Vienna, February 21, 1936.

No. 707.

SUBJECT: DEVELOPMENTS IN THE AUSTRIAN INTERNAL AND EXTERNAL SITUATION.

The Honorable
The Secretary of State,
Washington.

SIR:

I have the honor to refer to my strictly confidential despatch No. 654, of February 6, 1936, and to supplement it with the following information on developments in the Austrian internal and external situation.

I have since transmitting despatch No. 654 in my despatch No. 692, of February 13, shows that the developments in the Austrian situation have followed the line foreseen.

There have
There have in the last few weeks been no developements in the internal Austrian situation of major importance, but diplomatic activity in various capitals, which centers around Austria, has been quite intense. This activity is the aftermath of the London-Paris conversations, of the efforts of the Czechoslovak Minister-President, Dr. Hacha, to further Central European cooperation, and of the negotiations in progress of the Austro-Czechoslovakian trade treaty.

The Austrian and Czechoslovakian negotiators are still meeting in Vienna and the progress on the treaty while steady has been slow. Were it not for the pressure being exerted on those charged with the actual negotiation of the treaty from both Vienna and Prague, the progress would be still more slow. As I have indicated in previous despatches, the difficulties in the way of the negotiation of the treaty are real, but there is a definite and clear will in both Prague and Vienna to arrive at an agreement. It is still impossible to say when the first stages of the negotiations will be completed, but during a conversation with the Czechoslovak Minister here last evening I gathered that a draft of the treaty has already been prepared and that it is quite a lengthy document. He facetiously remarked that it might have as many as three hundred pages. This in itself is an indication of how difficult the negotiations are for the agreement will undoubtedly cover a considerable amount of detail.

The President of Austria expressed to me last evening the very real desire of the Austrian Government to arrive at an agreement with Czechoslovakia and all of the
statements of Czechoslovakian diplomatic officers here in the
last few days would indicate that an arrangement will be made.
The details upon which agreement has so far been reached are
being kept secret and no information whatever is being given
to the press.

The obvious determination of the Austrian and
Czechoslovak Governments to arrive at an agreement has caused
concern in more than one capital. I have learned from an authori-
tative source that a few days ago the German Government delivered
through the German Minister in Prague, a very rough note indi-
cating to the Czechoslovak Government its concern over any agree-
ment which Czechoslovakia might arrive at with Austria which would
directly or indirectly discriminate against German interests.
The Czechoslovak Minister said to me in confidence that the note
was couched in very rough and peremptory language.

Similarly from the side of Italy it seems well
established that recently the Italian Government has informed
the Prague Government that while it has no objections to the nego-
tiation of an Austro-Czechoslovak trade treaty and to a general
program of economic cooperation of the Little Entente with Austria,
it assumes that this program involves that Czechoslovakia will
abandon the economic and financial sanctions of the League in
which it is now participating. I am not informed as to what
response the Czechoslovak Government may have given to this
advance.

In spite of this German and Italian action
in Prague, the attitude of the Prague Government in wishing the
conclusion of an agreement with Austria remains unchanged and
its interest apparently undiminished.

The Austrian
The Austrian Foreign Minister, Baron Berger-Waldenegg, left Vienna on February 16 for an eight to ten day holiday trip in Florence. This trip is being given an importance which it may not have and which certainly at the outset it was not intended to have. The LONDON TIMES of February 14 gave an article from its usually well informed Vienna correspondent to the effect that the Foreign Minister had originally intended to make a visit to Belgrade, but that the Belgrade Government had indicated that the visit would not be welcome. As Mr. Erlich visited the Foreign Minister in Florence almost immediately after his arrival there, various political implications are read into this trip. I am therefore giving to the Department the following background which may be of interest.

Already towards the end of January the Foreign Minister, during an informal conversation in which the long working hours of the Chancellor were mentioned, said that he and the Chancellor had just been discussing the question of holidays and that they were both in agreement that this year all of the ranking members of the Government must take their holidays irrespective of circumstances. It had been agreed by them that he, that is the Foreign Minister, was to take his holiday first and that he had decided to leave with his wife for either the Dolomites or Florence on or about February 16. I happen to know how eagerly the Foreign Minister looked forward to his trip which was originally contemplated without any question as a holiday trip.

The report that the Foreign Minister intended to make a visit to Belgrade and that inquiries there were rebuffed in a not too courteous manner are probably based on a misconception of certain things which happened some time ago but which have no reference to the present trip of the Foreign Minister.
Minister. It is known to well informed observers here that ever since last October the Foreign Minister has had in mind that a trip to Belgrade might be helpful in clearing up the undoubtedly strained situation existing between the two capitals. Careful inquiries have been made from time to time in Belgrade, but the Belgrade Government was not disposed to receive such a visit. In a courteous, but in rather a clear way, those who took up the matter in Belgrade were made to understand that the time for such a visit had not arrived. The Belgrade Government always found some convenient excuse why the time was not opportune. Under these circumstances it is not likely that the Austrian Foreign Minister should have made inquiries toward the middle of February as to whether a trip to Belgrade would be acceptable, as just at that moment it was quite obvious that as a result of the recent disquiet over the question of restoration the Belgrade Government would be less disposed than ever to receive such a visit. The Austrian Minister for Foreign Affairs would hardly risk a rebuff at this time. I have deemed it advisable to give this background as the situation between Vienna and Belgrade is already sufficiently strained and such a direct rebuff to Austria, if it had occurred, could only have made the situation more difficult at a time when every effort is being exerted from various quarters for rapprochement.

The probabilities are that the Foreign Minister's trip to Florence was originally planned as purely a holiday trip and the fact that he has seen Mr. Aruvich almost immediately after his arrival in Florence does not necessarily indicate that the trip had a political objective. The exchange of visits between ranking members of the Italian, Austrian, and Hungarian Governments
Governments is foreseen in the Rome protocols and that Mr. Suvich should visit the Austrian Foreign Minister at Florence is quite natural. The communiqués issued after the visit of Mr. Suvich would indicate that nothing of special importance was discussed and certainly nothing decided during their conversations.

There is, however, a clearly defined opinion held by some well informed observers in Vienna that even though the Foreign Minister had not planned this holiday trip to Florence, a more official trip would have been found advisable.

There are indications that the Italian Government is increasingly concerned over the way in which the negotiation of the Austro-Czechoslovak trade agreement is proceeding with Italy so much in the background. The Italian Government is believed to be similarly concerned over the impetus given to Central and Southeastern European agreements in which it is being, if not ignored, at least not for the present considered essential as an active participant. These observers have believe that the Austrian Government has felt the need of contact with Rome in order to assure it that its interest in Italian cooperation is very real.

The impetus given to Central and Southeastern European cooperation during the London-Paris conversations was very real, but that all of the difficulties in the way have not been removed was quite evident at London and Paris, and is becoming again increasingly clear. The inability of Italy to play an active part in these conversations was recognized at the outset as a serious drawback. The direct opposition of Germany was taken for granted and the more indirect opposition of Hungary was expected. The extremely
difficult attitude being shown by Yugoslavia is even stronger, however, than was anticipated by perhaps the most pessimistic observers. It is for the present the stiff and unrelenting attitude of Yugoslavia towards Austria that is causing certain discouragement.

Much has been written concerning the visit of Prince Starhemberg to London and Paris, but out of all these comments in the press, most of which is mere conjecture, one fact emerges which is of very real importance. Prince Starhemberg did hope while he was in London to have an opportunity to talk with Prince Paul of Yugoslavia. At least five or six highly placed persons in London endeavored to arrange with Prince Paul such an interview. He treated these advances with coldness and in the opinion of highly placed persons in England, with discourtesy. On the evening of the dinner at Buckingham Palace Prince Windsor-Gratrix, who is an Aide of Prince Starhemberg and who is related to Prince Paul, found an opportunity to introduce Prince Starhemberg to Prince Paul. Prince Paul received the introduction very coldly and immediately when Prince Starhemberg began to engage him in conversation, indicated to nearly persons that they should approach, making further conversation impossible. Impartial observers of this incident are hard in their criticism of the manner in which Prince Paul treated Prince Starhemberg, who did not fail to mention this incident on his return to Vienna. The deep feelings aroused over it may be seen in the remarks which Chancellor Schuschnigg made to the French Minister here a few days ago. The French Minister was discussing with the

Chancellor
Chancellor the possibility of a visit to Belgrade. The Chancellor said that in view of the way Prince Paul had treated Prince Carignan at Buckingham Palace in London, it would be impossible for him (the Chancellor) to accept an invitation to go to Belgrade, even if it were given. The Chancellor said that if there were any visit it would have to be on Yugoslav initiative. He would always be glad to see anyone in Vienna from Yugoslavia, but any question of his going to Belgrade was out of consideration. I learn that the Chancellor spoke with a good deal of bitterness and it seems that the discourteous attitude of Prince Paul has had a very deep effect here. My own feeling is that although the Chancellor's reactions are for the present very bitter, he would later consider a visit to Belgrade if it may serve a useful purpose in the general movement for rapprochement which is being so strongly urged.

The Turkish Minister for Foreign Affairs, who is deeply interested in this greater rapprochement of the Southeastern European states and who is constantly travelling from capital to capital exerting his influence in that direction, passed through Vienna a few days ago and had conferences with the Foreign Minister and with several diplomatic representatives here. He is considered in Vienna as being a highly intelligent and broadminded statesman who is very honestly trying to serve the interests of peace in this part of the world. During his conversations here he informed the British and the Greek Ministers that on his return to his country from Vienna he was passing through Belgrade where he would make every effort to bring
about a more measured and reasonable attitude. Referring to
the efforts of the Yugoslav Government to force the Austrian
Government to make a declaration that it would not now or at
any time in the future give any consideration to the restora-
tion of a Habsburg, the Turkish Foreign Minister said that
"this was not a matter on which the Austrian Government could
be pressed at this time and that it was most unwise of Yugo-
slavia to push this matter".

What success the Czechoslovak Minister-President
will have in Belgrade is not certain in view of the attitude
prevailing there, but that he will speak plainly cannot be
doubted. For the present the attitude of Yugoslavia is con-
sidered as a greater obstacle to the progress of rapprochement
than the more passive opposition of Hungary, which in view of
the Yugoslav attitude finds it possible to rest in the back-
ground. It may, however, I believe be reasonably assumed
that under the pressure which will be exerted on Belgrade
from so many sides, its attitude will become more reasonable.

Certain influences were bound to come into
play after the intense activity in London and Paris. These
influences are now at work and emanate principally from Berlin,
Belgrade, Budapest, and Warsaw. In the meantime the Austro-
Czechoslovak trade agreement is quietly being pushed forward
to completion. When it can be offered as a first fruit of
the new cooperation, the Czechoslovak Minister-President Koda
will make his visits in Belgrade and in Vienna. The visit
which he contemplated making to Bucharest is temporarily post-
posed as Mr. Titulescu does not intend to return to Bucharest
for
for some time. Various dates are now being discussed for
the visit of Dr. Hoden to Vienna, but no definite time has
as yet been fixed. It is likely, however, that the visit
will take place sometime before March 15.

In the Austrian internal situation there
have been since my despatch No. 684, no developments of primary
interest. The situation remains in every way quiet. The
economic position remains on the whole satisfactory and the
financial situation of the Government is comparatively much
better than during the same period last year. Confidential
information with respect to receipts from the turnover tax,
which is a good index of conditions in the country, shows
that this income is well above that for the same period last
year. The policy of the Government remains unchanged externally,
with a decided trend internally towards measures which will
bring the population more definitely behind the present Govern-
ment. The situation with respect to Italian trade remains
as outlined in my recent despatches and a constant cause for
concern. The Italian Government has recently issued a state-
ment indicating the intention that more rapid payments shall
be made for Austrian deliveries to Italy, but there remains
the same doubt here as to the capacity of the Italian Govern-
ment to carry out these promises.

Respectfully yours,

George S. Messerwirth.