

260

Chamberlain

Vienna, February 23, 1937.

Dear Secretary Hull:

I last wrote you at considerable length on February 9, and promise to be very brief today.

The internal situation remains quiet and promises to continue so. The Chancellor's speech before the Patriotic Front in the former Parliament Building last Sunday made it clear that it is his firm intention that there will be no change in Austrian internal and external policy this year. It was in many respects the best speech which he has made since he became Chancellor and has had a good effect in the country and has affected favorably the general position in Europe. His particularly friendly reference to England made a very favorable impression and substantiates what I have said in our despatches and my letters that Vienna looks more towards the West and South than to Berlin. The reference to Italy was decidedly more friendly than that to Berlin.

I had a long, informal talk with the Secretary of State for Foreign Affairs, Dr. Schmidt, the other evening which indicates that there are no differences between him and the Chancellor on policy and no danger of weakening on the question of independence and internal integrity. He made the interesting statement that he felt Austria had gone 75% of the road towards independence and that the rest of the road, although still beset with difficulties, was sure.

In my letters and recent despatches I have thoroughly reviewed the question of restoration which must assuredly be followed very carefully, not because any precipitate action is being planned, but because the trend is

The Honorable
Cordell Hull,
Secretary of State,
Washington, D. C.

in that direction and for the reasons stated in my letter of February 9. For the time being the discussion in the Austrian press, which had been so voluminous, is being held back somewhat for the Chancellor feels public opinion outside and in the country has been somewhat prepared and now real basic work must be done. The Chancellor feels, as I have said, that Czechoslovakia is entirely prepared to accept restoration, that Rumania will not offer any active resistance to it, and that Yugoslav resistance, while very real still, is being softened. England and France, he realizes, are at least neutral, if not benevolent. German opposition he must continue to definitely reckon on, but the form which it will take he believes depends on the Italian attitude. It is therefore this Italian attitude which the Chancellor wishes to clarify.

As it stands now, Mussolini has made it clear to the Government here that he has no objections to restoration in principle when and if it can be carried through without disturbing the peace in Austria or in Europe. He has also made it clear to the Government here that he will support Austria against any aggression as long as Austria does nothing to disturb the peace. What the Chancellor has to do now is to determine just where Mussolini will stand if Austria finds it necessary to resort to restoration - that is, to determine whether he will consider Austrian action in actually bringing about restoration as disturbing the internal or external peace. The Chancellor is already able to assure Mussolini that restoration will not disturb the internal peace. There remain as external opponents, Yugoslavia and Germany. If the Chancellor can convince Mussolini that there is no one in sight to replace him should he have to go or in some way disappear, on whom he can depend to hold to the policy in Austria, which is just as important to Italy as it is to Austria, the probabilities are that Mussolini will be prepared to give his blessing to restoration in spite of the fact that this in many respects will be a grave decision for him.

The press here has been guardedly announcing an approaching visit of the Chancellor to Italy in March. I have learned from an absolutely reliable source which so far has not led me astray, that it is to discuss this restoration

matter with Mussolini that the Chancellor is going to Rome and that the visit will probably take place about the middle of March. My feeling is that in view of the Chancellor's position - who now seems to have made up his mind - Mussolini, while still counselling restraint on restoration, will give a satisfactory answer to the Chancellor. I believe that in that case if Austria resorts to restoration with these Italian assurances of support, Germany will not move as she will not take a risk of war in which Italy will not be on her side, but against her. While there will be less in the press about restoration in the near future, I have in my letters and despatches covered the situation so thoroughly so that you may know that it is a much more actual matter than heretofore.

Internally I believe the Government will make further efforts to bring the working classes behind the Government and with restoration and a parliamentary regime in sight it will probably have greater success. It has been definitely decided that Neustädter-Stürmer will have to leave the Cabinet and it may be very soon after the Neurath visit, which is now in progress. This will definitely liquidate the question of these so-called cultural organizations to which I have been referring and which offer certain dangers, but to which the Chancellor gave the death blow in his speech last Sunday already referred to. Glaise-Horstenau will remain in the Cabinet, and is assuming a much more reasonable attitude for, as I have said, he is fundamentally a good Austrian.

The Foreign Minister of Germany, von Neurath, with Frau von Neurath and a large suite, arrived yesterday morning. The police had taken extraordinary measures to control demonstrations which they had every reason to expect. I had some of our people on the streets and myself made a tour of the city and the demonstrations were indeed very feeble. Not more than 6000 or 7000 people, most of them boys under twenty-two, and women, were along the line of arrival from the station to the hotel. Most of these people had been brought into the city from outside and were paid from two to five schillings. There was rain and their ardor was dampened. I had opportunity to see the type of people who were there to

welcome the German Foreign Minister, and if he had an opportunity to observe the type, as I had, he could not have been flattered for I have never seen so many criminal and undesirable types on the streets of Vienna as I did yesterday. The Austrian press this morning does not fail to remark that, and the small size and nature of the demonstrations yesterday show the real character of the Nazi movement here, which is certainly not really Austrian nor represents anything like the great majority of decent Austrians.

So far as I can learn, and I already learned this in great confidence last evening at the Belvedere Palace where the Government gave a reception for von Neurath, he seems to be concentrating during this visit on insisting that the Austrian Government permit the admission of all German newspapers into Austria. If the Austrian Government does not permit this, Germany will stop all Austrian newspapers and publications from entering Germany. The NEUE FREIE PRESSE, which had been admitted into Germany, was prohibited by the German Government the day before Neurath arrived as an indication of its decision. I doubt whether the Austrians will give way for if the prohibition on German newspapers like the VOLKISCHE BEOBACHTER, the ANGRIF, the STURMER, and others is removed, the Germans will flood the country with these papers and distribute them to a large extent without cost. It is interesting as an expression of the mentality of the present Government in Germany that they should press this matter of the German newspapers to this degree. Aside from the matter of the admission of the German papers, I doubt whether much of major importance will be discussed or decisions reached, although it seems certain that Neurath has been instructed not to fail to make known the German viewpoint on restoration, which is one of such definite opposition.

The general situation in Southeastern Europe continues to have its bright and dark spots. Following the Yugoslav-Bulgarian non-aggression pact it is now officially established, although the Yugoslavs deny it officially, that the Czech, Rumanian, and Yugoslav Ministers in Budapest have proposed to the Foreign Minister there, de Kanya, that the Hungarians enter into a similar non-aggression pact with the Little Entente states. This is

a step in the right direction for such pacts can do no harm and the very step shows a greater appreciation among these states of the necessity of closer political relations. The relations between Yugoslavia and Hungary are decidedly better, which in view of the long standing and difficult problems between them is encouraging. The recent action in Czechoslovakia with respect to the Sudeten Deutsch minorities is a very great step in advance and if the Prague Government effectively carries through the new program on which it has embarked it will go a long ways towards taking the ground from under the feet of Henlein and of the Nazi agitation against that country.

The dark spots are that the internal situation in Rumania is worse, the Government weaker, and the democratic parties are being pushed into the background. The recent act in Poland which is heralded as the establishment of a dictatorship, has not the significance given to it in the press, for the dictatorship in Poland has been real. It is clear, however, that Poland is working very strongly in Rumania and is using its influence to bring about the establishment of a dictatorial regime in that country. That Poland and Rumania may be apparently swinging more into the dictatorship column does not, however, in any way change my opinion which I expressed to you some time ago that the dictatorships in Europe have not only reached, but passed the peak of their power.

In the general picture I see developments following the line indicated in my recent letters, with Germany's position growing steadily weaker. Hitler's recent speech to the War Veterans, following his declarations to the French Ambassador on January 11 and his less aggressive speech on January 30, is a further indication of the growing realization that Germany cannot make a successful war. While Ribbentrop is visiting Lord Derby and continuing his extraordinary activities in England among a certain group, the German press has undertaken already that campaign against England on the question of colonies to which I referred as coming in one of my recent letters.

The glowing reports which are being made in the German and in a part of the foreign press about the success in producing replace materials such as gasoline and rubber, I cannot find substantiated by the facts. A much better index of the situation is the definite information which I have that certain German firms of first importance which until recently have been able to export, are now establishing small branch manufacturing plants outside of the country as they can no longer get the raw materials there needed for exports. The new standstill agreement represents further sacrifices for the foreign creditors. The National Cash Register Company at home in its report just issued has indicated that although its German plant in Berlin is making a good deal of money, it is not possible to transfer any of the proceeds and therefore they are not shown in the balance sheet. The situation within Germany is developing along the lines I have indicated in my recent letters and certainly things are not going any better.

The recent speech of Baldwin closing the debate on the armament loan was in some respects a masterpiece and I think we are going to see England speaking with increasing clarity and assurance, and if that is the case it means much progress on the road to peace. The speech which Eden will fairly surely make as soon as he returns from leave will have real significance.

I had dinner with the Duke of Windsor in the Grand Hotel several days ago. He came to a meeting of a small club of Englishmen and Americans here who have a club they call the "Beefsteak". He seems in excellent health and spirits. Some people arrived from England a few days ago with respect to the arrangements for the financial provisions which the Royal Family is to make for him. No details are available, but the indications are that he has been treated fairly shabbily in this respect by the Government but the family will undoubtedly make adequate provision for him. He has been continuing his quiet and in every way extraordinarily correct behavior here and there is every indication that he intends to remain at Enzesdorf until the divorce is absolute and then to marry here. He seems to have a real attachment for this country. He expressed

great interest the other evening in the new offices which we have here for our combined establishment since a year, and to which the British Minister referred as the finest offices of any Government in Vienna. The Duke said he would be very glad to come to see them, which I said I would be very glad to have him do. He indicated his intention to come here to see them this week. I only mention this to show his very real interest in all sorts of things, and during the seven or eight occasions on which I have seen him since he came to Austria after his abdication, I have often marvelled at the quickness of his intelligence, keen memory, and extraordinary interest in so many different things. Perhaps the solution was the best for England and the Empire, but the whole story nevertheless is a great human tragedy and nine-tenths of what has been written concerning his irresponsibility, excessive drinking, etc., is not correct. He has the one side of a stubborn, undeveloped boy, but on the other hand in many respects is a man of keen intelligence and wide interests.

I am still hoping that the circumstances may be such that I shall be able to sail from Hamburg on April 7 for a leave of absence at home, but you may be sure that I shall not leave here unless I feel I can properly do so. I look forward very much to the pleasure of seeing you.

Believe me, with all good wishes,

Cordially and sincerely yours,

George S. Messersmith.

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