Vienna, September 28, 1934.

Dear Mr. Phillips:

I last wrote you on September 19 with more particular reference to some factors in the internal situation in Austria, and under date of September 20 I wrote Moffat giving a few character sketches of some of the outstanding people in this Government.

In the pouch leaving today I am sending a confidential despatch No. 150, of September 24, giving some observations on the present status of the struggle of the German Churches to avoid complete coordination into the Party and State. If you have time you may find it worth while to read this, for the fact that the coordinating process in the Church goes on unabated is one of the interesting features showing what the real situation in Germany is, and it is one of the features which shows that the much talked of more conservative attitude is, as usual, talk and nothing else.

I should say that in writing to the Department about so purely a German matter from here I have in no sense wished to transgress on the field of our establishments in Germany for I know that they keep you entirely informed, but I felt that in so important a matter as this Church conflict some comment on this situation from here might be helpful to the Department in forming its picture.

What is to be done with respect to maintaining Austria's independence has been the principal preoccupation in Europe for several weeks and in my despatch No. 152, of September 24, which you may find time to read, I have endeavored to give the Department the information available here with respect to the conversations in Geneva. The Chancellor returned from Geneva to Vienna before the conversations in Geneva reached their most interesting development, and the Foreign Minister only came here for a day last Saturday to attend a Cabinet meeting and returned immediately to Geneva. I have, therefore, not been able to get directly from them the more intimate background, but I hope to see the Foreign Minister immediately upon his return to Vienna and to be then able to write you quite specifically. I think, however, that the general situation is fairly clear and is

The Honorable
William Phillips,
Under Secretary of State,
Washington, D. C.
along the lines set forth in my despatch No. 152 under reference. This despatch, and the LONDON TIMES editorial in the issue of September 26, entitled "Pact Making in Europe", which you undoubtedly have seen and which is well worth reading, give, I believe, a quite clear picture.

I will therefore not go into this further in this letter. The outstanding facts are that June 20, July 25, the rearmament of Germany, particularly in the air, and the provisions for making mobile large bodies of troops, and the bringing of the Polish and Yugoslav policy more into the open have thoroughly scared the rest of Europe. That the dynamite is stored in more than one place in Europe and that an explosion can take place almost any time is now definitely clear in London, Paris, and Rome. The threats to Austrian independence have been recognized as the most immediate danger to peace and the question of maintaining that independence has become the primary question, but how to guarantee Austria's independence is not an easy matter to determine as the developments at Geneva have shown. Nothing can be done without a common front by England, France, and Italy, and before they can arrive at that common front France and Italy will have to settle major problems between them. Before Italy is prepared to settle these with France she must settle her differences with Yugoslavia. It is only when France and Italy have composed their differences and arrived at an agreement with respect to Continental problems that England can enter into the picture definitely, for she will not enter into any arrangement which to her does not appear to tend towards peace rather than merely further disturbing the situation.

That the path towards these arrangements is difficult one and that it will take time to really accomplish anything is shown by the results at Geneva yesterday. The reaffirmation of the February 17 declaration by England, France, and Italy, in even the mild form that it finally came, was arrived at only after the greatest difficulty and only because it was realized that the failure to do something now would definitely make worse a situation which all Europe already recognizes as extremely dangerous. The Geneva declaration therefore of September 27 can only be considered as a preliminary towards future action which is essential if there is to be any appeasement in the situation.

The attitude of the Yugoslavs has been most disturbing. There is no question but that the Germans have complicated the already difficult problem existing between Italy and Yugoslavia by promising the Yugoslavs territorial and other advantages. There are a lot of people in Yugoslavia who feel that the present Government in Germany will stay, that it will
be able to force its will on the rest of Europe and that their best bet is to play with Germany for they will get most out of it in that way in the end. This section of opinion in Yugoslavia believes that Austria will eventually succumb to Germany and that when this comes Yugoslavia will get a good slice of present Austrian territory and in addition have German support against Italy which will eventually lead to her realizing what now seems unrealizable aspirations in other directions. This sentiment in Yugoslavia explains the benevolent attitude shown towards the Nazi refugees from Austria after July 25. The Yugoslav Minister here in Vienna, I am quite confident from my conversations with him, is one who holds these ideas. Yugoslavia is therefore definitely playing the dog in the manger. She will not break with France for the present and burn her bridges there, nor with the other States of the Little Entente, but she is definitely playing with Germany and it would appear that at the moment is inclined to place more dependence on Germany than on French help. The attitude of Poland has naturally encouraged Yugoslavia and what they believe to be the wavering attitude of Hungary is an additional element of encouragement to them.

In Hungary the revisionist feeling is stronger than perhaps in any of the other Succession States, and it is this feeling which has the major influence in shaping Hungarian policy. Hungary has been flirting with Germany for some time as you know, but doing it very discreetly. The Hungarians feel very friendly towards Austria. They much prefer to see Austria independent. They don't want German domination in Austria or Southeastern Europe. They infinitely prefer the status quo, even without the treaty revision, to German domination in Austria and eventually over them. But they fear Germany and they are afraid that the present Government in Germany will be able to maintain itself, and this means in their minds definite German penetration to the Southeast. The events of June 30 and July 25 caused a real revolt of feeling in Hungary and strengthened the feeling that they wanted to see Austria remain independent, but the feeling of fear of Germany has more recently made headway again.

Kanay, the Foreign Minister, was in Berlin, I think now several months ago, and I know that he saw Hitler, Schacht, Neurath, and Blomberg. He came back to Hungary with the feeling that the present régime would be able to maintain itself, and strengthened therefore in his policy of maintaining an equivocal position. Hungary therefore must be considered among the States constantly wavering and endeavoring to carry water on both shoulders. Goebbels is said to be planning a visit to Warsaw in the near future and this is merely one of the indications of Hungary's present vacillating state of mind.

The newspapers have carried an item in the last days to the effect that Papen is going to Hungary before coming here to Vienna, in fact that he is there now, making a visit to
one of the members of the Hungarian Parliament on whose estate he is shooting. The visit is supposed to be a purely friendly one, but as this particular member of Parliament is known to have been one who has for months been closest to the National Socialist Party in Germany and in sympathy with it, the visit can hardly be without significance. It is certainly not a reassuring element that Papen should be going to Hungary before coming to his post in Vienna, and especially at this time.

The position of Czechoslovakia is much more closely defined. Beneš is a wise man and has not wavered. The recent coming of Poland into the open has only consolidated his position and policy.

Undoubtedly Italy and France would have liked to try to get England to join in an implemented declaration with respect to Austria at this time, but England knows that unless she uses her position in order to force certain solutions that the danger to peace will not be definitely removed by such an implemented declaration. She has, first of all, to consider her own public opinion and it is quite a curious thing that there has grown up in England a feeling that England must disassociate herself from Continental problems. This section of opinion in England has been developing quite rapidly and has reached such a point that the Government must consider it. It is quite interesting that the British Government should now have to deal with exactly the same kind of opinion that they used to reproach us with having in the Middle East. The English realise, however, very well that they fundamentally cannot maintain that attitude of aloofness that we can.

Then too, there is a considerable section of opinion in England that feels that the intrusiveness of France with respect to the revision of the treaties is one of the principal obstacles to the settlement of the problems in Southeastern Europe. Scores of members of Parliament, particularly of the House of Commons, have been in Hungary, and they almost all come back with the feeling that there must be revision of the treaties. With such a considerable section of opinion in Parliament that it is the intrusiveness of France which is making most of the trouble, and that treaty revision is essential, it is quite easy to see that the British Cabinet must go slowly in taking any new commitments such as those France and Italy wish her to take with respect to Austria, at Geneva. Besides that, the English know that the internal situation in Austria is not a happy one. The half-hearted Fascist Government existing here is repugnant to a large section of British liberal opinion. The British Government knows that the internal situation in Austria is far from being stabilised. All these considerations they had to keep in mind when faced by any decision with respect to Continental Europe.
Germany has undoubtedly achieved a minor success. The possibility for the Ost-Locarno Pact has broken down, probably definitely. Poland has almost openly shown her hand and undoubtedly is for the present prepared to play more with Germany. Yugoslavia and Hungary are wavering either through fear of Germany or through the hope of what they can get through her. In any event the attitude of Poland, Hungary, and Yugoslavia are in the balance and they may turn either way.

I think that this is so was largely the factor which determined England to overcome her reluctance towards taking definite action now with regard to Austria. It was realized that if nothing was done now the pro-German element in Hungary and Yugoslavia would be definitely strengthened. In spite of the fact that England is by no means satisfied with the internal situation in Austria and with the developments which have so far taken place in the Italian-Yugoslav situation and in the French-Italian conversations, she had to do something and hence the more or less half-hearted declaration regarding Austria of September 27.

As I have indicated in my despatch No. 152, I am definitely of the opinion that a firm attitude by England, France, and Italy is essential if an eventual war is to be avoided. If Italy and France will compose their differences in a reasonable manner than England can join with them in a Continental policy which they can force on Europe. These little States in Southeastern Europe will never be able to solve their problems of themselves, and just as the present status quo is one which was imposed by force, so the status quo or a new policy will have to be imposed by force and a united attitude on the part of England, France, and Italy will be sufficient to do this, and at the same time curb German expansion. The greatest calamity which could happen now will be if England, France, and Italy cannot get together. If they do not get together there will be no way of imposing any reasonable settlements in Southeastern Europe. If there is no question as to the unity between England, France, and Italy, and if there are definite indications of this, and if this unity is made clear whenever any question requires settlement or adjustment, then Poland, Yugoslavia, and Hungary will stop wavering and align themselves with these powers. This will mean the definite curbing of Germany as the principal disturber of European peace and will lead to the disintegration of that system in Germany which is making her people into the most militaristic and dangerous that Europe has yet known.
King Alexander, as you know, is at present in Sofia, and I heard this morning that he received a real ovation there. He has undoubtedly gone to Sofia so that when he goes to Paris, as has been fixed for the near future, he will be able to face the French with what is practically a Yugoslav-Bulgarian front. Yugoslavia has 14 million people and Bulgaria has 6 million. When one realizes how cordially they hated each other until recently, and how closely they are working together now, it is an indication how wrong these people are who say that these problems in this part of the world cannot be solved. If a common basis of interest can be found and if the right personalities get to work and work together, even these centuries old hatreds can be overcome. We all know how the Yugoslavs and Bulgarians did not get along with each other, and we know how well they get along now, and it is largely the work of Alexander. It does not add to one’s peace of mind to know that Goering is reported today to be in Sofia. It is, to say the least, not a happy circumstance that he should be in Sofia at the same time as Alexander. As a matter of fact, it seems pretty certain that he would not be there at the same time as the Yugoslav King is without Alexander’s tacit consent. It would seem to fit in with Alexander’s plans preliminary to his trip to Paris.

The way towards settlement will not be easy and the French and Italians have a hard road ahead of them. Yugoslavia will be the principal country to make difficulties. Behind her will be the shadows of Poland and Hungary.

The declarations of September 27 with regard to Austria will, of course, be a disappointment here in Vienna where a strongly implemented statement by the three Powers was expected or some action by the League States. There is, of course, some disappointment here, but my own feeling is that the Powers went as far as they could at this time in fact, I think it was an achievement that they could get as far as this statement at this particular time. The declaration will help to partially stabilize the situation internally here, or perhaps I should make it less strong, and say that it will make it possible to hold things together a little while further conversations continue. Something more than this declaration, I believe, is necessary to definitely maintain the status quo in Austria and in Southeastern Europe.

If anything like a degree of wisdom prevails peace and order can be brought back to Europe. Certainly what seems to be a last chance seems to exist now, and there does seem to be a will to work in the right direction. I am not unmindful of the difficulties in the way. I am confident they can be
surmounted, but I am not sure that they will be overcome. I confess I am happy that my country is so well out of it. I realise that we are not unaffected by these situations and that we must be interested in them, but I am glad that we are not involved in them. I am constantly more of the opinion, which I have held for a long time, that under no circumstances can we ever permit ourselves to be involved in a European conflict, should there be one.

Faithfully yours,