(No. 274.)

Mr. SUMNER WELLES and the American Ambassador had another interview with the Prime Minister this evening, at which I was present.

2. After Mr. Welles had expressed his pleasure at the opportunity afforded to him of making himself acquainted with all sections of opinion, the Prime Minister observed that the events of the last twenty-four hours had justified his prediction a day or two ago of the constant possibility of rapid changes in the situation under which we all lay from day to day. The events in Finland had profoundly modified both the immediate situation and what might otherwise have been far-reaching developments. Without underestimating the gravity of what had taken place, the Prime Minister thought that one effect, not wholly unfavourable to us, might be to restore to Russia greater liberty of action vis-à-vis Germany, which might in turn lead to certain divergence of policy. In response to Mr. Welles's enquiry, he was told that we had no certain news from Rome as to what had passed between Herr von Ribbentrop and Signor Mussolini or between Herr von Ribbentrop and the Pope. Our Ambassador had informed us that it was to be presumed that Herr von Ribbentrop had painted a glowing picture for Signor Mussolini of the great strength of Germany and the prospects of German victory, but the Ambassador had concluded that Signor Mussolini had no intention of leaving the fence on which he at present rested.

3. The Prime Minister went on to say that he had been carefully considering everything that had been said when he last met Mr. Welles, and he wished to emphasise what he had then said as to the impossibility of proceeding on the assumption that disarmament could by itself breed confidence, whereas, in fact, the opposite was in his judgment true, namely, that only from restored confidence could you get disarmament.

4. In regard to disarmament, the distinction between offensive and defensive weapons was one that was very difficult to draw, and he was satisfied that the only practicable method of advance was to endeavour to pursue progressively the way of qualitative limitation.

5. There was some discussion as to the reactions of the Russian attitude towards any possible disarmament in the West. It was generally admitted that no system of inspection could operate in Russia, and that the attitude of Russia would in turn be greatly affected by that of Japan.

6. But all this seemed to the Prime Minister at this stage largely academic, and the first practical requisite for security was that France and Great Britain should be sufficiently strong in relation to Germany to make it clearly not worth while for Germany to resume the practice of aggression to which she had so frequently had resort. The implication of this was that Germany, since she had in fact repeatedly taken the lead in aggression, should also take the lead in disarmament. But it could readily be appreciated that the Germans might well say: what about their own security as against France and Great Britain? These countries might, indeed, give direct undertakings to Germany not to attack her, but this might seem to the Germans insufficient. And here the
Prime Minister thought the United States might possibly come in. Would it be of any value if France and Great Britain were to bind themselves not to attack Germany by formal undertaking given to the United States? This would impose no responsibility on the United States, except that of being the recipient of an undertaking which in the case of this country would be binding on successive Governments. Its terms would, no doubt, have to be carefully defined, in order not to exclude the case in which this country might be bound by obligation to some third party itself the victim of German aggression.

7. But before anything was possible, it was necessary that, as had frequently been said, this country should be convinced that there was a real change of heart in Germany and that there should be some assurance that any arrangements reached would be maintained. This was the consideration that led the Prime Minister to feel it impossible to deal with the present régime which had so effectively destroyed confidence.

8. Mr. Welles took note of the Prime Minister's suggestion concerning the United States. He thought it would produce a profound impression in Germany if it were known there, and, speaking for himself, saw no objection to it from the point of view of the United States. He would submit it to the President. He then put a direct question to the Prime Minister. On the assumption that satisfactory arrangements could be reached for the restoration and future status of Poland, Bohemia and Moravia, and supposing that other provisions could be drawn up in regard to disarmament which made for security on the lines that had been discussed, would the British Government feel it still impossible to deal with the present régime? To this the Prime Minister replied that in his own view this would be so, but this opinion he expressed not on any personal ground, but because Herr Hitler personified a system and method with which the British Government had learned from bitter experience it was impossible to make terms. In any case what was quite essential was that any settlement should not be such that Herr Hitler could represent it as having been able to "get away with it." We could not be satisfied with any settlement from which it did not clearly emerge that Herr Hitler's policy had been a failure.

9. I said that, in addition to what the Prime Minister had just said, the cardinal points, on which the action of any British Government would depend, seemed to me to be:

(1) Restoration and reparation for Poland, Bohemia and Moravia; and freedom of decision for Austria;

(2) The relative strength of Great Britain and France vis-à-vis Germany; and

(3) Real restoration of liberty to the German people, by which they would be freed from the Gestapo and the whole system of persecution, and be again permitted to have knowledge of the outside world.

10. I expressed my own view that, if it were ever possible to see these several things realised, there would clearly be such a new situation, and one that would indicate such a complete reversal of Herr Hitler's policy that we should not be justified in refusing discussion. The Prime Minister said he would not differ from this statement, but it was generally agreed that such a transformation would be in the nature of a miracle. Mr. Welles, however, thought that on this basis there was—as he put it—one chance in ten thousand, and he added that he did not think he was going beyond his instructions in saying that the Duce had expressed to him his view that a solution on these lines was not impossible. The Prime Minister asked whether Mr. Welles was convinced that the German leaders themselves had any such desire in his discussions with M. Daladier and M. Reynaud, both of whom he had found very liberal and broad-minded. It had, however, been different with the Senators whom he had met.

11. I said that I thought that, in addition to all this, we should require to see evidence of German willingness to resume European co-operation not only as Mr. Welles had suggested in the economic field, but also in the political field through some instrument of international order, whether on the basis of the League of Nations or some other to be devised. Mr. Welles said that a similar
desire had been freely intimated to him with authority in Berlin. As regards economic co-operation, Mr. Welles said that he thought the Germans had in mind some kind of preferential position in countries adjoining Germany. The Prime Minister said that before the war he had never felt that there ought to be any real difficulty about making an arrangement between Germany and her neighbours which might in some degree be held comparable to that between Great Britain and parts of the British Empire.

12. All these preferential arrangements seemed to Mr. Welles undesirable, but it was difficult to resist them in one area if they prevailed in another.

13. The Prime Minister asked Mr. Welles whether much had been said to him in Berlin about the colonies. To this Mr. Welles replied that Herr Hitler had said very little, but Göring had said a great deal. The Prime Minister said that, in his view, any action on this matter in the present atmosphere was quite out of the question, and nothing would ever be possible by way of simple exchange of sovereignty. He told Mr. Welles, however, of the general scheme that we had discussed two years ago, which we had, indeed, put to Herr Hitler shortly before he had gone into Austria, but he had not then been sufficiently interested to send us the promised reply to the proposals we had made. These proposals had been designed to establish an area in Africa within which some kind of international arrangement under provisions for perpetual demilitarisation might be made, affording equal opportunity to nations participating in it for capital investment and for access to raw materials. But this, no doubt, was not at all what the Germans had in mind. With this observation Mr. Welles agreed, adding the comment that before the war the Germans had not fortified their colonies.

14. Before he left, Mr. Welles said that he expected to have a private meeting with Count Ciano in Rome, when he would doubtless learn what passed with Herr von Ribbentrop. This information he proposed to transmit confidentially to the United States Ambassador in London for communication to us.

I am, with great truth and respect,

My Lord,

Your Excellency's obedient Servant,

(For the Secretary of State)