The Secretary
The Under Secretary

It occurs to me that you may be interested to have my reactions on the recent developments in Austria and particularly as to how they may affect the general situation.

I believe it is still too early to determine what the ultimate effect of recent events may be but I can only see the general situation as further detiorating as the result of them. It is just about a year and a half ago that Austria and Germany made their agreement of July 11, after which Hitler indicated in a public way the recognition of Austrian independence. A few days ago he sent this peremptory message to Schuschnigg to come to Berchtesgaden and, according to our reports, Hitler received him with three Generals behind his back, including General Reichenau, whose views we well know. In no uncertain terms he made demands which, if carried through, would leave Austria without any shred of real independence.

In the past Hitler has frequently said that if Germany has broken agreements they have been arrangements which were put upon her by others through pressure and force and as a defeated
defeated nation and are therefore promises which he is not bound to keep. If anyone would have any doubt as to his intention to keep agreements which he himself has made, the recent events at Berchtesgaden should leave such without any further illusions. I have myself never been able to understand why these illusions should persist when Hitler himself in his book and in the statements which he has made privately and semi-publicly has never left any doubt as to his political practice according to which agreements are valid only as long as he believes they should be kept. It would seem that recent events should, therefore, convince a certain group in England, which has been fostering such agreements, how utterly futile and fatal is any idea that they may have that they can make lasting and binding agreements with Germany under present conditions. And yet there would seem to be indications that English policy is more than ever orientated in the direction of such agreements.

We do not yet have full information as to what conditions are actually being imposed upon Austria, but I think we know enough to realize that whatever they are they are such as will mean her rapid absorption into Germany unless there is some great change in the major European picture. In the conversations which Ambassador Bullitt had with General Goering, and reported by him to the Department, General Goering made no concealment
concealment that their objective involves the disappearance of Austrian independence. In this respect I can assure you that in conversations which I have had in the last three or four years with high ranking members of the Party in Germany they left no doubt that this is their objective although in the press and in official statements they may cover this over. We do not know what the result of the Vienna-Berlin conversations is but I think that a vestige of hope must remain for I know from my contact with Schuschnigg that he would not remain as Chancellor if he did not believe there was reason for holding on. He does not want to let go until the last ray of hope is gone for he is a genuine patriot. I am not sure, however, that if he does stick he will not meet the same fate as Dollfus. I had a letter this morning which indicates that during the last few months he has had good reason to know that his life has been in constant danger.

In my opinion whatever we may see emerge from the present situation, we can take it that the independence of Austria is gone in fact although its outward form may be retained for the present, unless there is a major change in the European picture which we cannot see now. I still feel that if France and England had spoken in any definite way that the present catastrophe would have been avoided, for Hitler is not yet ready to go to war. England and France
have not spoken above a whisper and I do not see how Benes can hold on in Czechoslovakia for more than four or five months. There is no doubt but that Czechoslovakia is just as much an objective as Austria and in the last year it was always a question, as to whether Czechoslovakia or Austria should come first. I think if Germany were to take action with respect to Czechoslovakia today, as she has done with Austria, France would probably still move, but Hitler, who has an uncanny sense of such situations, realizes that if he will wait four or five months the situation will have further disintegrated in that time and to the point that he can confront Czechoslovakia with the same demands as he has now put upon Austria and that the chances are then that France will not move. I think we must definitely face the fact that if this movement continues, which it shows every promise of doing, there is no small country in Southeastern or in Northern Europe which can have any further illusions as to its security. If, for example, Belgium and Holland and Denmark have any sense of security under these circumstances it is in my opinion a very dangerous delusion. Belgium and Holland and Denmark may, for example, be faced at any time in the not distant future by the same sort of a situation as Austria had to confront a few days ago. There would naturally not be such great political demands at the outset but there would be
demands of an economic nature which would be just as deestructive of real independence, and under the present circumstances and those which are increasingly developing it is doubtful whether England and France would support these small countries in case the demands are only economic.

It is difficult for some to realize that Germany is proceeding on a fixed course and on a definite policy which has not altered since the regime came into power. What they do not realize adequately is that Germany needs today economic relief which will enable her to continue her program toward mastery in Europe. When Hitler saw Schuschnigg the other day, according to one of our reports, he said to him that Germany had a mission in Europe to get together the 80 million Germans into one nation which would make Germany the master of Europe. Such language surely can leave no illusions and is nothing new to some of us who have known continuously what he is after. One of the principal reasons for the pressure on Austria at this time is that Germany needs the iron from that country and Austria has refused to deliver without payment. Similarly, the relatively good financial situation in Austria is something which Germany has wished to exploit for her own purposes for some time and the strong resistance of the Austrian Government and the National Bank was becoming exasperating.

She
She also wishes to get other raw materials and agricultural products so as to strengthen her difficult home position. The process of peaceful penetration in Austria was not going fast enough and Hitler felt that the internal program as well as the external one did not permit of further delays.

Although there are a number of elements that enter into the recent showdown with the Army in Germany, I am convinced that one of the principal factors was the desire of Hitler to make it possible to proceed with a show of force against Austria. The Army had consistently taken a stand against force or a show of force against Austria just as it had put its foot down on further contingents of men to Spain. If there was to be a showdown with Austria, Hitler realized that the Army had to be put in a position of acquiescing. The Army changes made it possible for Hitler to receive Schuschnigg with three Generals behind him and with two divisions mobilized on the Austrian frontier ostensibly for maneuvers. We know the result. I am convinced that the restraining influence on external policy of the Army in Germany while not altogether gone has practically disappeared.

It is difficult to see how the disintegrating movement in Southeastern Europe can be stopped. According to a telegram we have this morning, the German Minister in Belgrade told
told our Minister that Jugoslavia would shortly be faced by the same situation as Austria. The steps may be fairly slow, but I do not think we can tell. Now that the last step in internal coordination in Germany has been taken through making the Army an instrument of the Party, events may take a much more rapid course. If Germany is able to continue this extension of control through Southeastern Europe, even though in some directions the movement will manifest itself first in economic demands, she will be able to be in a position to get a good part of the raw materials and agricultural products which now make it impossible for her to make war. Through the fortification of the Western frontier, which has made rapid progress, she will soon be able to hold England and France there, and any blockade of the North coast by the English and French fleets will not be so serious for Germany as she will have most of the things which she needs in the areas in Southeastern Europe over which her control is extending. In other words, in my opinion, which I have expressed to you before, if Germany gets economic or political control, or both, of Southeastern Europe she will be in a position to put England and France into a secondary place in Europe and practically immobilize them. This can only mean the gradual disintegration of the British Empire and all this is something which I believe we in this country
country cannot look upon with unconcern. I am confident that in the end we would have our troubles in South America where Germany, Italy and Japan are already so active and where they have their definite objectives -- particularly Germany. With England and France in a purely secondary position and with the Empire disintegrated, we in this country would stand practically alone, and that our troubles would come a little later does not give me any comfort. The failure of public opinion in this country to understand all the implications of the developing European and Far Eastern situations for us is, I think, the most difficult problem with which we now have to deal.

I cannot understand the English attitude. There seems to be still a group which believes that they can purchase security through giving Germany a free hand in Southeastern Europe. There was reason to believe that this group was decreasing in power. It now looks as though it has the upper hand. It would be well if they realized that Germany with a free hand in Europe has a good deal freer hand in the rest of the world. No concession has yet satisfied Germany and none will satisfy her. Those in control in the country will themselves admit that.

So far as Italy is concerned, in Party circles in Germany it was realized at the outset that Mussolini was bound
bound to be a secondary partner in German-Italian co-operation. He is playing very much second fiddle now and it is an interesting picture when we consider Mussolini's reactions during the last few days and compare them with his firm stand at the time of the Dollfus murder when within an hour after he had the news he had several divisions on the frontier. It is too early to say just what the Italian position is, but in Southeastern Europe he has lost immensely in prestige and I think in many ways the Austrian debacle may prove just as significant for him as it is for Austria.

I do not think that Hitler's speech on Sunday, whatever he may say, will mean much. He may make some very reassuring statements on Austrian independence but the fact is that he has removed the basis for such independence. Whatever he says must be viewed in the light of the fact that 18 months ago he openly came out in recognition of that independence which he is now directly violating. His statement to Schuschnigg that he has a mission to bring together the 80 million Germans into a nation which will dominate Europe is the real key to the situation and, if that domination may not be so purely political at the outset in some directions as it will probably be in Austria, it will be nevertheless real in its consequences.

The developments have a very real interest to us for these
these countries in Southeastern Europe have been looking forward to trade agreements with us as a part of a constructive movement towards economic peace. Our negotiations with Czecho-Slovakia have been very closely followed and in everyone of those countries it was hoped that negotiations with us would soon follow. The Germans knew this and they knew too that under political and economic pressure from both Germany and Italy all these countries were getting closer together and that problems which had separated them for generations were being put into the background. Germany feared our trade agreements program in Southeastern Europe and now that she is embarking upon this course of expansion, I see small prospect for our progress in Southeastern Europe. Even though we negotiated agreements they would have very little value for what is the use of our making arrangements between independent States when an international gangster at the point of a gun is forcing economic subjection? I see the trade agreements program in general seriously menaced for these events in Southeastern Europe will have a disturbing and upsetting influence generally.

There is a strong tendency on the part of some to minimize the recent developments between Austria and Germany. The retention, for example, of Dr. Skubl as the State Secretary under the new Nazi Minister for Public Safety is considered
considered as a guarantee for order. I know that the
new Minister of Public Safety is a close friend of the
Chancellor and a good Catholic, but I know too that he is
a Pan-German and that that is a more important part of his
political philosophy than anything else. He will take his
orders from Berlin and the fact that he and Chancellor
Schuschnigg have been friends for many years will mean
little. The German steam roller is at work and he will be
the operator of it for Hitler, Goering and Himmler in
Austria. Dr. Skubl will be able to make feeble resistance.
The Minister for Foreign Affairs, Dr. Schmidt, is an opportunist
of first water and while he knows what all this means for
Austria, his principal endeavor will be not to aid the
Chancellor in maintaining the situation but in trying to
save a position for himself. The National Socialist move-
ment has known how to utilize in Germany and elsewhere the
lowest instincts and motivations which we have as human
beings, and it is not failing to use them in this Austrian
development. Whether Anschluss comes now openly or later
is not material. As the situation we now see developing
is consolidated, Austria will be just as much a part of
Germany, politically and economically, as if it had been
done through a solemn treaty or a plebiscite. Austrian
agricultural products and Austrian raw materials, which
Germany
Germany has looked upon with jealous eyes for the last few years, will now flow freely over the frontier.

It is, of course, impossible to tell what Hitler will say on the twentieth in his Reichstag speech and to foresee how far he will lift the veil. That there will be lip service to Austrian independence is, I think, fairly certain, but I believe there will be enough to indicate rapid expansion of and increase in German pressure to the Southeast. I have not in this memorandum to any degree touched on the internal situation in Austria but I think we may take it that in order to quiet the fears of the Austrian people Hitler will say something to reassure them and this will probably take the form of some statement on the religious question. The great majority of the Austrian people do not want the Nazification of the country and the great majority are good Catholics who know what has been happening to the Catholic Church and others in Germany. Certain leaders of the Catholic groups in Austria, however, have been of the opinion that they could bring influence to bear on the Church struggle in Germany and in order to get Catholic sentiment behind him as far as possible in Austria Hitler may say something which would indicate a lessening of tension in the Church struggle. My own feeling, however, is that the coordination of the Church into the Party as a servile instrument
instrument is one of the primary policies of National
Socialism and that any relaxation in the movement against
the Churches announced now will be of a temporary nature.

The Italian and British position, in view of these
developments, is difficult to estimate and the quiescent
attitude of Italy cannot be explained on the information we
now have. Of course, we know that Mussolini has been trying
to get a military alliance with Germany, especially since
he has realized how definitely a secondary part he plays
in the Rome-Berlin arrangements, and has found England so
adamant. The German Army has been against such a military
alliance with Italy while the Party in Germany has been
for it. It may be that Italy's quiescent attitude may be
explained on the ground that now that the German Army has
been subordinated to the Party, Hitler is holding forth
promises of or actual entering into a military alliance
with Mussolini. I venture to predict that if such an
alliance is entered into, it will be, like others into
which this Germany has entered, one which will last just as
long as the present leaders in Germany consider it useful
to their purpose.

One of the factors in recent developments which cannot
be neglected is that it is clear that the influence of
Himmler in Germany has come to the fore and he may be now
the
the man next in power in Germany to Hitler. He seems to
have the ascendancy over Goering, who had in some respects
sided with the Army chiefs whose power outside of purely
technical Army matters now seems fairly well gone. Himmler
is definitely in favor of the expansionist program toward
the Southeast and of rapid action.

In spite of its length this is still a very unsatisfactory
and sketchy resume of the situation which, however, I thought
I should dictate at this moment as I feel that these thoughts
may be of some interest to you at this time.

G. S. Messersmith.