

634  
Vienna, December 20, 1935.

*Confidential*

Dear Dunn:

1/ I wrote to you on December 13, in a rather pessimistic mood in view of the consequences which the putting through of the Anglo-French proposals might bring. I sent a copy of that letter to Mr. Phillips in London and I am sending you herewith a copy of the note of December 17 in which I made some further comment. Since then some of the extraordinary developments have taken place over here which from time to time mark the European situation, and in this case they give new encouragement and hope.

When I first wrote the letter on December 13 to you I had a sentence in it to the effect that I was sure Hoare would have to go as well as Laval. I removed this sentence from the letter because while convinced that British opinion would not accept the Anglo-French proposals, I was not so sure that the Government would go so far in its repudiation of the proposals as to drop Hoare. Now he has gone, and Laval's position is definitely threatened. Before this letter reaches you he may also be in the background. My own feeling is, as I have stated in letters some time back, that he will have to go before France can take that direction in her foreign policy which her security and peace in Europe make essential.

The issue of the LONDON TIMES of December 16, is a memorable one and to which I believe frequent reference will be made in the future. The editorial in that issue entitled "A Corridor for Camels" left no doubt that Hoare would have to be repudiated in the most direct fashion. The article on page 14 entitled "The Paris Plan" shows the difference between the telegrams addressed to the British Ambassador in Rome and to the British Minister in Addis Ababa. It is a masterpiece of correct and patriotic journalism for it sets forth in cold and no uncertain terms an action of the British Government of which no good Englishman can be proud.

The article in the same issue entitled "Jews under the Nazis", is a brilliant story by Ebbutt bringing out the inability

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of the Government in Berlin to carry through some of the anti-Jewish laws in consequence of the Nuremberg decrees which were supposed to protect to at least a degree the business and property of the Jews. Once again this German Government has repudiated its solemn promises. It is leaving the Jews and their property to this individual and Party action against which protection had been promised. In other words, the Government turns over the Jews to the Party organs. The article is of significance because it shows the inability of Hitler and of the regime to carry through any agreement or promises which they may make. The situation they have created, as I have always contended from the outset, is one which they cannot control or restrain. The same inability of the present Government to carry through certain action within Germany not consistent with the Party program also holds true for its incapacity as a partner in negotiations or agreement with other powers. I am parenthetically calling attention to this particular edition of the TIMES because as newspaper work it is memorable and because it is worthy of the tradition of the TIMES which had been pretty badly damaged in the earlier months of the year.

I had a talk with the Foreign Minister on Wednesday morning. In talking over the general situation he said that he had had an interesting report from Geneva. There was quite general opposition, he said, to the Hoare-Laval proposals and it came from three distinct groups. First and strongest was the opposition of Russia which saw England and France prepared for a situation which would make it possible for them to cooperate with Italy again and then bring Germany into a four power pact. Russia saw in this her being definitely pushed into the background and was therefore opposed to the proposals as they smoothed the road toward the four power pact. The second group, the Foreign Minister said, was composed of the Little Entente States which opposed the agreement as they saw in it a lessening interest by France and England in the Little Entente and a decreasing importance in the role which the Little Entente would play at Geneva, and in Europe. The Foreign Minister particularly brought out the active opposition of Titulescu. The third group, he said, consisted of the Scandinavian states and Holland which saw the League becoming a mere economic forum and losing all political importance and therefore all interest and value for them.

In these statements the Foreign Minister did reflect the attitude at Geneva which reached me from other well informed sources and these attitudes were not without their effect in London and Paris. What really brought about the change in

England, however, was the definite realization by the Conservative Party that the Hoare-Laval proposals were a distinct repudiation of the whole basis on which the Government had come into power through the recent elections. It is an extraordinary thing that although this Government came in with the largest majority of any in recent years, within a few weeks after the elections and after the Hoare-Laval proposals, if elections had been held the Government would have been overthrown by an equally large majority. Aside from the iniquity of the proposals themselves and the danger which they present for England and Europe, the Conservative Party had to right itself before the Country and Hoare had to go.

Anyone, too, who knew as I did through first-hand knowledge from Labor leaders in England of the real conviction that safety for England lay in the policy of collective security, could have no doubt but that Cabinet blessing on the Laval-Hoare proposals would have to be repudiated.

Immediately after Hoare's resignation Herriot resigned as the head of the Radical Party and Laval, after his narrow vote of confidence of some 52 a few days ago, is placed in an impossible position. Herriot will undoubtedly take back his resignation for it is more a gesture, but France now has to take her choice as to whether she is going to stick by England in a real policy of collective security or whether she is willing to see the road to the Continent over Berlin rather than Paris. France is in a pitiful state for the man in the street is inclined for the moment to peace at any price and any Government in France will be faced by difficult dilemmas and cannot make freely the foreign policy it may know is right. There is, however, I believe no question as to what the choice of France will be and France has been playing with fire and British <sup>prestige</sup> perhaps already too long. She had almost inculcated the same fears in certain circles in London which she feels herself, and by forcing the Laval-Hoare proposals on England she probably did her a great service for the reaction in England was so real, so deep-seated, and so effective in its consequences that even if the elections did not show Paris where England stands, the storm of the last few days will leave no doubts. If, as I believe, the repercussions in France will lead to the resignation of Laval, then the way is opened between the two countries for that thoroughgoing cooperation to which I have so continuously referred as the only hope for a durable peace.

Perhaps this thoroughgoing cooperation which would then this time have behind it an undisguised determination to maintain the policy of collective security and the establishment of League prestige, may bring Mussolini to terms without war. This, however, I consider extremely unlikely after he has committed himself to the degree which he has. I think there has been too much of a tendency to underestimate the real influences which have led Mussolini to the position which he has taken. He saw Italy faced by disaster with or without an Abyssinian adventure. There is therefore probably only one alternative and that is for him to meet Anglo-French cooperation and further League action, let us say oil sanctions, by the act of war which he has threatened. If he resorts to this desperate act so as to go down in a blaze of glory, all Europe will be against him with the exception of Germany and she will remain quiescent.

Germany is too well informed concerning the situation in Italy to place any hope on Italy's surviving such a desperate measure as war. The German observers who were at the last military meeting in Italy and the other German observers in Italy recently who have seen the revolt of two Italian regiments against going to Abyssinia, have not given reports to Berlin which have encouraged the Berlin Government to place any hope in Italy as a partner. And the present regime in Germany is too conscious of the internal situation in Germany to have any illusions with respect to the possibility of carrying on a war. If the Italian situation is met, the German situation is met as well. I think one of the most important things to remember in this respect is that Germany is not yet at the point of desperation where Italy is now. In view of the increasing economic and financial difficulties in Germany and of the constantly increasing sullen discontent within six or eight months the National Socialist regime may find itself in a position of desperation similar to that of Fascist Italy today. Then too, National Socialism will be prepared to make a desperate effort and to go down in a blaze of glory, but the National Socialist regime is not yet at that point. Ill timed or desperate action now would undoubtedly lead to certain disaster. The German regime has not given up its hopes of getting out of this with something gained which may give it a new lease on life. This to my mind is the important reason why the powers will be wise to deal with the Italian situation now rather than to wait until there will be another desperate regime ready to place all on a last adventure.



The great debate in the Commons is taking place as I write this letter. It is too early yet to tell what definite orientation British policy will take. It will certainly not be a policy of aggravating Italy or precipitating a conflict, but it will certainly be a return to the previous policy of putting the weight of England behind collective security and calm readiness to meet any aggressive action by a desperate power - as has already been clearly indicated in the closing sentences of the TIMES editorial of December 16. This is more in keeping with the British tradition than the sharing of the hysterical fears which have animated Paris and which have failed to take into account the relative weight of the factors which have to be considered in the general picture today. The Commons debate will undoubtedly lead to a return to definite support of the policy of collective security. That is as far as one can see now, but that already is a tremendous gain for England and for Europe.

Perhaps I should say that I realize that it may have occurred to you that in reaching my own conclusions as to the course which events may take over here and as to the policy which should be followed to preserve peace, I may have left out of consideration developments in the Far East and in Russia. I think I know how deeply the Far East question must have preoccupied you all in the last months. I think I can also appreciate that the unfavorable developments in our relations with Russia during the past year or so have not been such as to beget any confidence in that Government. I do not leave out of account that Italy and Germany are not the only two dictatorships that the world has to deal with. We have one in Russia and we have certainly what amounts to a military dictatorship in practice in Japan. The semi-authoritarian Government here in Austria I am not counting among these dictatorships, for there is no parallel. This is only a semi-fascist regime which exists because nothing else is for the time possible.

I have not left Russia and Japan out of my reckoning even though I have said less of them in my letters. I have said less of these states because I do not have that detailed and accurate knowledge of the developments in those states which I may have at least to a degree of those in Western and Southeastern Europe. I have always, however, in what administrative and other work I have had to do, followed the principle that when one has a number of immediate problems to deal with and has to arrive at a policy or course of action, one must, as a realist, after a

careful examination of all the factors and seeing them in their relative importance, attack these factors in the respective order of their importance and urgency. Perhaps at no time in recent history have countries like England, France, and ourselves been faced by so many important problems in different parts of the world, all of them apparently urgent, and all of them in their working out having far-reaching consequences. Perhaps of all these countries the problems have been for England the greatest and most vital.

You will appreciate from my letters and from my analyses of the situation that I consider the Italian and German problems as those of the greatest importance and requiring the more immediate attention. This does not imply any lack of recognition of the importance of the Russian and Japanese factors.

As for Japan, her military Government or clique have taken the bit in their teeth and are going ahead against the better judgment of a good many thinking people in Japan. They are biting off huge chunks on the Continent. While Manchukuo is thoroughly undigested, the five northern provinces are to be made into a so-called autonomous state. There is nothing that we can do or that England can do at this time to stop this, short of war, and that war we are not going to provoke and would not provoke even if our own stand and that of Europe were other than they are. Japan will go ahead and all that we can do is to let it be known that we stand by our treaty obligations and that we are not condoning or agreeing with anything that is being done, as well as letting it be known that we reserve completely all our rights and our position.

It is a grave question whether Japan can stand the strain which she is putting on herself in the exploitation of these new areas. That she will accomplish a lot for them is certain, but whether she will accomplish it for Japan is not so clear. We may find that she is simply giving a large Chinese area a discipline and a confidence and a somewhat higher standard of living which will so improve conditions in these areas that the very persons whom she has benefitted will in the end use the force and discipline they have acquired under Japanese tutelage in driving out the Japanese masters. I think we have to reckon that the centuries old prejudices between China and Japan will not disappear in a few years and that Japan will be able to digest or even swallow what she has now bitten off is by no means clear. In any event, she has so engaged herself that she will not for some

years be in a position or have any desire to make war with European powers. She is therefore not the immediate danger as an aggressor and it is far from clear whether she is going to be stronger or weaker through the action she is now taking. Far reaching therefore as the consequences of Japanese action in the Far East may eventually be, the immediate factor to be considered is that Japan is not the immediate danger to Europe and to us which other problems present.

The situation with respect to Russia is somewhat similar. The Russian authoritarian regime may in the end be just as dangerous for Europe as those in Italy and Germany are now. The Soviet regime, however, is so busy with its internal problems and is so threatened itself in two directions, ~~and~~ it has so much hope of surviving that its principal desire now is for friends instead of enemies and to be left in peace in order that the inert giant may become strong. Russia knows that Japan is eager to attack her in the East and Germany in the West and that both of them are hungry for Russian territory. She feels herself strong, but not strong enough. If she is attacked now she will endeavor to give a good account of herself, but she wants no struggle with anyone now, whether provoked by her or by someone else. So eager is she for friends and for peace for the present that she is willing to join in a policy of collective security in Europe including active cooperation with the capitalistic states in the League.

I do not love the kind of Government which exists in Moscow any more than I can sympathize with that in Rome or Berlin, but as a realist I must recognize that for the moment the Moscow Government offers less danger to Europe than those in Rome and Berlin. On the contrary the Moscow Government is willing to cooperate in a policy of collective security which will help to bring about peace in Western Europe and which will be the precursor of a more normal economic relationship between these states. She is willing to cooperate in a scheme which will lay the foundations for conditions and provide the breathing spell which will eventually make it possible for Western Europe to face more effectively the menace that might come from Moscow when that inert giant may feel himself strong enough to move and become aggressive. In other words, Moscow is prepared, for its own selfish purposes, to cooperate with Western Europe for the present and as a realist I am one of those who believe that that cooperation should not be spurned but should be availed of with, of course, always wide-open eyes.

I have gone into this detail with regard to the Russian and Japanese factors because I wished to make it clear that in seeing European policy as I have set it forth in my letters, I have not left out these two important factors. The immediate problem to be dealt with therefore is Fascist Italy, or more particularly Mussolini, who through the force of internal circumstances has been the first to find himself with his back against the wall and forced to take aggressive action as the only hope of saving his own position. He is confusing the interests of himself and of Fascism with those of Italy. He tries to excuse his aggressive action on the ground that it is a civilizing mission against an uncivilized state. But all this has fortunately not been able to cloud the issue as the reaction in England in the last few days has shown and which is to be hoped the reaction in France will show.

As I have taken the liberty of pointing out in my letter to Mr. Phillips of December 17, if Mussolini is saved through any face-saving compromise it will only be to make him a thorn in the flesh of England and France which will go in deeper and deeper in the next years. No matter how magnificently or how generously his position may be saved, he will be filled with resentments which will definitely determine his policy and it will not be one tending towards peace in Europe. On the other hand, a government in Italy which would be established after a definite repudiation of this idea of gaining its ends by force, would be one which could enter into a concert of powers or join in the doctrine of collective security in such a way as to assure that peace so ardently desired.

Europe has again got back on the right path and it is the developments in France which will determine whether that path can be followed.

Here in Austria the situation remains quiet, but you can imagine with what interest the developments in the big picture are being followed by the Government. There is no reason to anticipate any developments of unusual interest in the immediate future. Whatever cabinet changes are contemplated are being held up until after the holidays. The Foreign Minister confirmed to me the other day that there will be a Christmas amnesty, but that very little will be said about it within the country, but it will have a very good effect in England and in France.



The election of Benes as President in Czechoslovakia has been received with great satisfaction here in Austria where there is, as I have told you, an increased interest in better relations with that neighbor. The Benes-Hodza team it is anticipated will cooperate much more thoroughly under the new atmosphere with both Budapest and Vienna where Hodza is so well liked. The tendency of the Little Entente to cooperate more with Austria and Hungary is one of the new developments which will have to be watched with interest and can, I believe, only contribute in a beneficent way to developments in this part of the world.

Those, however, who believe that this better atmosphere will contribute towards early restoration in Austria of monarchy are anticipating somewhat too much. If there is any development in this direction it will be towards regency and even that is not yet in the offing and there are still many obstacles to be overcome, but it is true that the obstacles without, while externally still so strong, are not in fact so great.

The situation in Germany has in no way improved. The article of Ebbutt which I am sending you concerning the recent cabinet meeting is very interesting. The regime feels itself very uncertain. One of the most interesting things which has come to me recently is a confidential report which was made by an Austrian lawyer with Nazi sympathies who went to Germany in order to talk with Austrian Legionnaires whose families are of course still in Austria. He spent six weeks in Germany and the report which he made when he came back has caused consternation in Austrian Nazi circles. He says that there are some 13,000 in the Austrian Legion now. Several weeks ago Hess called a meeting of some seven hundred of the principal members of the Austrian Legion and he told them that he wanted them to stop all agitation for the present. This was the will of the Fuhrer who had in no way changed his Austrian policy, but who did not wish this Austrian question agitated for the present so as not to embarrass him with his dealings with other powers, meaning of course England and France. In the name of the Fuhrer Hess gave strict orders to the Austrian Legion to keep quiet in every way. The effect of this, this Austrian lawyer says, on the Austrian Legionnaires was most depressing. He refers in his report to the reported murder of a well known Austrian Legionary in Munich. He says that this was not a murder but that the man committed suicide as a result of depression following the declarations of Hess above mentioned. He felt that he was

finished. The effect of the report of this Austrian lawyer whose Nazi sympathies are well known, has been to further depress the already disorganized Nazis in Austria.

If anything further was needed to depress the Austrian Nazis, the report brought back by another Austrian has been sufficient. An Austrian editor by the name of Hartung, lost his position on one of the Vienna papers some months ago on account of Nazi activities. He went to Germany expecting to find a paradise and a splendid reception. He talked too much and found himself in the Olympia House where he states he was most cruelly treated and he has returned to Vienna with stories of the way the Nazis treat their prisoners and of the dissatisfaction in the Nazi ranks. This information coming to the Austrian Nazis from some of their own people has been as disillusioning as anything which has happened in recent months.

I am hoping very much that the building Commission when it meets early in January may decide to buy the house here. Yesterday I learned that the Egyptians are prepared to pay even a much higher price than the one they originally offered and which was already higher than the price asked of us, so eager are they to get it. But the owner has informed them that he is bound by his option to us until January 15. Besides, there are now three other individuals who are interested in the purchase of the house. It will be a great mistake if we do not acquire it for the house at the price at which we can get it is practically a gift. If anything were needed to confirm my judgment as to its desirability and the recommendation of Merrill that we buy, the fact that there is this interest in the house from all sides is certainly sufficient.

I am inclined to think the Secretary might be interested in some of the observations in this letter and I should be very glad if you will show it to him, marking the passages in which you think he would be most interested.

Cordially yours,

George S. Messersmith.

Enclosures:

Clippings from the LONDON TIMES.