Dear Mr. Secretary:

I last wrote you on October 16 and 23. I have covered the Austrian situation so thoroughly and the general situation as seen from here in recent despatches and letters that there is little to add at this time.

Internally the Austrian situation remains quiet although there is a good deal of concern below the surface. The internal situation is on the whole, I believe, better and stronger than it has been for a long time. National Socialists in certain parts of the country, particularly in Leoben and Graz, were encouraged by the failure of the police to take active action against them when they staged minor disturbances of the peace. The police were uncertain as to their instructions and it became necessary for the Government to clarify these. I think that the action which the Government has taken will prevent even further minor Nazi disturbances. Germany is for the present not encouraging the National Social element in Austria for she wants the accord of July 11 to work out well for the present. This show of good faith by the Germans is essential as a part of the cooperation between Berlin and Rome.

In the spring I reported in despatches and letters that the Government was going to carry through a plan foreseen in the constitution for elections in the Stände. The reorganization of the Cabinet, which eliminated Dr. Dohrsteberger and Dr. Strobl, the two most liberal Ministers in it, put off these elections. In seeking a wider base for the

The Honorable
The Secretary of State,
Washington, D. C.
Government the Chancellor has recently indicated in his speeches that the development of the Ständische Staat, as foreseen in the constitution, will be carried through. The long delayed elections in the Peasant Group were carried through last week, and showed very interesting results. There was no compulsion in voting, but it was interesting that 61% of those entitled to vote did so. While there was not complete freedom in the setting up of candidates, there was a greater possibility for the voters expressing their will than one would expect in an authoritarian state. As a matter of fact, the Government deliberately allowed a good deal of freedom in order to determine how much it could depend on popular support. The elections gave a large majority to those candidates who are associated with the present Government. Neither, who was formerly Minister of Agriculture and who is the peasant leader in Austria, emerged from these elections stronger than ever. While not in the Cabinet for the present, he is one of the strongest men in the country and is liberal and monarchical in his convictions. The success of these elections among the peasants and farmers has undoubtedly encouraged the Government and it is now planning to carry through elections among the industrial workers. If this can be done successfully it will greatly strengthen the Government and open the way for elections in all of the Stände. If such elections can and will be carried through it would no longer be possible to speak of Austria as an authoritarian state. Whether the Government can carry through what is its obvious will to hold these elections in all of the Stände, will depend on developments outside rather than in the country.

The most interesting development within Austria since I last wrote you, besides this election, is the announcement of a reorganization of the Foreign Office. As you know, the Chancellor remains Foreign Minister, and has delegated foreign affairs to a very young man, Dr. Schmidt, as Secretary of State for Foreign Affairs. Dr. Schmidt was formerly the head of the President’s immediate establishment. He is an old school friend of the Chancellor who has absolute confidence in him which, I believe, is warranted. On account of his youth and the minor part which he has previously played, there were a good many Austrians and some foreign observers here who
doubted whether Dr. Schmidt would play much of a part except merely as a mouthpiece for the Chancellor. I have known him very well since I came to Vienna and have had very friendly relations with him. I always found him very intelligent and he has proved to be more than a mere figure-head. He has overcome already the feeling which some of his associates in the Foreign Office had, based on what they thought his youth and inexperience, and in a very short time has made quite a place for himself. Instead of being a mere mouthpiece for the Chancellor, he has proved a helpful collaborator. He has been thrust into a rather important position at a time when Austria is playing a part out of proportion to her population and size, and he can, if he keeps his head, render very useful service.

Owing to this effort of both Berlin and Rome to use Austria as the bridge to the Little Entente and the Balkan Union, the Austrian Foreign Office has become much more important and its work has become very much greater in the last few months. The Austrian Government, as a matter of financial necessity, has kept all its departments as small as possible and this was particularly true of the Foreign Office, the organization of which in Vienna was quite small and simple. Announcement is now made that its personnel will be increased in view of the pressure on it. Dr. Hornboestel, who holds the rank of Minister, is to continue as the head of the Political Division, and under him two geographical sub-divisions are to be set up, each of which will be headed by a career officer having the rank of Minister in the diplomatic service. I mention this reorganization as it is an indication of the increasing work which has fallen on the Austrian Foreign Office as a result of the efforts of Berlin and Rome in Central and Southeastern Europe which so largely center in Vienna.

The principal interest here is in what actually took place between Berlin and Rome during the recent visit of Ciano in Berlin, and in what will take place at the meeting of the Foreign Ministers of the Rome Protocol States to be held in Vienna on November 12 and 13. If the Austrian Government was fully informed concerning what took place in Berlin during the Ciano visit, it has been extremely reticent to pass out any
information. So far as I can learn, the Austrians have as yet very little definite information from either Berlin or Rome concerning the Ciano visit. They, as well as most foreign observers here, do not feel that much real progress was made in Berlin, but are nevertheless of the opinion that far reaching questions of cooperation between Berlin and Rome were discussed. This has raised a very great sense of uncertainty. Observers here are of the opinion that both Berlin and Rome believe the time is ripe for pressure by them on London and Paris and there is further a feeling that much that is happening in Europe to disturb the situation in various spots is being fostered by Berlin and Rome. The Belgians know now what I pointed out a few months ago, that Degrelle was financed from Berlin. German money and influence are at work to create similar unrest in Holland. The trouble in Iraq, rightly or wrongly, is being laid to Italy and Germany. I find that observers here believe that Italy is convinced that no time can be more propitious than the present for forcing England to arrangements in the Mediterranean along the lines Italy wishes them. These same observers believe that the internal situation in Germany is such that Germany wishes to force arrangements in the West. Most of the Ministers of the Little Entente and the Balkan states here are inclined to the opinion that Germany and Italy have united on a program of forcing arrangements which suit them on England and France now, and in case this program does not go through that Italy has Germany's assurances that Germany will not make trouble in Austria or Central Europe should Italy be drawn into a war with England. In other words, the Southeastern European States are disturbed that Mussolini may be prepared to risk a war with England in order to carry through the Mediterranean arrangements he is after.

I have already told you that the Austrians are very much concerned over the European situation generally just at a time when they consider their own so much improved. They have been hoping for better relations between England and Italy and I believe this hope and wish is based on their fairly intimate knowledge of the Italian intentions and on their fear of what the Italian program may lead to. The Austrians have unquestionably been assured by both Berlin and Rome that both countries mean to stand by the accord of July 11. While the Austrians believe that for the present both countries intend
to stand by it and that Austrian independence for the present is less threatened, the Austrian Government knows that if either Italy or Germany is drawn into war that independence is very much threatened.

I am sure that some of the recent articles in the Italian press, which are so extraordinarily frank, have been brought to your attention. The situation that those articles bring out vis-à-vis England is one that the Austrians are familiar with and they hope that the Italian position may be ironed out as they see in it the present greatest danger to them and to Europe. They fear that the Italian attitude may yet precipitate war with England and they are convinced that this means a European war no matter what precautions may be taken to avoid it or what arrangements may have been made by Berlin and Rome.

I personally do not believe that the arrangements between Berlin and Rome have gone so far. The speech of Mussolini yesterday, concerning which so much was said, would seem to strengthen the opinion of those who believe that nothing much concrete was arrived at during Ciano's visit in Berlin, although much was talked about. Mussolini was silent on Spain and on Russia, but he came out as the defender of Hungarian revisionist aspirations and emphasizes the more friendly relations between Italy and Yugoslavia. The Berlin visit of Ciano and Mussolini's speech yesterday look to me like another phase of the Berlin-Rome pressure and blackmail on London and Paris. Berlin wants the Western Pact without any reference to Eastern and South-eastern Europe so as to give her the free hand which she must have if her next moves are to be successful. Besides that, it is increasingly evident that Berlin needs London more than ever on account of the serious raw material and foodstuff situation. Berlin believes that France is now so demoralized that she could make a bi-lateral pact with her were it not for the stiffened attitude of England. It is on England that both Rome and Berlin are concentrating. Italy feels that she must strike while the iron is hot or her chances for the settlement of the Mediterranean problem according to her own views will be greatly diminished.
On the other hand, neither Italy nor Germany wants a war now and neither of them trusts the other enough to enter into a war against a third power, or powers, as allies. Each fears that the other would make a bargain at the expense of the other. I therefore do not believe that either Berlin or Rome is prepared to bring things to a crisis. We don't know what actually happened during the Ciano visit in Berlin, but I don't believe from the evidence available that anything definite was arrived at and I think the communiqus caused disappointment in both Germany and Italy where expectations had been worked up to a high pitch.

The situation over here continues to be a dangerous one. I don't understand these people who are trying to hide that or to explain it away. If I know anything about the situation over here, it is a highly explosive one and while I think that the danger of war is remote, in many respects the general position is growing worse again. This lack of clarity as to the real position between Rome and Berlin is disturbing London and Paris, and even more so the countries in Central and Southeastern Europe. All of these small countries down here are beginning to arm as the only concrete thing they can do and Europe is being made all around into an armed camp. Mussolini is asserting himself more and more and may get himself again into an impossible situation from which war is the only way out, and this time the probabilities are that it would involve all of Europe.

It is easy enough for some people to say that it was sanctions and England's insistence on them which have solidified the Italian people behind Mussolini and therefore made the general position more difficult. It is true that through clever manipulation the sanctions have united Italy behind Mussolini and recent events have given the Italians a big head from which it will take them some time to recover. They are passing through the same phase that the Nazi Party passed through in Germany - the phase during which they felt that they had Europe at their feet. Since June of this year the Nazis have learned that this is not so and are behaving more moderately. The Italians have not yet passed this peak and are consequently dangerous. Those who are blaming the English for having joined in sanctions and even pressed them
are the same ones who were insistent that she must carry them through when her attitude was uncertain. England and France had no alternative but to take the attitude on sanctions which they did. They tried to save the League idea and structure and that meant there had to be some regard for the League Covenant and for the idea of the equality of states. The sanctions policy worked out badly, but no one can blame England and the other states for carrying it through. The cynical way in which Mussolini spoke yesterday that certain ideals must be washed out, among them that of collective security and equality of states, shows what the world could expect of a League reorganized on the German-Italian lines. The sanctions are one thing for which the English cannot be held responsible. They turned out badly, but no one could have foreseen that.

Neither the Germans nor the Italians are prepared to carry through this pressure which they are now exerting to the limit of war, and probably will not, but the road that they are on is a dangerous one and may provoke the war which they themselves for the present do not want but which in principle they believe in when it can be fought at their time and under their conditions.

I think we should follow very closely the developing situation in Germany as I pointed out in my last letter. I listened to Goering’s speech over the radio the other day when he addressed the German people to raise enthusiasm for the four-year plan. It was the usual performance, but what I should like to tell you is that the printed accounts of the speech gave no idea as to its real character. One had to hear it to appreciate the violence and the vindictiveness in the references made to other countries. They were most provocative and not founded on fact. The speech which the French Communist leader made and concerning which the German Foreign Office recently officially complained in Paris, was mild compared to the references to and the tone which Goering used in speaking about other countries. The British press has reacted very adequately to this speech.
As regards the speech itself, the jokes which Goering made with regard to the foodstuff situation did not go down well with the German people and his remarks about the raw material situation obviously fell flat and were unconvincing. The speech was full of bombast, clumsy jokes, and generalities which, I understand from reactions I already have from Germany, left the people cold. I am told that the speech has been badly received in Germany and did the Party more harm than good. Goebbels immediately followed it up by making a speech on his fortieth birthday, which was, if anything, much more effective for he is the one man in Germany who can organise sentiment behind such a program. Evil, malicious, perverted, and dangerous as he is, he is the greatest propagandist the world has seen for several centuries and that is the only reason he is alive today. The present Government cannot do without him. The raw material situation and the food stuff situation in Germany are getting more and more serious and if any evidence were needed, the speeches of Goebbels and Goering furnish it. The endeavor to make apparent greater harmony among the higher leadership of the Party is another indication that the serious situation is drawing the leaders together. All these are factors which must be borne in mind in connection with any consideration of Germany's action in external policy today.

The Austrian public has been very much interested in the visit of Cardinal Pacelli to the United States. The press has carried quite a lot of information concerning his visit. Yesterday the papers here carried an announcement from Rome that his visit had been very successful; that he had had many conversations with persons in authority; and that an exchange of diplomatic representatives between the Vatican and Washington was practically assured. They also stated that he had received adequate assurances of financial and moral support in the United States for the Vatican's offensive on Communism. The articles stated further that after his visit in the United States he was proceeding to England in order to bring about diplomatic exchanges between the Vatican and London. The people here do not have a very clear idea of the separation between Church and State in the United States and are therefore more inclined to believe that news items such as the foregoing have a basis in fact. It does look as though the Catholic
Church were preparing an offensive on Communism and perhaps there may be more in the Vatican-Berlin arrangement than my most recent information would lead me to believe.

I shall endeavor to keep you informed concerning the Vienna conference on November 12 and 15. The states of the Little Entente and the Balkan Union are tremendously interested and they feel that Italy is going to make a very definite endeavor to build a bridge to the Little Entente and the Balkan States. Mussolini's statement, however, with regard to Hungary and her revisionist aspirations yesterday is going to throw a lot of cold water on the Vienna conference because these states are not yet prepared to meet Hungarian claims and I don't believe will ever meet them, without war, in the degree that Hungary wishes. It was a tactical error of Mussolini to do this and it is not going to help him in any quarter, not even in Berlin where Berlin prefers to pose alone as the defender of Hungarian rights. While a good deal may come out of this conference still, I think Mussolini has lessened the chances of it by his emphatic references to Hungary and to Yugoslavia. It would look to the other states as though he were trying to cause more dissension instead of easing it. I shall not fail to inform the Department by telegraph of any interesting developments in connection with this Vienna meeting, but I doubt whether it will be necessary to telegraph much as I have given in my despatches and letters the preliminary information which is available and if anything worth while really happens it is going to emerge very slowly.

With all good wishes,

Cordially and faithfully yours,

George S. Messersmith.