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Vienna, February 7, 1936.

Dear Mr. Phillips:

I last wrote you on January 25 at such length that knowing the demands on you I do not wish to impose any more details at this time, but things continue to happen on this side and this little country continues to be an object of grave pre-occupation to the powers. At the risk of imposing on your patience I therefore feel it necessary to give you all the worthwhile background available here.

I am sending by this same pouch a strictly confidential despatch No. 684, of February 6, which I hope you may find the opportunity to read as it gives the major outlines of the situation in this part of the world as so far affected by the London and Paris conversations. What I shall say in this letter will be more intimate background for my despatch No. 684.

As I foresaw, the visit of Starhemberg to London had a number of good results. He made on the whole a good impression there and was able to dispel through this personal contact some ideas which were held in a number of quarters in London concerning his personality. His frank way of discussing the Austrian situation made a good impression. What was just as important, however, if not more so, was that Starhemberg was told very clearly some things which he should know. Although Starhemberg is still a young man and very boyish in his ways, he has never really had any youth. He has always been a fighter and interested in politics with, however, little opportunity to travel. His contact with foreigners even in his own country has been restricted. There are therefore many things which it is important for a man in his position to know of which he has little idea. This is one of the reasons why in his public speeches he is so impetuous and says things which are misinterpreted merely because he wishes to be emphatic in an entirely different direction. This is strikingly illustrated by his recent statements on restoration.

The Honorable

William Phillips,

Under Secretary of State,
Washington.

opportunist *no to end*
While in London Starhemberg was treated with special courtesy and every ~~effort~~ was made ~~to give him to~~ talk with all kinds of people. He was a very apt pupil and as a matter of fact almost too apt for he left London with absolutely changed views on a number of subjects and an ardent supporter of the idea of Central European cooperation. He was so impressed with what he had been told in London about the impossibility of restoration in the near future, which of course fitted in with his own views, that on arriving in Paris still wanted to go to Belgium on the return trip to Vienna for the purpose of making it clear to Otto that there was nothing doing in that direction. His proposed trip to see Otto in Belgium had already been discussed with him in London where the inadvisability of it was pointed out. All indications are that if he had planned to go to see Otto, it was for the purpose of saying there was nothing that could be done about restoration and Otto had better recognize this, but in view of the London conversations he felt more than ever that he should say this to him directly. When Starhemberg got to Paris and the French learned that he still had thought of going to see Otto even though what he was going to say was contrary to the popular view of his intentions and what he would say fitted in with the French idea, I am informed on good authority that the French persuaded him not to go as they did not wish to have the legitimists put responsibility for what Starhemberg would say on them.

Nevertheless, Starhemberg felt it so important that Otto should know his views and the utter impossibility of anything being done about restoration that he sent Baron Haerdtl of the press division of the Foreign Office, who was with him on this trip, to Belgium to give the message to Otto. It was after Baron Haerdtl had seen Otto in Belgium that Otto went immediately to Paris in the hope of seeing Starhemberg there. Numbers of the Habsburg clan did gather in Paris, but Starhemberg had no direct contact with them and one of the results of the Paris and London conversations of the last ten days has been to put restoration in the background. The Little Entente States are reassured, which is so important, for no progress can be made in the understanding which is being pressed among them unless the imminence of restoration is discarded. All the information which I get here from Austrian, Little Entente, and Balkan Union sources is that it is out of the picture.

I have not telegraphed you about this situation as I was confident my despatches and letters have formed adequate background.

You will be interested to know that during his stay in London and in Paris Starhemberg was so open and direct in his statements which he made with regard to cooperation with the Little Entente, and said so little about Italy that the Ballhausplatz here became very much disturbed. It seems pretty clear that he gave out two interviews in Paris which the Austrian official press bureau here later said had not been given and on February 5 there was issued an official communiqué of his Paris visit supposedly from Starhemberg, but which was really made up in Vienna. This communiqué I am transmitting as the enclosure to my despatch No. 684, and the last paragraph in which emphasis was put on the fact that any conversation with regard to Southeastern Europe would be useless without Italy, was the effort of the official press bureau here to satisfy the Italians. While Starhemberg himself naturally wishes the Italians kept in the picture and his sympathies are still very much in that direction, he will not be pleased with the action of the official press bureau here in denying that he gave the two interviews in Paris and in practically making up one for him. He returned to Vienna last night and I have not seen him as yet, but it is not improbable that Starhemberg may raise a storm here among his colleagues for having practically disavowed what he said while in Paris. He is a figure to be reckoned with and is strong when aroused and I would not be surprised to see some people here fairly high placed suffer. He is coming to dinner at the house on next Tuesday evening when I am sure I will get first hand impressions of his London and Paris visits.

I am sure that you have such full information from London and Paris with regard to the conversations which took place there that it would be beside the point for me to make much comment from here. The Government here is naturally pleased that the propping up of Austrian independence as the principal factor in the maintaining of peace in this part of the world figured so largely in these conversations. Perhaps the pleasure was not altogether unmixed as they are not particularly happy here over the increasing part which Soviet Russia is playing. This, however, is not a serious or permanent factor for the Soviet Minister told me last evening that the Austrians are willing to provide credit facilities in order to promote trade between the two countries. If Italy can be kept in the picture the Austrians will eventually be satisfied with Soviet Russia as one of the guarantors of her independence and the status quo in this part of the world.

The feeling here is that the London and Paris conversations have had the following definite effects; they have dispelled the fears of the Little Entente with regard to restoration and have definitely impressed on the Austrian Government that the legitimist movement must be kept in check. They have cleared the ground for the conclusion of the Rumanian-Soviet Agreement and for the Franco-Rumanian Trade Agreement. They have reassured the Little Entente and the Balkan Union with respect to the interest of France and England in this part of the world and this reassurance as you know had been considerably shaken. They have laid the basis for the removal of such fears which properly existed of increasing German influence in Yugoslavia and Rumania.

The foregoing are the concrete results which I think we shall see of these conversations which were undertaken, I believe, without any specific program in mind, but with the intention of exploring the possibilities for proping up the situation in the case of hostile action by Germany or Italy, or both. Whatever plans there may have been for pushing through the Danubian Pact had to be abandoned for the present in view of the attitude of Hungary and because of Italy's being involved in Abyssinia. Whatever plans there were for bringing Bulgaria more closely into the Pact had to be abandoned for the position of King Boris, no matter what his desires may be, is not sufficiently strong to carry through any present direct action with either the Little Entente or the Balkan Union.

To my mind, however, aside from these concrete results and the valuable information secured through this personal contact, the outstanding effects of the London and Paris conversations will be the stimulus towards the trend for closer cooperation between all these states in a political and economic sense. This stimulus has been real and a new atmosphere has been created. I have pointed out this trend in my recent letters and despatches and I believe it very important. Any kind of a pact is still important, but, as many observers here point out, it is not so important as to whether there is a Danubian or a Mediterranean or any other Pact, but it is important that all these states recognize their community of interest, establish closer contact, recognize the common danger, cooperate in the League and in case of aggression against Austria or anyone

else common action would come rapidly in the absence of any other written agreement. It seems a bit Utopian and I admit that it is still not very real because things can happen here so quickly to disturb a situation, but I can sense a very distinct change in the atmosphere here and if the path embarked on is followed out we shall see some interesting and helpful results.

Of course one of the obvious implications to be drawn from the London-Paris conversations is the increased isolation of both Italy and Germany. This is the result, however, of no one's enmity or ill will towards these countries, but of their own policy. This increasing isolation was inevitable and must have its consequences. Those, however, who see in this isolation and in the possibility of Italy and Germany's getting together, a definite danger to European peace are, I think, raising a spectre to frighten Europe into a face saving compromise with one or the other, or both.

For the reasons set forth in my despatch No. 684, I do not believe that Italy and Germany will get together. Neither trusts the other and each knows how weak a help the other would be. But even should they get together, I am confident that they would find all the rest of Europe against them and the union would be a measure of desperation which would not aid either in the end, but would lead to the elimination of the two Fascist Governments and prepare the way for Governments which can enter into reasonable and orderly relations with their neighbors. Whatever identity of interests Poland and Hungary might have with such a combination of Italy and Germany, the chances are overwhelmingly that they would not enter into it. Both Poland and Hungary are playing a double game and have been sitting on the fence for years. They have special interests and want to be in a position to make the best bargain possible. They are going to continue to play that game as long as possible, but if it should come to a decision involving their definitely aligning themselves with Italy or Germany, or both, in the face of a combination against them of the rest of Europe there is, I believe, no probability of their doing so. Both in Warsaw and in Budapest the real position in Germany and Italy is understood, but they believe it is to their advantage to maintain this equivocal attitude as long as possible.

I know that this spectre of constantly increasing isolation and pressure on Italy and Germany bringing them together and of precipitating a conflict in Europe is being raised in a good many quarters. I can quite appreciate why some should believe in it. It is in the realm of possibility that they are right, but after a careful weighing of all the factors involved and on the basis of the information which I have, I am convinced that this combination is not a probability and if it were I do not see it a danger. Two countries whose economic and financial structure is in such a position as that of Italy and Germany may be in a position to undertake a desperate action which may even precipitate war, but they are not in a position to carry through their will.

I am not going into a detailed analysis of the factors which I considered in reaching this view and I am only giving you my views for such interest as they may have. It is difficult to maintain one's perspective under the most favorable circumstances, and it becomes the more difficult the closer one is to a situation. The Fascist regime in Italy and in Germany seem much stronger to the observers in Rome and Berlin, no matter how objective and considered, than then do from a more distant post of observation. This is why I try to be so careful in what I say to you about the situation here in Austria, for I realize that there is the same danger for an observer here. What makes this such a particularly interesting observation post is that so much interest centers here and such diverging interests that it is perhaps not so difficult to keep the perspective.

With respect to the position in Austria, there is nothing to add to my recent letters and despatches. The situation remains quiet with no cause for concern and I think with greater reason for confidence. The relations with Germany are certainly not any better and I think you will be interested in the observations which von Bülow made to the Austrian Minister in Berlin, recited in my despatch No. 684.

The relations between the two countries are certainly not any better and not likely to get better, for there is increasing bitterness in Berlin over the failure of their efforts in Austria. Now that the lid is again off, the press in both countries the situation is not going to be improved.

Papen keeps a smiling face and is a good actor. He was at the house the other evening and one would have thought him the happiest and most satisfied of men. That is just like him. He went to see our British colleague the other day and said that he had had no opportunity to talk with him for a long time and would like to discuss the situation with him. I don't think my British colleague was particularly anxious to do so, but he let Papen talk. Papen told him that he had not been able to make any progress here and he felt that it was because some of his colleagues were working against him. He quite definitely implied that he referred to the British and French. The British Minister told him that he was only concerned with British policy and that so far as the British policy with respect to Austria was concerned, it was laid down in public speeches of Hoare which Papen must be familiar with. England was interested, he said, in the maintenance of Austrian integrity and independence as an indispensable element towards the maintenance of peace in Europe. To this ~~said~~ Papen replied that he found an intractable attitude on the part of the Austrian Government, that he could make no progress whatever, and that he considered his work hopeless. Every avenue of approach, he explained, towards bettering relations he found closed or he could make no progress.

The British Minister observed that he had the definite impression that the Austrian Government would be very happy to bring about better relations with Germany and that he had frequently heard responsible members of the Austrian Government so express themselves. He stated that the only condition which he understood the Austrian Government considered indispensable was recognition of the country's independence and abstention from interference in her internal affairs. To this Mr. von Papen observed that his country had no desire to interfere with Austrian independence or integrity and that he had frequently so stated. To this the British Minister observed that he understood the Austrian Government wished to have an unequivocal statement of the German Government on this subject and so far he had seen no such statement. To this Mr. von Papen had no response. I am only telling you about this conversation as Mr. von Papen so frankly admitted that he had not made any progress here and was obviously very much discouraged.

Cordially and faithfully yours,

George S. Messersmith.