Dear Secretary Hull:

There are indications that certain well meaning people in the United States, as well as in England and a small group in France, have become more active again recently in propagating the idea that the time has come to negotiate with Germany in order to give her relief in the form of credits and markets, with the idea that this is essential for the maintenance of peace and for the re-establishment of normal trade relations through the bringing of Germany out of her economic and financial isolation.

I have left no doubt as to my views on this subject, which I have taken the liberty of expressing from time to time during the last few years in my letters to former Under Secretary Phillips and more lately to you. In view of these increasing evidences that this question is becoming more actual through the pressure from various sources, I believe I should again take the liberty of presenting as briefly as possible certain basic considerations which I think we must keep in mind.

Hamilton Fish Armstrong, of the Council on Foreign Relations, in his recent little book "We or They", has put this issue very clearly and I think he has given the answer. It is a masterly presentation of the fundamental position.

The Honorable
Cordell Hull,
Secretary of State,
Washington, D. C.
which we and the world must face with respect to the
democracies and to totalitarian regimes. It is in
fact a question of the survival of one or the other.
Unfortunately his audience will be a small one as his
book can only be appreciated by those who have a wide
and deep knowledge of developments.

Dr. Buell, of the Foreign Policy Association,
in his recent pamphlet "Chaos or Reconstruction" has
performed a very real service by his masterly presentation
of the European developments as we have to face
them, and he has arrived on the whole at penetrating
and sound conclusions. He has, however, on page 32,
inferred that the time has arrived to negotiate with
Germany in order to bring her back into the world econ-
omy, and he assumes that the situation is such that
this can be done not only with safety, but with a hope
of success. It is indeed unfortunate that such a
memorable document as Dr. Buell's pamphlet should go so
far astray in this one respect, which is the kernel of
the whole problem, and I have taken the liberty in a
letter which I have written to Mr. Dunn on February 27,
to point out in detail, which I cannot go into in this
letter, the reasons why I believe Dr. Buell's assumption
is not sound.

One can appreciate why so many good, earnest,
and well meaning people in our and other countries be-
lieve the time has arrived for such negotiations. Even
more easy is it to appreciate the less unselfish motives
of those who see through such negotiations the opening
for temporary markets for certain surplus products which
we and others wish to dispose of. I remain, however,
definitely of the opinion that desirable as such negoti-
ations may be, they are still not feasible, still danger-
ous, and that a wise government must base its action on
the facts as we know them, and on the facts alone.
I think first of all we must recognize that there is a German internal and external program which the regime considers permanent and by no means temporary. This is fundamental, but the implications are too often ignored by these well meaning and by selfish interests. The present German Chancellor in everything that he has said has left no doubt about the permanent nature of the German internal and external program. Nor have the Party spokesmen. Those who believe that Hitler's attitude has changed should read carefully and in the original text, so far as any of his speeches are correctly reported, his remarks at the opening of the International Automobile Show (which is in no sense international) in Berlin a few days ago. "It is our highest duty", he said, "to make Germany independent of the imports of those goods which are necessary for the maintenance and for the further development of this production. It is not only the fuel of which I speak, but also the necessary metals and the necessary ores. The solution will come because it must come. A man who has succeeded in making out of himself, an unknown soldier of the World War, the leader of a great nation will also find it possible to solve these problems".

A few days later Mr. Ribbentrop returns from his post in London and makes a speech at the Leipzig Fair at which he pictures the German internal and financial program as a temporary one and one forced on Germany by the outside world. We have enough experience with the utterances which come from Germany in recent years to know what these double voices mean and which is the preponderant one. The Party remains in control of German internal and external policy and Mr. Hitler is the spokesman for that policy, and it must be read in what he and Party spokesmen say rather than in the declarations of Mr. Ribbentrop, Dr. Schacht, or the Foreign Office.

The fact that the German industrialists and financiers know that the whole German program is not sound and can only lead to eventual disaster does not affect the
situation, for theirs is not the controlling voice. The Party ideology controls, has not changed, and, as I have consistently pointed out, cannot change for it must be maintained as a whole or fall as a whole. We must therefore reckon with the German internal and external program of the regime as permanent as long as the Party is in power.

Another fundamental point which we must keep in mind in connection with negotiations with Germany is the end which the present Government wishes to achieve. This end is definitely the domination of Europe and the world. To achieve this end Germany is to be made independent so far as possible of the outside world, principally of overseas supplies. This is of primary importance for it must be borne in mind by anyone who knows the policy of National Socialism, that it is particularly our cotton, fats, grains, and metals and of other overseas supplies of which Germany wishes to make herself independent. Further, Germany wishes to acquire territory adjacent to her present frontiers for the purpose of assuring herself of necessary foodstuffs and raw materials found in these envied areas. This is the basic reason behind the urge for the acquisition of the Ukraine and control of Southeastern Europe.

The four years program which has for its major object the production of certain replace materials is a temporary feature of the German plans, for it is realized that these replace materials through the production of which temporarily Germany will be able to carry through her territorial acquisitions, must be produced at a cost from two to six times the price on the world markets. When the necessary source of certain raw materials have been brought within German frontiers, a part of this four years program can be abandoned. No one knows better than Mr. Hitler and the Party that colonies cannot bring them the raw material relief which they wish, and the colonial program is pushed forward only as a subterfuge and as a
means of gaining relief in other directions. This does not make the pressure for colonies any less real or disturbing.

To reach these ends the present Government of Germany has laid down a definite internal and external program concerning which there is no real concealment in spite of contradictory declarations, and we have to read the situation with which we are confronted in the facts. Internally Germany has controlled her finances by a system the effectiveness of which must be marvelled at and which would probably not be possible in any other country. The control of public and private finance is complete and goes into almost the smallest detail of the private financial transactions of individuals, as well as control of every financial transaction abroad. In order to maintain the internal system on this unsound basis it has been necessary to build this wall around Germany in which no breach can be permitted, for it would mean the crumbling of the whole structure. It is in complete control of industry, which includes the subsidizing of exports to overcome the high cost of internal production which is a necessary result of the maintenance of the wall around the country. Its subsidies, which in fact are further dumping on a wholesale scale to every part of the world, are a necessary and essential part to the maintenance of the internal system and cannot be done away with without breaking down the system. The program for replace materials was a necessary consequence of this financial control and the building of the wall around the country.

The increase in agricultural products has gone far, but it is already obvious that within the present frontiers Germany cannot make herself completely independent of the rest of the world for grains, fats, and certain oils. All of these elements of the internal program are essential parts of it and all must be maintained if the system is not to collapse. Any negotiations with us or with any other country would mean breaches in the wall around the country or changes in the internal
program. These changes the present Government in Ger-
many is not prepared to make for it knows that the con-
sequences will be disastrous for the whole program. This
is what makes negotiations impossible for us and others
because it would mean negotiating between two systems
which are utterly opposed to each other and all the con-
cessions would have to be made by the others and not by
Germany. The present Government is not disposed to make
any real concessions; it cannot make real concessions
for the entire system is at stake.

Externally the program is definitely one of spread-
ing National Socialist ideology, of using the German minor-
cities in other countries for the subversive and disturbing
movements, to promote the establishment of Fascist and
totalitarian regimes beyond the German frontiers, to expand
the German frontiers, and in all other directions to es-
ablish economic penetration and political control. This
external program is to be carried through on the principle
that force makes right and that force must be used when
and if peaceful penetration and negotiation does not suc-
cceed. As long as the present German Government holds to
this external political program negotiation with it is as
futile as it is dangerous. The present German Government
and its leaders have declared that treaties are only ef-
fective as long as they serve their ends. They have
carried this through in practice by denouncing openly
treaties and obligations which they themselves entered into.
In face of these declarations of policy concerning treaties
and arrangements with other states, confronted by the re-
peated denunciation of existing obligations, and having
to reckon in daily intercourse with the present Government
with poorly concealed violations or negations of other
obligations, there would seem to be overwhelming reason
why no wise Government having regard for its interests and
those of its people can enter into any agreements when the
primary condition of mutual good faith is utterly lacking.
That the program of the present German Government aims at the domination of Europe and eventually of the world, that the internal and external programs are permanent and not temporary, and that the whole is based on the policy of might makes right and a complete disregard of the rights of other states and peoples and a cynical attitude towards international agreements, are statements, categorical and broad as they may be, which are fundamental and which must be recognized when the question of negotiation with the present government of Germany may be seriously considered.

I have made these statements in this bald form for the record of the facts is clear and it would be impossible and altogether not feasible within the compass of this letter to endeavor to adduce the substantiating facts. These facts, I think, are so clear that it is no longer necessary to repeat any of them. Chancellor Hitler's speech at Hamburg which so closely followed his much heralded January 30 speech of this year, in which he tried to reassure the world concerning German policy, reiterated in detail his adherence and that of the Party to every important item of the internal and external program. His speech at the Automobile Show in Berlin a few days ago to which I have already referred, is even more specific in its maintenance of this program.

Those who hope through negotiation with Germany to gain anything for our interests should realize what has happened to the General Motors interests in the Opel factory at Russelheim and Brandenburg, to the factory of the International Cash Register Company at Berlin, and to our many other interests in Germany. Our oil companies first built the most splendid distributing facilities for fuel in Germany to be found in any country in Europe out of their profits, which they could not transfer. Then they were forced to build ships to saturation in German shipyards, not out
of profits, but for the actual cost of the oil which they
supplied to the country. Now, to continue operations
they are obliged to build refineries for the Germans in
their endeavor to maintain their market. What American
capital there was in Germany which had not been repatriated
at a loss from anywhere from 40% to 60%, is immobilized.
And our long term and short term investments in Germany,
as well as the capital invested in good faith in industry
under previous governments, are now all working solely for
Germany and for that internal and external program - because
of the wall which has been built around the country and which
prevents any profits from leaving it, or the repatriation of
capital itself. Such control of our capital investment in
industry and in long and short term investments in Germany
is one of the most extraordinary examples of the intervention
of a state in the rights accorded by treaty and international
practice that we have yet seen. The present German state
has practically seized and made to work for it in this dan-
gerous internal and external program this foreign capital
investment, of which ours is the most important.

As I have taken the opportunity to state in recent
letters, I consider that the present year is the crucial one
and that it will be the decisive one in determining whether
there is to be peace or war. The determining factor in
the question as to whether there is to be peace or war is
Germany, and in Germany the determining factor is whether
this government will remain or disappear. If this govern-
ment remains and can find the means of maintaining itself,
war is inevitable because it is only by war - and this it
openly recognizes - that it will be able fully to realise
its aims. War and force it recognizes as the only real ef-
fective instruments of policy. The position of the regime
within Germany is such that if it does not get relief in
the form of credits and markets its life is limited. No one
can tell how long it can live without these credits and
markets, but we know now that it cannot live much longer
without them. Recognizing this, the regime is assuming
a more moderate and restrained attitude externally in the hope of reassuring England and the United States, and of getting that relief which it needs to maintain itself and which can only come from those quarters. This is why the current year will be marked by continuous and determined efforts on the part of Germany to negotiate, the main objects being credits and markets, without changing in any way internal and external objectives of the government to which reference has been made.

These efforts it will be difficult to completely ignore because there are those who in spite of the facts, which they ignore or misread and because of this deep desire for peace, believe that negotiation is possible. We shall probably have to reckon at home, as it will be necessary to reckon in England and in France, with those financial interests whose only object is profit which credit extension will mean. We shall have to reckon in our own country with those who see an immediate market for certain agricultural products and metals of which we have a surplus. All this is understandable, but these interests must realise that any advantage which we would get out of negotiating with Germany would be of the most temporary character. The policy of the present German Government is to make itself independent of our cotton, fats, oil, etc., and we have to realise that by any negotiations which make supplies possible now, we may only be enabling the present German Government to maintain itself and to make itself eventually completely independent of those overseas markets. The hope for normal trade with Germany rests entirely in not negotiating now, but in the return to power in Germany of a government which abandons this internal and external policy. I know how difficult it is to make people understand where the long range interests lie, but a wise Government has to consider not the situation of today, but that of tomorrow, and it is the primary duty of a government to conserve the long range interests of its people.
In my opinion, therefore, negotiation with Germany by us is only possible when there is a government in Berlin which is genuinely disposed to enter into the usual relations with states and this is only possible when there is a government in Berlin which will have an internal policy at least somewhat similar to that of other states and with a political program which does not so definitely threaten the peace of the world. Any negotiation now could only tend towards prolonging, if not perhaps establishing, this present regime the internal and external policy of which so definitely threaten the peace of the world and our own democratic institutions.

If there are those who, in spite of the facts which I have briefly tried to point out, nourish illusions as to the possibility of making durable arrangements with the present government in Germany or arrangements which may offer even temporary advantages, it would be well to keep in mind the specific example of Austro-German relations which I have had the opportunity of following in Berlin and Vienna during the last seven years. These are two German states speaking the same language and which formerly had very similar cultures. There was every reason for the closest political and economic relations between them and in some ways their economies complemented each other. Since the beginning of 1933 the political, social, financial, and economic policies effective in Germany have been such that these two German states are drawing farther apart.

Austria has maintained, in spite of all the pressure from her greater neighbor, her own political, social, financial, and economic traditions and is determined to continue the struggle to do so. Here therefore are two political, social, and economic systems in two neighboring states speaking the same language, which are utterly opposite to each other. Although on July 11, 1936, an accord was reached between Berlin and Vienna to normalize political relations between the two states in the hope that also out
of this more close economic relations could be established, over six months of painful negotiation for a trade agreement which followed the political agreement, resulted in January 1937, in a trade agreement which is sterile and futile and which was entered into merely to maintain the mask which it was not deemed wise to lift.

The way in which Germany interpreted better trade relations with Austria was that Austria should take armaments material, German films which are largely propagandistic, and manufactured goods at dumping prices which would have interfered with Austrian industry. Germany was prepared to take certain agricultural products from Austria which she very much needed, but for which she only wished to pay in the above form, which was undesirable. The net result of meeting the German desires in these negotiations would have been to finance the German imports from Austria at the expense of the Austrian treasury and of Austrian industry. The negotiations were so sterile and futile because it was obvious that Germany had no intention of paying for the imports from Austria in the usual way, or was not able to do so. I need not refer in this connection to the unfavorable way in which the German trade relations with the other states of Southeastern Europe have been developing, where the political pressure which followed the economic penetration was so obvious and where the only result of the increased exports to Germany was the taking of goods which they did not want, or the building of debit balances by Germany which they realized she could not and would not pay.

The German economic pressure on Austria was accompanied by similar pressure to have her adopt the German ideology with respect to communism, the Jews, and the Church, all of which movements are not acceptable to the great majority of the Austrian people. The recent visit of von Neurath, the German Foreign Minister, here has shown definitely how incompatible the political and social, as well as the economic systems of the two German states are. If two adjacent
German states whose economies in so many ways should be supplementary, are not able to arrive at satisfactory agreements with each other for the improvement of their trade after six months of almost continuous negotiation and with one state having a population of at least eleven times that of the other, it should, I believe, serve as an indication of the unsurmountable difficulties which would arise in our negotiations with the present government in Germany, as we would be even less disposed to meet, or less influenced by, the pressure of a country of half the population of ours.

I do not wish to assume a negative attitude in connection with this matter of negotiations with Germany, and you are familiar with my opinion that when the time arrives that negotiations can be carried on there are many things which we must do and should do without delay in order that there may be again a contented and prosperous and sound, and even a strong Germany in Europe, for this I believe is necessary to European peace. I believe, however, if peace and a sound Germany are what we look forward to in Europe, the time to negotiate has not yet arrived and that to negotiate now would not only be futile, but dangerous and destructive to the best interests of the United States and of Germany.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith.