Vienna, January 10, 1906.

No. 687

SUBJECT: DEVELOPMENTS IN THE AUSTRIAN INTERNAL AND EXTERNAL SITUATION.

CONFIDENTIAL.

The Honorable
The Secretary of State,
Washington

Sirs:

I have the honor to refer to my confidential despatch No. 645, of December 26, 1905, and to supplement it with the following information on developments in the Austrian internal and external situation.

As is customary in Austria, there has been the usual quiet in the internal political situation throughout the Christmas and New Year holidays. During the past few
few weeks the Austrian Government has been concerned more with developments in the external situation than with internal politics.

The Christmas amnesty, the approval of the budget, and the settlement of the live claims against the Credit Anstalt, all of which have been reported in previous despatches, have been very favorably received in the country. The rumors concerning prospective changes in the Cabinet continue, but as time passes the probabilities that certain changes may be made in the near future are diminished. These rumors now affect principally the Minister of Commerce, Mr. Stockinger, the Minister of Finance, Dr. Baxler, and the Bürgermeister of Vienna, Dr. Schmids. There is reason to believe that within the Government there is continued serious consideration of relieving Mr. Stockinger as Minister of Commerce, but as far as I am able to learn, the possibilities of any change being made in this Ministry have somewhat decreased during the holidays.

It is not improbable that in the course of the next months the Bürgermeister of Vienna, Dr. Schmids, may be relieved of his duties. He is a strong clerical and in many ways is a good administrator, but he has not been able to achieve any degree of popularity and has no particular following. He is at present in Paris on a semi-official visit. I am informed that his present visit to Paris has no particular official significance. The former Bürgermeister, Dr. Seitz, was very popular in liberal circles in Paris and made frequent visits there. There is reason to believe that

Bürgermeister
Bürgermeister Schnitz merely wishes to continue to maintain the friendly contacts in Paris which Dr. Seitz had established and to endeavor to remove, so far as possible, the unfavorable attitude which may exist in Paris towards him personally in Liberal circles because of his well-known strong clerical attitude. The City of Vienna may be obliged during the course of the current year to undertake financial obligations for which the Bürgermeister wishes to build up as favorable background as possible in both Paris and London.

With respect to probable or possible changes in the Austrian Government, the most that can be stated now is that while certain changes continue to be considered, it is increasing improbable that they will be made. Whatever changes, however, that may be made will have no significance with respect to the external situation of Austria or have any effect on foreign policy. They will be dictated entirely by internal considerations. The Austrian Government has been more concerned in recent weeks with respect to the external situation than by the developments within the country, and under these circumstances the tendency has been to maintain the Government intact.

The most important development within Austria since the forwarding of my despatch No. 648, under reference, was the recurrence of the rumors that Prince Starhemberg had decided to establish himself as regent, if necessary through a coup d'état, during the latter part of January. So recurrent were these rumors that I am authoritatively informed that a few days ago the Austrian Foreign Office sent a telegram to its diplomatic missions in the most interested European capitals to state
state that these rumors were entirely without foundation and that it could be authoritatively stated that Prince Starnenberg had no such intention.

The most interesting feature of these rumors is the fact that the Austrian Government felt itself in a position to have the Foreign Office categorically inform certain of its diplomatic missions that Prince Starnenberg had no such intention of proclaiming a regency. It is an indication of the internal cooperation within the Government which is stronger than that assumed and reported by some observers here. The fact is that in view of the developments in Europe the Austrian Government is more than ever convinced of the necessity of keeping its own house in order and of preventing any developments in Austria from becoming a further disturbing feature in Europe. Whatever the views of Prince Starnenberg may be with respect to a regency, he is a patriot and will not take any action with respect to the establishment of a regency at this time.

The visit of the Chancellor to Prague, which had been arranged for December, is now fixed for January 10, and he will remain in that city for probably a maximum of two days. The ostensible object of the visit is to give an address before an industrial organization in Prague and while the visit does not have the significance which is being given to it in part of the European press, it is not without its political implications. It is hoped that the Chancellor will have the opportunity while he is in Prague of intimate conversa-

Minister
Minister-President. Among the subjects they will discuss will undoubtedly be the Austro-Czecho-Slovakian Trade Agreement which has been under consideration for some time and for the conclusion of which there is increasing sentiment in both countries. Ever since it became evident that Italian support politically and economically was inevitably certain to become weaker, the Austrian Government has been cultivating more friendly and close contact with the Little Entente.

With this policy of Austria, Hungary is by no means completely satisfied and there is reason to believe that at least certain elements in Hungary are endeavoring to place obstacles in the way of this new cooperation. The Hungarian opposition to this policy of cooperation seems to be fostered by Minister-President Goebbels there, but in view of the distinct cleavage between the Minister-President Goebbels and the Foreign Minister, Mr. Kanya, it is not at all certain that Austria in spite of the existing close cooperation between Vienna and Budapest, will be definitely influenced. Reports here indicate that the power of the Minister-President, General Goebbels, is decreasing and that the Regent and the Foreign Minister, Mr. Kanya, are controlling foreign policy. These latter are more inclined to favor closer cooperation with the states of the Little Entente, or at least towards placing no obstacles in the way of Austria's cultivating such relations.

It is nevertheless significant that within a few days after the visit of Chancellor Schuschnigg to Prague was announced for January 10, the Austrian press carried a few words to the effect that the Foreign Minister, Baron Berger-Waldemegg
... Waldenegg was contemplating a brief visit to Budapest before the end of the month. It is believed here in informed circles that there is no particular reason for such a visit by the Foreign Minister to Budapest at this time and that it is designed to counteract any ill effects in Budapest which the Chancellor's visit to Prague may have.

The Government is following with keen interest the developments in the general European situation. The controlled press, to a degree at least, reflects the change of attitude which has slowly been taking place. The strong pro-Italian attitude, which found strong expression in the press but no agreement among the Austrian people, has, as I have indicated in previous despatches, changed to one of reserve and caution. The strong Italian pressure on the press which was exerted both through the Government and directly, may not have diminished, but its effects are less apparent. The news which is appearing in most of the press gives a fairly objective picture of actual developments, but the editorial comment is still on the whole favorable towards Italy, but marked by that increased reserve and caution which the Government is manifesting.

The message of President Roosevelt to Congress was given considerable publicity in all of the Austrian press. The importance of the message was appreciated and in a separate despatch, No. 650, of January 9, I am transmitting the most interesting editorial comment. Among the Austrian population the message was welcomed as a wise, outspoken, and helpful document, but the editorial comment has in no sense interpreted the popular reaction. If the press here had been free...
free to comment on the President's message, the editorials
would have assumed an entirely different tone.

In résumé the internal position in Austria may
be said to be comparatively satisfactory, with the Government
more satisfied and sure of its position. No internal develop-
ments, it is believed, may be expected from within Austria in
the near future which will disturb the general situation. On
the other hand, the Austrian Government is deeply concerned with
respect to developments outside of the country which it sees on
the whole as tending to strengthen its position. It continues
to fear, however, some desperate action by Italy which may be
full of consequences for Austria.

Respectfully yours,

George S. Messersmith.