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Vienna, March 12, 1936.

No. 724.

SUBJECT: THE VISIT OF THE CZECHOSLOVAKIAN MINISTER
PRESIDENT HODZA TO VIENNA AND AGREEMENT ON
THE AUSTRO-CZECHOSLOVAKIAN TRADE TREATY.

The Honorable

The Secretary of State

Washington,

Sirs:

I have the honor to refer to my confidential despatch No. 712, of February 27, 1936, reporting on the progress of the negotiation of the Austro-Czechoslovakian trade treaty and to recent despatches on developments in the Austrian situation in which reference has been made to the visit of the Czechoslovakian Minister-President, Dr. Hodza, to Vienna. I have now to report as follows on the visit of Dr. Hodza to Vienna which took place on March 9 and 10.

Dr. Hodza

Dr. Hodza arrived in Vienna on the morning of March 9, and was received at noon by the Federal President. This reception was followed by an official luncheon tendered in honor of Dr. Hodza. The conversations which had already begun that morning were continued during the afternoon. In the evening there was a gala performance at the Opera after which Chancellor Schuschnigg gave a supper party in honor of Dr. Hodza. The conversations were continued during the entire following day being interrupted only for another official luncheon given in honor of the distinguished guest. His departure had been scheduled for the early evening of March 10, but as the conversations on the trade treaty were not yet completed, they were continued during the evening. Dr. Hodza left for Prague towards midnight on March 10.

While he was here he was in constant conferences with the Chancellor, with the Vice Chancellor, Prince Starhemberg, the Foreign Minister, Baron Berger-Edlenegg, the Minister of Commerce Dr. Stockinger, and with Mr. Strobl, the Minister of Agriculture. These conversations were devoted principally to the discussion of the Austro-Czechoslovakian trade treaty, and full agreement was reached on the evening of March 10.

In addition to the entertainment offered by the Austrian Government, to which the only officials present in addition to the Austrians were the members of the staff of the Czechoslovakian Legation in Vienna, there was a small reception at the Czechoslovakian Legation. Dr. Hodza had little contact with others during his stay in Vienna, but according to press reports, the Ministers of the Little Entente in Vienna as well as the Turkish Minister, paid him a courtesy visit.

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The official communiqué issued at the close of the visit and the press comment in Austria are being transmitted in a separate despatch. The communiqué is particularly reserved in its tone and announces the successful conclusion of the negotiations of the Austro-Czechoslovakian trade treaty, the probability that a treaty of conciliation and arbitration will be negotiated in the near future, and the intention further of concluding a cultural agreement such as that which Austria has recently entered into with several countries. The communiqué emphasizes that the conversations were confined largely to economic cooperation between the two states and the other states of the Little Entente as an extension of the Rome Protocols. It emphasizes that while the general political situation, particularly with reference to the Danubian states had been discussed, the conversations had had economic cooperation as their main objective.

The communiqué and the press comment on the visit show very clearly that the conversations on cooperation in the Danubian basin and in fact the entire visit, rested under the shadow of the intimation which had undoubtedly been received by the Austrian Government from Rome that these conversations should be restricted at this time to economic measures and that the visit itself should not be given too great importance by the press. In commenting on Dr. Hodza's visit yesterday to me the Foreign Minister said that although the general political situation, particularly as it affects the Danubian basin, had been discussed, he had pointed out to Dr. Hodza that the time was not yet ripe for political arrangements on account of the difficulties which had to be overcome in Belgrade and Budapest, where the ground had to be further prepared.

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The Foreign Minister farther said that Dr. Hodza had made an especially good impression on the officials of the Austrian Government with whom he had had contact here. They already knew him most favorably, and he was a man who had many friends here. Dr. Hodza, he said, was a man of very high ideals and with whose ideals he and he was sure other members of the Austrian Government were in sympathy. Dr. Hodza, however, had not had a sufficiently adequate realization of the difficulties which lay in the way of the realization of some of these ideals. His official visit to Belgrade had shown him what some of these difficulties were, and he (the Foreign Minister) could assure him that the same difficulties to his knowledge existed in Budapest. The Foreign Minister stated that he had expressed to Dr. Hodza the opinion that it was necessary to approach these political problems in a very realistic way and that the path lay first in the way of economic cooperation. This would open the road to closer political cooperation. Dr. Hodza could continue his efforts so well begun at Belgrade, and he (the Foreign Minister) would continue them in Budapest and would not fail to do so on the visit which the Chancellor and he were making to that capital at the end of this week.

I asked the Foreign Minister whether he was satisfied with the results of the treaty negotiations as he had expressed himself somewhat pessimistically some weeks ago. He replied that it had been with respect to the political aspects of the situation that he had been pessimistic, and that events had shown that in this respect he was right as the time was not yet opportune for concrete discussions of political problems. With the treaty itself he was quite satisfied and it was, in his

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opinion, an excellent beginning and in fact a big step on the right road.

I asked the Minister whether there was any information which he could give concerning the details of the treaty, and he said that it had been decided not to make any details public until the actual treaty was completed. Agreement on all points had been arrived at, but the treaty was, as had been anticipated, a long document of approximately 300 pages. It provided, he said, for a list of preferences which would be made known on the signature of the treaty. What actual decrease it would bring in the Austrian trade balance with Czechoslovakia the Minister said could not be foretold with any accuracy. I may observe here that it is the impression that the details of the treaty were worked out in such a way as to provide for a reduction of approximately fifteen million schillings a year in the Austrian unfavorable balance of trade with Czechoslovakia.

The only concrete detail of the provisions of the treaty known to this Legation so far is that while heretofore Czechoslovakian tourists to Austria have been limited to 2000 schillings, this limit has now been raised to 3000 schillings.

I have telegraphed briefly to the Department with respect to Dr. Weiss's visit and the favorable conclusion of the treaty negotiations in my No. 14, of March 12, 11 a.m. I regret that it has not been possible so far to give more concrete information with regard to the treaty provisions, but I find that the other Legations here are similarly without precise information. Full details will be transmitted to the Department as soon as they are available.

As I have commented at considerable length on the importance of this treaty from several points of view, it is

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only necessary here to reiterate that its major importance lies not in the measure in which the Austrian unfavorable trade balance with Czechoslovakia is reduced, but in the fact that any agreement has been possible in view of the situation which existed for some years between the two countries and in view of the parallel nature of their economies. Both Governments showed a very real desire to arrive at an agreement and the impression prevails here that the Czechoslovakian Government went as far as a proper regard for its own difficult economic situation permitted. The treaty can be viewed as a very concrete expression of the desire of both countries to cooperate in bringing about closer economic and political relations between the states of the Little Entente and those signatories to the Rome Protocols.

Respectfully yours,

George F. Meadersmith.

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