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Vienna, October 20, 1935.

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No. 584

SUBJECT: DEVELOPMENTS IN THE AUSTRIAN INTERNAL AND
EXTERNAL SITUATION

STRICTLY CONFIDENTIAL

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to report the following develop-
ments in the internal and external situation of Austria:

In my confidential despatch No. 584, of October 18,
1935, I reported on the recent changes which have taken
place in the Austrian Cabinet. Although this despatch was
written on the day following the announcement of the Cabinet

changes

changes, the information which has since become available has only confirmed the data and the conclusions given the Department in that report.

It is clear that these Cabinet changes were brought about under the pressure of Prince Starhemberg who saw his position and that of the Heimwehr definitely weakened through falling Italian prestige in Austria. There is also increasing reason to believe that although Prince Starhemberg was quite disposed to act of his own initiative, Italian pressure of a very definite character was not lacking. The Lower Austrian Heimwehr who were brought to Vienna on the day of the Cabinet changes, October 17, did not realize that they were being brought to the capital in order to exert pressure on the Government in a matter of Cabinet changes. They were told that Major Fay, the leader of the Vienna Heimwehr, was planning action which might diminish the power of the Heimwehr outside of the capital. The majority of the Lower Austrian Heimwehr have been returned to their former stations in Lower Austria.

Information is available that the position of Prince Starhemberg had become definitely weaker in Heimwehr circles outside of the capital. It seems definitely established that at Kitzbühl in the Tyrol, in which province the anti-Italian feeling is the strongest, he had actually been deposed by the local Heimwehr as its leader. A movement was beginning to show itself in various parts of the country which indicated a definite dropping away from the leadership of Prince Starhemberg, largely on account of the strong pro-

Italian

Italian attitude and the unpopularity of the Italian expedition in Abyssinia. This involved a corresponding increase in the strength of Major Fey as the leader of the Vienna Heimwehr, not so much out of any popularity or favor which Major Fey personally enjoys, but as he became the natural nucleus around which the opposition to Prince Starhemberg and the pro-Italian attitude developed. Major Fey was not slow to realize this situation and it was this which encouraged him to make the critical speeches in Vienna immediately preceding October 17, which undoubtedly helped to precipitate the action of Prince Starhemberg.

The new Cabinet members have taken charge of their respective Ministries and, as the Government announced, there has been no change in internal or external policy. The budget has been presented to the Staterat by the new Finance Minister, Dr. Draxler, who emphasized the comparatively favorable position of the Government's finances without, however, giving any credit to his predecessor, Dr. Buresch. This in informed circles has aroused a good deal of unfavorable comment and has not increased the popularity of the recent changes.

The Austrian public is inclined to accept the changes in the Cabinet calmly and there has been no disorder whatever in the country. The Vienna Heimwehr has accepted the situation, but is obviously smarting under it. Major Fey has been offered several positions, most of them outside of the country in the diplomatic service, but has

so far

so far refused to accept any of them. The question as to whether he shall be removed as leader of the Vienna Heimwehr has not yet been settled and he remains as the titular head thereof. In order to avoid any difficulties with the Vienna Heimwehr in this connection, it is the intention to do away with all local leaders, and in this way bring about the elimination of Major Fay from any responsible Heimwehr position.

The recent changes in the Government, particularly the manner in which they were made, have not been altogether pleasing to London and Paris. The comment of the French papers, as already reported, was on the whole quite favorable, but the strong references to Italian friendship and support, with almost complete silence regarding the League and England's and French support, caused a good deal of concern. The English press on the whole was much more reserved in its comment than that in France, and there was distinct disappointment in both official and financial circles in London. It is largely through the influence of the British Minister in Vienna, who happened to be in London when these Cabinet changes took place, that the English press comment was not more critical. In financial circles particularly in London there was distinct disappointment not only as to the increased pro-Italian orientation of the Government, but in the failure to recognize the real support which Austria has received from official and financial circles in London.

The position of the Foreign Minister, Baron Berger-Waldenegg, has been somewhat shaken. He is closely affiliated

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with the Reichswehr and with Prince Starhemberg. In the old Cabinet he was the strongest supporter of the pro-Italian attitude. There is considerable feeling in conservative and responsible circles in Austria that the Foreign Minister narrowly escaped compromising the Austrian position at Geneva through the speech which Minister Prüll made indicating that Austria could not join in the sanctions and also through the vigorous speeches which he has made in Austria since the recent Cabinet changes. It is not impossible that should further reorganization of the Cabinet take place along the lines which Chancellor Schuschnigg has in mind, the Foreign Minister may be replaced.

The British Minister has recently returned to Vienna from London and has not failed to bring to the attention of the Austrian Government the fact that the recent Cabinet changes and the Austrian attitude have caused a certain amount of concern. He has, I understand from good sources, assured the Austrian Government that British policy does not change and that they stand by the declarations with respect to Austrian independence and maintain keen interest in it. He has, however, I understand not failed to bring to the attention of the Austrian Government that the League and England have in the past rendered very real service to Austria which has enabled it to maintain its position, and without in any way endeavoring to minimize the effective aid which Italy has given both economically and politically within the last year. He has brought out that Austria will continue to need the assistance of her friends, and assistance of a

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kind which Italy, with the best will in the world, may not be able to give. He has pointed out that the assistance which England can render is not only dependent on the official attitude of the British Government, but also on the attitude of financial circles in his country, and that among these there has been very real disappointment over the failure to adequately recognize the assistance which has so far been rendered.

That responsible elements in Austria are doing a good deal of thinking is evident, and this was brought to the surface in the last few days when Mr. Seckinger, the Minister of Commerce, made a speech in which he brought out in very distinct terms the important part which other countries, including England, had played in supporting the Austrian position. There are evidences that the too strong German and Italian influences in the Government are causing real concern, especially as there is a feeling that there are certain individuals associated with Prince Starhemberg in the German who are not above using their position for their personal advantage.

As I pointed out in my despatch No. 584, the personnel of the new Cabinet is on the whole stronger than that of its predecessor. It is still too early to determine what course developments will take, but there is increasing reason to believe that further Cabinet changes are not improbable. The developments in Austria, as before, depend on the external situation and it is not unlikely that any

decrease

decrease in Italian prestige will bring about a further reorganization of the Cabinet under the leadership of the Chancellor whose *official* position for the time being is undoubtedly more difficult, but whose personal standing has been enhanced and strengthened by recent events.

The German Minister, Dr. von Papen, has again made a trip to Berlin and it seems reliably reported that he had an interview with Chancellor Hitler. He told responsible people here before he left on this recent trip that he felt confident he would return this time with a definite offer from Chancellor Hitler of a non-aggression pact. He has now been back in Vienna for several days, but there is no indication that he has brought back any definite offers from the German Government and so far as it is possible to learn, there has been no progress whatever in the negotiations which he has been carrying on with the Foreign Minister.

There is, in fact, reason to believe that the position of the German Minister has been further weakened by recent events both in Germany and in Austria. There are well substantiated reports that he was in close touch with Major Fey and that agreement had been reached between them as to action on the existing negotiations if Major Fey was able to retain his position in the Cabinet and to strengthen his position in the country. That the German Minister should so definitely have engaged himself in an intrigue affecting the internal affairs of Austria has tended to further undermine an already precarious situation in this country and with his own Government. There are recurrent rumors that

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he is to be replaced, but it is impossible to get any substantiation of these reports here. The successor who has been mentioned is a Herr Gladius, who was formerly a Secretary of the German Legation when the Dollfuss Government came into power and had to be transferred at that time due to established information that he was endeavoring to shape the composition and policies of the then Dollfuss Government coming into power. The appointment of Herr Gladius would therefore not improve the relations between Germany and Austria as he would be looked upon in Austria with as much suspicion and perhaps with even more concern than Mr. von Papen.

There have been no developments of importance in the country since my last despatches other than the Cabinet changes which have been reported upon. The press has assumed a more moderate attitude and is somewhat more objective in its comment on the Italian-Abyssinian situation and on sanctions. It is beginning to emphasize more that the Austrian attitude on sanctions is one merely of self-preservation and that the maintenance of the Austrian economic situation is really a service to the League and to European stability. The press is increasingly less critical of the League and of the policy of economic sanctions against Italy.

It is unquestionable that the recent Cabinet changes and the manner in which they were brought about have created renewed political activity in the country at a time when such activity is perhaps even more dangerous than in recent months.

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months. Among the Austrian people generally there is real feeling, if not resentment, over the part which the Lower Austrian Heimehr played in bringing about these changes. Feelings which had been dormant have become more active. It is still too early to determine whether these feelings will find any active expression or how much they will influence internal events. The internal situation is nevertheless one which has to be closely followed, and surprises are not improbable. The confidence which the Chancellor enjoys is a very valuable asset to the country at this time. One fact is outstanding, and that is that the internal situation in Austria will be more than ever influenced by major developments in the European situation.

Respectfully yours,

George S. Messersmith.

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