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Vienna, March 9, 1935.

*Sumner
H. Phillips*

Dear Mr. Phillips:

I last wrote you on February 27 and March 1. There have in the meantime been no unusual developments within Austria, but in the big picture the developments have been such as to cause continued preoccupation.

First, as regards Austria itself, I have seen the Chancellor and the Foreign Minister on several occasions since they returned from Paris and London. I have refrained from asking them any details, but they both have talked quite freely in general terms and it is quite clear that they have returned not only very happy, but very much satisfied with the visits. I am sure that the Chancellor approached these visits with a good deal of hesitation and would not have made them had it not been for the insistence of the Foreign Minister. I think the Chancellor particularly was apprehensive of the London visit as he knew the feeling which existed there in certain quarters regarding the Government here. I gather that from the Austrian side the principal thing which they emphasized was that the non-interference and guarantee pacts should be reciprocal in character and therefore leave Austria full freedom in the restoration matter, at the same time making it clear that restoration was a matter which they did not have immediately in mind or contemplated for the near future. In both London and Paris they met a receptive attitude on the matter of the reciprocal nature of the pacts, but had it impressed on them that the restoration question was one which they would have to keep even more definitely in the background, than they had been doing. This was an excellent thing for both the Chancellor and the Foreign Minister, for while they realized that restoration was not a matter of the present or the near future, they had this too much in their minds and they have come back with a much clearer idea of the situation.

On the other hand the assurances which they received with regard to the maintenance of Austria's integrity and independence were undoubtedly of a character to give them new heart. This I gathered not so much from what they said but from their attitude since their return.

The Honorable

William Phillips,

Under Secretary of State,

Washington, D. C.

The Rintelen trial has been going on all week and will probably end on March 11 or 12, when judgment will be pronounced. The foreign press has shown, as was to be expected, great interest, but from the outset the trial was conducted in a way as to give the impression of absolute fairness and contrary to expectations, the sessions have all been open to the public. Rintelen himself has been treated with the greatest consideration during the trial in view of his position as former Austrian Minister to Rome. He is being tried for only indirect connection with the putsch of July 1934, and therefore the death sentence is excluded. The witnesses who have been called by the prosecution have been extraordinarily moderate and restrained in what they have said and have undoubtedly only told a part of what they know and the questions have been put to them so framed as not to bring out everything. Rintelen himself, however, has been allowed full freedom to ask questions and to make statements.

It is nevertheless clear from his own statements and answers that his connection with the putsch is established in fact, even if adequate juridical basis may be lacking for a severe sentence. His memory is conveniently poor about things which it is obvious no one could forget unless mentally ill, which he is not. The most incriminating evidence presented is his failure to account for what he did or rather failed to do during the two hours or more between the time he learned at noon on July 25, 1934, of the statement over the radio that he had been named Chancellor and when he unwillingly went to the meeting of the Ministers. His explanation of his attempt at suicide was also so naïve that it convinced no one, not even his friends. The man is unquestionably guilty, but the probabilities are that he will be given a comparatively mild sentence based on the nature of the evidence actually presented and on his weakened physical condition following his attempt at suicide.

Fortunately, however, the trial has caused practically not a ripple within Austria. Verbatim accounts of the testimony have been published in the press here and this has had a good rather than a bad effect. The foreign journalists here could not fail to be impressed by the absolute fairness of the trial. The Government, while practically forced to bring Rintelen to trial, wished to conduct it in a way as not to cause concern or difficulty within or without the country and they seem to have been eminently successful.

The trials of a number of Social Democrats were scheduled to take place about this time. They have been confined for many months and most of the evidence is such that severe punishment would have to be meted out to them. I happen to know that the Ministers of several interested countries here have conveyed to the Government the desirability of these trials not being held on account of their repercussions in Socialist circles in France and England, although the internal pressure from the Heimwehr that the trials should take place has been quite heavy. I understand that the trials have been indefinitely postponed.

The information which I get from competent and entirely objective observers is that the National Socialist sentiment among the masses has gone back very considerably and continues to get weaker. I think it is safe to say that not for years has National Socialism been so weak in Austria as it is today. There is no doubt that the Socialists and Communists are active here. I am sending a despatch to the Department today covering the developments in the economic situation which continues to improve slowly. There are, however, some disturbing factors which indicate declining consumptive power of the masses of the population. The receipts from the tobacco monopoly seem to be steadily going down and the consumption of milk and beer have decreased. The internal loan approved by the League for 100,000,000 schillings will be issued towards the end of June most likely and it will be easily absorbed. A good part of it is to be used for a public works program and the Chancellor last evening made a speech indicating that in May the Government would begin a real effort to decrease unemployment. This speech of the Chancellor, to which considerable significance and space is given by the press, is intended largely to quiet any discontent which might arise through the decreased payments which have to be made under the social insurance system.

*let not
despond*

On the whole I may resumé the situation within Austria by saying that it is certainly more satisfactory in practically every major respect than it has been at any time during the past two years.

I think Austria must do everything not to disturb any of her neighbors. She realizes this and has gone far in helping the general situation by keeping her own house

in order. On the other hand, there is no doubt that the toleration of the restoration idea and the prominence given to some of the Archdukes during the social season just closing has disturbed Czechoslovakia and Jugoslavia. There is very little entertaining here in Vienna of a private nature except on a simple scale. The diplomats, of course, keep on entertaining because everybody expects it of them, but one is very seldom asked into private homes. There have been, however, during the last few months, public balls under the patronage of members of the Government almost every evening, these being given in the Hofburg, in the Schönbrunn Palace, or in the various Government buildings. The tickets have been kept at a good figure and they have been a severe drain and strain on the patience, as well as the endurance and pocketbooks of diplomatic representatives here. The proceeds have always been for the Winterhilfe program of the Government. Sometimes there have been three of these balls in one evening. At most of them the Habsburgs living in Austria have appeared and they have been given extraordinary place and honor considering the situation. I do not think too great significance should be given to them because their presence was used as a drawing card for the public. The attendance at these balls has been extraordinarily large considering the difficult times, but one must remember that as there is no private entertainment to speak of, more money was available for this sort of thing and then, too, it is a pleasant form for many people to contribute to the relief program. As one very important Austrian said to me the other day, the presence of the Archdukes and Archduchesses at these parties really meant nothing for the Government was only using them for their own purposes. Many people who before the war had never had a chance to get in such close contact with these people now were glad to buy tickets to these balls to have this opportunity and the Government was exploiting this snobism. I think there is a good deal to this.

On the other hand, it has its significance too, or at least its effect. The other evening I went to the ball of the Catholic Schulverein and Prince Eugene and Archduchess Margarita, the Archduke Salvator, and a lot of other Habsburgs were present. The Czech Minister here, who is really very intelligent and on the whole broadminded, remarked to me whether the evening would not turn into a monarchist demonstration. The entertainment provided was a little play specially written for the occasion in which the past glories

of Austria were depicted. In one of the episodes the King of Bohemia appeared on the stage making obeisance to a Habsburg. Immediately after the little play was over my Czech colleague disappeared although he was expected to stay for supper, and my Hungarian colleague remarked what a stupid thing it was to give this particular piece. My Czech colleague the next day, a little regretting his show of feeling, told me he was sorry he had had to leave so abruptly, but he was suffering from his lumbago. Intelligent and broad-minded as he is, he was annoyed to the point of leaving by the appearance of the King of Bohemia on the stage making obeisance to a Habsburg, and by the presence and prominence at a ball of so many members of the Habsburg family. I told you in a previous letter that when the City of Vienna gave its ball this winter the Ministers of the Little Entente met that afternoon and decided not to go as they had learned that Prince Eugene was to make a separate entrance during the ball.

In view of the desire, which is in some respects quite reasonable, expressed by the Chancellor and the Foreign Minister that the non-interference pact to be made should leave Austria freedom in the Habsburg matter, I am told that Paris and London and Rome are trying to work out a draft of a guarantee and non-interference pact which will be satisfactory all around. This will be a difficult thing to do. Aside from these feelings which may be pure sentiment, which I have tried to bring out by the few concrete instances I have given you, the Little Entente has real fears that the restoration of monarchy in Austria will arouse difficulties among parts of their mixed populations. The establishment of another regime in Germany and the removal of the threat to them from Germany should go a long way towards easing the opposition of the Little Entente to restoration in Austria, but even then they could only look on it with very real misgivings. I think this is a bit better understood here in Austria and I think it is clear that the situation in Europe is sufficiently disturbed without being further complicated by such a measure which is not at all necessary and which would certainly not add a prop to this Government against Germany.

You have had long before the receipt of this letter, full information on the postponement of Simon's visit

to Berlin, the publication of the British White Book and the Hennessy interview. I have not been at all surprised over the developments for I have had all along the conviction, as you will have gathered from my letters, that Hitler and the group on which he now leans, have no intention of giving up any of their aspirations in any direction. Their hopes have all been placed on separate conversations with London and the possibility of pushing the air pact definitely into the foreground leaving them free in other directions. From the very outset of the National Socialist regime they have felt that they could play with England and that is why the Simon visit in Berlin was possible, much as Berlin has feared it from the outset, as was clearly shown by their first equivocal response.

The publication of the White Book and the consequences of the Hennessy interview showed Hitler and the radical group what they would have to talk about in Berlin and the temper of the British representatives when they would appear. Infuriated by this situation they decided to put off the visit irrespective of consequences.

To understand this development I think we must keep in mind what the real situation is in Germany. Schacht, Goering, and the Reichswehr group want to isolate Hitler and get him off to Obersalzberg just as Hitler relegated Hindenburg to Neudeck, and then proceed with a program of seeking Anglo-Saxon understanding and assistance, credits in London, and a reassuring foreign policy generally. The Hitler-Rosenberg-Goebbels group, which is what some term in Germany the National Bolshevik group, wants to annihilate some thousands of capitalists, cut themselves off definitely from the rest of the world, put into effect the radical program in the country, continue rearmament, and confront Europe with the terror Teutonicus. Hitler, who for months had been playing with the Schacht-Reichswehr group, realizing that the other policy means eventual ruin, has been by force of internal circumstances thrown on the side of those with whom his real sympathies lie. Confronted by the White Book and the repercussions of the Hennessy conversation in the Saar, he realized that the Simon visit would place him in an impossible position, went into a rage, and the decision of the radical group controlled.

It is interesting in this connection to recall that the circumstances differ little from those which surrounded their leaving the League and the Disarmament Conference. I may briefly recall what I wrote you at that time, for it throws light on this last incident and shows what we may continue to expect. Shortly after noon of that fateful day at Geneva Goebbels saw Sir John Simon and Simon made it clear to him that the German tactics could not help either Germany or the European situation. Goebbels was infuriated when he found that they would get no support from the English and immediately had Berlin informed that he was returning that evening. He left Geneva at once in a plane. I was at the Templehof Field that evening about seven o'clock to meet Senator McAdoo who was arriving from Moscow by plane. While waiting for his plane the special plane of Goebbels from Geneva arrived. He usually cuts up the applause of the crowd, but I saw him as he got out of the plane and could see he was angry and paid no attention to anyone. Senator McAdoo arrived and I went with him to the Adlon where I remained with him during the evening. About 10:30 one of my Nazi friends got in touch with me and said he wanted to see me on an important matter. I met him and he told me that Goebbels had come back from Geneva that evening, going immediately to Hitler, and told him that that Jew Simon ran the League of Nations, that now they could see that the Jews were running the world and that they would have to get out. (I think I have reason to know that at the time Goebbels knew that Simon was not a Jew). Goebbels worked Hitler into a rage on the ground that Germany was being insulted at the League and that National Socialism particularly had been affronted, etc., and the decision was then and there made to leave the League.

My friend said that he wanted me to know this but that the Foreign Office would probably not hear about it or get its instructions until noon the next day. As a matter of fact, although the newspapers speculated the following morning that the sudden departure of Goebbels from Geneva might indicate Germany's leaving the League, and the Disarmament Conference, I know that the Foreign Office in Berlin did not get its instructions and knew nothing of the decision until about noon of that day. This weighty matter was therefore

settled in the heat of passion by Hitler and Goebbels, although it is not excluded that a few others may have been present. Similarly we already know that Hitler had been at the Automobile Show in Berlin the evening before this decision to put off the Simon visit was announced. We know that Neurath had seen him with regard to the White Book and the Hemmesseny interview but that the postponement of the visit was not then decided. Once again it seems that the Foreign Office got its instructions to notify the British of the Chancellor's illness and the postponement of the visit hours after the decision had been made and without having any part in it.

Perhaps this incident will go further to make some of our English friends understand that they have to deal with a pathological subject than anything with which they have heretofore been confronted. They will be able to draw their own conclusions better as to what can be expected from conversations or agreements with such a head of a State.

In my opinion, desirable as it may be for the conversations between London and Berlin to continue, the incident serves a useful purpose. It is much better for the effect on the clarification of the situation that this should have happened than that Simon should have gone to Berlin and had a complete failure, which we now see would have been inevitable. The responsibility in Germany, as well as in certain circles in England and in France, and perhaps elsewhere, for failure would have been placed on Simon. Now the responsibility is where it belongs. You know I have felt from the outset that an absolutely united and firm front is the only one which will have any effect on this regime in Germany and the only attitude that can lead to anything good. The German attitude, that is, that of this regime, has been based on the hope that they could break through this front by way of England. They felt absolutely sure of this and men like Lord Lothian and perhaps even the attitude of the TIMES encouraged them in this. As I have said in my letters, I think the attitude of the Berlin representatives of the Times towards the Berlin visit has been the first serious mistake in judgment they have made since I have known of them. The long and short of it is that the regime had no intention of giving in and of talking seriously of anything except the air pact,

and when actually realizing the firmness of the British attitude, the explosion came. The situation is now adequately clarified in this respect at least.

The Foreign Minister told me confidentially that on March 6 at noon the Austrian Government presented at Berlin a protest over the Hennessy interview, communicating at the same time a copy to London, Paris, and Rome. He said he had already been informed that the answer would take the form of a simple denial that an interview had taken place, but that the Austrian Government under the circumstances would maintain its protest if this was the answer made, as they were sure of the facts. I will not go into detail regarding the Hitler-Hennessy conversation, for you have, I am sure, these details already and they are covered in the weekly notes I am sending the Department. The D.N.B. came out with a denial of this, but admitted that there had been a conversation and there is no reason to doubt the details of the conversation as they were published in the Paris press. The Hitler-Hennessy conversation in the Saar is merely a repetition, but in stronger terms, of what Papen said in the Saar and afterwards denied, but admitted in the Foreign Office here having said in a "purely private conversation with friends in the Saar".

The publication of the British White Book, which is so much criticized, was, I think, indispensable as something of that kind had to be done to clear the atmosphere before Simon arrived in Berlin. There are various ways in which one can look at this, but if one understands the mentality of this regime one can have no doubt that the publication was a wise measure. It would have been much more dangerous to have Simon go to Berlin and register a failure, and I think even those who had their doubts about the Berlin attitude can have none now. It was necessary to smoke out the regime and the White Book and the Hennessy conversation did it effectively and have placed the responsibility where it belongs.

I had a very interesting conversation with my British colleague here the other day. He was, as you know, for years in the British Foreign Office and this is his first time in the field. He told me a very interesting parallel.

He showed me in the printed war records of his Government a memorandum dated August 3, 1914, over his name when he was Secretary to the principal Under Secretary of State, then Lord Gray. Lord Gray made his famous speech which was to decide England's entry into the war that day, starting at 4 o'clock. Just about that hour one of the Secretaries of the German Embassy called at the Foreign Office, leaving the information that the German Government would refrain from offensive action in Northern France, etc., provided England remained neutral. He asked that this information be given to Lord Gray immediately and Selby sent it over to him in Parliament where it was handed to him during his speech. Lord Gray took it and referred to it in his speech saying that he had just received information from the German Government that it would refrain from offensive action along the North Sea at the price of English neutrality. Selby pointed out that Germany was presenting the same thing today to England in the air pact and using exactly the same tactics as were used on August 3, 1914.

Papen is not improving his situation here and is not helping Austro-German relations. For your confidential information and for that of anyone whom you think may properly have it, I want to give you a brief resumé of a conversation I had with the Foreign Minister here day before yesterday. He gave me this information, asking me to use it only in the most strictly confidential manner. My relations with him are on a very pleasant and friendly basis and he is good enough to talk to me in real confidence.

He said that he saw Papen on March 6, immediately after Papen's visit to Berlin. Papen had reproached the Foreign Minister, saying that the Paris and London visits were directed against Germany. The Foreign Minister replied "No, we went just because we want to be friends with everybody. That is our policy just as it seems to be yours to have trouble with everybody. We want to be friends with everybody in Europe."

Papen then complained about the "Jewish press of Ludwig" (Ludwig is the head of the Press Bureau and not a Jew). He complained bitterly about the unfriendly tone towards Germany. The Foreign Minister told Papen that Ludwig was his man and did what the Government and he wanted him to do and there was no such thing in Austria as a Jewish press for it was their press and he stood behind it. He said that the Austrian press was being very restrained.

Berger-Waldenegg went after Papen then about the German press, particularly the comment on the London-Paris visits, which held them up as beggars etc. Papen said that it was difficult to control the D.N.B. To this Berger-Waldenegg replied that this was a strange situation in an authoritarian state and that he must not expect him to believe any such statement.

The Foreign Minister told me that Papen became terribly upset and increasingly nervous when he ~~saw~~ he was making no progress and simply getting himself into further difficulties, and Papen finally remarked "Yes, you have your French and English friends now and can have your independence a little longer". The Foreign Minister told me Papen's remark in German which I am translating as accurately as possible. Berger-Waldenegg said he was astounded to hear this even from Papen, and said "Ah, I am glad to have from your own lips your own opinion which agrees with what your chief has just said in the Saar and which you have taken such pains to deny." Papen was terribly upset when he realized what he had said and tried to cover over his statements, but according to Berger-Waldenegg kept constantly getting into deeper water.

Again strictly confidential, he said that the Paris-London visit had turned out much more important than originally intended. He said that these visits were his idea and that he had risked his job on them as it was a gamble and that he might have had to resign on his return. He, however, was sure from the outset that the visits would prove successful. He indicated that the Chancellor had been difficult to persuade particularly with regard to the London visit. In this connection he said that he had gathered the impression in England that Simon's visit was to give Germany a last chance to show a desire to join a concert of powers and its good intentions. This impression which he had gathered in England was impressed on him by Selby, the British Minister here, during a conversation which he had with him a few days ago. I may say that in a conversation which I had with the British Minister here I gathered the same impression.

With respect to the Rintelen trial the Foreign Minister told me that there was no doubt about his guilt and it would make a pretty story if he could tell what he knows, but that it was of course impossible to provide proof for many

facts although the facts were there. He said that he knew Rintelen very well as they are both from Styria and that Rintelen's policy had always been to take no graft himself, but to encourage others to do so and get them in his power so as to use them for the furtherance of his personal ambitions.

As of secondary interest I may say that I had a talk with Secretary-General Peter of the Foreign Office yesterday and the Secretary at Moscow had just left him. He told me how lonely a life their people at Moscow lead, that practically their only contact was with the other diplomats, that they had the constant impression of being spied upon everywhere, even in their own Legation and quarters, and that they had to send them practically everything in the way of food. I am telling you this as it may agree with what our own people may tell you.

With respect to the Tschirschky incident, he told me that he felt sure that Tschirschky would not come back to Germany. He seemed to know where he was but I did not press him to tell me, but I gathered that he was no longer in Switzerland, not feeling himself even safe there. He told me that they get along very well at the Foreign Office with Prince Ehrbach who is the Counselor of the German Legation here. Ehrbach told Peter that Tschirschky and Ketteler had really nothing to do with the work of the Legation, but confined themselves to Papen's personal correspondence which he characterized as very heavy. From the best information I can gather, Tschirschky may be here somewhere in Austria. His family is still here. They live in the apartment under that of the Foreign Minister. When I went there the other day for dinner I had occasion to see how carefully and extraordinarily thorough this house is being guarded that nothing may happen to Frau Tschirschky and her children. Nazi wrath can have long arms and this is understood here.

I have seen two of my German friends here recently. Both of them are very prominent in German industrial circles and although they move in somewhat different spheres in Germany, they are both well informed and the information they gave me coincided. They both speak of Schacht's speech at the Leipzig Fair which was significant in many ways. I am appending the BERLIN TAGEBLATT report of March 5, as it is really very interesting. In it you will note that Schacht

says that everything that he is doing is with the will and approval of Hitler. My friends said that this was a clear case of passing the buck and that Schacht was really not trying to get support for his program but to show where the responsibility for it lies. Schacht, they say, is at the end of his rope and feels that the situation is hopeless unless they can get rid of the Rosenberg, Gobbels, Streicher crowd.


It is interesting, as my friends pointed out, that at the same time that Schacht is telling his audience in Leipzig that what he does has the Führer's full support and that he is carrying out his wishes, National Socialist emissaries in England are telling the Socialists there that they have to tolerate Schacht for the time being but will get rid of him in due course and carry through the full Socialist program. This is National Socialist manoeuvring at its best and at its worst.

One of my friends to whom I refer and who is not a National Socialist, but who has maintained very close touch with them, made a very interesting reaction to a statement of mine which I think will interest you. He said that there were those who were beginning to believe that if the German people could not help themselves against this regime that it would be necessary for some of the powers through their Ambassadors in Berlin, to make a collective demarche there and say that Germany must get rid of this regime or united action would have to be undertaken against it as a menace to Europe and to Germany. My friend said that this would be very unwise policy, well meant as it might be. He said that it would still be misunderstood in Germany and that the good Germans might join the bad in resenting such a move and physically opposing it. He said that although the people in Germany were beginning to think, and the situation much changed, they were so badly informed concerning their own country and others now that such a move would be dangerous. His comment was that this movement must be allowed to burn itself out within Germany; that Germany must be left strictly alone and given no help of any kind; and this will have its inevitable result. Although himself an industrialist, he said that our refusal to carry through the cotton deal was a very wise thing, that this was the sort of thing which must be done. "Do nothing for Germany even in the most indirect way. Do nothing against her directly. The movement will

have to and will burn itself out. That is much better and safer than intervention." He made the interesting statement also that no more than 30% of the young people in the universities are now with the Nazis.

Both of my German friends emphasized the hopes which what they call the National Bolshevik group has of breaking through in London and were agreed that the British decision to carry through the Eden visit to Moscow and Warsaw independent of and regardless of the Berlin visit, was a step in the right direction. They confirmed the view widely held here that Nazi policy is to endeavor to gain time while the internal situation in England develops, which development they believe will be in the direction more favorable to the German regime.

According to the best information which I can get here, although the position of the British Government is difficult, it has definitely made up its mind. The Berlin visit was to be the last effort to bring reason. The split in the Labor Party in England does not decrease the difficulties of the Government. The emissaries of Berlin have been busy in England endeavoring to bring conviction that the aims of the Labor Party in England and of the Hitler regime are identical. Berlin, we have just learned, is said to have informed London through the British Ambassador in Berlin, that Hitler must go to Bavaria for a two weeks rest and cure and the visit of Simon will be expected then. This statement is said to have been made to Sir Eric Phipps this morning, but not until it was known that the debate on the White Book would take place in the Commons on March 11. The hopes of the regime for breaking through the front of London-Paris-Rome through Labor in England have not been given up. It is a desperate fight which the regime in Berlin is making for this outer political victory is essential to it. Much will depend on the nature of the debate in the Commons on the 11th, but I venture to say that I believe that England's policy is already definitely determined, but that the position of the Government is still difficult. British foreign policy is a matter of Britain and not of individuals or a party. As the policy on which Britain has embarked is one of commitments on the Continent towards which she definitely shrank only a few months ago, it is essential that the Government have as nearly united public opinion behind this policy as possible. The German regime by the postponement of the



Simon visit and Hitler by his conversation with Hennessy have gone a long ways towards helping to clarify the situation in England.

I need not tell you, however, that it is not only in Labor circles in England that the British Government is finding its difficulties. I have not been able to verify it, but I am informed through a very reliable source that Sir Montagu Norman has for some months been favoring a policy of credits and even loans to Germany for raw materials on the ground that there can be no improvement in the European situation until Germany functions more normally in her relations with the other states. I understand that he has gone so far as to argue that this aid should be given even to the present regime on the ground that it is so definitely established as to be permanently reckoned with. If these are the views of Sir Montagu Norman, I agree with him in so far that there can be no appeasement in Europe until Germany does operate effectively as the economic factor she must be in Europe and the world. But I disagree that aid can be given under present conditions as a means of helping along Europe. He is placing the cart before the horse and one must be very short sighted indeed or very selfish or both, not to realize that the major factors in the political situation must be cleared up before there can be any economic appeasement or improvement. You undoubtedly have information from other sources which will indicate whether this imputed attitude of Sir Montagu Norman is really his.

I learn from a very good source that it is the feeling in England in certain circles that if Germany signs the proposed pacts and gets behind the London proposals that she immediately be given a loan for raw materials and certain credits. I am told that an initial credit of as much as 150 million pounds is talked of. Those favoring these credits argue that they may never be repaid by Germany, but that the raw materials are available in the Empire and are surplus and credits have to be advanced to the producers anyway, which may not be repaid, so that it makes very little difference whether it is Germany or the producers who fail to pay. I think that you have probably heard a good deal of talk of this kind at home as well, and it all fails to take into account, of course, the major factor which is that by such credits we are merely aiding a regime to establish itself

and put it in a position to carry out its sinister designs which will be so costly not only to England and her colonies, but to us.

There are a lot of people today who talk of the short-sighted policy of a certain wing of the Labor Party in England, but I think there is just as much, and even more, dangerous selfishness and lack of vision among some of our so-called business and financial leaders. Some of the heads of American interests deeply interested in industrial establishments in Germany have recently become almost advocates of the present Government in Germany and hail Hitler as the marvel of the age. Their plants in Germany are working feverishly but they utterly fail to consider that they are not getting one cent out of Germany which they can pay to the Americans who own the plants. They are forgetting that when National Socialism came in they came to me in Berlin in despair because their plants and business were being wrecked by the Party measures. The plants were eventually saved to them, not out of any desire to placate us or out of a recognition of the rightness of their cause, but because the plants were necessary as a part of the rearmament program. They entirely forget that if this program and the Party program generally are successful, not only are they not getting out any money out of Germany now, but what they will be accumulating there, as well as the plants themselves, will be lost to them. I do not wish to particularize in this letter, but there are several very important men at home who because of this short vision have a totally false impression of the situation.

Even though Germany agrees to the full London proposals and signs the pacts, we shall have to wait and see what the developments are before we rush in to give aid of any kind.

I get from various sources what seems to be accurate information that Berlin is now making every endeavor to regain lost ground in Belgrade. German-Yugoslav trade is being helped in every possible way by Berlin, but so far without much perceptible success.

In the meantime we can say that although German activity abroad has assumed less open and violent forms, it is continuing in its subterranean work. Here in Austria

activity is principally directed towards the plebiscite idea which is a part of Hitler's Austrian obsession. The Czechs have become a good deal more active against the Nazis who have been pressing the plebiscite idea in the German parts of Czechoslovakia. Within the last few days a considerable number of arrests have been made in Eupen and Malmedy where the Belgian authorities, against their will, have been forced to this measure. We are going to see further effects of this direction of Nazi policy in pressing the plebiscite idea.

Here in Austria immediately after the London-Paris visits of the Chancellor and the Foreign Minister a rumor was spread from Nazi sources which immediately received fairly wide currency that England was deserting Austria and that this had been made plain to the Chancellor during his visits. This rumor was considered so serious here that the French Minister took it up with Paris and an editorial appeared in LE TEMPS in Paris which I feel sure must have come to your attention. It effectively dissipated the rumors current here.

In Hungary things are fairly quiet from the point of view of German initiative for the present, from what we learn here, but they have in Budapest Baron von Hahn as the head of the Deutsche Nachrichten Büro, who had to leave Vienna as he was the one who handled the German money for the terrorist acts and the putsch of last year.

From his point of view, Hitler is entirely right that Austria is the kernel of the European problem. He feels that with Austria in the lap of Germany the Little Entente will be hitched on to a German wagon until it is absorbed. He knows that with Austria in the lap of Germany and the Little Entente inevitably under its sway, Czechoslovakia cannot live for a year. He knows that with Austria in the hands of Germany the Party aims with respect to the Ukraine will only be a question of time in accomplishment. He knows that with Austria in his hands it is only a question of time before France and England will be quite second rate powers in Europe. He hopes to accomplish this without a war and without actual use of force, but he is going to arm Germany to the teeth and with that permanent and the terror Teutonic use them as the driving force behind the German wedge in all directions. This is why Austria is so important to Hitler and why he will never give up, no matter what

pacts he signs, what agreements he makes, or what promises he passes. He is not going to sign any agreements if he can avoid it. If he finds he can't avoid them, he will sign them with his tongue in his cheek. Alsace and Lorraine and the Polish Corridor are in Hitler's opinion very secondary matters to the Austrian question and will easily settle themselves once Austria is in the lap of Germany. But Hitler knows that every pact that he signs and every promise which he makes tie him before the world and makes his internal position more difficult. I think, however, that we must bear in mind also that for equality and for the cancellation of Article V of the Treaty he may be prepared to sign almost any pact when he finds it is the only way to get equality. Nazi stress on equality grows out of a great appreciation in this instance of German psychology. If they can get equality and proclaim this to the German people through the adequate means they control, they can soft pedal everything else in connection with the getting of this equality and to the German people Hitler will be a savior of German honor. This is the reason why the road to equality cannot be made so easy as Berlin wishes and if equality is granted, the German people must understand at the same time the obligations which accompany it.

I have hesitated to impose this very long letter on you at a time when I am sure you have so many serious problems to consider, but I am hopeful that the observations which I have made may be useful as background. I am still convinced that the policy of a solid front by London, Paris, and Rome is the only safe procedure which can lead to anything worthwhile and the prospects remain good that it will be maintained. I realize that you have many preoccupations in these last weeks and have some idea of the burdens which you all are carrying.

Believe me, with all good wishes,

Cordially and faithfully yours,

George S. Messersmith.

Enclosure:

1. Clipping from TAGEBLATT