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Extra

Vienna, October 11, 1935.

No. 573

**Subject: DEVELOPMENTS IN THE AUSTRIAN INTERNAL AND
EXTERNAL POSITION.**

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to refer to my confidential despatch No. 566, of October 4th, on developments in the Austrian internal and external position, and to transmit the following further information.

As foreseen in my recent telegram and despatches, the Austrian Government has decided not to participate in sanctions which the League of Nations may apply against

Italy

Italy. This decision was reached at a Cabinet Council, and the Austrian representative at the League, Dr. Pflügl, was instructed to make the Austrian point of view clear to the League. A translation of his remarks as
1/ published in the Vienna press is transmitted herewith (Enclosure No. 1). He began his remarks by emphasizing the faithful adherence of Austria to "the idea of the League", and then stated that Austria would never forget that in a critical moment of its history Italy, animated by the real spirit of the League, had definitely protected the integrity and the independence of the country. Between Austria and Italy there existed close bonds of friendship. Austria could not give up this friendship, which was to endure into the distant future.

The action of the Austrian Government in assuming the attitude of not joining in the application of sanctions undoubtedly represents that of practically every member of the Government. Dr. Pflügl's statement, however, at the beginning of his remarks to the League that Austria has the greatest sympathy for Italy in the extremely difficult situation in which she finds herself must be accepted with a good deal of reserve. His remarks represent the attitude of the members of the Austrian Government, but they do not represent the attitude of the Austrian people, whose sympathies are definitely not with Italy on the Abyssinian adventure and its attitude towards the League. This does not imply necessarily any lack of gratitude on the part of the Austrian population for the real help which they know that Italy has contributed in the political and economic sense to

Austria.

Austria.

The Austrian press, as is to be expected, under the indirect pressure of the Government and the more direct pressure and influence from Italian sources, has unanimously approved the Austrian attitude on the application of sanctions. The press reaction abroad has been quite understanding also of the Austrian situation and is generally to the effect that, in view of developments during the past year and the existing situation, Austria could have taken no other action. The popular reaction in Austria is that the Government has been unable to take any other action than that of not joining in sanctions, but there is distinct sympathy with the sanctions policy in general.

There is little doubt that the action of Austria was taken after consultation with Hungary, which has taken the same position. The practical effect of the decision of Austria and Hungary is to make possible the transportation of supplies from Germany to Italy. This is likely to be the principal effect, as the indications are that Austria will not be able to make any considerable additional deliveries to Italy.

Under the Rome Protocols the trade between Italy and Austria has very considerably increased, particularly from Austria to Italy. Italy is now, next to Germany, the best customer of Austria, and exports to Italy have reached almost the same level as to Germany. The participation of Austria in the application of sanctions would undoubtedly bring a consequent serious disturbance in her economic situation, which largely owes its distinct improvement to this increased Italian trade. There has,

however

however, within the last six weeks ^a there has been a noticeable slowing up in payments for Austrian deliveries to Italy, and it is anticipated that Italian payments will become increasingly difficult. As the Austrian Government is not in a position to grant any credits to exporters or to guarantee credits for exports to Italy, there is a general feeling that, in view of the attitude of the Austrian population and of Austrian exporters, deliveries can only be continued on a cash basis. Unless Italy, therefore, is able to find the exchange with which to pay for Austrian deliveries, it is very probable that, without joining in the application of sanctions, the practical effect here will be that Austrian deliveries will decrease.

Austria is not in a position to deliver war materials to Italy in any appreciable quantities. There are practically no stocks of war materials which could be drawn upon for such shipments. There are a number of establishments in Austria which could rapidly be adapted to the production of guns and ammunition, but the attitude of the Austrian manufacturers is, I believe, quite correctly expressed in a remark made yesterday in private conversation by the head of one of the largest of these firms. He said that he could produce guns and ammunition, and would be very glad to do so if he knew he would be paid for them. The business could be very good business, but in the past their experience had not been encouraging. His own firm, he said, would not be interested in producing war materials unless satisfied that payment was certain.

As Italy still remains in the League, the Austrian

Government

Government has not yet been faced with the necessity of making the decision whether it will follow Italy out of the League or not. It continues to hope very much that it may not be faced by this decision. It is impossible to foretell definitely what attitude the Austrian Government will assume, but I believe that it will unquestionably be that Austria cannot and will not leave the League. Solidarity with Italy will have been sufficiently shown by refraining from joining in sanctions.

There is no reliable information available that the negotiations with Germany have made progress. There are persistent rumors that the German Minister, Mr. von Papen, on behalf of the German Government has offered Austria a ten-year non-aggression pact. The only information available in Austrian official quarters is still to the effect that no such pact has been offered. I am of the opinion that, while the German Minister here has been endeavoring to get the approval of his Government for the formal offering of such an agreement, no such action has been taken as yet.

In certain Austrian official quarters there is a tendency to give credence to the report which is current here that a contingent agreement has been reached between Berlin, Warsaw, and Budapest to the effect that in the case of the outbreak of war between England and Italy these states would act in common. In informed diplomatic quarters in Vienna it is not believed that any such agreement exists, and it is believed that, although the possibility of such an agreement may have been discussed during the recent hunting party of Goering near Berlin,

nothing

nothing of a definite character was arrived at.

The Danubian Pact is, for the time being, completely in the background, primarily because of developments in the general situation in Europe and, secondarily, through the attitude of Hungary, which still aims to use the Pact as a definite lever for the recognition of equality and for its revisionist aspirations. It is not likely that any real discussions of the Pact can be resumed until there is the most definite Anglo-French agreement with respect to the maintenance of the status quo in Southeastern Europe and until the general situation has somewhat cleared up.

As reported in previous despatches, the impression in official and in informed circles in Vienna is that Germany will refrain from any aggressive action in the direction of Austria, even in the case of the outbreak of a conflict between Great Britain and Italy. It is believed that no such aggression will come from Germany unless the general situation should develop in such a way that the success of any intervention would be certain and that it would be too clear an indication of weakness not to seize the opportunity offered.

The internal situation remains completely quiet, and, while thinking Austrians follow external developments with the greatest concern, there is a tendency to view them with a certain optimism, principally in the belief that aggressive action from Germany is not to be expected.

Respectfully yours,

GSM/lap.
File No. 800

George S. Messersmith.

Enclosure:

1. Translation of speech of
Br. Pflugl before League.