

1962
Berlin, Germany, March 31, 1934.

Dear Moffat:

You have probably by this time seen my confidential despatch No. 1964 of March 22, and by this same pouch I am sending my No. 1970 of March 28. In these I have endeavored to give what I hope may be some helpful background for whatever negotiations we may have with Germany on trade agreements. I also wrote at some length to Mr. Phillips by the last pouch, giving him some of my reactions on the present situation here, and am sending him a shorter note by this same pouch. You will gather from these screeds, if you have time to read them, that I am rather pessimistic.

That the situation here is very uncertain, is confirmed by everything which comes to me, but this of course does not mean that there will necessarily be any change in the Government in the immediate future. Hitler and his immediate associates are undoubtedly very nervous, and for the first time they realize definitely what they are up against, and that you cannot fight these situations merely with words. It is extraordinary how poorly they can conceal their eagerness to negotiate with us. They are really querulous because they have not been able to send a mission as yet. While their financial and economic situation is desperate in some respects, and while the political situation is uncertain, they still have a naive confidence that in some way or other we are going to pick their chestnuts out of the fire. They think if they can get a mission over to us we will be so eager to make an arrangement for certain raw materials that they can come back with something

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that will prop up the tottering political and economic structure. They are not prepared really to offer anything to us except to buy fixed quantities of raw materials which they cannot get anywhere else or don't want to get anywhere else. Even without an agreement they will have to continue to get those raw materials which they want, from us, and which they want to negotiate for, as otherwise the industrial machine here will have to slow down with the consequent political and economic effects in the country. They really believe, too, that we are prepared to give them credit and that we have so definitely abandoned most-favored-nation treatment that we will be prepared to make a bilateral arrangement to take German manufactured goods to equal the value of the raw materials they want.

I am not going into details in this letter, for I have given some of the major considerations in the two despatches under reference and in my two letters to Mr. Phillips. If anyone in the Department should think that I am too pessimistic I am sure that you will realize that I would be very happy if we could make some arrangement with Germany which would be mutually advantageous and which we could be sure will be carried out by the Germans. My pessimism is based on the definite knowledge that what happens in Germany and what Germany does is not determined by the leaders at the top who speak for her, but by the large group of secondary leaders who have the power in their hands and who have no regard to any foreign interests.

I think you will be especially interested in reading in my despatch No. 1970 about the press conference, where Funk, Seldte, Reinhardt and Posse spoke to the foreign correspondents about the economic situation and the need of Germany for export markets. I am sure that this conference was particularly for our own correspondents. The object was to try to throw a scare into us by saying that Germany really had been very kind and considerate of us by not using the power of an authoritarian state to reduce wages and flood our markets with her goods, and that if we did not give them the raw materials to keep up their activity and take their manufactured goods in return, then of course "they would be forced" to use this

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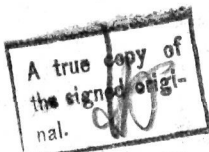
authority to reduce wages and standards of living, and flood our markets with goods in such a way as to bring disaster to our industries! In other words, even a conservative like Posse lends himself to this sort of talk. It may be the kind of talk that desperation brings them to, but in addition we have got to remember that there is a certain arrogance among these people which we cannot ignore.

I suppose you saw the article in the London TIMES of March 23 entitled "German Work Plans" which I am sending you. It was written by the TIMES correspondent here who is one of the best men here. It is very illuminating, and you will be interested in reading the "Berliner Boersen-Zeitung" comment on it in the issue of March 29, which I am also sending you, but which unfortunately I do not have time to have translated. The London TIMES is very definite in its statements, and while the "Boersen-Zeitung" complains bitterly of misrepresentation and is supposed to be an answer to the article, the writer simply froths at the mouth without really answering anything. The reason is very simple, as there is no answer to the TIMES article.

My own feeling is very strongly that we should not allow the insistence of the Germans to hurry us one bit. After the bill authorizing the President to negotiate is approved it may take us some time to get ready to talk with all of the countries who wish to talk with us, and so far as Germany is concerned I feel that we should be very well prepared before we let their mission come, even though they may be the last whom we talk with, instead of the first which they so eagerly want.

With every good wish,

Cordially and sincerely yours,



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