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Vienna, August 27, 1935.

*Paul  
Chamberlain*

Dear Mr. Phillips:

The situation within Austria, as I wrote you on August 23, remains quiet and without fundamental change. It is the height of the summer season, and the Austrians love their holidays and to take their ease. They are happy over the tourist season, successful beyond all expectations, and internal political difficulties are for the time being dormant and in the background.

The Monarchists have been encouraged by the recent attention given them, particularly in the foreign press, over the restoration of some of the Hapsburg property, and they are quietly strengthening their organization within the country, but the movement of itself has little strength. The attitude of the Government towards restoration remains unchanged and, as I have already adequately brought it to your attention, the Monarchists of themselves have no power to impose themselves. Restoration is an instrument which the Government may use when it sees fit to do so, but the legitimists themselves can do little to advance their own movement. The shattered Nazi organization is for the time being powerless, and the gradually bettering economic situation is poor background for increasing Nazi strength. The news which filters through from Germany with regard to conditions there does not give any encouragement to the Austrian Nazis. For the time being the Austrian Nazis are getting very little encouragement from Germany, where the attitude of the party for the present is against direct action. The Social Democrats remain Social Democrats here, but are convinced not only of the uselessness but of the danger of an antagonistic attitude to the Government.

While the Government, therefore, is faced with a more complacent and on the whole more satisfied population, the same differences within the Government

The Honorable  
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continue to subsist. The attitude of Italy in the Abyssinian question has not increased her prestige here and has consequently not tended to strengthen the position of Starhemberg, which had been steadily getting stronger. It is not improbable that the falling prestige of Italy may not unfavorably affect Starhemberg's position. Major Fey, who is the leader of the Vienna Heimwehr, seems to be adding to his strength. The proposed consolidation of the Heimwehr, Sturmscharen and Freiheitsbund into one military organization somewhat resembling our militia, and which would have come under the sole leadership of Prince Starhemberg and which was to be accomplished by October, is not making much progress. These, however, are internal details the importance of which must not be exaggerated, and which are no more than the natural play of personal elements which must show itself in the absence of political parties. As before, everybody here realizes that none of these internal difficulties can be allowed to become serious or disturb the peace, as long as Austria is so dependent on external support.

In responsible quarters, however, there is very real concern with regard to the possible repercussions of the Abyssinian problem. Rumors kept cropping up here for some days after I wrote you on August 23 that direct conversations were in progress between Berlin and Rome which had for their object the conclusion of a non-aggression pact on the Brenner frontier. The apparent acuteness of the situation between London and Rome caused some observers here to believe that both Rome and Berlin were interested in such an agreement. I personally could place no credence in these reports, which came to me so persistently, however, that I went into them very carefully and was able to telegraph on August 26 that so far as I could learn here, there was no official confirmation in any quarter that such Berlin-Rome conversations were in progress.

In my letter of August 23 I told you that Papen was returning that morning from a hurried trip to Berlin and had an appointment to see the Foreign Minister, who was under the impression that Papen might bring for the first time some very definite proposals for a separate agreement between Vienna

and Berlin. I knew that the Foreign Minister would approach this conversation with the full determination to evade any direct negotiation, but it is interesting that he himself was under the impression that Papen would bring some definite propositions, and I know that a good many of my colleagues here felt the same way about it, in view of the indirect and direct pressure which has recently been brought to bear on Vienna for such agreement.

It is very interesting, however, that Papen again came back without any specific propositions, in spite of the desire of Berlin to sabotage the Danubian Pact. To this extent Hitler and the Foreign Office in Berlin have shown a remarkable sincerity in not being willing to make specific proposals which would tie their hands with regard to Austria. They had been preparing the way for some weeks for such an offer, in the belief it might be necessary to do this to disinterest Austria in the Danubian Pacts. This makes it all the more interesting that Papen, who undoubtedly went to Berlin to bring back something definite, came back empty-handed and had nothing but the vague propositions which he gave to the Foreign Minister here some time ago in the form of an unsigned memorandum. Perhaps Berlin believes that even though the Danubian Pacts may be signed shortly, the general horizon is so dark and the situation so full of possibilities that it is no use at this time to make direct offers to Austria for agreement, even though such an agreement might be disregarded at its will.

Although the attitude of the Austrian Government remains unalterably opposed to the idea of separate agreement with Berlin, and all its dependence continues to be placed on London, Paris and Rome, it is interesting that the French and British Ministers here both have informed their Governments within the last few days that the Danubian Pacts will have to be brought into being rapidly, no matter what the general European situation may be, or Austria may be compelled to negotiate with Berlin, even though it has no confidence whatever that any agreement arrived at would be respected. The French and English Ministers here believe, and I think they are right, that if Austrian public opinion continues to be disappointed in these pacts through further delays, the Government

here will be practically forced to negotiate with Germany, even though it knows, and Austrian public opinion knows, that no confidence could be placed in the agreement. I personally think it would be extremely undesirable for the Austrian Government to be put into this position, for if some halfway agreement should be arrived at, it would only be the instrument through which the Party could work more effectively within Austria. The very fact that the Government ~~was~~ forced into a position by the general European situation to negotiate with Berlin would only make the work of the Nazi Party in Austria more dangerous. I summarized this position for the Department in my telegram of August 26, but I thought you would be interested in this additional background. *Handwritten: should be*

The position with regard to the Danubian Pacts remains as I have summarized it in my letter of August 23 and in my despatch No. 531, of August 26. In the meantime, the Italian Government, anticipating possible delays with respect to the Pacts, has made it clear that even though there should be a delay, the Rome agreement of January 7 between Italy and France regarding Austria remains in effect and is in substance just as much a guarantee of Austrian independence as the proposed pact will be.

It is not too much to say, however, that in responsible quarters here the external situation is watched with almost feverish concern, although outward calm. These responsible elements feel more acutely now than ever the complete dependence of Austria on the external situation. They know that the situation within Austria is better than it has been for many months, but they know that in spite of that, when the props are taken away from outside they lie prostrate before National Socialist aggression. It is realized here that certain elements in the party in Germany and the Reichswehr remain definitely against an Austrian adventure at this time, as I have pointed out in my letters and despatches, but this does not make them feel any easier, for they know that the radical elements in the party have distinctly the upper hand for the present and under given conditions in Europe might find the time for aggression propitious. As of interest in this connection I am sending you herewith an article from the London TIMES correspondent of August 22, and



you will find in it confirmation of a good deal that I have forecasted in some of my recent letters (Enclosure 1). If you have not seen this article of Ebbutt's, I think you will be interested in reading the parts I have underlined with blue pencil.

The news which continues to come here from Germany does not tend to decrease the concern of responsible elements. I read yesterday a sheaf of bulletins from London of the Jewish Telegraphic Agency, and they only confirm what we learn here concerning the intensity of the Jewish persecution in Germany. This persecution is becoming more definite and more unbearable than ever, as I have pointed out in one of my recent letters. The substantiated incidents which reach us here are so numerous and so aggravated that it is almost impossible even for me, who know to what lengths the Jew-baiting in Germany has gone, to grasp what the actual situation is. There is no use any more in reporting separate incidents, because they are so frequent and so flagrant than one could write pages about it. I am not exaggerating the situation, which I am confident is going to cause increasing concern in our country and in England. That Schacht should raise his voice in his recent speech against these excesses has no significance whatever, for the excesses are carried on with the full knowledge and approval of the Government and what is happening was to be foreseen when Helldorf was made Police President of Berlin.

It is significant that Schacht's speech, in which he made his bid for foreign support, was not carried over the German radio, that only very brief reports of it were carried in most of the German press and that copies of the news service in Germany which printed it almost in full were confiscated at the order of the Propaganda Ministry. I am sure that a résumé of Schacht's speech has come to your attention, but I am sending you herewith a clipping of the London TIMES (Enclosure 2), in which some of the interesting ~~despatches~~ are summarized. It would be a splendid thing if some of the things which Schacht said could be brought before the German people, but they have no opportunity of learning what is really going on. It is significant of the situation in Germany that important pronouncements of its so-called economic

dictator, who is loudly proclaimed to have the confidence of Hitler, must be kept from the German people.

We are apt to forget what the complete control of public opinion-forming means in Germany really signifies. Goebbels is a fiendishly clever man, and he knew what he was doing when he established this definite control over the expression of opinion at the outset of the régime. The official and semi-official newspapers in Vienna, which are usually very careful in their statements with respect to Germany, carried in the August 23 issue a statement that ten of the principal newspapers in the Ruhr were forbidden for a period of three or four days on the ground that they carried a false report with regard to a member of the party. It is not possible to verify the circumstances from here, but it is much more probable that they were forbidden for carrying parts of Schacht's speech, which was made at that time, rather than for the reason given. The Ruhr is one of the principal centers of the growing discontent in Germany. The Foreign Minister informs me that he has just been told by a good source that it is the intention shortly to pronounce in Germany by decree the fixing of the death sentence for the circulation in the country of Communistic and other literature. The circulation of this surreptitious literature has been increasing recently, and that the death sentence should be contemplated for this sort of thing is one of the indications of the growing nervousness of the party.

More and more cases are coming before the so-called People's Court (Volksgericht), and the daily list of sentences passed which reaches here shows that there is no safety for high or low and that the decisions of the court are such as to make the term "justice" a complete misnomer. In one of my recent letters I tried to emphasize the importance of Germany no longer being a "Rechtsstaat".

Streicher's much heralded speech about the middle of August in Berlin, which was his first appearance before a large public in Berlin, seems to have been a good deal of a failure. The complete stenographic report of the speech was printed in one of the Vienna papers on August 25, but it was

so true to form that it is not necessary even to give any parts of it. There are what seem to be well substantiated stories to the effect that people in the rear of the hall tried to leave before the end of the speech, for it was even too much for some National Socialist stomachs. The significant thing about the speech is not what was in it, but that Streicher has the full support of Hitler and is carrying on his activities against the will of a good many worth while people in the party.

The arrest in Czechoslovakia recently of General Kraus and of the author Leppa seems to be fairly definitely connected with contact between the Henlein Party and the Nazis in Germany. The Czechoslovak authorities, according to the information here, have reason to believe that through Leppa direct touch had been established already between the Henlein Party and the Nazi Party in Germany and Nazi groups in Austria. In this connection it is interesting that there is well established information showing that there are agents of the German secret police established in Austria practically all over the country.

There have been important developments in the German situation in recent weeks. The Schacht speech, the radio fair fire, the pushing forward of the Olympic question, and the relegation of General von Reichenau to a less important post in South Germany.

As I am sure you have full information with regard to Schacht's speech, I will make no further reference to it here, but it was undoubtedly a distinct bid for foreign, and principally English, support. There is good information available to the effect that Schacht is trying to get some of his English friends to enable him to speak before a proper forum in England on Germany's economic problem. The financial situation is causing concern, and all the progress which has been made with respect to the conversion of the short-term debt has been through measures practically forced on the banks. I will not go into this further here, because I am sure Berlin is giving full information, but there is transmitted herewith a brief article (Enclosure 3) from the London TIMES which substantiates similar information received from other sources here.

The Olympic question, to which I have referred in previous letters, is being pushed into the foreground and is likely to figure more and will probably require attention at home. The Propaganda Ministry particularly and the whole of the party in Germany place great stress on these Olympic Games being held in Berlin next year. It was a great victory for the party last year when the World Baptist Congress was held in Berlin in spite of the persecution of the churches. It was a great victory in the last few weeks when the World Criminal Congress was held there, and distinguished lawyers and jurists from all over came to Berlin, even though Germany is no longer a state in which there is any real justice. These were great victories, but they are small things in the minds of the National Socialists and the Propaganda Ministry compared with the Olympic Games. We must remember that the National Socialist Party is a movement of the young and that its strength comes from the people in Germany under thirty, and to be more correct, under twenty-five. That the Olympic Games, where the sportsmen from all over the world will come, shall be held in Germany in spite of the discriminations and barbarities of the régime will be the greatest impulse which the National Socialist Government can give to its own supporters. The psychological importance of this must not be underestimated, and the political consequences far outweigh any athletic importance which the Games may have.

Although the national committees in charge of the Games in practically every country, including our own, realize that all the German promises with regard to absence of discrimination, etc., are being violated, they are encouraging their national units to participate at Berlin. Resentment, however, in various countries is beginning to break out among individual athletic groups, and this is causing real concern in Berlin, for it is appreciated there that once this takes real form, the national committees will have to take cognizance of the situation, face it, and that this will lead to one national group after another refusing to come to Berlin.

This movement was given impetus recently in Austria. Prince Starhemberg is the so-called Leader of Austrian Sport. There were particularly vicious



articles against him and the Chancellor in the VOELKISCHER BEOBACHTER of August 9 and 10. The Austrian Government made formal protest to the Foreign Office in Berlin, which agreed that it would see that no further attacks were made. At the same time, and in fact just before the Foreign Office made its favorable response to the Vienna representations, Prince Starhemberg issued an order that no more Austrian sportsmen were to compete in any athletic competitions in Germany. It was undoubtedly this order of Prince Starhemberg's which made the Foreign Office in Berlin take such a definite favorable stand with regard to the articles just mentioned. Although the order of Prince Starhemberg did not mention the Olympic Games, it created consternation in Berlin, for it was appreciated there that it might lead to complete Austrian abstention from the Games next year and open the way to similar action by other countries.

It is interesting, therefore, that one of the principal things which von Papen took up with the Foreign Minister here on August 23 was an earnest request that the Austrian Government should use its influence to have Prince Starhemberg remove this prohibition. The Foreign Minister would give no response, and knowing Prince Starhemberg as I do, I doubt whether he will remove this prohibition for the present. It is rather interesting that little Austria in a matter of this kind should show more courage and determination than some bigger countries. There is ample evidence that the promises which the German Olympic Committee gave in the name of and with the approval of the German Government are not being kept. I am still hopeful that our own national committee will change its attitude and make the facts known to American sporting organizations, so that individual units and groups can use their own judgment in determining whether they shall go in or not. I do not believe that it is necessary that the committee should simply say that the American units will not participate. If the committee will do its duty towards American sport and make the facts known to it, no further action will be necessary. If the various committees take the proper attitude, they will make it possible for the youth of the different

countries to render a great service to German youth, for their abstention from the Olympic Games in Berlin would be one of the most definite ways that there is outside of war to show Germany what the world thinks of what is happening there.

One of the most significant developments recently also has been the transfer of General von Reichenau from his important post in Berlin to one as a division commander in South Germany. General von Reichenau, as you know, is one of the few higher ranking officers of the German Army who has definitely cast his lot with the National Socialist Party. He did it on purely selfish and opportunist grounds. In a previous letter I am sure I have told you that in social gatherings in Berlin where there were high-ranking officers of the army and Reichenau happened to be present, he was completely ignored by his colleagues. But he had the favor of Hitler and the party and had an important post in the Reichswehr administration, and was really the active liaison between the army and the party. His article on the Army and the National Socialist State which recently appeared in the ARBEITER-TUM, an organ of the Arbeitsfront, was too much for the army, and he has been kicked upstairs by a promotion in grade and relegated to a post outside of Berlin. His principal associate has been transferred with him. While too great significance cannot be given to this action, it is indicative of the strength of the Reichswehr, for the transfer of Reichenau must be displeasing to the very great majority of National Socialist leaders. One of the principal traditions of the German Army is that it does not mix in internal affairs in Germany, and Reichenau's doctrine that a man to be a good private in the Reichswehr must be a good National Socialist is not yet acceptable to the army. The real part which the army is playing in the German problem and which it may be called upon to play is one of the principal subjects of speculation within and without Germany among those who believe that a change of government there is necessary if there is to be peace in Europe. As this is a matter of primary importance, I am following it as closely as I can from here, and I hope in the near future to be able to give you the latest and best information on this subject which can be got here.

11.

Of the increasing acts of sabotage, of which the radio fair exposition fire seems to be one, I will not speak here, as I am sure you are getting very complete and definite information directly from Germany. While the tendency is nowadays to call practically every fire and accident an act of sabotage in Germany, it is nevertheless true, as Ebbutt states in his reports to the TIMES, that acts of sabotage are on the increase. They are one of the ways in which the growing discontent may make itself felt, and it is difficult to get at the perpetrators.

I hope someone will be able to read for you the memorandum on the situation in Germany which I sent to the Department with my despatch No. 533 of August 26, as it is one of the most interesting and worth while reports on Germany which I have seen. It was prepared by a former very well known member of the German Government for some of his friends, and is a very objective document. You would know his name if I mentioned it, but it is just as well not to mention it.

I hope I have not burdened you with too much detail, and perhaps I overemphasize the importance of some of these things, but in spite of our country being so far away, I see all these things of very real importance to it and consequently feel that it is my obligation to transmit all the worth while information which comes to me.

Cordially and faithfully yours,

Enclosures:  
4 clippings.