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Vienna, October 26, 1934.

*Personal
Confidential*

Dear Mr. Phillips:

I last had the pleasure of writing you on October 17, and in that letter confined myself very largely to the Austrian internal situation. This is in such a delicate state that in my confidential despatch No. 190, of October 25, I have thought it advisable to give a resumé of the developments in the internal situation since the death of Chancellor Dollfuss. The despatch, unfortunately, is rather long and I don't know whether, with the many demands on your time, you will be able to read it yourself. In it, however, I have tried to give at least the major background essential to an understanding of the situation.

It looks as though the Austrian Government has succeeded in getting through a very difficult situation, for the time being at least. Under the new Constitution Austria is a sort of corporative state and various bodies are provided for of a deliberative nature which more or less take the place of Parliament. The membership of these corporative bodies is supposed to be announced on November 1, and the appointments have been the cause of real dissensions within the Government. The jealousies in the Heimatschutz between the Heimwehr and Sturmsharen respectively the private armies of Starhemberg and Schuschnigg, came to a head through these appointments and the demands of the Heimwehr were undoubtedly quite exaggerated. On the other hand, both of these organizations wished to assure so many places for their adherents that the meeting of their demands would have seriously embarrassed the Government in the efforts which it is making to conciliate and bring behind it as large a section of the population as possible. The influence of Italy, which is of course very strongly behind Prince Starhemberg whom it has always preferred and still prefers as Chancellor, pushed the Heimwehr candidates, and this caused considerable concern to the Chancellor who realizes that although Italy has rendered and is rendering indispensable service to Austria, any preponderance of Italian influence even indirectly, will be unpopular not only in Austria, but displeasing to England and France, and to Austria's nearer neighbors.

The Chancellor himself, who has learned a great deal since the principal responsibility for the Government was thrust upon him, has been in a most difficult position. He himself is

The Honorable William Phillips,
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responsible and not fanatically partisan, and appreciates the necessity for getting the best men into these corporative positions possible and that they should represent as wide a range of opinion as can be safely taken into the Government. He is very intelligent and I think a very fair person and growing in understanding of the major implications in Austria's internal problems and in her external position. He has, however, not been accustomed to being the center of such a conflict as the making of these appointments precipitated. These personal bickerings and seeking for places and manoeuvring for position are extremely distasteful to him, for he is essentially a scholar. There is reason to think that he took the whole matter too seriously and that several weeks ago he even considered resigning. Fortunately the personal relations between him and Starhemberg are good, and Starhemberg himself has behaved and is continuing to conduct himself with a reserve which is very commendable and to many surprising. In any event it seems that it has been possible to make up the lists without precipitating any internal crisis. They are supposed to be announced on November 1. I am not yet able to speak with entire definiteness as to how the Chancellor feels as to the outcome, but all indications are that what might have proven to be a serious crisis which would have had effects outside of Austria has been avoided.

A good many people have been disturbed recently by the fact that the Chancellor has been talking to representatives of the Austrian National Socialists and he is to talk with them again tomorrow. As I pointed out in my despatch No. 190, I see no danger in these conversations themselves, for Dollfuss maintained contact with the National Socialists, but remained adamant in his attitude. While Schuschnigg may not be as determined as Dollfuss, this does not give as much concern to people here as the fact that they don't think he is politically as astute as Dollfuss. They fear that in his desire to conciliate opinion in Austria and to strengthen the position of the Government he may go too far with the National Socialists. Personally I don't think there is any real danger of this, although if I have been able to see into Schuschnigg's mind, I believe that while definitely committed to Austrian independence, he would like to see better relations with Germany. In this he is basically right and wise, for no one can envisage peace and order in Europe without good relations between Austria and Germany. On the other hand, Schuschnigg may have to learn to realize more definitely what Dollfuss knew, that is, that the price which Austria would have to pay now for better relations would eventually mean her absorption by Germany. Unless there should be untoward developments, I see no danger of Schuschnigg's going too far with

the Austrian Nazis, for Starhemberg is stubborn and, I think, unalterable in his attitude. He just made a speech last evening in which he made it clear that he has no confidence whatever in the Austrian Nazis as the ideas which dominate them are not Austrian and there can be no parley with them until the Government has a conviction that they have no connection with Germany. In this Starhemberg is entirely right, for there is no question but that Reinthaler, who is speaking for the Nazis with the Chancellor, although an Austrian, is merely a well meaning man whom the Nazis are using for their purposes. I have adequate reason to know this.

I think, therefore, if you hear of these conversations between the Austrian Nazis and the Government there may be no cause for concern now, for I don't think anything will come out of it. Unquestionably, however, as Papen has nothing positive to offer, these conversations initiated by Reinthaler are a part of his program. Papen came back from Sweden from his "hunting trip" day before yesterday. He stopped in Berlin on his way back for several days and is said to have seen Hitler. I understand that he is to go on another "hunting trip" to Hungary very shortly.

In my letter of October 17 I made brief reference to the Jewish problem here in Austria and said that I would be writing a despatch giving background shortly. In my confidential despatch No. 189, of October 24, which goes by this pouch, I have given the Department the major outlines of this situation. There was real danger that discrimination against the Jews in Austria, in spite of the horrible example in Germany, might become a problem here. The Chancellor, who is essentially a very intelligent, decent, and fine man, did not understand all the implications of this matter. He is an intellectual and as Minister of Education he saw only too many Jews in the professions. He has been so unwise as to permit a decree to be issued providing for parallel classes in the schools, which seemed innocent and fair enough on the surface, but which was really intended to definitely put the Jews in a secondary category so far as public education is concerned. This unfortunate decree came out while the Chancellor and the Foreign Minister here were in Geneva pleading the case of Austria and when the powers were considering what they could do to support Austria's independence. A number of Jewish leaders, including some Americans and English, happened to be in Geneva at the time and when the Jewish community in Vienna got in touch with them they immediately took up this matter of the parallel classes decree and of other discriminations with the Chancellor and with the Foreign Minister. They also took up with the English, French and Italian delegations this matter, which to put it mildly, were a great deal upset and disturbed that Austria could be planning such a measure. The Chancellor and the Foreign

realized what a mistake had been made and promised that the decree would be changed, and made reassuring statements with regard to discrimination, but it is quite clear that the incident did not improve the impression which the Chancellor had made on the leaders of the English, French, and Italian delegations, nor on the Jewish leaders in Geneva. They all felt that the Chancellor had a great deal to learn.

I now am glad to be able to tell you that the leaders of the Jewish community in Vienna and for Austria have had several long conversations with the Chancellor within the last ten days and he has definitely realized that certain discriminations exist which are intolerable. It was agreed that a communiqué should be issued by the Government and that all the constitutional rights and equality of the Jews before the law would be recognized. This will create a good impression not only here, but outside of Austria.

The President and the Vice President of the Jewish communities in Austria came to see me after their last conference with the Chancellor a few days ago and told me that they were now satisfied that the Government would do everything in its power to stop discrimination. They said that the Chancellor had been extraordinarily frank with them in telling them about his problems and that he had given them the most thoroughgoing assurances. The rather unfavorable impression which he had made on them at Geneva and since he became Chancellor he has evidently removed and they told me that under the circumstances they had assured the Chancellor of the complete support in every way of the Jewish community in Austria.

This, I may say, is of particular importance and a very happy outcome of what might have proven a very difficult situation. It is quite clear that the Chancellor was himself a little inclined to be anti-Semitic and that this was being taken advantage of in various administrations, particularly in the municipality of Vienna by the Burgermeister who exercises almost absolute control over the 99% of the Jews in Austria. The Jews here were becoming really disturbed over the evidences of increased discrimination and our own American Jewish Committee in New York and the leaders of Jewry in England had been completely informed and felt that something must be done. The Jews in Austria have been giving very whole-hearted support to the Government and if this had been withdrawn or become lukewarm it would have seriously weakened the position of the Government in the country. What is far more important, however, is that if this positive action which has now been taken by the Government had not been taken, Jewish leaders in England and in other countries would have been less apt to

give that vigorous support to Austria which they have been giving in various ways, political and economic, and this would have made the international support of Austrian independence now being given more difficult.

I am very glad that I am able to write you definitely and so favorably about this. I hold no brief for any race or religion, but I have been near it and have seen the effects which such discrimination can have in a country and on its external relations and I have naturally, without exceeding in any way my proper functions here, and without interfering in internal affairs here, tried to help to see that the mistakes which have been made elsewhere are not made here. I will keep in close touch with this problem and will keep the Department informed of any developments. It is too much to hope that all discrimination against the Jews in Austria will stop. The problem is one that is as old as our history and there are factors which no Government can control and it is unquestionable that here in Austria, as well as in other countries, a better balance has to be arrived at in the professions gradually if anti-Semitic currents are to be kept under control and from becoming a problem. Here, as well as elsewhere, this problem must be dealt with as a long range problem to be handled reasonably and decently and this is, I think, the path on which the Austrian Government has now definitely committed itself and which, I think, gives sufficient assurances to the Jews here and elsewhere.

I have been following the general situation as well as I can from here and it seems to me that the major factors are still as I outlined them to you in my letter of September 28. The only guarantee for peace in Europe that I can see now is still that the French and Italians will be able to arrive at some arrangement in which England can join which will stop German expansion to the Southeast politically, but which will not exclude her from normal economic relations. All one can say up to the present is that the developments since I last wrote you have at least not made this possibility of understanding more difficult. The major difficulties in the way are still there, but they have not been aggravated as some feared they might be.

I have recently seen one of our correspondents who knows the Balkans as few people do. He says that he is very unhappy about the situation. He spends most of his time in the Balkans, but makes Vienna his headquarters. Although very friendly towards the Croats, with whom he has a great deal of sympathy, he says that the murder of Alexander is undoubtedly a Croatian development and that there are Croats behind it. He called attention to the fact that of the 14,000 Yugoslavs, 4,000,000 are Croats and that he has been in hundreds of Croatian homes and has never seen a picture of Alexander in any of them unless it was that of ~~an~~ *a* *general* officer where the picture was obligatory. He thinks the Croats

will remain quiet for awhile, but that trouble from there can be expected almost any time and almost certainly eventually. I have had the opportunity to discuss the situation created by the death of Alexander and the Regency with quite a number of well informed people, and they all seem to feel that it has created a new and disturbing factor in the European situation, the importance of which cannot be under estimated. They all seem to feel it will be more difficult to hold Yugoslavia together, that she is definitely weakened and that a great deal depends upon how far Mussolini is able to restrain himself and not use the opportunity of this weakness to carry through some of the ideas which he undoubtedly nourishes in the back of his mind.

It is, of course, very difficult to get accurate information, but at least two correspondence in whom I have confidence tell me that the Croatian camp in Southern Hungary did exist. Both say that they have seen it and one of them tells me he has been there since Alexander's murder and that while it is now abandoned, the Croats are scattered on nearby farms. This same correspondent tells me that he has himself seen at least five Croatian centers in Italy which exist with the knowledge of the Italian Government. The psychology of these people is quite difficult for us to understand and the more one knows regarding facts the more hopeless and complicated it all seems. My Military Attaché here, who is a very sound man, tells me that a Dutch officer who was present at the recent Hungarian maneuvers told him that when the Hungarian officers whom he was with heard of the murder of Alexander they merely smiled and some later showed real satisfaction. It is interesting and significant that when Goering was in Belgrade for the funeral of Alexander in his capacity as President of the German Reichstag, which of course exists in name only and as a body to register the will of Hitler, was given an opportunity to address the Serbian Parliament and that 80 of the 300 members of Parliament came to hear him and the extraordinary speech which he made. The promises which Goering has made to Yugoslavia in the way of territory if they will follow the German lead have undoubtedly had their influence.

The series of visits over here continue and one cannot be blind to their significance. Goemboes has been in Warsaw and stopped here on his way back to Budapest. So far no one yet knows just what happened. Kanya was in Rome at the same time, probably to take away some of the shock of Goemboes visit to Warsaw, and he stopped in Vienna on his way back to Budapest. He saw Chancellor Schuschnigg and the Foreign Minister here yesterday. Goemboes is to go to Rome early in November and will stop in Vienna on his way back, and after that Chancellor Schuschnigg is to go to Rome. All this is to happen before Leval goes to Rome. One

thing is quite clear and that is that Berlin is feverishly active in trying to prevent Italian-Yugoslavian understanding and agreement in order to make French-Italian understanding so difficult as to make it impossible. In the meantime there are indications that Berlin is active not only in Belgrade, but throughout the Balkans as a whole. The newspapers speak of new German approaches to both Paris and London and I think there is little doubt but that there will be tremendous efforts by Berlin in London, for they naturally and correctly believe that to be the focal point. The dominating psychological feature of the situation in Southeastern Europe is the fear of Germany. They fear that this regime may hold out. They fear the strength of German armaments. They need economic relations with Germany. Whether it is a willing or an unwilling ear that they turn to Germany, they are listening to her and keeping their eyes on London, Paris, and Rome. If London, Paris, and Rome can get together, there is no question about what these states in Southeastern Europe will do. The exchange of Ambassadors between Berlin and Warsaw, which the papers announced today, is one of the indications of how far Poland is already committed.

I read the article of Frank Simonds in the ATLANTIC MONTHLY with extraordinary interest. It is unusually well documented and there are only one or two places in the whole article where I think there are factual statements which could be questioned. It is extraordinary how without being here he could have been so correct in details. With his major conclusions I am in entire accord. I hold no brief for England, and certainly none for either France or Italy, but I think that anyone who has really studied this situation and who is willing to look at it objectively, as we can, realizes that we are exactly in the same position that we were in 1914. England has to make a decision and if she makes it in time a European war can be avoided. If she delays too long, for in my opinion she has to make it eventually, anyway, war will eventually come. If England, France and Italy do not get together, Poland and Southeastern Europe, including Austria, will fall definitely into the hands of Germany either as integral parts or as states looking to Berlin for dictation and Germany will have won the World War with a definiteness and completeness that she never even hoped for in 1914, and Europe will be faced by a fait accompli which in its inevitable consequences will entail war. It is to be hoped that France and Italy will make it easier for England to make her decision and that England will have the adequate understanding of the German situation and its implications to make her decision in time.

Italy's need for money and her own difficult internal situation make for moderation there. The internal difficulties in

France may help there. I am reliably informed that England has been giving some rather direct and probably sound advice in Rome recently. A well informed person put it to me this way. He said; "I am quite satisfied that Mussolini and Italy should play in Italy the part of a first-rate world Power, perhaps it is quite a good thing, perhaps it helps, in any event I see nothing against that. But when Italy tries to play the part of a first-class Power in Europe she must be more careful about the advice she gives and the consequences which come out of it. She is not able to play the part of a first-class Power in Europe and must not be permitted to complicate the European Problem". This was said with specific reference to what was believed to be some not altogether sound advice given by Italy here in Austria. My informant said that they had precipitated the February events by their advice here, and although undoubtedly they had saved the situation for Austria and for Europe on July 25, it depended on their restraint now whether they would not precipitate a European crisis.

The foregoing background and comment I hope may be of some use to you in connection with the information which you have from other sources. I have the feeling that we are in a period of grave decisions and that this is recognized as keenly in Berlin as elsewhere. Berlin is making what may be its last major strenuous effort to break through the ring which it has built around itself. If England, France and Italy stick together they will not only stop German expansion and avoid a war, but will help to bring about a reasonable regime in Germany which is an essential factor to the maintenance of peace and some measure of economic recovery here in Europe.

Believe me, with all good wishes,

Cordially and sincerely yours,

George S. Messersmith.