Vienna, February 1, 1935.

CONFIDENTIAL.

Dear Mr. Phillips:

I have written you so fully in my letters of January 8, 11, 18, and 25, that there is very little which I can add in the way of background at this time. From what I am able to gather here, the situation is developing along the lines already covered in my letters.

As the press may be carrying between now and February 12 more or less alarming news from here with regard to the possibility of demonstrations and even efforts to upset the Government on February 12, I telegraphed the Department briefly this morning with regard to this situation and have covered it more fully in my despatch No. 306 of February 1. I need not tell you that February 12 of last year is very bitterly remembered by the Social Democrats here and it is quite probable that less responsible elements among the Social Democrats may demonstrate in Vienna and elsewhere on that day. It is almost too much to expect that they will let the day pass without some demonstration against the Government. However, those most busy talking of the possibility of trouble are the Nazis who undoubtedly are much encouraged by the Saar vote and Germany's resistance up to now to a non-interference pact, and who would be very glad to see the Socialists and Communists show opposition to the Government. The Socialists themselves, however, lack proper leadership and certainly have no desire at this time to make real trouble for the Government. They are totally unprepared for it even if they wished to do it.

The Nazis are considerably bucked up, but they lack completely coherence and real leadership. There are at least four or five different groups among the Nazis now, all of them with their separate leaders and widely differing from each other on very fundamental points. The money which is again coming from Germany is too small in volume to have had any effect or to have any direct effect for some time, and it takes money to keep a National Socialist movement strong in

The Honorable
William Phillips,
Under Secretary of State,
Washington, D. C.
Austria, and the money has to come from the outside. Further than this, I think it is definite that those Nazi groups here which look directly to Germany for their inspiration have been told that this is not the time for direct action against the Government. The National Socialists in Germany hope to achieve their ends in Austria by less direct ways and in a manner less alarming to the rest of the world. The organization in Austria therefore is so weak that it could not stage any worthwhile action against the Government.

It is clear, however, that the National Socialists have been stirring up Socialist and Communist groups to demonstrate on February 12. The Government believes that some demonstrations may take place and even the President at a luncheon the other day, told me that he felt quite sure there would be some disturbances on the 12th of February or immediately following. Other important members of the Government have told me that they think it quite likely that there may be demonstrations in Vienna and other parts of the country, but they feel sure that they are able to take care of everything through the police. They feel so sure that General Zehner, who is at the head of the Army, told me a few days ago that he would make no special dispositions so far as the Army is concerned as he believed them unnecessary and that the Army was always ready anyway. As a precautionary measure, several hundred potential troublemakers, principally among the Socialists and National Socialists, have been placed under arrest and will be detained until shortly after the 12th. My own impression is that if anything does take place it will be of a very minor character as the time is not ripe for any action against the Government. I would not be surprised if the anniversary passed without any incidents whatever.

I have covered this at this length for there may be a good deal of press comment with regard to possible trouble. There has been so little news within Austria itself recently that there will be a tendency on the part of some of the correspondents to exaggerate the possibilities and even the incidents which may occur. I shall be very wrong indeed if there is any trouble, and my own guess is that the Government itself here will be very pleasantly surprised.
What in my opinion is much more important for the immediate present than the possibility of some rowdy elements demonstrating against the Government is that there has been too much talk here recently about monarchy, although this has not found, strange to say, as much expression in the foreign press as might be expected. As there is apt to be a good deal of press reaction, however, on this monarchist question, I think it may be useful for me to supplement some of the background which I have given you recently.

The German pressure, as I have already informed you, is taking the form of talk about the necessity for a plebiscite in Austria. It is a sort of whispering campaign which has been started by the Nazis acting, I am informed on good authority, under instructions from Germany, as it is known that a much more fertile field exists here for plebiscite propaganda than for Nazi doctrine. In the Tyrol, for example, the following slogan coined in Germany has gathered wide currency recently: "Heute die Saar, Sud Tyrol nächstes Jahr". That is to say, "Today the Saar, South Tyrol next year". This is indicative of the sort of thing which has been started in Austria, Alsace-Lorraine, and other supposed fertile fields, in the opinion of Party circles in Germany. As an instinctive defense against this sort of thing the Austrian mind turns toward monarchy as though monarchy could help Austria against Germany. As a matter of fact a Habsburg Government here would probably be just as helpless against the Germany of today as the present semi-Fascist one is of itself. There is no getting away from it, however, that the monarchist idea is one that appeals to the people in all classes here. They have no real aversion to monarchy, but in my opinion the Legitimists are for the present capable of doing perhaps more damage to Austria than the Nazis.

The Nazis, after all, are still disorganized and without the powerful aid from Germany and direct intervention by Germany cannot do anything effective against this Government for some time. On the other hand, from the point of view that the stability of this Government is of primary importance now and until the question of Austria's sovereignty is definitely settled, the Legitimists can do a good deal of damage, for too strong impetus to the monarchial idea to a certain extent undermines the support of the present Government. On the other hand, it is true that some of the Legitimists have Nazi sympathies so that emphasis on the Legitimist side diverts them from the Nazi idea. The danger of too strong Legitimist agitation is already increased by the fact that practically all the important people in the Government are not fundamentally averse to monarchy.
The dangers in this situation, however, have been recognized and Schuschnigg and Starhemberg and the responsible leaders have again made it clear that this is no time to be talking about monarchy. They have stopped the impetus of the monarchist movement, which undoubtedly was strengthened as a reaction to the new German propaganda. They have made the Legitimists understand that this is no time for them to be active and that they only do damage to their cause by thoughtless activity now. I think therefore that the danger from too active Legitimist impetus is again gone.

In this connection it is interesting to observe that if monarchy does return in Austria it should come at a time when the transition can be made with all adequate safeguards and then only when it will not arouse the antagonism of some of Austria's neighbors now so bitterly opposed to the restoration. My own impression is that if Germany is drawn into the non-aggression and non-interference pacts, guaranteeing the independence and territory of these states, the objections which Czechoslovakia and Jugoslavia have towards monarchy in Austria will fall away. Their objections, after all, are based on the idea that restoration will open territorial questions and that the Habsburgs will return with all their old pretensions. Once security is achieved for Czechoslovakia and Jugoslavia, they will have no longer the same reason to be disturbed about the kind of government Austria chooses to have and I gather from conversations with well informed Czechs and Jugoslavs that this is so.

On the other hand, I think it is recognized in Austria that if a Habsburg ever comes back to the throne here it is not only an Austrian concern, requiring careful internal regulation at the time of transition, but also a concern of Europe. Internally Austria would have to see that the return of monarchy does not mean tremendously increased costs of the governmental machinery. The dream of many of the Legitimists will have to be shattered for Austria cannot afford to allow them to come back in such numbers as hoped to feed from the public granary. From the internal as well as from the European point of view I think it is also understood here in circles not opposed to the return of monarchy, that a Habsburg who might return to the Austrian throne will have to come as a very limited monarch on the English plan and take the oath as monarch in Austria only. While it is generally understood that Otto is a very sensible young man, there are a good many Legitimists who are not, and there are some who fear that his mother intends to preserve for him Habsburg pretensions which he realizes are
impossible. There are a good many people here who are not sure that the Habsburgs have learned that this is a new world and who realize that it would be impossible to think of a Habsburg coming to the Austrian throne and taking the oath of the old Habsburg Monarchy under which they claimed almost half of Europe.

From the European point of view therefore a return of monarchy in Austria can only take place under proper safeguards for under any other circumstances it would be merely putting into power again a system here with pretensions perhaps less dangerous in fact than those of the German regime of today, but in theory almost as far-reaching and certainly potentially disturbing to peace.

For these reasons sober minded persons in Austria who really consider the possibility of monarchy, only envisage it as a solution safely to be arrived at not in an emergency, but when it can be done calmly and therefore adequately safeguarded. The people in the Government here thoroughly appreciate the entire situation and can, I think, be depended upon to use good judgment.

I will not in this letter go into any details with respect to the major situation in which the Austrian problem is so important a factor. I have covered it so thoroughly in my recent letters. You are, I am sure, much better informed than I can be of the active negotiations between London and Paris and of the tremendous efforts which Germany is making and of the resistance she is showing. I can realize English reserve and appreciate fully the difficulties of inflexibility in Paris. I have had during the years since the end of the war, little sympathy with French policy on the whole. I think it is responsible to a very considerable degree from many of the difficult situations which Europe and which even we further away have to deal with. French responsibility is very great. On the other hand, I think at this moment the French thesis that the mere word of the present regime in Germany or its expressed good intentions cannot be depended upon is correct and has to be reckoned with as a reality if there is to be any hope of the preservation of peace in Europe.

Germany wants to keep a free hand in Europe. She wants treaty revision without conditions. She has definitely planned to continue her one-sided action and to continue facing Europe with one fait accompli after another. The information I have from the best possible sources is that Hitler himself and his
associates have no intention whatever of joining in any non-interference pacts if they can help it. The National Socialist ambitions and pretensions with respect to the rest of Europe, which the majority of the German people certainly do not yet share, have in no sense been given up. The Saar victory has stiffened the attitude of this minority party still holding the power in Germany, and if it can register further victories it may be able to sufficiently strengthen its position so that Europe and the German people will have to reckon with this group as making German policy for some time longer. If we come to that point, there can be no peace in Europe. Perhaps peace for any length of time cannot be assured no matter what arrangements are made, but unless the pretensions of National Socialism are given a definite check, then we can be sure that there will be no peace and that it is only a question until they can make Germany ready. Concerning the rate at which she is getting ready, I think no one can have any illusions any longer. One of my friends from Berlin was here the other day and he has always looked upon this Government with a certain amount of benevolence. He is in position to know what is really going on in business and banking circles, and he is simply appalled now at the rate of German rearmament.

As I forecasted in my recent letters, the present regime in Germany is making a tremendous effort to get recognition of her armaments and the lifting of the restricting clauses in the Versailles Treaty without condition, and without her taking any of the steps simultaneously which would indicate good faith in keeping the peace and not risking the rights of others. The record of performance of the National Socialist Government is not such that any confidence can be put in its promises even if such promises are made. Evidence is accruing on every hand as to what this regime really has in mind. Goering's visit to Poland is only a minor indication. I had a talk with the Romanian Chargé here the other day which reveals only too clearly what promises have recently been held out to Romania.

Nevertheless Hitler has succeeded in getting some very important Englishmen to come to Berlin recently, as you know, and has convinced them of his peaceful intentions. It is really quite unbelievable that this farce should continue to convince well intentioned and in other ways well informed and well balanced persons. When there is no further illusion with regard to Nazi doctrine and Nazi aspirations in Germany itself, it is able to gather adherents and arouse conviction in certain quarters outside.
I think, however, that the British Government is under no illusions in spite of the difficulties it has to face in reaching its decisions. It is too bad that just at this time both England and France should be obliged to consider so seriously their parliamentary situations, for in both countries it has made the necessary arrangements more difficult.

As I have already said and which I think cannot be recognized too clearly, the present regime in Germany cannot maintain its position against a united front by London, Paris, and Rome. I say the present regime in Germany and not Germany, because already there is a distinction. The present regime realizes very well that in such an attitude as it is now assuming it does not have behind it the necessary support in Germany itself. The foreign political policy of Germany today is made by a group which has increasingly less support within the country. An ever greater number of Germans is beginning to become reasonable and understanding the necessity of Germany's being able to play the part of a good neighbor in Europe. The present regime is now making a last effort to maintain itself. But the present effort which it is now making is, it realizes, the last opportunity to fasten itself on the country. I am convinced that if the solid front is maintained Germany will have to give way.

This will not solve all the problems at once, but it will mean that the non-interference pact will bind her before the world, restrict her disturbing activities abroad and at home, and strengthen the growing conservative element which is slowly but surely permeating the present regime. Any weakening outside now would consolidate the Polish attitude and have a disturbing effect immediately in Rumania, Yugoslavia and Hungary. Any weakening outside now would definitely slow up the reaction against the present regime in Germany, increase its possibilities of lengthening its life, and of eventually fastening on Germany a good part of its dangerous doctrine. That prospect would indeed be an unhappy one for Europe and which we much farther away would have to contemplate with very great concern.

Very fortunately, it looks as though the realities of the situation are thoroughly appreciated in London, Paris, and Rome, and the next weeks will be, in my opinion, the most important since the war so far as the far-reaching effects of the decisions reached are concerned. I was told yesterday by a well informed person that practical agreement on the program of the London conversations starting today had been reached between London and Paris. Italy is so thoroughly disturbed that
she is practically sure now to join in any arrangement arrived at in London. England is certainly playing a very great role. It has been tremendously difficult for her, but she faces the situation squarely now, realizing the consequences of delay and compromise without adequate compensation. When one thinks of the progress which has been made during the past few months it is really extraordinary.

I know there are those who think I am too strong in my strictures on National Socialism and who misunderstand my attitude and misinterpret it as unfriendly towards Germany. I need not tell you that this is entirely an incorrect estimate of my attitude, for I believe that there can be no peace in Europe unless there is a happy, contented, and a strong Germany. On the other hand, my views as to National Socialism and what it means for Germany, Europe, and the world are based not on prejudice, but on an objective consideration of the facts which we have to face. A solid front of London, Paris, and Rome is so vital not only because it means a possibility of peace in Europe, but also because it means that a reasonable Germany will be able to control again its own destiny, and I never forget that the very great majority of the sixty-five millions of Germans are a worthwhile and decent people.

Cordially and faithfully yours,

George S. Messersmith.