

xx 15th March, 1938.

The Hon. George S. Messersmith
Assistant Secretary of State
Department of State
WASHINGTON.

My dear Friend,

I need hardly say that I read your letter of the 18th February with the deepest interest. Let me thank you for having given me your views so fully, thereby enabling me perhaps to contribute somewhat towards enlightening others.

The fears you expressed as to the fate of Austria were truly prophetic. The Austrian Government and people relied on Italy's protection, and Italy has betrayed their confidence. Presumably Mussolini thought he would forfeit his bargaining position in regard to Britain if the axis were weakened. (This, I am inclined to think, is a miscalculation.) Austria is now an Andromeda in the claws of the Dragon, and no Perseus is in sight. Yet, even the finished Poland resuscitated, and some day there may be a revival of Bavaria - and Austria.

In some quarters it is thought that even the slightest show of armed resistance would have afforded Britain and France time and opportunity to take a firmer stand. However, we must suppose that Schuschnigg was somehow prevented from mobilizing the Army.

A mistake was committed several years ago when some governments declared their willingness to recognize that Germany

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had special economic interests in Austria which would warrant departures from the principle of the most favoured nation clause. It would now seem manifest that they would have a clearer grievance against Germany if Austria had been bound by commercial treaties which Germany could not fulfil and which therefore would have rendered a customs-union impracticable. The essential point was to assure the equilibrium of Austria's trade balance and thereby make it possible for her to pledge herself to maintain free dealings in foreign exchange; this would be a condition which Germany could not comply with in present circumstances, although, as you point out in your letter, the annexion of Austria will strengthen her economic and financial position. I venture to submit that here is a reason for pushing forward rather than shelving the American trade agreements program, particularly in regard to Czechoslovakia.

The speeches in the House of Commons yesterday showed that the English are awake to the danger of the position. The huge program for this year's military expenditure - £ 120,000,000 for the Air-Force alone - affords evidence that they have been resolved for some time to remedy their comparative weakness. They require to have the most powerful air-fleet in order to render their navy effective.

Churchill and Amery hinted at the necessity of an understanding with the U.S.A. and I am positive they are not the only

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British statesmen who realize - while you think they do not - "that they live in a world in which friends are necessary".

You know that I have felt all along that England should take a firmer attitude towards Germany and Italy, but perhaps Chamberlain is merely playing for time, awaiting the day when his Country might go much further than it could to-day without risking a defeat. That day depends mainly to my mind on Britain's military preparedness and on the support she can expect from the U.S.A.

It appears unreasonable to call upon England to police alone - or even with the help of France - the North Sea, the Mediterranean, the Pacific Ocean and Central Europe. She would have eliminated Mussolini from the scene at the time of the Abyssinian outrage if Laval had been willing to fight Italy. Her hands would be less tied to-day if the U.S. A. had taken on Japan, a struggle to which she could only contribute the help of a "token fleet".

I am not sure that England is alone to blame for the lack of Anglo-American cooperation. American opinion overestimates, I believe, what Britain is in a position to accomplish, and inclined to see moral weakness where in fact there is a serious deficiency in physical strength.

So long as England does not know to what extent she can rely on the U.S.A.'s full support - not merely sympathy but

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unstinted military and financial aid - she must continue to stand the British lion's tail being twisted. You may be sure she does not enjoy the performance.

There can be little doubt that England would be prepared to join with the U.S.A. in a declaration that the two nations would support each other in any action directed to enforce respect for the fundamental principles of civilization, provided both were determined to put up to that end all their resources in men and treasure. With such a declaration in the background the joint voices of England and the U.S.A. would keep the dogs-of-war in their kennels; what is more, compell the dogs to behave like gentlemen.

Incidentally I might add that, to my mind, if the position were thus clarified the "confidence" which everyone is clamouring for as an essential factor of business revival would be brought about far quicker and more surely than by seeking to solve social problems in the national field.

The economic situation in Germany or Italy remains the weak spot of both countries; Anglo-American cooperation might successfully concentrate on attacking this spot if, at the same time, it clearly implied that no attempt on the part of Germany or Italy to obtain by violence such resources as England and the U.S.A. (and France) thought fit to withhold would remain unpunished.

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Again, with such a declaration in the background, it might not be too late to demand that a plebiscite be held in Austria under "neutral" supervision, although it would perhaps be impossible to ensure that liberty of speech which is a prerequisite of a sincere referendum.

I am expecting Dr. Brüning's visit, and shall write to you again after some talks with him. Besides there are a number of topics I have not touched upon for fear of making the letter too long.

My wife damaged a knee at Arosa, had it repaired in Berlin, and is now her usual self in Brussels.

She joins me in sending Mrs Messersmith and yourself the kindest regards,

Yours very sincerely,