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*Confidential*

Vienna, July 31, 1936.

Dear Mr. Secretary:

I last wrote you on July 20 and I hope that my despatches and letters have given adequate background with regard to the Austro-German accord and its major implications so far as they can be seen from here.

I indicated in my letters that the Austrian Government had no illusions with regard to the agreement and realized that the working out of details would be no simple matter. The first step towards normalizing relations growing out of the accord was the proclamation of the amnesty, which as was anticipated, was very complete. Some 1400 persons who had been in prison for political offenses were released, and this included National Socialists as well as Socialists. The cases of almost 8000 more, against whom accusations for political disturbances were pending, were dismissed. The Government realized that this was a great risk, for it must be realized that the majority of these disturbers of the political peace in Austria are really young and irresponsible persons. The Government felt, however, that while it was taking the risk it was advisable to go the whole way, and it very wisely included the Socialists as well as the National Socialists in the amnesty.

When the news of the amnesty about to be granted reached England, two Liberal members of Parliament came to Vienna by air in order to press upon the Government the desirability of including the Socialists. They were met by the reply that the Austrian Government had already decided to include the Socialists, and I don't think the Government was particularly pleased with the precipitate trip of these Liberal members to Vienna.

The Honorable  
The Secretary of State,  
Washington, D. C.

After the declaration of the amnesty the Government states that only some 240 persons remained in prison or concentration camps as a result of purely political offenses. I think this figure may be taken as correct, and I have given you this detail to show how far the Government went in this amnesty. The 240 who were kept in prison had really committed crimes for which, as a Government spokesman said to me, "These men would be given much heavier sentences in any country where the offenses might have been committed."

Immediately following the amnesty the conversations for the improvement of the commercial relations between the two states were started in Vienna and about a week ago it was decided to move these to Berlin and a delegation from the Austrian Foreign Office is now there discussing with the German authorities. The immediate taking up of these negotiations was a practical necessity growing out of the accord for so many in Austria who have favored the resumption of friendly relations with Germany have done so in the hope that the Austrian internal economic position would become better. It is doubtful whether they were as eager to undertake these negotiations at once as they are bound to result, at least in practice, in disappointment for the Austrians. The friendly sentiment to Germany in Austria has been concentrated in such regions as Styria, Carinthia, and the Tyrol, which have principally wood and cattle to sell. The Germans are prepared to take this wood and cattle for they know that their failure to do so will cause a tremendous reaction against them in these regions now that normal relations are supposed to exist. The German Government, however, has no desire out of its slender devisen to set any aside for Austria when it needs it so much for other countries of Southeastern Europe and in other parts. It is rumored, and I believe there is good ground for the rumor, that Germany proposes that the Austrian Government shall take war materials of various kinds which Germany feels it is producing in surplus quantities, and that this shall be considered as in payment of the wood and cattle and iron ore which Germany is willing to take from Austria. The Germans look upon the sound position of the Austrian National Bank and the fairly sound financial position of Austria as warranting the Austrian Government's undertaking heavy expenditures for armaments.

The arrangements which the Germans have in mind would mean that the Austrian Government would really be paying the Austrian exporters to Germany, and I do not believe that the Government here has any intention of lending itself to any agreements of that type. I do not see therefore that these negotiations going on in Berlin can lead to very much, for the Germans are not disposed to release any devisen for Austrian trade, and the Austrian Government is not yet at the point where it is prepared to weaken its financial position merely to please Germany. The developments of the last few days, as I will point out in this letter later, do not increase the possibilities that these negotiations will take a favorable turn. Something will be done, for it is essential from the German point of view that they should at least make the appearance of concessions to Austrian exporters.

In practice I am confident that there will be no rapid improvement in Austro-German trade and this will be bitter but good medicine for some big and many little people in Austria who have been so sure that normal relations would be followed by a period of prosperous trade with Germany. It is difficult to believe that it can be true that even businessmen of some importance in Austria hold illusions with regard to the German economic situation when they are so close to it and should be so well informed.

There has been a good deal of talk recently that the Austro-German accord was accompanied by secret agreements and understandings, among which was an agreement that Austria shall immediately raise and equip four Army Corps and also that Austria has given definite assurances not to resort to restoration. The first of these rumors is, I believe, entirely without foundation and I can find no substantiation for it. There is no reason to believe that Austria will in the future strengthen its Army considerably or proceed with an extensive armament program. Certain industrial interests in Austria, because of the more favorable financial position of the Government, have been insisting on a re-armament program to stimulate industry, but the Government has resolutely set itself against this. The Army is being strengthened very gradually as a result of the program of "obligatory work service" decided on some months ago, but the majority of the young men are being recruited into labor camps rather than into the Army, as the Government indicated at the time would be the case. Schuschnigg is a prudent man and knows that no army that Austria

could raise could serve it in case of aggression. He is therefore not interested in building up a big army either to please the Germans or certain Austrian industrialists.

So far as the second rumor is concerned, of a secret agreement on restoration I feel equally sure that it is without foundation. No agreement, open or secret, is needed on restoration, as I have indicated in my previous letters. The very fact that the Germans and Austrians have made this accord and that the Austrian Government knows that Germany is unalterably opposed to restoration is enough to keep that question in the background as long as the accord has any force whatever.

I happen to know that before the Austro-German agreement was concluded Schuschnigg took advice from many people in whom he has confidence, and one of the things which he was warned against was the making of any agreement which had secret clauses or understandings. He was told that no such secret clauses or understandings would remain secret and that if he made an agreement everything actually agreed upon must be made public as the Austrian position would through secret agreements be more definitely prejudiced than ever. The indications are that this advice was in accord with Schuschnigg's own feelings and that there are no secret agreements in connection with the accord. I mention this because there are persistent rumors as to these secret clauses.

The disturbances which took place when the "Olympic torch" was carried through Vienna on the evening of July 29, on its way from Olympia to Berlin did a good deal to clarify an unfortunate psychological position which was bound to arise in Austria, and to a degree in Germany, as a result of the accord, and I think this is sufficiently important for me to give you some background.

During the year preceeding the murder of Dollfuss on July 25, 1934, the Nazi disturbers of the peace were to a degree encouraged by the fact that the police, judicial authorities, and many of the Austrian officials throughout the country feared to take real action against these people, not being sure that a National Socialist regime mightnot in the end come and that they in turn would then be marked for dismissal and punishment. This resulted in vacillating action



and inadequate punishment of real disturbers of the peace and it culminated in the murder of Dollfuss. Then the Government took energetic action and has been doing so during the last two years, with the effect that there have been practically no disturbances of the peace by the Nazis during two years. Since the Austro-German accord of July 11, there has been again uncertainty among the police and officials and to a degree among the population. They did not know how seriously the Government's prohibition further of the National Socialist Party was to be taken. There was bound to develop a feeling among a part of the population not Nazi that the accord might in reality only be the beginning of definite German penetration. There was therefore after the accord practically the same situation which existed before the murder of Dollfuss.

I had myself great fears that if this period of uncertainty lasted any length of time the National Socialist movement in Austria would gain momentum and that it might be difficult for the Government to assert itself. The disturbances therefore which arose on the evening of July 29, when the Olympic torch passed through Vienna, were almost providential for the Austrian Government. These incidents are described in detail in my despatch No. 848, of July 31, so I will not go into them here except to state that the parade preceeding the ceremonies at the Hofburg and before the Hofburg itself was disturbed by well organized groups of Nazis endeavoring to sing "Deutschland Über Alles", the "Horst Wessel Lied" and call of "Heil Hitler". It was obvious that it was a carefully organized demonstration and even the name of President Miklas when mentioned by one of the speakers was the occasion for real disturbances. Later on in the evening groups of rowdies attacked a few Jewish shops in two separate parts of the city. The Government took immediate and energetic action and some 500 to 700 persons were arrested. Among them were found quite a number of persons who had just been released from prison or concentration camps, quite a number of German citizens, and most of them were young and irresponsible elements.

Perhaps nothing could have happened which will more strengthen the Austrian position or clarify the situation here. If nothing had happened such as this incident, the

the position here gave every promise of growing steadily worse. These demonstrators, if they knew what they were doing, which I doubt, could not have served the German cause worse. The many arrests and the determined action of the Government, its strong declarations in the press following the incident and the recent speeches of the Chancellor, which are being reported by the Legation, leave no doubt as to what the attitude of the Austrian Government will be. This incident will serve to show these irresponsible disturbers of the peace that the Government will proceed against National Socialist disturbances as vigorously as before and it is fortunate that the atmosphere has been clarified so early after the agreement.

I doubt whether the disturbances above recited were incited by any responsible Party or Government circles in Berlin. Such disturbances so soon after the accord would rob it of all the value which Germany wishes it to have in strengthening its negotiating position. This belief that these disturbances were not the work of responsible quarters in Berlin is strengthened by the reports of the incident given over the German radio and appearing in the German press, which stated that the disturbances were caused by Marxists and Jews. This, of course, was entirely different from the real facts for the Socialists and Jews had nothing to do with the disturbances. It is interesting that although the Socialists are a forbidden party in Austria, the Austrian Government and the Austrian press did not lend themselves to these false reports transmitted over the German radio and propagated by the German press - strong as the Government is against the Socialists.

I do not like to burden you with detail, but certain detail is almost necessary to appreciate what some of these things mean in these disturbed countries and I will recite you an incident which gives an idea as to the type of people who caused these disturbances on July 29 here. I made a long promised visit to Countess Seherr-Thoss at her home near Klagenfurt in Carinthia over the last week-end. She is, as you know, the daughter of Henry White and the sister of Jack White, our Consul General in Calcutta. Her husband belongs to a well known family in Germany and she lives most of the year at their castle in Silesia. She is of course a German, and spends the summer here in Austria in Carinthia.

On the day that the amnesty was proclaimed, I was with her in her car which has a German license, in front of the post-office in Klagenfurt. Two young men, probably about twenty, looked at the German license on the car and after talking with each other one of them came and opened the door of the car and said to me "Where is your Hackenkreuz?" I could hardly believe that I heard properly so I asked him what he said. He replied very energetically and in a nasty way with the same question. I again hardly believing my ears, said to the young man "We are strangers here and I think you will wish to mind your own business". To which he replied, "But this is a German car, and where is your Hackenkreuz?". He was so offensive that in spite of my desire to do nothing, I felt that I could not permit him to annoy Countess Seher-Thoss in this manner so I got out of the car and a young man, who was in my car behind, took one of the boys who had done the talking (the other ran away) to the nearest policeman to whom I related what had happened and said that the political aspect of it did not concern me, but that I thought he would want to know that the young man was disturbing strangers and as he seemed like a very foolish young man, his parents and the authorities should know what he was doing. I said, however, that I did not wish to make any complaint against him and that if the policeman arrested him it was not to be at my request.

This young Austrian boy, who took it upon himself to molest two strangers in a German car, whom he probably took to be Germans, and to tell them what their duty was typifies the people who make this trouble in Austria. Most of them are young, completely irresponsible persons who do not realize what they are after and who have no idea that they are disturbing the peace of their country and of Europe. You will forgive me for interpolating this incident, but I know of no better way to give a picture of these people.

In my opinion, nothing more fortunate for Austria could have happened than this incident on the 29th. The press comment has been very strong and has emphasized that this incident may completely destroy the good effect which the accord might have. Considering the temperate tone which the Austrian press had assumed since the accord, the

comment on these incidents is extraordinarily strong and shows a healthy state of mind in Austria. The Chancellor has had occasion to speak in Klagenfurt since the incident and he left no doubt whatever that the Government will proceed with the utmost vigor against disturbers of the peace. If it is true, as some believe, that although the Chancellor had no illusions with regard to the Austro-German agreement he nevertheless more or less saw in it the only course for Austria to follow, it is clear that he has no further illusions. Those who see in the incidents a weakening of the Chancellor's position and a strengthening of that of Prince Starhemberg, are I believe mistaken.

There have been persistent rumors in the last week that the Chancellor would resign, that he was going to marry, that an almost complete Nazi Government was coming in, and practically complete lists of the new Cabinet have been given to me from various sources. I have had no confidence in these rumors, for I know the Chancellor too well to believe that he would resign so soon after the accord. That he may be thinking of marrying again is quite natural, and there is no reason why he should not as he is a young man who leads a very lonesome private life. The young woman in whom he is interested is a very fine person to whom the Chancellor has been drawn by their common love and appreciation of music. The probabilities are that if he does marry there would only be more feminine influence to keep him in the Government. There may be further changes in the Government in the fall, but whatever probability there was of a National Socialist being taken into the Government is now fairly well eliminated, unless the situation very much changes.

I think also that these incidents will lessen the German pressure and penetration for the present. The indications were that it would be slow so as not to disturb the German negotiations which it hoped to carry through. The probabilities are that it will be slowed up even more now.

Papen is a very disappointed man. He has been given the personal rank of Ambassador in charge of the German Legation here, and he may eventually get out of it that

precedence in the diplomatic corps which he has always wanted. But it is not the reward which he wanted. I know that he wanted to go to London and felt sure that he would get that post. It was necessary from the German point of view, in order to make the background of the accord look right, to give him a promotion, but he isn't liked in Berlin any better than he was and they gave him the least they could. There are those who see in his elevation to the personal rank of Ambassador his assuming a position practically that of a Viceroy here, but I think the position is far from having reached that stage and that Papen so earnestly desires London is itself an indication that he does not see the position here as important as that of Viceroy.

The Italians have had to show what an important part they played in the negotiation of the accord and Preziosi, the Italian Minister here, is also to be made an Ambassador and will probably go to Brussels. His departure from here will not change the position in the Italian representation as Morreale, the press attaché, who is an intimate friend of Mussolini, will continue to run the Legation behind the scenes. The Italian position here will in some ways suffer if Professor Salata, who is here as head of the Italian Cultural Institute, is named to succeed Preziosi. Salata is quite an old man, who has not succeeded in gaining much respect or confidence here and he will certainly be a less desirable figurehead for Italy than Preziosi who himself is a man of meagre attainments, great lack of tact, and for whom few tears will be shed in any quarter in Vienna.

The recent recognition by Germany of Italian sovereignty over Abyssinia through the withdrawal of its Legation, is considered by some here to indicate that it is one of the prices Italy paid for the Austro-German accord. This may be so, but I still see the background of the accord as I have outlined it in my letters of July 2, July 8, and July 12. The National Socialist disturbances in Vienna on July 29th are not going to please Rome any more than I believe they please Berlin. Rome wants the accord to keep the Austrian question out of the picture for the present and although Rome had no illusions that the accord removed



Austria definitely as a problem, she did not expect trouble so soon. The Italian Legation here must know and must have reported to Rome that some of the agents of Goebbels have been here in Austria in increased numbers ever since the accord was signed, and that these disturbances are probably due to encouragement given to irresponsible elements here by the agents of Goebbels. The Italians know that Goebbels belongs to that irreconcilable wing of the Nazi Party which even Hitler has not been able to thoroughly control. Certainly the fact that Austria has been obliged to take this radical action against Nazis so soon after the accord was signed does not help to clear the way for the Locarno conversations and for conversations on Western European security which Germany and Italy both desire if carried on under conditions which they wish to create. Besides this, the Spanish situation does not help, and I do not see rapid developments.

The Germans want the Olympic Games out of the way and the atmosphere created by them to have time to work. Then in September they have their big, annual Party meeting at Nuremberg. Both the Italians and Germans are endeavoring to push the conversations well into October. My own feeling is that the German negotiating position, while it has been somewhat improved, is not brilliant and it is almost as difficult still for her to sit down at the conference table as it was to answer the British questionnaire.

You have more precise information than I concerning the conditions which Germany and Italy are setting up for the negotiations which England is fostering. One thing I think is clear and that is that every effort will be made to isolate Russia and there is reason to believe that the Germans are holding out some hope to the Czechs of a ten-year agreement provided the Czechs give up their Russian agreement. The French realize the danger for the Czechs are very nervous, and Delbos has just indicated that France at all costs intends to maintain her alliances and thus give backbone to the Czechs. The efforts of German diplomacy, however, are going to be directed towards this isolation of Russia.

You will remember that in a letter to Mr. Phillips some time ago I reported a conversation which a friend of mind had with the then Under Secretary, von Bülow, in the Foreign Office. When this friend said to von Bülow that it was believed in many quarters that Germany and Japan had a secret agreement, Bülow replied that there was no agreement and none was necessary. "When Japan will be ready we will be ready and when we are ready Japan will be ready. We need no agreement". I still believe that this represents the true state of affairs between Germany and Japan and that the conversations which started between the Japanese Military Attaché and the German Foreign Office when I was in Berlin led to some such understanding. This is something I think we must keep in mind in connection with these European problems which give so much concern. Germany feels that Japan will be ready when she is, and be with her.

I had a conversation with a friend here which I believe would be interesting to you. He is an important Austrian with very close connections in Germany and he told me in strict confidence the other day that about six weeks ago one of his best friends in Germany, whose name he mentioned but which I think it wisest not to put on paper, had had a conversation with Hitler. The conversation had been arranged through Schacht who wanted this man, for whom Hitler had respect, to give Hitler some information on the German economic situation and the impossibility of Germany to fight a war now. This man told Hitler that Germany could not fight a war now with hope of success as she had neither the money, friends, nor raw material necessary to carry it through. He told Hitler that it was therefore not wise to give all this devised for the rearmament program when some of it was so needed by industry. Hitler became very angry, interrupted the man before he could finish his story, and left the room. This, as you know, is a favorite practice of Hitler when he has to hear things he does not like.

This German told my Vienna friend that he felt sure that he would get a visit from the GESTAPO that evening. Instead late in the evening he got word that he was to go to see the Chancellor again the next morning. When he arrived Hitler came into the room and I am translating as accurately

as I can what he said. "Yesterday I was very energetic with you but I called you this morning to tell you that I do not doubt that what you told me you thought was in the best interest of Germany."

My friend pointed out that it was interesting that Hitler did not express any agreement, but that it was most significant that he should have this man come back. My friend says that Hitler is milder, less vigorous, and while not sick, shows obvious signs of fatigue.

My friend pointed out that the significance of the above incident lies in its interpretation in conjunction with what one learns from other sources to the effect that it is being borne in on Hitler on all sides that Germany is not prepared to undertake war with a major power now; that he is learning that others can build as much and more than he, and faster; that he has mistaken English fairness and a lack of desire to perpetuate iniquities for English approval and friendship; that he realizes the importance of British re-armament and does not under-estimate the military power of France nor over-estimate that of Italy. These ideas of course we know have been borne in on Hitler by the Army which has been against any war before Germany is ready.

It would be interesting to know how much these ideas have reached and impressed Hitler in reality. It is difficult for information like this to reach a man like Hitler and because of his strange mentality we know that he is almost impervious to such ideas. There is, however, reason to believe that the fact that he cannot make a war now with success has penetrated and this may be one of the reasons for his extraordinary action in recognizing the independence of Austria for the time being and for the willingness to negotiate. It does not mean, however, that German efforts to negotiate on her own basis will abate, and we are going to see more and more the Italian cooperation for the immediate present.

With respect to the formation of the block which England and the Western Powers are endeavoring to avoid,

it is interesting that a well known German said to me a few days ago, "Why should we be interested in a Central European bloc? It would be folly for our Government to permit itself to be forced into such a position. It would be a bloc based on Germany, Italy, and other weaker countries without money, without credit, without raw materials, or without control of the seas." How much this idea is held in responsible German circles I am not able to say, but it is certainly held in Reichswehr circles according to the best information which I have.

One of my friends has just returned from London where he had very interesting conversations with Hoare and other important people in the Government. He gives me the most reassuring information with regard to the British position. He says that Hoare made it clear that in spite of the emphasis which England was giving to the western position, she had no illusions about the dangers in Central Europe and what that position meant for her. He said that Hoare told him that England was going to do everything in her power to arrive at a solution by negotiation, but without illusions and was going to accelerate the armament program as rapidly as possible, and when it became necessary, would assert herself. The negotiation would provide the time to enable England to get ready and make up for the mistakes which had been made. Time was working, Hoare thought, in favor of peace rather than war. I told my friend I hoped that the English were right, but that in the meantime things had a way of happening pretty fast in this part of the world where we are and that it was here that the real danger to England and Europe lay.

Another friend of mine has just returned from England where he saw important people in the Foreign Office and in Parliamentary circles who told him roughly as follows: "We were led into mistakes because we got bad advice. The City told us that the sanctions would bring bankruptcy in Italy in a few weeks. Our army experts had told us that the Italians would have no chance in the long run with the Abyssinians. Our air force experts told us that the Italians would not be able to do much in the air in Abyssinia.

Our diplomats were for the most part wrong because they told us that all Europe was going to be with us. We guessed pretty well wrong all along the line and now we have to face the consequences, give Italy a freer hand in a way that hurts our pride as few can know. The only thing for us to do is to gain time and in the meantime arm so that we can reestablish our prestige and probably still impose peace."

To my mind if it is true that Germany, that is, Hitler, realizes that she cannot fight a successful war now or in the near future, this is the greatest safeguard to peace we can have. I am not sure, however, to what degree this has really been borne in on Hitler and to what degree the idea has penetrated and may control that strange mentality. As far as one can safely go now is to say that there are appearances that, although more enamored than ever of this huge war machine which Germany has built up, he realizes that Germany is not yet in a position to use it with a hope of success.

But, as I have so frequently remarked, dictators are dangerous wherever they may be found and I do not believe there can be peace in Europe as long as these dictatorships exist or until they are restrained to a degree that we do not yet see in prospect. The two principal dictators in Europe do not like each other any better than they did, but this will not keep them from using each other, as we have seen in the past six months. And just in this lies the danger. The people in these dictatorships are mute. A machinery of Government has been built up which represses all expression of will of the people who want peace just as much as the people in the democracies. For the present these two dictators speak respectively for sixty-eight million and forty-one million decent people who love peace but who blindly believe that the dictators have regenerated the country and will lead them to glory, satisfaction, and economic ease. In the democracies of Europe where people love peace perhaps even more, have no aims against neighbors' security or territory, and only long for security, the governments cannot speak or act with the same authority for all the ~~different~~ grounds of public opinion are vocal and active

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and must be heard. In difficult times like these the dictatorships possess an immediate, if temporary, advantage. But it does tend towards their being able to impose their will to create new situations which will in the end be just as dangerous for peace as the one which they are trying to upset.

We are seeing another one of the ways in which these dictatorships are dangerous to peace. A few weeks ago we had no thought that the situation in Spain would develop into a real international danger. That the sympathies of Germany and Italy were with the forces against the Spanish Government was clear and that the sympathies of England and France were with the Government was equally clear. The democratic Governments of England and France, however, exercising the restraint which controls in democracies, did not take sides, but it now seems pretty clear that very poorly concealed aid was being given by Italy to the forces against the Government and that had not it been for this being discovered in time through the forced landing of some of the Italian planes, German help would rapidly have come also. Dictators will march in where democracies will fear to tread.

I am not able to determine from here what definite basis there is to the reports that Franco had agreed to give the Italians a naval and air base in Majorca which the Germans hoped to share, but it is clear that Franco would have to pay a heavy price for Italian and German aid. With Italy or Germany having a foothold in Majorca, the communications of France with her African colonies would be seriously menaced and with a Franco Government in Spain she would have an unfriendly government on another frontier. It is no wonder therefore that both Italy and Germany who both wish France to be weakened, should sympathize with the Franco forces.

My own impression, however, is that now that the Italian hand has been forced so early, they will draw back. Italy is not ready to desert the Western Powers nor to throw her lot definitely with Germany. She is going to continue to play with both sides, but during this period of negotiation preceeding the projected Locarno meeting, we can, I am sure

look to constant evidences of Italo-German cooperation. Italy will protest that there is no Central European bloc and that she has no intention of forming a part of one. Germany will protest in the same direction, but all her efforts will be directed towards the creating of conditions which will lead to such a bloc. The way in which the Spanish situation develops will now become an important factor.

I am too far from the spot to offer you any accurate forecast on the developments in Spain, but my impression is that if all the powers maintain strict neutrality the Government will be able to re-establish order and that the Communist elements whose cooperation the Government has used, will be put down. On the other hand the position of the Government was difficult enough before this Civil War, so that it will undoubtedly continue to be difficult if it comes out on top. Under any circumstances a difficult and in some ways dangerous situation in Spain seems ahead for some time.

Here in Austria, as I tried to show in the first part of this letter, the situation is somewhat clarified, but future developments must be forecasted with reserve. We know now that the Government intends to proceed against National Socialist disturbers with energy. On the other hand, the National Socialists are encouraged in spite of the action of the Government, and National Socialist activities within the country are bound to increase under cover. The so-called nationally minded elements, which have been and are in favor of close cooperation with Germany, are also found to grow in strength, but I remain of the conviction that most of these still are attached to the idea of an independent Austria. I see these so-called nationally minded elements gaining slowly, but fairly definitely, greater influence in the Government. I am told that the next step may be the creation of a new Ministry which will be known as the Ministerium für Ständische Aufbau und Verfassung. It is difficult to translate this, but it means a Ministry for the development

of the Ständische Staat and the Constitution. I am told that if this Ministry is created it will have little functions and that it is to be created principally to make a place for another nationally minded Austrian in the Government. It is possible that Schuschnigg may in the end be engulfed by the forces which the Austro-German accord has set into motion, but all the indications are now that he will make a valiant struggle. What the outcome will be no one can yet tell. In the meantime, however, I do see the strengthening of German economic penetration in Southeastern Europe and a strengthening of her political position in those countries, and this is not conducive to the holding back of German influence in Austria.

As before, the developments in the Austrian situation will continue to be influenced and determined by the developments in the major situation beyond her frontiers.

This is a very long letter, but I have taken the liberty of imposing it on you in the hope that these more intimate observations and comments may be of interest to you in the interpretation of the general position over here. There is nothing which I can see for the moment which we can usefully do to influence the situation in this distressed old world. We have our own problems at home which are difficult enough, but which we have every prospect of solving peacefully and successfully, and I cannot view the situation over here with the same optimism. I often wish that I could see something that we could usefully do to influence the situation over here, but as far as I can see, the most useful contribution we can make now is to continue to mind our own business, as before, and to maintain that attitude of reserve and of not allowing the wool to be pulled over our eyes.

With all good wishes, believe me,

Cordially and sincerely yours,

George S. Messersmith.

GSM-WJP