This talk followed four earlier meetings recorded in Documents Nos. 1, 2, 3, and 4. Since the last meeting with my representative (see Document No. 4) X. had been in the Balkan States. His general conclusions were:

**THE BALKANS**

1. The Balkans represent a totally different world from Western Europe. Any attempt to impose on these States the political systems of the Western World would, in X's view, prove disastrous. In this respect he felt Mr. Chamberlain may have shown wisdom in his implied acquiescence with Hitler's desire to expand eastwards (through not expressing forceful opposition to it) if he had in mind that Hitler might thus "burn his fingers".

X said that his visit had convinced him that Bismarck was right when he proclaimed that Germany had to turn her eyes away from the Balkan States.

2. In X's view, Western Europe should limit its interest in this field to the sphere of economic assistance and development. From an economic standpoint he felt that Bulgaria was in the strongest position with more than 80% of her population engaged in agriculture. The technique of modern industrialization had in this country been limited to the erection of factories in small groups to deal with the products of the soil, and to expand the markets for these products. A large canning industry, on this principle,
had been successfully established. In Roumania, especially, he felt that modern industrialisation was taking place too rapidly, because such a high percentage of the inhabitants are still illiterate. There was great danger that the economic structure would become unbalanced, and that much of the capital provided for these new ventures would be lost. He cited the case of a modern factory equipped to manufacture steel tubes for oil pipe lines. The maximum capacity of this factory was four times the possible consumption in Roumania, and he failed to see, therefore, how this undertaking could be a financial success.

3. Germany has made arrangements with these countries to buy wheat in some cases at from two to three times world prices. Dr. Schacht was responsible for this plan, which meant that Germany had to supply in the form of machinery and manufactured goods, greatly enhanced quantities (necessitating a greatly enhanced expenditure of labour) to purchase this prime essential of living. Such a plan must reflect itself in a depression of the standard of life of German workers.

4. Roumania and Yugoslavia were favourably inclined to England; the latter country almost pro-English.

ITALY

1. X. felt that in the economic field Mussolini had done some crazy things. He cited the case of the development of the Pontine Marshes. The farms and townships had been planned as economic units. The result was that fine hotels, Post Offices, and the like, had been erected on an economic foundation which was not strong enough to carry them. In one magnificent hotel he visited, with many rooms and all modern conveniences, there were
practically no guests. In a portentous Post Office he found that the clerk handling his letters could not read!!

2. X. is completely satisfied that the Italian people do not want war.
All the raving of Signor Gayda in his controlled press is simply the "wide open mouth" belching forth "flame and thunder" for which there is no support whatever in the hearts of the Italian people. X. said that Mussolini is becoming an old man, and all this ferment is the work of a group of young radicals who are "out of tune" with the Italian masses.

3. X. feels that Mussolini is the worst of the culprits in Spain. He does not think that anything which Great Britain may do will induce him to release his grip on that country. X. referred to the Italian Army as being well adapted for a stage performance of "Lohengrin" - but little more. On the other hand, Mussolini has a well equipped and efficient Air Force.

4. X. felt the time has arrived when we should take a very firm attitude with Italy, especially after the outburst regarding Corsica and Tunisia (predicted by X. on Nov. 6th, see Document No. 4), which followed so quickly the signing of the Italian Fact guaranteeing the status-quo of the Mediterranean. He suggested that we should recall our Ambassador as a protest to this breaking of the spirit of our agreement with them. If this were done, X. said, we might be surprised at how quickly the whole Italian "pack of cards" would collapse.

5. Firm action with Mussolini at this juncture would also prove a severe jolt for Hitler. It would pave the way for that firm British policy in dealing with Hitler-regime which X. has consistently advocated. Unless British policy is quickly orientated in this direction; unless there is full recognition in high quarters that
the Nazi regime is composed of gangsters; unless it is fully comprehended that after the success of Munich these gangsters are determined to behave as "beasts" - then terrible happenings will have to be faced by us all.

6. I showed X. an article written by Vernon Bartlett in the "News Chronicle" of December 3rd, in which it was suggested that the projected visit of Mr. Chamberlain and Lord Halifax early in the New Year might not take place. X. felt that in any event such a visit was most inopportune. Whether we liked or not, any such gesture of goodwill on our part was misinterpreted as a sign of weakness by both Dictators. It only served to goad them to more terrible action. Witness the result of Munich:-

(a) The almost contemptuous way in which England is now looked upon by people in Switzerland, Holland, and Belgium.

(b) The great change in the attitude of mind towards England of those in high places in Germany. As one of the leading business magnates on the Continent said to me in Brussels on Saturday evening, Dec. 3rd:- "You know, Germany always feared Great Britain. Now after Munich, that fear no longer exists."

GERMANY

1. X. repeated many of the things he said to me during previous talks, but with even stronger conviction:-

(a) Himmler is the real master of Germany. Ribbentrop is powerful because of his alignment with Himmler.

(b) We must recognise that we are dealing with gangsters of the most depraved type. These men have become outlaws of society. We must adopt our techniques of dealing with them to this cardinal fact and be firm, and unmistakably firm.
(c) Germany is controlled by 100,000 of its worst elements, men who recognise no moral or human law. He was convinced that apart from these men, all others in Germany were heartily ashamed of the program against the Jews on November 10th.

(d) The persecution of the Jews will continue with even greater ferocity. The persecution of the Christians will be intensified and then will follow an onslaught on Capital. Hitlerism desires the ultimate destruction of:

Jews - Christianity - Capitalism.

(e) Hitler is beyond redemption. Mussolini is cast in a different mould. He could, in X's view, be won over to the side of reason, but only if we are terrible firm in our dealings with him now.

2. X. mentioned an interesting fact to me. On June 29th, 1935, a meeting was held at his request between Hitler, Dr. Schacht, and himself. It lasted for two hours. There was disagreement between Dr. Schacht and himself because he (X) sought to establish the fact that the economic course Germany was then pursuing under Hitlerism would lead to financial catastrophe. Hitler at the end of the conference said, rather cleverly, X. commented:

"I am unable to resolve your disagreement because I do not know enough about the subject."

X. said that if Dr. Schacht at that meeting had taken a strong stand and supported X. the economic course of Germany during the past three years might have been different. X. felt that Dr. Schacht had to carry grave responsibility for the present financial plight of Germany.

3. X. had stressed during previous talks that any who believe that
Hitler is standing as a bulwark against Bolshevism are making a grave error. Hitlerism is rapidly moving towards the destruction of Capitalism. He said the condition has now been reached in Industry where a high executive can only be appointed by an individual organisation after approval has been given by the Party. This means that Nazis who support Hitler and his methods are gradually taking over the key positions in Industry.

4. I questioned X. about a statement appearing in Document No. 4 in which he is recorded as having said that Hitler has designs on Belgium, Holland, and Switzerland. He said this was based on what he had been told by "a man who is in daily contact with Hitler". The first objective will be Switzerland, in X's view, and on the principle that a Dictator only thrives by "having a new kill for breakfast every morning", X. feels that the danger ahead of Belgium and Holland is very real.

5. X. said that his position with the Generals had been made more difficult since Munich for the reasons made clear during our talk on October 15th. He then explained that these men have little political sense, and are trained to view the problem of peace and war in terms of men and mechanisms. X. said it was fortunate, from his standpoint, that the recent changes in the High Command had substituted for his old friends men drawn from a group who still had friendly relations with him. This was a factor of considerable importance in relation to the efforts he hoped to make in the immediate future to win these men to a policy of reason based on what he had consistently advocated.

6. X. felt that if the world is to be saved from catastrophe the Hitler issue must be determined "within the next six months" - that is, by the end of May 1939 at the latest.