Vienna, February 6, 1936.

No. 684

S U B J E C T: DEVELOPMENTS IN THE AUSTRIAN INTERNAL AND EXTERNAL SITUATION.

STRICTLY CONFIDENTIAL.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to my strictly confidential despatch No. 673, of January 23, 1936, and to supplement it with the following information on developments in the Austrian internal and external situation.

Since forwarding that despatch there have been no developments within Austria of primary interest or importance other than the beginning of the conversations in Vienna with respect to the Austro-Czecho-Slovakian trade agreement. These conversations began early this week under very favorable circumstances
circumstances and are being reported upon in my despatch No. 666, of February 6. It is sufficient to state here that although the negotiations may be difficult and may not be concluded in the near future, there is a real desire in both countries to reach an agreement. The atmosphere surrounding the negotiations is good and the developments in the general European situation have been such as to strengthen the probabilities of agreement being reached. The Hungarian opposition to the negotiations of an agreement between Austria and Czechoslovakia remains real and while this opposition has its influence in Vienna, it is believed that its effects have been considerably decreased as a result of the recent conversations in London and in Paris.

The situation within Austria remains quiet and the center of interest has been definitely in London and Paris during the last few weeks, although unquestionably the maintenance of Austrian independence and integrity have formed one of the central themes of the intense diplomatic activity in these two capitals. The importance of the maintenance of Austrian independence and integrity has been long recognised by the States of the Little Entente and the Balkan Union as they see in it an effective safeguard of their own position and of the status quo. In Paris the maintenance of Austrian independence and integrity has been a definite part of French policy. It has now become apparent through the recent conversations in London and in Paris that the maintenance of Austrian independence has become a more definite part of British policy and is finding expression in concrete action in London. The events of the last ten days and the intense diplomatic activity in London
and Paris so much of which has centered around Austria and the
maintenance of its position, has naturally caused much satis-
faction here and these developments have on the whole added to
the confidence of the Government and of the population.

The visit of Prince Schwarzenberg, the Vice Chancellor,
to London as the head of the Austrian delegation to the funeral
of King George, has had the good effects which I anticipated
in my despatch No. 675. It is still too early to have first-
hand information from Prince Schwarzenberg as to this visit and
his conversations in London and Paris. He is not returning to
Vienna until sometime today. In a conversation with the For-
eign Minister here yesterday he said to me that the Austrian
Government had as yet had no reports from him concerning his
visit, but that he had had a long conversation with the Prince
over the telephone in which he had expressed his entire satis-
faction with the visits to both London and Paris.

According to quite reliable reports, Prince Schwarzen-
berg is said to have had the intention of returning to Vienna
from London via Belgium, where he intended to visit the Arch-
duke Otto. In view of the uncertainty, if not resentment and
fears, which had been aroused by Prince Schwarzenberg's speech
in Vienna on January 19, already reported to the Department,
to the effect that if there was a restoration in Austria it
would have to be a Habsburg, and particularly that restoration
was an internal matter for Austria's decision, such a visit by
Prince Schwarzenberg to the Archduke Otto at this time would have
tended to complicate the present situation and have seriously
interfered with the objects of the conversations carried on

by
by the British and French Governments recently with the leading statesmen of the Little Entente and of the Balkan Union. Although I have good reason to believe that Prince Starhemberg did not contemplate during the visit on the Archduke Otto to assure him of early restoration, but rather the contrary, such a call would have had a very unhappy effect. I have reason to know that these considerations were brought to the attention of both the British and the French Governments, and while in London, whatever intentions Prince Starhemberg may have had of making this visit to the Archduke Otto were abandoned.

There is, I believe, well authenticated information already available in Vienna that the Ex-Empress Sissi and her son the Archduke Otto, and other members of the Habsburg family, were in Paris during Prince Starhemberg's stay there. Prince Starhemberg himself, while in Paris, authorized a statement to the effect that he had not seen the Archduke and I am definitely informed in Vienna that he had no meeting with him in Paris. That Prince Starhemberg conveyed to the Archduke Otto while in Paris the information that restoration did not come into question for the present, is I believe certain.

I had a conversation yesterday with my Czech and Yugoslav colleagues. The Czechoslovakian Minister here stated definitely that in his opinion "the question of restoration had been put aside quite definitely and would not crop up again in a dangerous form in the near future". My Yugoslav colleague expressed himself satisfied with respect to developments. He remarked to me that I appreciated that his country, while it was opposed to Anschluss, would definitely prefer it
to a Habsburg restoration. A Habsburg restoration, he said, would immediately set up in Vienna a nest of intriguers and Viennese would become the center to which all dissatisfied sections of the former Empire would look and it could only result in disturbing and upsetting situations which his country was determined to avoid at all costs. He remarked, however, that in his opinion as a result of the recent conversations in London and Paris the question of restoration had been disposed of for the present at least.

There is transmitted herewith (enclosure 1), a translation of the statement which Prince Schwarzenberg is said to have given to the press in Paris on February 5. It will be noted that in this statement he emphasizes what he said in his January 10 speech in Vienna, to the effect that the form of Government in Austria and the question of restoration are inner political Austrian questions in which it naturally retains its full freedom of negotiation and decision. He couples with this, however, the definite statement that this freedom of decision of the Austrian Government will be used by its responsible statesmen in such a way as not to disturb the European peace. With specific reference to the Habsburg restoration he declares that a direct declaration of the Austrian Government to the effect that it renounces all thought of restoration naturally does not come into question, but again emphasizes that the Austrian Government will undertake nothing in the way of restoration without consultation with the European Powers.
With respect to the Dumbian Pact, Prince Schwarzenberg declared
that any exchange of views between Austria and the States of
Central Europe on this subject would be without object if Italy
were not drawn into the negotiations as a tested guarantor of
Austrian independence.

I have in recent despatches covered the situation
with respect to monarchy in Austria and the possibility of
restoration as well as the possibility of regency so fully that
I do not believe further background is necessary at this time.
The developments within the past ten days have shown that the
information transmitted by this legation so far in this respect
has been a correct picture of this situation. Whatever designs
may have been nourished within and without Austria in the sense
of immediate restoration, or feared without Austria, have been,
I believe, effectively dispelled for the present by the con-
versations in London and in Paris. I can only repeat again in
this connection that in my opinion the repeated statements of
the Austrian Government and its responsible spokesmen that they
will do nothing to disturb the internal and external peace,
should be accepted to mean exactly what they say. Whatever im-
petus the restoration movement had received during recent weeks
and whatever hopes had been aroused in Austrian legitimist cir-
cles have been checked by recent developments. The legitimists
of themselves do not have any power to bring about restoration
and there is no popular movement in Austria for restoration.
The question therefore is one which becomes actual when and if
the Austrian Government so desires and not before.

All the
All the information which this Legation has been able to get in to the effect that the States of the Little Entente which were so much disturbed over the probability of action by the Austrian Government in bringing about restoration in the immediate or near future, are now of the opinion that such action has been abandoned and this has had a correspondingly good effect and done much to clear the way for the conversations which are in progress for closer political and economic relations between the States of the Little Entente and the Balkan Union and Austria.

The German Pact which was brought into the foreground during the London and Paris conversations, has nevertheless not made much progress and it is not likely that immediate action with respect to this pact may be expected. The conclusion of the German Pact, for which such favorable prospects existed some months ago, was interfered with by the action of Italy in Abyssinia and by the unalterable opposition of Hungary. These factors still remain. The objections of Hungary are as definite as ever, as it objects to the conclusion of a German Pact which in any of its provisions supports the status quo in all respects. Hungary does not wish to enter into any German Pact or into any pact in which it formally acknowledges the status quo and pledges itself to its maintenance, as it believes this would be a definite giving up of its claims to revision which form the basic policy of the Hungarian Government. In view of the close relations between Austria and Hungary, it is not improbable that Austria would raise objections to a
to a Danubian Pact in any form which might not be acceptable to Hungary. In Paris as well as in Vienna also the conviction remains that the Danubian Pact to be effective and binding cannot be arrived at without the cooperation of Italy and that cooperation is a practical impossibility until the Italian situation with respect to Abyssinia is liquidated.

The attempt to draw the Soviet Government into the general scheme in Southeastern and Central Europe as a guarantor of the status quo and more particularly the idea that it might replace under present conditions Italy as a principal guarantor state, is not received with general satisfaction in either Vienna or Belgrade, and certainly not in Budapest. The Government in Austria is strongly clerical and in spite of its desire to see the Danubian Pact come into being, it will undoubtedly raise strong objections to Soviet Russia as a guarantor of its independence. While the recent conversations in London and in Paris have contributed somewhat towards allaying the fears of Soviet Russia in Yugoslavia, the Government there is not yet at a point where it is prepared to make the long discussed agreement with Soviet Russia and it apparently does not look with favor on any steps which bring Soviet Russia more closely into the Southeastern European pact. On the other hand, the impending ratification of the Franco-Soviet pact and the more practical certainty of the conclusion of the agreement between Rumania and Soviet Russia will influence in the end the attitude of Yugoslavia. Prince Sternberg in his Paris declaration, appended to this despatch, makes it clear that the Austrian attitude, although one of less dependence on Italy and turned more definitely towards
London and Paris and the League, is still that no effective Danubian Pact can be reached without the cooperation of Italy.

Although Austria will not in any sense welcome the closer cooperation with Soviet Russia in this part of the world, and particularly as a guarantor of Austrian independence, there is reason to believe that the ratification of the Franco-Soviet pact and of the conclusion of the Soviet-Hungarian pact will create a more favorable situation here and that in the end Austria would offer no unalterable objections to Soviet cooperation provided Italy remains as a guarantor of Austrian independence. These are trends which are apparent and which all indications are will become more definite in the coming weeks if the path embarked on in London and Paris is followed.

It is interesting in this connection to note, however, that although the general feeling in the Little Entente and in the Balkan Union States seems to be that the Danubian Pact for the moment is a practical impossibility, this should not interfere with the conversations in progress towards bringing about closer political and economic relations between these states. Several Little Entente representatives here have recently expressed themselves of the opinion that the cooperative spirit which is developing is of far more importance for the present than the pact itself. They point out that so long as the Italian situation is so uncertain and the attitude of Hungary so intractable, the pact is an impossibility and that any pact arrived at now would have no real value. They say that in their opinion it would be useless to make any pact which
which would have no more value than so many written agreements, and what is far more important is that the atmosphere between these states continues to be clarified, and in that event if there should be aggression against Austria, there would be united action in her defense which would be more immediate and effective than if there were a Rambian Pact. As I have pointed out in recent despatches, there is this undeniable trend towards closer cooperation and it has received a stimulus which it would be difficult to overestimate, through the London and Paris conversations of the last week. It is still too early to predict what will come in the way of concrete results out of these conversations.

There has naturally been increasing speculation and a certain amount of concern here, as in other capitals, over the possibility of the ratification of the Franco-Soviet Pact and the conclusion of the Soviet-Rumanian Pact bringing about close cooperation between Italy and Germany, and possibly including Poland and Hungary. The spectre of this danger is being actively pictured principally by those who wish to see the present Government in Italy saved by some face-saving compromise over Abyssinia.

The predominant opinion, however, among the well informed observers in Vienna is that while in both Rome and Berlin this spectre of German-Italian cooperation will be raised, in each capital for obvious reasons there is no real probability that this cooperation would come as a consequence of the ratification of the Franco-Soviet and of the Soviet-Rumanian Pact. The pointing to this "danger" is one of the instruments which
which is left to both these authoritarian governments and that it will be used indirectly, if not openly, is to be anticipated. Informed observers here, however, believe that although Mussolini himself would be prepared to enter into an alliance with Germany, there are already elements in Italy sufficiently strong and powerful which are opposed, if perhaps not already sufficiently strong, to prevent such a step should Mussolini decide on it. Similarly these same observers believe that in Germany Hitler and the radical elements of the Party, realizing the seriousness of the German position, are prepared to enter into an alliance with Italy, slender hope as they may place on it, but that the more conservative elements in the Party and the Reichswehr are definitely opposed to any such alliance.

If I may venture my own opinion in this respect, I may say that while such an alliance is always possible in two authoritarian states in such a difficult position as Italy and Germany, and its possibility cannot be discarded as a measure of desperation in the face of recent developments, the possibilities are that it will not become a reality. That Poland and Hungary would join such an alliance is, I believe, extremely doubtful and improbable, for whatever inclinations the Polish and Hungarian Governments may have, they are too well informed with regard to the situation to cast their lot with Germany and Italy under these conditions. It is my opinion, which I find shared by practically all well informed observers here, that even if such an alliance between Germany and Italy should become a reality it would not save the situation for either of the authoritarian regimes.

I had
I had an interesting conversation yesterday with the Secretary General of the Foreign Office, Mr. Peter, who informed me in confidence that the relations between Germany and Austria were, if anything, worse and he spoke with a good deal of concern. He said that the last conversations which the Austrian Minister in Berlin had had with Mr. von Bülow, the Under Secretary in the Wilhelmsstrasse, had been very unsatisfactory and disturbing. During the last visit of the Austrian Minister in Berlin to Mr. von Bülow the latter informed him that the press truce which had been arranged between the German and Austrian Governments was at an end. The Austrians, Mr. von Bülow said, had broken it and that therefore the German Government was giving free rein to the German press. Mr. von Bülow said further that Austria had chosen its own path and that Berlin was now disinterested and would make no further overtures. If there were any further overtures towards better relations they would have to come from Vienna. Germany, Mr. von Bülow said, was not alone and had strong points of support in Budapest and Belgrade. Mr. Peter remarked that as a consequence of these statements of Mr. von Bülow, the Austrian Government had of course removed the restrictions which it had placed upon the press here with reference to comment on developments in Germany. His attitude showed regret that this turn for the worse in Austro-German relations should have been reached, but he said that the developments in the general situation and the increasing support given to Austria so generally compensated for it.

These statements of Mr. von Bülow to the Austrian Minister in Berlin are not so significant as indicating a turn
for the worse in Austro-German relations as they are interesting as an indication of the manner in which the present German Government gives any turn it desires to developments. The Austro-German press truce which from the outset was carefully observed by the Austrian press and perhaps in even too rigorous a manner, was from the outset only observed by a few German newspapers and the great majority of the German press continued to comment on Austria as before. A striking indication of this was the publishing in full in all the leading newspapers in Germany of the National Socialist manifesto distributed in Vienna and other Austrian cities, and given an exaggerated importance. A relatively small number of these pamphlets was distributed in Austria and it had no effect in the country whatever. In the German press it was played up as a sensation and as an indication of a general Austrian demand for a plebiscite. If there was any breaking of this press truce there is no question but that it was by the German press. It simply suited the German Government to put an end to this agreement which it originally sought but which no longer serves its purposes, and now finds it convenient to place the responsibility on the Austrian press.

It is also interesting that in this conversation above referred to, Mr. von Bülow spoke of Germany having two points of support in Budapest and Belgrade. In both cases the wish is the father of the thought, for if the eyes of Budapest continue to be turned towards Berlin, the situation in Yugoslavia is certainly not such that it may be considered as favoring the policy of the German Government in Southeastern Europe. Whatever success the Berlin efforts may have had in Belgrade has been definitely counteracted by the London and Paris conversations.
And this holds true for Bucharest as well. The signature in the near future of the Franco-Romanian commercial agreement which seems now to be a certainty, will go far towards counteracting the strong German influence which was making itself felt in Romania.

I will not in this despatch go into any further consideration of the London and Paris conversations as they bear on the Austrian situation, as I am sure they have been fully reported from those capitals to the Department. In a separate despatch the most significant Austrian press comment on the conversations which has so far appeared is being transmitted.

On the whole the developments in the Austrian and in the general situation since forwarding my despatch No. 673 have all been of a nature to further reassure the Austrian Government.

Respectfully yours,

George F. Messrsmith.

Enclosures: