A hideously complicated problem: Anglo-American relations with Austria, 1945-1955

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Chapter 4

'Operation Portia': saving Austria for the West

Implementation of the 1946 Control Agreement

The signing of the new control agreement had been seen as a forerunner of increased Austrian freedom, yet disagreement over implementation soon disillusioned the Austrians. The problem started with the Nationalisation Law passed by the Austrian Parliament on 26 July 1946. The law affected a number of industries seized by the Soviets on 6 July under their interpretation of the Potsdam agreement on German assets. The Soviet High Commissioner, General Vladimir Kurasov, branded the Law 'an act unfriendly to the Allies' and sought to have it vetoed by the Allied Council. Failing to persuade the British and American Elements to join him in his condemnation, Kurasov declared that he would disregard the Law in his zone and take whatever action necessary to secure Soviet rights to such industries as he saw fit. This action by the Soviets was repeated several times during 1946, preventing the removal of zonal barriers and generally defeating the spirit of the new control agreement.1

In July Minister of the Interior Helmer could still raise laughter in Parliament by describing the procedure necessary to obtain an exit permit - 'application in sixtuplicate, with six photographs and six sets of fingerprints'2 - but by October the mood had perceptibly changed to one of grim defiance. On 30 October a closed session of Parliament was held to allow the Government to report to the members without the customary Allied observers being present. After certain disclosures by the Chancellor and other members of the Government concerning the occupation, the Assembly unanimously resolved to appeal to 'all free peoples and governments and parliaments of the world' to rid Austria of the occupation and its attendant hardships.3 The Allied Council debated until mid-December the appropriate retaliation. In the end it was agreed to send a letter to the Chancellor to the effect that secret parliamentary sessions were undemocratic and only permissible in cases of exceptional

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1 Mack to Bevin, 8 May 1947, FO 371/64027, C7006
2 Mack to Bevin, 9 July 1946, FO 371/55232, C7968
3 AdR, BMAA, K5, 113.154-113.154
necessity. Given the assumption that anything so important as to demand a secret session must surely concern the Allied Council, the Austrian Government had better invite observers from the occupying powers in future, it was stated. The Soviet Element's demand that the Austrian Government also surrender the minutes of the closed session to the Allied Council for study, so that the 'corresponding conclusions' might be drawn, was defeated by the other Elements. This was just as well, because, in order to escape repercussions, the Austrians had deliberately chosen not to make a record of the proceedings.

The Austrian resolution was not without effect. On 2 January 1947 Bevin informed the Cabinet that the Council of Foreign Ministers had agreed to appoint special deputies to prepare an Austrian treaty. The deputies' report would be considered at the CFM meeting in Moscow on 10 March. Although the Soviets had displayed considerable reluctance to examine the Austrian question, Bevin was optimistic that the Soviet Government were prepared to conclude a treaty with Austria 'in the fairly near future'.

First negotiations for an Austrian treaty

The British Government soon found that nothing concerning the Austrian treaty was going to be easy. Bevin's prognosis of June, that deliberations were likely to be prolonged, proved to be an understatement. Even before the expected differences over the British draft treaty became apparent, the choice of deputies caused some concern. Bevin had decided on Viscount Samuel Hood as his deputy and this was applauded as a good choice by Mack who saw himself as first in line for Austrian attacks if negotiations failed to bring the desired results. On the other hand, the 'curious' choice of General Clark as US Deputy puzzled the British. Mack warned that Clark would give trouble:

He is apt to tell everything to the press and his chief aim in London will be to get as much publicity for himself as possible and to take credit for any success that may be achieved. I do not believe that he is at heart Anglophile. He

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4 ALCO/P(46)156, 20 December 1946, FO 371/63971, C32
5 Trost, Figl, p.203
6 CAB 128/9, CM(47)1, 2 January 1947
is Clarkophile first, last, and all the time. He is apt to switch from one extreme to the other, and like many Americans does not understand the meaning of words. Do not let him do any drafting. He will, however, be anxious to get results and to get them quickly, if only for the greater glory of Clark.7

Mack was also worried about the possibility that one of his French colleagues in Vienna might be chosen as French deputy:

French representation here in Vienna is very bad and has been of very little help to us. Bethouart [the French High Commissioner] is lazy, never reads his briefs, and doesn't seem to know much about what is going on, and of course the new Madame Bethouart is a wholetime job. His number two, Brigadier General Cherriere, is conceited, stubborn and incompetent. Monicault [Political Representative, Mack's French counterpart] is lazy and always seems to know nothing about what is going on.8

The Soviet Government, in contrast to Anglo-American procedure, chose only one representative to defend its interests both in regard to Germany and Austria. This, London thought, would mean 'very hard work' by the British to ensure the Austrian treaty would not 'get left out in the cold'.9 The Soviet choice, Fedor Gusev, did not bode well. Gusev had been sent to London in July 1943 as Soviet Ambassador. He seemed brainless, charmless and, in the words of a British historian, his choice was 'a calculated insult to the British Government'.10

In the meantime, both the British and the Americans produced drafts of an Austrian treaty. The British draft filled the Austrians with dismay. The Austrian Government was particularly distressed by the preamble which specified Austria as a participant in the war on the side of Hitler's Germany. The Foreign Minister pointed out that this statement contradicted the Moscow Declaration issued by the Soviet, British and American foreign ministers in 1943, according to which Austria had been the first victim of Nazi aggression. It also contradicted the recently expressed State Department view that Austria was a liberated country and should be treated like all other countries invaded by Hitler's Germany.11 But more than anything else

7 Mack to Harvey, 27 December 1946, FO 371/63945, C52
8 Ibid.
9 Minute by Dean, 4 January 1947, FO 371/64176, C78
11 Gruber to Mack, 10 January 1947, FO 371/63945, C785
it was a grave injustice to the tens of thousands of Austrians who had vigorously opposed German-sponsored Nazism in pre-Anschluss Austria and had in 1938 ended up in concentration camps or on the scaffold when the rest of the world stood idly by. Vice Chancellor Schaerf claimed later that the Foreign Office, in contrast to Bevin, clearly saw Austria as an enemy state which had to be made to pay for losing the war, and that only representations by the SPO to the Labour Party caused some of the wilder 'monstrosities hatched by the civil servants' to be abandoned. It was not that the Austrian Government's views on the treaty were unknown to the British Government. As early as February 1946 Gruber had supplied a preliminary draft to Mack. Although this draft was incomplete and mainly thought of as a basis for future thinking on the subject, it specified the fundamental philosophy which had to underlie any treaty: Austria was a victim of Nazi Germany, the Moscow Declaration had acknowledged this and pledged the restoration of the independent Austrian State; therefore, Austria could not be expected to pay reparations.

The issue of reparations, in the guise of the German assets question, was to emerge as one of the great obstacles to a quick agreement on the Austrian treaty. At the Potsdam Conference of 1945 the United States had insisted on and obtained agreement that no reparations would be exacted from Austria. The reason for this demand was that reparations were not consistent with Austria's status as a liberated country and that, in any case, the Austrian economy would not be able to cope with reparations. The agreement thus obtained became meaningless, however, when it was conceded that certain, then still unspecified, German foreign assets should be drawn upon for reparations owed by Germany to the Allies. Determination of what was to be considered a German asset in Austria was to be worked out by four-power agreement later on. By 1946 the Russians, stung into action by the Austrian Nationalisation Law, considered all of eastern Austria fair game in their own assessment of what should constitute a German asset. As Vice Chancellor Schaerf stated before negotiations began, the Potsdam decision - as it applied to Austria

12 K. Gruber, 'Austria Infelix', Foreign Affairs, Vol. 25, January 1947
13 Schaerf, Erneuerung, p. 138
was patently absurd. Anything of value in the Austrian economy had been taken over by the Germans either by force or stratagem. Austrian state property, the property of emigres and Jews and of the disbanded socialist workers' organisations had all become Reich property in name. How was the Austrian Government expected to restore property to the Jews, for instance, if the Allies demanded it for themselves? In addition, an assessment by the Federal Chamber of Trade and Industry of the economic clauses of the treaty drafts claimed that if these provisions were to come into force, Austria's material basis of subsistence would be threatened, living standards would sink to dangerous levels, and the country's sovereignty would be jeopardised.

In view of the impending discussions of the Austrian treaty the British Legation tried to assess Soviet policy concerning Austria. The conclusion reached was that, having failed to gain political control of Austria, the Soviets would concentrate all their efforts on increasing their economic hold on Austria, thus ensuring Soviet control over the whole Danube basin. Having an occasional, if unpredictable, 'allergy' to charges of illegality, the Soviets would doubtlessly seek to secure the widest possible economic concessions in the treaty and would use the political clauses as bargaining counters. But Russian ambition was not going to be the only problem for British policy in Austria. The French attitude seemed to be summarised in their belief that Austrians were Germans - no good pretending otherwise - and that Austria would sooner or later become a German arsenal unless prevented by stringent provisions concerning her future armed forces. The Foreign Office was disgusted and labelled French talk 'pure obscurantism':

The French line on Austria is lamentable and illustrates the bankruptcy of French thought where the reconstruction of Europe is concerned. Of course they will play straight into Russian hands. Protection against any revival of the German menace must depend on the vigilance we exercise over Germany herself. Our political aim, to which we are devoting a good deal of manpower, energy and money, is to rebuild Austria as a viable, independent state. This means, among other things, that she must be allowed to create armed forces of her own and

15 Memorandum by Schaerf, 1 January 1947, FO 371/63945, C514
16 Stellungnahme der Bundeskammer der Gewerblichen Wirtschaft Oesterreichs, March 1947, AdR, BMAA, K40, 105.005-106.449
17 Cheetham to Bevin, 14 January 1947, FO 371/64008, C1228
that no undue restrictions should be placed on her methods of recruiting or arming them.\textsuperscript{18}

Discussions of the treaty began on 16 January. As Gruber explained later in his report on the results, many of the sessions in the following weeks were taken up with hearings of various delegations who sought to influence the negotiations by making diverse claims against Austria. This left relatively little time for a complete consideration of all questions, only the political clauses having been thoroughly considered. Those points agreed upon were thought on the whole acceptable to Austria. The Deputies seemed to think that negotiations by the Foreign Ministers in March would lead to more agreement, and Gruber estimated the completion of the treaty to take place some time in April. Assessing the attitude of the individual powers, Gruber thought the US approach the one most beneficial to Austria. The Russians seemed motivated by extreme suspicion towards the Austrian Government and were laying great emphasis on the German assets question on which no compromise had yet been reached. The French attitude had been an 'unpleasant surprise', while the British attitude on compensation for United Nations property, that is, for losses sustained by UN nationals - including former Austrians - during the Nazi era, proved a real problem.\textsuperscript{19} The British proposal would mean that those Austrians who had been able to escape and take on a new nationality abroad would get compensation for their losses, whereas those less fortunate, who had languished in concentration camps, would not.\textsuperscript{20}

The question of compensation for UN property also set the US and Britain at odds. The British view was that compensation should be paid to the extent of two-thirds of the sum necessary to purchase similar property or to make good the loss suffered. In contrast, the US proposal envisaged that UN interests be treated the same as those of Austrian nationals, which in practice would mean they would get no compensation at all. The dilemma for the British was that, on the one hand, their demands alone would be far beyond Austria's capacity to satisfy, the British finding themselves decried as too harsh by

\textsuperscript{18}Minute by Cullis, 5 February 1947, FO 371/63948, C1709
\textsuperscript{19}Report by Gruber, 3 March 1947, FO 371/63958, C4371
\textsuperscript{20}K.Gruber, 'Remarks on the Austrian Treaty', Private Discussion Meeting, Royal Institute for International Affairs, 21 February 1947, AdR, BMAA, K40, 105.005-106.248
both the Austrian press and the Soviet Deputy; on the other hand, the Foreign Office thought that abandoning the British standpoint would 'give rise to howls of protests from the Jews'.

For the British Government — which, owing to Bevin's policy on Palestine, was rapidly taking on the image of yet another persecutor of the Jews — this was not a prospect to encourage lightly. In the circumstances, inactivity — 'until the Austrians squeal loudly' — seemed the best policy.

Thus the contestants went into the next round with some curious ideas about each other. The British image of benevolence seemed tarnished, while the US Deputy, General Clark, appeared 'next to the Almighty Austria's staunchest protector'.

And the Russians, who appeared to the Austrian Representative in Moscow less unreasonable than might have been expected, asked themselves whether Austria lay on the Danube 'or the Mississippi'. Nevertheless, the Austrians were not the only ones to feel that the conclusion of an Austrian treaty was imminent. Alerted by Mack that the British military authorities in Austria were planning the completion of withdrawal of troops by 31 December, Oliver Harvey wrote to the War Office warning that this date had better be brought forward to August. The evacuation of Soviet troops from Austria was 'the crux of the whole problem in Eastern Europe' and British dilatoriness must not give 'others' the excuse to delay the evacuation. London believed that the treaty would be signed during March or at the latest at the beginning of April, and there was no doubt that the Americans were anxious to bring it into force at the earliest possible moment.

Mack also thought that the Russians, who 'always make great play of the fact that the Red Army liberated Vienna' and who had set a precedent in 1943 by signing the Declaration on Austria at Moscow, might like to make sure that the treaty was signed there too.

Why, then, did negotiations go so badly awry? More specifically, why did the Americans, by a display of singular obstinacy at

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21 Minute by James Marjoribanks, 5 March 1947, FO 371/63979, C3661
22 Gregory to Roger Stevens, 21 February 1947, FO 371/63979, C3082
23 Martin Herz to State Department, February 1947, AdR, BMAA, K10, 106.741-106.741
24 Bischoff to Gruber, 23 January 1947, AdR, BMAA, K30, 105.189-105.422
25 Harvey to Eric Speed, 27 February 1947, FO 371/64035, C2468
26 Mack to Harvey, 4 March 1947, FO 371/64008, C4191
the negotiating table, risk not only the Austrian Government's disaffection but severe political turmoil potentially harmful to the fragile democracies of both Austria and other European nations? At a meeting of representatives of the Foreign Office, the Treasury, the British Element of the ACA, and other interested ministries, the British line on economic questions to be taken at the CFM in Moscow was decided. The first object would be to arrive at a strict definition of what constituted a German asset. There could be no compromise of the principle that assets transferred remain subject to Austrian law, and no concessions were to be made unless this led immediately to a solution. As far as compensation for UN property was concerned, the British Delegation should stick to its two-thirds proposal, even though it was already apparent that combined resistance by the Austrians, Americans and Russians would make it ultimately necessary to abandon the British stand.27 The Austrians were particularly adamant on the latter point. The Chancellor warned Mack that no Austrian Government could undertake the obligations imposed by the British formula, and Gruber informed the Foreign Office that Molotov had gone out of his way to promise that the Soviet Delegation would fight the British proposal. When accused of attempting to blackmail HMG with his report of Molotov's attitude, Gruber readily admitted the charge, but insisted that Molotov would be true to his word.28

The negotiations at Moscow, first between the Deputies and then between the Foreign Ministers, did not proceed as well as had been hoped. Although the Deputies met nearly every day, the Austrian question did not come on the agenda until after the discussions on Germany. Lord Hood felt that Molotov's attitude towards the Austrian treaty would be dictated by the extent to which he considered decisions on Germany satisfactory. In addition, relations between Clark and Gusev, the American and Soviet Deputies, were deteriorating quickly. Clark, suffering from 'Moscow tummy', was aggressive and increasingly impatient. Gusev reacted by being 'singularly sullen and ill-tempered', thus preventing reasonable discussion on many

27 Minutes of interdepartmental meeting, 27 February 1947, FO 371/63957, C3431
28 Conversation between Figl and Mack, 30 March 1947, FO 371/63973, C5199; FO to UK Delegation in Moscow, 27 March 1947, FO 371/63959, C5193
important points. Clark owed his problems more to American policy objectives than to ill-health. In February the new Secretary of State, George C. Marshall, had spelt out US policy at a closed session of the Senate Foreign Relations Committee. US policy was to get occupation troops out of Europe – other than Germany – as quickly as possible. The aim was to deprive Moscow of their excuse for keeping troops in Rumania and Hungary, which were there supposedly to guard Soviet communication lines into Austria. Hence the necessity for a quick Austrian treaty. The problem with these objectives was that US policy on reparations directly contradicted them. The Americans wanted the Russians out of Austria, but would not agree to the price the Russians demanded for their withdrawal.

The Austrian Foreign Minister was soon growing uneasy with the lack of progress. Gruber thought the Americans ridiculously neur-otic: thinking that all Moscow was 'wired', they would talk only in whispers, but shouted their dislike of Molotov into a hole in the wall, in the belief that this would promptly be reported to Molotov. As for German assets, Gruber maintained that Austria should be left to decide what sacrifices she was prepared to make in order to get a treaty. Gruber's attitude annoyed the British Delegation. They thought him 'childish' for seeming to want a treaty at any price. Austria's position in Europe made it necessary that the treaty should be satisfactory from the British point of view: 'the counterbalance to the benefits of a quick treaty is not the disadvantage to Austria, but the disadvantage to ourselves'. The treaty had to ensure that the Soviets could not exert pressure on the Austrian Government without risking Western retaliation.

On 22 April Bevin reported to the Prime Minister that deadlock had been reached. Following several secret meetings, the vital questions, in Bevin's view, boiled down to four articles: German assets (Article 35), reparation (Article 34), restoration of United Nations property (Article 42) and frontiers (Article 5). These were

29 Samuel Hood to Marjoribanks, 7 April 1947, FO 371/63961, C5734
30 Memorandum by Cohen, 12 February 1947, FRUS 1947 II: CFM; Germany and Austria (Washington, 1972) p.159
31 Gruber, Befreiung, pp.129-130
32 Memorandum by Gruber to Marshall and Bevin, 1 April 1947, AdR, BMMA, K41, 105.005-109.201
33 Minutes by UK Delegation/Moscow, 6 April 1947, FO 371/61104, C14045
interconnected and a solution for them would mean an agreed treaty. While Marshall tried to get the Soviet Foreign Minister to commit himself on the reparation and frontiers questions, Molotov insisted that German assets and UN property were the key to the future of treaty negotiations. The German assets discussions got bogged down in differences over definitions, in particular over the alternative phrases 'direct forcible action' and 'force or duress', these concepts referring to the way in which Austrian property had become German property and thus being relevant to the determination of whether a German asset could be used for reparation or not.31

The UK Delegation had earlier deprecated Gruber's attitude on German assets, but after the breakdown of negotiations London ruefully admitted that 'there is rather more to his argument than we for our part have allowed'.35 Gruber's argument had been that the German assets question must not become one of principle and prestige. He had feared that Anglo-American tactics were leading in that direction and he had been proved right. Anglo-American refusal to allow the Austrian Government to settle individual claims on a bilateral level had brought the negotiations to a standstill. To get a treaty, even if it was somewhat vague on German assets, was all-important for Austria. Once Russian troops had left Austria, the Soviet Government would find it difficult to force an illegal or unreasonable interpretation of German assets unless they wished to provoke another war.36 What neither Gruber nor the Western negotiators realised at the time was that Moscow had informed the Yugoslavs, whose territorial claims against Austria it had supported, that that support would be withdrawn because Moscow wished to conclude the treaty there and then.37

On 2 May Bevin told Cabinet that his hopes of an early treaty had been disappointed by the disagreement over German assets and that, in particular, the Austrian oil industry was at stake. Although the Russians had prevented an irreversible stand-off by agreeing to renewed examination of the matter by the Deputies,38 Bevin was certain that 'the Russians have their eye on the oil

34 Bevin to Attlee, 22 April 1947, PREM 8/1123
35 Minute by Cullis, 1 May 1947, FO 371/63962, C6348
36 Ibid.
37 Memorandum by Cullis, 16 August 1950, FO 371/84907, C5213
38 CAB 128/9, CM(47)43, 2 May 1947
interests. Molotov as good as said that he would not be done out of them'.

To the House of Commons Bevin explained his attitude thus:

In my view it would be wholly inconsistent with the spirit and letter of the Moscow Declaration to accept as valid all the transference of property which took place after 1938 by Nazi laws and methods. It is our view that it was wholly inadmissible for us to recognise, and worse still to seek to profit from, Nazi misdeeds at the expense of innocent victims.

Bevin stated that in all the other peace treaties the disputed words 'taken under force or duress' had been used; there was no point restoring the independence of a country while placing large portions of its economy under foreign influence or allowing extraterritorial rights to outsiders. But he was used to difficult negotiations and would not give up easily:

I have seen many 11th-hour and 59th-minute settlements. The probability is that if we keep our tempers and our patience we may in the end reconcile these differences. That is the attitude I am going to adopt.

The Austrians were terribly discouraged by the failure of the treaty talks. The Political Representative at Moscow, Norbert Bischoff, contemptuously reported the 'dismayingly primitive romanticism' of the US Charge d'affaires at Moscow, who tried to justify American intransigence at the negotiating table in terms of American anxiety over Austrian independence and the 'revolutionary intrigues' of the Russians. When Mack returned from Moscow to Vienna, he had his hands full pulling the Austrian Government into line. Gruber had given vent to the people's disappointment by broadcasting his opinion that Austria would survive not on account of Allied policy but rather in spite of it. Schaerf, who had for once lost his composure, attributed failure of the CFM to the US and UK delegations and spoke 'rather ominously of the necessity for an understanding with the Russians'. In the end, though, Mack thought he had succeeded in arresting the 'witch hunt' and convincing the Government that the blame lay wholly with the Soviets. Chancellor Figl, at any rate, had

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39 Bevin to Attlee, 22 April 1947, PREM 8/1123
40 *Keessing's*, 17-24 May 1947, p.8614
42 Bischoff to Gruber, 9 May 1947, AdR, BMAA, K41, 105.005-107.048; 30 May 1947, K41, 105.005-107.682
promised to refrain from making speeches 'which would make the atmosphere more difficult'.

The Coalition in turmoil

While the leaders of the Government appeared amenable to British admonitions, the failure of the CFM led to immediate repercussions affecting Austria's internal stability. The signing of the second control agreement had temporarily appeased the Austrians, and the failure to implement it according to its spirit had united the political parties in their condemnation of the occupation. But relations between the SPO and OVP remained difficult. This, in a country where the all-pervading influence of party politics was one of the most typical features of life, caused many problems. The parties, according to Mack, were conducting against each other an 'acrimonious and unceasing campaign of mutual contumely and backbiting' which might prove a disruptive influence within Western democracy.

Mack was relieved when President Renner returned from a long illness and promised to exert his influence with the parties to conciliate their differences. The problem, as Renner saw it, was that some of the rank and file in each party were dissatisfied with those of their leaders' policies that did not seem to bring independence any nearer, and that the trade unions were adopting an independent attitude and were not always inclined to follow the lead of the SPO. Thus while Schaerf and Figl, the leaders of the SPO and OVP respectively, shared an excellent relationship, the continued occupation and desperate economic situation might cause disturbances.

Following the failure of the CFM, Gruber faced an attack on his position as Foreign Minister. The charge most frequently levelled at him was that, in the words of Communist leader Ernst Fischer, he was the 'political errand boy of the Americans'. Fischer was not the only one unhappy with Gruber. The Socialists thought him too much in the Americans' pocket, something which - coupled with his 'fighting mood' towards the Soviets - was bound to

43 Mack to FO, 29 April 1947, FO 371/63962, C6415; Mack to Dean, 3 May 1947, FO 371/63964, C6945
44 Mack to Bevin, 4 March 1947, FO 371/63973, C4212
45 Mack to Attlee, 28 March 1947, FO 371/63973, C5174
46 Gruber, Befreiung, p.168
make the Soviets even more obstinate in their claims against Aus-
tria. The same charge had been made by the French, and Bevin, in-
censed by Gruber's angry speech concerning the treaty talks, was be-
ginning to have serious doubts about Gruber's suitability as Foreign
Minister. The Foreign Office, however, liked Gruber and thought his
faults mainly ones of inexperience and impetuosity. He was seen as
an able and energetic young man and thoroughly Western-minded. Only
Schaerf was thought to be of 'sufficient calibre' to take his job,
but he was already Vice Chancellor. At any rate, London consoled it-
self with the fact that Gruber seemed lately disappointed with the
Americans and particularly with the 'clumsy diplomacy' of General
Clark. Moreover, Gruber in opposition might be more tiresome
still.47

Meanwhile, not merely Gruber but the Austrian Government as a
whole were under attack. On 5 May demonstrations took place in front
of the Federal Chancellery which, Mack reported, were 'unpleasantly
reminiscent' of the circumstances attending the assassination of the
Austrian Chancellor in 1934. The demonstrations began with unoffi-
cial strikes in the British and Soviet sectors of Vienna and by the
time the workers reached the Government seat, the crowd had swelled
to several thousand. A few demonstrators managed to enter the build-
ing and the Communist flag was hoisted on the roof. The Austrian po-
lice, insufficiently armed, were mostly helpless, and the Minister
of the Interior felt it necessary to appeal to the inter-Allied mil-
itary policy for assistance. While the Allied commanders sat in con-
ference to consider the request, the leaders suddenly dispersed af-
ter having apparently been warned by a mysterious motor cyclist. The
feeling that this had been an attempt by the Communists to bring
about a general strike was shared by Socialists and OVP and the day-
long disturbances were a serious reminder of Austria's precarious
situation.48

The Government had barely recovered from the demonstrations
when another incident shook the Coalition to its foundations. What
came to be seen as a Soviet plot to topple the Austrian Government,
and substitute for it a coalition of extreme right-wingers and

47 Cullis to Henniker, 5 May 1947, FO 371/63973, C6831; Henniker to
Cullis, 8 May 1947, FO 371/63974, C7037
48 Mack to Bevin, 10 May 1947, FO 371/63973, C6986.
Communists, began two days after the demonstrations. Gruber, in a speech to the Austrian Parliament, claimed that the failure of the CFM and the recent attack on the Government were inspired by Austrian Communists. He ridiculed the charge of having pursued a policy which would make Austria an outpost of a Western bloc and dependent on American capitalism. Ernst Fischer, in turn, scoffed at Gruber's defence. Either Gruber was politically blind or he must think that everyone else was. Fischer identified the crux of Austria's problem. It was imperative that Austria keep clear of involvement in great power politics:

The great powers have - unfortunately - time. For them it is not a crucial question how long the occupation in Austria continues. But Austria - we - we have no time. For Austria every delay means an extraordinary loss of economic and political assets.49

After the speeches Fischer was approached by an MP of the OVP to see whether he would be interested in confidential discussions concerning Austria's current situation. Fischer agreed and several days later a meeting took place between Fischer, Julius Raab, President of the Austrian Economic Union and deputy-chairman of the OVP, and Eduard Heinl, the Minister of Trade. The topic was the possibility of restructuring the Austrian Government to give it a less anti-Soviet character. Fischer felt that Gruber's policies were not conducive to bringing about an early treaty and that openly-proclaimed neutrality was Austria's only chance of being rid of the occupation. Raab was interested in Fischer's proposition and another meeting was held soon after with the Chancellor himself to explore the possibilities of co-operation between the OVP and KPO. At this stage, however, Gruber got wind of the talks and promptly informed an Associated Press journalist of the 'conspiracy'. On the following day the American-sponsored Wiener Kurier reported in big headlines the secret negotiations, claiming that Fischer, with the typical 'ruthless brutality of a Communist' (Gruber's phrase), was conniving to topple the Austrian Government at the behest of the Soviets. Fischer, editor of the popular daily Neues Oesterreich, retaliated by publishing a blow-by-blow account of the talks. A fierce press war broke out.

the SPO, OVP and KPO using their respective papers to issue charges and counter charges.

When the political storm finally abated, the British Legation reported that relations between SPO and OVP had appreciably worsened, that the OVP's prestige had sustained great damage and that the Chancellor had been made to look 'uncomfortably foolish'. Miraculously, Gruber, who was seen as the chief troublemaker by his own party for making the talks public, seemed to have survived the scandal. The Socialist Party's prestige had been enhanced and the Communists - ever seen as Soviet stooges by the Austrian public - were the greatest losers in the affair.50

One of the most telling aspects of the episode was the difference in opinion between the British and the Austrians - other than Gruber - over the implications of the crisis. The British and Gruber firmly believed in the 'Soviet plot' theory. The Foreign Office warned Vienna that the Soviets were attempting a 'pincer movement', holding up the Austrian treaty while the Austrian Communists undermined the Government in the same manner as had been done in Hungary recently. Burrows thought that the conniving of that 'little Fascist' (Raab) with the Communist leader might be a repetition of the co-operation of Communists and Nazis in Hitler's Germany.51 John Cheetham of the British Legation in Vienna agreed. Raab belonged to the extreme right-wing of the OVP, a faction which contained many unscrupulous people. The Russians certainly would have no repugnance for working with such 'reactionaries'. Besides, Raab was politically ambitious and probably felt threatened by Gruber's ascendancy in the Party.52 The Austrians, on the other hand, saw events in a less dramatic light. The business circles around Raab shared with Fischer the attitude that the chaotic state of the Austrian economy did not admit of ideological games at the expense of pragmatic solutions. These were, after all, still the days before Marshall Aid.53 The majority of the population regarded the affair simply as a bit of local Communist trouble-making,54 while Schaerf belittled the whole

50 Cheetham to Bevin, 19 June 1947, FO 371/63975, C8665
51 FO to Vienna, 12 June 1947, FO 371/63974, C7966; Burrows to Cheetham, 13 June 1947, FO 371/63974, C8100
52 Cheetham to Burrows, 19 June 1947, FO 371/63975, C8592
54 Cheetham to Dean, 12 June 1947, FO 371/63975, C8301
affair and remarked that 'although he had expected some reaction to the events in Hungary, he had not anticipated that the tragedy there would be reflected by a comedy in Austria'. The incident had an ironic aftermath. In 1953 Raab succeeded Figl as Chancellor in another SPO-OVP coalition. When Gruber foolishly published an explicit account of the 1947 events shortly after Raab's accession, he was promptly fired and shortly afterwards 'banished' to the United States as Austrian Ambassador. Raab subsequently brought home the Austrian treaty in 1955 after bilateral negotiations with the Russians.

In the meantime, although a heated parliamentary session on 11 June gave evidence of the depth of resentment stirred by the events, it was obvious to Allied observers that the Government had already closed ranks and that the crisis was over.

The Austrian Treaty Commission

What contributed to calming the Austrian situation was the last-minute decision by the CFM to appoint a commission to examine in detail the German assets question and report its findings to the Deputies in time for the next CFM. The Austrian Treaty Commission (ATC) held 85 meetings between May and October 1947 and had, according to Gruber, only one result: a propaganda war between the occupation powers, the main theme being mutual accusations of 'imperialist expansion' aims. More importantly, it made the Foreign Office - and ultimately Bevin - doubt the wisdom of having an Austrian treaty at all.

Bevin insisted that new negotiators be sent into the fray. This, the Foreign Office explained to Mack, was in no sense a reflection on the capabilities of Hood and his team. Rather, Bevin wanted people in the ATC who had not experienced the frustration of the Deputies meetings and would thus provide 'a fresh atmosphere more conducive to early settlement'.

55 Cheetham to Bevin, 19 June 1947, FO 371/63975, C8665
56 E. Trost, *op. cit.*, p.230; Cheetham to Bevin, 19 June 1947, FO 371/63975, C8665
57 Report by the Foreign Minister to the Central Committee of the National Assembly, 20 October 1947, AdR, BMAA, K10, 110.089-110.123
58 Sargent to Mack, 7 May 1947, FO 371/63964, C6884
Office and Sir George Rendel were chosen to lead the British team. The other powers had also appointed new representatives: Joseph Dodge for the United States, Cyril Novikov for the Soviet Union, and General Paul Cherriere - of whom Mack had earlier expressed such a poor opinion - for France. At the first meeting of the ATC on 12 May Mack found Dodge 'a cool and determined negotiator', Cherriere helpful, and Novikov 'amiable but extremely stubborn'.

Frank Roberts, Counsellor of the British Embassy in Moscow, tried to explain what made Novikov tick. Roberts had recently had a 'heart-to-heart' exchange with Novikov on the subject of 'misunderstandings' between the Russians and the British. As Novikov saw it, the problem was a fundamental difference in approach:

We [the British] always urged that if we could agree on even a few relatively minor questions and get them out of the way, the atmosphere would be improved and it would then be much easier to reach agreement on major issues. The Russians, on the other hand, were pupils of Lenin who laid down that it was useless to attempt to solve minor problems until the major problems had been settled. Our preference for reversing this order might indeed result in a temporary improvement in the atmosphere, but this only proved a delusion and led to subsequent disappointments with the result that our relations became worse instead of better.

In view of the Soviets' repeated statement that they would not give way on the German assets question, Novikov's attitude should have been enlightening. While the British team might have been forewarned by this illumination, the Americans were not. From 12 May to 16 June no progress whatsoever was registered. The Russians insisted on discussing Austria's oil industry, the Americans (who, like the British, had considerable interests at stake in Austria's oil) refused. American negotiating tactics reflected a new tough policy which made the Americans feel good, but dismayed the Austrians. Despite constant protestations of wanting the occupation ended, the Americans had become obsessed with showing the Soviets who was boss. The purest indication of this aim was a report by the US Representative on the ATC, Joseph Dodge:

The Soviets want an agreement on oil - period - and a bilateral agreement with Austria on everything else. Some of

59 Mack to FO, 13 May 1947, FO 371/64087, C6922
60 Roberts to Mack, 23 May 1947, FO 371/64088, C7499
the Austrians think that is good. The Soviets opened with oil and closed with oil. Today, with [the Soviet Representative] in the chair, we decided to let him sweat. He proposed dragging in oil by the back door, and I chopped that down quick. He says oil, we say no. We got nowhere. There were long silences. Adjournment with no agreed agenda. Nice business. We may not have convinced them of much, but I am sure they are convinced we are far from easy or soft.\(^{61}\)

In what can only be described as a failure to understand or accept what the purpose of the ATC was, Dodge incongruously characterised the proceedings thus: 'I think our record is good, except for accomplishment'.\(^{62}\)

It is little wonder that the Austrians were dismayed. Barely two weeks earlier Gruber had discussed the precarious political situation developing in Austria with the adviser to the American ATC delegation. Bitterly critical of American negotiation tactics at the Moscow CFM, Gruber particularly condemned General Clark's public statement that the occupation forces would remain in Austria until the Soviets agreed with the American position. This policy, Gruber argued, might suit Washington, but was ruinous to the Austrian economy and to internal political stability. Public opinion in Austria might soon demand that the Austrian Government make a bilateral settlement with the Soviets. Australians could not bear another winter under occupation and Gruber recommended that the Americans relax their position on German assets 'to the extent necessary to obtain Soviet approval'. He had no doubt that the Soviets wanted an Austrian treaty, provided they received realistic incentives.\(^{63}\)

If the Americans had problems sorting out whether their first priority should be to appear 'tough' or to get Soviet troops out of Austria, they must have been no less confused by the differing messages coming from the Austrian Government. The Foreign Minister seemed to be advocating withdrawal of troops at almost any cost, whereas President Renner reminded the American Delegation that Parliament would be called upon to approve the treaty. Too many concessions on the German assets question would endanger the economic viability of the State and no responsible party could recommend acceptance of a treaty which would not guarantee the political and


\(^{62}\) Ibid.

\(^{63}\) Memorandum by Francis Williamson, 15 May 1947, *ibid.*, pp.580-582
economic independence of Austria. The difference between these two statesmen was that the Socialist Renner, whose party had been the prime mover of the nationalisation scheme, envisaged a Socialist Austria, closely tied to the economies of Eastern Europe, peaceful and neutral, intent only on the welfare of its people. Vice Chancellor Schärf, leader of the SPO, also let it be known to the Americans that he intended to steer an 'Austrian course' between the four occupation powers and that this might well lead him again, as in the past, into conflict with US policies. Gruber, on the other hand, was of the opinion that once Soviet troops were forced to leave the country, Austria would be safe. Given US containment policy, the Soviets would not march back into Austria, as that would precipitate war - something the USSR was not yet ready to risk. He claimed that direct economic pressure would be ineffective because of negligible Soviet-Austrian trade, and indirect economic pressure through Soviet satellites could be countered by curtailing Austrian trade with those countries. At any rate, as far as the economic clauses of the treaty were concerned, Gruber's attitude was that if Washington wanted Austria free of Soviet domination, Washington should pay for it.

Gruber might have been less sanguine had he realised under what difficulties the State Department laboured. US funds, despite Austrian and British beliefs to the contrary, were not inexhaustible, and to an anti-Soviet, anti-Truman Republican Congress spending had to be justified in terms of US national security requirements. In a study by the Joint Chiefs of Staff to determine which countries should receive US aid, Austria's predicament became all too apparent. In terms of importance to the national security of the United States Austria ranked sixth after Great Britain, France, Germany, Belgium and the Netherlands, yet the report stated categorically that any region under Soviet control should specifically be excluded from assistance. The implications of this for the integrity of the Austrian state were obvious. If eastern Austria - the

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64 Memorandum of conversation by US ATC Delegation, 3 June 1947, *ibid.*, p.588
area under Soviet occupation - did not receive substantial assistance, demonstrations by a desperate population might turn to riots, and these would give the Soviet occupation forces reason to invoke that provision of the Control Agreement which dealt with the security of the occupation forces. Partition of Austria would follow almost as a matter of course.

The US Government was acutely aware of this danger and concluded a relief agreement with Austria in June, taking its authorization from Public Law 84 of 31 May 1947. At the same time, the Americans decided to pay for their own occupation costs from July, thereby greatly strengthening public morale in Austria and 'significantly enhancing American prestige'. The signing of the Relief Agreement did not by itself abate the danger of partition. Public Law 84 stipulated that the US must have control and supervision of the funds expended in all areas, a provision which prompted Moscow to charge the Americans with being more interested in control than relief. A spirited letter of defence by Chancellor Figl to the Soviet High Commissioner only increased the tension between the Austrian Government and the Russians, and the Austrian Communist press accused the Chancellor of provoking the Soviet Union. The Austrian Government was in a very unhappy position indeed. A suggestion by the French High Commissioner that it would be as well to make concessions to the Soviets on the supervision and control issue was countered by Marshall’s reminder to the Legation in Vienna that Congress would not accept merely partial compliance with their stipulations. If the Soviets did not permit full US supervision and control in their zone, supplies would only be made available to the rest of Austria. General Geoffrey Keyes, who had replaced Clark as High Commissioner for Austria, warned of the consequences of such action. It would stop indigenous food supplies - most of which came from the Soviet zone - reaching Western zones, cause the fall of the Austrian Government, and place the onus for the partition of Austria on the United States. The Legation finally worked out a compromise. Until such time as agreement on inspection could be reached

68 Erhardt to Marshall, 26 June 1947, FRUS 1947 II, p.1185
69 Keyes to JCS, 19 July 1947, ibid., p.1187
70 Marshall to Erhardt, 23 July 1947, ibid., p.1189
71 Keyes to JCS, 19 August 1947, ibid., pp.1195-96
with the Russians, stocks other than those provided by the State De-
partment under Public Law 84 would be used for distribution in the
Soviet zone. The compromise was a clear indication of how important
Austria had become to the United States. In General Keyes' words,
the strategic importance of Austria 'cannot be overemphasised'; al-
lowing Austria to fall to the Communists would endanger the position
of Germany as a US bridgehead in the fight against the USSR.  

American perception of the importance of Austria for Western
Europe and, by extension, to the security of the United States had
been evident for some time. In early April, when Washington was try-
ing to find a way to work out its priorities regarding aid to other
countries, Austria was classed as one of the countries in which the
United States had a 'direct and major political interest'. US aid to
Austria, therefore, had to go beyond mere emergency relief, so that
Austria's economy could be rehabilitated 'to the level of self-suf-
ficiency for minimum needs'.  

Three weeks later, when Marshall returned from the Council of Foreign Ministers at Moscow, he broadcast
his concern over Austria, which - with Germany - formed 'the vital
centre of Europe'. If the Soviet attitude towards Austria were to
prevail, Marshall asserted, Austria would stand little chance of
surviving as an independent state; she would be nothing more than a
Soviet puppet state.  

Following Marshall's Harvard speech in June, the Americans, in discussions between London and Washington,
stressed from the very beginning that Austria must take 'full part'
in the Marshall Plan. Indeed, Austria was one of the first coun-
tries to accept 'unconditionally' the invitation to the Paris Con-
ference to establish the Organisation of European Economic Co-opera-
tion, the necessary counterpart to the proposed American Economic
Co-operation Administration.

Austria's forthright reply to the invitation masked the
considerable unease with which the Government viewed possible
repercussions of its participation in the OEEC. The Austrian

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73 S. Sheppard to James Webb, 7 April 1947, *FRUS 1947 III: The
British Commonwealth; Europe* (Washington, 1972) p.199
74 Marshall's Broadcast on the Moscow Conference, 29 April 1947,
*Keesing's*, 10-17 May 1947, pp.8598-99
representative at the conference would have to take great care - 'proceed on velvet paws' - in order not to antagonise the Soviets. While any attempt to include the Soviet Union should be supported, Gruber saw little likelihood that Moscow would appreciate such efforts. There could be little doubt that the Marshall Plan was a plan 'by the West for the West', and the Soviet Union was unlikely to accept conditions imposed by the US Congress. That Austrian apprehensions were justified became almost immediately clear when Czechoslovakia was forced by Moscow to rescind its tentative acceptance to take part in the Paris Conference. In Vienna, too, the Communists began a determined campaign to dissuade the Government from participation. Schaerf - in his capacity as leader of the SPO as well as that of Vice Chancellor - pointed out, however, that notwithstanding Austria's precarious political position, which demanded 'political and economic neutrality vis-a-vis the big power blocs', the Socialist Party was in favour of Austria's participation in the Marshall Plan for the simple reason that without the Plan the reconstruction of Europe was impossible. A year later Austria would duly sign the Marshall Plan agreement with the United States.

Following the futile sparring in the ATC during May and June, the American negotiators had to admit the failure of their method and reach a 'compromise' with the Russians, which from 19 June onward put the oil question first on the agenda at every discussion. At the beginning of July the British team worked out a scheme to save the Austrian oil industry from falling permanently into Russian hands. Dubbed 'Operation Portia' - in imitation of Portia's argument in The Merchant of Venice - the scheme sought to counter the Soviets' claim to their 'pound of flesh' by circumscribing their right to draw 'blood' from the victim. Taking into account the nature of the contracts regarding the Austrian oil industry, Rendel claimed that the Soviet Government could at best take over very limited rights granted to contractors, but would have to take over all the obligations and limitations as well. The legal position was that under the Mining Law of 1854 and the Bitumen Law of 1938 - which had

76 Memorandum of Discussion in the Foreign Ministry, 8 July 1947, AdR, BMMA, K29, 107.651-108.194; Gruber, Befreiung, pp.175-177
77 Arbeiter-Zeitung, 20 March 1948, quoted in Csaky, op.cit., Doc.No.66
78 Memorandum by Marjoribanks, 26 June 1947, FO 371/64090, C8769
not been repealed - the rights on oil exploration and exploitation were reserved solely for the Austrian state and that, in any case, many of the contracts concerning the execution of these rights were liable to termination. But Rendel was prepared to go even further than that. No doubt stung by persistent Soviet suggestions that the British stance over German assets was principally motivated by HMG's stake in Austrian oil, he proposed a mutual waiver of all Allied claims to Austrian oil, followed by the return of the whole industry to the Austrian Government.79

The British stand on Austrian oil was not quite as self-sacrificing as it appears at first sight. A preliminary examination of the case of the British oil companies had shown that they could hardly justify any claims of 'forced' selling to the Germans. This, together with the fact that the entire oil industry lay within the Soviet zone and would make Austria's survival as an independent state extremely doubtful if it were to come under Soviet control, made the relinquishing of British claims the lesser of two evils.80

The question was largely academic, however, the Foreign Office having little doubt as to the success of the 'Portia' argument:

We cannot of course expect for a moment that the Russians would accept this form of reasoning. Their argument seems to be that if a German concern held any interest in the industry at the end of the war, that interest has under Potsdam automatically become Soviet.81

When the Russians at last replied to the British proposal it was clear that they wanted 'factories, not paper shares'.82 In order to leave no doubt about what they meant, the Soviets - without prior warning - seized the Anglo-American controlled Lobau refinery, the largest oil refinery in Austria, in the early hours of 2 August. This plant possessed 25% of Austria's total refining capacity and was linked by pipeline to the Soviet-controlled oil fields at Zistersdorf.83

After more than three months of irritating meetings Bevin declared the proceedings a farce and recommended that they be

79 Mack to FO, 2 July 1947, FO 371/64092, C9102
80 Memorandum by Marjoribanks, 26 June 1947, FO 371/61090, C8769
81 Minute by Marjoribanks, 3 July 1947, FO 371/64092, C9102
82 Mack to FO, 4 August 1947, FO 371/64096, C10608
83 Keesing's, 9-16 August 1947, p.8769
Both the American and Soviet negotiators had proved most unhelpful and there seemed no point in prolonging the agony. Dodge had turned out to be a difficult negotiator. He was at best clumsy, at worst 'tactless and provocative', while Novikov's attitude ranged from 'steadily obstructive' to 'complete indifference'.

To make matters still more awkward, when Rendel employed show-down tactics designed to force a breakdown in negotiations on the issue of extraterritoriality (Bevin had insisted on this to make sure the Soviets were blamed) the Americans interfered by circulating revised drafts and calling Rendel's statements a 'preliminary preview of an obituary'. Fiercely criticised by the British and the French, the US Representative sarcastically thanked them for their 'restrained enthusiasm'.

What made the British so sensitive to American moves were measures taken by the Americans which made the British worry about their own standing with the Austrians. While playing tough with the Soviets, the Americans had concluded a relief agreement with the Austrian Government - without informing London - and had at the same time announced that they would forthwith pay their own occupation costs, a measure which prompted the Austrian Chancellor to declare that this made the Americans 'no longer forces of occupation but paying guests'. Unable to match Washington's gesture, and occupation costs having been a sore point between the Austrian Government and the occupation forces since 1945, HMG were acutely embarrassed. They wondered whether this would render the British position in Austria more difficult. Though the Foreign Office was tempted to protest against the American methods, if not the measures, a cautioning voice warned that protests would only look like 'sour grapes' and that there were going to be enough points of Anglo-American friction in the coming months, without adding another one.

Another source of discomfort was the fact that HMG were still technically at war with Austria and that they had 'missed the bus'

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84 Minute by Bevin, 19 July 1947, FO 371/64097, C11076
85 Mack to FO, 3 July 1947, FO 371/64092, C9093; Mack to FO, 4 July 1947, FO 371/64092, C9188; Mack to FO, 7 July 1947, FO 371/64093, C9298; Cheetham to FO, 26 July 1947, FO 371/64095, C10081
86 Mack to FO, 5 September 1947, FO 371/64100, C12400
87 See above
88 FO minutes, 11 July 1947, FO 371/64010, C9479
(Mack) in not resuming full diplomatic relations with Austria when France and the United States had done so a year earlier. Mack reminded London that the only other political representatives in such a lowly position were the Soviet, Italian, Hungarian, Yugoslav and Polish ones - hardly suitable company, he thought. Nonetheless, the British were not prepared to relinquish occupation costs; unlike the USA, they felt they could not afford to. Instead, the British Government at last terminated the state of war with Austria on 16 September 1947 and Mack became HM Minister in Vienna.

While Soviet policy in the ATC had settled down to determined stalling and the Americans appeared anxious to avoid an open break for as long as possible, London asked itself whether an Austrian treaty was such a good idea after all. In a paper entitled 'Do we really want an Austrian treaty?' James Marjoribanks, Bevin's new Deputy for Austria, looked at the fate of the Balkan countries:

We are forced to admit that since the signature of the peace treaties, the political independence of the Balkan countries has become more and more of a dead letter, and the policy of integrating their economies with that of the Soviet Union has been intensified rather than otherwise. Have we sufficient reasons to suppose that, after the Allied forces have been withdrawn, the fate of Austria will be different?

Examining Soviet policy in Austria since 1945 and the Austrian Government's presumed inability to withstand Soviet pressure, Marjoribanks saw little hope that Austria could be saved for the West once the four-power occupation ended. He thought the best thing would be to refuse even to discuss an Austrian treaty until settlement on Germany had been reached.

It would be disastrous to conclude an Austrian treaty [at the CFM] in November only to see the whole of Austria sucked under the Iron Curtain a few months later, as our forces withdrew. The way in which the Soviets are now exploiting the economy of their half of Austria shows how this could be done. Our objective for the next few years must clearly be to stop

89 Harvey to Bevin, 25 July 1947, FO 371/64044, C10143; Mack to Marjoribanks, 8 August 1947, FO 371/64045, C10953
90 Mack to FO, 6 September 1947, FO 371/64099, C11987
91 Memorandum by Marjoribanks, 24 September 1947, FO 371/63965, C12601
92 Ibid.
Austria becoming an Iron Curtain country, thus bringing the Soviets to the Alps.93

General Winterton, the Deputy Commissioner in Vienna, vehemently disagreed. As he saw it, insufficient consideration was given by the Foreign Office to several factors which would operate after the treaty came into force. For instance, Austria would regain control over her finances, allowing her to resist Soviet penetration. The Austrian administration would no longer be subject to physical intimidation by the Red Army. Ownership of Austrian resources would be clarified, allowing the Government to formulate economic plans which would minimise the effects of Soviet-controlled industry. The Soviet enterprises, no longer financed by black market operations, would lose their competitive edge and, unprotected by their existing military status, would crumble.94 The Austrians had of course long argued their case on these particular lines, but Winterton's - like the Austrian Government's - was for the moment a lone voice and the Austrian Charge d'affaires in London had to report to his dismay that Bevin himself seemed infected with the Foreign Office reluctance to envisage an end to quadripartite occupation of Austria.95

On 11 October the Austrian Treaty Commission held its final meeting, 'transferring the battle to another terrain', without anything having been resolved.96

Implications of treaty negotiations for Austria's foreign policy

On 20 October 1947 Gruber made a report to the Central Committee of the Austrian Parliament on the situation in which Austria found herself as a result of the failed ATC. Further requisitions of Austrian industry by Soviet troops made Austria's economic position more precarious than ever. The political repercussions of this were only partly alleviated by the prospect of becoming a recipient of Marshall Aid. The Austrian Government's decision to participate in the Marshall Plan talks had already provoked an overt retaliation by the Soviet Union when the latter vetoed Austria's admission to

93 Minute by Harvey, 25 September 1947, FO 371/64102, C12938
94 Winterton to Marjoribanks, 3 October 1947, FO 371/64103, C13413
95 Schoener to Gruber, 18 October 1947, AdR, BMAA, OeB London, Kl, 92/2/POL/47
96 Cullis to Bevin, 11 October 1947, FO 371/64103, C13439
membership of the United Nations Organisation. Nevertheless, Gruber emphasised that Austria, despite her dependence on US aid, would not in any way approve of any sort of crusade - ideological or otherwise - against her neighbours. Austrian foreign policy must serve Austrian interest, and Austrian interest could best be served by keeping firmly aloof from political alliances, 'be they a Western bloc, Alpine bloc or Danube bloc'. Thus Gruber seemed to have accepted the wisdom of what was variously derided by the Western Powers as a Communist or 'fascist' plot: the need for Austria to stay neutral in the East-West conflict. Speaking of the forthcoming Council of Foreign Ministers, Gruber asserted that it was high time that the occupation powers settled their conflicts over German assets and let the Austrians be: 'small countries cannot live on propaganda statements'.

As it turned out, the Austrian treaty was hardly discussed at the London CFM because the Soviet Union insisted that agreement be first reached on Germany. This proving impossible, the Austrian question was once more deferred. Meanwhile, the Austrians continued to suffer the occupation and pay for the privilege. Although the British were fond of ascribing responsibility for Austrian hardships to the other powers, they themselves did their fair share to make the occupation unpalatable. On 20 November Gruber felt compelled to make a formal complaint to Mack concerning, in particular, the continued interference by British authorities in the everyday workings - be they ever so trivial - of the Austrian administration. Austrian authorities resented being exposed to the tutelage and criticism of the British authorities, especially when the interfering party would not itself make any material contribution towards the solution of difficult tasks. Then there was the case of several drunken British soldiers murdering an Austrian doll-maker who was quietly walking his dog. Whenever similar incidents occurred, the Austrians were confronted by British regulations which prohibited action by

97 Report by the Foreign Minister to the Central Committee of the National Assembly, 20 October 1947, AdR, BMAA, K10, 110.089-110.123
98 Ibid.
99 Keesing's, 27 December 1947 - 3 January 1948, p.9022
the Austrian police. And in Vienna the British Element occupied hospital wards, municipal buildings and flats and houses far in excess of their actual needs, while the Austrians were hard pressed to find a roof over their heads and beds for their ill and dying.

Thus the 'immense reservoir of Austrian goodwill' glimpsed by the British when they entered Austria in 1945 was steadily being lost. But neither Austrians nor British could predict at the end of 1947 how much more of a battering this goodwill would take over the next few years.

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102 Parliamentary Question, 26 November 1947, AdR, BMAA, K14, 110.944-110.944