Dear Mr. Hull:

I am covering the recent developments with respect to the Austro-German accord and the Austrian situation in the Legation's despatch No. 833, of July 17, and in my strictly confidential despatch No. 832, of July 17, going forward by this pouch.

I have reviewed the latest developments with regard to the accord in some detail in my despatch No. 832, which I hope you will be able to find time to read, and I shall therefore make this letter very brief.

My letters to you of July 2, July 8, and July 12, give you, I believe, adequate background for the Austro-German accord and its implications, and my despatch No. 832, above referred to, should be considered in connection with these letters. I have refrained from telegraphing the Department since the accord was actually signed as my despatches and letters which reached you in good time, gave the background from here.

In my letters to you of July 2 and 8, I erred, I believe, in only one respect - in that I expressed the opinion that the Austro-German accord might not come into being on account of the inability of Hitler at the last minute to agree to a recognition of Austrian independence and the principle of non-intervention, as well as to the abandonment of the National Socialist Party in Austria, even if it all might be for the present only. I have reliable information from Berlin which indicates how difficult it

The Honorable
The Secretary of State,
Washington, D.C.
was for Hitler to do this, and my statement to you in my letters that he would sweat blood over it is more than justified by this information. Even here the Austrian Chancellor felt until the morning of July 11, when Papen returned from Berlin with Hitler's final agreement, that there was still a strong chance that Hitler would insist on concessions which he was not going to make. I know that he hoped up until the last minute that the agreement would not come into being, for he knew that it does not in any way change the final objectives of the German Government with respect to Austria. When Papen faced him with a practically unconditional acceptance of the Austrian conditions the Chancellor had no alternative but to accept the agreement.

The agreement has naturally caused consternation all over Europe for it was believed that no matter what pressure might be brought on Hitler he would not agree even with his tongue in his cheek, to such a public recognition of Austrian independence. That the German action has profound significance and that Austria itself played only a minor part in reaching this decision is clear. But I believe that it is too early to speak of a definite German-Italian bloc in which Austria and Hungary are already incorporated. The most one can say is that the period of negative cooperation between Berlin and Rome has turned into one of more active, positive cooperation and that the way is open to exactly the same alignment which existed in 1914. There are, however, considerations which must be kept in mind which are of primary importance. The first of these is that the interests of Italy and Germany are still in many respects opposed, and in practice will continue to come constantly in conflict, although every endeavor will be made to keep these difficulties for the present in the background and to maintain positive cooperation. The second consideration is that the feelings of Hitler and Mussolini for each other have in no way changed. Hitler does not like Mussolini and considers him an upstart who makes him constant trouble. Nor does he trust him. In the entourage of Hitler there is complete distrust of Italy and of Mussolini, and the feeling that Italy can no more be depended upon today than in 1914.
Mussolini, on the other hand, still considers Hitler as a dangerous fanatic and one who can not be trusted. He knows the military power of Germany and has no wish to play second fiddle to Hitler, which he knows he would have to do in case of German-Italian alignment. It remains as difficult for the dictators to agree as it is dangerous for them to disagree.

There is also the third consideration that in military circles in Germany there is a definite opinion that Germany cannot afford to provoke any European war in which she places active dependence on Italy. The German Army does not wish to support any external policy which will bring Germany into conflict with any major power until it feels sure that the German military power is strong enough, independent of Italian assistance. If Italy will be with them, well and good, but Germany must be strong enough without her.

Just as there is no illusion in the Austrian Government that this agreement has been arrived at for the sake of definitely guaranteeing Austrian independence, so Berlin and Rome, I think, are ever fully conscious of the influences which have led them to foster this agreement. Both have wanted elbow room in order to strengthen their negotiating position, and both of them want to gain time to consolidate their position and to reach objectives which are by no means common to both. Italy is principally interested in getting the financial assistance in France, England and in the United States to consolidate her position at home and in Abyssinia. Germany is principally interested in neutralizing Italy and England and isolating France, while she continues her rearmament program, strengthens her position in Southeastern Europe, and keeps the way open for external action to the Northeast where there is the least danger of her getting into trouble with a major power.

It is quite natural that there should be these fears of the pre-war alignment coming into being. Since the League, collective security, Stresa, the Little Entente and the Balkan Union, and perhaps even Locarno are gone,
or practically so, as instruments for the maintenance of peace and the status quo, there seems to be nothing left but this pre-war alignment. I believe, however, that it is premature to say that there is already this definite Berlin-Rome cooperation which must be the base of that alignment. The whole trend is in that direction and it looks as though that is what is coming, but there is ample evidence that all the parties concerned are for the present manoeuvring, and manoeuvring with caution. I have sketched this position in my despatch No. 832, so will not expand further on this idea.

Neither Italy nor Germany wants the Locarno meeting of England, France, and Belgium to take place this month for as things are today England would practically have been forced already into a defensive alliance with France and Belgium. Both Berlin and Rome appreciate that the one point on which English policy is clear is immediate action in case of aggression against France, Belgium, or Holland, but they do not wish an actual alignment to take place as yet and they want further room for manoeuvring which the date for the Locarno meeting at Brussels would not permit. Now the Rump Locarno meeting which is to take place in London, will certainly not result in this defensive alignment, but the developments in the next months will determine to what degree Italy and Germany will be able to cooperate and whether a definite alignment between the two will come into being. As I pointed out in my letters, the attitude of England and of Poland will have a great deal to do with this. No one is reaching any definite decision in the meantime.

The German position is far from clear, but all the reports would indicate that while German objectives are in no sense changed and remain as I have briefly outlined them to you, no external adventures will be embarked upon in the near future. The Olympic Games, it is hoped, will bring a lot of foreign exchange which the regime is banking on. They hope the Games will influence public opinion in various countries of Europe and the United States. Every effort is to be made to reassure public opinion everywhere.
with regard to German intentions. On the surface the activity against the Jews in Germany appears to have let up, but in fact the measures go on just as definitely and as inexorably as before with the difference that little is being said or printed about it. The action against the Protestant and Catholic Churches has for the time being abated and even some positive measures with respect to the Protestants appear to have been taken and preliminary steps entered into for a revision of the Concordat with the Vatican. In the meantime, however, the military preparations continue unabated, the refortification of the Rhineland is actively carried on, and Hitler, I am informed, is more than ever interested in military activities within Germany and pays less and less attention to internal administrative matters. I am informed that he is very much under the spell of what has already been accomplished by the Army and that he spends most of his time in going from one military establishment to the other. If one knows Mr. Hitler one must realize that his burning ambition is to impose his will on Europe by force of arms and if he has been forced by conditions to make what must be for him this humiliating temporary concession on Austria, it is only because the internal and external position made it necessary to achieve the major end.

No one can tell what is going to happen over here for I don't think they know in any capital. In Vienna the conversations between Berlin and Vienna are going on as to the details through which the relations between the two states are to be "normalized". The arrangement of these details is not going to be easy. Papen is seldom in Vienna these days for he is running between Berlin and Vienna with reference to these details. The first step will be the amnesty, which may be proclaimed this week. The next step will be the arrangement for press and radio. That Vienna is not going to be a purely servile instrument is already indicated by the arrangements which are being made for the celebration of the anniversary of the murder of Dollfuss on July 25. Many thought that these would be dropped completely, but in fact there will be a more solemn celebration this year than last.
So far as Germany is concerned, the next action is unquestionably planned in the Northeast and, as I have pointed out, the possibilities are that it will be in the direction of Danzig. The recent measures by which the Danzig Senate practically removed all legal rights of the opposition merely paves the way for an internal coup d'état within Danzig. Danzig is to be incorporated without any excuse being given for anyone to intervene and to make it appear as a spontaneous step of the Danzig population yearning for incorporation into the Reich.

Italy for the present is going to manoeuver to see what her chances are for money in France and England with the belief that if she gets it there she will then be able to be in a position to take the steps enabling her to get money in our market later. The probabilities are that Italy will not tie herself finally and definitely to Berlin until she sees her manoeuvres with respect to England and France fall.

The English position continues, as I pointed out months ago, a difficult one and she may still alienate a good deal of sympathy in quarters where she can ill afford to lose it. The influence of the King on the Government seems rather strong and I am not sure that the pressure which he is exerting is for the ultimate interests of England. He means well, but he has a confidence in German engagements which is not justified and he does not seem to appreciate what the danger will be to England in the end and when conflict may come if Germany has all of Southeastern Europe as her hinterland, and this is certainly the trend.

It would be a mistake, I think, to assume, as some do, that the conservative elements in Germany have gained the upper hand. It is unquestionably true that the Austro-German accord represents a victory for these conservative elements, but these so-called conservative elements are conservative in the sense that they believe that Germany is not ready and must not take any precipitate action. They are by no means conservative in the sense that they do not share the political expansionist aims of Hitler and the more radical members of the Party. There can therefore be very
little that can give hope or comfort out of a temporary victory or ascendency of these conservatives. It may be that anything which postpones war is a gain. It may be also that the postponement may make the conflict more inevitable and more disastrous. I see nothing in the recent developments to give real ground for optimism for the future.

I might say just a word here about von Papen who is mentioned, particularly in the English papers, for various ambassadorships and reward. As I pointed out in one of my recent letters, the Austro-German agreement has come into being not so much through Papen as in spite of him. Ho, himself, has helped it very little either here or in Germany. The agreement came because of forces which Papen neither set into motion or could do little to accelerate. It is quite natural, however, among those who do not know, that he should be given this credit and of course from the German point of view it is quite natural that even though in informed circles it is known that he had little to do with it, except as an instrument, that he should be given some reward. Following the example of the German Emperors and of royalty in general of letting the sun shine on those who enjoyed their favor, Hitler took Papen with him to Bayreuth. It is not improbable that he will be given an ambassadorship. Certainly Papen would prefer to leave Vienna for he has been very unhappy here and has always considered the place of Minister here too unimportant. What his reward will be, however, is mere speculation still.

Believe me, with all good wishes,

Cordially yours,

George S. Messersmith.