Habana, Cuba, July 2, 1940.

Confidential.

Dear Sumner:

I am very glad indeed to have your letter of June 24 commenting on my despatch No. 369 of June 3 in which I took the liberty of making some observations with respect to some of the policy decisions facing us on problems of defence, et cetera. I appreciate particularly your saying that this comment will be helpful and that you have found the time to write me so helpfully and so constructively with respect to some of the observations which I have made.

With respect to paragraph four of the above mentioned despatch in which I suggest that we should consider what we can do to retard the effective use which Germany can make of the productive capacity of those parts of Europe which may directly or indirectly be under her control, you say that you would be very glad to have me indicate a bit more precisely what I have in mind, particularly as to possible methods short of war which may be considered. I shall try to give you some of my thoughts as concisely as possible in this respect.

In view of the rapidity with which Germany has extended her control over smaller and larger States of Europe the degree of destruction of property and production means has not been as great as might have been expected as a result of such war-like action by the German Government so definitely threatening the sovereignty and separate existence of these States. Naturally only inadequate information is available to me.

The Honorable
Sumner Welles,
Undersecretary of State,
Washington.
me here and you in the Department have much broader and more accurate data at your command than I do. It would appear, however, that the military resistance in the smaller States such as Denmark, Norway, Holland and Belgium was not as effective as that which those States could have offered. Almost incredibly this also applies to France. In Sweden military operations were not necessary for it seems that through the operations of Axel Wennergren and Count von Rosen the Swedish Government was sold out and must be considered to all intents and purposes as much a part of the German industrial production machine as the occupied territories. Switzerland, in view of the occupation of France, and in spite of her real defensive power and will to defend herself, is absolutely helpless because she is cut off through Italy and France from any communication with the outside world to feed herself. To all intents and purposes Switzerland as well as Sweden will be for the time being completely under the control of Germany. In the case of Switzerland and Sweden the production machinery which in both countries is modern and effective and covers a wide scope of industries, is in tact.

In Denmark, Norway and more particularly in Holland, Belgium and France it seems that military defeat was considered so inevitable that no endeavor was made to destroy those plants which could be most helpful to Germany and her war plans under German occupation of these countries. From the purely military point of view we have to reckon that Germany has now not only the enormous Skoda works in former Czechoslovakia but the tremendously important iron and steel industry and arms factories around Luxembourg, Liege and southern Belgium. From all I can learn the Schneider-Creusot and other industrial plants producing military equipment as well as the arsenals of France are practically in tact and no effort was made by the Dutch, Belgians or French to destroy these. What has happened to the French navy and to the naval vessels of Norway, Belgium and Holland I do not know but so far as I do know a good part of these vessels are under German control with the arsenals and production machinery of these countries in tact. Therewould seem to be no difficulty in Germany assuring at least a fair supply of material for these vessels in order to make them effective units for offensive or defensive purposes.

Not
Not only does the will to resist seem to have been not what we could reasonably expect it to be, but there seems to have been something deeper and more dangerous which is a psychological factor which we shall have to keep in mind in considering what use Germany can make of this production machinery. I myself have always had doubts concerning the real patriotism of certain industrialists in these countries. We know some of the things which happened in the last war and which one did not speak of except most intimately. These things which we thought could never happen again have happened on a more tremendous scale even in the present struggle. It seems quite obvious that not only industrialists but even Governments were more interested in keeping industries intact than they were in preserving the future liberties of the peoples of their respective countries. It seems that while the fighting was still going on Governments and industrialists were thinking of how they could buy certain immunities for themselves and conserve personal interests and position. That these psychological factors are present we shall have to reckon with in the problem which lies before us in our own country and in this Hemisphere.

Parenthetically, and yet it is of importance, I think I should say that already in 1933 important persons in the present German Government said to me that they would succeed in getting control of Europe without firing a shot. When I asked them how they would accomplish this they said "with money and with promises". When I remarked that one could do a great deal with money and a good deal, if less, with promises, I doubted whether they would be able to carry through their ends in this way. The cynical reply which I got was that just as the present German Government was willing to exploit everyone of the baser instincts of the German people so it would exploit the discords and all the baser instincts of peoples in other countries. My confidence in human nature was so great that I felt they were making a miscalculation in this respect. Events seem to have proved that they were right. The basest instincts of human nature which we used to try to hide are now not only being openly flaunted but glorified and even in the subjugated countries are openly accepted.

I saw this work out in Austria when they promised Seyss-Inquart that he would be the head of the new Austrian
Austrian Government and, because he was a good Catholic, that they would not interfere with the Catholic Church in Austria. They gave him the place which they had promised and are using him today, for he is an intelligent and unprincipled person, but the promise with respect to the Church they did not keep. We have seen the same thing at work in every country of Europe which is now under the German heel. I saw it develop and saw one by one these individuals in various countries coming into the hands of Germany. The treason of Laval does not date to the fall of Paris but to years back and I had my doubts, which I voiced to the Department, for some years concerning Flandin. I will not go into details with regard to these individuals in different countries but, through the use of money and promises and by appealing to the worst instincts of human nature, Germany has been able to extend her control to most of Continental Europe, and in the subjugated countries there are puppet Governments, or shortly will be, which will be made up of people just as unprincipled and having just as little regard for private right or for their countries as those forming the present regime in Germany.

This to me is the worst feature and the most difficult feature of the problem so far as the use of Europe's production machinery is concerned by Germany. These puppet Governments made up of these opportunists who are interested in conserving as much of their private fortune or of their public position as may be possible will be servile instruments of Berlin. The military occupation which under ordinary circumstances would be difficult if we could expect the proper reaction from Governments, even puppet Governments, will not be nearly so difficult as we conceived it to be. As a matter of fact, the indications are that these puppet Governments even in France will be quite prepared on their own to cooperate with the German machine. Whatever may be the feeling of the great mass of the people in the subjugated countries it will be no more effective than was the will of the German people up to the beginning of this war. We know what these Governments can do with disarmed populations.

I have gone into this rather long preamble because it is my conviction that we shall have to count on Germany being able to use the production machinery of Continental
Continental Europe which is to so large an extent in spite of the military operations intact. This confronts us with an enormous problem. It is of primary concern to us to explore what we can do in order to hamper Germany in using this production machinery so as to keep its effectiveness at the lowest possible level.

Germany and these occupied States will need foreign trade and certain primary resources just as much as we. The position of Europe financially will be far worse than ours. Without exports, a German-dominated Europe will find itself almost in an impossible position to pay for certain things which it will need to keep this production machinery going. Just as Germany has been able to maintain a monetary situation within her own limits over so considerable a period of time she may be able to maintain such a system over all of Europe through extending the walls to the new frontiers of the occupied areas. Effectively as this system might work within the walls it did not work beyond the walls and there the only recourse was barter and clearing agreements which in the end everyone of the States which entered into them found disastrous. They found that bartering and clearing agreements were the instrument of economic penetration which opened the way for political domination.

It seems to me therefore that the initiative which we have taken in endeavoring to work out a system through which the American States will act as an economic unit is an indispensable factor in our defence system. As you all in the Department and in our Government know so much more about this and what we are planning than I do, I will not go into any details with respect to the plan which we are formulating. I only wish to say that it is my conviction growing out of observation and experience, that unless we build such a wall around the Western Hemisphere as Germany will build around the Europe which she will control, our principal measure of defence will be gone for this economic army of defence is even more important than military measures in the long run. Germany is planning to use exactly the same measures with the South American States and with us that she has used in Europe. She wants to deal with the weaker American States and eventually with us singly and we know what that means. It means economic dependence
dependence which is almost invariably followed by political control. Any scheme therefore which we are working out for economic defence in the Western Hemisphere must involve unbreakable unity among the American States. There are those in industry and in political life in the American States, and I believe in our own country also, who are quite prepared to let the same baser instincts have full play which have been so successfully used in Europe. In the great majority of the American States I am confident that we will get full understanding and cooperation. In those States in which we do not get it the rest of the States must see that we do get it. In other words, I venture the rather startling thought that if we cannot get complete Continental unity through spontaneous action by everyone of the American States, the rest of the American Republics in their own defence must see that these Governments in the vacillating American States stick unalterably to inter-American community of action. I know this is not a pleasant thought but if inter-American unity is going to depend on blackmail by individual States or statesmen on other American States then we shall not have inter-American unity. We shall have to see that there is community of action and where there is any doubt as to the attitude of a Government pressures must be used to see that there is no weakling in the chain.

As I took the liberty of saying in my despatch No. 369, in so many of the American States the attitude of the country is determined by a very small group and this small group may conceivably take attitudes altogether out of accord with the will of the people. It is my own impression and I think the facts will bear it out, that in everyone of the American Republics the great mass of the people, the overwhelming majority, are for the most complete inter-American action. Governments, however, in some of these States for selfish purposes may easily direct their policies in another direction, completely opposed to the will of the people and to the policy of the majority of the American States. For this reason I believe that wherever we see indications of a tendency on the part of a Government to sell out its own country and the Americas we have got to see that such Government does not live. This involves stronger and more definite action than we and the other American States have taken in inter-American relationships but it is I believe essential that we recognize that we may have to take a much firmer attitude in certain matters than we have in the past. In fact, without it I think we are lost for to me there is
no doubt that the other American Republics form our second line of defence, with the first line being already practically gone in the Democratic States in Europe.

The financial sacrifices which we shall have to make in the United States in order to get this inter-American attitude of complete unity will be real, but the price in my opinion will be worth paying. By this I do not mean to say that we shall submit to blackmail on the part of individual Governments for loans, et cetera. If we start on that path we are lost from the outset. My understanding is that we are planning the setting up of a huge corporation which will be able to absorb surpluses of the American States which it may not be deemed advisable to export or which cannot be exported outside of this Hemisphere, and that this corporation shall be the unit with which all arrangements for import and export with the outside world will have to be made. This to my mind is the only solution of the problem. It will prevent a Europe controlled by Germany dealing individually with the American States, but with just as strong a bargaining unit on the one side as on the other. Through the setting up of such a unit we will have the most effective means of hampering productive power by Germany in the occupied countries as well as in Germany. This is why the corporation or cartel is indispensable in our defence system and in my opinion all of the huge expenditures for armaments will in the long run be worthless if we do not have the effective economic defence which is called for.

As I envisage the situation which we have to face, we have to look forward to a cessation of actual hostilities in Europe and to a sort of armed truce. During this period which the armed truce may last we will believe be able to strengthen our own defence system and increase our offensive power and will successfully be able to defend the Western Hemisphere from any encroachment from Europe. Barring a collapse of Germany which is not likely due to the military forces she will have under her control, the disarming of the populations and the subversive puppet Governments which she will set up, she will be able to maintain a semblance of control for a considerable period. The situation will therefore resolve itself during such an armed truce into a period of economic warfare and it will be a matter of endurance of the one side or the other. My own belief
is that it will come eventually in the end to conflict between the two groups and when it comes to that conflict if we take the necessary measures now I have no doubt as to the successful outcome so far as we are concerned. It involves, however, that in the meantime we accelerate by every possible means our production of the necessary machinery not only for defensive warfare but for offensive war in the air and on the sea.

And this brings me to the point which I believe we must increasingly bring before our people and that is that so far as Germany is concerned she is already at war with us and has been practically since 1934. We on the contrary have been going on the assumption that Germany is at peace with us and of course that we are at peace with Germany. This gives her a tremendous advantage over us and an advantage which she has used and will continue to use as long as she can. The attitude which we have been taking is exactly the one which Germany is hoping we shall take.

There are those at home who say that it only takes one country to start a war and they say this on the assumption that any forward steps taken by us will lead to some aggressive action by Germany. They argue therefore that we should refrain from any action which can in any way give offence to Germany. As I have always said, this is exactly the psychology on which the Germans are counting and I think we have seen enough of the present conflict to realize to what an enormous extent psychological factors play a part. In the emergency which we are in, and I think noone denies any longer that it is a real emergency and that we are definitely threatened, we must consider these psychological factors just as much as the military and economic ones with which they are inextricably bound up. It is quite right that it only takes one country to start a war, but Germany has already started it. This is what we have not recognized and a fact to which we have not realistically reacted. I have been saying continuously that it only takes one country to start a war, but that it takes two to make a peace. So far as Germany is concerned we have to recognize that we are already at war not because we have willed it but because Germany has willed that she is at war with us. Why should there be the extraordinary activity of German agents in the United States and all through South America
if she does not consider herself at war with us? Why
the espionage activities? Why the definite endeavors
to undermine the Governments in South American Republics?
I have lived among these people in Germany and I know
those who are now at the head of the Government in
Germany and knew them before they ever came to power in
the beginnings of 1933. They never made any concealment
to me, nor I think very much to anyone else, that they
considered us their principal enemy. They once spoke of
Italy, England and France as countries which were decadent
and of Russia as a country which did not count. These all
would have to be cleared out of the way and then the way
would be open to reach us.

We know that countries do not declare war these
days and in my opinion it is futile for us to be
restrained in any measures which we may take on the
ground that we may provoke hostile or retaliatory acts.
By following this attitude we shall be simply doing what
the Germans want us to do and we shall be following the
bad example of the smaller and larger countries in
Europe. How well I recall my feelings when Belgium
denounced her military agreement with France! I realized
that it was the beginning of the end of real Belgian
defence for from then on it was an easy step to bluff
Belgium into not taking any of the precautionary measures
which she could have so effectively taken to strengthen
her frontier. What good did it do the Scandinavian
countries and the Low Countries not to take those
elementary precautionary measures of union and defence
which they knew they should take? It simply made them
the easy prey which they proved to be.

I have mentioned these things because I believe
we must act without reserves in any military or economic
steps we take. I know these people so well and I know
how they work. I know that we cannot judge them by
any rules that we ordinarily apply. For their part they
are at war with us and have no reserves and they are
getting all the advantage which comes out of their being
in a state of war with us, and we all the disadvantages
of not being able to take those steps which ordinary
prudence makes essential for self-preservation.
My own feeling is that we should give up all of our
reserves and face the situation in this respect in all
of its realities, as we have done in some other respects.

Doing
Doing this cannot bring us a single disadvantage and it will mean as much as a year of the most intense military preparation and the expenditure of billions of money.

The formation of this cartel or super-corporation will not be easy and the resistance will not all come from the other American States. Some of it will come from within our own country. I could name half a dozen persons, important in our industrial life at home, who I am quite sure are prepared to sell out as have been some of these people in France and in other countries. Some of them are placed in positions where they can do a great deal of harm while openly rendering lip service to the idea of defense. Others will come out into the open with skepticism and criticism which is dangerous whatever may be the basis thereof. We will find well-meaning people at home who will tell us that we ought not to do this or that because of hurting German sensibilities or of provoking retaliatory action. The Germans frankly have considered themselves at war and have not considered our sensibilities and have not hesitated to take the most drastic action. I wonder what our people at home would say if they were frankly told to what degree American property in Germany has already been completely confiscated to all intents and purposes. We have already every reason for taking over every bit of German property in the United States. We have not even retaliated in kind for the acts which the Germans have already performed. If one knows the German psychology one need not be surprised that those in the present Government believe we are weaklings and that we will be relatively easy prey after they make themselves the masters of Europe.

I have gone into these points at this considerable length as the background for my opinion that the economic front is just as important as the military one. In the approaching meeting of the Foreign Ministers of the American States it is my opinion that the emphasis on common economic action is as important, if not immediately more important, as on a solid military and political front. In view of the weakness of the economies of these other countries in the Americas and in view of the weakness of the Governments in some cases, and the considerable degree to which these economies are dependent upon exports to Europe, it will be essential for
for us to present some such plan as the one we are I understand preparing and we shall have to carry it through. It is going to be, as I said, expensive because it will involve our taking surplus products but it must be envisaged as a short range rather than as a long range program. In an ordered world the principles of our reciprocal trade program are the only sound ones but these can operate only in a reasonably ordered world and that we cannot count upon for the immediate present.

The situation is one which does not permit of delay and the fact that we have this political campaign on our hands at home is one of the most unfortunate factors which we have to deal with. This again is one of the factors on which the Germans are counting and they are counting on it strongly. I think the only way to counteract this situation is for the press, periodicals and all patriotic citizens to speak out openly and frankly and show up how unpatriotic and unwise certain political attitudes are in a time like this. We can thank God that men like Mr. Stimson and Col. Knox have shown the courage they have and I am sure their attitude represents the true attitude of our country and that it is the basis on which our Government can proceed.

I am now, with the foregoing background, in a position to express the definite views which you request with respect to the manner in which we can slow up German use of Europe's production machinery.

We must set up this common economic front in the American States which will involve absorption of surplus products of the American States and complete control of imports and exports from the Western World through this corporation.

We must not permit our sympathies, however great they may be with the enslaved populations in Europe, to impel us to send foodstuffs there for we will have no means of controlling their distribution or destination and will not be permitted any control. The servile and subjugated populations of the occupied countries will be put to work on creating arms against us and by feeding them we shall be simply aiding Germany in the work which she is directing against us. Our humanitarian instincts will have to give way in this instance to the instinct of self-preservation.
Whatever trade there is between the Western Hemisphere and the German-controlled Europe will have to be kept on the most restricted possible basis. In the first place such a Europe will have no means to pay except with goods and these goods will be produced in a Europe with a standard of living much lower than that now prevailing, as a direct result of the German occupation and the methods employed by the Government of Germany with respect to these populations. No tariff wall adequately high, that would not be utterly fantastic, would prevent influx of extremely low cost production goods except through definite import controls.

Whatever exchange of goods there will be would have to be through the proposed corporation and no individual bargaining between the States in the Western Hemisphere and German-controlled Europe could be permitted.

Special regard would have to be paid to the control of the export to German-controlled Europe of any raw materials or goods of any kind which would tend to aid Germany in any part of German-controlled Europe in producing goods increasing her power to make war.

To what degree Germany will be able to gain control of colonies formerly in the hands of England, France, Belgium and Holland it is still impossible to say, but under the most favorable circumstances we can conceive for Germany she will have difficulties in getting the raw materials which ordinarily these colonies could supply. We should use every method possible in order to prevent Germany from getting raw materials from these colonial sources just as we would prevent her from getting them in the Western Hemisphere.

We must impound and by whatever means may be necessary make unavailable to Germany, and to the countries controlled by Germany and their citizens, any balances, credits or deposits which they may have in the United States or in the Western Hemisphere.

We must prevent so far as possible the falling into the hands of Germany directly or indirectly the merchant fleets of the subjugated States. This will hamper the production machinery within Europe for the transportation problem of raw materials will remain an important factor in the efficiency and level of production in Europe.

We must insofar as it is in our power supply needs of countries outside of Europe of foodstuffs and fabricated
fabricated goods so that Germany cannot build up any credits or means of securing imports from those parts of the world, which would be helpful in maintaining her production machinery in Europe.

The foregoing are some of the steps which I see that we can take which fall short of war even though they do recognize a state of economic warfare as so far as Germany is concerned she considers that a state of war is already in effect. I do not believe that we need have any reserves with regard to any measures we may deem it advisable to take for the public safety. You know that I believe that we should recognize that a state of war so far as Germany is concerned already exists.

I have burdened you with a very long letter but my one
one desire is to be helpful in any way that I can. I perhaps seem a little ruthless but it is because I believe that we must give up these reserves which we have been practicing as they are so tremendously to our disadvantage and the enemy is counting definitely upon our maintaining them.

I have noted with particular interest your comment on what I said concerning the dissolution of the Communist Party in the United States. I quite appreciate that there are important considerations which have to be kept in mind in this connection. So far as the Communist Party is concerned in the United States I do not believe that it offers any serious dangers to us and that we can adequately take care of this situation in our own country by measures short of dissolution or prohibition of the party. The various steps which we are already taking through the Congress will I believe be very effective.

What I had in mind was not so much the Communist Party in the United States as the Communist Party in the other American States. Here in Cuba, for example, the Communists had a vote in the last elections which was as large as the Communist vote in our whole country in the last Presidential election. My guess is that the Communist vote in the elections to be held here in Cuba on July 14 may be twice as large as it was in the last Cuban elections. The Communist Party and Communist movement are for any number of reasons much more dangerous in the weaker American States than in our own country. I doubt whether we can get the other American States to take effective action except through the dissolution of the Communist Party for they have much greater difficulties in exercising control measures than we do. They do not have the efficient machinery at their disposal for this purpose that we have. It is for this reason that I believe that as the Communist menace in some of the American States is very real the only way we can get it adequately dealt with is by our setting the example of dissolving and prohibiting the Communist Party in the United States. This measure is not so immediately important and we can I think afford to wait a bit and it may be that both from a domestic and an international point of view the reserves which we may have with regard to the prohibiting of the Party will disappear.

Trusting
-14-

Trusting that you may find something in this letter which may make worthwhile its reading, believe me, with very good wishes,

Cordially and faithfully yours,

George S. Messersmith.

GSM/hp