

Vienna, September 6, 1934.

Personal & Confidential

Dear Mr. Phillips:

There has been no outstanding change in the Austrian situation since I last wrote you, but I have seen some interesting and very well informed people, and some more general comment may be of interest to you. I see as yet no clarification of either the Austrian or the general situation and I am not at all happy when I realize what the latent possibilities in the situation are.

First, I think you will be interested to know that the internal situation in Austria continues quiet. There has not been a single bomb outrage since July 25, and if there were any people who had doubts as to the German responsibility for these outrages, I think they must have been dissipated.

The trials of those arrested in Vienna and throughout the country for actual participation in the putsch continue, but the hangings are, I think, for the most part over, but severe prison sentences are being given to all those found guilty of actual participation. The real ring leaders, of course, got to Germany, most of them leaving already early in the afternoon of July 25. Some, like von Rintelen, Steinhausl, and Bachinger, did not get away, but have not yet been brought to trial and probably will not be for some time. I am forwarding a despatch by this pouch in which I go into this, which you may be interested in reading if you find the time. The Austrian authorities are much embarrassed by this situation for if they put men like von Rintelen on trial, and this I did not mention in my despatch, they will undoubtedly tell a good deal which will be embarrassing. von Rintelen has played a big figure in Austria. He was associated in most of the banking scandals of the past years. A good many people who have been in close association with him in more than one unsavory affair fear his going on the witness stand. The probabilities are that he may not go on trial for some months longer, if ever.

During most of August, specially the last three weeks, the tourist traffic was considerably better and even the Salzburg Festivals were a success. After an empty first week Salzburg was filled to the limit of its accommodations for the following three weeks. The Vienna hotels have had an unexpected

The Honorable
William Phillips,
Under Secretary of State,
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business in August. Most of the visitors are English, French, and Italian. American tourists have come to Austria in very small numbers this year. This spurt at the end of the season, however, while helpful, still leaves the tourist season for the year a disastrous one. From a political point of view it is the lack of German tourists, particularly the week-end type, who have exercised the greatest influence, and of course this situation has in no sense changed and the summer tourist season ends with the peasants and small inn keepers along the German frontier unhappy, discouraged, and in no sense satisfied, for they place the responsibility on the Austrian rather than the German Government.

The general business situation is no worse and the increasingly unfavorable situation in Germany has not yet had a reflex here which it will eventually have. The tax receipts continue quite satisfactory. It looks as though the plans for the conversion of the League loan will go through and the saving in interest effected will be a considerable relief to the Austrian budget. The Minister of Finance and his people are at Geneva and the Chancellor and the Foreign Minister are going Sunday evening and will probably be there for several weeks. Although the press here denies that there will be a request for a loan, I have already informed the Department that it is the intention of the Government to make clear its financial position and the need for further assistance. I do not see how the League under existing circumstances can do anything but look favorably on the Austrian request.

The major factor in the internal situation in the last week has been the increase in tension with respect to the Austrian Nazi refugees in Yugoslavia, to whose position I have already called attention in my letters and despatches. There is very little doubt but that Goering, when he made his trip to various capitals in Southeastern Europe about six months ago, told the Yugoslavs that they would get a part of Carinthia when a National Socialist Government came into power in Austria. The Yugoslavs are divided in their feelings and are in a real dilemma. There is their fear of Italy, but on the other hand they fear that a Nazi Government in Austria would bring Germany to their frontier and there is a considerable section of opinion there which is not sure that this would mean that they would actually get the part of Carinthia they covet. The Nazi seed sown in Yugoslavia, however, has been sufficient to cause trouble and there undoubtedly are a good many people there who look with a great deal of benevolence on these Nazi refugees who went to Yugoslavia in the days following July 25.

The Austrian Foreign Minister tells me that they have definite information that agents from Germany have been trying to organize these Nazi refugees and trying to prepare the way for action against the Austrian Government from that direction. The Austrian Government has gone so far as to take special precautionary measures against any action from that direction. I asked the Foreign Minister whether he thought the danger real, and he said he thought the possibility of trouble was real, but that they were able to take care of it. I asked him whether he felt that the attitude of the Yugoslav Government with respect to the fugitives had been correct, and he replied that using the usual formal language he would have to say yes, but it was obvious from the way he said it that the Austrian Government is not at all satisfied with the attitude which the Yugoslav Government has shown towards these people.

My own feeling is that the number of these fugitives will increase, not through the addition of real fugitives, but through people who will seek food and shelter. The supply of funds from Germany is already growing less liberal and they will become a definite burden on the Yugoslavs. The best solution would be for the Yugoslavs to deliver them to the Austrians who would, of course, try them, and it does appear that the present temper in Yugoslavia is not to send them out of the country under these conditions. That attitude does not need further comment. My own feeling is that eventually the Yugoslavs will take up the matter of the fugitives formally with the Austrian Government and that the Austrian Government will receive them and put most of them in camps and try a few. I do not believe that the Yugoslavs will tolerate any action on the part of these Nazi fugitives against Austria. It would be a breach of neutrality of so grave a nature that they would not tolerate it no matter what their sympathies might be.

People who have been about Austria a good deal and who know the country thoroughly give me their impression that the country is as a whole much quieter and that the support of the Government has been considerably strengthened. So far as Austria itself is concerned, therefore, I doubt whether anything will happen within Austria in the near future to disturb the peace or to give anyone else an excuse to disturb it. The Government is going to try to continue its policy of conciliating as large a section of the population as it can, but I see almost insuperable difficulties.

In one of my recent letters I have mentioned the pre-occupation of the British with respect to the treatment of certain Social Democrats who are still held in prison or in camps. My British colleague tells me in confidence that he has just had a long talk with the Chancellor, Dr. Schuschnigg, with regard to this. I think he made it clear to the Chancellor that there was a good deal

of opinion in England greatly disturbed over the continued imprisonment of some of these people and that it would be a very great help to the British Government in its support of Austria if some measures were taken to conciliate the Social Democrats. The Chancellor, I understand, was very glad to discuss this situation with my British colleague, and went into the problem at great length. He informed the British Minister that the great difficulty was that the Social Democrats had never been interested in national lines and were free to admit this and that it was therefore exceedingly difficult to win their support for any Government which stood for the independence of Austria. The Chancellor said that the independence of Austria had become, not a question of personal policy with him or those who believed with him, but a matter of primary interest in the preservation of European peace. It was therefore exceedingly difficult to release men from prison or the camps who, after their release, would have no allegiance to Austria or interest in her independence, but who might only labor for the destruction of the Government and therefore, as he pointed out to the British Minister, work directly against the maintenance of that status quo in which the British, French, and Italian Governments were so interested as a primary necessity for peace.

The Chancellor went on to say that he appreciated thoroughly the interest of the British Minister in this problem and that it was a matter which was giving him a good deal of concern. He said that he wished to do everything that the Government could do with safety to conciliate the Social Democrats, but that before taking any action he would have to know that it would not damage the position of the Government and endanger the general European situation. He pointed out, for example, whether if the Government released some of the leading Social Democrats, the campaign being carried on by the refugees at Brünn, Czechoslovakia, against the Austrian Government would be stopped. He said if the Austrian Government had assurances of this it would make their task a good deal easier and make them more tranquil about releasing people here.

My British colleague was very much impressed by this last conversation which he had with Dr. Schuschnigg, for he says he showed an even greater breadth of vision, fairness, understanding, and penetration than that with which he had credited him. I think he gathered the distinct impression that Dr. Schuschnigg is prepared to go to considerable lengths with the Social Democrats as long as he can do this with security as to the consequences and in these consequences he is considering not only the effect on his own Government, but upon the general situation in Europe.

I have recently read a considerable number of articles written by Deutsch, who conducts the Social Democratic propaganda against the Austrian Government from Brünn, and I can quite assure

you that when one reads this sort of material one can only sympathize with the attitude which Dollfuss took so firmly and one can understand why Schuschnigg has proceeded with great caution even though he wants to win the Social Democrats here as well as to get as much liberal support as possible in England and in the United States. The former Bürgermeister of Vienna, Dr. Seitz, is now in a sanatorium instead of in prison and I feel quite sure that the Government would be glad to let him out entirely, but he declares that as soon as he is released he will go to the City Hall in Vienna and endeavor to take possession of his office as Mayor to which he was elected and which position he says is still his. Under these circumstances it can be realized that there is no use in the Government's releasing him if it only means that he will have to be arrested again with all the fuss which it would raise.

I have gone into this matter because it does show something of the problems which the Austrian Government has to deal with and because it indicates that although it is willing to discuss all aspects of the situation and to receive advice and in many ways to be liberal, it is hemmed in in most cases by insuperable obstacles.

The new German Minister has not yet returned from his cure and in the Government here they have no definite information as to when he will come back. The papers are carrying reports now that he may not come back at all. All this is pure surmise for when he left here there was no definite indication beyond that he would return "in a few weeks". I think Papen realizes how difficult his mission here will be. The sentiment in the country really in favor of the Government may not be so great. There may be real opposition in the country to the Government, as there undoubtedly is. It would be a mistake, however, to consider, as some foreign visitors do, that this means that the discontented are National Socialists. Before July 25 they were a fertile ground for National Socialist propaganda, but all the indications are that it will be exceedingly difficult to reorganize what does remain of National Socialist supporters into any strong movement. The Government claims to have information that the efforts from Germany will be not to organize the National Socialists along political lines in the future, but only in a military way. This would mean, the German organizers believe, a less numerous but more effective National Socialist force in the country and a more definite instrument for the eventual overthrow of the Government than the loose political organizations which they had and on which they depended before July 25.

It is increasingly evident from information which reaches me from various sources that Dr. Schuschnigg is meeting the situation in a really unusually capable manner. I am not surprised, for I credited him at the outset with greater capacities than those attributed to him by most of my colleagues and the people with whom he was in contact. I will try in this next week to find time to send you a character sketch of him, as I realize that this, inadequate

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as my effort may be, may be somewhat helpful in visualizing the man who is in reality the most important figure in the Austrian situation.

Cordially and sincerely yours,

GSM-mjp