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Vienna, January 23, 1937.

Dear Dunn:

I can appreciate how glad you all are to have the Secretary back again, and I hope that the sea voyage may have been restful after what must have been a rather busy and strenuous stay in Buenos Aires. We are not sending a pouch this week, but are sending a few despatches by open mail, and I shall therefore not be writing the Secretary this week. We are forwarding with our envelop in the open mail today a despatch, No. 1023 of January 21st, which I think you will find interesting, as it covers further an interesting development in the situation here that we had already reported upon. These new organization that are being formed here are rather a curious development and we are all still a bit puzzled as to what it all means and why the Government has permitted their formation. One thing is certain, however, and that is, that the situation is well under control by the Chancellor.

The Austro-German trade negotiations will close today, without any definite results. This is as we forecasted, and the principal significance is that this negative result shows that the Austrian Government has not responded to German pressure. I understand that the negotiations are to be resumed again about two months hence. The Government here expects that as a result of the relative failure of the negotiations attacks will be made upon it by the press in Germany and that there will be bitter criticism by Nazi and so-called nationalistic elements in Austria, but it is prepared for this situation. As I indicated in my letters and

The Honorable  
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despatches, our own interests were very much at stake during these negotiations, and I think I succeeded in preventing any of the action which the Germans had in mind and which would have so seriously affected our raw material exports to Austria.

I am sending you herewith a few clippings from the London TIMES that may be of interest to you. I would particularly bring to your attention the one from the issue of January 21st, which is the first of the enclosures, on the address which von Hassell made in Cologne recently. I do not know von Hassell, but of the German diplomats of the old school still in responsible positions, I look upon him with perhaps more suspicion of sinister motives than on others. It is interesting to remember that von Hassell is the nephew of Tirpitz, and you know how dangerous the convictions and policies of Tirpitz proved to be for Germany before and during the course of the War. It was von Tirpitz who was the principal protagonist of the big navy idea in Germany before the war, who looked upon England as the really greatest enemy of Germany and the greatest obstacle in her way, who completely underestimated the forces in the world outside of Germany, and who, by his submarine warfare, precipitated and brought about the defeat of Germany. Although I do not know von Hassell personally, I know that he is a great admirer of von Tirpitz and seems to share what were his antipathies. It is difficult to know just what role he is playing today, but I think it is interesting for background to remember that he is not only the nephew but the great admirer of von Tirpitz.

I have received a brief word from Schoenfeld at Stockholm acknowledging our Christmas card, and he seems to be very happily and comfortably settled. He is a fine fellow and I am sure you will miss him, but am equally confident that you will find in Joe Flack a very capable successor. I like Flack and his wife very much, and I think you will find his judgment sound, and of his loyalty and capacity there is, of course, no question.

The other afternoon the British Minister here had a small cocktail party to which was asked some Austrians with whom the Duke of Windsor had previously had contact as Prince of Wales and King. It was an

entirely private affair, and the only Austrians in the Government asked were the Secretary of State for Foreign Affairs, Dr. Schmidt, and his principal assistant, Dr. Hornbostel. Outside of myself and the Brazilian Minister, who knew the Duke well in Brazil and in London, there were no members of the Diplomatic Corps present. The Austrians there were people like Count Mensdorf, who was for so long Austrian Ambassador in London, and other Austrians who have had continuous contact with the British Royal Family. When the date for this party was fixed several weeks ago, it escaped the attention of both the Duke and the British Minister here that it was the anniversary of King George's death, and, unfortunately, some of the papers have given publicity to this private party that happened to take place on this anniversary. It was the first time that the Duke had attended any such sort of party since he has come to Austria this time. He seems to be in good form and in very good spirits. I had a long talk with him again and I gathered he has every intention of staying here in Austria for the next few months. He is coming into town again early in February to a big party which is to be given in the British Legation as a part of their usual winter entertaining, and to this party a good many of the diplomats and members of the Government are invited. The fact that the Duke is coming to it, however, is not known. He continues to live very quietly and is conducting himself in a really exemplary manner.

I saw at this party at the British Legation the other day someone whom I was sure was the Countess Baillet-Latour, although I had no idea she was in Austria. I spoke to her, and to my pleasure found that it was she, but she told me that she was shortly returning to Belgium, as your wife is arriving for the happy event of the arrival of your daughters expected baby. I was delighted to see her after all these years, and she said that you might be coming over. I do hope that if you do, we may have the opportunity of seeing you in Vienna, as we would love to have you and Mrs. Dunn make us a visit here. As I told you, we are planning to go home for at least a brief leave on April 7th, but the situation over here is so uncertain that, of course, we can make no definite plans. If you do come, I hope you will let us know your plans, for my wife and I would be delighted if

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you could make us a visit here.

With all good wishes,

Cordially and faithfully yours,