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May 19, 1938

Personal

Dear Geist:

I have re-read your personal and confidential note of April 23 and I would like to comment on it fully. I took the liberty of bringing it to the attention of the Secretary and of the Under Secretary, and Mr. Dunn and Mr. Moffat.

I am very unhappy over the developments in the European picture. I see that the result of English policy is definitely to delay the war, but that does not give me any comfort. I fear that the method that England is pursuing, while successful in postponing the issues, is only defining them more clearly. The present policy of England is going to enable Germany to establish economic control over southeastern Europe and that, as you know, means political control. Once Germany has this control over southeastern Europe she is really in a position to make war. I still doubt whether she could do it successfully, but she will be in a better position and in a position in which she may make the decision to try it out.

I have no illusions with regard to Czechoslovakia and German intentions there. The recent visit of Henlein to London may have somewhat slowed up the German

program

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Heist, Raymond H.

program and that of Henlein, but I am confident that even if Henlein and the Prague government could reach a satisfactory understanding that a situation would in some way or other be provoked within Czechoslovakia to make possible the continuance of the German program. I myself am convinced that Germany intends to absorb Czechoslovakia entirely. I think the Poles are beginning to understand this and are very uneasy. The new government in Hungary is, in my opinion, likely to prove a stop-gap, and economic control in Hungary by Germany is, in my opinion, already well on the way. Mussolini is certainly less in love with his Berlin entanglements but he does not love England any the more, and he let the cat out of the bag the other day when he said that Italy had not forgotten the sanctions. He is going to give England a kick in the back whenever he gets a chance, and the Berlin-Rome axis remains as a definite blackmailing instrument, even if it is somewhat bent.

So far as our relations with Germany are concerned, they are going to grow worse and not through any fault of our own. We have, I believe, as many German agents in this country today as we had between 1914 and 1917. The only difference is that they are not engaging in direct sabotage. We are fully aware of what is going on and you will begin to see more and more in the press what is under cover. We would, perhaps, prefer that there be no publicity, but, as you know, it cannot be kept quiet entirely. This is not going to help our relations with Germany but, after all, we can't help that because if they send these people here we can't be blamed for defending ourselves. We are studying very carefully here now what we can do to stop un-American activities by naturalized citizens and aliens. I think we are going to get some statutes on the book before the present Congress closes. We are trying to devise a statute providing for the rapid cancellation of naturalization of persons engaged in political activities or showing evidences of dual allegiance. We are also trying to get legislation providing for the registration of aliens. Even if we do not get this through before this session of Congress ends I am convinced that the psychological effect on certain aliens and naturalized citizens in this country will be enormous. They feel the pressure from abroad and from diplomatic and consular representatives here and feel none from us. It is necessary that they should realize that we will not tolerate this sort of thing in our

country.

country. The German activities in Brazil and the extraordinary measures which the Ambassador there has taken have backfired, and the German stupidity is beyond credibility. It is the same old story over again.

I see increasing interference with our financial, business and industrial interests in Germany. You are going to have your hands full. The Germans practically already have expropriated a good deal of our industrial property, but I see them taking even more definite steps. The representatives of the Budd Company in Philadelphia were here yesterday and told us that the German Government has started a suit against them in the German courts to invalidate a patent which they have and which the German Government wants to use unrestrictedly in the manufacture of the new "Volkswagen". In other words, they want the patent and so they are going to have the courts invalidate it. We have told the Budd Company that they should defend the suit and if they lose it, why then they may be in a position to make a claim to us of miscarriage of justice and we may be able to act. This will not keep them from losing the patent, but they must not put themselves in the position of not defending the suit and protecting their rights. It may be that the Budd people in Berlin will get in touch with you to recommend a lawyer. We are going to stand up for our rights even though it might be necessary to go to war to enforce them. I don't know whether we would go to war, but I do know that private interests must defend their rights in the courts and we will defend ours before the Government. We will keep the record clean and clear. We are not going to give up a single thing. I know this does not make your task any easier and I know how well equipped you are to handle these difficult problems.

This is a very unsatisfactory letter but I wanted you to know that we are not under any illusions here as to the future. I am not at all encouraged by the developments which are taking place in the general situation. I wish I could see the future more optimistically. I cannot get any satisfaction out of the fact that trouble is being pushed off when it may mean only that eventual catastrophe is more certain.

With all good wishes,

Cordially yours,