Vienna, June 5, 1935.

No. 448.

Subject: SUMMARY OF THE AUSTRIAN INTERNAL AND EXTERNAL POSITION.

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to refer to my despatch No. 454, of May 24, 1935, in which I gave a very brief summary of the Austrian internal and external position as I found it on my return from leave of absence on May 19. I have now been back for several weeks and have had the opportunity of discussing the situation with a considerable...
considerable number of well informed people in official as well as other circles, and am able to transmit the following summary of the situation.

At the outset, and in résumé, I may say that I find no reason to look forward to any developments in the interior of Austria which would be disturbing to internal peace or which might tend to disturb the European situation. The Government continues to be faced by difficult internal problems, but these appear to be well in hand, and although it is following general developments in the European situation with the greatest and closest interest, it maintains its confidence that external support of Austria's independence remains firm.

The general effect of Chancellor Schuschnigg's speech, both within Austria and in Europe, outside of Germany, has been good. Within Austria the speech is accepted in all but National Socialist quarters as a dignified, firm and unequivocal statement of the Austrian position. The reaction in other capitals, except Berlin, so far as it is possible to determine here, has been satisfying, as in some it was feared that the Chancellor's statements with respect to the unalterable intention of the Government to maintain Austrian independence might not be so clear and unequivocal. In Germany the speech appears to have been given practically no publicity, and practically no comment is available here, except that of the VOLKISCHER BEOBACHTER, which is brief and cynical. There is reason to believe that...
that the speech has had the effect of increasing the strength of the Government within Austria and of increasing confidence in it among her neighbors and friends.

The closing paragraph of the speech, which has been characterized in certain quarters as weak and leaving the way open to practically any negotiations on any subject with Germany, must, I believe, be considered and interpreted in the light of the specific statements which the Chancellor had made in his speech. I find that the impression here in well informed circles is that this paragraph merely happens to be a rather poor peroration to what is otherwise a very definite statement of policy and attitude.

The personal position of Chancellor Schuschnigg has apparently neither grown weaker nor stronger, although the position of the Government is on the whole stronger. The Chancellor is an austere man, whose honesty of purpose is constantly more generally recognized. His personal popularity does not increase. On the other hand, the Vice Chancellor, Prince Starhemberg, while not enjoying much wider real popularity and sympathy, is in a stronger position in the Government than before. The plans which are to be made effective for bringing together all the irregular military formations will further strengthen the position of Prince Starhemberg. The relations, however, between the Chancellor and those who look to him more immediately for leadership, and between Prince Starhemberg...
berg and those who look to him are, on the whole, good. Real differences exist between the Chancellor and the Vice Chancellor, and more particularly between some of their supporters, but these are not of a nature to give cause for concern so far as they may affect internal peace and order. The Minister of Agriculture, Reitner, who is the leader of the peasant groups, and Dr. Matejka, under whom the so-called Freiheitsabund has recently rapidly increased its membership, were both inclined in recent weeks to be pressing in some of their demands, but major agreement has undoubtedly been reached between the Chancellor and Vice Chancellor. It continues to be well understood here, as I have indicated in previous despatches, that although internal differences in Austria are unavoidable, these must be kept subordinated to the major idea that nothing must be done which will interfere with the development within the country of its independence and integrity and with the support which this idea receives outside.

The recent decision of the Government that the irregular military formations, such as the Heimwehr, Sturmscharen, Freiheitsabund, and Christlicher Turnverein, are to be brought gradually into one organization in the Patriotic Front under Prince STARHEMBERG is not greeted with enthusiasm or with entire approval among the supporters of the Government. It is realized that the aim of this action is good, but questioned whether it will in reality strengthen or weaken the Government. In this connection it may be noted that a considerable number of Socialists, who heretofore refused to enter any of these military organizations, recently began to adhere...
adhere in large numbers to the Freiheitsbund, under the impulse of Dr. Matejka, concerning whose attitude on the independence of Austria and support of the Government there can be no question. According to the present intentions of the Government, all those who entered the irregular military formations since February 1, 1934, are to be eliminated. This is intended to take out of these organizations elements disloyal to the Government, which may have entered them merely for personal advantage. That such elimination may be desirable is recognized, but that it will at the same time take out of these protective organizations an even greater number of persons, particularly Socialists, of whose loyalty there is no question, also seems clear. This whole matter of the unification of the irregular organizations is still in somewhat a state of flux, and the final arrangements do not yet seem to be entirely clear.

Although the National Socialist activity has somewhat increased in Austria recently, there are no indications that the adherents of this party have been able to reorganize or to develop any new leadership. The Government, however, fears that attempted increased activity may be expected and is taking the appropriate steps. The Minister of Foreign Affairs has recently informed me that the Government feels that it has the situation very well in hand, but that it intends to take no chances.

It is interesting that the principal National Socialist activity still centers in university and certain professional
professional circles. Within the last few weeks a professor in the University of Vienna and another in the University of Graz have been relieved of their positions, and their usual pension reduced. This action will, I believe, be generally accepted here as a wise one on the part of the Government, as there is an increasing feeling that in university circles there are too many in responsible posts who consider only whether they may be able to get their books published in Germany and are completely lacking in loyalty to their own state. Within the last week also numerous arrests have been made of those issuing Nazi propaganda in Austria. Practically all of those arrested (the total seems to run to 30) are professional men. The Government claims to have definite information that the money for the spreading of propaganda material came from Germany. There are indications that some of it came via Hungary, and a considerable number of Hungarian police officials have been in Vienna during the past few days, cooperating with the Austrian authorities. The Government also claims to have information that some of the propaganda recently distributed was printed in the National Socialist printing establishment in Munich, in which Chancellor Hitler himself is a shareholder.

In view of the fact that Dr. Schacht has recently stated that no money is being supplied from Germany for propaganda in Austria, I was interested in the
direct statement from the Foreign Minister to me within the last few days that the Government has definite information that increasing sums are coming in from Germany, and also has definite information that the German Legation in Vienna is being used as a center for a good deal of the propaganda.

The Austrian Government is without any illusions with regard to the attitude of the present Government in Germany towards Austria. It believes that any illusions which may have been held in this respect in some quarters outside of Austria have been shattered by the statements which Chancellor Hitler made in his conversations with Sir John Simon in March and by his obviously considered statements in his recent Reichstag speech. It feels that the actual attitude of the German Government must be interpreted in the light of its acts. For this reason the statements made by Dr. Rosenberg in Berlin this week would indicate further attempts at interference in the internal affairs of Austria. The success of the Heinlein Party in Czechoslovakia has caused concern here, and I am informed on responsible authority that the Austrian Government has definite information from Dr. Benes as to the amounts of money from Germany which were brought into Czechoslovakia before this election and as to the manner in which the money was brought in. As there are further indications also of increased activity over the German radio, the Government, I am informed, feels that it must consider, as respects this propaganda, that a condition similar to one of
a state of war exists. This expression, I should say, was, I believe, used merely as a simile to indicate the attitude which the Austrian Government must maintain.

The Government here is following very closely the increased activity of German diplomatic representatives in London, Rome and Paris, and particularly in Hungary and in the Balkans. So far as I can gather, however, it retains its confidence that these activities will not affect the attitude of Italy, France and England with respect to the necessity for the maintenance of Austrian independence. The Austrian Government would welcome an early holding of the Rome Conference and views with concern its postponement.

It is interesting, however, in this connection to note that at a recent meeting of the Anglo-American Press Association in Vienna, at which the Chiefs of Mission of the Little Entente States were present, they stated that the postponement of the Rome Conference was not essentially serious, as they "were in complete agreement as to the steps which they would take in case Austrian independence was threatened", and that the holding of the Conference, in this respect at least, was more or less "a formal matter".

The internal economic and financial situation in Austria has naturally a very important effect on the political situation, and in this respect it may be noted that the slow progress towards improvement continues perceptible. The indications are that tourist travel...
travel in Austria will be greater this year than for some years past. Tax returns during the last few months have been higher than in the same periods in previous years. The position of the National Bank remains strong and its holdings of foreign exchange have materially increased recently. The service on Austria’s loans continues to be met. The recent loan, the purpose and nature of which has been fully reported on by the Legation, has been taken up within the time limit set for the total of the 150,000,000 schillings offered. There is much distress among individuals, and the earning power of a considerable part of the population is lower than it should be, but relatively the economic situation in Austria is definitely continuing to show those signs of improvement which have been indicated in the despatches of the Legation. The budget offers serious problems for the Government, which will be cause for concern, but not of a nature to be fundamentally disturbing.

Respectfully yours,

George S. Messersmith.