(856)

Strictly confifential

Berlin, Germany
Fenruary 17, 1938

Dear Mr. Messersmith:

Let me first express my appreciation of your letter of January 22, 1937 which came by courier. I was delighted to have this report as it enabled me to check on the march of events here and besides gave me a great deal of information which I was anxious to have. I am so sorry that I cannot communicate with you freely, as some of the information which I have been able to obtain from time to time is more important while it is hot; and waiting for the courier to make his circuitous delivery is rather unsatisfactory; nevertheless it is the only means we have at the present time. However in the future I shall also avail myself of Warner when he makes his monthly trip.

I have made an investigation regarding Sekt and find that there are certain reports; but I shall not be able to give you the information which I have except in the circuitous way; and I shall do so by the first courier.

I am enclosing herewith a copy of a despatch which copy I had made for you as it will furnish you with an idea of how the new cotton barter deals are to be arranged. You will be much interested in the ingenious scheme.

(I have just learned that a courier will leave here on the 22d for Paris, so I shall give you the confidential information above mentioned)

My informant tells me that shortly before Sekt's death he had been summoned to Hitler with the rest of the high officers connected with defense, particularly with von Blomberg and Fritsch. The question came up regarding the possibility of making a stand in the part of Czechslovakia occupied by the Sudetendeutsch, as the information gathered by the Ribbontrop Bureau was to the effect that such an action could be safely taken; that France, England and Russia would not interefere, and that Italy would not be averse to such an action on Germany's part. Besides this adventure has been pushed by the radicals and the huge amount of propaganda has opened the way for it. The Generals, however, were solidly against the plan, and insisted that any such attempt to send in the S. S. or the S. A. would instantly produce a major conflict in which the Armed Forces of the Reich woul have to take part. Von Blomberg was dead against the proposition and was seconded by Fritsch and Sekt. Thereupon an emotional scene ensued in which Hitler very much abused Von Blomberg and reflected upon courage, patriotism, etc., which had the effect of placing an enormous strain on the nerves of Sekt who probably had never seen one of these "tantrums" before. He had a kind of vervous reaction which ended fatally. The mutual friends you mention have no information regarding the matter. I obtained this from another source.

Karl von Wiegand was called back from Egypt because his office had arranged for him to see Hitler, which interview took place last week. I do not quite know the purpose of the talk, because it was not an "interview" for publication, but a private talk. Then came the report from Ribbontrop about the conversations with Halifax, and of course, Wiegand was very anxious to turn his "private talk" into an interview, but up to the present time Hitler has not allowed the matter of their conversation to be published. I did, however, see the copy of the interview which was submitted to Hitler for his approval; but up to the present writing it has not been released and I am of the opinion that it will not be released. I made a memorandum

of the most important parts of the interview and send you a copy herewith. It does not contain anything very remarkable. I was informed however that during the conversation Hitler said that "he had no illusions regarding Mussolini"

With regard to the conversations which Ribbontrop had in London last week with Lord Halifax, I stumbled on to some very important information which will interest you. It seems that not only the German Press but the English Press as well has covered up the facts regarding this interview. My informant told me that Ribbontrop's report came into the Chancellery last Friday afternoon, and that it was very bad. Lord Halifax according to this report told Ribbontrop that England and France would not consider turning over any colnies to Germany, that any demand made by Germany would be met with a definite and categorical refusal. Besides, my informant said, Lord Halifax said that Germany's repudiation of the "War Guilt" clause of the Treaty of Versailles would not be accepted by Britain and France. It is very probable that the German Ambassador said that the question of colonies was going to be officially raised and that he desired to have England's views, and I think he got the answer before the question was raised. I am furthermore informed that the English reaction was not altogether negative and that Lord Halifax said that with regard to raw materials, food stuffs, etc., England and France were prepared to meet Germany's needs up to the hilt and that arrangements would be made to afford Germany access to raw materials, etc., not only in the colonies of France and England, but also in the Dominions, and that adequate credits would be given to Germany to meet these needs, all, however, to be the part of a general settlement and in the framework of the League of Nations.

(I have just had information that Hitler has definitely refused to allow the von Wiegand interview to be published, as it is feared that just at the monent " it would complicate matters")

I learn that the Wirtschaftsministerium has prepared a monumental memorandum for Hitler showing that if the armament production is maintained at its present rate that the gravest difficulties will be experienced in the general economic situation of the country, and that the strain of the business cannot be carried on much longer without grave prejudice also to Germany's foreign trade. It seems that there are enough unfilled orders to take over a certain load of the production, and that Germany's foreign exports can be increased over 100,000,000 marks per month, if the raw materials are given to industry instead of to the armaments firms. This means of course that Germany will not be able to go ahead with the total mobilization of all the industries, etc, in the scheme of a "Total" war preparation. I learn also that the pessimism of the colleagues of Dr. Schacht is very severe, and that Goring and Schacht have not been able to work very well together; as Goring is pushing for the idea of the total mobilization of the nation industrially, etc., in connection with the four year plan and Schacht wants to call a halt and endeavor to revive foreign trade for the purpose of getting more devisen and avaiding too great pressure on the food supply as well as taking too great chances with possible mediocre crops. Any kind of crop failure might pitch the country into a catastrophy. My inromant tells me if the memorandum is rejected they look for the worst who prepared it.

I am also informed that there is a great deal of discussion going on again regarding Czechslovakia, and that an action in that country has been set for May; that it will take on the same form of intervention as has been going on in Spain, not by the military forces but by the S. S. or S. A.; and if it looks as though big armies might move, the unofficial rascals can be called home. Notice, for instance , that Hitler said in the Wiegand interview "Regarding whatever official or

856

unofficial participation has taken place in Spain by the Germans I am not informed". This also indicated that German volunteers could be interfereing in the affairs of Czechoslovakia without the "Leader's " knowledge. It is also part of the plan for Hungary to send in a certain number of "benevolent interventionists. They are rather charmed here with the success of Franco, and one idea leads to another. How far this plan will get I do not know. One thing is certain and that is that the very parties who have helped to stage the show in Spain desire to repeat their helpfulness in other spheres. Whether or not Goring is playing with this idea I do not know. The information comes mostly from the Rosenberg clique. There is no doubt that Himler has had a big hand in the Spanish interventionist scheme.

There is on the other hand a moderate group who are talking about making an arrangement with the Czecks similar to the one made with Poland; and I am inclined to think that feelers have been taken in Zcechoslovakia in this regard. There is not any doubt but that the two alternatives are being turned over in the minds of those active in formulating policy.

Faithfully yours

Pierrepont Moffat