Vienna, September 20, 1938,

No. 554

Subject: DEVELOPMENTS IN THE AUSTRIAN INTERNAL AND EXTERNAL POSITION.

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to refer to my strictly confidential despatch No. 536, of August 30, 1938, and No. 540, of September 7, 1938, and to report that the Austrian situation is developing along the lines indicated therein. While the developments in the general European situation have, as yet, not brought about any appreciable change in the Austrian position, there is increasing uncertainty in the Government as to how these developments may affect Austria.

The Government
The Government is following a policy of watchful waiting, and I think that up to now it may be said with certainty that no decisions have been taken by it which indicate any fundamental change of policy. That the position of the Government, however, is becoming more difficult and that it may be faced with important decisions in the near future, is apparent from conversations which I have had with the Foreign Minister and members of the Government.

The Foreign Minister has returned to Vienna after a stay of almost a week in Geneva. While there he addressed the League on the question of equality, and indicated that an Austrian condition of acceptance of the Hungarian facts was the recognition of her equality with other states. This statement was undoubtedly made in agreement with Hungary, which it seems has arrived at between the Austrian and Hungarian Foreign Ministers at Geneva. Before leaving for Geneva the Foreign Minister has indicated, as reported in a previous despatch, that equality was one of the natural consequences growing out of the Hungarian facts, but that Austria could not make it a condition to the negotiation thereof. This change of attitude is an indication of the close cooperation between Hungary and Austria, for Hungary has been insisting on the recognition of equality as a condition to participation in the Hungarian facts. It is interesting in this connection that the reports of the Military Attaché of this Legation, who has just participated in the annual Hungarian Army manoeuvres, indicate that Hungary has already taken steps in the reorganization and strengthening of her army anticipating full recognition.
recognition of equality and removal of restrictions now binding her in this respect.

Before leaving Geneva the Foreign Minister also instructed the Austrian permanent representative at the League to bring formally before the League the desire of Austria that the League statutes be so changed as to permit Austria to be elected to a seat on the Council, which is at present impossible.

On the return of the Foreign Minister to Vienna, he went immediately to the south of Austria and then returned to Vienna in time for a meeting of the Cabinet on September 18th. At this meeting of the Cabinet he informed his colleagues in the Government with regard to his conversations at Geneva and the developments in the European situation, particularly as they affect Austria, but it seems clear that, although the delicacy of the Austrian position was brought out by the Minister, no decisions of any importance were taken by the Cabinet. So far as I can learn, it was merely found desirable at this meeting that he should return to Geneva when he thought his presence might be of value to Austria. The Minister has informed me that he intends to leave for Geneva again on September 23 or 24.

The usual weekly diplomatic reception which would have been held yesterday was cancelled by the Foreign Minister, but I had an opportunity to have a long talk with him during the day. There is transmitted herewith a memorandum covering this conversation which will be of interest to the Department, and I refrain from commenting on it in full. The uncertainty in the Austrian position is clearly
is clearly brought out by this memorandum. The Foreign Minister is usually quite clear, frank, and definite in his statements, and this cannot be said to characterize the conversation which I had yesterday and which I felt of sufficient importance to telegraph in résumé in my telegram No. 67 of September 19th, 3 p.m.

The intrusiveness of Italy has placed Austria in an extremely difficult position. The controlled Austrian press, as has been brought out in recent despatches of this legation, has until recently been very definitely and quite strongly supporting the Italian position. So strong has this support of the Italian position been that in a part of the press there was indirect, if not direct, criticism of England. Within the last week a change in the tone of the press has become apparent, which is unquestionably one of the reflections of the uncertainty in the attitude of the Government.

Austria was put into the position by England and France of placing her main dependence, politically and economically, on Italy. This was an arrangement convenient to France and quite satisfactory to England, which, at the time the arrangement was entered into, had a very lukewarm interest in the Central European situation. The first important political step which Italy took was to compel the Government to take action against the Socialists in February, 1934, and this was the first indication which England and France had that the agreement to give Italy this predominant position as the defender of Austria might lead to eventual inconveniences. On the other hand, in the commercial field, Italy carried through
through her obligations under the Rome Protocols, and Austria's economic dependence on Italy has become continuously more important and vital to her. Italy met her political obligations in July, 1934, when direct aggression by Germany against Austria seemed imminent. The Austrian Government, therefore, not so much through any direct action of its own as through the action of England and France and as a part of the developments in the European situation in general, has been compelled to place its main support on Italy. Now that Italy is engaged in this Abyssinian adventure, which threatens to disturb the entire status quo in Southeastern Europe and definitely to weaken the support which Italy has given to Austrian economy and Austrian independence, the Austrian Government is obliged to recognize the changed situation and the repercussions which developments may have on it, but, at the same time, it cannot take any action which will alienate Italy, although it is now definitely convinced that the only sure support which it can have must come from France and England. The problem for the Austrian Government, therefore, is how to steer its course in these troubled waters, and it is following for the moment the only course which it can take, which is one of standing by.

The Italian support of Austria has never been popular in Austria. The Austrian people cannot forget that until this new combination came about Italy was the hereditary enemy of the country, and there are too many people who remember having carried arms recently against Italy. The belief that the February incidents of last year were forced
upon the Austrian Government by the influence of Italy has definitely kept the important Social Democratic element from having any enthusiasm for the Italian friendship. This latent feeling against Italy has been definitely felt in Austria and has been embarrassing to the Government, in view of the close relations between Rome and Vienna. Now that Italy has engaged in the Abyssinian adventure, which meets no popular approval in Austria, even among those who feel most kindly towards Italy, this popular anti-Italian feeling is coming very definitely to the foreground and is finding a greater expression in concrete ways.

This unpopularity of Italian influence may become a source of more than embarrassment to the Austrian Government. Should Italy become involved in a long, drawn-out struggle in Abyssinia, even though the Abyssinian question may bring no immediate European complications, the anti-Italian sentiment may find expression in popular action in Austria.

The Socialists are filled with resentment over February, 1934, and the National Socialists with even more bitter resentment over July, 1934, and because of their belief that it is Italy and Heimwehr influence which has kept them from gaining strength in the country. Italian reverses in Abyssinia might, therefore, eventually bring difficulties here, when there would arise the extraordinary situation of Social Democrats and National Socialists being ranged together by their common feeling regarding Italy. This is a development which may not come about, but is one of the possibilities in the situation which the Government must recognize and which does not decrease its concern.
The Austrian Government has clung to the hope that the stress front might be maintained. All the developments at Geneva recently and in the general situation have been such as to make it clear that the stress front is already definitely gone, in spite of the pretense that it is still maintained. It is realized here that if it comes to a definite break between Rome and London, the French position will be on the side of England. Austria, therefore, hopes that in some way or other the situation may yet be saved so that Italy will not leave the League, for her departure would immediately create an embarrassing position for the Austrian Government. Austria has consistently clung to the League, but it fears the application of sanctions against Italy would provoke Italy to leave the League and place Austria in the position of making a decision as to whether she will follow Italy.

In my telegram of September 19th, 5 p.m., I indicated that the Foreign Minister had intimated that Austria might be obliged to follow Italy. The reasons which he gave for this did not carry much conviction, and, so far as I can learn, no decisions in this respect have been reached by the Austrian Government. As things stand now, the Austrian Government knows that if Italy leaves the League, she most likely expects Austria to follow. On the other hand, the Government here realizes that if it takes this action, it places itself in a very delicate position with respect to France and England, on whom it will have to depend for any real support against aggression by Germany. The Government here knows that behind the Italian support there has always been England and France.
- 3 -

and France, and it does not have much confidence in Italian support if the French-English backing is not there. So far as I can learn, therefore, the Austrian Government has made no decision as to what action it will take if Italy leaves the League. The Foreign Minister’s statement in this respect to me was merely an indication, I believe, of the problem before the Austrian Government.

The controlled Austrian press has been particularly strong in its condemnation of the application of sanctions against Italy, and in an interview which Chancellor Schuschnigg gave to young Churchill in Vienna he expressed himself against sanctions in a way which caused a good deal of surprise. In fact, the entire official attitude in Austria with respect to sanctions is, in the opinion of objective observers here, quite contradictory and may be embarrassing to it, for Austria is one of the countries which should be mainly interested in the use of sanctions against aggression. It is not improbable that the tenor of the Austrian press with respect to the entire matter of sanctions will undergo a considerable change in the immediate future, for it is already recognized that it is a subject on which it would have been much wiser for the Austrian press and for members of the Government to have maintained the same reticence or silence which has been observed in Hungary.

The Austrian Government does not entertain any immediate fears of aggression from Germany. It feels that the internal situation in Germany is such that the German Government is unprepared to take any aggressive action at this time. While the Foreign Minister informed me, as reported in my telegram of September 19th, 5 p.m., that
the German Government had been in touch with Italy with
respect to cooperation in case of certain European
events, and emphasized that all these overtures
had come from Berlin to Rome and none from Rome to Berlin,
I am not entirely sure that this was a frank statement
of the position as he saw it. The Foreign Minister,
however, did leave the impression that he considered
Berlin was not particularly eager to make any arrange-
ment with Rome at this time. He seemed of the opinion
that Germany, too, was following a policy of watchful
waiting, and that in case of close Anglo-French
co-operation and of a definite break with Italy, a
situation would be created which would make Italy so
weak that Germany would have no interest in her
co-operation. He seemed to have doubts, therefore, as
to the sincerity of the German approaches which he said
had been made to Rome.

There is reason to believe that in the face of
complete Anglo-French co-operation in the maintenance of
the League and of the policy of collective security,
Germany would hesitate to take any action against Austria,
even though this Anglo-French co-operation involves a
definite break with Italy and resulting war. From the
best information available here at present it is
considered in Berlin that this Anglo-French co-operation
would result in the rapid fall of the Mussolini Govern-
ment, and that, therefore, there is no immediate
interest in Berlin in associating Germany closely with
Italy when this presents, for the moment, more disadvantages
than advantages
than advantages for Germany.

As reported in my telegram of September 19th, 5 p.m., during my last conversation with the Foreign Minister I took up with him the status of the negotiations which he has been conducting with the German Minister, Mr. von Papen. He stated that there was no change in the situation and that there has been no progress in the negotiations. The German Minister, however, was pressing to see him, but he had informed him that it would not be possible to go into the matter before he returned from Geneva about October 1st. The Foreign Minister went on to say that, in his opinion, the German eagerness for these negotiations was an indication of weakness, and that the negotiations which might eventually be entered into might be "quite important". I did not deem it wise to request any clarification of these statements, in view of the fact that the Foreign Minister stated definitely that there would be no developments in this connection until after his return from Geneva. It is impossible for me to surmise with any degree of correctness what the Minister meant by saying that these negotiations might turn into something quite important, but from his reference to German weakness it may, I believe, be reasonably assumed that he is under the impression that Germany is prepared to make some concession with respect to her attitude on Austrian independence. I am not inclined to share any optimism which he may entertain in this respect, for we know with sufficient definiteness that there are two questions on which the present German Government, as long as Chancellor Hitler forms a part of it, will make no compromise.
compromise - these being the Jewish question and the desire to incorporate Austria into the German State. The length to which the present German Government is willing to go in the Jewish question is indicated by the promulgation of the new law affecting the civil status of Jews at a time when it need financial assistance more than at any time since it came into power. There has been no compromise on the racial question, and for the present Government it is equally unlikely that there can be any compromise on its attitude with respect to Austria.

The turn, therefore, which these negotiations may take in the beginning of October may be quite important, but the importance will depend, in my opinion, not so much on the nature of the concessions which Germany may be prepared to make, but on the nature of the developments in the European situation. Should the Foreign Minister return from Geneva with adequate assurances of Anglo-French support which he is seeking, the probabilities are that these negotiations will continue to keep the aspect which has characterized them for the past month, that is, continued evasion by the Austrian Government of entering into any serious discussions with the German Minister here. On the other hand, should the general situation develop in such a way as to increase the concern of the Government here as to its position and adequate Anglo-French assurances be lacking, there will be adequate background for such negotiations assuming, out of Austrian fears and uncertainty, an important phase.

I may resume the situation briefly by saying that,
in spite of the increasing uncertainty in the Government, no decisions have been taken as yet fundamentally changing its policy, and its attitude may be correctly characterized as one of watchful waiting and observance of developments. I find, instead of any critical attitude on the part of my British and French colleagues, that they have a very appreciative understanding of this situation and believe that the Austrian Government is not in a position to undertake any attitude other than that which it is assuming.

Respectfully yours,

OSM/Imp.

George S. Messer smith.

File No. 800

Enclosures:
1. Memorandum of conversation with the Foreign Minister.