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Memorandum of Conversation with Assistant Secretary  
of Defense Mrs. Rosenberg.

During a four day stay in Washington last week, I called the office of Secretary Lovett and requested an appointment with him, but I realized that in view of his many occupations it might be impossible for him to see me during that week and I could not prolong my stay. During a conversation which I had the privilege of having with Assistant Secretary of Defense Mrs. Rosenberg, I took the opportunity of presenting certain considerations which I had hoped also to convey directly to Secretary Lovett. The following is a brief memorandum of the considerations which I set forth in the conversation with Mrs. Rosenberg.

I said that I had no pretensions to special knowledge these days and that I had no pretensions as to special wisdom. However, as one who had been long associated with, and continued to follow as closely as possible, developments in the world situation, I was convinced that we had to be deeply pre-occupied over the loss of prestige which our country was suffering in so many other countries through acts of our own, and partly through acts of our friends. That we had in various ways suffered this loss in prestige was obvious to anyone who followed the situation closely. I was completely convinced that the military and economic power we were building up at such great cost and effort was indispensable for our defense and security, as well as to support the position we had to play in the world today. No matter what it cost us in sacrifice of all kinds to build up and maintain this power, we had to do it. We could not forget, and had to keep constantly before us in our thinking, the fact that power alone without prestige is dangerous because, no matter how great our power, loss of prestige in different parts of the world increases the danger of the necessity of using power as well as diminishing the effectiveness of that power itself. I said that I had the definite conviction that we were committing acts, almost always with the best intentions, which lessened our prestige and therefore increased the danger of the necessity for the use of power, as well as lessening the effectiveness of our power. There were too many risks in the situation which we could not control, but this was one thing we could control and loss of prestige was a risk we could not take.

As an example I referred to the situation with respect to Spain. To a very considerable extent it looked to the layman that the armed forces seemed to have taken over the direction for the time being of our relations with Spain, and in this were being aided by certain persons in the Congress. If our military position is such that we need access to ports and air bases in Spain, then our military position as a whole must be weaker than we have been led to believe. I was in no position to judge whether these military facilities in Spain were necessary now, but I doubted it as did many others. In any event, if we did need these military facilities, we were proceeding to endeavor to buy them at too high a price and in a manner which involved complete loss of prestige in Spain by us, as well as weakening our prestige in many other countries which follow so carefully and with reason, because their own security is at stake, everything we do. We should know enough by this time of Franco and his government to know that any arrangements made on paper with Franco Spain which involved mutual and parallel performance are worthless. The only arrangement that has any possibility of usefulness with a government such as that of Franco is one by which that government performs first certain acts and then we perform certain acts. On the basis of concurrent performance of obligations there can only be complete disillusionment so far as Franco Spain is concerned.

The 62-1/2 million dollars credit made available to Spain months ago, and the additional 100 million dollars now being made available through an act of Congress, at the discretion of the President, may possibly be usefully spent if the Spanish government first of all is obliged actually to carry into effect measures protecting property rights and at least certain civil liberties in Spain. The Franco government had been and today is under the pretense of legality carrying through confiscatory measures of private property of Spanish citizens and of foreigners, and the recent change in the composition of the Spanish government does not seem to have affected these procedures. The case of the Barcelona Traction is outstanding as an example of the treatment which foreign capital has been given and is being given in Spain. This is a company which entirely with foreign capital made possible a good part of the industrial development which has taken place in Spain and which has played a preponderant part in such development of the Spanish economy which has taken place. The record shows that the Spanish government has connived in placing it in illegal bankruptcy a few years ago and the owners of the property have been for some years now dispossessed of it and its assets, with a complete disregard of Spanish law as well as international practice and without any regard to the rights of the foreign investor, who through his initiative and risk of capital had done so much for the Spanish economy. The fact that we are willing to give certain aid to Spain and to enter into certain military arrangements with her, without the necessary safeguards, would make practices of the Spanish government such as this, which are contrary to every principle of international law and practice, damaging to our prestige not only in Spain but in other countries, and it would be a direct invitation to similar action by irresponsible or nationalist governments in other parts of the world.

Wherever economic strength, which is a primary basis of military power, has been established in any country, except in Soviet Russia, it has been accomplished on the basis of the existence in such countries of private initiative and the security of personal and property rights. Recent events have shown to what degree in so many parts of the world property rights and private rights and international practice are being completely ignored and destroyed. It is obvious that we cannot hope to aid the rest of the world in the many ways we are now using, or to maintain our power, if we permit or encourage the destruction elsewhere of these rights either by complacency or acts of our own.

If we are to proceed with this economic aid to Spain or to proceed with these military arrangements with Spain, because certain near range military considerations in the opinion of our military authorities make this necessary for our security and defense, it is incumbent on the military authorities who are carrying through these arrangements to see to it that they do not carry through any such aid or plans without making it clear to the Spanish government that certain international practices and principles with regard to foreign property must be maintained and that appropriate action is taken by the Spanish government to give equitable treatment to such property, before we proceed to make effective such aid or to carry through such plans. Unless this is done, any arrangements which it may be planned to make or which the military authorities may consider desirable to carry through will almost certainly prove to be useless and abortive. In other words, if the military authorities wish to assume their responsibility for certain operations in connection with Spain on the basis of near range considerations, they must bear in mind longer range considerations of our policy and security, and the maintenance of the principles for which we are building up this power and which by unwise acts may be undermined.



The diplomatic representation of our country in certain countries is particularly weak because of the character or acts or the background of some of our representatives, who are incapable because of these circumstances of properly representing our people or the policies of our government. There is no doubt among informed persons that the inadequacy or ineptitude of our diplomatic representation in certain countries has seriously affected our prestige and is doing so now. In Spain, as in certain other places, the prestige of our country and the effectiveness of our policy has been seriously affected by the inadequacy of the Chief of our Diplomatic Mission. Aside from other factors to be considered in this respect, the Chief of our Diplomatic Mission in Spain has, in conversation during the last months, indicated that in his opinion the United States Government has no interest in the "Barcelona Traction matter" as it is a struggle between two old men, one of whom is as bad as the other. While the reprehensible illegal and arbitrary actions of Juan March, in some cases in association with the Spanish Government, are well known and a matter of record in Spain as elsewhere, it seems incredible that the Chief of the American Diplomatic Mission in Spain should make such a statement concerning the Barcelona Traction matter and such a comparison between Juan March and Mr. Heinemann. It is well known that Mr. Heinemann over the last fifty years has been responsible for the creation of electric power in many countries of the world and on a sound constructive basis, and is a man whose counsels and knowledge were availed of during the last war constantly by President Roosevelt, Secretary Hull and others in that period. Our government has recognized that the treatment which the Spanish Government has given the Barcelona Company is a matter of serious concern to this country even though the ownership is largely in Europe, because basic principles of international law and practice to which we are attached and which we are building up power to maintain are being violated. That a Chief of Mission of the United States should make such a statement which so definitely affects principles to which we are attached, and should make such an irresponsible and damaging statement with regard to a respected and useful American citizen, not only destroys any respect which the Spanish authorities or the Spanish people might have for him, but it lessens our prestige, and, what is infinitely even more dangerous, it affects the position of private property rights not only in Spain but through its repercussions in other countries, and principles affecting private property to which we are attached in this country.

I emphasized again what I believe to be a primary consideration, that while military power of the most preponderant character that we can build up is essential for our security and defense and that of others, the use of such power is made more necessary through the loss of prestige, and the effectiveness of such power itself is diminished. It is therefore essential that all of our authorities, including the military authorities, in their planning and action, carry through no acts and arrangements which may impair our long range objectives and security in a search for what may prove to be near range illusory objectives which will impair our prestige and therefore our power.

  
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