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Vienna, November 5, 1935.

*Received
Phillips*

Dear Mr. Phillips:

There have been no developments of outstanding importance in Austria since I last wrote you. The situation remains entirely quiet throughout the country. The new Cabinet has settled down to work and there has been no change in policy internally and no change of importance in Austria's external relations.

The new Minister of Social Welfare, Dr. Dobretzberger, in one of his speeches has indicated that the government may seek reconciliation, at least to a degree, with the Social Democrats. This news was immediately welcomed in England where the repression of the Social Democrats in Austria has always been one of the difficulties which the British Government experienced with its own public opinion in its Austrian policy. The British Government has already expressed its interest through its Minister here in Dr. Dobretzberger's declarations and asked for more specific information as to what it means. I am inclined to think, and I think this is the correct estimate of the situation, that Dr. Dobretzberger has no definite measures in mind, but that he will have the Chancellor's backing in such measures which it may be possible to take in conciliating the Social Democrats. In view of the strong Heimwehr attitude against the Social Democrats which Prince Starhemberg thoroughly shares, and in view of the Heimwehr strength in the Government, the probabilities are that the Chancellor and Dr. Dobretzberger will not be able to go very far, but it is interesting that the Minister of Social Welfare should have made this declaration. It would greatly strengthen the Government in Austria as well as strengthen its position in England and France, if some measures to conciliate the Social Democrats could be taken. The whole interest of the Government in this matter is of course dictated by a desire to conciliate public opinion in France and in England where Austria recently has had not too good a press as a result of its attitude at Geneva on sanctions and of the manner in which the recent Cabinet changes were brought about.

The Honorable
William Phillips,
Under Secretary of State,
Washington, D. C.

It is interesting that Fey and Starhemberg, who so thoroughly dislike each other and who have each considered the other his most serious rival, have had several conversations recently in order to talk things out and it seems that Fey has definitely accepted a secondary position. They went so far as to shake hands with each other at a military celebration on All Saints Day. All the deposed Ministers and Secretaries of State are being cared for with comfortable berths by the new Cabinet and have been given high decorations, so that at least on the surface of things everybody is happy.

News is appearing in the foreign press that Starhemberg is sending emissaries to see Otto in Belgium and that he and Fey have reached agreement with regard to a restoration of monarchy. I think that all these reports are premature and without real foundation. The new Minister of Finance, Draxler, whom Prince Starhemberg put in, is very important in the monarchist camp and he will undoubtedly have to make some gestures to Otto, but these I think will be in the form of facilitating the return of some of the Habsburg property already decided upon some time ago. I doubt whether there will be any definite action towards restoration in anything like the near future because Starhemberg sees himself nearer to regency than ever and has no desire to use his increased power for the benefit of the Habsburgs. The question of monarchy remains, I believe, just as it has for months - that is, that the Government keeps it up its sleeve as an emergency measure against Germany and which it does not intend to use unless it has to. That a sop will be thrown to the monarchists now and then is only to be expected, but these gestures must not be interpreted to have too much meaning.

There is a good deal of concern within the Government regarding the English and French attitude towards the new Cabinet. The cold reception which the new Cabinet has received in England has come like a cold douche here in Vienna. The British Government has maintained an attitude of very real reserve. When Frankenstein, the Austrian Minister in London, offered explanations in the Foreign Office regarding the changes and referred to the British press reaction to the Austrian attitude on sanctions and to the Cabinet changes, I understand that little interest was shown and a decided preference indicated not to discuss the situation. He was assured there, as the British Minister here

assured the Foreign Minister, that England's policy did not change easily or quickly and that her interest in Austrian independence had in no sense abated. On the other hand, the British Government has clearly shown that it was not pleased with the unnecessary emphasis placed by Austria on Italian friendship at Geneva and that it could not enthuse about the way in which the recent Cabinet changes were brought about. As even the strongest Heimwehr people in the Government here, including Prince Starhemberg himself, must realize that Austria's financial problem cannot be helped except by England, this attitude of reserve by England has created, to put it mildly, real consternation here. The Government realizes that it has gone too far in its pro-Italian attitude, especially as it sees France definitely lining up on the side of England. The press has within the last weeks continued its toning down process and there is an altogether different attitude on the Abyssinian and Italian question. While naturally still friendly to Italy, there is a decided piping down of the pro-Italian attitude and there are no more unfriendly references to England.

The Government here has not been made any more comfortable by the fact that it has to send during the early part of this month, some of its financial experts to London to talk on Credit Anstalt matters and that embarrassing questions will be asked about Austria's budget and the plans of the new Finance Minister. I think Starhemberg will find that it has done him very little good to put his own henchman in as Finance Minister and I would not be surprised to see Dr. Draxler's term in that office of comparatively short duration. He is clever enough, but he has been mixed up with too many things of an unsavory character to enable him to gain very much confidence either at home or abroad and the Austrian position both at home and abroad requires this confidence in her financial position.

In the major position I think things are developing very much in the right direction. There is no reason to change any of the conclusions which I set forth in the memorandum which I transmitted with my letter to you of October 11, and on which I commented more fully in my letter of October 15. The general situation seems to be developing along the lines of the memorandum and of my letter.

Little by little the degree of cooperation between England and France, which has already been arrived at, is coming out and the agreement is more far-reaching already than anything which has appeared in the past. There is marking of time in both England and France. In England there will be very little action except steady pressure on the application of sanctions and quietly strengthening her position in the Mediterranean until after the elections. In France the English are quite prepared to be a bit patient until public opinion can catch up with such wisdom as there may be in Paris. It is not yet clear whether Laval will be able to stay, and my own feeling is that really throughgoing English-French cooperation will not be possible or at least its definite working out will not be effective unless Laval is removed from the scene, even though it may be temporarily.

The English preparations in the Mediterranean are in the meantime going on at a tremendous rate. Just yesterday I was talking with two of my English friends here and casually talking about some family matters with each other I heard each observe to the other that their sons had gone with their regiments to the Mediterranean. The lull before the elections and before the definite application of sanctions is perhaps not altogether unwelcome to England, for it gives her the time to strengthen her position. So far as I can see, there is no intention on the part of England to effect a face saving compromise with Italy, and I cling to my opinion that it is to be hoped that no such face saving compromise will be arrived at because of its dangers. The manner in which the British Government has handled this situation is really quite admirable and it cannot afford to make any settlement outside of the League. Among many classes in England there is a certain almost mystic devotion which has grown up with respect to the League, and while behind it all there may be fears for the Empire, this devotion to the League principle is very real.

You will be interested to know that the other day there came to Vienna a rather important Englishman with letters of introduction to the people in the German Legation here. Ketteler, who is Papen's mouthpiece, spoke very frankly to this Englishman, for he knew what he would say would get back to the most important people in London. This Englishman was

told that in Papen's opinion, which he had definitely expressed to Hitler, it was impossible for Germany under present conditions to take any overt action against Austria. If there were an election here now the Nazis could not expect more than a 25% vote. If, on the other hand, there could be English-German rapprochement, the ground would be prepared for an entirely different situation in Austria and under these circumstances an election here would result in an 80% vote in favor of close relations between Austria and Germany.

von Ketteler emphasized to this Englishman that for the time being his chief, von Papen, could accomplish nothing in Austria and that his negotiations with the Austrian Government were practically at a standstill. He said that Austria, after all, was only a pawn in the bigger game and that what was necessary, and what Hitler desired, and what von Papen was working for, was close English-German cooperation. Hitler and Papen realized that this cooperation could not be brought about as long as Goebbels remained in the picture. He said that if the English papers would attack Goebbels it would greatly strengthen the position of those who were trying to get Hitler into a more reasonable frame of mind. This would be difficult to do, but if Hitler saw a possibility of English-German cooperation he would ditch everything else. Such cooperation, von Ketteler said, would result in twenty-five years of peace which would be a great advantage to both England and Germany. At the end of that time it might come to a trial of strength (Machtprobe), between Germany and England, but this perhaps was unavoidable anyway and the postponement of the struggle for the mastery of Europe for twenty-five years was already a great deal. The naïveté of this sort of conversation to convince the English of the desirability of German-English cooperation will amuse you, but the interesting part of it is that this is really the sort of feelers which are being put out towards England continuously. I think it is realized in England that these twenty-five years of peace would be years of trouble, and the game would hardly be worth the price.

The weakness of the internal German position is becoming constantly more evident. The extraordinary detachment with which Germany is outwardly following the general European situation at present is one of the most definite expressions of this weakness. She made a tremendous offensive some weeks

ago when she saw Anglo-French cooperation in danger of coming into being. As indicated in my memorandum sent with my letter of October 11, this offensive was concentrated on Warsaw, London, Paris, Brussels, and Rome. The offensive was a complete failure and Berlin is correspondingly restrained and quiet, but nevertheless expectant and unceasing in its activity. As was to be expected, close Anglo-French cooperation is having its definite results. Beck in Warsaw is "sick" and there is talk of his resigning. I hear that it is pretty definite that he will resign. Once again the Poles are running true to form and are changing horses, but it is not going to be a precipitate change. All the information I get here, however, from well informed sources is that Beck will in a comparatively short time be replaced by a Foreign Minister who will follow a more pro-French and pro-English policy. This will greatly upset Berlin further as Warsaw is the continental keystone on which it built its European expansionist plans.

In spite of the coldness with which the German advances have been received in Paris, Goering in his Saarbrücken speech a few days ago makes another impassioned appeal for cooperation with France. He declares that Germany has definitely given up Alsace and Lorraine and that there are no real difficulties existing between Germany and France. He emphasizes Hitler's statement to this effect and expected to be believed. You will remember I told you in one of my letters that shortly after the Saar elections and Hitler's statement that now there were no more difficulties between France and Germany, an American was present at Berthelsgaden when Hitler gave Goering a wink when the question was asked as to whether Germany had really given up all hope of regaining Alsace and Lorraine. Fortunately in London, Paris, and Brussels it is understood what confidence can be put in declarations of this Government in Berlin.

Just as the Austrian Government is very much disturbed over public opinion in France and in England, and just as Poland is considering swapping horses again, so in Hungary there is real concern over the effect of its attitude on sanctions at Geneva. With the restoration of monarchy in Greece and the corresponding strengthening of the British position there, another German gun has been spiked.

The "Stimmung" in Berlin must be pretty poor these days with the external situation developing so definitely contrary to its expectations and with the increasing probability

that the Italian-Abyssinian venture and the English-Italian tension cannot bring about general disturbances in Europe which she could capitalize. In the meantime her internal situation has in no sense improved. The butter cards were to be brought in on November 1, and that they were not put into use on that date has been interpreted in a part of the foreign press as an indication that the situation is not as serious as it has been pictured. As a matter of fact, it is an indication that the situation is even more serious for the cards were not put into use on November 1 simply because there was not sufficient butter on hand to provide the quarter of a pound per person per day which the cards provide for. Every effort is being made to provide sufficient supplies so that the butter cards can be put into effect by December 1, and they will merely be the forerunner of others.

The process of expropriating the property of Jews and others is going on rapidly and in spite of the opposition of Schacht and the Reichswehr, the attitude against the Jews is being stiffened and implacably carried through. The situation in Germany has reached the point where the present regime is getting its strength almost entirely from those who benefit directly or indirectly through it. The number of these is constantly growing smaller and the popular support growing narrower. This only emphasizes the struggle of those in power to get what they can while the going is good and hence this expropriation of Jewish property. Schacht the other day made another of his ineffectual steps when he wrote to the German Chamber of Commerce that the action against Jewish business men must stop until the actual executory decree under the Nuremberg law is issued.

Kipnis, the American tenor who was the last Jew left in the Opera in Berlin, has now been let out. He was kept so long as he is an American and as they have such a dearth of tenors, but his going is an indication of how definitely Goebbels and Streicher are carrying through the anti-Jewish measures. The renaming of the S.S. ALBERT BALLIN as the HANSA was entirely due to the same type of pressure. But they are carrying through this pressure not only against Jews, but against everyone who does not conform. Dr. von Zumbusch, who is not a Jew and who is perhaps one of the most outstanding German doctors, has been forced out of the University at Munich and out of all the hospitals there.

The internal struggle in the Party, wo w ich I have referred in my letters, is becoming more real constantly. Very considerable groups within the Party continue to look upon Goebbels and Streicher as the arch enemies of the Party and the regime. They seem to think that if they can remove Goebbels and Streicher from the picture England and France and the United States will accept the present Government. They do not realize that it is well understood that while Goebbels and Streicher may be two of the most radical members of the Party, their disappearance from the scene would not make the present regime any more acceptable outside. The whole situation goes much more deeply and, as I have often said, National Socialism has to pursue its course without change either to end in victory or complete defeat. They can make no compromises and there can be no compromises with it. Men like Goebbels and Streicher, important as they may be within Germany today, are in fact only minor elements in the problem and it is a question of the disappearance of Nazi ideology rather than of a few exponents of it.

I don't know whether you have seen any of the reports of the press conferences in the Ministry of Propaganda in Berlin through which the daily indications are given to the German press. I happened to have the opportunity to see one the other day. The representatives of the press at this meeting were told, among other things, that there must be no mention whatever of the fortifications being erected in the demilitarized zone. They were told that there must be no mention whatever of the Esser scandal. Esser is one of the big Party men in Bavaria who has been levying blackmail on industry and using Party funds for his private purposes. There were also some personal scandals which were becoming known. They were told that there must be no mention for the present of the territorial demands of Germany as these interfered with the carrying through of Germany's foreign policy. Similarly they were told that there must be no mention of the military instructors recently sent by Germany to Abyssinia and of the Siemens engineers who went there.

I should perhaps in mentioning the Hungarian situation have brought out that the Goemboes visit to Rome has not yet taken place. You will remember he was to go there immediately after his recent visit to Berlin. Perhaps Budapest does not believe it so important now that Goemboes should go to Rome since Hungary's Geneva vote on sanctions, but there is a good deal of reason to believe that the real reason he has not gone is because Hungary is getting cold feet as a result of the reaction in England and in France.

As I see it, England and France have reached their decision and England is biding her time until after the elections and to give public opinion in France a chance to catch up and for the internal situation to stabilize itself there a bit more. The dangers of a face saving compromise, faced by situations beyond the control of anybody, is always present. The danger that there will be such a face saving compromise, which would be so disastrous for Europe, is less than it was some days ago. The situation in Italy is difficult to judge from here, but I was very reliably informed yesterday that Benes has been very much embarrassed through an approach from Mussolini that he serve as one of the peacemakers. As my informant observed, Mussolini's situation must be becoming pretty desperate in his own opinion when he approaches Benes to act as a peacemaker, for it is no secret how cordially he dislikes him. The danger that there may be this face saving compromise is not yet past. For the time being it is less. Next week again developments may be such as to bring back this danger. The one thought which I wish to emphasize is that a face saving compromise is a danger which in the interests of peace and of a return to democratic institutions in Europe it is hoped will be avoided.

I have read in our papers and in the daily radio bulletins which we are so glad to get through our Embassy in Berlin, of the extraordinarily helpful attitude taken by the Secretary and the Department. The statements by the President and the Secretary have been most wise, courageous, and helpful. I am sure that history will give due credit in time to the wisdom and the courage of this attitude. It is encouraging that the press at home is following the lead so thoroughly and apparently so far as I can judge from over here, so wholeheartedly. There is little that we can do, but even the little that we can do is of tremendous importance and has a tremendous effect in this disturbed old world over here.

Believe me, with all good wishes

Cordially and faithfully yours,

George S. Messersmith.