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You have noticed how suddenly British-Russian relations have changed. While Britain shows outwardly a defiant and semi-hostile attitude to Russia, Moscow has expressed the wish to improve trade relations with London. And this is a most momentous factor which may change the whole outlook of the war.

As I remarked in the memorandum, Russia is suddenly frightened by Germany - she fears that Germany may turn round and attack her one day, especially if Germany would succeed in driving an ultimate wedge between Russia and the Allies. But there is more behind this volte face of Russia. It is connected with two things which I emphasized constantly in my memoranda and in my articles; namely, Germany's fatal shortage of iron and Russo-German trade relations. You know how in memoranda sent already in May and June last year I pointed out that iron and oil are the two weaknesses of Germany, and just because of the serious shortage of available supplies I doubted that the German generals would be so foolish to embark into a war which is bound to defeat them on account of the shortage of these two raw materials. And now the full consequences of this shortage are making their results felt.

Germany needs very badly oil and gasoline (petrol) from Soviet Russia. The Finnish war had taxed Russia's oil supplies to such an extent that Germany can hardly expect any considerable quantity of oil this year. But the payment for this oil to be made by Germany can also not be effected, for Germany promised to pay with machinery.

If you look up my series of articles which I wrote in March 1939 on Russia, I showed how the Stakhanoff methods and the lack of real skilled labor in Russia have taxed industrial machinery. The whole Russian industrial machinery is at the verge of breakdown and if this occurs then good-bye, Mr. Stalin!

To avoid this breakdown Stalin made his survey last spring (1939), and when he realized that the

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United States would not give this machinery and England could not give it because of her rearmament, Stalin was compelled to make the German-Russian trade agreement. You will see that in the concluding article of the Russian series I came to the conclusion that Russia was bound to make a commercial treaty with Germany on a large scale, though I then doubted - this was in February 1939, the articles appearing in March - that a political agreement would follow.

Now what happened? The iron shortage in Germany is appalling. Dutch and Belgian firms who ordered engineering goods in Germany are unable to obtain supplies - every ounce of steel is required for munitions and armaments. And Russia is not getting her promised machinery. The Russian commission which was sent to take over things found out that the lack of iron caused the closing up of many engineering works. This was written in one of the Russian technical periodicals. When this appeared in print, the Germans forbade the Russian general who was taking over goods to visit Krupp's and Skoda!

If I get no machinery, Germany will get no oil, decided Stalin. And this has caused a deadlock of German-Russian relations. This is the real explanation why suddenly Russia is so eager to conclude a commercial treaty with Great Britain. This is an important development.

Please look up the concluding article of my Russian series!