Vienna, August 15, 1938.

No. 389

Subject: FURTHER DEVELOPMENTS IN CONNECTION WITH THE DANUBIAN FACTS.

CONFIDENTIAL.

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to refer to my despatch No. 568, of July 23, 1938, on the conversations between the Austrian Foreign Minister and the German Minister in Vienna on the possibility of improving relations between Austria and Germany, and to my telegram No. 55, of August 5th, 4 p.m., and despatch No. 515, of the same date, on recent developments with respect to the Hungarian
the Danubian pact. As there has been considerable speculation in the press with respect to the progress on these pacts and as various rumors have become current, I have gone into the situation as carefully and as thoroughly as is possible at this capital, and have to make the following comment.

There have been reports in the European press, which have found their reflection in the Austrian press, to the effect that the growing preoccupation of Italy with her Abyssinian venture may cause the problems of Central Europe to take on a somewhat different aspect in the eyes of Mussolini. In spite of his declaration of ability to cope with any situation which might arise on the Brenner Pass, doubt has been expressed that his interest in the affairs of Central Europe for the next few months will be as active as it has, but that he will concentrate on trying to create in this part of the world a situation which will at least remove any real military threat on the Brenner frontier. Some unofficial foreign observers here have expressed the opinion that it is open to question, in view of the tremendous strain to which Italian finances are being subjected through the action in Ethiopia, whether the Italian Government will be willing or able to lend further financial support to the Heimwehr movement in Austria. In this connection, these observers draw attention to the reported failure of Prince Schwarzenberg to see either Savitch or Mussolini or to get new financial assistance on the occasion of his recent visit to Italy.

I have
I have not been able to find here in official or in well-informed circles any indication that direct conversations have been taking place between Rome and Berlin tending to bring about an arrangement which would remove a military threat from Germany against Austria during the progress of possible hostilities in Abyssinia. If such conversations have been in progress, I have been unable to get any authoritative information concerning them from any source in this capital. In official circles it is not believed that any such conversations are in progress, particularly on the ground that they could not take place without the knowledge of the French Government and that this is a step which Mussolini at this time could under no circumstance take when he is so dependent upon the mediation of France in the Abyssinian question. The same sources which have given credence to the belief that such conversations are in progress between Rome and Berlin are also the ones which have given credence to the reported failure of Prince Sternberg to see either Savich or Mussolini on his recent visit to Italy, or to get new financial assistance for the Austrian Heimwehr from them. In this connection, I believe it should be pointed out that Prince Sternberg had really gone to Italy on a holiday and that, while he undoubtedly intended to see either Savich or Mussolini while he was there, the death of the Chancellor's wife made necessary his return to Austria abruptly, and the probabilities are that his failure to see Mussolini or Savich was due to this abrupt departure rather than to any disinclination on their part to receive him. There is
further also some misapprehension in otherwise well informed quarters with regard to the Italian assistance being given at present to the Heimwehr. There was a time when the Heimwehr received very considerable pecuniary support, as well as equipment, from Italy. Since the security tax has been put into effect in Austria, the proceeds of which go largely to the protective associations, the need for money from Italy has largely disappeared, even though that country had been disposed or able to continue to provide it. Although the relations between Austria and Italy are excellent, the Austrian sentiment has been always opposed to this financial support from Italy for the Heimwehr, and the object of the security tax was to remove the necessity for any outside money for these protective organizations. There is reason to believe that more recently the only contributions from Italy to the Heimwehr have been in the form of some used military equipment. I can find no substantiation in quarters which should be well informed that Prince Sternberg had any intention of seeking financial assistance from Mussolini during his recent visit to Italy.

I have, therefore, not been able to find any information here in authoritative circles which would indicate any decreased interest on the part of Italy in the rapid conclusion of the Danubian pacts.

There is, however, in connection with the background of these Danubian pacts a real development. Since the time when these pacts were first seriously considered by Italy and France political changes in Europe, particularly
particularly the increased influence of Soviet Russia in Czechoslovakia and Rumania, have made the idea of mutual assistance virtually impossible of application in such a pact. This was recently brought out by the semi-official BNECHPOST in Vienna, as follows:

"An entirely new factor has been introduced into Central European politics by the conclusion of a treaty between Prague and Moscow, which must be regarded as a military defensive alliance. By this instrument, a state which was particularly exposed through its geographic position and its national composition transferred itself into the French-Russian treaty system. Although this decision of the Prague Government was surely motivated by a desire to increase guarantees of peace, nevertheless it creates for all the other Danube states the necessity of considering the consequences which might arise out of a mutual assistance pact, under those changed relationships, in case of serious eventuities. Furthermore, Rumania, under the influence of Mihai, seems to be about to follow the example of Czechoslovakia and also to enter the Russian orbit. In Poland, which was so closely connected with Rumania under Pilsudski's leadership, this has given rise to deep misgivings, which, according to an English report, will probably lead to the termination of the Polish-Rumanian military convention, which expires next year. Add to this the increasing tension between Prague and Warsaw, and one is faced with increasing difficulty in getting Poland to participate in a Danube pact. But the refusal to participate on Poland's part would reduce the value of such a pact very considerably, particularly from the Austrian point of view."

A further fundamental change in background with respect to the pacts that is of primary importance and has already been referred to in previous despatches, is the increased interest of the Foreign Office in London under the new Foreign Minister in the conclusion of such pacts. The interest of the British Government in the Danubian pacts had been decidedly lukewarm under Sir John
Sir John Simon. The new Foreign Minister, Sir Samuel Hoare, has in definite and concrete ways supported the Foreign Office's view point that these pasts should be brought into being, and this British interest has had a decided effect in stimulating and shaping the recent discussions.

A further change in background with respect to the pasts is the pushing forward in Germany of the idea of advancing German aims in Austria for the time being by conciliatory means, that is, by attempts to tie up the broken threads of cultural and political relations and to work through peaceful internal propaganda in Austria, rather than to depend on the use of force for the achievement of German aims.

Characteristic of this effort have been the conversations reported on between the Foreign Minister, Baron Hunger-Baldenegg, and the German Minister in Vienna, von Papen, which were initiated by the latter and which it is continuously clear represent as far only the personal view of the Minister.

Other recent events have indicated at least a faint possibility of a change in the German attitude. The waiving of the one thousand marks visa fee in the case of a considerable number of German delegates to the meeting of the German-Austrian Alpine Association in Braggen and in the case of numerous motorists who desired to attend the opening of the Grossglockner automobile road on August 3rd did not pass unnoticed in Austria.

It is established that immediately after the opening of this road Herr von Papen motored across
the German border, only a few kilometers away, and visited Hitler at Berchtesgaden, which, as the Department knows, is in sight of the Austrian frontier. I am informed through a very reliable source that during this conversation Herr von Papen suggested that Germany should continue to work through the Austrian Nazi Party. Chancellor Hitler became very heated during the conversation when speaking of the Austrian Nazi Party, which he declared as having shown itself as completely inefficient and unworthy of further support. It is reported that he instructed Herr von Papen to work for a separate agreement between Austria and Germany as one of the direct measures to be used in keeping the Danubian posts from coming into being. I am also informed, however, that Chancellor Hitler definitely stated to Herr von Papen that direct action would in the end be necessary to bring about the coordination of Austria, and that Herr von Papen referred to the certain repercussions of this action. Herr Hitler replied that all of the fait accompli of his Government had brought about repercussions abroad, but none of them dangerous to Germany, and that he was confident that if they took Austria the other powers would content themselves with protests.

Early in August and after this interview between Chancellor Hitler and Herr von Papen the Berlin BÖRSEN ZEITUNG ran the editorial on German-Austrian relations, of which the Department has undoubtedly received full information from Berlin but which I may say attracted considerable attention in Austria. The
portion of the editorial most carefully noted here was the following:

"Much mischief has been made with the abuse of the word Anschluss. Those who have grasped the meaning of the National Socialist racial idea know that on principle it regards neither German land nor German beings as objects for annexation. ... We can assure the Austrian Government that it will never see the day in which a soldier of the German Reich will cross the Austrian frontier with the intention of making conquests or annexing Austria as a German province."

In view of the fact that the BÖRSENFREUNDE is considered in Austria to have close connections with the Reichsbank, particular significance was attached in certain quarters in Austria to the assurance that the German Army would not be used to force National Socialism on Austria.

There are, therefore, indications that the German effort is being directed, as pointed out in previous despatches, towards sabotaging the peace through activity in Southeastern European capitals and in decreasing interest therein in Austria by action indicating that separate agreement with Germany is possible and would make the peace unnecessary.

In Austria itself very little has occurred to indicate that the situation has changed. As far as is known, the Austrian Government has been taking no active part in the renewed discussions over the peace. As far as relations with Germany are concerned, there is no indication that any discussions of importance have taken place between the two Governments further than the conversations between the Austrian Foreign Minister and Herr von Papen already reported.
The official organ of the Austrian Government, the NEKSER NEITUNG, replied to the article of the BERLIN NEITUNG above referred to in a very firm tone. It reiterated in essence the spirit of the statement made several weeks ago by the Foreign Minister in which he emphasized that the Austrian Government would consider reconciliation with Germany only when it heard from an authoritative source that the German Government was willing to accept an independent Austria as a fact, to live in peace with it, and to stop its present methods of interference in Austrian internal affairs. The NEKSER NEITUNG continued that as long as Berlin identified National Socialism with Germanism in general there was little opportunity for reconciliation. The editorial, however, was quite restrained and objective in tone, and has been interpreted in some quarters - I believe wrongly - as somewhat conciliatory. It was merely a restatement of the Austrian position in firm but moderate language.

An editorial which appeared in the semi-official DIE HOFPOST, of August 11, 1938, on various phases of developments in the negotiation of the Danubian pact caused some of the correspondents to believe that the Catholic party in Austria was taking a conciliatory attitude towards National Socialism and seriously considering the possibility of some separate arrangement between Austria and Germany. There was some alarm in Jewish circles in Vienna, which, of course, follow this situation closely, that this article substantiated other information they had that there was a possibility that the Vatican might make a deal with Chancellor Hitler.
Hitler whereby the latter would reduce the pressure on the Catholics in Germany, and the former would drop open opposition to National Socialism in Austria. A careful reading of this editorial in the REICHSPRESS does not, in my opinion, give any grounds for such rumors and beliefs as have grown out of it. It seems more than dubious that the Catholic Church would risk losing its authority in two countries for the sake of preserving its authority in one. In view of the present developments in the Church situation in Germany and the disastrous experience which the Vatican has had with the existing Concordat with Germany and the promises and assurances already given, it is not likely that it would place any faith in any agreement made with the present German Government.

It is interesting in this connection that National Socialist circles within Austria have given the impression that direct negotiations between Austria and Germany are in progress, but, as I have already stated, there is no foundation to these rumors.

While I have deemed it advisable to transmit the foregoing background to the Department, I may say that the real situation remains as set forth in my despatches Nos. 503 and 513 already referred to. I spoke to the Foreign Minister yesterday, who assured me that the conversations between him and Herr von Papen rested at the point reported in my despatch No. 503. He said that Austria under no circumstance would consider or discuss a separate agreement with Germany as long as there was any possibility of the Danubian parts being negotiated.
negotiated. He was quite optimistic as to the progress of these negotiations. He said that as long as Italy and France, as well as England, expressed this interest in the Dardanian pacts he would not entertain the conclusion of any direct agreement separately with Germany. It would be an impossible thing for him to do and could not be considered. He characterized as without foundation the rumors that elements within the Catholic party in Austria were favoring and fostering separate agreement with Germany. All the information which I have been able to obtain from persons in responsible positions whose duty it is to follow this matter closely is to the same effect.

Respectfully yours,

George S. Heaslemith.

File No. 900