

MEMORANDUM.

General Smuts was sent a copy of the Aide Memoire presented to the State Department on July 12th setting forth the anxiety of His Majesty's Government as to possible economic peace ~~bases~~ ^{proposal} to be launched by Hitler. The essence of this ~~aid memoire~~ ^{proposal} was that the world would enter a new and unparalleled era of prosperity if it accepted the totalitarian management of Europe by Germany and ^{that} the only obstacle in the way of this era of prosperity was the resistance of Great Britain. To this General Smuts has replied saying that he thinks that it is probable that Hitler will start a peace offensive at an early date with either suggestions for a conference or of peace proposals launched before or after an attack on Britain. General Smuts has doubts about a blitzkrieg on Britain for the present because he thinks that British naval supremacy and the efficiency of the Royal Air Force are two formidable obstacles.

General Smuts thinks therefore that an alternative plan may be in contemplation, that would consist of further encirclement of Great Britain by attempts to seize the Faroe Islands and Iceland on the right flank and Spain, Portugal and Gibraltar on the left. Hitler would then have isolated Britain from Europe, especially if the surrender of Gibraltar entailed the withdrawal of the British fleet from the Mediterranean and the loss of the middle East. With practically the whole of Europe in his hands and with Russia

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and the Balkans in his pocket Hitler might think that the auspicious time to launch his peace offensive would be just before winter comes. He would then pose as the regenerator of an effete European system and would propose a United States of Europe composed of so-called free states, between whom tariff walls and economic barriers would have been abolished and some currency plan of Dr. Schacht's devising would have been instituted. Being in fact master of Europe Hitler could afford to restore a semblance of freedom to his victims. America would then be plausibly reminded of the Monroe Doctrine and the Continent would well have become a closed German market from which Britain and America would be largely excluded.

A scheme of this kind could be dressed up in such a plausible appearance as to make a formidable appeal to world public opinion sickened by the horrible destruction of war and the spectre of threatened famine in Europe. If, in addition, Hitler were big enough to renounce annexations and indemnities the appeal might become irresistible and might induce Europe to accept a peace which would be a moral and political disaster of the first magnitude. General Smuts thinks consultation and agreement with the United States on a positive alternative plan will be essential. Meanwhile a warning note could be sounded in the press and in speeches in both countries to help prepare public opinion against Hitler's manoeuvres. Advance ridicule, Smuts thinks, might well take much of the strength out of it.

August 5th, 1940.