Vienna, January 21, 1937.

No. 1023.

Subject: NAZI AND HEIMLER ACTIVITIES CHALLENGING DR. SCHUSCHNIGG.

CONFIDENTIAL.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Legation's confidential despatch No. 1022 of January 12, 1937, transmitting translations of an Austrian Nazi memorandum to Chancellor Schuschnigg, together with comment thereon. As may be remembered, that despatch spoke of the formation of a Nationalist (as Austrian Nazis now refer to themselves) party in Graz, Styria,
to be called the Ostmarkischer Verein under the patronage of General Gleise-Horstenau, of subterranean Heimwehr activities, and of the equivocal attitude vis-à-vis the Austrian Nazis of Herr Neustädter-Stürmer, Minister for Public Security. Mention was also made of the appearance of the name of the present Secretary of State for Foreign Affairs under the Chancellor, Dr. Guido Schmidt, in the memorandum referred to above, and the opinion hazarded that a reorganization of the Austrian Government might soon take place, when the services of General Gleise-Horstenau and Herr Neustädter-Stürmer would be dispensed with and an embarrassing situation erected for Dr. Guido Schmidt. The Legation now has the following supplementary information to add to the foregoing.

As early as January 17, 1936, an organization under the ostensible leadership of Herr Rudolf Birth of Graz, Styria, applied to found a "Germanic Cultural Association", an application which was refused by the Styrian authorities on the ground that the organization proposed would in reality be a Nazi cell. The real power behind the Germanic Cultural Association, however, was General Gleise-Horstenau, present Minister of the Interior, who, the Department will recall, was included in the Austrian Government after the Austro-German agreement of July 11 as a sop to Austrian National Socialist feeling. General Gleise-Horstenau did not cease using his influence on behalf of the Germanic Cultural Association, and with the tacit assistance of the Minister for Public Security, Herr Neustädter...
Mount"etter-Stiinmer, he was able to have the Germanic
Cultural Association pronounced legal by the Austrian
federal courts, and on last Friday, January 15, it
was founded at Graz under the title of the Ostmärki-
scher Verein. That this association was not formed
earlier is generally ascribed to the fact that General
Gleisse-Hersteneau did not feel himself strong enough
until recently to risk the Chancellor's displeasure,
for there appears little doubt but that the Chancellor
is far from pleased with this development, although
obviously inspired articles in the Austrian press
attempts to give the impression that the Ostmärkischer
Verein is a normal development of no particular signi-
ficance. This press comment is included in the set of
weekly notes forwarded with despatch No. 1026, of
January 23, 1937. The intention of the Ostmärkischer
Verein, as reported in the Legation's confidential
despatch No. 1082 of January 16, is to work openly
through branch organisations in the provinces for
National Socialism and when strong enough demand ad-
mission to the Patriotic Front as a unit, in other
words to create within the Patriotic Front a National
Socialist bloc.

The creation of the Ostmärkischer Verein was the
signal for certain Heimwehr subterranean activity
which has long been going on to come to the surface,
and at the beginning of this week it was known that
three Heimwehr "protective societies" had been formed,
one at Linz by Herr Heninger in the name of Prince
Starhemberg, one in Vienna by Major Fey, and the third
also...
also reputedly in Linz under the protection of Herr Neustädter-Stürmer, present Minister for Public Security. These protective associations, which in theory were formed as mutual aid societies for distressed former Heimwehr members, have in reality a political purpose and represent the three main groups of political opinion into which the Heimwehr split after its official dissolution last October. Thus the Starhemberg organization, which is considerably the largest of the three, is pro-legitimist and non-anti-Semitic, the Fey group similar and distinguished from the Starhemberg group only by the rivalry between Prince Starhemberg and Major Fey, while the Neustädter-Stürmer group is frankly National Socialist and anti-Semitic. A fourth section of former Heimwehr members share Social Democratic opinions, but their number is not believed to be great. An interesting feature concerning the formation of the three protective associations above referred to is the fact that permission for the formation of the Fey and Neustädter-Stürmer organizations has been refused by the Government, while that of Prince Starhemberg has been approved. Some observers see in this an indication that Prince Starhemberg is again increasing in prestige and that the Government considers that it may have need once more of his services in the near future. For it is pointed out that the activities of these three Heimwehr factions plus the creation of the National Socialist Österreichischer Verein form a challenge to the Chancellor's authority which cannot be lightly disregarded. Qualified ob-

servers . .
servers still feel that the Chancellor is strong enough to dominate these groups, but they also feel that it is a situation in which he must shortly act with decision and energy. It is therefore pointed out that a cabinet reorganization may shortly take place in which Herr Neustädtter-Stürmer and possibly Dr. Guido Schmidt, the Secretary of State for Foreign Affairs under the Chancellor, may lose their portfolios, - Herr Neustädtter-Stürmer for disloyalty to the Chancellor and Dr. Schmidt for reputed pro-German sympathies. In this connection reference is again made to the specific mention of Dr. Schmidt's name in the memorandum presented to Chancellor Schuschnigg by Captain Leopold, the Austrian Nazi leader, and forwarded to the Department with the Legation's confidential despatch No. 1028 of January 16.

It is generally felt that General Glaise-Horstenau will retain his portfolio should a cabinet reorganization take place, despite his association with the Ostmarkischer Verein. This belief is prompted by the fact that the inclusion of General Glaise-Horstenau in the present Government was a condition of the Austro-German agreement of July 11 and that his dismissal, therefore, would give the appearance, which the Chancellor wishes to avoid, that he, Dr. Schuschnigg, was sabotaging the agreement under reference. Here attention may be drawn to the Legation's strictly confidential despatch No. 1611 of January 11, 1937, in which the Legation's informant was quoted as saying that he did...
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did not doubt that there would be a comparative failure of the Austro-German economic negotiations now in progress, and that that failure would be the cue for an intensive Nazi propaganda on both sides of the frontier charging Chancellor Schuschnigg with having sabotaged the agreement of July 11. Attention is drawn to the foregoing in that some observers feel that Chancellor Schuschnigg's apparent weakness in telling the recent Nazi and Heimwehr activities referred to in this despatch to take place is in reality dictated by policy. These observers point out that the Chancellor foresees an approaching termination of the accord of July 11, and as a result wishes to be in a position to point to subversive activities within the country as a reason for termination of the accord. Thus it is said that the Chancellor will be able to lay the blame for these subversive activities on German influence as a result of the accord of July 11 and by inference throw the responsibility for breaking the accord on Germany. Other qualified observers, however, and the more numerous, feel that the Chancellor has been caught off his guard and that the Government's policy during the past six months of granting amnesties to a large number of Austrian National Socialist agitators is in reality responsible for the present situation. In that respect, it is pointed out that 18,636 Nazis were amnestied in Austria between July 11 and December 31 of last year.

In any event the present situation cannot be minimized, and the Chancellor is expected to take strong action
in the near future. Whether or not, as hinted earlier in this despatch, there will be a renewal of the old Schuschnigg-Starhemberg alliance is pure conjecture, but it does not seem altogether improbable.

The Chancellor's present attitude in face of the existing situation, which might be termed an attitude of "wait and see", is reflected in an editorial entitled "New Associations", a translation of which is enclosed with this despatch. This editorial appeared in the Chancellor's personal organ, the NSUIONTS-WELTBLATT, of January 19.
under the Chancellor, Dr. Guido Schmidt, during the course of which I asked him whether he could give me any information regarding press reports concerning the organization recently of semi-political groups in various parts of the country. Dr. Schmidt said that the press had given exaggerated attention to the formation of these organizations, principally, he thought, due to the fact that news of the creation of several of them came at the same time. He pointed out that the Osthäretischer Verein had really been in progress over a year before being organized after considerable difficulty in Graz, during which time several other organizations had been completed, which gave the impression that there was a change of policy on the Government's part. He said that there was no change of policy and that the Government would not tolerate any political or semi-political groups outside of the Patriotic Front and that the Chancellor had adopted a determined attitude on this point.

General Gleise-Noroteanau and Herr Neustädter-Stürmer, said Dr. Schmidt, had already indicated their intention of withdrawing support from their respective organizations if the Chancellor so wished, and he, Dr. Schmidt, thought that I should not attach too much importance to the entire affair. I was not so sure, however, that Dr. Schmidt was being entirely frank with me, and I believe that the movements described in this despatch have given the Government cause for concern and taken it somewhat by surprise.
I also believe, however, in the probability that the Chancellor intends to take energetic action to prevent the rapid development of these organisations, which might present real dangers for internal order and security as well as for Austrian independence.

Respectfully yours,

George S. Messersmith.

Enclosure:
Translation of article from Neugewissheitelatt.