steadily strengthened during the last years. It is relatively not a strong military establishment, lacking a good deal in equipment and modern arms. The Army, however, is well organized and well disciplined, and the sentiment among the higher Army officers is strongly pro-German. The Hungarian Army could make, even under present conditions, a good showing.

The principal post-war objective of Hungary has been to secure a correction of its frontiers, and this has cause more or less friction with all her neighbors except Austria. The revisionist aspirations of Hungary are very real and have been a disturbing influence in Southeastern Europe. With Vienna relations have been kept on a very friendly basis. Hungary, with Austria, is associated with Italy in the Rome Protocols which, however, have not brought the same advantages to Hungary which they brought to Austria. This grows out of the nature of her economics. Hungary has been interested in stopping the growth of too friendly relations between Vienna and Prague and Vienna and Belgrade. Under her present Minister-President, General Gömbös, her policy has inclined fairly definitely towards Berlin, which she believes will be more likely to give satisfaction to her revisionist aspirations. The Regent and the Foreign Minister, Kanya, have less confidence in the ultimate results of German friendship, but in spite of their reserves and the fact that General Gömbös is ill and on a prolonged leave of absence, Hungarian policy does lean towards Berlin. The recent effort of Hungary, which read more into the accord of July 11, 1936, between Vienna and Berlin than it contains, to draw Hungary and Austria closer to Berlin has not succeeded, and under existing conditions is not likely to succeed.

ROMANIA.

The general social, economic and financial position of Romania is not much improved over 1914. The
oil resources of Rumania have made her a particular object of German interest and are a considerable national asset, for Rumania is one of the few countries in Southeastern Europe with mineral resources, of real value. Rumania is interested in the maintenance of her position and generally in the maintenance of the status quo in Southeastern Europe, which accounts for her tenacious adherence to the Little Entente and her friendly relations with Soviet Russia. The Rumanian Army is well organised and fairly well equipped. The German economic penetration has already made good progress, but German political pressure has so far been successfully resisted. Under the influence of her Foreign Minister, Titulescu, the adherence to the Little Entente and to the French-Soviet friendship has been maintained. His recent elimination from the Government, which is largely due to German intrigue for the undermining of his position with the King, has apparently not changed the Rumanian orientation, and the Rumanian relationship with France, the Little Entente and Soviet Russia is likely to be maintained as a result of the recent strengthening of the Franco-Polish agreement. The German pressure in Rumania, however, is bound to increase, and the economic penetration is becoming steadily greater.

YUGOSLAVIA.

The position of Yugoslavia has since the formation of the new state been difficult owing to internal dis­ensions. The economic position of Yugoslavia is difficult, for it is almost purely agricultural, with increasing difficulty in finding markets. The internal situation has been complicated by the difficulties between the Serbs, Croats and Slovenes and the work of internal consolidation has made slow progress. The standard of living remains about the same as in 1914, with little hope for improvement, but there is no particular social unrest, due to economic factors, — the internal difficulty growing out of political and racial factors.

Feeling herself threatened by Italy, fearing a restoration of the Hapsburgs in Austria, and always dreading the possibility of Hungary's endeavoring to get back a part of the territory lost to Yugoslavia, she has been one of the states interested in the maintenance of the Little Entente. When over a year ago Italy declared that she intended to respect Yugoslavia's territorial integrity, the Yugoslav interest in the Little Entente, under German pressure, somewhat diminished. The economic expansion of Germany in Yugoslavia has assumed wide proportions and Germany is her principal, if not profitable, market. As a member of the Little Entente Yugoslavia had close relations with France and until recently depended upon France for the maintenance of her
political integrity through French support of the Little Entente. Since the beginning of the present year the attitude of Yugoslavia towards the Little Entente and France has been increasingly waver­ ing and uncertain. The increasing cooperation between Berlin and Rome seemed at first to reassure Yugo­ slavia with respect to Italy, for it was felt in Belgrade that even with negative cooperation between Berlin and Rome, Rome could undertake nothing against Yugoslavia. Similarly the accord of July 11, 1936, reassured Yugoslavia with respect to her fears of restoration in Austria, for it is felt in Belgrade that now German objections to restoration may be even more effective than the attitude of the Little Entente against it. In spite of these factors and the economic penetration by Germany which had a tendency to draw Yugoslavia to Berlin, there are evidences that within the last month Belgrade’s fears of Germany and eventual German plans in Southeastern Europe have again become aggravated and there is reason to believe that her interest in the Little Entente has become stronger even though she has less dependence on the efficacy of French support. The attitude of the Regent is definitely for cooperation with France and England and is distrustful of Germany. The probabilities are that Yugoslavia will show herself more prepared to cooperate with the Southeastern European states, while nevertheless in the meantime maintaining friendly relations with Berlin.

BULGARIA.

The writer does not feel himself sufficiently well informed on the Bulgarian position to make definite comment, but Bulgaria is definitely under German pres­ sure and the economic penetration has already been very effective. Bulgaria, however, is in no sense in the German camp, and while not inclined strongly towards cooperation with the Southeastern European states, still prefers the maintenance of the status quo to further German pressure and expansion.

TURKEY.

The writer does not feel able to make sufficiently adequate comment on the Turkish economic, financial, and social position. From the political point of view it is, however, clear that Turkey prefers to follow a policy of cooperation with France and Eng­ land and with the Southeastern European states, and has no confidence whatever in German friendship and German plans. The efforts of Germany to win Turkey have failed, and although the economic pressure is great and the trade relations between Turkey and Berlin have been strengthened, the political influence has made little progress. The German attempt to get the contracts for the fortification of the Dardanelles have apparently failed in spite of the enormous effort
which was made to secure these contracts. The indications are that they will go to the Skoda Works, as the English bids are too high. The manifestation of Turkish friendship for England has been marked within the last weeks and under the present government it is not likely that any German political pressure will make much progress.

GREECE.

The writer does not feel able to comment with sufficient accuracy on the economic, financial and social situation in Greece. So far as the political situation is concerned, there are increasing indications that in spite of the recent internal changes which would point towards Fascism and closer relations with Germany, the pro-English orientation of the Greek Government will be maintained. The present Greek Minister President has a platonic, friendly inclination towards Germany which does not influence his political action. The German pressure has been heavy within the last few years as the result of the increasing economic penetration, but without political effect.

SPAIN.

As the situation in Spain has been so definitely in the foreground during the past month and the implications of the developments in Spain receiving such full attention in the press and in every Foreign Office, any comment here is superfluous and any worthwhile resume would necessarily form the subject of a separate memorandum.

PORTUGAL.

The situation in Portugal and developments there are in many respects so bound up with the situation in Spain that no comment with regard to Portugal will be made in this memorandum other than to indicate that the probabilities remain that their principal dependence rests and will continue to rest on the support of England, to which Portugal has looked for decades for guidance in her foreign policy.

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