Vienna, October 4, 1938.

No. 566

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 confidential despatch No. 560, of September 27, 1938, and to my telegram No. 70, of October 3, 1938, 11 a.m., reporting on developments in the Austrian internal and external position, and to transmit the following further information and comment.

On the return of the Foreign Minister from Geneva I had a conversation with him on October 2nd, from which
which I gathered the impression that he was, on the whole, considerably reassured with respect to the Austrian position as a result of his conversations in Geneva. In view of the pressure which has been brought on the Austrian Government by the Italian Minister here that it should leave the League if Italy does so, it is certain that this question was very much in his mind during his second stay in Geneva. The Austrian Government had determined to reach no decision on this subject until actually faced by the necessity of making it, and I gathered the distinct impression that, as the result of his second visit to Geneva, the Minister's advice to the Government will be that Austria under no circumstances must leave the League, no matter how heavy the Italian pressure may be. I find that it is the opinion of my most interested colleagues here that Austria will not leave the League.

With respect to sanctions, the Minister spoke of them in a much milder manner than during the previous recent conversations I had with him. He felt that the application of economic sanctions was inevitable, and was direct in his statement that if they were applied by the League, Austria could not participate. It is the opinion of my more interested colleagues here that Austria at the outset would not follow the League in applying sanctions, and I find that among these observers there is understanding appreciation that, in view of the relations which have existed between Italy and Austria, this is the only attitude which Austria could take.

The Foreign Minister expressed the conviction that hostilities between Italy and Abyssinia were inevitable,
and that their outbreak could be expected any day. He was more than ever optimistic that the probabilities were that they could be localized in Abyssinia. He again stated that all the information which he had was to the effect that Germany would not take any aggressive action in any direction as a result of the outbreak of hostilities between Italy and Abyssinia, and would follow a definite policy of remaining apart from the matter until such a moment when developments might offer a favorable opportunity to her offering possibilities of successful action. He did not foresee these developments giving her this favorable opportunity as probable.

The tone of the Austrian press, which, as I have already reported, was very pro-Italian on the Abyssinian question and which has considerably moderated within the last weeks, continues to assume constantly a more moderate tenor. When I brought to the attention of the Foreign Minister articles which had appeared in the Austrian press critical of the League and of England, he indicated that, although the Austrian press was commonly supposed to be a controlled press, it was not controlled in the sense that it is popularly believed to be. He emphasized that with respect to the attitude on the League and the Italian-Abyssinian dispute the Government had given no directives whatever to the press.

There is reason to believe that the Austrian Government has abstained from influencing the press on this matter and that the press has been largely influenced by direct Italian pressure, some of which has been
has been exerted through the Italian Legation here and more particularly through Mr. Morresale, who is the Press Attaché of the Italian Legation but who does not appear in the diplomatic list. There has been no endeavor to influence the press here from British and French sources, and the pressure from the Italian sources has been unsavory and in most quarters resented. It seems unquestionable that this pressure over-reached itself and a reaction is slowly but gradually taking place. The Abyssinian venture of Italy is not popular among the Austrian people and is not approved in most editorial offices in Vienna. There has been in consequence this quite perceptible change in the consent of almost the entire Austrian press.

I have not been able to secure any information which would indicate that the German Minister, Mr. von Pappen, has so far renewed his conversations with the Foreign Minister. I refrain from putting a question to the Minister on this subject, and he did not consent on it, but from his general attitude and the best information I can get through interested sources I believe that no progress has been made. The well authenticated report that Germany has recently offered to enter into a treaty of friendship and non-aggression with France, without making similar offers directly to Austria and Czechoslovakia, increases the feeling in Government circles here that the present German Government has in no way given up its basic idea of incorporating Austria into Germany and that
the offer to France was merely another step in the direction of assuring itself a free hand in this part of Europe. The Foreign Minister in his recent statements at Geneva has reiterated the stand which his Government has taken consistently, that it was willing to "enlarge the circle of its friends" on the basis of the recognition by them of its complete sovereignty. As the German Minister has not been able so far to offer any basis of negotiation which recognizes definitely complete Austrian sovereignty and abstention from interference in her internal affairs, it is not likely that any progress in these negotiations will be made unless the Austrian Government finds itself without adequate support. The evidence of increased Anglo-French interest in the maintenance of the status quo in Southeastern Europe have already served to stiffen the attitude of the Austrian Government. The efforts of Mr. von Papen, however, in connection with these negotiations are not without interest, and they could assume considerable importance very quickly should certain unfavorable developments take place in the major European situation.

While the Austrian Government was much interested in the visit which Minister-President Gosboes made to Berlin recently and does not fail to recognize its importance as a symptom of the sickness from which Southeastern Europe is suffering, it did not give the visit the significance which was attached to it by a good part of the European press. It is recognized here that Hungary follows a dual policy, but it is believed that the visit of Mr. Gosboes was made as a result...
a result of German persuasion. It was interesting
that the Foreign Minister here referred to the visit
of Mr. Goemboes as a great mistake on his part, and
pointed out that the fact that Mr. Kenya, the Foreign
Minister, had sent several members of his staff with
him indicated exactly the opposite of what a part of
the press had assumed. Instead of indicating that
these Foreign Office officials lent official significance
to the visit, it really indicated that Mr. Kenya had
then go with Mr. Goemboes in order that no commitments
might be made which would in any way involve Hungary.

It is not believed here in well informed quarters that,
whatever may have been behind the visit of Mr. Goemboes
to Berlin, the Austrian Government had any part in the
German-Polish-Hungarian combination which may have been
discussed.

The position of the Austrian Government remains
exceedingly delicate and difficult. The developments
so far, however, have been such as to increase
confidence in its position. It is apparently the
present intention of the Government to follow, as the
only course open to it, a passive policy which involves
not leaving the League, not joining in the application
of sanctions, and of avoiding all action which would
prejudice Italian support and that which it is getting
through increased Anglo-French support of the status quo
in Southeastern Europe.

Respectfully yours,

GSM/Imp.

File No. 800

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