Vienna, October 18, 1938.

No. 588.

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 despatch No. 573, of October 11, 1938, on developments in the Austrian internal and external position, and to my telegram of October 17th, 12 noon, and to transmit the following further information.

In a conversation which I had with the Foreign Minister on October 16th he made several statements which
which indicated clearly that the Austrian Government had decided that if Italy left the League, Austria would not do so. This is apparently a decision of the Austrian Cabinet which was not reached without some division of opinion, for at least some of the Ministers, under strong Italian pressure, were in favor of Austria following completely the Italian lead. The majority of the Ministers however, and I believe a considerable majority, were for Austria not leaving the League under any circumstances. While the Minister did not make any reference to this difference of opinion in the Cabinet in his remarks to me, I gathered the impression that he was one of those who favored very strongly Austria not leaving the League.

Whether the Cabinet changes made on October 17th, which were at least to a certain extent influenced by Italian pressure, will change the attitude of the Cabinet is not yet certain. Although a majority of the Cabinet are now actively affiliated with the Heimwehr, I am of the opinion that the attitude of the Government will not change on this question of leaving the League.

The Foreign Minister, in speaking of sanctions, said that it was not the intention of Austria to benefit by her non-participation in League action. He said that Austria did not intend to be a "Kriegsgewinner" or a "Schleiber". Normal trade between Austria and Italy, he said, he hoped would continue in unabated volume, but there was no desire that Austria should benefit through the application of sanctions by other states. While he did not make any specific statement with reference to munitions and war supplies, he inferred very strongly
that Austria would not become a source of military supplies to either Italy or Abyssinia.

The Minister remarked that the transit of goods from Germany or from Czechoslovakia through Austria to Italy could not be interfered with without provoking German aggression, and this would be of advantage to no one. He observed that Austria had a trade treaty with Germany under which it could not interfere with such transit traffic. It is interesting that to my British colleague, when speaking on the question of transit trade, the Minister remarked that the organization of the Austrian railways was such that they would probably not be able to take care of more than the present volume of transit traffic. He seemed to wish to give the impression that, although Austria was not participating in sanctions, she would not permit herself to be used in any way as a base or source of supplies to embarrass the countries participating in League action.

That was of particular interest was that the Minister, in speaking of sanctions to my British colleague, expressed concern and disappointment over the attitude of Mr. Beneš as Chairman of the League meetings. He said that the manner in which Mr. Beneš had handled the proceedings had placed Austria in a very embarrassing and a somewhat equivocal position. It had been the belief in Austria, he said, that the question of sanctions would come to a vote, and the Austrian representative at the League had been instructed to make it clear that Austria, on account of her friendship with Italy, could not participate in sanctions, but when it came
it came to a vote he was to abstain from voting "Yes" or "No". Mr. Beneš, the Foreign Minister said, had arranged the proceedings as such that it did not come to a vote, so that the declaration of the Austrian representative was interpreted as a definite vote against sanctions. The Minister remarked that there was a great deal of difference between their actual attitude on the question and the interpretation which was placed upon it through the League procedure. The Minister informed my British colleague that he appreciated very much the understanding which had been shown in official and press circles in Great Britain of the Austrian attitude, but he felt that if the real Austrian position had been known there would have been still greater appreciation of the correctness and loyalty of their position.

It is somewhat significant that this explanation of the Austrian position was not made before this, as it would have had a very helpful effect if it had been made at the time the Austrian position was announced in Geneva. It is unquestionable that the unpopularity among the Austrian people of Italy's Abyssinian adventure and of Italy's attitude towards the League has had its effect on the Government here.

In face of the increasing evidences of Anglo-French cooperation in the support of the League and the application of sanctions the Austrian press has continued to become somewhat more moderate, but the tendency, as will be noticed from the press comment transmitted with my despatch No. 581 of October 17th, is still to show the danger of the policy of sanctions to
European Peace.

The changes in the Austrian Cabinet which were announced late in the evening of October 17th came unexpectedly and may have a far-reaching effect on the internal situation. In view of their importance, I am reporting on these changes and their significance in a separate despatch. It is sufficient to note here that the changes were made without any way disturbing the public order, and it is not likely that any disturbances will result therefrom in the immediate future. The Government has already announced that the Cabinet changes involve no shift in internal or external policy, and there is reason to believe that it is the full present intention of the Government that it shall bring about no such changes.

Respectfully yours,

GSM/Inp.
File No. 800

George S. Messersmith.