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Vienna, December 2, 1935.

No. 624.

SUBJECT: SPEECH IN THE BUNDESTAG BY THE AUSTRIAN
FOREIGN MINISTER ON AUSTRIAN FOREIGN
POLICY, ON NOVEMBER 28, 1935.

Confidential

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to inform the Department that on the morning of November 28, the Austrian Foreign Minister, Baron Berger-Saldenegg, gave an exposition of Austrian foreign policy in the Bundestag which replaces the former Austrian Parliament. The Government had submitted to the Bundestag a bill approving an extension of the Rome protocols and in speaking in favor of this bill the Foreign Minister took the opportunity to report on Austria's foreign policy.

The Department

The Department has been informed in my recent despatches of the exceedingly difficult and delicate position in which the Austrian Government finds itself as a result of its attitude on sanctions at Geneva and the pronounced pro-Italian orientation of its policy. This attitude had found a cool reception, particularly in the English and French press and was disappointing to the Foreign Offices in both London and Paris. The repercussion of its attitude in London caused particular concern to the Austrian Government. Besides this attitude of the Government, the Foreign Minister had repeatedly referred to the danger and undesirability of sanctions in his speeches in various parts of Austria and had strongly stressed the pro-Italian orientation of the Government. These speeches were particularly criticised within Austria not only in Government circles, but were felt generally to misrepresent the attitude of the Austrian public on sanctions and on the Italian adventure in Abyssinia. So strong was the feeling that the position of the Foreign Minister was severely shaken and there were persistent rumors of his resignation.

The recent failure of the Credit-Anstalt negotiations in London brought the Austrian Government to a definite realization of the extreme delicacy of its position and the misunderstandings which arose with respect to the nature of the instructions which had been given to the Austrian representative to the League on sanctions only served to make a clear statement on Austrian policy essential. These factors and the unpopularity of its position in Austria itself as well as the recognition of Italy's increasing difficulties in Abyssinia

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and in Europe had already obliged the Government to modify its attitude and it was believed that a public statement was essential.

The Austrian Foreign Office informed the diplomatic corps in a circular of this meeting of the Bundestag, and let it be known that the Foreign Minister would make a declaration on foreign policy. The box reserved for the diplomatic corps was completely filled and practically every chief of mission in Vienna was present.

A declaration by the Foreign Minister had been expected for at least a week and it was originally intended that he should make a declaration on foreign policy at a political gathering which was held at Leoben on Sunday preceding. I am informed on good authority that the diplomatic representatives here of England and France and several other countries had before this meeting sought an opportunity to confer with the Foreign Minister and to indicate to him the importance of a clarification of the Austrian position. It was particularly important for the British and French Governments that this clarification should be made and there is reason to believe that this was made quite clear in the Foreign Office here.

1: There are transmitted with the original and duplicate of this despatch printed copies of the speech as it appeared in the CORRESPONDANCE POLITIQUE. Only brief references will be made therefore in this despatch to the text of the speech itself.

The Minister opened with a brief statement with respect to the bill providing for the extension of the Rome protocols, and then gave a further statement to supplement that which he had already made in the Bundestag during the budget debate, on the necessity for an extension of the Austrian Foreign Service.

In opening his exposition of Austria's foreign policy he began, as was to be expected, with Italy, stating that:

"Our hearty relations with Italy, our neighbor to the south, are - as you all know - founded on solid ground. We may say with real satisfaction that Italy under the leadership of a forceful and genial personality has repeatedly expressed its strong interest in the existence of an independent and self-reliant Austria, showing this interest by words and deeds which have left no doubt. Of no lesser importance is Italy's past and present contribution towards Austria's economic consolidation."

Then followed several paragraphs with respect to its relations with France and Great Britain, which follow:

"It is with great pleasure that I may state that our relations with France and Great Britain, where we have always found a real understanding for our financial and economic problems, have become of a most friendly and hearty nature. Great Britain's and France's political friendship has found its expression in Stress. Here these two powers together with Italy have also stressed the necessity of Austria's quiet economic and political development. According to authentic information I may state with satisfaction that present political tensions have in no way affected or lessened the political interest of these three powers for Austria."

"In this connection I want to mention the constant endeavours of France which aim at a favourable development of the economic situation in the valley of the Danube."

The brief and conservative reference, couched as it was in the most appreciative and definite terms, with respect to relations with Italy did not particularly please the Italian Minister who has been bringing strong and continuous pressure on the Austrian Government. His statement with respect to Italy, generous as it was in its recognition of Italian aid and definite in its terms, was much more conservative than the references which the Minister had made

in previous addresses throughout the country and the measured terms found, I understand, the approval of the French and British Ministers here.

The above paragraphs with respect to relations with France and Great Britain were received with general relief and the Austrian press in its comment on the Minister's speech emphasized particularly these references to relations with France and England.

It was logical that after Italy, France, and Great Britain the Minister should turn to Hungary as the relations between Austria and Hungary within the last year have been particularly close and friendly. The references of the Minister to Hungary were particularly cordial in view of the visit which was expected that afternoon of the Hungarian Minister President and the Foreign Minister to Vienna.

He next turned to the relations with Czechoslovakia and was able to report better relations with that country. The Austrian Government lays special value on its relations with Czechoslovakia because of the close economic ties which it is hoped will be strengthened through arrangements which are now in process of negotiation and a completion of which it is hoped may be arrived at in January.

The Minister then turned to the relations with Germany, using the following language:

"It may be stated with satisfaction that the relations of Austria with our neighbor Germany have become more normalized of late. I may mention in this connection the 'Press Agreement', concluded between the two Governments and at that time published in the press, which to my mind is suitable to pave the way for a normalization of our relations. I may also express the hope that the result

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reached so far in the attitude of the press in both countries, if not satisfactory as yet so promising, may not only be lasting but be carried farther still.

"As pointed out repeatedly, there has been no hindrance on our side to reach by normalization friendly neighbourly relations. Reports of pending negotiations giving even their minute details and published in the world's press are, however, not founded."

The fact that the Foreign Minister did not touch on relations with Germany until this point in his speech was an obvious disappointment to the German Minister and this disappointment was voiced in more than one German newspaper in commenting on the speech. The German press generally expressed surprise that the Austrian Foreign Minister in commenting on relations with Germany did not do so until after these other countries had been covered.

I am informed that the German Minister, Mr. von Papen, who feels his position here very insecure and who is anxious to strengthen his prestige with his own Government, made every endeavor to get as favorable mention of Austro-German relations as possible. The result must be on the whole, and was I believe, disappointing to him.

The Foreign Minister pointed out as the only concrete result of the conversations which Mr. von Papen has been carrying on here the so-called press agreement which is a matter of secondary importance. He emphasized that the reports of pending negotiations which have been given in the foreign press have been very widely exaggerated in scope and that these negotiations have made no progress, as I have continuously reported to the Department in my despatches.

The reference

The reference to Austro-German relations was intended not to aggravate the existing situation, but at the same time to make it clear that there had been no amelioration in the situation.

After a brief reference to relations with Switzerland and to the cultural agreements which Austria is making with various countries, the Minister passed on to the Danubian Pact. This pact, he said, was for the time being in the background due to the general European situation, but he emphasized the importance of the pact, the interest of Austria in it, and the necessity for its being carried through as a measure in the assuring of peace in Europe. He took occasion, however, to emphasize that Austria was interested in this pact only as an equal partner and that a condition was the recognition of her equality with respect to armaments. His emphasis on this particular aspect of the pact was probably due to the expected visit that afternoon of the Hungarian guests already referred to and, as is well known, Hungary's stand on this question of equality and armaments is even more pronounced than that of Austria.

He then proceeded with a statement of Austria's attitude on sanctions. This perhaps was the part of his speech which was most eagerly awaited and his conservative, temperate, and logical statement of the Austrian position was the most satisfactory one which has been made by the Austrian Government or by him. As the full text of the speech is transmitted herewith, I am not quoting the pertinent paragraphs in this despatch. The statement, I understand,

was considered by the British and French Ministers here as the most acceptable which the Austrian Government has yet made on this matter and considerable regret has been expressed in Austria that such a statement should not have been made at the outset.

It will be noted from the text of the speech that in this section on the Austrian attitude on sanctions the Minister states: "Our position regarding the exportation of arms and war material is defined by the stipulations of the peace treaties. The Government sees to it that these stipulations are being respected." The Foreign Minister has on several occasions assured members of the diplomatic corps here that the Government's prohibition on the exportation of arms and munitions of war to both Italy and Abyssinia are being carefully observed. For the Department's information I may say that there is a good deal of skepticism in certain well informed circles in Austria as to whether this prohibition is being definitely observed by all exporters. There are persistent rumors that exportation of war material of Austrian origin is still taking place to Italy. This Legation is not yet in possession of definite information as to whether the prohibition is being violated by individual manufacturers. If there are violations, they must be on a small scale, but even in that event such violations will undoubtedly be brought to the attention of the Government by interested diplomatic representatives here.

The Minister then turned to a discussion of the numerous trade, compensation, and clearing agreements which

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the Austrian Government has negotiated within the last year and the results of which have on the whole been very satisfactory for her. He took occasion again in this section of his speech to refer particularly to the importance of trade relations with Italy and to the large favorable trade balance which Austria has with that country. It is exactly this trade balance and the considerable portion of Austria's exports taken by Italy which is causing such grave concern in the country. The fall of the lira, the increasing slowness in Italian payments, as well as the growing difficulties in making transfers of balances to Austria from Italy are causing a slowing up in Austrian exports to Italy which is bound to become more pronounced in the next months. As the Austrian internal economic situation is exceedingly delicate and as the economic situation has a very strong influence on a delicate political situation, the concern of the Government is well founded. It is making every effort to have this situation clearly understood in England and in France.

The repercussions of the speech of the Foreign Minister in Italy, France, and England cannot yet be stated in this despatch as the Austrian press has contained little comment up to date from the foreign press on the speech. The comment available from Germany is distinctly unfavorable for there is resentment particularly as to the order in the speech in which the Austrian Foreign Minister mentioned Austro-German relations. The reception in Italy will not be enthusiastic as the references to Austro-Italian relations are more moderate and conservative than any which have been made for months.

months. If the reception in the English and French press may be judged by the reaction of the English and French diplomatic representatives here, it will be favorable as they were on the whole well satisfied with the speech, believing that the Foreign Minister had gone as far as he could at this time.

My own impression is that the speech indicates definitely the grave concern of the Austrian Government. It realizes that its attitude on sanctions and its strong pro-Italian orientation were not popular at home and had tended to weaken its position in England and in France. Although the rumors with respect to the eventual resignation of the Foreign Minister persist, it is not probable that there will be any change in this Ministry in the near future. This declaration of policy has undoubtedly somewhat strengthened the position of the Government within Austria and given reassurance and a certain satisfaction in England and in France.

The speech indicates the real decision of the Austrian Government to base its position on sanctions solely on the Austrian internal economic situation and its geographical position rather than on a basis of friendship with Italy. The speech is further a definite declaration of a more conservative policy with respect to Italy and a clear bid for Anglo-French support in the exceedingly delicate position in which the Austrian Government undoubtedly finds itself. The general opinion of informed observers here is that under the circumstances in which Austria finds herself, the speech is as clear and as definite and as satisfactory an exposition of her policy as could be made at this time.

Respectfully yours,

George S. Messersmith

Enclosure:

1. Copy of CORRESPONDANCE DIPLOMATIQUE

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