

1784

Vienna, November 30, 1936.

PERSONAL AND CONFIDENTIAL.

Dear Judge Moore:

I last wrote you on November 23, and as I have just succeeded in getting definite information covering the conversations of the Secretary of State for Foreign Affairs, Dr. Schmidt, in Berlin recently, I wish to write you as briefly as possible for the mail which leaves today.

The internal situation continues on the whole to develop satisfactorily and along the lines indicated in my letters and despatches. The movement towards Germany which I have referred to in recent despatches and letters is unquestionably continuing and has been given impetus by the visit of Dr. Schmidt to Berlin, but a slowing up is again already apparent.

I indicated in my last letter that Dr. Schmidt might have been unduly impressed in Berlin by the cordiality of his reception and by what was said to him. I think that this turned out to be so and to a degree embarrassed the Chancellor who has had absolute confidence so far in Dr. Schmidt. The Chancellor is keeping his head and would not hesitate to put a sudden end to the career of his young Secretary of State for Foreign Affairs if he finds him going too far.

The National Socialists in Styria, Carinthia, and Upper Austria were so encouraged by the Schmidt visit to Berlin that they began the organization of S.S. and S.A. units and

The Honorable
R. Walton Moore,
Acting Secretary of State,
Washington, D. C.

openly address each other with "Heil Hitler" and the Nazi salute. The Chancellor and the President both went to Styria and Carinthia last week and had conferences with the Burgermasters and leading people in these provinces to make it clear to them that the Government is determined not to tolerate this National Socialist activity. At Klagenfurt the Chancellor made a speech in which he designated the three enemies of the Austrian State as the Communists, the National Socialists, and the incurable complainers and critics of the Government. Concerning the National Socialists he spoke very strongly and this speech, coming as it did almost immediately after the visit of Dr. Schmidt to Berlin, has made a considerable impression in the country and is, I believe, an expression of the iron will of the Chancellor to repress Nazism in the country.

I had a long conversation with the Italian Minister the other day in which he expressed great concern over the activities of Mr. von Papen, the German Minister here. He said that he tolerated activities in his Legation here which were unheard of in diplomatic practice. He saw people in the Legation who were working against the Austrian Government and the accord of July 11. He said that Mr. von Papen himself made statements which were utterly inconsistent with those of the diplomatic representative to a friendly, independent state. These statements coming from the Italian Minister who had only a few weeks before, as I reported at the time, condoned and underestimated Nazi activities in Styria and Carinthia, were most significant and are indicative of greater Italian interest, or perhaps more correctly said, indicative of the more correct interpretation by the Italian Minister here of the wishes of his Government. He had undoubtedly been resting for sometime under a wrong impression concerning the nature of the arrangements between Germany and Italy following the Ciano visit to Berlin and Berchtesgaden.

I happen to know also that the Italian Minister here had a long conversation with Neustädter-Stürmer, the Minister of Public Security, the day before yesterday and called to his attention the indiscriminate release of those arrested for National Socialist activities. It seems that

Glaise-Horstenau, the Minister of the Interior, who, as you know, represents the nationally minded in the Government, but who is really the liaison between the National Socialist elements and the Government, has been interesting himself more than is pleasing to his colleagues in persons arrested for activities against the state. It seems that when a Nazi is arrested by the police, particularly in the provinces, his friends come to Glaise-Horstenau saying that he is not a Nazi but a "nationally minded Austrian" and then Glaise gets in touch with the Minister of Public Security, Neustädter-Stürmer, to effect his release. The Chancellor had given strict orders to Glaise that he was not to go to anyone about such matters except to him. Glaise is ambitious, naïve, and not very discreet, but I gather that the recent steps which the Italian Minister has taken with both Neustädter-Stürmer and the Chancellor will bring these interventions to an end. I see a possibility that the Chancellor will have to take energetic steps with both Glaise-Horstenau and with Dr. Schmidt, and the Chancellor's speech at Klagenfurt above referred to would indicate that he will not hesitate to do so.

I have gone into the foregoing at this length because this slipping towards Germany and the apparently less active Italian interest here were the most important feature of the Austrian internal situation and the movement could have had cumulative and rapidly disastrous consequences. This slipping has, I think, been arrested for the present, but I believe that during the next months the relations between Germany and Austria will, at least on the surface, become more friendly. This, as you will appreciate, will make the position of the Government here more difficult.

A very important drama has been played behind the scenes in Austria recently which, however, I will not cover in this letter because I think you will find my strictly confidential despatch No. 972, of November 25, of sufficient interest for you to read. It covers the abortive efforts of Mr. von Papen and more latterly of the German Government, to establish its representation here as an Embassy. Very few people here know anything about it, but it has important aspects.

The English, French, and Italians did not hesitate to inform the Austrian Government that if Germany established an Embassy here they would do so simultaneously, and as this would have taken away all advantage from the German action the Germans refrained from doing anything. The Italian Minister told me on Saturday that his Government had made it clear in Berlin, as well as in Vienna, that if Germany established an Embassy in Vienna his own Government would do so simultaneously. There is more behind this interesting story than the personal vanity of Papen, for it was the expression of the effort of Germany to practically establish its diplomatic agent here as a viceroy.

The negotiations for the trade agreement between Austria and Germany are to begin, as I have already written you, on December 7. The Germans have not given up the idea of getting increased exports of coal, and as the German coal at present costs about 40% more than Czechoslovak coal the Germans have indicated that they are prepared to give an export premium on coal for Austria as well as a reduction in the freight charges on the German railways. The Germans, however, will concentrate principally on the exportation of war material. As I have already informed you, it is almost a certainty now that an agreement will be reached which will result in increased deliveries of German coal and of armament material to Austria in exchange for Austrian exports of wood, butter, cheese, and other agricultural products. The agreement will be more advantageous to Germany than to Austria and at least a certain part of the increased exports of Austria to Germany will be financed at the expense of the Austrian treasury. My impression is that the agreement which will be arrived at will not work out satisfactorily and will not help Austro-German relationships in the end.

Dr. Schmidt returned from his visit to Berlin with the most favorable impressions. I have not seen him myself for a long conversation on this subject since his return, but from several of my most interested colleagues who have seen him I learn that he was particularly impressed by the friendly reception in military circles. His conversations, he said, with Hitler had gone very well and that Hitler had discussed quite freely the whole European situation in a way to which he could not take exception.

According to Dr. Schmidt, Hitler has communism very much on his mind and remains convinced that Soviet Russia is playing too much of a part in Europe and that the growth of her influence and activity must be arrested. In the memorandum initialed by Dr. Schmidt and Mr. von Neurath at the close of the Berlin visit there is a section to the effect that Austria and Germany will continue to combat communism, but there is no agreement, I am informed, for common action. Parenthetically here I may say that the big meeting of the Anti-communist League which was staged here in Vienna last week turned out to be much less important than originally intended. The Government undoubtedly put a soft-pedal on it and the indications are that Austria is going much more slowly about joining this anticommunist front than was its intention under German pressure for a time. That it may still be drawn into this front, however, is not unlikely.

The question of Franco recognition was raised during the Berlin conversations, but according to Dr. Schmidt Austria retains full liberty of action and does not intend to recognize the Franco Government in the immediate future. He was controlled in this, he said, by the fact that Austria still had seventy Austrian nationals in Madrid, but that if Madrid did fall Austria would have to consider the question again. He remarked, however, that in that case other countries would undoubtedly be faced by the same problem. I am of the opinion that the Austrian Government will delay action on Franco recognition at least until after the fall of Madrid and what action will be taken then will be determined by developments in the general situation in the meantime.

According to Dr. Schmidt, the question of Austria's remaining in the League had been brought up in Berlin and he had made clear the Austrian stand that she had no intention of leaving the League. This Austrian attitude did not please Berlin, but Dr. Schmidt stated to several chiefs of mission in Vienna on his return that he thought the Austrian attitude was exercising a moderating influence on both Berlin and Rome and that he considered that Austria's leaving the League now would be more significant than Germany's absence or Italy's abstention.

The question of the Austrian Legion in Germany had been raised by the German Government, said Dr. Schmidt. The German Government had pointed out that these members of the Austrian Legion were becoming a great problem in Germany and asked for wholesale repatriation. Dr. Schmidt said that Austria could not consider such wholesale repatriation, but was prepared to consider repatriation in individual cases. So far as I can learn, no definite arrangements were made for the repatriation of the Legion, but it is likely that there will be considerable repatriation of individuals.

With regard to the approaching negotiations for a trade treaty, Dr. Schmidt said that the only definite arrangement made during his Berlin visit was that the negotiations should begin on December 7. He did, however, indirectly indicate that Austria would purchase armament material from Germany and from Italy and he could not conceive of France's being willing to supply armaments for Austria.

He indicated to the chiefs of mission to whom he made the above statements that it might appear to some observers that Austria was following slavishly Berlin and Rome. He said that he should like this impression removed for she kept her liberty of action vis à vis both capitals - even if that liberty of action was becoming smaller than it had been. Austrian policy would follow the line of the Rome Protocols as before, but he had agreed that before taking any further commitments in economic matters, especially as affects her neighbors, she would consult with Berlin. This in no sense bound her hands for she kept her freedom of action and was not bound by any external control. In making this statement, which I understand he made to only one chief of mission here, Dr. Schmidt requested that this information be kept in the utmost confidence as it might disturb the Little Entente and give rise to a wrong impression. It is in my opinion, however, the most important single thing in connection with Dr. Schmidt's Berlin visit for what Germany is working for is dictation of Austrian policy, first economically and then politically. Although Germany is not among the Rome Protocol States, this agreement by Dr. Schmidt that Austria will take no economic commitments without previously informing Berlin practically binds her hands, for even though Berlin's approval

is not necessary, according to Dr. Schmidt, it is extremely unlikely that Austria will take any action to which Berlin vigorously objects. We have already seen this in the way the Austro-Czechoslovak trade treaty was revised early this year as a result of German objections in Prague and Vienna.

Dr. Schmidt further said that he was very much gratified that he had been able to get into the communiqué, with the consent of Hitler, a statement referring favorably to the Chancellor's work of consolidation in Austria. He said that he felt that under the circumstances this was a great victory as it gave the Vienna Government a strong arm against Nazi criticism and Nazi activity within the country. He considers this as one of the major achievements of his Berlin visit.

He said that he came back from Berlin with the definite conviction that there was no arrangement between Italy and Germany regarding a partition of Central and South-eastern Europe into spheres of influence. He had not been pleased, he said, with some of the statements made by Ciano during his recent visit to Vienna, which left the impression that such an arrangement had been reached between Hitler and Mussolini through Ciano at Berchtesgaden. Several of my colleagues who saw Dr. Schmidt on his return had the impression that he went to Berlin with the feeling that such an arrangement had been arrived at. He said that he was now convinced that the arrangement did not exist and that he could not see how it could exist in view of the opposed interests of Italy and Germany in Central and Southeastern Europe.

He also said that he returned with the definite conviction that Germany intended to keep her word with regard to the recognition of Austrian independence as expressed in the Berlin-Vienna accord of July 11, 1936.

When asked by one of the most interested chiefs of mission here about the article which appeared in the WELT-BLATT to which I referred in my last letter and in which it was stated that Dr. Schmidt had discussed in Berlin "Army-political matters particularly with reference to neighboring states", he was vague and indirect in his reply. He said

that Austria would naturally get a good part of her armament material from Germany, but that conversations on "army political" matters could have no significance as Austria was practically a disarmed country. In this connection I may state that although I have no further information than the foregoing of a definite character, I am of the opinion that these "army political" conversations refer to the Germans bringing up the Czechoslovak air fields and air cooperation between Czechoslovakia and Russia under the existing Czechoslovak-Russian agreements. These air fields in Czechoslovakia, as you know, are a thorn in the side of Germany and the Germans are exerting pressure in various directions regarding them. They have particularly worked up the Hungarians on this subject. The Austrian Government is proceeding with the building of three air fields in the Burgenland, the principal one being at Ogau. My feeling is that it is largely under German pressure that the work on these three air fields in the Burgenland is being hastened and that it is this point which the vague term "army political" conversations cover. I do not place too much weight on this WELT-BLATT article now and not as much as I was originally inclined to as I think it gives an exaggerated importance to this aspect of the Berlin conversations.

The foregoing gives you, I believe, a definite statement of the conversations which Schmidt had in Berlin with von Neurath, Goering, and Hitler. From another responsible source I learn that the question of restoration was also raised by the Germans during the Berlin conversations, but that Schmidt took the attitude when the subject was raised that it was not one which he could discuss as restoration was a purely internal matter.

In my recent letters, particularly those of November 2, 6, 16, and 23, I referred to the uncertainty which existed in practically every European capital concerning what had taken place during the Ciano conversations in Berlin with von Neurath and Hitler, and to the growing impression that they had arrived at a division into spheres of influence of Central and South-eastern Europe. I pointed out that a good deal that was happening was pointing in that direction. It is now clear that Ciano during his visit to Vienna, which came on the heels of his Berlin visit, left the impression here that some rather far-reaching agreement had been arrived at between Berlin and Rome. Certainly Schmidt went to Berlin with the impression that some such division of spheres of influence had been arrived at.

The conversation which Mr. Phillips had with Ciano in Rome and which he reported in his despatch No. 61, of November 2, to the Department, would leave that impression. As above stated, Schmidt now returns from Berlin with the definite impression that there is no binding agreements between Berlin and Rome and no division of spheres of influence. This is in accord with the conversation which I reported to you between Ciano and the French Minister in Vienna during Ciano's recent visit here in which he indicated that Rome had no such binding agreements with Berlin.

I had a conversation with the Italian Minister here on Saturday in which he stated "that it was a mistake to assume that there were any binding agreements between Berlin and Rome as so many people believe". He went on to say that no such agreements existed. They had an understanding for common action on communism but nothing further than that. It is difficult to believe what the Fascist Governments say, but it would appear that no such binding agreements exist. If this is so, of course one of the most dangerous factors in the European situation which we could have does not yet exist. I still am inclined to believe that Rome and Berlin are no further than parallelism of action; that each distrusts the other just as much as ever; and that basic opposition of their interests is just as great as ever.

I think I should tell you of an interesting development which throws some light on the general situation. I happened to have a very long conversation with the Italian Minister here on Saturday morning following a courtesy call which I made on him. He spoke with unusual frankness and was called to the phone. He remarked to me that his secretary had just read to him a message from Rome just decoded. He went on to say that the former Emperor of Abyssinia had just lodged another protest with the League which the League Secretariat had, in the usual course, circulated among the member states. The Austrian Minister in Geneva, probably thinking that he was pleasing Italy, had immediately got in touch with his Government in Vienna, suggesting that the Austrian Government should make a protest over any reception of this communication. I gathered that the Government here had got in touch with the Italian Minister who had immediately communicated with Rome. The Minister said that he had just had a reply from his Government

approving his suggestion that he advise the Austrian Government not to react to the recommendation of the Austrian Minister in Geneva. It was ridiculous, the Italian Minister said, to pay any attention to such a communication from the former Emperor of Abyssinia and the proper thing to do was to ignore it and his Government, he was glad to say, felt that way about it. He went on to say "you see how reasonable we are about these things".

The recent communication, however, from the Spanish Government to the League will not be so easily disposed of as this one from the former Emperor of Abyssinia, and according to the papers this morning, the League Council will sometime in December have to take cognizance of the Spanish protest. Any action by the League is bound to raise further explosions from Italy and of course from Germany, and it all shows how difficult the League position is and how impossible it is to do anything towards reorganization so long as these major questions are not out of the way. Any reorganization now would be practically dictated by Italy and Germany and be so unacceptable as to finally destroy the League completely. England and France would like to see none of these questions brought to the League until the atmosphere is cleared, but that is too much to hope for and the League for the present is an obstacle rather than an aid to the maintenance of peace. It is an anomalous and a distressing situation, but it is one which has to be faced.

It will also interest you to know that during the conversation with the Italian Minister on Saturday he indicated to me that while he had no direct information yet, he did not believe that his Government would make any agreement with Japan similar to that which Germany had just concluded. He was under the impression that his Government had been approached both in Berlin and Rome, with regard to such an agreement with Japan, but that he felt quite sure that Italy would not make such an agreement with Japan. It was totally unnecessary and he saw no object to be gained by it.

The Soviet Minister here gave a reception on the afternoon of November 28, and it was noticeable that while most of the chiefs of mission were there, no one was present from either the German or the Italian Legations. I learn

that the Austrian officials were quite uncertain as to whether they should appear in view of the recent violent attacks which have appeared in the Austrian press, and in view of the obvious endeavor of the Government to open the way for Austrian adhesion to this anti-communist front. I am told that the Chancellor passed the word that quite obviously the members of the Government who had been invited should go to this reception and I noticed quite a number of them there. The Chancellor is keeping a clear and a cool head and Austria is very fortunate in both its President and its Chancellor.

On his return from Italy the Hungarian Regent Horthy is making a two days visit in Vienna. He arrived yesterday morning and there was the usual exchange of calls during the day. There was a big state dinner followed by a reception in the Schönbrunn Palace last evening to which all the chiefs of mission were invited, and I had a fairly long conversation with the Regent in which he spoke most amicably about our country, and in English, a language which he speaks unusually well. The military parade which was to take place this morning and which was to be on a bigger scale than anything of this kind in Austria since the end of the war, was cancelled as it snowed most of the night and during the early morning. There is a gala performance this evening in the Opera in honor of the Regent and Mrs. Horthy and they leave at midnight for Budapest. I am inclined to think that nothing of importance is taking place during the visit as I cannot conceive of any major question between Austria and Hungary on which there is not entire agreement already.

I have just learned that the Prince Regent of Yugoslavia during his recent visit to London is said to have agreed to the final arrangements for the fortification of the harbor of Cattaro, its deepening, and its being made a base adapted to the British fleet. You know that this harbor is a landlocked bay with a narrow entrance. The British fleet during its recent stay in eastern Mediterranean waters found this harbor inadequate for its larger vessels. I am told that the British are making a very considerable advance to Yugoslavia which will be given the appearance of a loan but which will in fact be a gift - the whole proceeds to be used by the Yugoslavs for making this harbor into a base which can be used by

the British fleet. While I have no definite information as to the amount which the British are to give the Yugoslavs, it is apparently a considerable sum. This information comes to me from a good source, but of course it is subject to confirmation still. I am inclined to believe that it is so, and if it is, it means a good deal in the European picture. Yugoslavia has not been too much taken in by Mussolini's recent olive branch, and she knows how definitely Turkey and Greece are in the English camp and under existing circumstances she still prefers the French and English camp to either the Italian or German. The determined attitude of the English which is finding more and more expression, is a necessary preparation for any Mediterranean arrangements and Mr. Mussolini is showing a more accommodating attitude. Certainly it is comforting that the atmosphere has been cleared, or apparently cleared, to the extent that we seem to know that there are still no binding agreements between Berlin and Rome and that Italy does not intend to join with Germany in this anti-communist drive to the extent of making a similar agreement with Japan. Mussolini is wise enough to know that economic and "anti-communist" agreements lead very quickly to political commitments of which he is still shy. In my opinion this Japanese-German agreement is merely important as an outgrowth of that much more serious understanding which we know already exists between Berlin and Tokio. In one way it may be a good thing that Berlin and Tokio have come into the open to this degree.

With all good wishes,

Cordially and sincerely yours,

George S. Messersmith.

GSM-mjp