Vienna, February 23, 1937.

No. 1063.

Subject: DEVELOPMENTS IN THE AUSTRIAN INTERNAL AND EXTERNAL SITUATION.

STRICTLY CONFIDENTIAL.

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to refer to the Legation's strictly confidential despatch No. 1064 of February 18, 1937, reporting on various developments affecting the Austrian internal and external situation and to submit the following supplementary information.

As far as the Austrian internal situation is concerned, there is little concrete to report, since the . .
the Legation's despatch above mentioned. The movement toward restoration, however, is proceeding methodically, and the Legation is now in a position to give the following background concerning that movement. A member of the Legation during the past week had had a conversation with a member of the Foreign Office who is close to the Chancellor. During the course of that conversation this individual stated that if the present smooth course of negotiations continued, the restoration of Emperor Otto would come about within six to eight months. There were certain factors of external policy to be regulated, he said, and they were the attitude of Germany and Yugoslavia and the securing of positive action on Signor Mussolini's part. The Chancellor did not doubt, he said, that Signor Mussolini's attitude, now as before, was benevolent, but the Government felt that they would need something more than benevolence in order to counteract Yugoslav opposition. As far as Germany was concerned, the Government felt that nothing could placate that country with regard to restoration, but the Government also felt that if Germany was the only objector, it would not move alone. As far as securing positive action from Signor Mussolini was concerned, the Government felt that they would get this when the time was ripe. Chancellor Schuschnigg, said the Legation's informant intended to proceed to Rome around about the middle of March, and the sole purpose of his visit was to discuss restoration with Signor Mussolini.

As far as the internal Austrian situation was concerned . .
concerned with reference to restoration, the Legation's informant said that all sections of Austrian public opinion, with the exception of the extreme Nazis, were rapidly falling into line. The program that the Chancellor intended to adopt was as follows. Negotiations were going on with the Archduke Otto to ascertain the terms upon which he would be willing to return to the throne. The Legation's informant believed that the result of these negotiations would be substantially the Chancellor's present program, that is, a democratic monarchy superimposed upon the present state structure and renouncing, at least for the present, all revisionist ideas. As soon as the Archduke Otto had agreed upon the conditions under which he would return to the throne, an opportune moment would be awaited when it would be put up to the Austrian people in one form or another whether or not they desired a restoration. The decision that the Austrian people would have to make would be "yes" or "no". There would be no stipulations, it being assumed, said the Legation's informant, that this decision would not be put up to the Austrian people until it was certain that the reply would be in the affirmative. The Archduke would then be invited to return to the throne under his own conditions. The conditions which the Archduke would stipulate would be those already arrived at between him and the Chancellor. There existed, said the Legation's informant, certain internal difficulties to be ironed out. The Christian Socialist Party under
Herr Kunschak (who, as the Legation has previously reported, with Herr Reither, the leader of the powerful Peasants' Union, has been a leading supporter of the Chancellor during the past year) needed assurance that a more democratic form of government would return to Austria with restoration. The Legation's informant felt that up till now the rather vague statements issued by the Chancellor concerning a "social monarchy" would have to be further defined. Some form of seemingly democratic parliamentary system, he said, on a purely advisory basis would probably be supplied. The extreme right wing of the legitimist party would have to be enjoined to a certain extent, only to give unanimity of assent to Otto's return, as that extreme wing still balked at the non-revisionist policy. The extreme wing, however, said the Legation's informant, was the least important section of Austrian opinion and was, in fact, only too anxious to see a return of the monarchy at any price. As far as Austrian nationalists or Nazis were concerned, the Legation's informant felt that when the moment came for restoration, they would be the only voice in opposition and would be inviting political annihilation if they raised that voice. As a matter of fact, said the Legation's informant, there was already a large proportion of Austrian Nazis who were more than ready to turn legitimist provided the Archduke Otto struck an anti-Semitic note. The Chancellor, however, said the Legation's informant, would have nothing to do with this matter while ...
while the Archduke had already through Baron von Hessen (Archduke Otto's principal representative in Austria) repeatedly assured Austrian Jews that they could look forward to equality of opportunity with a Hapsburg return. In any event, said the Legation's informant, the Chancellor felt that when the moment was opportune to bring the Archduke back to the throne, he would be in a position to dispense with Nazi opposition or aid. The Legation's informant stated further that the Chancellor intended to remain Chancellor after the Archduke's return and concluded by saying that the influence of the ex-Empress Zita over the Archduke was distinctly on the wane.

With regard to the foregoing, the following may be of interest. A foreign press correspondent whom the Legation has found in the past to be reliable had a conversation with a prominent Austrian Nazi a few days ago. During the course of this conversation the correspondent under reference was informed that the German National Socialist Party had long ago given up hope of the ex-Empress Zita sufficiently influencing Archduke Otto along revisionist lines which would embroil him with the Little Entente. A member of the Legation also had a conversation recently with a Secretary of the Rumanian Legation during the course of which that Secretary informed the member of the Legation under reference that Rumania would not lift a finger if the Archduke returned to
the throne. He was of the opinion that Yugoslav and German opposition would be sufficient to deter a restoration and inferred that that was the present point of view of his Government. Another angle of interest concerning restoration has been caused by the recent radio announcement of General Franco from Burgos to the effect that Prince Xavier de Bourbon-Parma is a leading candidate for the throne of Spain. This announcement has had a considerable repercussion among Austrian Social Democrats since, as the Department is aware, Prince Xavier is the ex-Empress Zita's brother, and Social Democratic circles view a return of the Bourbons to Spain coincident with a return of the Hapsburgs to Austria as a development seriously affecting democratic aspirations. Well informed circles in Vienna feel that this announcement of General Franco was largely meant to keep his Carlist supporters in line and do not rule out the possibility that it might have been inspired from Berlin in order to create difficulties for the restorationist movement.

In conclusion, as regards restoration, it is reported that a member of the Legation had a conversation yesterday with Prince René de Bourbon-Parma, the ex-Empress Zita's younger brother. Prince René, who has been in Vienna for the past four days and who also has made a flying visit to Budapest, stated in strict confidence that the Archduke Otto had practically made up his mind to accept Chancellor Schuschnigg's
present program for restoration. He said that they all felt that the Chancellor was their main hope and that without him nothing could be done. The member of the Legation who had this conversation with Prince Kané gained the impression that he was not too pleased with the Chancellor's program, but that he obviously considered it the best of a bad bargain.

The only development in the purely foreign field of interest during the period under review has been the visit of Baron von Neurath, the German Minister for Foreign Affairs, to Vienna. Baron von Neurath arrived by train yesterday morning at 9:18 at the West Station and was driven to the Imperial Hotel, where he is staying through this evening. As the Legation has previously reported, the visit of Baron von Neurath was viewed with some concern by the Austrian Government, as the Government felt that it might prove to be an opportunity for large-scale Nazi demonstrations. Actually, however, Baron von Neurath's visit so far has passed off without any demonstrations of note, although during his drive from the station to the Imperial Hotel he received an ovation. This ovation, however, could not be considered excessive and was, in fact, such as one might expect upon the visit of a prominent statesman of any friendly country. During the day, that is yesterday, there were certain groups of Austrian Nazis who sang the Horst Wessel song and shouted "Heil Hitler!", but they consisted almost entirely
of youths ranging from sixteen to eighteen years of age, and the police paid little attention to them. Counter-demonstrations were also staged, and these by far the more numerous, by young men of the Patriotic Front who shouted "Heil Schuschnigg!"

As far as can be judged at the moment, Hans Nearnath's visit is passing off quietly enough, and the Government is considerably relieved. The Legation sees no reason to change its opinion that Baron von Neurath's visit will be devoid of political implications or importance, although, naturally enough, it is felt that he will take this opportunity to exert what indirect pressure he can against restoration, particularly in view of Chancellor Schuschnigg's forthcoming visit to Rome.

Respectfully yours,

George S. Meeserwith.