Vienna, August 28, 1936.

Dear Secretary Hull:

I last wrote you on August 21 and I mentioned briefly the visit of the Hungarian Regent, Horthy, to Austria and to Hitler. This trip of Horthy with its many implications, has been by far the most interesting development since I last wrote you. Although I am not able to inform you yet accurately on the substance of the conversation which Horthy had with Hitler, I am able to say that it is already clear, as I indicated in my letter of August 21, that the trip was arranged for him to see Hitler and certainly not primarily to visit Austria; that Papen was the one who arranged the visit to Hitler; that its object was to force Austria more definitely into a Vienna-Budapest-Berlin combination; and that in this major respect the visit failed.

The Hungarians have been very much disturbed recently for a number of reasons and have felt that Hungary has been much too inactive externally and in consequence her revisionist aspirations receiving less and less attention with even the prospect that they might be completely pushed into the background. The Budapest Government was disturbed by the recent speeches of Beneš indicating a conciliatory attitude towards the Sudetendeutsches minority in Czechoslovakia and even indicating in the Reichenberg speech a willingness for Prague-Berlin rapprochement provided it was preceded by and correlated with a Berlin-Paris rapprochement. This is the last thing that Hungary wants for she sees in Prague-Berlin or Paris-Berlin understanding a definite end to her revisionist aspirations. Hungary is not primarily interested in internal peace in Czechoslovakia for the major ends of her foreign policy involve a mutilation of Czechoslovak territory.

The Honorable
The Secretary of State,
Washington, D. C.
The Budapest Government was disturbed by the visit of General Gamelin, the head of the French General Staff, to Warsaw. This they felt, even though it might not have immediate definite results, could only improve Franco-Polish relations. They gathered the impression in Budapest, for which there is some support, that the Warsaw Government had assured General Gamelin that it had no intention of joining in a combination for the carving up of Czechoslovakia, which of course Hungarian revisionist policy implies. I am not able to say definitely that Gamelin did receive such an assurance in Warsaw, but I gathered from the French Charge here that this may be so.

Budapest was seeing also that the Austro-Czecho-Slovak trade accord, mutilated as it has been because of German pressure, is giving unexpectedly good results for both Austria and Czechoslovakia. This did not please the Hungarians for they saw in such good results, as an inevitable consequence, decreasing interest by Austria in Hungarian revisionist policy in so far as it aimed at Czechoslovakia. Further, the Hungarians were not pleased with the publicity given in Europe to the better financial position in Austria which came about through the resignation of Bresl van Tonningen, and chafed under the idea that the League Financial Committee supervision continues in Hungary.

As a result of the accord of July 11 and the increasing cooperation between Italy and Germany, they saw in Budapest Italian interest in both Hungary and Austria lessen and the possibility of the Rome Protocols working out less and less to the advantage of Hungary. I have informed the Department from time to time that the Rome Protocols have continuously worked out more to the advantage of Austria than of Hungary.

The health of Goemboes, the Minister President of Hungary, is apparently more serious than was believed and he has not been able to participate very actively in the Hungarian situation for many weeks. Some Vienna doctors have just been in Budapest and have advised him that he must
continue his rest. This has made it necessary for Horthy to be more active. Goemboes, as you know, is the great and good friend of Hitler and Germany, and is practically in the pocket of the Germans. He is one of the Hungarians who has been willing to place Hungary unreservedly in the German camp. Horthy, the Foreign Minister Kanya, and most of the Foreign Office staff, while following a policy friendly to Germany, do not have the same confidence in her ultimate objectives with respect to Hungary that Goemboes has, but more recently they have been impressed by the growing power and influence of Germany in Europe and as a consequence the Foreign Office policy has veered more in a definite line with that of the Army and of Goemboes, of practically complete subservience to Germany.

Horthy is being pressed by the legitimists to take a more favorable attitude on restoration in Hungary. He is in many respects a fine character. He does not want to lose his job of Regent, but is being forced into the position of giving the legitimists a good deal of aid and comfort. The legitimists have not failed to point out to him that if the Hungarian Government were not known as the "Royal" Hungarian Government it could not possibly last. Horthy does not want restoration now and put himself out of a job and he knows that the Germans are definitely opposed to restoration. Horthy had contemplated legislation in Hungary last winter which had for its definite objective the exclusion of the possibility of Goemboes succeeding him, and one of the reasons he did this was because he thought Goemboes was too much given over to the German line. Now it appears that the Austro-German accord of July 11 means more to Horthy in the way of Austro-German rapprochement than it may mean to the Austrians, and he sees in the knitting up more closely of Budapest-Vienna-Berlin a strengthening of the position against restoration and incidentally of his own security.

Then finally there was the early September meeting of the Little Entente which is to take place in Bratislava and which was to occupy itself among other things with the Austro-German accord of July 11, its implications for the Little Entente, and the attitude of the Little Entente towards it. In view of the recent increase in armaments in Europe Hungary
is obviously planning to go ahead with a reorganization of her army which will be in contravention of the treaties just as the Austrian stop this year was. This in fact will mean nothing new, for Hungary long ago has quietly done this very thing, but Little Entente reaction against open Hungarian declarations may be strong.

The foregoing are the developments and the position forming a background for the Horthy visit which was so naïvely given out as a simple shooting party in Austria. It is true that Horthy is passionately devoted to this sport and did want to shoot chamois in the Austrian Government preserves in the Tyrol. The Austrian Government had invited him months ago to do this at his pleasure. It is true that Horthy wanted to hear some particular performances at Salzburg during the Festivals and was thinking of going there. Then the possible combination of a chamois shoot and of the Salzburg Festivals was brought to his attention. The political implications, however, which the visit came to have seem to have developed very suddenly and informed people here in Vienna, and I believe the Austrian Government, see in the form the visit took the fine hand of Mr. von Papen.

von Papen is primarily an intriguer. He saw the field fertile in Hungary for an open manifestation of Hungarian friendship for Germany and to use this as an opportunity of forcing Schuschnigg to cooperate more closely with Berlin. von Papen has tried consistently since just before the accord of July 11 and since then to get Schuschnigg to meet Hitler. And very properly Schuschnigg himself feels, and his advisers feel, that such an interview could for the present have no value and could only aggravate the situation. They are so diametrically opposed in character, temperament, and general views that it is felt that such a meeting between Hitler and Schuschnigg might have bad results and that it would certainly have no good results. Papen, however, wants to get them together for in spite of the accord of July 11 Schuschnigg does not consider Austria definitely in the German camp and has been valiantly resisting all pressure. Papen hoped to use a Hitler-Horthy meeting as the means of forcing Schuschnigg into it and Horthy, I understand, was not averse to this idea, for in view
of the considerations which I have set forth in the preceding paragraphs, he was quite prepared to be a party to a scheme which would force Austria into more definite line with Berlin and Budapest.

I have every reason to believe that the turn that the visit took disturbed and annoyed the Austrian Government. I doubt whether they knew until the day before he arrived in Austria that he intended to make this visit to Hitler, and when they found that he was trying to get Schuschnigg into a Hitler visit Schuschnigg absolutely refused to have anything to do with it. He saw Horthy in Vienna and saw to it that no members of the Government were with Horthy in the Tyrol so that they could possibly be drawn into Horthy's visit to Hitler. There are reports from good sources which I have not been able to properly confirm yet, that the Horthy-Papen plans contemplated bringing President Miklas into the Horthy-Hitler meeting as well as Schuschnigg. If there were any such plans they were based on a complete misconception of the mentality of President Miklas who would under no circumstances lend himself to such a meeting now and he is in many respects the most determined and perhaps still the strongest man in Austria. Many people are inclined to look on him as an amiable old gentleman, and they make a mistake. He does not interfere much in things as a rule, but when he wishes to do so he can still control the turn of things here.

What actually passed between Hitler and Horthy at Berchtesgaden no one knows definitely yet and we may not know. Horthy is calling on President Miklas in his summer home in South Austria today just before he returns to Budapest and the Foreign Office will have someone there to hear what he has to say about Berchtesgaden. As the whole trip from Horthy's point of view, except for the hunting which has been fine, was a failure as he did not succeed in maneuvering the Austrians into the position he had in mind, it is not likely that he will have very much to say to President Miklas when he sees him today. I think one thing we must be sure of and that is that whatever Hitler and Horthy may have discussed with regard to Berlin-Budapest-Vienna cooperation was without Austrian support, for all the indications are that Schuschnigg is determined to keep his hands free and in this respect he has the support of President Miklas and still of most Austrian opinion.
I doubt if we will learn very much more of the Horthy visit than the foregoing for as it was not a success I doubt that Budapest will be very frank with the Foreign Office here as to the Hitler-Horthy conversation at Berchtesgaden.

The Yugoslavs, as usual, have been very much disturbed over the Horthy trip. My Yugoslav colleague here told one of my more interested colleagues that the Horthy visit was made rather precipitately because of the Little Entente meeting at Bratislava early in September and that Horthy undoubtedly wanted to get Schuschnigg committed to Berlin-Vienna-Budapest cooperation. He remarked that if the efforts to break up the Franco-Soviet agreement are successful, Yugoslavia is lost. It is interesting that this observation concerning the Franco-Soviet agreement should come from the Yugoslav Minister here as he has been definitely against a Soviet-Yugoslav agreement. He further said that if there was a Berlin-Budapest-Vienna combination it would drive Yugoslavia definitely out of the Berlin camp, for Berlin could not have her cake and eat it too. This latter is interesting because it confirms what I have said in previous letters that even though things may be going Germany's way recently on the surface of things, her problem is not such an easy one in this part of the world. The position of the various countries in Southeastern Europe is so complex that what brings friendship in one capital is bound to bring difficulties in another and as things are now, all of Southeastern Europe which Germany ultimately hopes to swallow is still too indigestible a meal.

Aside from the Horthy visit which I have commented on above, there has been no particular development in the Austrian position internally or externally. The Chancellor is back and at work and he has many problems. While his holiday has done him good, I think he is thoroughly disilluioned and to a degree disgusted, and if he saw the right kind of a successor he would, I believe, be quite happy to retire. The principal aspirant for the post is Dr. Schmitz, the Burgermeister of Vienna, who is even more Catholic and who would have much less popular support. A change to him would weaken the Austrian position very much. As I see it, time and general developments in Europe are not tending to strengthen the position here and German influence is bound to slowly but steadily increase. One has to see this in the straws which blow, and
we had one recently. The man primarily responsible for the
success of the Salzburg Festivals, which in their way have
done so much for Austria, is Max Reinhardt. The Austrian Gov-
ernment has recently distributed some honors in connection
with the Festivals and Reinhardt's name is conspicuously absent
and we must see the only reason for this in that he is a Jew
and Austria at the present time, because of Germany, does not
wish to pay a signal honor to a Jew.

I have had some interesting news from well informed
English friends. If they had the jitters in certain quarters
in England before, they are having spams now. The putting
in of the two year military service in Germany has done more
to awaken England than the reoccupation of the Rhineland and
the failure to answer the memorandum. They are beginning to
realize more definitely that Germany has very little to get
from a weakened France except Alsace and Lorraine. They know
that with France weakened England is weakened and that it is
really England, the Empire, colonies, and British predominance
in certain parts of the world that Germany is after. They
know in England that this recent institution of two years
military service in Germany takes some time to become effective.
They know that physical rearmament is not everything and that
the training of divisions takes time. The experience in the
last war of England and the United States showed that the
training of effective divisions does not take as long as
German and continental military experts believed, but it does
take some time. England feels that she needs at least two
and probably three years in order to get her physical arma-
ment adequate to maintain peace. The German physical re-
armament forced her into this tremendous rearmament program.
Now the increase in the German army may force her to similar
military measures for which British public opinion is not yet
adequately prepared.

We know how feverishly she is building up her arma-
ments and definitely trying to keep any combination of powers
from coming into being which would strengthen moves to oppose
her. It is increasingly being realized on this side that
the only way now to avoid war is for one side to be so strong
that the other will not dare to act. It looks as though
Theodore Roosevelt was right that preponderance of force is the only guarantee of peace. It is a terrible thing that Europe has returned to the middle ages, but we have had additional evidence of it in recent weeks.

One of the most interesting developments in connection with the British rearmament program is that I am informed that big orders are being placed in the United States and more are contemplated. This information comes to me from the very best sources. You know that some of the leading British papers have been urging for some weeks that Britain must accelerate the strengthening of her position by purchases in the United States as under the best of circumstances British industry cannot meet the demand soon enough. The same good source informed me that there is an almost inconceivable proposal that England should buy some armament in Germany. This of course comes from highly excitable quarters in London which have heretofore scoffed at the German danger. It has been pointed out to these people that even if England could expect Germany to supply other than second-rate rearmament material to England, it would be the utmost folly for England to buy in Germany for it would only be helping keep alive this monstrous regime and machine in Germany so definitely directed against them. The mere fact, however, that the idea should be advanced seriously in certain quarters in England shows the mentality that is pervading this continent.

It does seem, however, that the British attitude is stiffening and this can only have good effects. If information which I get is correct this attitude has already had a good effect. I am told that not only in Berlin but the Italians intended to use the Spanish difficulties in order to seize a bit of territory. The English, according to this information, moved a good part of their fleet from the Eastern Mediterranean to Spanish waters and made it clear that any either Italian or German naval action would be met with British guns. It is interesting too that I have from good sources that Italy was the first to see the inadvisability of trying to use the Spanish situation for this purpose and that she
made it known in Berlin that she thought such action by Berlin out of the question. In any event it does appear that the British action stopped what would have been dangerous action by either Italy or Germany, or both of them.

The German barrage of misinformation and misrepresentation continues. The putting of the responsibility on Russia for bringing in the two year service means nothing in fact and anyone who has been following the German press recently could see what was coming and where the responsibility would be placed. There has been a steady barrage in the German press against Russia to prepare for this move and as a part of the offensive against the France-Soviet and the Soviet-Czechoslovak agreements.

Schacht's visit in Paris, although not supposed to have any political implications, is a part of the German preparation for an eventual Locarno meeting. One hears more and more that German industry must be given relief if there is to be a stoppage of its rearmament program. This has just enough truth in it to be plausible and even to be effective in certain quarters. Quite obviously we know that practically the whole of German industry is based on the rearmament program and certainly German markets must again be expanded abroad to maintain a proper equilibrium in German industry in the future. But Mr. Schacht and the German Government have no intention of giving up their rearmament program, although they are having an increasingly difficult time with it. They want the new markets to enable them to keep the business going in Germany, but they have no intention of stopping the rearmament program. The relief that Germany needs in the way of markets is real, but it cannot come with safety or be facilitated by anyone until the menace of the present government is removed. Otherwise all these measures for relief would only result in the feeding of the monster which is out to devour Europe. These are unpleasant and difficult facts to face, but they have to be faced.

Mr. and Mrs. Carr, after a week in Salzburg and some days in Prague are now in Vienna and we are enjoying having them here very much. Both seem to have been benefitted by the rest and change and are looking very fit. Fortunately the weather is being kind during their stay here.

Believe me, with very good wishes,

Cordially and faithfully yours,