

611
copy 1

Vienna, November 8, 1935.

No. 595

SUBJECT: DEVELOPMENTS IN THE AUSTRIAN INTERNAL
AND EXTERNAL SITUATION.

CONFIDENTIAL.

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to refer to my confidential despatch No. 595, of October 30, 1935, and to supplement it with the following further information on developments in the Austrian internal and external situation.

The recent Cabinet changes have been accepted quietly by the country and were it not for the manner in which the

changes

changes were effected and the one exception of the change in the Minister of Finance, the reorganization would probably be accepted by the country as an improvement.

The new Minister of Social Welfare, Dr. Dobretsberger, formerly a Professor of Social Science at the University of Graz, and one of the intimate friends and associates of the former Chancellor Dollfuss, has made a very good impression through the declarations which he has made in several speeches. He has indicated that the Government may, at least to a degree, seek reconciliation with the Social Democrats. While he has been very general in his statements, and while there is a good deal of scepticism that he will actually be able to accomplish anything, it is recognized that he is a man of superior ability and of good intentions and that there is at least some probability of a more liberal attitude by the Government towards the workers.

The British Government has already expressed its interest, through its Minister here, in Dr. Dobretsberger's declarations, for the repression of the Social Democrats in Austria has always been one of the difficulties which the British Government experienced with its own public opinion in the formation of its policy with respect to Austria. I am inclined to think that Dr. Dobretsberger has no definite measures in mind, but that he will have the Chancellor's support of such measures which it may be found possible to carry through now. That he will meet strong opposition from the Heimwehr which has taken such a strong attitude against the Social Democrats is

certain

certain. Prince Starhemberg shares this Heimwehr attitude, but there are indications that he is prepared to follow a somewhat more liberal policy. Indirect attacks have already been made against the new Minister of Social Welfare in a part of the controlled press, and the probabilities are that his path will not be an easy one. He appeared yesterday before the Anglo-American Press Association at a luncheon and made very interesting declarations concerning his policy which showed every indication of being a more liberal one. He was frank and clear in his replies to the pointed questions which the correspondents put to him.

One of the great weaknesses of the Austrian Government has been its inability so far to get real direct support from the members of the formerly powerful Social Democratic Party. The most it has been able to get is a certain tolerance. The new Minister is a very young and a very clever man, with much greater force of character than his predecessor. It is not altogether impossible that he will be able to widen the base of the Government by getting the support of the former Social Democrats by permitting labor to get the beginnings of a voice in the Government. It is still too early to give any indication as to how far he will succeed, but it is unquestionable that any progress which he would make would not only clearly strengthen the Government in Austria, but would be very satisfying to England and France. The principal interest of the Government in this matter is, of course, dictated by a desire to conciliate public opinion in France and England where Austria recently has not had too good a press as a result of its attitude at Geneva on sanctions and of the manner in which the recent Cabinet changes were brought about.

The Ministers

The Ministers and State Secretaries who were let out of the Cabinet as a result of the recent reorganization, have without exception been given posts in the gift of the Government. Major Fey has been made the director of the Danube Shipping Company, in which position his income will be greater than that as a member of the Cabinet. This is an important consideration for Major Fey who through his political ambitions had accumulated debts which in Austria are important. He was the publisher of an evening paper DER OSTERREICHISCHE ABEND-BLATT, which served as his personal organ, and this paper was constantly run at a heavy financial loss. As a result of his partial eclipse his financial backers have withdrawn their support and DER OSTERREICHISCHE ABEND-BLATT has ceased to appear.

Major Fey has had several conversations with Major Seer von Seerndorf, the new Minister of Public Security, and later also had a conference with Prince Starhemberg. He has obviously accepted a secondary position, for at a recent military demonstration Prince Starhemberg shook hands with him. A peace has unquestionably been arranged, but the probabilities are that Major Fey will not figure largely in the Austrian political situation in the near future.

Major Fey is primarily a soldier and very ambitious and of moderate capacity. He was endeavoring to play a rôle which he could not fill and those of his friends who have given him loyal support are naturally suffering eclipse with him. There is increasing information available which indicates that he had definite ambitions to use decreasing Italian prestige in Austria as a means of becoming Mayor of Vienna and to

succeed

succeeded President Mikles. His removal from the political scene does not weaken the Austrian internal or external position.

There have been reports in the foreign press that Prince Starhemberg has sent representatives to see Otto in Belgium and that he and Major Fey have reached an agreement with regard to the restoration of monarchy. These reports are without foundation. They have presumably arisen through the close connection of the new Minister of Finance, Dr. Braxler, with monarchist circles in and out of Austria. Dr. Braxler has been for several years one of the principal advisers of the Monarchist Party. There are those who go so far as to say that he was Prince Starhemberg's direct representative in monarchist circles. He had a great deal to do with putting through the recent law permitting the return of some of the Habsburg property. It is not unlikely that through him the return of some of this property will be facilitated. It is unlikely, however, that there will be any action towards restoration in the near future as Prince Starhemberg sees himself nearer to regency than before and has no apparent desire to use his present increased power for the benefit of the Habsburgs.

The question of monarchy remains just as it has for months, that is, the Government keeps it up its sleeve as an emergency measure against Germany and which it hopes it will not have to use.

There is real concern within the Government regarding the English and French attitude towards the new Cabinet. the comparatively cool reception which the new Cabinet has

received

received, particularly in the British press, has caused misgivings here. I am informed on good authority that the British Government has maintained an attitude of very real reserve. The Austrian Minister in London was assured, as the British Minister here has assured the Foreign Minister, that England's policy does not change easily or quickly and that her interest in Austrian independence has in no sense abated. On the other hand, the British Government has let it be seen that it was not pleased with the unnecessary emphasis placed by Austria on Italian friendship at Geneva, and that it could not be enthusiastic about the manner in which the recent Cabinet changes were brought about. As even the strongest Heinekehr supporters in the Government, including Prince Starckenberg himself, realize that Austria's financial problem cannot be helped except by England, this attitude of reserve by England has created a certain amount of consternation. The Government here realizes that it has gone too far in its pro-Italian attitude, especially as it sees France definitely lining up on the side of England and such general support of sanctions and the League.

This concern within the Government has found its expression within the last week in the further toning down of the Government controlled press. While still friendly to Italy and somewhat sceptical of sanctions, the press comment has been continuously more objective and all really critical references to England have disappeared.

In a recent despatch I brought out the statement of the Foreign Minister that Austria did not intend to get any benefit out of her non-participation in sanctions and that it was not the intention of the Government to expand the Government owned

railways

railway facilities in order to carry increased transit traffic from Germany and Czechoslovakia to Italy. The Foreign Minister has now informed the British Minister here that Austria will not permit the exportation of arms and munitions from the two Austrian munition factories to either Abyssinia or Italy.

A statement to the effect that the Austrian Government had prohibited such exports to both destinations recently appeared in several foreign newspapers and was later denied in a part of the Austrian press. The correspondent of the LONDON TIMES in Vienna had informed his paper to this effect and when the denials were issued in the Austrian press he took up this matter in the official press bureau here which authorized him to say that his original statement to the TIMES was correct.

As the munitions factories in Austria are controlled by Mandl, the friend of Prince Starhemberg and his principal financial support, and as Mandl has been supplying arms to Italy for a considerable period from various origins, it is particularly interesting that the Austrian Government should assure the British Minister that the Austrian munition factories have been prohibited from making deliveries to both Italy and Abyssinia. This action is indicative of the influence which the general European action on sanctions and in support of the League has had on the Government here.

The position of the Government is difficult, but it is obvious that in spite of the strong influence of Prince Starhemberg in the present Cabinet, a more careful and a very considered policy is being followed, this being dictated by

developments

611
copy 1

- 3 -

developments in the major situation following increasing Anglo-French cooperation in support of the League and of the policy of collective security.

Respectfully yours,

George S. Messersmith

800
GSM-mjp