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Enclosure No. 1, to Despatch No. 1059,  
dated February 17, 1937, from the  
American Legation, Vienna.

CONFIDENTIAL

Vienna, February 17, 1937.

MEMORANDUM OF CONVERSATION WITH THE SECRETARY  
OF STATE FOR FOREIGN AFFAIRS, DR. SCHMIDT.

I had dinner at the Bulgarian Legation last night and after the dinner the Secretary of State for Foreign Affairs, Dr. Schmidt, who was present, took me aside in a room where we had the opportunity to talk quietly. He said he was very tired as his work had kept him going until late in the night for such a long period and he wished to have a quiet talk. I did not endeavor to lead the conversation into any specific direction and permitted him to take the lead constantly.

He asked me what I thought of the Chancellor's speech in the Bundestag on Sunday. I said that I considered it in many respects the best speech he had yet made - that I thought it had made generally inside and outside the country a good impression and that it would favorably influence the internal Austrian position as well as the external position in view of his assurances that there was to be no change in policy in any direction. Dr. Schmidt said that he was very glad to have me say this as the Chancellor also was of the opinion that it was the best speech that he had made since he assumed office. There would be, Dr. Schmidt said, no change of policy. He had written, with the Chancellor's approval, after leaving my house late Saturday evening, the section on the foreign relations of Austria.

Continuing, Dr. Schmidt said that there could be no change in Austrian policy. It would be disastrous if there should be Anschluss with Germany or if there should be a leveling of barriers between the two countries. I asked him if I might inquire what he meant by a "leveling of the barriers". He said that it would be disastrous for Austria if there should be any steps which would permit the operating of National Socialist ideology and practice in Austria.

He then spoke of the approaching visit of the German Foreign Minister, Dr. von Neurath, on February 22 and 23. There would naturally be conversations on every subject of interest to the two countries and Dr. von Neurath would probably press, under instructions, certain matters in which Germany was interested, but that the Austrian position in these matters was firm and there would be no deviation

from the Chancellor's policy which was strictly on the line of Austrian independence and no interference in her internal affairs. Mr. von Neurath, he said, he had found a very charming man and he would be glad to see him in Vienna, but that it was quite certain that the Austrian Nazis, particularly the young ones in Vienna, would seize the opportunity of demonstrating during his stay, probably on his arrival.

He spoke at some length of the internal situation in Germany which he saw developing continuously more unfavorably for the present government. Its policies, he said, were impossible and could not succeed. The commercial and financial policy was foolhardy and could not succeed. Austria would never engage in such experiments.

He asked me if I knew what had happened to Host von Tonningen, formerly the League representative here, and who resigned to become the editor of a Nazi newspaper in Holland. He asked me if I knew how fortune was favoring Host von Tonningen. I said that I had just heard from friends that things were going very badly with him. He had left Vienna sure that he would rapidly become the head of a very strong National Socialist movement in Holland, and in a short time become a virtual dictator there. Things had gone badly with him for the National Socialist movement, which had never been strong in Holland but which had shown some signs of making progress, had gone back very much. The paper which Host was editing was going very badly and it was a question as to how long it could continue as the financial support was waning with the increased anti-Nazi sentiment in Holland. The activities of the German press and some of the Dutch Nazis at the time of Princess Juliana's wedding had hurt the movement a great deal. Hitler's speech of January 30 in which he offered a neutrality pact to Holland and Belgium had made a very bad impression and had led to steps by the Dutch Government which felt that in thenormal relations between states Holland should have been consulted before Hitler made such a statement. All in all, Host von Tonningen was, I understood, a very disappointed man who felt that he had sold his birthright for every poor mess of pottage. Dr. Schmidt was very much interested in what I said and somewhat to my surprise, seemed to be pleased to know that Host had fallen on evil days in his native country.

After we had talked for well over an hour we were joined by the Bulgarian Minister who spoke of the disappointment which there was in Bulgaria over the peace terms of the last war. Bulgaria, he said, had put its faith in the fourteen points of Wilson and had been bitterly disappointed.

Dr. Schmidt said that one must understand post-war mentality especially after such a terrible war as the last one, in order to understand the peace treaties. The peace treaties he said had been bad, but it was difficult to fix responsibility. Quite irrelevantly Dr. Schmidt then remarked that "the United States is now a good friend of Austria and we hope she will always remain so. England and America are good friends and, actively or passively, America will always be on the side of England. It is a great mistake to assume that under any circumstances America could be opposed to England." I made no comment on these observations as at that moment the Minister rose to take leave of the other guests.

The statements of the Minister were in every way spontaneous and in no way brought out by me. They confirm my impressions which I have conveyed in the despatches of the Legation that if he returned from his Berlin visit somewhat under the German spell, his attitude now is clear and well defined.

George S. Messersmith.