394

COPY.

AMERICAN CONSULATE GENERAL

Munich, Germany, August 1, 1934.

Strictly Confidential.

Subject: Austro-German Relations.

The Honorable
William E. Dodd,
American Ambassador,
Berlin.

Sir:

I have the honor to report that Mr. Hitler, who was at the Festspiele in Bayreuth when the news of Dollfuss' murder came through, did not leave Bayreuth as was announced, but ceased to attend the performances and remained quietly there in touch with various friends. It appears that he told one of these friends that when he met Mussolini in Italy, Mussolini advised him very definitely that Austria had to be left alone but that, recognizing the difficulties that Mr. Hitler as Leader of the National-Socialists in retiring from the Austrian adventure would confront, he said that he would endeavor to assist him in getting out without too much loss of face. Mussolini offered to make use of Dollfuss' visit in Riccione to persuade Dollfuss to seek an opportunity of retiring so that the name "Dollfuss Regime" could be got rid of and the Austrian Government sufficiently reorganized to give Mr. Hitler an excuse for pretending to his followers that he had not backed up, but on the contrary that the "Dollfuss Regime" was gone. It was of course understood, thought whether definitely promised by Mr. Hitler or not, that all sorts of terror acts should cease. It appears that the continuance of the terroristic campaign in Austria after Mr. Hitler's return to Germany considerably annoyed

Mussolini

Mussolini, and that when the news of July 25 reached him, Mussolini was in a towering rage and communicated immediately direct to Mr. Hitler, apparently by telephone or by personal telegram, expressing his dissatisfaction with the utterly undisciplined behavior of the Nazis in Austria and apparently saying what was in his mind with great freedom. Mr. Hitler immediately took every measure possible to counter the charge of German instigation and participation, recalling Minister Reith, closing the frontiers, ordering the arrest of Austrian fugitives at the boundary, ordering the Austrian Legionaries to be withdrawn further from the border, and so forth, and so forth; but according to this account he remains exceedingly anxious that the Great Powers will succeed in what he apparently believes is now the aim of the Great Powers, namely, to damage his prestige and that of the National-Socialists in general by forcing an obvious backdown.

It appears to be understood that the Austrian Government are now proceeding, not too hastily, with the trials of the arrested men, and endeavoring to put together out of the evidence obtained at these trials and from other sources a complete account of the affair with especial reference to German participation, and that as soon as this account is complete it will be put in the hands of France, Italy, and England and presumably by them presented to Mr. Hitler, perhaps with demands which he fears may amount to an ultimatum. He apparently fears that the matter may thus get into such a state that he will be faced with the alternative of admitting that he did not take proper measures to prevent activities from German soil against the Austrian Government, i.e. practically to apologize and promise to be good, or, risking some definite

hostile

hostile step on the part of France or Italy. I am told that considerable uneasiness in higher Nazi circles in Munich is felt lest an excuse be found in such a situation for the French to intervene by demanding the entire disbandment, for instance, of the S.A. or S.S., or both, and taking military action if the demand is not immediately complied with. Those who have this fear appear to think that if they can get through August without French intervention, they are safe from it because they say such a French action would require at least six weeks, and if it did not start before the 1st of September the French would be unwilling to start it because their black troops suffer in health greatly from the German climate in the late autumn and winter.

According to this view the appointment of von Papen to Vienna is an effort to effect a direct understanding with the Austrian Government before the investigation is complete and the dossier in the hands of the Powers. If von Papen can bring the Austrian Government to some kind of direct agreement, then head can be made someway against any interference of the Powers on the ground that the principals to the difference have already composed it. Hence the great haste in the appointment and the equally great uneasiness that the Agrement has been delayed. According to the account that has come to me, it is now a race for time between von Papen on the one side trying to settle the row, and France and Italy on the other - primarily France, desiring to use it to damage the prestige of German National-Socialism and its Leaders and so to weaken the hold of the regime on the German people. This, according to my informant, is what Mr. Hitler is now fearing.

Mr.

Mr. von Papen's tasks in Vienna would appear to fall primarily and principally under three heads:

(1) By friendly intervention to bring it about that not many National-Socialists are shot for their part in the insurrection and thus by saving the lives of Mr. Hitler's Austrian followers, to save his prestige which will suffer for every death.

(2) To worry the Austrian Government into consenting to the return of the Austrian Legionaries and other fugitives to Austria. This, of course, would relieve Mr. Hitler of a very awkward problem. It is supposed that from 7,000 to 8,000 men were embodied in the Austrian Legion. They have been fed, clothed, armed, and trained obviously at the expense of the Nazi Movement in Germany and after all these months it is not humanly reasonable to expect Mr. Hitler to drop them suddenly and tell them that they must shift for themselves; and he can hardly keep the organization together without giving obvious excuse for protests from the Powers; nor even if they are maintained in some kind of harmless refuge camp freely open to inspection, can he avoid the heavy cost for supporting them and a tacit admission that he is at fault for their being here. I have heard expressed here the hope that the Austrian Government will have backbone enough to refuse to let these fugitives come back and leave them on the hands of their quondam hosts. Actually it is said here that considerable numbers of Austrian Legion men did succeed in getting over the Austrian frontier and joining the insurrectionists on the other side.

(3) To complete his work in Vienna Mr. von Papen will have to devise some new form of organization into which the former Nazis can be taken and which will give them an

opportunity

opportunity to be absorbed into the every-day life of Austria and to take part in the life of the country in its political aspects and otherwise. The National-Socialistic Party in Austria is dissolved and proscribed, and the idea here is that it could not be brought back; but that it may be possible by friendly collaboration between von Papen and the Austrian authorities to devise some kind of organization which will take up the former Nazis and occupy them.

I hear here that the Austrian-Nazi body has lost half its members and that it has lost the sympathy of a considerable body of relatively neutral opinion, that is of persons who did not belong to any of the groups supporting Dollfuss, did not take the Dollfuss point of view and had considerable sympathy with the Nazis in general. These are said now all to have transferred their sympathies to the other side. The inference is that the Nazis as a Movement in Austria are for the moment effectively dead.

Apropos of the expected death of the President, the same friend of Mr. Hitler's is reported to have remarked that of course there was only one solution, namely that Mr. Hitler would have to occupy the offices of both President and Chancellor, and that this would probably be brought about by an act of the Reichstag.

I have the honor to be, Sir,

Your obedient Servant,

(sign.) Charles M. Hathaway, jr.,
American Consul General.