Memorandum.

In analyzing the situation in my territory I have to distinguish between the Mediterranean, the South Eastern European and Eastern European situations.

The Mediterranean situation has most decidedly turned in favor of Great Britain and France. The great chance of Italy was to strike while Italian troops were in Spain and before Turkey did sign up with England. As you know from my previous memoranda, I was absolutely certain about Turkey and the Balkan Entente in February. You remember my conf. report and my talks with the important Turkish and Greek personages. It came exactly as I foretold it. Yugoslavia, of course, is hesitant. She is too frightened, because she was completely encircled by the axis. But while under Stoyadinovitch Yugoslavia was simply an agent of the axis, I told you in my memorandum after the Balkan Entente conference in Bucharest that the confidential informer who was in Metaxas's entourage told me that "Metaxas was happy because this time Yugoslavia did not come with pleas which were obviously baits of the axis." He thought that this was already an important change. Now secret conversations are going on for measures to protect Yugoslavia should she be invaded by the axis. If Bulgaria would dare to invade her, next day Turkey would occupy Bulgaria, which she still can do in face of the at present bad state of armaments of Bulgaria. There is, however, much endeavor also in Britain to secure somehow Yugoslavia's cooperation in the peace front.

But at least Turkey, Greece and Rumania are certain. Now conversations between Egypt and Turkey had gone pretty far and I would not be surprised that in case of an Italian invasion of Egypt Italy would suddenly find Turkish troops fighting against her. And the Turkish troops of today are not the Turkish troops of the Tripolitanian war of 1911;

In the Western Mediterranean now we can safely assume that Franco and his generals do not want war-- they want to keep their country neutral. When I came from Spain, I thought that benevolent neutrality (the information which I got from Franco's brother in Lisbon) meant letting Majorca and some ports to the Italians. But now General Aranda definitely stated that they would mobilize the army against all invaders. Many people believe that the days of Franco are numbered. But this stuff comes from the Falangist camp, and I still believe that the real master is the army in Spain. The Falanges are used by Franco as the "scavengers"-- they have to do the dirty work of reprisals which is being brutally carried out-- but like Stahremberg's Heimwehr, they will be disposed of by the army as soon as they "did their duty." The army cannot dirty its hands with reprisals.

Nevertheless, one must not entirely minimize the influence of the Falanges. We know that Serrano Suner already previously succeeded to force Franco to sign the anti-Comintern Pact-- a move which the army disliked.

The fact that Franco took the pain to dispell British suspicion about the alleged remarks of Suner when he passed by
Gibraltar, is characteristic and significant. Also that Franco was willing to receive Sir Edmond Ironside, the former C-o-C in Gibraltar, can be taken as a sign that Spain wants to be on good terms with England.

My only fear is the Tangiers situation which I have explained in a former memorandum, because Tangiers may be used by the Italians as a jumping board to make Spain once more angry with France. As you noticed the Italian fleet is going to call in Tangiers very shortly—an ominous move!

What will be the next German move? Though they keep their irons hot in the Danzig and Polish business, I doubt that they will make any untoward move in that direction immediately. I rather believe that the German line of expansion in the immediate future will be towards Slovakia and Hungary.

The news from those two places are discouraging. Slovakia is in a state of complete anarchy. The Slovak cannot govern, and now they feel the absence of the systematic though somewhat clumsy Czech. There is no administration, and the German bullying is terrible.

Germany must occupy Slovakia before moving against Poland, because this would help Poland's encirclement. Moreover the erection of German aerodromes in Eastern Slovakia will be necessary to get the possibility to bomb the nearby Polish industrial districts.

In Hungary the situation is terrible. The savant Premier, Count Paul Teleki, is just a puppet. The real power behind him is Imredy who despite his 35 percent Jewish blood still is the chief Nazi. Hungary, for all practical purposes, is a Nazi colony, despite that the Arrow Cross people are being persecuted. But if one reads the Hungarian papers, one gets the impression that there are only two strong countries, namely Germany and Italy, that the United States are a corrupt and decadent country run by Jews, freemasons and gangsters, that Britain is weak and is unable to fight, and that Germany is bound to win in the coming struggle.

And yet Germany is contemplating the bloodless conquest of Hungary. If the government supresses the Arrow Cross, the Germans know that their men are in the highest position. What is the use that Teleki is not a Nazi or that the Mayor of Budapest, Szendy, is not a Nazi? All high government officials and all municipal employees are Nazis. The Arrow Cross followers are arrested, it is true. But, just like the Nazis in Austria, they have their accomplices in high places, and one Nazi after another escapes from his prison. And up to now 30,000 Arrow Cross followers found their way to Germany where a Hungarian Nazi legion is being formed. Thus with the help of their friends at home and with this legion Hungary will be made Arrow Cross one day...