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Vienna, January 25, 1935.

Dear Mr. Phillips:

I last wrote you on January 8, 11, and 18, and as I have covered the situation so thoroughly I will be very brief today. I am taking the liberty of bringing to your attention my confidential despatch No. 300, of January 24, which goes forward today as it gives, I believe, an accurate picture of the situation here now. I am hoping that you may find it possible to read it.

I must refrain from burdening you further, but it will be interesting to supplement a bit of the more intimate information which I have given you recently about Papen. I have seen a good deal of the Foreign Minister recently and it is quite clear that in the Government here they are very much upset about Papen. The Minister told me that when he was in Geneva very recently the reports in the OEUVRE and the JOURNAL DES DEBATS about Papen's statements in the Saar after the plebiscite were brought to his attention, particularly his remark that if there were a plebiscite in Austria it would undoubtedly result as favorably to Germany as that in the Saar. He could hardly believe that even Papen should be so indiscreet and overstep the limits of propriety, so he asked his French colleague at Geneva to verify in Paris these alleged reports. The word came back that the papers stood behind them and had ample support. On his return to Vienna the Minister intended to take up these remarks with Papen and take him to task, but Papen avoided him and went instead to see Secretary-General Peter in the Foreign Office. When Peter brought these remarks to Papen's attention he categorically denied having made them. Peter told him that the Foreign Minister had taken the trouble to have the matter taken up in Paris and that the papers stood squarely behind the articles. To this Papen retorted "But you must believe me and I deny them". To this Peter suggested that it would be advisable that Papen issue a démenti, to which Papen replied that it would only lead to a controversy and he would not do this. He added, "You must believe me when I tell you that I did not make these statements". Peter replied that sitting where he did he had to accept information from reliable sources even though it differed and here there was a decided difference between the information which reached him. Papen

The Honorable
William Phillips,
Under Secretary of State,
Washington, D. C.

then remarked that he had given no interviews while he was in the Saar after the plebiscite and that "he had only had conversations with five or six intimate friends."

I need not tell you that in the Foreign Office here and in informed circles there is no question about Papen's having made these remarks. He approached the British Minister the other day at a public reception and to his embarrassment and in the hearing of others said "What is all this matter about pacts? There are entirely too many pacts. Pacts are only made to be broken. How many pacts are there that no one pays any attention to? What do they all mean?" He went on steadily like this for a full minute or more when the British Minister interrupted to say that he assumed that the intent of the pacts was to preserve peace in Europe which he believed so many people ardently desired. It is simply another instance of the ineptitude of the man. He is, as I have told you, making himself ridiculous by his insistance on what he considers his extraordinary position here. Secretary-General Peter, of the Foreign Office, said to me last night that Papen always insists on talking to him as though he were the German Chancellor.

I gather from Austrian official sources that they feel things are going quite well and that progress will be made when Laval goes to London. The trouble spots so far seem to be Titulescu and Beck.

There are still real difficulties in the way, but I am convinced that if England, France and Italy remain firm Germany will have to come around. The situation within Germany is moving slowly and conservative elements are marking time waiting for the reintegration of the Saar to be completed. There may be moves in the Church question even before that actually takes place, but in the main it is not likely there will be much happening in Germany until after March 1. The apparent quiet must not, I think, be taken as a sign of weakness of the elements working for a change or conversely of greatly increased strength of the regime in power, although its situation undoubtedly has been somewhat helped by the Saar solution.

I have talked with well informed Yugoslavs and Hungarians and both are content that their difficulties should be put on ice for the next six weeks and both seem to believe that by that time the troubling questions between them can be settled, as it will give time for cooling off on both sides. Eden has handled this situation extraordinarily well and deserves great credit.

Cordially and faithfully yours,