

the situation any more difficult than it was; but equally there was no section of opinion which had any doubt as to the necessity under which we had felt impelled to act. It would be a great tragedy indeed for every reason if our two countries, who had formerly been such close friends, and one day would, I hoped, be so again, should drift into an unhappy relationship because of their inability to reconcile their conflicting feelings.

7. M. de Castellane said that he would report to his Government what I had said. Speaking personally, he wondered whether the passage in the Prime Minister's speech to which he had referred might not have very far-reaching effects. For instance, orders had been given to French aircraft to fire on British aircraft, and, though he had no instructions to make the suggestion, he thought that it might be possible, once M. Morand had taken up his appointment, for these orders, and the corresponding orders which had been given to British aircraft, to be withdrawn. In this way it might be possible gradually to put an end to all forms of hostile action.

8. I said that I would like to take up the suggestion which M. de Castellane had made as regards the order to aircraft. So far as the French ships were concerned, now that the Prime Minister had defined the attitude of His Majesty's Government, I felt that if the French Government thought that there was anything more to be said, it was up to them to say it.

9. Referring to the points made in the French Government's note which he had communicated to me, I told M. de Castellane that my first impression was that it would be very difficult for His Majesty's Government to go any further as regards handing back the warships at Alexandria and elsewhere, than to say, as we had already said, that they would be restored at the end of the war, that payment would be made in respect of all damage done, and that the crews would be repatriated unless individuals wished to serve with the British forces. As regards the restitution of merchant vessels, I thought that we were considering the possibility of a ton for ton exchange of merchant ships in our respective ports. I said that I need hardly repeat that our attitude in this matter was dictated entirely by the consideration that if we were to give them up they might fall into the hands of the enemy. I would like to consider the question of indemnities. This had been suggested just after the Oran incident, but it was considered at the time that it might create the wrong impression. It was not true that we were blockading Martinique. We had been watching a French ship there: but if we could reach an understanding that the ship would remain there I did not foresee any difficulty.

10. M. de Castellane said that he thought that on the whole it would be more suitable, and more in keeping with his instructions, if the various points which had been raised were to form the subject of discussion between myself and M. Morand, whom he would like to introduce to me formally as soon as possible. This would give M. Morand an opportunity to start immediate collaboration with His Majesty's Government. He suggested also that there might be an exchange of notes about the appointment of M. Morand and of the British agent in France.

11. Before he left, M. de Castellane said that, from a telegram which he had received from the French Government, he understood that they had never considered going to Versailles or Paris except in conditions which would ensure their absolute liberty of action: and his information was that the suggestion had originated simply from a desire to reduce as far as possible the area of France under German occupation. He said that he had no information at all about conditions in occupied France, nor about the reports that the Germans were attempting to go beyond the terms of the Armistice in the matter of control of private securities in French banks, and so on. Nor had he any precise knowledge as to the whereabouts of the French ex-Ministers who were reported to have gone to North Africa. He understood, however, that M. Reynaud was still in France, though he did not know where.

I am, &c.
HALIFAX.