Recent rumors appearing in the foreign press alleging a changed attitude on the part of Germany towards the Soviets with a view to economic rapprochement on a political basis, have given rise to extended but uninformative discussions in diplomatic and other circles here and have also called forth heated denials in the editorial columns of the German press which, however, need not be taken as necessarily disproving a thesis already considered by the Embassy.

The logical bases for the assumption of a possible German desire for rapprochement with the Soviet Union have been pointed out by the Embassy, beginning with despatch No. 3052 dated September 21, 1936, at a moment, just after the 1936 Party Rally at Nuremberg, when the ostensible German attitude towards the Soviets was quite the opposite. This despatch was followed by a restatement of such a possibility in the framework of a general review of Nazi foreign policy in despatch No. 3165 of November 28, 1936, and later in greater detail in despatch No. 3296 of February 6, 1937.

More recent developments have broadened the bases for such an hypothesis by possibly revealing to Germany an error in political tactics of having selected as her closest friends Poland and Italy, who, as a keen German observer remarked privately to a member of the Embassy, are "post-war Germany's greatest natural enemies", a view which he obviously could not express publicly at this time.

Thus, while there are no new developments in direct German-Soviet relations bearing out the rapprochement idea, the tendencies and trends of thought on the subject have confirmed the Embassy in its belief in such a potentiality. Further thought on the subject may be advanced in the consideration of such aspects as Germany's domestic problems, her relations with Italy, Poland and Locarno matters, as well as the attitude of the Soviets in this connection.

The German need for raw materials in general, which was seen to have been the most immediate motive for closer relations with the Soviets, has become even more urgent of late in view of the rising prices throughout the world and Germany's consequent greater need for foreign exchange, which term is now practically synonymous with raw materials in this country. A single indication of what Russia could mean to Germany in this connection, even in the face of modern restrictions on world trade, is given by the figures on Soviet shipments of gold to Germany since 1933. In that year the total value of such shipments was 302 million marks, in the following year it was 227 millions, while in 1935 it was only 17 millions and
in 1936 nothing whatsoever. Such considerations are
ever present in the minds of German industrialists,
perhaps are even more importantly included in the
plans of the army and cannot be wholly excluded by
the most rabid Party leader. The connotations for
the German army of close relations with Russia in a
period of rearmament and especially in the waging of
war, are obvious. It is a matter of common knowledge
that the German General Staff cannot now be induced to
consider a war unless assured of the availability of
at least one of the three important raw material bases
- the British Empire, the United States, or Russia.
England's obvious resignation in the way of arriving
at a common basis for peace and security negotiations
with Germany, attributable at least in part to the
patent blunders of Joachim von Ribbentrop and evi-
denced in the Baldwin government's stupendous rearm-
ament program, together with many other broad considera-
tions, would seem to exclude the first possibility.
Aside from geographic difficulties and estrangement
due to the fundamental and mutual lack of comprehen­sion
arising from dissimilar political systems, the American
attitude as evidenced in the Pittman "cash and carry"
Bill, is regarded in official German circles as, in
turn, excluding the United States. By a logical
process of elimination, therefore, Russia becomes all
the more necessary to German plans. All of these
considerations might be expected to contribute to the
overcoming of a fundamental and sentimental antagonism
towards the Soviets which, springing from the seed
planted by Hitler in Nazi soil, probably bears its
largest fruit amongst a certain group of his lieute-
nants. It may well be argued that Hitler's personal
anti-Soviet attitude is largely a matter of tactics
in both domestic and foreign politics.
It has already been noted recently that he is now
emphasizing a distinction between the Soviet Govern-
ment and the Russian people (see despatch No. 3296
dated February 8, 1937), and it may be recalled that
aside from the fact that MEIN KAMPF looks towards
the East (see despatch No. 3165 dated November 28,
1936), the Chancellor, even after his accession to
power ratified on May 5, 1933, the prolongation of the
German-Soviet Treaty of Berlin of April 24, 1926,
together with the Conciliation Agreement of 1929,
after the protocols had been signed but not ratified
two years previously. He justified this measure in
his Reichstag speech of May 17, 1933, with statements
to the effect that so long as communism stayed in
Russia it was no hindrance to treaty relations. It
has been said that Hitler never forgets.

Straws indicating the way the wind may be blow-
ing are the persistent rumors in certain well-informed
circles that the German army has secretly and cautious-
ly resumed some of its old connections with the Red Army - Voroshilov is thought to be on good terms with certain of the German high command on an "alte Kaempfer" (old fighter) basis - and the "open secret", whether true or not, that Hess and his adjutants were in touch with Trotsky during his sojourn in Norway, with the object of making a survey of the possibilities of a change in the Stalin Government. The utter absurdity of such a relationship - Trotsky being the outstanding protagonist of the Comintern - lends color and credence to a political incident which, even if not true, is a vivid indication of the depths to which European politics have sunk at present.

As indicated above, Germany has found that the wine of Italian friendship is not mellowing with age. Those in a position to know assert that Hitler has regretting the Spanish commitments accepted under Italian persuasion (see despatch No. 3165 of November 28, 1936), that Neurath's lack of success during his last visit to Vienna (see despatch No. 3329 dated March 1, 1937) is being traced to Italy, and that Italy's still more recent pact with Yugoslavia is considered as furthering Italy's Danubian interests at the expense of those of Germany, contrary to the arrangement understood to have been arrived at between Berlin and Rome. Thus, suspicion of historic "Italian treachery" is dawning here.

As for the other bilateral friendship of which Germany boasts, that with Poland, here also the course of true love is not running smoothly. It is feared here with alleged good cause that the severe measures already adopted by Poland against her German minorities are to be aggravated on the termination of the Geneva minorities Convention this coming June. Furthermore, Poland's intransigent attitude in the Danzig question, together with the perenially open Corridor wound, contributes to the thought in official German circles that Poland is being wooed in vain and that different tactics must be adopted.

With the prospective cooling of her only two present "friendships" Germany, despite her alleged disinclination towards alliances, may be presumed to be seeking a suitable ally, and Russia looms up in this connection as a potentiality combining both economic and political advantages which would include a blow to French prestige and the removal of Germany's only stated objection to a discussion of a new Locarno.

The main obstacle for Germany to such a rapprochement at the moment is the activity of the Comintern. Having vehemently committed herself to combat international communism and with a sincere fear of its possible
possible recrudescence in this country - a fear shared by many Germans outside as well as inside the Party - the otherwise seeming desire to approach the Soviets is contingent on a change of spirit in the Soviet attitude towards internationalism.

Considering this aspect of the question, it is pertinent to note that in frequent conversations with a high official of the Foreign Office he has seemed obsessed with what he termed as a duel in Russia between Stalin, representing generally a return to normal Russian nationalism, and the Comintern, reflecting radical world-revolutionary sentiments and purposes, and such conversations have regularly terminated with the statement or implication that Stalin's ultimate victory might well result in a momentous change in Russo-German relations. A material indication of such a change may be seen in the recent verdict against Trotsky's adherents in Moscow.

Under present conditions, Germany's fear of the Comintern is complemented by a corresponding Russian fear of Germany, and with the ever-present menace of a Russo-Japanese conflict, the Russian high command must have similar reasonings for favoring more friendly connections with Germany. In such an argument it must be taken for granted that the common interest implied in the recent German-Japanese anti-Comintern agreement signifies but little more to Germany than a means to an end.

Some significance may also attach to the fact that the present Soviet Ambassador Suritz, whose tenure of office in Berlin was coextensive with the period of extreme German anti-Soviet propaganda, is to leave shortly. It has been learned that he is to be transferred to Paris and is to be replaced by the present Soviet Ambassador in Tokio. Concurrently it has been generally noticeable that during the past few weeks there has been a certain relaxation in the German press campaign against the Soviets.

In conclusion, it bears repetition that the thesis of Russo-German rapprochement as stated above is borne out more by logical considerations than by tangible developments in the political field. As the discussion of this matter, however, has become more general it is felt that a broad presentation of the newer aspects of the subject for the Department's information seems appropriate at the moment.

Berlin,
April 15, 1937.