Vienna, December 2, 1935.

Subject: VISIT OF THE HUNGARIAN MINISTER PRESIDENT, GENERAL GÖMBÖS, AND THE FOREIGN MINISTER DR. KANYA, TO VIENNA.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to my telegram No. 66, of December 2, 1935, 10 a.m., reporting on the visit of the Hungarian Minister President, General Gömbös, and of the Foreign Minister, Sr. Kanya, to Vienna on November 26 and 27, and to transmit the following further information on this visit.

They arrived in Vienna on the afternoon of November . .
November 26 and returned to Budapest on the afternoon of November 29. Immediately prior to their departure the following official communique was issued in Vienna:

"The visit which the Royal Hungarian Prime Minister von Czobos and the Royal Hungarian Minister for Foreign Affairs, von Kanya, paid to the Federal Government was one of the many personal conferences between the responsible leaders of the governments of the two closely allied neighboring states, and was exceedingly cordial.

The Hungarian statesmen spent the greater part of last evening and of today in conferences with the Chancellor, Dr. Schuschnigg, the Vice Chancellor, Prince Strachenberg, and the Minister for Foreign Affairs, Berger-Waldenegg. At some of these conferences other members of the Federal Government were present. The conferences covered all the political and economic questions which affect both countries, which were gone into very thoroughly. The entire European situation in its political aspects was examined from the point of view of the interests of both countries. Among the economic questions discussed were the Hungarian wheat and fat imports and the compensation agreements connected therewith, as well as the general clearing situation.

The result of these conferences was a complete unanimity of view of both Governments regarding the entire situation and a renewed confirmation of the intention of the two Governments, as laid down in the Rome pacts, to proceed also in the future with the greatest possible agreement on the questions affecting both Austria and Hungary."

The Department is aware that ever since the Rome protocols there has been continuously close contact between the Governments of Austria and Hungary, which has found expression in an exchange of visits between Vienna and Budapest. There is reason to believe that this visit of the Hungarian Minister President and of the Foreign Minister to Vienna . .
Vienna was dictated by a desire to discuss fully and frankly the new situations created by the grave concern felt in both capitals over the increasing difficulties of Italy in Abyssinia and in Europe. The Italian progress in Abyssinia has not met the expectations of either the Austrian or Hungarian Governments, and the recent reports which have reached them have led to the belief that the Italian campaign in Abyssinia can only end in disaster under existing conditions. Both Governments also have seen an attitude on sanctions and a solidarity of European action with respect to the League which they did not anticipate. The grave concern of both Governments with respect to the political consequences involved has been evident for several weeks, and the economic consequences for both countries have caused even more grave immediate concern, in view of the increased trade which has developed with Italy since the Rome protocols came into effect.

The unfavorable repercussion to the Austrian and Hungarian attitude on sanctions at Geneva caused a certain amount of consternation in both capitals. The increasing slowness in Italian payments for Austrian and Hungarian deliveries is a serious matter for both countries, perhaps even more so in Hungary for the immediate present than in Austria, as in that country the financial situation is more difficult than in Austria. The reports of the pending fall of the lira in value were undoubtedly the immediate cause for this visit, which was arranged rather suddenly.
That the head of the Hungarian Government and the Foreign Minister should come to Vienna would not under ordinary circumstances have to be considered as having primary importance, but taking place at the time that it did, and without much preparation, it is evident that it indicates clearly the grave concern of both Governments. They feel that they are in an exceedingly difficult position and wish to consult concerning common action. Although in neither capital is there, I believe, a desire for anything like political union between the two countries for at least the near future, there is a definite recognition of common political and economic interests and the necessity for close cooperation and, as far as possible, a common policy. There has been strong Italian pressure on both Governments, and in view of the general European situation a common attitude had to be discussed.

It is the opinion of the diplomatic representatives here of the countries most interested that the communiqué above quoted is a correct statement of what actually passed during the visit. The relations with Italy, Germany, Czechoslovakia, and with France and England were carefully considered. The details of these discussions, however, are not known. The Austrian Government has assured interested diplomatic observers here that no decisions of political and economic importance were taken during the meeting, and it is the opinion of these observers that while the political situation was gone into in great detail, no decisions were reached. Some of the foreign correspondents...
correspondents here have, for example, reported that the question of restoration was discussed. It is the opinion of well-informed diplomatic observers here that this question was not considered during this meeting.

It is, I believe, not to be doubted that the Italian Government has been bringing a certain amount of pressure to bear on the Austrian and Hungarian Governments in two respects. The exporters in both Austria and Hungary, particularly in Austria, from which deliveries are the heavier to Italy, have been insisting on cash payments and have indicated that they are not in a position to provide credit. Italian purchasers, on the other hand, are as a rule offering payment in lire for deposit in Italian banks, with transfer after three or six months. These terms the Austrian and Hungarian exporters are not in a position to accept, in view of the uncertain position of the lira, and their own inability to extend credit. On the political side I am reliably informed that the Italian Government has continued to bring pressure both in Vienna and Budapest that Austria and Hungary should leave the League in case Italy does so.

So far as can be learned, the conversations between the responsible leaders of the Austrian and Hungarian Governments last week led to no definite results, except that they could not bring any pressure on exporters to facilitate deliveries to Italy and that...
that they decided to base their policy more firmly on the League and reaffirm their common decision not to leave the League of Nations in case Italy should decide to do so. I think it may be safely assumed that both Governments realise that further dependence on Italian support is extremely precarious and that they will take no action to interfere with League support and that of France and England, which is now being definitely cultivated.

As a sidelight on the meeting, and I believe of importance, is the fact that at the dinner which was given by the Chancellor to the Hungarian guests on the evening of November 28, the only diplomatic representatives in Vienna present were the Hungarian and Italian Ministers with their staff. The Italian Minister was undoubtedly invited in view of the close cooperation of Italy with Austria and Hungary under the Rome protocols. It has been customary, however, heretofore since the Rome protocols, after such meetings between Hungarian and Austrian statesmen, for a telegram to be sent to Mussolini. It is interesting to note that after this meeting no such telegram was sent to Mussolini, and the fact that such a telegram was not sent was noted by a spokesman of the Austrian Foreign Office in conversation with interested diplomatic representatives here.

I am also informed on good authority that during the conversations with the Austrian Chancellor and Foreign Minister, Minister President Gumbos permitted his rather pro-German orientation to appear and ex-
explored the possibility of Austria joining Hungary in seeking out more close cooperation with Germany. It is well known that the Hungarian Foreign Minister, Dr. Kanya, does not share the views of Gombos as to the possibility of arriving at any useful arrangements with the present German régime, and I understand that he did not support any of the exploratory efforts of Gombos in this direction during the visit. I am also informed that the Austrian Chancellor and Foreign Minister made it clear to their Hungarian guests that their conversations with the German Minister here had shown no possibility of rapprochement with Germany at this time.

Respectfully yours,

George S. Messersmith.