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/copy: JAG/0150150

C249209

From: Lisbon Dated: March 4, 1943
To: Tokyo Rec'd: March 8, 1943

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Emergency Report. From Britain, 25th.

Today, I lunched with OLIVER STANLEY, the Secretary of State for the Colonies. I have reported by mail of what he told me, in strict secrecy: however I am wiring you the following for the time being: -

(A) When I stressed the seriousness of the West African question, STANLEY said that the recent abrupt expansion of U.S. power in Africa and India was a cause of grave anxiety to the British Government. Three secret Cabinet sessions had already been held to consider what to do about it, but in view of the general state of affairs at present, the British Government was unfortunately not in a position to take an attitude opposed to U.S. policy.

(B) It was clear that the Americans were working on Spain with some scheme in mind and were employing deceit towards Britain, when they said that they were getting Spain to give up her long-cherished desire for the restoration of Gibraltar. He could not call this an honest or loyal attitude (towards Britain).

(C) As for the reason for placing a British Army under the command of General EISENHOWER as Commander-in-Chief in North Africa, General SMUTS had had the intention of seizing for the South Africans the High Command of the North African Allied Armies, with the object of blocking the U.S. ambitions, but Britain of necessity had yielded the High Command to the U.S. in order to avoid any quarrel between South Africa and Britain.

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(D) He was savage in his censure of the recent defeat of the U.S. troops in Tunis, saying it was a demonstration of the feebleness of the U.S. Army.

(E) He reviled the attitude of Foreign Minister EDEN, who made a speech praising the Soviet Union on the anniversary of the formation of the RED Army.

(F) He said that after the war there would be territorial changes in Africa. All nations having colonies there would have to make sacrifices to a greater or lesser extent. He then inquired whether the report was true that the Japanese Government had proposed to the Portuguese Government that Macao be ceded to them; if this was the case, what attitude was Portugal taking? To this I replied that if such a demand had been received, even from the Chungking Government, Portugal would naturally reject it.

STANLEY, referring to the Soviet offensives, said that the strength of the Soviet Union had already passed its peak. It was possible that they might hereafter still obtain a position of power, but

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