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Vienna, January 22, 1937.

*Personal
H. Geist*

Dear Geist:

We have a courier passing through here in a day or two and I want to use this opportunity to write you. I wrote you on January 19 by open mail and you undoubtedly have that letter. I was particularly interested in your masterly summary of the situation in your letter of January 11. I am sorry that I cannot send you copies of my recent letters to Judge Moore to whom I have been writing in the absence of the Secretary, but I do not have any copies available. You will be interested to know that Judge Moore has been most kind about my letters and recently has written me four or five times that he is sending my letters immediately to the President as he thinks he should have my "well considered views". He is really a most extraordinary person and I hope that you are continuing to keep him informed. If you have not written him the resumé of the situation which you gave me in your letter of January 11, I think he would be very much interested in what you have to say.

The situation here in Austria continues quiet with the Chancellor well in control. There has been a recent development within the last ten days which is somewhat disturbing in the way of the organization of several new groups, the leading of which is the Oestmarkische Verein, which under the guise of a German cultural organization is undoubtedly planning to carry on extreme nationalistic if not poorly concealed Nazi activities. These different organizations hope to get into the Patriotic Front and to work from within. The movement is stimulated through Glaise-Horstenau and Neustädter-Stürmer, both of whom I consider opportunists of the first water and who of themselves are not dangerous because they now have no personal following. If, however, through these organizations they could build up a personal following they may become dangerous. The Chancellor is, however, completely in command of the situation and I think will know how to deal with the organizations as well as with Neustädter-Stürmer and Glaise-Horstenau. The probabilities are that there will be some cabinet changes which I think will take the form of Neustädter-Stürmer's being put out. Glaise-Horstenau is one of the unfortunate features of the accord

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of July 11 and it will be more difficult to get rid of him, but I think that with the other one out Glaise-Horstenau is harmless for he is naïve to an extraordinary degree. He is very anxious to go to Berlin to replace the Austrian Minister there, but as he could do more harm there than here I think he will probably not get that post. In general the situation is developing here quietly with the Austrians following the external situation very carefully and apparently well informed in high quarters.

The negotiations for a new trade agreement here were to close today but I think will now close at the latest next Monday. Not much will be arrived at. The German negotiators first spoke in December of increased German exports to Austria at the rate of 300,000,000 schillings a year, mostly of course of armament material and all at the expense of the Austrian Treasury. Then they dropped to 100,000,000 schillings, and then to 60,000,000, and my own feeling is now that if the Germans get 20,000,000 schillings more in the way of exports they will be doing well. I think this tells you the story more than anything else I could say. The Austrians are just as anxious to export agricultural products to Germany as the Germans are to have them, but they are not going to send them without getting paid and they are not going to take armament material and ruin the treasury. Nor are they going to take German manufactured goods which Germany can dump here merely at the expense of Austrian industry. In other words, the present negotiations will be a failure and represent a stiffening of the Austrian attitude.

There is more and more disillusionment here with regard to the accord of July 11, and there are those even who speak of its abandonment this year. The Germans have to a degree kept their word, but not to the degree that the Austrians can expect. Every effort is being made to increase the anti-Semitic pressure here but the Austrian Government is maintaining a firm stand. The Austrians realize that this is no time to bind their hands in any way with the general situation so uncertain.

There was a danger that these trade negotiations with Germany might assume a form which would have injured our own interests very much. I have been very busy during the past three weeks trying to protect our own position and I think have succeeded. What I have tried to make clear is that Austria cannot tie her hands with Germany or with anyone else when these bigger negotiations are looming up in the future through which the situation

in the Danubian Basin as a whole can be alleviated. We are talking trade agreement with Italy now and will certainly begin with England later, and this should help the European position a lot. What I have wanted to do is to keep the way open here for a trade agreement with us. The Germans of course would like to tie the hands of the Austrians so as to have company in their own isolated position.

I think there is no question but that Europe passed through a real crisis during the period December 10 to January 10. We have pretty good evidence that both the Army and the Navy exerted a restraining influence on Hitler and his radical associates towards the middle of December and later towards the end of the month. The determined and united attitude of France and England which this time they did not hesitate to make known in Berlin on the subject of both Spain and Morocco helped. There is reason to believe that Italy played a restraining rôle, for I happen to know that Mussolini was trembling in his booth that Hitler would take some provocative action in Spain or against Czechoslovakia which would bring about war, and necessitate a decision by Italy which Mussolini did not wish to make. Mussolini was resting under the fear that Hitler would take action against Czechoslovakia under the belief that no one would come to her aid. He said that he was not so sure that no one would come to her aid. I am personally convinced that the gentlemen's agreement between London and Rome came at least four months earlier than Mussolini had intended that it should, and was precipitated by the fear that Hitler would take some action which would commit Italy. All these factors, as well as others you know so well, together with the real inability of Germany to make war at this time forced Hitler to abandon any adventure and ended the crisis through the reassurances which he gave to Francois-Poncet at the New Year's reception in Berlin on January 11.

I think the most dangerous crisis in many respects which we have passed through was passed through without war and the fact that this was done gives me a stronger belief than ever that the succeeding crises which are sure to come throughout this year will be passed through without war. The major fact of course is that Germany is not prepared to make a war or to carry it on, and will be less and less in a position to do so as time goes on. As I see it, the position of the Government in

Germany is growing weaker and will continue steadily to grow weaker if the present front is maintained. This can only lead to collapse. It may not be this year, but certainly although it is not safe to talk of times and dates, we can see the beginning of the end.

In my opinion the principal concern now of the regime is to save as much of the position as it can. They are going to be prepared more and more to make concessions both in the East and in the West, and in spite of the parallelism of action continuing between Berlin and Rome, Germany would find herself in the end on a limb if she tries to carry things to a dangerous point in Spain. In my opinion the story of 1937 will be the effort of the regime to save itself through illusory concessions which, if Europe is wise, it will not pay any attention to. If the policy which has been pursued means anything, it has been for the purpose of getting rid of this regime in the hope of its being replaced by one with which Europe and we can deal in the usual way. Now that its power is breaking without and within the country it is certainly not a time to make terms. There is, however, a danger of this for this fear of war has become a hysteria and Germany is going to continue to play on it as long as there is any hope of its working. In England the position is now sounder and stronger and the weaker point is again in France just when internally France is again stronger. I think our own rôle now is very important and can be very constructive. We have got to stiffen the attitude of both England and France not by any direct action, but by continuing to refrain from doing anything to give aid and comfort to the present Government. This fear of war hysteria is impelling certain circles in England and in France to want to treat with the present Government, believing it weaker and therefore prepared to make far reaching concessions. I have no confidence in such concessions and therefore I believe that any negotiations now would be dangerous. We can help by letting it be known that we are maintaining our present attitude until we really know that we have a responsible government with which to deal.

I am told on very good authority, and I think it may surprise you, that one of the things Goering really wished to do in Italy was to find out how Mussolini viewed a change in Germany which involved kicking Hitler upstairs into the presidency and

making him (Goering) Chancellor; getting rid of a good many of the radicals and assuming a more conciliatory attitude towards London and Paris, as well as Moscow. This information comes to me from a very good source and I am inclined to believe that such an intermediary solution would be quite agreeable to certain Army circles, for undoubtedly some of them are quite inclined to hold to as much of the Nazi program as may be possible, especially of the foreign political program. I am told that Goering's plan has a good deal of Reichswehr support. I look upon such an intermediary solution as very dangerous, for while Goering is more reasonable than others in the Government, he is filled with these resentments and is an expansionist, and certainly a first class Fascist if not a real Nazi. Any government headed or directed by Goering, while less dangerous to immediate peace in Europe, would still make of Germany a permanent danger to European peace. Such a Government headed by Goering, however, would probably be accepted by a certain group in England and in France as a welcome change to the present situation and with it those far-reaching agreements might be made which must eventually be made but which are almost as dangerous with a Goering as with a Hitler Government.

My feeling is very definitely that we are going to enter into a very difficult phase and a decisive one. I feel that this year will decide really whether there is to be peace in Europe or in the near or a little more remote future a devastating war. If England and France hold to their position such an intermediary solution in Germany will not be necessary and real peace can be secured. Perhaps you think me still a little too optimistic, but this is how I see it a little further from the center where you sit. One thing I am sure of and that is that this year will be decisive and I am particularly anxious that we should do nothing which will disturb the situation. We can do very constructive things without taking any real positive action.

I think you are quite right that no matter what happens in Germany there are certain things which will remain, and I am not sure that this will be bad in every way. Some of the internal administrative changes which have been made are certainly all to the good. The new spirit aroused in Germany need not necessarily be dangerous if Germany has a reasonably directed

P. S.

If at any time you get some news as to what really caused the death of Seeckt I will appreciate it very much. I cannot get away from the impression that his death was caused by inner disturbances brought about by the belief that Germany might be on the brink of a disastrous war provoked by Hitler. One of our friends would have a good idea I think as to whether there is anything to this.