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Foreign
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1934

Volume IV

THE AMERICAN
REPUBLICS

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Foreign Relations
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Diplomatic Papers

1934

(In Five Volumes)

Volume IV
The American Republics



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BOUNDARY DISPUTE BETWEEN ECUADOR AND PERU

1934 Jan. 19 (3225)	<i>From the Ambassador in Peru</i> Note from the Ecuadoran Minister in Peru, January 11 (text printed), relative to a possible eventual transfer of Peruvian-Ecuadoran boundary negotiations to Washington and subsequent arbitration by the U. S. President, in case the Lima negotiations fail; memorandum (text printed) attached to Ecuadoran note setting forth antecedents of the border dispute.	457
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BOUNDARY DISPUTE BETWEEN ECUADOR AND PERU—Continued

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COOPERATION OF THE UNITED STATES WITH OTHER GOVERNMENTS IN THE CONSTRUCTION OF THE INTER-AMERICAN HIGHWAY

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May 18	<i>To the Secretary of Agriculture</i> Transmittal of copy of letter of May 16 from the Chief of the Bureau of Public Roads, and advice that whatever decision is made will meet with the Secretary's approval.	471
June 8	<i>To Diplomatic and Consular Officers in Panama, Nicaragua, Honduras, El Salvador, and Guatemala</i> Excerpt (text printed) from an instruction previously sent to the Minister in Costa Rica setting forth Department's views in regard to the highway project.	472
Aug. 24 (470)	<i>To the Ambassador in Mexico</i> Instructions to ascertain from Foreign Minister whether Mexico would be interested in joining the United States, the five Central American Governments, and Panama in reorganizing the Inter-American Highway Commission and in being represented thereon.	472
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Oct. 17 (174)	<i>To the Minister in Panama</i> Instructions to inform appropriate authorities of U. S. legislative provisions (texts printed) for surveys and construction in connection with the highway; further instructions to ascertain whether Panama accepts the route through that country as laid down in the reconnaissance survey report sent on June 11. (Footnote: The same, <i>mutatis mutandis</i> , October 17, to diplomatic missions in the five Central American countries.)	476
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CONSTRUCTION OF INTER-AMERICAN HIGHWAY—Continued

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Dec. 7	<i>Memorandum of Conference Between Representatives of the Departments of State and Agriculture</i> Conclusion that another attempt would be made to obtain Mexican cooperation, that steps would be taken toward continuing the surveys south of Panama, but that until Mexico's position was ascertained, no work on the highway should be undertaken in Central America.	492
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INTERPRETATION OF ARTICLE IV OF THE HABANA CONVENTION
ON COMMERCIAL AVIATION ADOPTED FEBRUARY 20, 1928

CHILE

1934 July 13 (53)	<i>To the Ambassador in Chile</i> Instructions to endeavor to reach an understanding with the Chilean Government in regard to interpretation of the Habana Convention relative to entry and clearance of private aircraft.	495
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INTERPRETATION OF HABANA CONVENTION

GUATEMALA

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Aug. 8 (7509)	<i>From the Guatemalan Minister for Foreign Affairs to the American Minister in Guatemala</i> Reference to conditions under which commercial aircraft may enter Guatemalan territory; view that while it is not necessary for private aircraft to request formal authorization for entrance, advance notice must be given of each flight.	501
Aug. 29 (78)	<i>To the Minister in Guatemala</i> Instructions to make it clear to the Guatemalan Government that the Department does not desire to go into a discussion of commercial aircraft at this time, but wishes only to reach an understanding with respect to pleasure or touring aircraft.	502

HAITI

1934 Aug. 17 (387)	<i>From the Minister in Haiti</i> Haitian note, August 9 (text printed), stating concurrence in Department's interpretation of article 4 of the Habana Convention.	505
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MEXICO

1934 June 1 (1468)	<i>From the Chargé in Mexico</i> Foreign Office communication, May 24 (text printed), expressing the view that the Habana Convention applies only to commercial air traffic, and proposing that an agreement be concluded between Mexico and the United States for the regulation of noncommercial flights.	506
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ARGENTINA

PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND ARGENTINA

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ARGENTINA

EFFORTS OF THE DEPARTMENT OF STATE TO SECURE EQUITABLE TREATMENT FOR AMERICAN INTERESTS WITH RESPECT TO ARGENTINE EXCHANGE RESTRICTIONS

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May 4 (1696)	<i>From the Consul General at Buenos Aires</i> Substance of reports obtained from the management of American banks in Argentina, and advice of a plan under consideration by the Finance Minister which will unblock all remaining frozen exchange and which will be made available to importers of all nationalities.	519
May 11 (48)	<i>To the Ambassador in Argentina (tel.)</i> Instructions to report additional details of Finance Minister's proposal and opinion as to feasibility of the plan.	520
May 11 (76)	<i>From the Chargé in Argentina (tel.)</i> Advice that no further details of proposal are available at this time, and opinion that no U. S. action would appear desirable at present.	521
May 16 (49)	<i>To the Ambassador in Argentina (tel.)</i> Instructions to prepare in collaboration with the Consul General a report which will include specific information on five points raised by the Department in regard to blocked peso balances.	521
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June 8 (310)	<i>From the Ambassador in Argentina</i> Advice that no further developments have occurred in the situation concerning blocked peso balances.	523
June 30 (107)	<i>To the Ambassador in Argentina</i> Notification of the forthcoming visit to Buenos Aires and certain other South American capitals of John H. Williams, economist of the Federal Reserve Bank of New York, and of the purpose of his mission on foreign exchange problems.	524

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EFFORTS OF THE DEPARTMENT OF STATE TO SECURE EQUITABLE TREATMENT FOR AMERICAN INTERESTS WITH RESPECT TO ARGENTINE EXCHANGE RESTRICTIONS—Continued

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July 31 (367)	<i>From the Ambassador in Argentina</i> Information of Mr. Williams' arrival in Buenos Aires and of the efforts being made to assist him in appraisal of the exchange situation.	527
Aug. 3 (372)	<i>From the Ambassador in Argentina</i> Memorandum prepared by Mr. Williams, August 3 (text printed), setting forth his views and conclusions regarding the U. S. exchange position in Argentina.	528
Aug. 13 (380)	<i>From the Ambassador in Argentina</i> Joint conclusions of the Consul General and the Ambassador on the question of blocked peso accounts; transmission of Mr. Williams' report, August 10 (text printed), on the series of questions submitted in Department's No. 117, July 28.	533
Oct. 5 (143)	<i>To the Ambassador in Argentina</i> Transmittal of copies of the final report made by Mr. Williams upon conclusion of his mission of investigation of American foreign exchange problems in Brazil, Argentina, Chile, and Uruguay; request for any comments or views on matters treated in the report.	537
Nov. 12 (483)	<i>From the Ambassador in Argentina</i> Information substantiating the view that Argentina is using her exchange restrictions as a means of exacting a reciprocal trade agreement with the United States.	537

ENGAGEMENT OF AMERICAN NAVAL OFFICERS BY THE ARGENTINE NAVY DEPARTMENT TO SERVE AS INSTRUCTORS IN THE ARGENTINE NAVAL WAR COLLEGE

1934 Mar. 10 (204)	<i>From the Ambassador in Argentina</i> Request for Department's comment on the report that Argentine naval circles are considering the possibility of engaging two American naval officers to act as instructors in the proposed Argentine naval war college.	539
Mar. 29 (65)	<i>To the Ambassador in Argentina</i> Information that Department would view the matter favorably and would facilitate selection of the officers should a formal request be made by the Argentine Government.	539
June 21 (55)	<i>To the Ambassador in Argentina (tel.)</i> Instructions to advise Foreign Minister that the President will be happy to offer the services of three American naval officers should this offer be agreeable to the Argentine Government.	540

ARGENTINA

ENGAGEMENT OF AMERICAN NAVAL OFFICERS BY THE ARGENTINE NAVY DEPARTMENT TO SERVE AS INSTRUCTORS IN THE ARGENTINE NAVAL WAR COLLEGE—
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1934 June 22 (90)	<i>From the Ambassador in Argentina (tel.)</i> Foreign Minister's intention to submit U. S. offer to the President of Argentina.	540
July 5 (98)	<i>From the Ambassador in Argentina (tel.)</i> Argentine acceptance in principle of offer of services of three American naval officers.	541
1935 Jan. 5	<i>From the Secretary of the Navy</i> Advice of the appointment of naval officers who will serve as instructors at the Argentine Naval War College and of their signature of personal contracts with the Argentine Government.	541

BRAZIL

NEGOTIATIONS RESPECTING A RECIPROCAL TRADE AGREEMENT BETWEEN THE
UNITED STATES AND BRAZIL

1934 Jan. 3 (2)	<i>To the Ambassador in Brazil (tel.)</i> Inquiry as to what progress is being made in regard to the proposed trade agreement between the United States and Brazil.	542
Jan. 6 (3)	<i>From the Ambassador in Brazil (tel.)</i> Brazilian view with respect to the trade agreement, as outlined by the Foreign Office.	542
May 5 (118)	<i>To the Ambassador in Cuba</i> Reply to inquiry as to whether a certain provision in the pending U. S. tariff bill means that no duty might be placed on Brazilian coffee.	543
June 20 (61)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to discuss plans for negotiating the proposed trade agreement with Oswaldo Aranha, expected to come to Washington as Ambassador in the near future, and to ascertain latest plans as to the time of his arrival.	544
June 21 (119)	<i>From the Ambassador in Brazil (tel.)</i> Advice that Aranha expects to leave for Washington within a few weeks, that he will be accompanied by experts, and will have full powers to negotiate the agreement. (Footnote: Aranha's arrival in Washington September 13.)	545
July 20	<i>To the Brazilian Embassy</i> Notification that in view of the enactment of a new Brazilian tariff it will be necessary for the United States to prepare a redraft of the trade agreement and schedules submitted to Brazil in 1933.	545
Aug. 14 (107)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to ascertain whether legislative approval of the proposed agreement will be necessary in Brazil, and if so, when the Brazilian Congress could be expected to take action on the agreement if it is signed by the end of the year.	546

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NEGOTIATIONS RESPECTING A RECIPROCAL TRADE AGREEMENT BETWEEN THE
UNITED STATES AND BRAZIL—Continued

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1934 Aug. 15 (174)	<i>From the Ambassador in Brazil (tel.)</i> Advice that legislative approval is necessary; that present legislature may adjourn on December 31.	546
Aug. 29 (115)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to inform Brazilian Government that Department plans to give public notice shortly of the U. S. intention to negotiate a trade agreement with Brazil.	547
Undated	<i>From the Brazilian Embassy</i> Memorandum of observations in regard to the tariff question, submitted to Assistant Secretaries of State Welles and Sayre.	547
Oct. 30	<i>To the Brazilian Embassy</i> Proposal that clauses relating to exchange control be included in the trade agreement, and that a joint declaration of policy with respect to clearing and compensation agreements be made by the U. S. and Brazilian Governments upon conclusion of their trade agreement.	549
Oct. 31	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Views expressed by Aranha on the U. S. proposal regarding exchange control.	552
Nov. 10	<i>To the Brazilian Embassy</i> Presentation of a list of the specific tariff concessions being sought by the United States on commodities exported to Brazil.	554
Nov. 12	<i>Memorandum by the Assistant Secretary of State</i> Discussion with Aranha of the list of tariff concessions requested by the United States, and of attempts being made by Germany to negotiate a trade agreement with Brazil.	555
Nov. 12	<i>Memorandum by the Economic Adviser</i> Conversation with Mr. Muniz, Special Assistant to Aranha, during which he was given an explanation of the U. S. proposals relating to treatment of the exchange control situation.	557
Nov. 24	<i>To the Brazilian Embassy</i> U. S. hope that, upon satisfactory conclusion of the present negotiations, Brazil will be willing to address a note to the United States indicating its intention to proceed with the gradual relinquishment of exchange control.	558
Nov. 24	<i>To the Brazilian Embassy</i> Draft reciprocal trade agreement with Brazil, and draft joint declaration of policy with respect to clearing and compensation agreements (texts printed).	558
Dec. 6	<i>Memorandum by the Economic Adviser</i> Conversation between Mr. Muniz and Department officials in regard to his inquiry concerning a reported arrangement for the sale of American cotton to Germany, and discussion of his views on the general questions of policy as formulated in the draft commercial agreement and joint declaration.	568

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NEGOTIATIONS RESPECTING A RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND BRAZIL—Continued

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1934 Dec. 8	<i>Memorandum by the Chief of the Trade Agreements Section</i> Conversation with Mr. Muniz and Mr. Penteado of the Brazilian Embassy concerning the extent to which the U. S. proposed joint statement is to be interpreted as precluding any types of arrangements which Brazil may make with European Governments for the protection of her trade with Europe.	570
Dec. 11	<i>Memorandum by the Chief of the Trade Agreements Section</i> Desire of Mr. Muniz for an early clarification of the U. S. intention toward the proposed cotton arrangement with Germany.	571
Undated	<i>Memorandum Handed by the Brazilian Ambassador to the Economic Adviser, Circa December 18, 1934</i> Detailed statement of Brazilian views on the U. S. proposed establishment, through the projected treaty with Brazil, of a more liberal commercial policy as opposed to the prevailing universal adoption of compensation arrangements.	571
Dec. 27	<i>Memorandum by the Economic Adviser</i> Conversation with Mr. Muniz during which he presented various points raised by his Government in regard to the general clauses of the U. S. draft agreement.	575
Dec. 28	<i>From the Brazilian Embassy</i> Brazilian views on that part of the U. S. proposal relating to reciprocal tariff facilities.	577

EFFORTS OF THE DEPARTMENT OF STATE AND PRIVATE FIRMS TO SECURE EQUITABLE TREATMENT FOR AMERICAN INTERESTS WITH RESPECT TO BRAZILIAN EXCHANGE RESTRICTIONS

1934 Mar. 7	<i>Memorandum by Mr. Alexander K. Sloan of the Office of the Economic Adviser</i> Conversation with Eugene P. Thomas, President of the National Foreign Trade Council, and Richard P. Momsen, Chairman of the Legislative Committee of the American Chamber of Commerce for Brazil, concerning the treatment accorded U. S. commerce under the Brazilian exchange control, and the situation in regard to excessive Brazilian imports resulting in the accumulation of a large sum of frozen milreis.	578
Mar. 13 (40)	<i>From the Ambassador in Brazil (tel.)</i> Report that Souza Dantas, who has been friendly in the past to American interests, will succeed Figueiredo as the new foreign exchange director of the Bank of Brazil.	579
Mar. 27	<i>From the Chairman of the Council on Inter-American Relations, Inc.</i> Outline of present American position in regard to the exchange situation in Brazil, and suggestions as to matters which require official attention in any discussions of reciprocal trade agreements with that country.	579

BRAZIL

EFFORTS OF THE DEPARTMENT OF STATE AND PRIVATE FIRMS TO SECURE EQUITABLE TREATMENT FOR AMERICAN INTERESTS WITH RESPECT TO BRAZILIAN EXCHANGE RESTRICTIONS—Continued

Date and number	Subject	Page
1934 Apr. 5	<i>Memorandum by the Economic Adviser</i> Conference between Department officials and others, at which Mr. Boucas, Brazilian delegate to the World Economic Conference, outlined an idea involving extension of a revolving credit by one of the Export-Import Banks to the Bank of Brazil.	582
Apr. 9 (36)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to prepare, in cooperation with the Consul General, a comprehensive report on the treatment accorded American commerce under the Brazilian exchange control.	582
Apr. 24 (67)	<i>From the Ambassador in Brazil (tel.)</i> Advice that inquiries in regard to the exchange problem are being actively pursued but that much delay has been encountered in securing information from Brazilian sources and in obtaining facts and views of the American business community.	584
May 26 (102)	<i>From the Ambassador in Brazil (tel.)</i> Personal impressions of the administration of foreign exchange control.	584
May 31 (106)	<i>From the Ambassador in Brazil (tel.)</i> Information that comprehensive report requested by the Department is being forwarded; also that, while it is too early to pronounce judgment, there are hopeful indications of improved treatment of American interests.	586
June 30 (74)	<i>To the Ambassador in Brazil (tel.)</i> Advice that Department has studied with interest the report and recommendations prepared by the Embassy and believes the occasion favorable for developing an understanding with Brazilian authorities; notification of the forthcoming visit to Brazil and other South American countries of John H. Williams, economist of the Federal Reserve Bank of New York, and of the purpose of his mission.	586
July 20	<i>From Mr. John H. Williams, on Special Mission to Certain South American Countries</i> Submission of a preliminary report on the Brazilian exchange problem and advice concerning content of the final report.	587
Aug. 31 (410)	<i>From the Ambassador in Brazil</i> Information that Ministry of War has recently signed contracts with certain European Governments for the purchase of armaments and other equipment; that the matter in its relation to the exchange problem was discussed with Dr. Souza Dantas, who pointed out that, in a measure, this was simply a means of liquidating Brazil's frozen assets in the countries in question.	588
Sept. 13 (424)	<i>From the Ambassador in Brazil</i> Information in regard to new regulations concerning Brazilian foreign exchange operations issued by the Bank of Brazil on September 10, and belief that the move is in line with the Government's general policy of gradually breaking away from exchange control.	590

BRAZIL

EFFORTS OF THE DEPARTMENT OF STATE AND PRIVATE FIRMS TO SECURE EQUITABLE TREATMENT FOR AMERICAN INTERESTS WITH RESPECT TO BRAZILIAN EXCHANGE RESTRICTIONS—Continued

Date and number	Subject	Page
1934 Sept. 20 (132)	<i>To the Ambassador in Brazil (tel.)</i> Request for additional information in connection with Brazilian arrangements for the purchase of armaments and other equipment from European countries.	591
Sept. 25 (238)	<i>From the Ambassador in Brazil (tel.)</i> Detailed information in answer to questions raised by the Department, and advice that Souza Dantas is contemplating an exchange arrangement with Germany.	592
Oct. 1 (141)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to apprise appropriate Brazilian authorities of Department's interest in the contemplated exchange arrangement with Germany.	594
Oct. 2 (142)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to obtain totals of U. S. and other deferred credits in Brazil as well as information in regard to applications for official exchange and accumulation of funds.	594
Oct. 9 (152)	<i>To the Ambassador in Brazil (tel.)</i> Request for any information available concerning the Brazilian-German negotiations.	595
Oct. 10 (273)	<i>From the Ambassador in Brazil (tel.)</i> Information from the Acting Foreign Minister that conversations with the Germans are merely of an exploratory nature and that no commitment will be made to Germany until agreement is reached with the United States.	595
Oct. 10 (274)	<i>From the Ambassador in Brazil (tel.)</i> Advice concerning developments in the Brazilian-German conversations.	595
Oct. 16 (284)	<i>From the Ambassador in Brazil (tel.)</i> Submission of estimates in reply to Department's telegram No. 142, October 2.	596
Oct. 20 (157)	<i>To the Ambassador in Brazil (tel.)</i> Request for comment on a press statement by the Federal Foreign Trade Council implying that Brazilian imports from Germany receive exchange cover more promptly than those from the United States.	597
Oct. 22 (298)	<i>From the Ambassador in Brazil (tel.)</i> Detailed information refuting the implication that Germany is receiving preferential treatment in the furnishing of exchange.	597
Dec. 4 (178)	<i>To the Chargé in Brazil (tel.)</i> Instructions to ascertain the truth, if any, in a <i>New York Times</i> report of an announcement by the Bank of Brazil that, effective immediately, it will grant only 46 percent of dollar exchange on imports from the United States.	599
Dec. 4 (330)	<i>From the Chargé in Brazil (tel.)</i> Transmission of circular letter (text printed) sent by the Bank of Brazil to all banks operating in the country setting forth the new application tables for distribution of exchange.	599

BRAZIL

EFFORTS OF THE DEPARTMENT OF STATE AND PRIVATE FIRMS TO SECURE EQUITABLE TREATMENT FOR AMERICAN INTERESTS WITH RESPECT TO BRAZILIAN EXCHANGE RESTRICTIONS—Continued

Date and number	Subject	Page
1934 Dec. 5 (331)	<i>From the Chargé in Brazil (tel.)</i> Information that under the new Brazilian exchange allocation system, which will allow the United States to receive 46 percent cover for her imports, it is estimated that the entire U. S. backlog will be automatically liquidated within 1 year.	600
Dec. 5 (179)	<i>To the Chargé in Brazil (tel.)</i> Request for information as to motives underlying the Bank of Brazil decree.	601
Dec. 6 (333)	<i>From the Chargé in Brazil (tel.)</i> Information that Brazilian officials believe that decree will be more in harmony with Brazil's foreign trade situation and with her proper fundamental policy.	601
Dec. 6 (180)	<i>To the Chargé in Brazil (tel.)</i> Instructions to ascertain from Souza Dantas whether the new system is to be regarded as a step in preparation of further relaxation and eventual removal of exchange control.	601
Dec. 7 (334)	<i>From the Chargé in Brazil (tel.)</i> Souza Dantas' reasons for regarding the new regulations as constituting a step in preparation for further relaxation and eventual removal of exchange control.	602

EFFORTS TO SECURE EQUITABLE TREATMENT FOR AMERICAN CREDITORS IN THE SERVICING OF BRAZILIAN FEDERAL, STATE, AND MUNICIPAL DEBTS

1934 Jan. 2 (1)	<i>To the Ambassador in Brazil (tel.)</i> For Reuben Clark from the Executive Committee of the Foreign Bondholders Protective Council: Detailed instructions to Council's representative, now in Brazil, in connection with discussions of the Brazilian Government's proposed plan for the servicing of her national, state, and municipal obligations; suggested modifications of plan with reasons therefor.	602
Jan. 4 (2)	<i>From the Ambassador in Brazil (tel.)</i> For Executive Committee from Clark: Suggestion, for consideration of the Council and the Department, that the latter assure the Brazilian Government that in the event that an arrangement is reached at Rio, the claims of any bondholders found to be based merely on dissatisfaction with such arrangement would not be supported.	606
Jan. 8 (4)	<i>To the Ambassador in Brazil (tel.)</i> Advice that Department has informed Executive Committee of its belief that hereafter communication with Clark should be made directly, rather than through the Embassy, except in case of urgent necessity.	607
Jan. 8 (5)	<i>To the Ambassador in Brazil (tel.)</i> From Executive Committee for Clark: Advice concerning basis of negotiation which Council desires to have pursued in discussions with the Brazilian Government, and reference to Department's possible attitude toward any plan worked out by the Council.	607

BRAZIL

EFFORTS TO SECURE EQUITABLE TREATMENT FOR AMERICAN CREDITORS IN THE SERVICING OF BRAZILIAN FEDERAL, STATE, AND MUNICIPAL DEBTS—Con.

Date and number	Subject	Page
1934 Jan. 9 (6)	<i>From the Ambassador in Brazil (tel.)</i> Advice that Embassy has taken no part in Clark's negotiations with the exception of transmitting telegrams for account of the Council of Bondholders.	608
Jan. 10 (7)	<i>From the Ambassador in Brazil (tel.)</i> From Clark for Executive Committee: Advice concerning present legal status of the Brazilian Government, and statistics on Government's revenue, budget, and debt service.	608
Jan. 11 (6)	<i>To the Ambassador in Brazil (tel.)</i> Explanation of relations existing between the Council and the Department.	610
[Jan.] 22 (5)	<i>From the Executive Committee of the Foreign Bondholders Protective Council, Inc., to the Ambassador in Brazil (tel.)</i> For Clark: Concern of American issue houses in regard to further reduction of the sinking fund for service of the coffee realization loan.	611
Jan. 23 (13)	<i>From the Ambassador in Brazil (tel.)</i> From Clark: Information concerning amendments to the original Brazilian exchange service plan which will be included in a decree to be issued by the Government shortly.	612
Jan. 24 (6)	<i>From the Executive Committee of the Foreign Bondholders Protective Council, Inc., to the Ambassador in Brazil (tel.)</i> For Clark: Committee's desire to revert to proposal under the original Brazilian plan regarding amortization of the coffee realization loan.	614
Jan. 25 (14)	<i>From the Ambassador in Brazil (tel.)</i> For Executive Committee from Clark: Advice that Brazilian decree has been redrafted and that its terms will be transmitted as soon as obtained; submission of various points to be considered in regard to modification of the coffee loan.	615
Jan. 25 (15)	<i>From the Ambassador in Brazil (tel.)</i> Advice of Clark's receipt of a telegram from the Bondholders Committee which has tended to undermine his position with the Brazilian negotiators.	616
Jan. 26 (11)	<i>To the Ambassador in Brazil (tel.)</i> For Clark: Information that Committee defers to Clark's judgment in regard to the realization loan.	617
Jan. 27 (13)	<i>To the Ambassador in Brazil (tel.)</i> Advice that cable to Clark referred to in telegram No. 15, January 25, was sent without Department's knowledge.	617
Jan. 31 (14)	<i>To the Ambassador in Brazil (tel.)</i> For Clark from Executive Committee: Inquiry as to status of the proposed decree; also as to whether Clark plans to sail for the United States February 1.	618
Feb. 1 (23)	<i>From the Ambassador in Brazil (tel.)</i> Request that Committee be informed of Clark's departure from Rio February 1, and of his receipt of a copy of the final text of the decree.	618
Feb. 1 (24)	<i>From the Ambassador in Brazil (tel.)</i> From Clark: Detailed information concerning contents of the Brazilian decree.	618

BRAZIL

EFFORTS TO SECURE EQUITABLE TREATMENT FOR AMERICAN CREDITORS IN THE SERVICING OF BRAZILIAN FEDERAL, STATE, AND MUNICIPAL DEBTS—CON.

Date and number	Subject	Page
1934 Feb. 2 (15)	<i>To the Ambassador in Brazil (tel.)</i> Instructions to ascertain date of Brazilian publication of the plan in order that the Executive Committee may make a suitable announcement on the same day.	622
Feb. 3 (25)	<i>From the Ambassador in Brazil (tel.)</i> Advice that decree will be signed February 5 and will be published on the following day.	623

AGREEMENT BETWEEN THE UNITED STATES AND BRAZIL FOR A MILITARY MISSION TO BRAZIL, SIGNED MAY 10, 1934, AND SUPPLEMENTARY AGREEMENT BY EXCHANGE OF NOTES

1933 Dec. 11	<i>From the Brazilian Embassy</i> Request for U. S. designation of two Army officers, specialists in coast artillery, to serve as instructors in the Brazilian Army Center of Instruction.	623
1934 Jan. 18	<i>Memorandum by the Chief of the Division of Latin American Affairs</i> Conversation with Brazilian Ambassador, who was told that the War Department was agreeable to his Government's request, and that as soon as the two officers had been selected the matter would be taken up with the President.	624
Apr. 9	<i>From the Secretary of War</i> Transmission of redrafted text of a contract submitted by the Brazilian Government for the services of U. S. officers, and names of officers selected. (Footnote: Redrafted text, without change, signed May 10.)	624
May 8	<i>To the Brazilian Ambassador</i> Information that the Secretary of War has designated the two Army officers requested by the Brazilian Government.	625
May 10	<i>Agreement Between the Governments of the United States of America and the United States of Brazil Providing for a Military Mission to Brazil</i> Text signed at Washington.	625
June 8	<i>To the Brazilian Chargé</i> Advice that the War Department has approved a Brazilian request for U. S. designation of an Army officer to serve as professor of permanent fortifications in the Brazilian Army's course in Technical Construction; suggestion that the agreement of May 10 be amended by an exchange of notes so as to provide for the services of such officer.	630
June 26 (67)	<i>From the Brazilian Chargé</i> Brazilian approval of War Department's choice of an Army officer, and proposal that the officer's contract be considered as an addition to the agreement.	631
July 21	<i>To the Brazilian Chargé</i> U. S. statement of its understanding with the Brazilian Government relative to designation of the Army officer.	631
July 23 (75)	<i>From the Brazilian Chargé</i> Brazilian acceptance of U. S. understanding.	632

ADHESION OF THE UNITED STATES TO THE ANTI-WAR,
NONAGGRESSION AND CONCILIATION TREATY,
SIGNED AT RIO DE JANEIRO, OCTOBER 10, 1933¹

710.G Peace/22 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, February 20, 1934—6 p. m.

28. Department understands anti-war treaty is no longer open to signature and that non-signatory States may become parties only by adherence.

In order that Department may proceed pursuant to resolution of Montevideo Conference of December 16, 1933, obtain and forward certified copy of the pact as early as possible.

HULL

710.1012 Anti-War/68

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 207

BUENOS AIRES, March 13, 1934.

[Received March 22.]

SIR: With reference to the Department's telegram No. 28 of February 20, 1934, I have the honor to enclose a printed copy of the Anti-War Treaty of Non-Aggression and Conciliation which, it will be noted, has been certified as a true copy on page eleven thereof.²

In this connection I have the honor to enclose a copy of the Embassy's note No. 78 of February 26, 1934,³ requesting the copy of the treaty and informing the Argentine Government that it is the Department's understanding that the treaty is no longer open to signature and that non-signatory states may become parties only by adherence.

There are also enclosed a copy and a translation of Foreign Office note dated March 12, 1934,³ which was received today, transmitting the certified copy of the treaty and confirming the Department's understanding.

Respectfully yours,

ALEXANDER W. WEDDELL

¹ Continued from *Foreign Relations*, 1933, vol. iv, pp. 228-240.

² The certified text is that contained in República Argentina, Ministerio de Relaciones Exteriores y Culto, *Tratado Antibélico de no-agresion y de conciliacion* (Buenos Aires, 1933), pp. 3-11. Copy of this booklet is filed under 710.1012 Anti-War/68. For English translation of text, see *Foreign Relations*, 1933, vol. iv, p. 234.

³ Not printed.

710.1012 Anti-War/69

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 228

BUENOS AIRES, March 23, 1934.

[Received April 2.]

SIR: With reference to my despatch No. 207 of March 13, enclosing a certified copy of the Anti-War Treaty initiated by the Argentine Minister for Foreign Affairs, I have the honor to enclose herewith a copy and translation of a note I received today from the Minister ⁴ asking me to obtain from my Government as soon as possible the authorization to sign the document of adhesion to the Anti-War Treaty at a meeting which will take place at the Ministry of Foreign Affairs in the near future, at the same time as the signature of adhesion of several other nations.

Respectfully yours,

ALEXANDER W. WEDDELL

710.1012 Anti-War/73

Memorandum by the Secretary of State

[WASHINGTON,] April 12, 1934.

The Argentine Ambassador called after having been absent many weeks on account of an attack of pneumonia. He inquired first whether the United States Government was still inclined to sign the Argentine Peace Pact, to which I replied in the affirmative but added that I had informed Dr. Saavedra Lamas at Montevideo that there would be some reservations to the signature of my government. I then stated that since my return from Montevideo I had constantly urged my associates here and the officials at Montevideo to take all possible steps to facilitate the signature of any treaty or convention and their presentation to the ratifying agencies at the capital of each government, including the Senate of the United States. The Ambassador inquired whether my government would be willing to cooperate with his in urging other governments to sign where they had not signed any of these treaties, and also to ratify or adhere where they had not done so. In reply I repeated what I had said to him early in our conversation as to the activities and attitude of the United States Government. I assured him that just as quickly as these various treaties or conventions were properly printed in English and compared with the Spanish and copies of the same suitable for my signature should reach Washington, they would all be signed by myself and other members of the Delegation and promptly transmitted to the Senate for ratification. I finally stated relative to this treaty

⁴ Not printed.

situation that no one could be more desirous, and even anxious, than myself to facilitate the signing and the ratification of each of the five treaties or conventions by each of the 21 governments of this Hemisphere, and that I much regretted the misapprehension of Dr. Lamas to the effect that any of us here at Washington were becoming the least bit indifferent towards the foregoing undertaking.

Some general reference was made to the bill pending in the Senate to confer authority on the Executive branch to raise or lower tariffs and similar trade barriers. I repeated to the Ambassador that I and my associates from the beginning had been doing everything within our power to aid in securing the passage of this measure. The Ambassador understood that we could not discuss reciprocity bilateral trade agreements until the passage of this act.

C[ORDELL] H[ULL]

710.1012 Anti-War/74: Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, April 21, 1934—noon.

[Received 1:45 p. m.]

68. Referring to Department's telegram No. 37 of April 12, 5 p. m., and my telegram No. 66 of April 15, noon.⁵ The following countries will sign the document of adhesion at a ceremony to be held here on or before April 27: Bolivia, Ecuador, Guatemala, Panama, Paraguay, Venezuela. The Minister for Foreign Affairs desires to know whether I shall receive authorization to sign along with the other countries.

WEDDELL

710.1012 Anti-War/72: Telegram

The Acting Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, April 23, 1934—7 p. m.

41. Your 66, April 15, noon,⁶ and 68, April 21, noon. The President has submitted the Anti-War Treaty to the Senate with a request for advice and consent to ratification subject to the following reservation:

"In adhering to this Treaty the United States does not thereby waive any rights it may have under other treaties or conventions or under international law."

It is the Department's understanding that the limitations to the conciliation procedure specified in Article V are to be regarded as a

⁵ Neither printed.

⁶ Not printed.

part of the treaty, and that reservation as to any one or more of those limitations is not necessary in order that they may be availed of by the contracting parties. We have acted on this understanding in submitting the treaty to the Senate. If the Foreign Office concurs in this construction of the treaty, you may submit a note as follows:

“In compliance with special instructions of my Government, I have pleasure in informing Your Excellency that having been duly authorized, I hereby, in the name of the United States of America and conditional upon the advice and consent of the Senate to ratification, adhere to the Anti-War Treaty of Non-Aggression and Conciliation celebrated in Rio de Janeiro on October 10, 1933, with such reservations as my Government may deem it indispensable to make.”

(Having in mind the above quoted reservation and numbered paragraph 1 of Resolution of the Conference.)

If plenipotentiaries of all governments sign a single protocol of adherence, the words “ratification in accordance with their respective constitutional methods” should be substituted for “the advice and consent of the Senate to ratification” and the words “their respective Governments” in place of “my Government” in the last line.

PHILLIPS

710.1012 Anti-War/76: Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, April 24, 1934—6 p. m.
[Received 7:55 p. m.]

70. Pertinent contents of Department's telegram No. 41, April 23, 7 p. m., excluding first two paragraphs containing President's reservation, communicated to Ministry of Foreign Affairs. Ministry advises orally, to be confirmed in writing, that it concurs in Department's construction of article V of treaty.

Ministry stresses the five reservations in article V and earnestly requests that the concluding phrase of the note of adhesion, “with such reservations as my Government may deem it indispensable to make”, be altered to read, “with such reservations as the Senate may deem it indispensable to make”.

The Ministry is extremely desirous of having our Government adhere at a ceremony on Friday afternoon, the 28th, with other nations. Adhesions then will be made in separate protocols.

Ministry further advises that representatives of other signatory powers will speak briefly at ceremony and that Ambassador Espil is being directed to request you to instruct me in the appropriate sense.

WEDELL

710.1012 Anti-War/76 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, April 25, 1934—6 p. m.

43. Your No. 70, April 24, 6 p. m. You may agree to substitution of "Senate" for "Government" in clause you quoted. President's full power authorizing you to adhere in name of United States to Anti-War Treaty issued April 24 and will be forwarded by mail.

I shall be glad to have you make appropriate remarks on the occasion of adhering.

HULL

710.1012 Anti-War/79 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, April 27, 1934—6 p. m.

[Received 6 : 25 p. m.]

71. In accordance with the Department's telegrams 41 of April 23, 7 p. m., and 43 of April 25, 6 p. m., I signed and submitted today a note to the Minister for Foreign Affairs adhering to the Anti-War Pact.

WEDDELL

710.1012 Anti-War/79a : Telegram

The Secretary of State to the Argentine Minister for Foreign Affairs (Saavedra Lamas)

WASHINGTON, April 28, 1934.

On the occasion of the signing of the Anti-War Pact by 13 additional countries allow me to congratulate you most heartily on your splendid efforts for the promotion of pacific settlement of international disputes.

CORDELL HULL

710.1012 Anti-War/80 : Telegram

The Argentine Minister for Foreign Affairs (Saavedra Lamas) to the Secretary of State

[Translation]

BUENOS AIRES, April 30, 1934—7 p. m.

[Received 8 p. m.]

I am particularly grateful for your felicitations and I reciprocate them since Your Excellency rendered your efficacious cooperation towards a success which will belong to all America when, after ratification by all the Parliaments, the Anti-War Treaty will furnish us with the efficacious means of maintaining the benefits of peace.

Cordial greetings,

SAAVEDRA LAMAS

710.1012 Anti-War/93 : Telegram (part air)

The Minister in Denmark (Owen) to the Secretary of State

COPENHAGEN, June 4, 1934—4 p. m.

[Received June 5—7: 47 a. m.]

13. Argentine Minister endeavoring induce Denmark to become signatory to Argentine non-aggression pact, request my cooperation. Cable instructions.

OWEN

710.1012 Anti-War/93 : Telegram

The Secretary of State to the Minister in Denmark (Owen)

WASHINGTON, June 9, 1934—3 p. m.

15. Your 13, June 4, 4 p. m. The Argentine Ambassador recently called at the Department and requested that this Government express its interest in the ratification of the Argentine Anti-War Pact to the Scandinavian countries, with which the Argentine Government has already commenced negotiations in that sense.

The Ambassador was assured of the deep interest of this Government in the ratification of the Pact and the desire to be of assistance toward that end but that we would clearly be in a more favorable position to express such interest after ratification by this Government has taken place. You may inform the Argentine Minister of the foregoing.

HULL

710.1012 Anti-War/93 supp. : Telegram

The Secretary of State to the Minister in Denmark (Owen)

WASHINGTON, June 21, 1934—7 p. m.

19. Department's 15, June 9, 1934, 3 p. m. The Argentine Anti-War Pact has just been ratified by this Government, and you may express to the Danish Government our sincere belief in the efficacy of the Pact and of our hope that the other nations of the world will become signatories to it.

Similar instructions are being sent to the Legations at Stockholm and Oslo.

HULL

710.1012 Anti-War/102 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, July 3, 1934—5 p. m.

[Received 8:38 p. m.]

95. Department's telegram No. 59, July 2, 1 p. m.⁷ Foreign Office states that the following are signatory countries: Argentina, Brazil, Chile, Mexico, Paraguay, Uruguay; that following countries have later adhered: United States, Bolivia, Peru, Colombia, Venezuela, Ecuador, Panama, Costa Rica, Nicaragua, Honduras, Guatemala, San Salvador, Haiti, Cuba, Italy, Spain, Austria, Bulgaria, and that following countries have ratified by legislation: United States and Cuba. According to the Foreign Office Pact is now up for ratification in Congresses of Argentina, Chile and Uruguay.

WEDDELL

710.1012 Anti-War/102a : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, July 6, 1934—4 p. m.

61. You may wish to advise Dr. Saavedra Lamas that the President ratified the Anti-War Pact on June 27.⁸

HULL

⁷ Not printed.

⁸ Instrument of adherence of the United States deposited with the Government of the Argentine Republic, August 10, 1934; treaty proclaimed by the President of the United States, March 11, 1936.

AGREEMENT BETWEEN THE UNITED STATES AND
OTHER POWERS FOR NONAPPLICATION OF MOST-
FAVORED-NATION CLAUSE IN RESPECT OF CERTAIN
MULTILATERAL ECONOMIC CONVENTIONS

710.G Commercial Agreement/10

*The Director General of the Pan American Union (Rowe) to the
Secretary of State*

WASHINGTON, July 16, 1934.

SIR: The Governing Board at its session of June 27th, 1934, after considering the steps to be taken to give effect to Resolution number LXXXI,¹ approved by the Seventh International Conference of American States on the 24th of December, 1933, resolved, in compliance with the said resolution, to deposit with the Pan American Union and open to the signature of all the states the agreement which incorporates the proposal made by the Delegation of the United States to the Seventh International Conference of American States and inserted in Resolution number LXXXI, above mentioned.

Pursuant to the resolution of the Governing Board, the said agreement² was deposited with the Pan American Union on July 15th, 1934, and remains from that date open to the signature of all the states.

I have the honor to transmit herewith to you a certified copy of the said agreement.³

I am [etc.]

L. S. ROWE

710.G Commercial Agreement/19

Memorandum by the Assistant Secretary of State (Sayre)

[WASHINGTON,] September 8, 1934.

The question having been raised whether European countries might be deterred from signing the Agreement to refrain from the use of

¹ Department of State, Conference Series No. 19: *Report of the Delegates of the United States of America to the Seventh International Conference of American States, Montevideo, Uruguay, December 3-26, 1933* (Washington, Government Printing Office, 1934), p. 275.

² See circular telegram dated September 23, 2 p. m., p. 17, for statement that the agreement "was revised in form, though not in substance, by the Pan American Union".

³ The text of the Agreement is the same (with slight variation) as the final text, printed on p. 14.

the most favored nation clause recently opened for signature by the Pan American Union because of its origin in a regional Conference, Mr. Sayre asked Prince de Ligne, Chargé d'Affaires of Belgium, to call at his office and discuss the matter with him. Mr. Culbertson of the Western European Division, and Mr. McClure of Assistant Secretary Sayre's office, were present at the discussion.

Prince de Ligne, after the matter had been presented to him, offered to suggest to the Belgian Government that it should bring the subject of the Pan American Agreement before the Assembly of the League of Nations. The object would be to obtain a recommendation from the Assembly that Members of the League of Nations should become parties to the Agreement. In this way, any atmosphere of regionalism which may linger about the Agreement might be dissipated.

In the course of discussion, Prince de Ligne expressed a desire for something concrete and definite which he might telegraph to his Government. A draft for a possible Resolution, which the Belgian Government might, should it so desire, introduce into the Assembly of the League of Nations, the 1934 session of which begins on September 10, was accordingly prepared. This draft is as follows:

"The Assembly,

"having taken note of the fact that the Pan American Union has opened for signature at Washington an agreement the parties to which will refrain from invoking the most-favored-nation clause in bilateral agreements for the purpose of obtaining the benefits of multilateral economic conventions which are of general applicability, which include a trade area of substantial size, which have as their objective the liberalization and promotion of international economic intercourse, and which are open to adoption by all countries,

"recalling that the Economic Committee of the League of Nations has, in principle, considered favorably the adoption of such an agreement,

"appreciating the importance of the said agreement in effectuating the policy of the Governments of Belgium, Luxembourg and the Netherlands as signatories of the Ouchy Convention,⁴

"taking note of the fact that the delegation of the United States brought forward a similar proposal at the World Economic Conference in London, 1933,⁵ and later in the same year introduced the proposal at the Seventh International Conference of American States at Montevideo, and

"acting upon the understanding that invitations to become parties to the aforesaid agreement have been issued to all of the countries of the world,

"Recommends that the States members of the League of Nations act favorably upon the invitation and become parties to the agreement."

⁴ See Department of State, *Treaty Information*, Bulletin No. 37, October 1932, pp. 16-23.

⁵ For correspondence concerning this Conference, see *Foreign Relations*, 1933, vol. I, pp. 452 ff.

Prince de Ligne appeared to be pleased with the opportunity to make this suggestion. Mr. Sayre emphasized the desirability of avoiding any impression that it came officially from the United States Government, saying that the discussion was wholly informal and personal.

F[RANCIS] B. S[AYRE]

710.G Commercial Agreement/18: Telegram

The Acting Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, September 10, 1934—6 p. m.

88. The Pan American Union opened for signature on July 15 an agreement under which the parties will refrain from invoking the most-favored-nation clause to obtain the advantages of certain multilateral economic conventions. See *Treaty Information*, July 1934, pages 19 and 28. On September 8 Assistant Secretary Sayre discussed this agreement with the Chargé d'Affaires of Belgium, who stated that he would recommend to his Government that it bring before the Assembly of the League of Nations a resolution recommending that states members of the League of Nations should act favorably upon the invitation which has been extended to them by the Pan American Union to become parties to the agreement.

The foregoing is for your guidance in the event that you should be approached by the Belgian delegates to the Assembly. Repeat to Brussels.

A mail instruction, with documents, is being transmitted to you.

PHILLIPS

710.G Commercial Agreement/22: Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 12, 1934—11 a. m.

[Received 12:05 p. m.]

232. Department's 88, September 10, 6 p. m. Officials of the Economic Section of the League Secretariat have for some time in conversation with me evinced an interest in a wider extension of the Pan American Agreement particularly to Europe. I have thus been able in a casual manner in the course of a general conversation with Stoppani⁶ to ascertain that he had already envisaged this matter being brought before the Assembly naming Belgium and the Netherlands as possible proponents or more reasonably a state or states represented at Montevideo.

⁶ Director of the Economic Relations Section of the League of Nations.

I am inclined to believe that the Economic Section will promote such a project with the possible result that it will be brought forward by some state if not by Belgium.

Treaty Information bulletin for July not yet received. It would be helpful to me in following this matter to be informed (a) of the states which have signed the agreement (b) through what channels and in what capacities i. e. as League states, as individual states, et cetera, invitations have been received by League States (c) whether in accordance with an understanding here of action taken at Montevideo a communication has been sent to an organ of the Monetary and Economic Conference.

GILBERT

710.G Commercial Agreement/23 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, September 13, 1934—7 p. m.

89. Your 232, September 12, 11 a. m.

(a) No state has as yet signed the agreement. It is expected that it will be signed on behalf of the United States almost immediately.

(b) By provision of the agreement itself, invitations were to be issued to all of the states of the world. These invitations have gone forward to the states individually. The Pan American Union utilized the Washington Diplomatic Corps in transmitting the invitations.

(c) So far as the Department is aware, there has been no communication with any organ of the Monetary and Economic Conference regarding this matter.

HULL

710.G Commercial Agreement/24 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 15, 1934—3 p. m.

[Received September 17—6: 42 a. m.]

239. Consulate's 232, September 12, 11 a. m. I find that the Economic Section is on its own initiative advancing the project of bringing the Pan American Agreement before the Assembly.

An official of the Section informed me today as follows:

(a)—The Belgian Foreign Minister stated to him that upon receipt of advice from the Belgian Embassy in Washington he was considering taking such action but that he was first exploring as to what support might be received.

(b)—Officers of the Section have approached the Mexican representative with a view to his exploring the attitude of the Latin Amer-

ican states relative to it being presented by one of them or by a group or the support they would give in the event of its being presented by a European state.

(c)—The Economic Section envisages as generally in support Belgium, The Netherlands, France, Switzerland and the Central European, Baltic and Balkan powers; and in opposition Great Britain, the British Dominions and the Scandinavian states especially Sweden.

(d)—It is still too early to estimate whether action may be taken here.

GILBERT

710.G Commercial Agreement/25: Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 18, 1934—3 p. m.

[Received September 18—10 a. m.]

243. Department's 88, September 10, 6 p. m. Economic Section informs me that Belgian representative will probably bring the Pan American Agreement before the Second Committee of the Assembly at an early date.

GILBERT

710.G Commercial Agreement/47

The Belgian Chargé (De Ligne) to the Assistant Secretary of State (Sayre)

WASHINGTON, September 19, 1934.

MY DEAR SAYRE: Referring to our recent conversations on the subject, I take pleasure in transmitting you information which I have just received by cable from Brussels, concerning the attitude of the Belgian delegate at Geneva on the Montevideo question.

Mr. Van Langenhove⁷ insisted on the importance of the Pan American Union Convention, the text of which was distributed to all the members present.

He asked that the report highly recommend the said Convention, and suggested that it be brought to the special attention of all Governments.

Our delegate thought it wiser not to adopt the form discussed by us, fearing that it might rouse opposition of different countries, particularly England and Italy. Nevertheless, it seems that the result we were so anxious to secure has been attained by the more general form adopted by our delegate, after having discussed the matter with your

⁷ Belgian delegate to the League of Nations Assembly and member of the Economic Commission.

Consul General in Geneva who was, as you are aware, in contact with Washington.

The telegram further states that Mr. Van Langenhove has been in touch with the various American press agencies.

I am so pleased to have been able to be of assistance in the matter. Besides, you know how similar our ideas are, on the subject.

Believe me, my dear Sayre, with kindest personal regards,

Yours very sincerely,

EUGÈNE DE LIGNE

710.G Commercial Agreement/27 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, September 19, 1934—5 p. m.

93. Your 239, September 15, 3 p. m.; 243 September 18, 3 p. m. Department gratified with the way you are handling this question, and hopes for the minimum of any opposition.

Without seeming to push the matter, please follow developments closely and take advantage of any opportunities that may arise to explain the Agreement for refraining from invoking the most-favored-nation clause and discreetly endeavor to ascertain and answer or report to the Department any objections that may be offered. Department would appreciate being kept currently informed.

Department is not at present approaching any Governments through American Missions at their capitals.

I expect to sign the Agreement *ad referendum* on Thursday, September 20.

HULL

710.G Commercial Agreement/48

Memorandum by the Chief of the Division of Western European Affairs (Moffat) to the Assistant Secretary of State (Sayre)

[WASHINGTON,] September 20, 1934.

MR. SAYRE: Prince de Ligne telephoned to say that he had received a telegram from Brussels with respect to the Pan American multi-lateral convention of which you had spoken to him last Saturday. The Belgian representative brought up the subject in the Second Commission, made a speech in its favor and emphasized the advantages of the convention. He did not adopt the form we had suggested, largely because it was not approved by the British or the Italians. Nonetheless, although presented in more general terms, the Belgian Government felt that the aim which both the American Government and the Belgian Government had in the back of their minds was now accomplished.

PIERREPONT MOFFAT

Treaty Series No. 898

*Agreement Concerning Nonapplication of Most-Favored-Nation Clause in Respect of Certain Multilateral Economic Conventions, Signed on the Part of the United States, September 20, 1934*⁸

The High Contracting Parties, desirous of encouraging the development of economic relations among the peoples of the world by means of multilateral conventions, the benefits of which ought not to inure to countries which refuse to assume the obligations thereof; and desirous also, while reaffirming as a fundamental doctrine the policy of equality of treatment, to develop such policy in a manner harmonious with the development of general economic *rapprochement* in which every country shall do its part; have decided to enter into an agreement for these purposes, as set forth in the following articles:

ARTICLE I

The High Contracting Parties, with respect to their relations with one another, will not, except as provided in Article II hereof, invoke the obligations of the most-favored-nation clause for the purpose of obtaining from Parties to multilateral conventions of the type hereinafter stated, the advantages or benefits enjoyed by the Parties thereto.

The multilateral economic conventions contemplated in this article are those which are of general applicability, which include a trade area of substantial size, which have as their objective the liberalization and promotion of international trade or other international economic intercourse, and which are open to adoption by all countries.

ARTICLE II

Notwithstanding the stipulation of Article I, any High Contracting Party may demand, from a State with which it maintains a treaty containing the most-favored-nation clause, the fulfillment of that clause insofar as such High Contracting Party accords in fact to such State the benefits which it claims.

ARTICLE III

The present agreement is operative as respects each High Contracting Party on the date of signature by such Party. It shall be open for signature on behalf of any State and shall remain operative in-

⁸ In English and Spanish; Spanish text not printed. Ratification advised by the Senate, August 24 (legislative day of July 29), 1935; ratified by the President, August 30, 1935; ratification of the United States deposited with the Pan American Union at Washington, September 12, 1935; proclaimed by the President, October 25, 1935.

definitely, but any Party may terminate its own obligations hereunder three months after it has given to the Pan American Union notice of such intention.

Notwithstanding the stipulations of the foregoing paragraph, any State desiring to do so may sign the present agreement *ad referendum*, which agreement in this case, shall not take effect, with respect to such State, until after the deposit of the instrument of ratification, in conformity with its constitutional procedure.

ARTICLE IV

This agreement is a single document in English, Spanish, Portuguese and French, all of which texts are equally authoritative. It shall be deposited with the Pan American Union, which is charged with the duty of keeping it open for signature or resignation indefinitely, and with transmitting certified copies, with invitations to become parties, to all of the States of the world. In performing this function, the Pan American Union may invoke the assistance of any of its members signatory hereto.

IN WITNESS WHEREOF, the undersigned Plenipotentiaries have signed this agreement on behalf of their respective Governments, and have affixed hereto their seals on the dates appearing opposite their signatures.

Opened for signature by the Pan American Union, in accordance with a resolution of the Seventh International Conference of American States, this fifteenth day of July, 1934, at Washington.

For the United States of America :

CORDELL HULL, *ad referendum*, September 20, 1934. [SEAL]

For the Republic of Panama :

R. J. ALFARO, *ad referendum*, Septiembre 29, 1934. [SEAL]

For the Republic of Cuba :

M. MÁRQUEZ STERLING, *ad referendum*, Octubre 16/
1934. [SEAL]

For the Republic of Nicaragua :

HENRI DE BAYLE, *ad referendum*, Enero 23, 1935. [SEAL]

Au nom de l'Union Economique Belgo-Luxembourgeoise :

Cte. R. STRATEN, *ad referendum*, 14 Mars 1935. [SEAL]

For the Republic of Guatemala :

ADRIÁN RECINOS, *ad referendum*, 11 de mayo de 1935. [SEAL]

For the Republic of Greece :

D. SICILIANOS, *ad referendum*, 20 July 1935. [SEAL]

Por la República de Colombia :

M. LÓPEZ PUMAREJO, *ad referendum*, 15 de agosto de
1935. [SEAL]

710.G Commercial Agreement/29 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 21, 1934—noon.

[Received September 21—11:45 a. m.]

256. Department's 93, September 19, 5 p. m.

1. I learn that the Belgian representative here is continuing his efforts to call the Pan American Agreement to the favorable attention of League governments during the Assembly. He finds himself, however, greatly handicapped in obtaining support due to present ignorance of European governments regarding the question. This he states is due to the circumstance that officials in the European Foreign Offices knowing little of the character of the Pan American Union gave little attention to the invitation many assuming the Union to be an unofficial organization. The Belgian representative here believed that the invitation would be sent through United States diplomatic channels and it required two telephone calls to Brussels before the document could be located.

2. The Belgian Government is nevertheless intensely interested in pursuing the matter, intends to sign the convention and further is considering immediately calling attention to it through diplomatic channels in all European capitals (please regard the foregoing as confidential).

3. The circumstance that Latin American states here are not showing the interest which might be expected of them is something of an obstacle. Steps are being taken here to correct this situation but Latin American representatives in Geneva do not maintain close contact with their governments and the view is expressed that for the United States to take action if possible in Latin America paralleling possible Belgian action in Europe would be opportune.

4. The attitude of certain European states in so far as I can ascertain it here is: France favorable; Italy while favoring bilateral action would not oppose; Switzerland while expressing openly in the Second Committee that past experience indicates the difficulty of accomplishing anything along the lines of the Agreement is favorable; the Netherlands is willing to support the Belgian position but I do not know of any definite steps being contemplated. The Assembly will probably close the coming week.

6 [5?]. It would be very helpful to me to be advised definitely of United States signature of Agreement.

GILBERT

710.G Commercial Agreement/30 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 21, 1934—5 p. m.
[Received September 21—1:05 p. m.]

259. Consulate's No. 256, September 21, noon, paragraph 6. Request confirmation United States signature Pan American Agreement in time for use by Belgian representative who contemplates reopening question in Second Committee tomorrow morning.

GILBERT

710.G Commercial Agreement/32 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, September 21, 1934—5 p. m.

97. Your 259, September 21, 5 p. m. The Agreement was signed on behalf of United States September 20. Every effort will be made to obtain favorable action by Senate promptly after next session starts.

HULL

710.G Commercial Agreement/31 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 22, 1934—4 p. m.
[Received September 24—6:30 a. m.]

261. Consulate's No. 259, September 21, 5 p. m. Proposal of Belgian representative in Second Committee to amend report of *rapporteur* to indicate signature of Pan American Agreement by the United States was accepted without discussion.

The deliberations in the Second Committee have now closed. Committee reports are usually accepted by the Assembly without discussion. It therefore appears probable that there will be no further public exposition of the matter during this Assembly.

GILBERT

710.G Commercial Agreement/37 : Circular telegram

The Secretary of State to All American Diplomatic Representatives in the American Republics, Except Brazil, Costa Rica, and Ecuador

WASHINGTON, September 23, 1934—2 p. m.

As you know the agreement set forth in Resolution 81 of the Montevideo Conference (See final Act page 124) was studied and revised in form, though not in substance, by the Governing Board of the Pan

American Union and opened for signature July 15. The revised text is printed in *Treaty Information* for July, 1934. It was signed on behalf of the United States September 20. The Pan American Union has issued invitations to all the countries of the world to become parties in accordance with Article 4 of the agreement.

The Belgian Delegation to the Assembly of the League of Nations, now about to enter the third and presumably the final week of its present session, has brought the subject of Resolution 81 before the Second Committee with a view to receiving the endorsement of the Assembly, with consequent impetus to movement to obtain signature of all countries members of the League. In connection with this action the American Consul at Geneva on September 21 telegraphed the Department as follows: "The circumstance that Latin American states here are not showing the interest which might be expected of them is something of an obstacle. Steps are being taken here to correct this situation, but Latin American representatives in Geneva do not maintain close contact with their governments".

I desire you to bring orally and informally the substance of the foregoing (omitting of course the reference to the Latin American representatives in Geneva) to the attention of the government to which you are accredited as a matter in which every member of the Pan American Union would naturally be interested, not as a request for action.⁹

For your own information, however, Department would welcome favorable action by the Assembly, but is at the same time concerned lest failure to understand the proposition involved lead to hasty or ill-considered action.

You are, of course, authorized to explain the proposition should you be requested to do so and to telegraph for additional explanatory material.

The same to other missions in Latin American Countries members of the League of Nations.

HULL

710.G Commercial Agreement/36: Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, September 23, 1934—2 p. m.

98. Your 252, September 20, noon; ¹⁰ 256, September 21, noon. The Department, as you know, views the general acceptance of the agree-

⁹ In addition to replies printed below, replies were received from the American Missions in Bolivia, Honduras, Mexico, Nicaragua, Paraguay, Peru, and Venezuela saying that this instruction had been carried out but reporting no definite action by the respective Governments. (710.G Commercial Agreement/65, 79, 63, 66, 82, 67, 84.)

¹⁰ Not printed.

ment refraining from the use of the most-favored-nation clause in respect of certain multilateral conventions as of great importance to the development of the international commercial policy of all countries. However anxious it may be that the Assembly take favorable action, it is at present deeply concerned lest any false step be taken that might retard the general signature of the agreement. An adverse vote in the Second Committee, based perhaps on a misunderstanding of the question, would be extremely unfortunate.

The foregoing is for your guidance. It may be necessary for you to take a more positive position to prevent any result that would hamper the efforts of this Government to obtain signature of the agreement by all important commercial countries. The Department will be glad to receive by telegraph and to assist in answering, specific statements of objection to the agreement.

Part of paragraph 3 of your 256 is being telegraphed to American Missions in capitals Latin American countries members of the League for the information of the governments to which they are accredited.

HULL

710.G Commercial Agreement/49

The Assistant Secretary of State (Sayre) to the Belgian Chargé (De Ligne)

WASHINGTON, September 24, 1934.

MY DEAR PRINCE DE LIGNE: I appreciate greatly your letter of September 19, informing me of Mr. Langenhove's activities in behalf of the Montevideo Agreement on the relationship of the most favored nation clause to plurilateral agreements.

It is of particular satisfaction to know that our two Governments view the problem in much the same light, and I should like to express a word of appreciation both to your principals and to yourself for your kind cooperation and assistance in this matter.

Very sincerely yours,

FRANCIS B. SAYRE

710.G Commercial Agreement/39 : Telegram

The Chargé in Colombia (Washington) to the Secretary of State

BOGOTÁ, September 24, 1934—10 p. m.
[Received September 25—3:17 a. m.]

75. Your circular of September 23, 2 p. m. Officials of the Colombian Ministry for Foreign Affairs whom I have consulted fail to see any advantage to be derived for Colombia from the Agreement which was opened for signature by the Pan American Union on July 15.

If the Department deems it desirable to suggest any arguments, I can transmit them to responsible officials.

WASHINGTON

710.G Commercial Agreement/50: Telegram

The Minister in Panama (Gonzalez) to the Secretary of State

PANAMA, September 25, 1934—10 a. m.

[Received 1:20 p. m.]

160. Department's circular telegram September 23, 2 p. m. Secretary of State for Foreign Affairs on September 15 instructed Minister at Washington to sign in behalf of Panama and also instructed Minister Porras now at Geneva to endorse the movement to obtain further signatures.

GONZALEZ

710.G Commercial Agreement/52: Telegram

The Chargé in Haiti (Woodward) to the Secretary of State

PORT-AU-PRINCE, September 25, 1934—2 p. m.

[Received 4 p. m.]

103. Department's circular telegram dated September 23, 2 p. m. I have discussed this subject with the Foreign Minister and acting fiscal representative.

The resolution in question had already been sent to Pixley¹¹ by the Haitian Secretary of Commerce for his recommendations.

In view of De la Rue's presence in Washington¹² and in view of a slight difference in interpretation of the Resolution here Pixley and I feel that the Department may wish to discuss this matter with De la Rue in order that he may advise the Haitian Government in the premises.

WOODWARD

710.G Commercial Agreement/51: Telegram

The Minister in El Salvador (Corrigan) to the Secretary of State

SAN SALVADOR, September 25, 1934—3 p. m.

[Received 5:45 p. m.]

51. I brought to the attention of the Salvadoran Government orally and informally the substance of the information contained in your circular telegram of September 23, 2 p. m., and was informed that

¹¹ Rex A. Pixley, Deputy Fiscal Representative of the Republic of Haiti.

¹² Sydney de la Rue, Fiscal Representative of the Republic of Haiti.

this country has no representative at Geneva at this time. The proposition is well understood by the Salvadoran Foreign Office the Undersecretary having been present at Montevideo when it was under discussion.

CORRIGAN

710.G Commercial Agreement/53 : Telegram

The Chargé in the Dominican Republic (Brown) to the Secretary of State

SANTO DOMINGO, September 26, 1934—1 p. m.

[Received 2:15 p. m.]

39. Department's telegram of September 23, 2 p. m. Minister of Foreign Affairs stated this morning that Dominican delegation to the Assembly of League of Nations was instructed yesterday by cable to support proposal of the Belgian delegation in regard to Resolution 81 of the Montevideo Conference.

BROWN

710.G Commercial Agreement/57 : Telegram

The Ambassador in Cuba (Caffery) to the Secretary of State

HABANA, September 26, 1934—2 p. m.

[Received 5 p. m.]

484. Department's circular telegram of September 23, 2 p. m. Cuban Secretary of State verbally informs me that he has just telegraphed instructions to the Cuban delegate at the League to support the endorsement of Resolution No. 81 if it comes before the Assembly and is sending instructions to the Cuban Ambassador in Washington to sign the Agreement.

CAFFERY

710.G Commercial Agreement/54 : Telegram

The Ambassador in Chile (Sevier) to the Secretary of State

SANTIAGO, September 26, 1934—3 p. m.

[Received 3:45 p. m.]

93. Department's circular telegram September 23, 2 p. m. The Foreign Office informs instructions have been sent to the Chilean delegation at Geneva to support the proposition of the Belgian delegation regarding Resolution 81.

SEVIER

710.G Commercial Agreement/56 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 26, 1934—4 p. m.

[Received 6 : 15 p. m.]

273. Report of the Second Committee, in line with the Consulate's 265, September 24, 11 a. m.,¹⁴ was adopted by the Assembly today. In the course of a speech the Argentine delegate called favorable attention to the Pan American Agreement. There was no further discussion.

GILBERT

710.G Commercial Agreement/58 : Telegram

The Chargé in Uruguay (Dominian) to the Secretary of State

MONTEVIDEO, September 27, 1934—11 a. m.

[Received 12 : 10 p. m.]

71. Referring to Legation's 70 of September 26, 4 p. m.¹⁴ I am now able to submit Uruguayan viewpoint which was explained to me as follows:

Uruguay is bound to economically powerful countries by bilateral treaties containing unconditional most favored nation clauses and desires prior guarantee that these countries will agree to refrain from invoking the above mentioned clause. Uruguay believes that this guarantee will be provided as soon as economically and financially important countries have signed the Agreement now open for signature and text of which is given on pages 28 and 29 of *Treaty Information* bulletin of July 1934. Accordingly Uruguayan delegate at League of Nations has been instructed to support the action of the Belgian delegation in bringing the subject of Resolution 81 of the Montevideo Conference before the Second Committee and to encourage any action which may assist in inducing economically important nations to sign.

DOMINIAN

710.G Commercial Agreement/75

The Secretary of State to the Chargé in Uruguay (Dominian)

No. 285

WASHINGTON, September 29, 1934.

SIR: The Department has received the Legation's telegram No. 71, of September 27, 11 a. m., regarding the agreement to refrain from in-

¹⁴ Not printed.

voking the obligations of the most-favored-nation clause in respect of certain multilateral conventions.

Your attention is called to the language of Article I,

“The High Contracting Parties, *with respect to their relations with one another*, will not . . . invoke the obligations of the most-favored-nation clause . . .”

In view of the fact that, by virtue of the underlined passage,¹⁵ Uruguay would not be bound to refrain from invoking the most-favored-nation clause in any treaty, unless the other party to the treaty, by virtue of its participation in the agreement under consideration, were also bound to refrain from the use of the clause, it is difficult to see why Uruguay should defer signing the agreement until after its signature by the economically powerful countries with which it is bound by bilateral treaties containing the unconditional most-favored-nation clause. It is believed, accordingly, that the position of the Uruguayan Government, as set forth in your telegram, is unnecessary. The Department feels that, on more complete explanation, the Government of Uruguay may be disposed to be numbered among the first of the signers of the Montevideo agreement.

You are accordingly authorized, on some favorable occasion, to discuss the matter further with the Uruguayan Government. In so doing, you should not fail to express the appreciation of this Government for the cooperation of Uruguay, referred to in your telegram, in the matter of the support of the action of the Belgian Delegation to the Assembly of the League of Nations.

According to a telegram, No. 273, of September 26, 1934, from the American Consulate at Geneva,¹⁶ the report of the Second Committee, containing reference to the Montevideo agreement, was adopted by the Assembly on September 26. Mr. Gilbert adds that in the course of the speech the Argentine Delegate called favorable attention to the Montevideo agreement. There was, however, no further discussion. The Department has not been informed concerning the exact language of the report, but an earlier telegram from Geneva indicates that it calls attention to the relationship between multilateral commercial treaties and the principle of the most-favored-nation clause and mentions, in this connection, the Montevideo agreement and its signature by the United States.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

¹⁵ Printed in italics.

¹⁶ Not printed.

710.G Commercial Agreement/59 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, September 30, 1934—2 p. m.

[Received 2:55 p. m.]

172. Because of a recent slight indisposition of the Minister for Foreign Affairs I was only able yesterday to discuss with him the Department's circular telegram of September 23, 2 p. m., when I emphasized to him that its subject matter was brought to his attention as a matter of interest to all members of the Pan American Union and not as a request for action.

The Minister for Foreign Affairs assured me of his interest but pointed out that with the adjournment of the League Assembly it would appear that nothing could be done at the moment; however, in my presence he directed that instructions be sent to his delegate in Geneva to get into contact with our Consul there with a view to keeping in touch with the subject and for appropriate action at the first available opportunity.

WEDDELL

710.G Commercial Agreement/70 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, October 6, 1934—noon.

[Received October 6—9:10 a. m.]

289. Department's No. 101, October 5, 8 p. m.¹⁷ Following is full text of the section of the Second Committee's report approved by Assembly which referred to the Pan American Agreement:

"Another discussed by the Committee which it desires to bring to the notice of the Assembly is the question of the relationship between multilateral commercial treaties and the policy of the most-favored-nation clause. Certain delegations expressed the view that the possibility of reducing obstacles to international trade by collective action of certain groups of states would be facilitated by an agreement to refrain from invoking the obligations of the most-favored-nation clause in respect of certain multilateral conventions. In this connection the attention of the Committee was drawn to the Agreement opened for signature at Washington on July 15, 1934, under the auspices of the Pan American Union and signed on September 20, 1934, on behalf of the United States of America."

Consulate's 273, September 26, 4 p. m. Text as above and text of speech of Argentine delegate transmitted with Consulate's despatch No. 1026 (political) October 3.¹⁷

GILBERT

¹⁷ Not printed.

710.G Commercial Agreement/83

The Minister in Guatemala (Hanna) to the Secretary of State

No. 376

GUATEMALA, October 9, 1934.

[Received October 15.]

SIR: With reference to the Department's circular telegram of September 23, 2 p. m., I have the honor to report that I promptly brought the substance thereof to the attention of the Minister for Foreign Affairs in the manner desired by the Department, and he told me that he would lose no time in consulting the Government attorney and that, if it was decided to approve the Agreement, he would so notify the Guatemalan representative at the League of Nations, if the Assembly had not previously adjourned.

On September 29, Dr. Skinner Klee told me that instructions would be given to the Guatemalan Minister in Washington to sign the Agreement and that it would be submitted to the local Legislative Assembly for ratification when it reconvenes in March, 1935. As the League Assembly had then adjourned I did not ask the Foreign Minister if he had sent any communication to Guatemala's representative in Geneva.

Respectfully yours,

MATTHEW E. HANNA

710.G Commercial Agreement/88

The Chargé in Uruguay (Dominian) to the Secretary of State

No. 778

MONTEVIDEO, October 10, 1934.

[Received October 22.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 285 of September 29 with reference to the agreement set forth in Resolution 81 of the Montevideo Conference whereby the contracting parties agree to refrain from invoking the obligations of the most-favored-nation clause in respect to certain multilateral conventions. The Department calls my attention to the language of Article I, which states that the High Contracting Parties, with respect to their relations with one another, will not invoke the obligations of the most-favored-nation clause. It may, therefore, be inferred that Uruguay would not be bound to refrain from invoking the most-favored-nation clause in any treaty unless the other party to the treaty, by virtue of its participation in the agreement under consideration, were so bound to refrain from the use of the clause.

A favorable opportunity presented itself yesterday to bring the text of Article I above mentioned to the attention of the Under-

Secretary for Foreign Affairs, who is now at the head of the Ministry of Foreign Relations because of the absence on leave until the end of this month of the Minister of Foreign Affairs. I, therefore, availed myself of the authorization to discuss this matter further with the Uruguayan Government, contained in the Department's instruction under acknowledgment, and expressed at the same time the appreciation of the Government of the United States for the cooperation of Uruguay in instructing its delegate at Geneva to support the action taken by the Belgian Delegation before the Second Committee of the Assembly of the League of Nations in bringing the subject of Resolution 81 of the Montevideo Conference before this Committee.

I pointed out to Dr. Ferreiro, the Under-Secretary, that the language of Article I enabled Uruguay to act with perfect freedom in dealing with other nations with respect to the most-favored-nation clause since the obligation not to invoke this clause was restricted to the contracting parties only in their relations with one another. I pointed out to Dr. Ferreiro, furthermore, that my understanding of the economic policy recently followed by Uruguay would lead one to suppose that the signing of the Montevideo agreement by Uruguay would be in perfect accordance with the position taken by his country in its recent treaty negotiations.

Señor Ferreiro appeared to agree completely. He pointed out that Uruguay favored mutual agreement to refrain from invoking the obligations of the most-favored-nation clause. All that his country desired, he said, was to have a free hand in its commercial negotiations with other countries because Uruguay disposed only of meat and some wool as the country's products.

I told him once more that the signing of the Montevideo agreement could not change Uruguay's position in respect of non-signatory nations or restrict its treaty bargaining power with them. He then said that he would give closer attention to the subject. As stated in my despatch No. 762 of September 27, 1934,¹⁹ Dr. E. E. Buero, the legal adviser on League of Nations affairs of the Ministry of Foreign Affairs, had been consulted on the subject of Uruguay's position in the matter. This, Señor Ferreiro said, would have to be done again although he now felt sufficiently familiar with the subject to realize that the signing by Uruguay of the convention was entirely in keeping with the present commercial policy of Uruguay. He stated that he would not be able to give me a definite answer before the return of the Minister of Foreign Affairs, who was expected back at the Ministry sometime after the 20th of this month. In the meanwhile, he intended going over the matter with Dr. Buero again. I asked him to consider me as prepared to explore with him or with Dr. Buero

¹⁹ Not printed.

any special point or phase of the subject which might arise in the course of his conversations with Dr. Buero. I doubt, however, that the matter can be taken up again before the end of the month as, in addition to the Minister of Foreign Affairs' absence, Dr. Buero is now in Buenos Aires to attend the Eucharistic Congress in that city.

Before leaving, I made it a point to mention to Under-Secretary Ferreiro that it would be gratifying to count Uruguay among the first of the signers of the Montevideo agreement.

Respectfully yours,

LEON DOMINIAN

710.G Commercial Agreement/85

The Director General of the Pan American Union (Rowe) to the Secretary of State

WASHINGTON, October 17, 1934.

MY DEAR MR. SECRETARY: I beg to inform you that the Ambassador of Cuba at Washington, Señor Dr. Manuel Márquez Sterling, signed yesterday *ad referendum*, on behalf of the Government of Cuba, the agreement covering the application of the most-favored-nation clause in commercial treaties.

I beg [etc.]

L. S. ROWE

710.G Commercial Agreement/92: Telegram

The Chargé in Uruguay (Dominian) to the Secretary of State

MONTEVIDEO, November 9, 1934—4 p. m.

[Received 5:45 p. m.]

75. Minister of Foreign Affairs inquires whether, under article II of agreement relative to noninvoking of most-favored-nation clause, a contracting party may demand fulfillment of that clause from another of the contracting parties or whether article II implies that any contracting party may demand fulfillment of the clause only from a noncontracting party. I am making liberal use of press release of September 20 given on pages 213 and 214 of weekly issue number 260 of *Press Releases* but shall appreciate Department's views on the above inquiry.

DOMINIAN

710.G Commercial Agreement/95

The Acting Secretary of State to the Chargé in Uruguay (Dominian)

No. 295

WASHINGTON, November 10, 1934.

SIR: Reference is made to the Legation's telegram No. 75, of November 9, 4 p. m., and to the Department's telegraphic reply dated

today,²⁰ on the subject of the interpretation of Article II of the Agreement of July 15, 1934, pledging the parties to refrain from the use of the most-favored-nation clause to obtain the favors enjoyed by virtue of certain multilateral economic conventions.

The object of Article II of the Agreement of July 15, is to enable countries which actually perform the obligations of liberalizing economic conventions, fulfilling the requirements of the second paragraph of Article I, to enforce the most-favored-nation clause in treaties (usually bilateral treaties) with parties to such liberalizing conventions, notwithstanding the fact that both parties to the most-favored-nation treaties in question are parties to the Agreement of July 15, which otherwise, by Article I, have renounced the right to enforce the most-favored-nation clause.

Accordingly, a contracting party, that is, a party to the Agreement of July 15, can, if the condition of Article II is fulfilled, demand the enforcement of the most-favored-nation clause from another contracting party as well as from a non-contracting party.

The intention of Article II may perhaps best be illustrated by an example:

For instance, let it be supposed that various countries become parties to a liberalizing multilateral economic convention open to all countries. The convention provides for the abolition of quotas so far as the trade of the parties to the convention is concerned, but contains also an extraneous provision which Uruguay cannot accept. Accordingly, Uruguay, though quite willing to abolish quotas, does not become a party. Uruguay and the parties to the convention are parties to the Agreement of July 15. Uruguay, in fact, abolishes quotas. Uruguay has most-favored-nation treaties with one or more of the parties to the liberalizing multilateral convention. Notwithstanding the provisions of Article I of the Agreement of July 15, Uruguay, by virtue of Article II, has the right to enforce the most-favored-nation clause so as to obtain the abolition of quotas affecting its trade with the parties to the convention.

Article II was inserted as a safeguard against extraneous provisions which might prevent individual countries from accepting membership in multilateral economic conventions which fulfill the requirements of Article I of the Agreement of July 15, 1934.

The Department appreciates the care and ability with which you are fulfilling its instructions in this matter and trusts that you may be successful in persuading the Government of Uruguay to become a party to the Agreement of July 15.

Very truly yours,

WILBUR J. CARR

²⁰ Telegram No. 47, November 10, 3 p. m., not printed.

710.G Commercial Agreement/98

The Chargé in Uruguay (Dominian) to the Secretary of State

No. 849

MONTEVIDEO, November 27, 1934.

[Received December 6.]

SIR: Referring to the Legation's despatch No. 838 of November 21,²¹ as well as previous despatches on the subject of Uruguayan participation to the Agreement of July 15, 1934, now open for signature at the Pan American Union, I have the honor to inform the Department that I find that the objections to the signing by Uruguay which have been advanced by the legal adviser of the Ministry for Foreign Affairs, Dr. E. E. Buero, are contained in the following example submitted by him as an illustration of the reason why he was persisting in his opposition.

He cites the possible case of the United States' entering into a multilateral convention with a number of countries, including Great Britain, Germany, and France, for the purpose of reducing certain quotas. According to Dr. Buero, as long as Uruguay is not a signatory to the Agreement, the country would be entitled to demand similar reductions of quotas from any of the multilateral convention parties with which it has the most-favored-nation clause. For instance, he calls attention to the fact that Uruguay has a treaty with Germany containing the most-favored-nation clause. He claims that if Uruguay signs the Agreement of July 15, 1934, it would be impossible for its Government to demand reduction of quotas without granting the same privilege in return. Therefore, he states, Uruguay would be at a disadvantage by signing, since, on the basis of the most-favored-nation clause, it can insist on advantages conferred by parties with which it is bound by this clause.

The matter is now under discussion with Dr. E. E. Buero, whom I have occasion to meet from time to time. I shall value any comment which the Department may desire to transmit—by air mail preferably, to avoid delay—on the point raised by him in the example given above as cited by him.

Respectfully yours,

LEON DOMINIAN

710.G Commercial Agreement/99

The Chargé in Uruguay (Dominian) to the Secretary of State

No. 853

MONTEVIDEO, November 28, 1934.

[Received December 10.]

SIR: In continuation of my despatch No. 849 of November 27, I have the honor to inform the Department that I had a conversation

²¹ Not printed.

with Dr. Buero this afternoon, in the course of which he explained to me with considerable frankness the present difficult position of Uruguay in the matter of its participation in the Agreement of July 15, 1934, now open for signature at the Pan American Union. He stated that by inclination, as well as through belief in the soundness of the principles on which the Agreement of July 15, 1934, were based, he would unhesitatingly recommend its signature now by Uruguay. He added, however, that the present economic difficulties with which his country had to contend were such as to prevent him from making such a recommendation. This, he said, he had mentioned to the Minister for Foreign Affairs.

My despatch above cited indicated that Dr. Buero considers that it would be onerous for Uruguay to become a participant to the Agreement under discussion since the country is now favorably situated to secure economic benefits from a number of countries by virtue of agreements which include the most-favored-nation clause.

Dr. Buero, I may say, appears to enjoy growing confidence at the Ministry for Foreign Affairs and has been requested recently to act as adviser in the present commercial treaty negotiations which are being carried on by Uruguay with some European countries. He pointed, as an example, to the case of France, between which country and Uruguay commercial negotiations are now in progress, and laid stress on the unfavorable position in which Uruguay finds itself in dealing with that country because of the threat repeatedly and unequivocally employed by the French to cease purchases of Uruguayan meat for the French army and navy whenever Uruguay tries to retain its liberty of action in the matter of the use of exchange derived by the purchase of Uruguayan products made for French account. The position of Uruguay with respect to Great Britain, Germany, and Italy is practically identical as that with France and has given rise to Dr. Buero's recommendation that the Agreement of July 15, 1934, be not signed by Uruguay until countries of major economic importance, like the European countries above mentioned, become a party to it.

Dr. Buero stated that, were conditions of our trade with Uruguay such as to give rise to substantial increases in the volume of American purchases of Uruguayan products, the country would not feel so dependent, as it is now, on the goodwill of the European nations.

He also referred to the political angle of the subject by stating that it was absolutely out of the question for Uruguay to participate in any multilateral agreements which might cause curtailment of the sales of its products abroad. He states that the signing of the Agreement now open for signature at the Pan American Union would be difficult to explain to the public, as it might imply that Uruguay has to give something in return for any benefits which it might secure

through Article II of the Agreement, whereas by non-participation, the Uruguayan Government could always claim the benefits of the most-favored-nation clause from the countries to which it is bound by this clause, without having to offer any equivalent benefits.

I availed myself of the opportunity to present Dr. Buero with a copy of the Spanish translation, prepared at the Legation, of your address before the National Foreign Trade Council on November 1, 1934, and we agreed that we would discuss again the subject of Uruguay's participation to the Agreement of July 15, 1934.

Respectfully yours,

LEON DOMINIAN

CHACO DISPUTE BETWEEN BOLIVIA AND PARAGUAY¹

I. EFFORTS OF THE LEAGUE OF NATIONS TO SETTLE THE DISPUTE

724.3415/3491

The Ambassador in Argentina (Weddell) to the Acting Secretary of State

No. 132

BUENOS AIRES, January 4, 1934.

[Received January 15.]

SIR: I have the honor to transmit to the Department herewith copy of a memorandum of the conversation which took place between the Secretary of State² and the President³ and Minister for Foreign Affairs⁴ of the Argentine Republic on December 29, 1933, in Buenos Aires, on the subject of the Chaco conflict. To this is attached copy of a memorandum which was prepared by the League of Nations Commission on the Chaco and handed to the Secretary by Dr. Saavedra Lamas.

These memoranda are sent in duplicate only, as copies have already been furnished the Secretary in Santiago.

Respectfully yours,

ALEXANDER W. WEDDELL

[Enclosure]

Memorandum by the Ambassador in Argentina (Weddell)

During the course of a formal call made on the President and the Minister for Foreign Affairs of Argentina on December 28, the latter named official handed to the Secretary of State a memorandum, copy of which is attached, containing suggestions from the Commission of the League of Nations looking to a settlement of the Chaco problem. At this time it was arranged that the Secretary of State should call on the President and the Minister for Foreign Affairs the following morning, primarily to discuss this matter. The Secretary was accompanied by Ambassador Weddell and the Commercial Attaché,

¹ Continued from *Foreign Relations*, 1933, vol. iv, pp. 241-383.

² Cordell Hull, then returning from Montevideo where he had served as Chairman of the American delegation to the Seventh International Conference of American States. See *ibid.*, pp. 1 ff.

³ Agustín P. Justo.

⁴ Carlos Saavedra Lamas.

Dr. Dye. The interview took place in the Casa Rosada and lasted about one hour and a quarter; the conversations were carried on in an atmosphere of unusual warmth and cordiality.

The Minister for Foreign Affairs, Dr. Saavedra Lamas, stated that Mr. Buero, Uruguayan representative on the League of Nations, was then in his office and that President Terra of Uruguay hoped Secretary Hull and President Justo would support the League efforts to secure an extension of the existing armistice. The President remarked that he and his Government had already done everything in their power to promote peace but that he felt embarrassed at attempting to exert further pressure on the Paraguayan authorities for fear he would rather weaken his own influence with them. He added that it was not true that the war party was in control in Paraguay or that President Ayalá does not wish to grant an extension of the armistice.

The Secretary inquired if the Bolivians were not in accord with the views set forth in the attached memorandum and if they would not send troops back to the mines or to farms except 6,500 to be left for police purposes. The President appeared to assent to this.

The Secretary remarked that both Governments were saying to United States representatives the same thing, that the other Government is taking advantage of the armistice with the idea of continuing the warfare. He added that after "running over" the Bolivians at President Terra's house, the Bolivians seemed to have been entirely agreeable to the suggestions then made.

The Secretary stated that in his opinion the only point in the League proposal to which the Paraguayans could reasonably object was the reference to a port. He stated that he thought that to send a military representative from each Government into the country of the other as representative of the League Commission would assure the good faith of both parties; that any variation thereafter would tend to outlaw the offending nation.

Dr. Saavedra Lamas then stated various points in the controversy as he understood them:

(1): General Estigarribía is not in opposition to his chief or to his President in his attitude concerning the armistice.

(2): President Ayalá wants peace.

(3): Public opinion in Paraguay is bringing pressure on the President, and the people desiring security for the future.

(4): The League Commission understands what is the position in Paraguay of the President.

(5): President Ayalá prefers that the economic question be recognized and considered in a conference to be called by the Pan American Union.

(6): In this way the population of the two countries will be satisfied.

(7): A meeting of boundary experts under the auspices of the Pan American Union: the important question is when can boundary experts get together. In his opinion such an arrangement would meet the situation.

This was the main point; concerning the other matter—an international loan—he had not made up his mind. President Justo interrupted here to say: “We would be favorable.”

Saavedra Lamas continued that there was the matter of the appointment of financial experts for the handling of a loan and looking to the development of certain natural sources of wealth.

The Secretary remarked here that a time beyond any armistice period would be necessary. Saavedra Lamas appreciated that.

Saavedra Lamas remarked that arbitration must come and also security. The Secretary suggested why not put into the project the idea in general of an economic conference and leave out the matter of ports. To this the Minister replied, “That is the best way.”

The Secretary continued that now is a time which may not occur over long years in which to end the conflict. In view of the character of the territory, he continued, neither country could bring the war to a final end in years. To this the President said: “We both agree.”

The Secretary then said that Generals flushed with victory make military sentiment look like public opinion, and added that if Paraguay can be made satisfied with the suggestion of the League Commission to send military experts there, that would meet the situation for the moment. There would then be no cause for not agreeing to arbitration and sending back the armies to be disbanded. Then would come agreement in principle on arbitration which has been suggested and would work out future relations. He continued, “I think we should all insist to them that they accept this idea.”

Dr. Saavedra Lamas here remarked that take out the port matter and put in the question of economic security and Paraguay would accept.

The Minister then asked when the Secretary would be in Washington, to which Mr. Hull replied that he expected to be there January 23. Saavedra Lamas then asked if it would be possible to call the Economic Conference in two months.

Saavedra Lamas stated that the first matter to be solved is the question of financial security and added that he had told President Terra nothing could be done for the moment in the matter in advance of the matter of financial arrangements. He continued that in Argentina it is not a matter of needing money, but the question would have to be taken up with construction experts here to carry out the plan.

The Secretary remarked that the President of the League Commission should bring pressure on Paraguay, adding that public opinion would be against a country that did not meet this; that he had told this to Bolivia, in fact had told both sides. That he felt sure the Argentine Government would not overlook anything, but if a solution is not found now, it never will be found.

Dr. Saavedra Lamas then proceeded to outline the situation as he saw it, as follows:

(1) : Arbitration is feasible.

(2) : The nature of the security Paraguay is to receive, and that is feasible.

(3) : In order that arbitration may be feasible, there must be this Economic Conference.

(4) : Paraguay and Bolivia ought to ask the boundary countries if they are agreeable to this economic plan.

(5) : ?

(6) : Nothing in this for the United States to do save that a financial expert will be needed.

The Secretary then expressed his admiration of and thanks to the President and Minister for Foreign Affairs for the interest they have taken in this matter, and added, "The moral effect of stopping this war would be immense in this hemisphere and in Europe."

Dr. Saavedra Lamas then stated that he wished to take up a second chapter. He expressed his pleasure in the Secretary's visit, said that he regretted taking up material things at a time like this; that he was sorry the Secretary could not see more of Argentina.

The Secretary said that he was making a careful study of Argentina and of its resources and stressed the opinion that there should be a bilateral treaty between the two countries;⁵ that from the standpoint of the United States in these matters, it was necessary to act very slowly.

Dr. Saavedra Lamas remarked that if they could make a treaty with only a few and relatively unimportant articles in it, that would help a great deal. It would mark a beginning.

The Secretary remarked again that it was necessary to go slowly but that with great leadership at this end and leadership at the other end, working in harmony the future should be bright.

The interview closed in an even added atmosphere of warmth and harmony over that which marked its beginning.

A[L^EXANDER] W. W[^EDDELL]

⁵ See section entitled "Preliminary Discussions Respecting a Trade Agreement Between the United States and Argentina," pp. 510 ff.

[Subenclosure]

*Memorandum Prepared by the League of Nations Commission
on the Chaco*

[BUENOS AIRES, undated.]

The President of the League Commission suggests that the cooperation which has been so happily begun in Montevideo between the Commission and the Pan American Conference might be continued in the following form:

The League Commission would propose to both parties to sign an agreement consisting of three parts:

1) They would recognize that in order to reach a solution of their conflict likely to suppress bitter feelings they must agree on a procedure enabling them to submit all their claims relating to the Chaco conflict to an impartial tribunal. That tribunal would be the Permanent Court of Justice of the Hague, Paraguay having already adhered unconditionally to the compulsory jurisdiction of the Court and Bolivia declaring that she is ready to accept that jurisdiction for this special case;

2) The two parties would recognize the necessity of eliminating all fear of military aggression while the Court would be dealing with the question and of hastening the re-establishment of normal relations and mutual confidence. They would consequently agree on adequate security measures consisting of:

a) Withdrawal of their troops from the Chaco under the supervision of neutral officers;

b) Limitation of their troops stationed on the outskirts of the Chaco under the supervision of neutral officers;

c) Reduction of their effectives to a definite peace-time level (possibly 4,000 men for Paraguay; 6,500 for Bolivia) such amounts not to be exceeded during five years, except with the authorization of the Council of the League.

3) The two countries would recognize the necessity of fostering between them better economic relations and of dealing apart from any territorial consideration, with such economic problems as that of Bolivia's access to the Atlantic Ocean. To this effect the League Commission would avail itself of the resolution adopted by the Pan American Conference on December 24th⁶ on the proposal of the Argentine Delegation and insert in the document to be signed by both parties a recommendation that the Pan American Union should convene in

⁶Resolution on Commercial Conference at Buenos Aires, approved December 23, 1933, *Report of the Delegates of the United States of America to the Seventh International Conference of American States*, p. 260.

Buenos Aires the proposed economic conference. The results of such a conference might be such as to make the decision of the Court more acceptable to the parties when that decision is given.

724.3415/3469 : Telegram

The Ambassador in Argentina (Weddell) to the Acting Secretary of State

BUENOS AIRES, January 4, 1934—7 p. m.
[Received 8:20 p. m.]

4. Today I have notified the Secretary of State at Santiago as follows:

January 4, 3 p. m. For the Secretary of State.

Have just received visit from Castro Rojas⁷ and Escalier, Bolivian Minister in Montevideo who request me to transmit to you the following message:

“Bolivia has accepted the arbitration of law proposed by the League of Nations. Paraguay has rejected it, excluding from arbitration the Hayes Zone,⁸ the shore of the River Paraguay, and all the hinterland of the river—practically all of the Chaco. Paraguay aspires to impose on Bolivia the humiliating conditions of customs control and demilitarization for 10 years. On this basis peace is impossible. We desire that Mr. Hull should contribute to the pacification of the Chaco by means of arbitration and consulting the dignity and sovereignty of Bolivia.”

Rojas states League office here advises receipt last night of telegram from its President in Asunción saying nor Congress, nor Government, nor public opinion, favor arbitration in form proposed by League. Rojas is at Alvear Palace Hotel here.

WEDDELL

724.3415/3470 : Telegram

The Ambassador in Argentina (Weddell) to the Acting Secretary of State

BUENOS AIRES, January 4, 1934—10 p. m.
[Received 11:45 p. m.]

5. Following sent to Secretary of State: January 4, 9 p. m. Referring to my telegram January 4, 3 p. m.,⁹ I have seen Minister of Foreign Affairs who had already talked with Bolivian and Para-

⁷ Bolivian Minister to Argentina.

⁸ See Award of November 12, 1878, *Foreign Relations*, 1878, p. 711.

⁹ See telegram No. 4, January 4, 7 p. m., from the Ambassador in Argentina, *supra*.

guayan representatives. He said whole matter, especially interior situation in Paraguay, difficult and delicate; that following a conversation with Buero of the League Commission he and the President felt extreme hesitation in doing anything which would seem to take from President Terra his role of chief mediator which Buero had indicated Terra wished to retain. I urged that armistice would terminate in 48 hours and that as one phase of whole situation no stone should be left unturned to extend this adding that Argentine influence at Asunción was far greater than Uruguayan.

I remarked that I was going to discuss matter with Minister Wright¹⁰ and asked if he had any suggestions to make to which he repeated his remark relative to leaving to Terra his primary role.

The Minister for Foreign Affairs said he was far from well and was leaving the city in the morning to return Monday.

This and my January 4, 3 p. m. repeated to Department.

WEDELL

724.3415/3470 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Weddell)*

WASHINGTON, January 5, 1934—6 p. m.

5. Your 5, January 4, 10 p. m. We feel that the termination of the armistice might have such disastrous consequences and be so deeply regrettable in view of the hope of a peaceful settlement of the controversy held out as the result of the labors of the Montevideo Conference that no possible effort should be omitted to provide at least for the continuation of the armistice in the hope that a passage of time without further conflict may tend to create a more favorable reception for the League Commission's representations or bring about a possible modification in the negotiations which will create a more favorable current of public opinion in Paraguay.

Consequently, unless you have been otherwise directly instructed by the Secretary or have received instructions from him which would make the following procedure inadvisable in your judgment, you are instructed to request tomorrow morning an audience with President Justo and place before him very clearly the hope of this Government that the Government of Argentina may feel disposed through friendly counsel with the Government of Paraguay to urge a continuation of the armistice for an additional period while negotiations are proceeding. You may say to President Justo that this Government appreciates fully the delicate internal situation which now exists in Paraguay and realizes that there may well be some reason of which

¹⁰ Joshua Butler Wright, American Minister in Uruguay.

we are not aware why the Government of Argentina may not desire to exert the full measure of its influence at Asunción. In conclusion you may say that it is only because of our full realization of the desire of the President of the Republic, as so frequently demonstrated, to urge the peaceful solution of this disastrous controversy that we are now expressing our hope that should the exercise of the Argentine Government's influence in Asunción be possible or useful at this juncture it may be so utilized.

There would not be, in our judgment, any reason why a friendly and confidential representation of this character made by the Argentine Government could be construed as interfering in the slightest degree with the initiative originally taken by President Terra.

PHILLIPS

724.3415/3475: Telegram

The Ambassador in Argentina (Weddell) to the Acting Secretary of State

BUENOS AIRES, January 8, 1934—6 p. m.

[Received 8 p. m.]

10. Referring to my No. 7, January 7, 3 p. m.,¹¹ I today called on the President. I emphasized to him Department's message contained in its 5, January 5, 6 p. m. Replying, he said that before his departure Thursday for Rosario he had personally urged on chief of Paraguayan delegation extension of armistice and that latter had retorted categorically that his Government would not consent to this since it would prejudice their military situation. The President added that on eight or ten occasions he had urged peace on the respective belligerents giving me the idea, as in his conversation with Secretary Hull that he feared a loss of his influence by further insistence.

I then stated the Department's viewpoint concerning Terra initiative set forth in concluding paragraph of its telegram No. 5 of January 5, 6 p. m.

During conversation the President twice emphasized that his Government had engagements with the countries bordering Paraguay requiring concerted action.

In reply to my request the President said that when the Minister for Foreign Affairs returned tomorrow he would ask him to keep me informed of any developments.

The President asked me if I had conferred with the League's representatives to which I replied negatively. This message repeated to Secretary at Lima.

WEDDELL

¹¹ Not printed.

724.3415/3484 : Telegram

The Ambassador in Argentina (Weddell) to the Acting Secretary of State

BUENOS AIRES, January 11, 1934—6 p. m.

[Received 8:50 p. m.]

11. Referring to my No. 10, January 8, 6 p. m. As stated therein I have not attempted to make any contact with the League of Nations Commission. However, I learned this morning from an absolutely trustworthy authority that the Argentine Government proposes perhaps this afternoon to inform the Governments of Paraguay and Bolivia that unless they agree to accept the peace formula proposed to them by the League of Nations Commission, a copy of which was forwarded to the Department by air mail on January 5,¹² the Argentine Government will wash its hands of the matter. There would seem to be no question of sanctions in the event of refusal by either party. My informant stated further that at least one member of the Commission was not hopeful of satisfactory results and felt that the Commission's departure from Buenos Aires is only a matter of 4 or 5 days.

I have this afternoon received a visit from the Bolivian Ministers in Uruguay and Brazil, Escalier and Alvesteguí, who informed me that they had seen the Argentine Minister for Foreign Affairs this morning who had told them of the message from "President Roosevelt" urging Argentine efforts for peace. That they were deeply gratified by this expression of interest. I told them the message to which the Minister for Foreign Affairs referred had come from the Department of State and had been transmitted by me to the President of the Republic himself.¹³

They stated that they feared that in the hands of the Argentine Minister for Foreign Affairs the matter would become involved in a maze of political and economic matters and that what they now hoped my Government might be willing to do would be to urge on the Argentine Government that the cardinal point in the discussions should be the matter of arbitration. I asked if Bolivia had not insisted that arbitration include territory embraced in the Hayes Award.¹⁴ They replied that Bolivia wished to arbitrate everything.

They stated further that the formula of the League of Nations Commission was satisfactory to them since it provided for arbitration as the primary question and that to sum up they wanted arbi-

¹² *Ante*, p. 36.

¹³ See telegram No. 5, January 5, 6 p. m., to the Ambassador in Argentina, p. 38.

¹⁴ *Foreign Relations*, 1878, p. 711.

tration and the application of the principles of the Washington agreement of August 3, 1932.¹⁵

Repeated to the Secretary at Lima and to Asunción.

WEDDELL

724.3415/3485 : Telegram

The Minister in Paraguay (Nicholson) to the Acting Secretary of State

ASUNCIÓN, January 12, 1934—4 p. m.

[Received 8:25 p. m.]

3. In a conversation with the Minister for Foreign Affairs today he said, with reference to Paraguay's position as to the extension of the armistice, that rather than give Bolivia this opportunity to reestablish itself Paraguay would continue "to occupy forts abandoned by the Bolivians" until the rains set in which would be shortly when an armistice of fact will exist due to the impossibility of continuing warfare and Paraguay will have desired security during negotiations.

He said that Paraguay was awaiting the pronouncements to be made by the League Council on the 15th and he thought this should speed up the negotiations.

Regarding the departure of some of the members of the League Commission, he stated that Paraguay had no information on the subject but that if such is the case the Paraguayan Government probably will request that the commissioners remain as his Government is now more optimistic that a peace can be worked out.

Repeated to Buenos Aires and La Paz.

NICHOLSON

724.3415/3489 : Telegram

The Consul at Geneva (Gilbert) to the Acting Secretary of State

GENEVA, January 13, 1934—4 p. m.

[Received January 13—3:50 p. m.]

7. Consulate's 4, January 10, 5 p. m.¹⁶ The following is an unofficial translation of a telegram from the Chaco Commission to the Secretary General under date of January 12 signed by Del Vayo and Buero.

"On the eve of the session of the Council the Commission believes it useful to set out the broad lines of the situation. In order to fulfill its mandate the Commission, after conversations at Asunción, a visit to the Chaco and interviews at La Paz, communicated to the two

¹⁵ *Foreign Relations*, 1932, vol. v, p. 159.

¹⁶ Not printed.

governments the principles of a plan which, taking very carefully into account the points of view set forth by the representatives of Paraguay before the Council and during the negotiations between the limitrophe states and later before the Commission, appeared (the Government of Bolivia being in agreement) susceptible of putting an end to hostilities and of procuring a fundamental settlement.

The armistice proposed on December 18 by Paraguay who invited the Commission to preside over negotiations for security and peace, was utilized for attempting at Montevideo, in an atmosphere of peace and collaboration created by the Pan American Conference and with the active sympathy of the President of Uruguay acting as mandatory of the special committee constituted by that Conference, to put into operation the principles of the Commission's plan, to wit (1) the adoption of a procedure for a fundamental legal settlement each party submitting its claims to the Permanent Court of International Justice; (2) a regime of security comprising the withdrawal of the armies to the borders of the Chaco, their demobilization within a fixed period, limitation of armaments for a period of time sufficient to permit not only a fundamental settlement but a durable abatement of public feeling, and an international control of the foregoing measures of security; (3) the seeking of measures, leaving aside all considerations of a territorial order, destined to improve communications with the exterior not only of Bolivia but of Paraguay. To further this end the Commission beginning with December 24, 1933, was able to utilize the resolution adopted by the International American Conference on the proposal of Argentina envisaging the convocation of a conference of the limitrophe states under the auspices of the Pan American Union.¹⁷

Conversations between the Commission and the Paraguayan military plenipotentiary and assessor who arrived at Montevideo on December 29, then information gathered by a delegation of the Commission which proceeded to Asunción by airplane on January 1, showed that Paraguay was not ready to accept this plan as a whole. Representatives of Paraguay desired as a first step the seeking of a fundamental solution from which the Hayes Zone, the Rio Paraguay littoral and the hinterland to be determined should be excluded; the organization of a regime of security being designed to permit the abatement of public feeling, they deemed that this regime should carry with it the occupation by Paraguayan troops of a security zone in the Chaco which would be entirely evacuated by Bolivian troops. During the 2 days which followed the return of the Commission's delegation from Asunción all efforts to conciliate the points of view of the two countries and prevent the renewal of hostilities by examining the chances of success of a security formula were rendered futile by the expiration of the armistice which the Commission had requested be prolonged until January 14 but which Paraguay accepted to prolong only until January 6.

The Commission which in the atmosphere created by the armistice could hope to bring the parties nearer together feel that a continua-

¹⁷ See *Report of the Delegates of the United States of America to the Seventh International Conference of American States*, p. 14, where it is stated that the proposal was not adopted.

tion of the negotiations was incompatible with the renewal of hostilities and made this known to the two Governments. As mandatory of the Council, the Commission leaves it to the latter to appraise a situation of which it has indicated the essential elements and awaits on the spot the result of the Council's deliberations."

For the present this telegram is being communicated only to the members of the Council.

GILBERT

724.3415/3490 : Telegram

The Ambassador in Argentina (Weddell) to the Acting Secretary of State

BUENOS AIRES, January 14, 1934—4 p. m.

[Received 5:33 p. m.]

13. From a reliable source I learned last night that attitude of the Argentine Government has changed during the last few days and that it is now disposed to bring pressure to bear on Paraguay which apparently cannot continue fighting without Argentine support financially and by munitions and transport. Thus Argentina holds key to situation. Argentina will probably try to induce both parties to agree to 6 months' armistice. Uruguay now apparently reconciled to transfer of negotiations to Buenos Aires.

Repeated to Asunción, La Paz and Secretary of State at Lima.

WEDDELL

724.3415/3492 : Telegram

The Minister in Bolivia (Des Portes) to the Acting Secretary of State

LA PAZ, January 15, 1934—5 p. m.

[Received 8:35 p. m.]

6. Bolivian Minister for Foreign Affairs desires that a confidential report be made by me that Bolivia would welcome participation by Brazil (probably in order to counterbalance Argentina) in the negotiations at Buenos Aires.

The above suggestion is claimed to have originated [with?] the Bolivian Sub Secretary of State for Foreign Affairs, but it was, however, previously discussed by him with the Brazilian Minister.

The Foreign Minister again emphasized the point that arbitration should be League Commission's main preoccupation; all other questions secondary.

Repeated to Secretary of State, Buenos Aires, Asunción.

[DES PORTES]

724.3415/3492 : Telegram

The Acting Secretary of State to the Minister in Bolivia (Des Portes)

WASHINGTON, January 16, 1934—4 p. m.

2. Your 6, January 15, 5 p. m. Largely as the result of misleading and unfounded press reports, the impression has been created that this Government is actively participating in the negotiations at Buenos Aires involving the Chaco dispute.

Because of our earnest hope that the progress made during the Montevideo Conference might not be abandoned and the favorable atmosphere resulting from the armistice be lost, the American Ambassador at Buenos Aires was instructed to discuss the matter with the President of Argentina and in the course of his conversation express the hope that Argentine influence in Paraguay might be exerted should the Argentine Government deem it advisable and possible for it to do so, for a continuation of the armistice.¹⁸

This Government has had no other intervention in the negotiations which have been in progress in Buenos Aires and the participation by Brazil in these conversations which is desired by the Bolivian Government would seem to be a matter with regard to which this Government would not feel warranted in making any suggestion at this juncture.

The Bolivian Minister was yesterday informed by the Department of the precise nature of the conversation between President Justo and the American Ambassador in Buenos Aires in order that whatever misunderstanding might have existed on the part of his Government may be corrected.

PHILLIPS

724.3415/3496 : Telegram

The Ambassador in Argentina (Weddell) to the Acting Secretary of State

BUENOS AIRES, January 16, 1934—8 p. m.

[Received 9:07 p. m.]

16. Following sent to the Secretary on shipboard :

"January 16, 7 p. m. Your January 15, noon.¹⁹ In accordance therewith I today called on the President and the Minister for Foreign Affairs and conveyed your message. The present attitude of the Argentine Government is that owing to its membership on the League Council it must work through the League of Nations Commission in its peace efforts. To this end it has today suggested the following peace formula to the League Commission here.

¹⁸ See telegram No. 5, January 5, 6 p. m., to the Ambassador in Argentina, p. 38.

¹⁹ See telegram No. 17, January 17, 6 p. m., from the Ambassador in Argentina, *infra*.

1st. For military security; demobilization and reduction of army to peace footing, withdrawal of troops to points to be established, arrangement for policing of the Chaco, the foregoing with a 6 months' armistice in which time a solution of the basic problem will be attempted through direct negotiations between the belligerents, their pledge to acquire no war material during the 6 months' period.

2d. For a solution of the basic problem; an agreement that in the event of no solution being found within the above mentioned 6 months' period that the Council of the League of Nations shall then act automatically under article 15 of the League pact.²⁰

President Justo stated that Paraguayan delegate was prepared to go at once to Asunción to urge his Government's adoption of formula should Bolivia accept. President emphasized that moment was now ripe for President Roosevelt to urge through our diplomatic representatives acceptance by belligerent Governments of above mentioned peace formula.

Although League Commission's report is now before League Council it continues its peace efforts with Paraguayan and Bolivian delegations here.

Repeated to Department, Asunción, La Paz, Montevideo."

WEDDELL

724.3415/3497: Telegram

The Ambassador in Argentina (Weddell) to the Acting Secretary of State

BUENOS AIRES, January 17, 1934—6 p. m.

[Received 6:25 p. m.]

17. Referring to Department's No. 11, January 17, 2 p. m.,²¹ following is Secretary's January 15, noon.

"Your January 14, 4 p. m. According to information from all directions I am wondering if the time is not ripe for the Argentine Government to end Chaco war by insisting on immediate armistice and arbitration. It is now more manifest than ever that the interests of both warring countries require immediate peace and that President Justo and Foreign Minister Saavedra Lamas hold the key to both. Please present my regards to both of them and say how greatly I would appreciate something encouraging and definite from them and how much mine and all other Governments will value this great peace service which I feel satisfied the President and Foreign Minister of the Argentine will soon render. Keep me advised.

Please repeat to Montevideo."

WEDDELL

²⁰ *Treaties, Conventions, etc., Between the United States of America and Other Powers, 1910-1923* (Washington, Government Printing Office, 1923), vol. III, p. 3336.

²¹ Not printed.

724.3415/3512

The Ambassador in Peru (Dearing) to the Acting Secretary of State

No. 3219

LIMA, January 18, 1934.

[Received January 25.]

SIR: I have the honor to report that during Secretary Hull's visit in Lima, the Bolivian Minister approached me at the reception at the Embassy to ask that I would say to the Secretary that Bolivia was prepared to agree to prolonging the armistice between Bolivia and Paraguay and to accept the arbitration formula proposed by the League and carry the Chaco dispute to the Hague. I told the Minister I would be glad to tell the Secretary what he had said and to make an opportunity for him to speak to the Secretary.

This opportunity occurred after dinner at the Palace on the night of the eleventh. I introduced the Bolivian Minister to the Secretary and the Bolivian Minister repeated what he had said to me in the afternoon. The Secretary replied that he was aware that the Paraguayan Government had desired something of the same sort itself, but that certain Generals and Colonels had overridden wiser counsels out of a fear of losing the military advantages that Paraguay had obtained, and had pitched the two countries back into war. The Secretary indicated the importance of the role of Argentina in the matter and told the Bolivian Minister that he had used all the influence he could towards getting Argentina to exercise good counsel and restraint.

The Secretary told the Bolivian Minister pointedly, however, that although he intended to continue to use every effort he could to promote peace between Bolivia and Paraguay, his efforts could only be effective in case he continued to retain the confidence of both Paraguay and Bolivia, thus indicating that what he would do could be in no partisan sense but that it would be as much in the interests of one country as in the other, and that what he had said was not intended to justify Bolivia as against Paraguay, but to support a real effort at peace.

The Bolivian Minister expressed himself as being immensely gratified by what the Secretary said and has since again expressed his gratification to me, saying, as he had said to the Secretary, that Bolivia regards the Secretary as its great hope for a just settlement of the dispute.

Respectfully yours,

FRED MORRIS DEARING

724.3415/3523½

Memorandum by the Counselor to the American Delegation to the Seventh International Conference of American States (Norweb) of a Conversation With the Chilean Minister for Foreign Affairs (Cruchaga)

[WASHINGTON,] January 20, 1934.

Chile was prepared to give the League Commission a free hand, perhaps for another two months, in the hope that by allowing it to act as a spearhead sufficient advance might be made to justify the ABCP combination again to undertake direct peace negotiations, always however in cooperation with the Commission. The Commission's efforts for mediation failing, a revival of united action by the ABCP group might be contemplated but only if prior agreement could be had among themselves to adopt a firm attitude towards the belligerents even to the extent of threatening to cut off supplies. Any efforts in this direction would depend almost entirely on the willingness of Argentina to cooperate. A similar attempt a year ago broke down because Argentina would not exert material pressure on Paraguay, as Chile had with Bolivia. Recent developments did not indicate that Argentine had changed its attitude. However, Argentine could be sounded out and if necessary other American States might be asked to make friendly representations to persuade Argentina to take a firm stand in the interests of peace.

R. H. NORWEB

724.3415/3505: Telegram

The Minister in Bolivia (Des Portes) to the Acting Secretary of State

LA PAZ, January 20, 1934—1 p. m.

[Received 5:15 p. m.]

9. The Bolivian reply was made last night. It suggests that no new action be made until the attitude of the League is defined, and make following observations regarding formula: It delays fixing terms and bases arbitration, it being easy to foresee that without an accord, arbitration would result impracticable, therefore Bolivia could not retire or demobilize troops. If arbitration were now arranged for, Bolivia would be disposed to consider clauses of security which are not against dignity and sovereignty but these should be precise and clear to avoid future complications. For Bolivia 6 months' armistice is acceptable only on stipulation that no direct accord being arrived at in the period The Hague Court would automatically take over the question of territorial arbitration within the lines proposed here by the League Commission, i. e., arbitration juris under principles of August

3, 1932,²² which marks position of both parties, and further that a period be arranged when with or without presentation of evidence by one or both parties the tribunal will pronounce.

The Bolivian reply ends with opinion that the formula leads certainly to a temporary suspension of hostilities but leaves the principal question undefined, a germ for new conflicts.

Repeated to Buenos Aires, Asunción. Please repeat to the Secretary of State.

DES PORTES

724.3415/3506 : Telegram

The Consul at Geneva (Gilbert) to the Acting Secretary of State

GENEVA, January 20, 1934—9 p. m.

[Received January 20—9 p. m.]

17. Consulate's 12, January 16, 4 p. m.²³ The following is a summary of the report on the Chaco situation adopted this evening by the Council in public session and accepted by the two parties.

1. Refers to Chaco Commission's telegram of January 12 and cites in particular the principles of the plan of settlement outlined in the second paragraph thereof and also the Committee's statement of opinion and request for instructions in the last paragraph (Consulate's 7, January 13, 4 p. m.)

2. The report then continues

"The Council would call attention to the fact that when it adopted its report of July 3rd²⁴ it was faced by an absolute difference of opinion between the two parties on this very question and came to the conclusion that the only practical solution would be for the Commission to discharge its functions taken as a whole as best it could having regard to the situation on the spot with a view to bringing about a speedy and permanent settlement of the dispute.

The fact that the two parties express the wish to see the Commission resume its work creates a situation which allows us to hope for a rapid success.

The Council attaches the highest importance to the continuance of the Commission's efforts. It considers that arbitration whatever may be good [*its*] form is one of the best ways of arriving at a settlement of the dispute. In the present circumstances, however, the Commission's mandate cannot be thus limited; it will have in particular authority to consider every method for reaching an agreement including for instance the conclusion of an armistice presenting sufficient guaran-

²² *Foreign Relations*, 1932, vol. v, p. 159.

²³ Not printed.

²⁴ The Council of the League adopted two reports on the Chaco controversy, which are referred to and summarized in League of Nations, *Dispute between Bolivia and Paraguay, Report of the Chaco Commission*, Geneva, May 11, 1934, pp. 6, 10-11. See also League of Nations, *Official Journal*, September 1933, pp. 1072-1074; and *ibid.*, February 1934, pp. 242-271.

tees to enable a solution to be reached as soon as possible of the questions referred to in (1) and (3) of the proposals mentioned in the Commission's telegram of January 12. Question number 3 in particular could be investigated with the assistance of the neighboring powers in the spirit of the Argentine proposals adopted by the recent Pan American Conference. With regard to the substantive settlement the Council considers that it is competent [*sic*] to the Commission to try every means of reaching a settlement—judicial settlement, arbitral settlement, or direct settlement aided, if necessary, by good offices the essential aim being to arrive at a solution which will ensure peace and good relations between the parties.

The Council therefore requests its Commission to resume in conjunction with the parties the study of all the aspects of the problem and the practical possibilities of a solution."

3. Expresses confidence that the Council can rely on the states members of the League and especially the neighbors of the parties to lend the Commission every assistance to facilitate its work.

4. Appeals to the two contending Governments "to give proof of political wisdom" and to arrive at a settlement of the dispute without delay.

5. Requests "the Committee of Three to continue to devote all its attention to this question and as hitherto to take such steps as it may think fit during the intervals between sessions."

GILBERT

724.3415/3526 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, February 2, 1934—3 p. m.
[Received February 4—9:55 a. m.]

27. The Secretariat has received a confidential cablegram from the Chaco Commission which though hopeful in tone is vague as to details. The following, however, appears to be the substance.

1. Both parties seem anxious for a rapid settlement and wish to avoid extended direct negotiations.

2. Bolivia still urges an integral arbitral settlement which Paraguay does not appear to be ready to accept.

3. Another difficulty arises with respect to occupied troop positions during an armistice pending final settlement.

4. The Paraguayan representative has returned to his capital to receive fresh instructions and will probably rejoin the Commission next week.

5. Neither party is in favor at present of having recourse to the good offices of the neighboring states.

This last point is confirmed by a communication from the Bolivian Government to the Secretariat deprecating reports in the South American press to the effect that the Bolivian suggestion concerning

cooperation of the neighboring states was a maneuver to remove the question from the Council's purview.

GILBERT

724.3415/3534 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, February 10, 1934—4 p. m.
[Received 7:05 p. m.]

10. Bolivia has received through the League Commission a Paraguayan proposal which is summarized by the Foreign Minister as retirement of troops to Paraguayan railhead and Fort Ballivian respectively, policing of evacuated region by Paraguay, agreement not to purchase war material, and probable consideration of arbitration.

A Presidential council was held this morning and the Bolivian reply is being studied and will be sent to Buenos Aires within a few days to the effect that an agreement to arbitrate must be the first consideration not security measures as proposed by Paraguay.

Repeated to Asunción, Buenos Aires.

DES PORTES

724.3415/3536 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, February 13, 1934—4 p. m.
[Received 10:11 p.m.]

11. The Bolivian reply was made on the 11th to the Bolivian Minister at Buenos Aires for presentation to the Commission on the 15th. It expresses pleasure that Paraguay accepts principle of arbitration but laments that the proposed treaty is not one of peace but armistice and would not settle basic territorial question, leaving cause for future war; that the Paraguayan seven conditions of security indicate Paraguay progresses in demands as Bolivia cedes.

Bolivia counterproposes treaty stipulating the juris arbitration proposed by League Commission to Bolivia having following terms:²⁵

- 1st. Agreement to arbitrate making known maximum concessions.
- 2d. Arbitration to be juris and under the declaration of the 19 nations of August, '32.
- 3d. Arbitral agreement to fix maximum pretensions according to the official statements to the League; Bolivia to the confluence

²⁵ The Bolivian reply in full, dated La Paz, February 12, 1934, is printed in *Republica de Bolivia, Ministerio de Relaciones Exteriores y Culto, Memoria presentada al Congreso de 1934* (La Paz, 1934), pp. 606-607. See also League of Nations, *Official Journal*, July 1934, pp. 795-796.

Pilcomayo, Paraguay Rivers; Paraguay to the Otuquis River and the Chiriguano Cordillera; The Hague Court not to leave the area or enter into other points not in the agreement.

4th. Rules of procedure in the agreement.

5th. Security, demobilization, military clauses to be arranged between the two countries under the auspices of League delegates.

Bolivia reiterates that if juris arbitration accepted obstacles will not be placed to conditions of security contemplating equality.

Texts of the proposal of the 7th²⁶ and the Bolivian reply of 11th²⁶ are being sent by next mail.

Repeated to Buenos Aires, Asunción.

DES PORTES

724.3415/3540a : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, February 14, 1934—8 p. m.

22. Please ascertain if possible and cable Department the opinion of the League Commission regarding Paraguayan proposal to Bolivia and Bolivian counterproposal, and in particular whether in its opinion any advance has been made as the result of the formulation of these proposals. The Department would also be glad to have any opinions which may have been expressed to you with regard thereto by the Argentine Minister for Foreign Affairs.

HULL

724.3415/3545 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, February 18, 1934—9 p. m.

[Received February 18—8:15 p. m.]

34. Referring to Department's telegram No. 22, February 14, 8 p. m., I send the following from Mar del Plata :

I talked today with Bolivian Minister and also with Foreign Minister Saavedra Lamas.

The former expressed himself in pessimistic tone but said he was waiting on the Paraguayan reply to the Bolivian proposal which should be received by the League Commission tomorrow or Tuesday.

Saavedra Lamas said he had read the Bolivian proposals and had talked with the Minister of Bolivia which latter country's attitude now seems more reasonable, while Paraguay is flushed with victory. He told me that the situation of Argentina vis-à-vis the two belligerents

²⁶ *Republica de Bolivia, Ministerio de Relaciones Exteriores y Culto, Memoria presentada al Congreso de 1934, pp. 605, 606.*

was delicate and while Argentina was happy to collaborate with the League Commission that neither his country nor, he felt sure, the United States wished to be in a position of League appends [*sic*]. He remarked that League prestige was involved in the success of the negotiations. He added that he felt his Mendoza proposals²⁷ still offered the best solution of the question.

Saavedra Lamas further informed me that he understood oil deposits were in the disputed territory which complicated the matter and that a pipe line might enter into the economic phases of the solution.

With regard to Bolivia's claim involving the reopening of the Hayes Award he said this was unimportant as any tribunal would disregard this pretension, that the real question is an economic one including Bolivia's outlet.

In conclusion, the Minister said he would thoroughly post himself in the next few days and promptly advise me. We are both returning to Buenos Aires tomorrow when I also hope to establish immediate contact with League Commission and will advise.

WEDDELL

724.3415/3554 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, February 23, 1934—4 p. m.
[Received 9:15 p. m.]

36. Again referring to Department's telegram No. 22, February 14, 8 p. m., Secretary General and British members of the League Chaco Commission today handed me formula of Commission looking to solution of the problem and which was delivered yesterday to Bolivian and Paraguayan representatives; it was delivered last night to Argentine Ambassador and is being given today to Brazilian, Chilean, and Peruvian Ambassadors here, and to Uruguay tomorrow. I am informed that President of Commission is telegraphing you that I have this formula and also expressing his obligation for your contribution to peace, both at Montevideo and subsequently.

Full text by air mail tonight.²⁸

Following is summary:

- I. Hostilities to cease 24 hours after present agreement effective.
- II. Twenty-four hours later evacuation to begin by both Armies which shall withdraw in 40 days to following positions: (a) Bolivian Army, Villa Montes and Robore and (b) Paraguayan Army to Paraguay River.

²⁷ *Foreign Relations*, 1933, vol. IV, p. 268.

²⁸ League of Nations, *Official Journal*, July 1934, p. 789.

III. Demobilization will begin with the evacuation, soldiers to return home within 3 months.

IV. After this and while Permanent Court of International Justice is fixing boundaries neither army will exceed 5,000 and both parties will not acquire war material. Council of League may, at request of either party, grant derogation of above stipulations and deal with matter should either party consider stipulations not observed. In applying article IV League Council decides, excluding votes of contracting parties.

V. Until Permanent Court fixes boundaries between the two countries both may maintain police forces to control certain specified areas any incidents in connection therewith, unable to be settled rapidly, Permanent Court to indicate probationary measures.

VI. When present agreement is in force Permanent Court will exercise full jurisdiction to settle controversy both countries maintaining that they have rights in certain specified regions, Bolivia renouncing her reservations on the Hayes Award territory, Paraguay renouncing her reservation on the establishment of boundaries between Bolivia and Brazil by the Treaty of Petropolis.²⁹

VII. Both parties shall within 8 days repatriate prisoners, any difficulties being addressed to the International Red Cross Committee.

VIII. When Permanent Court gives decision both parties agree to address Pan American Union so that it may convene conference of boundary countries provided for by the Montevideo resolution of December 24, 1933.

IX. Present agreement to be ratified constitutionally by both countries in extraordinary session of their Congresses if necessary.

X. It will take effect 12 hours after ratification by belligerents.

Additional, both parties to notify acceptance or refusal before March 1, 1934.

Commission only mildly hopeful of success.

Repeated to La Paz, Asunción, Montevideo.

WEDDELL

724.3415/3553 : Telegram

*The President of the League of Nations Chaco Commission
(Alvarez del Vayo) to the Secretary of State*

BUENOS AIRES [undated].

[Received February 23, 1934—4:15 p. m.]

I have the honour to inform Your Excellency the Chaco Commission has decided to hand to the American Ambassador a copy of the draft treaty which they have submitted to the Governments of Bolivia and Paraguay. The Commission which has kept the memory of the invaluable assistance granted to it by Your Excellency during the Pan American Conference hopes that its last effort to conciliate the belligerents will meet with your approval and support.

ALVAREZ DEL VAYO

²⁹ Signed November 17, 1903, *British and Foreign State Papers*, vol. xcvi, p. 383.

724.3415/3556 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, February 24, 1934—noon.
 [Received February 24—9 : 25 a. m.]

35. 1. Secretary General has received a communication from the League Chaco Commission at Buenos Aires of which the following are the chief elements :

(a) The Commission met together with the two disputants on February 21 and found it impossible to reconcile their respective viewpoints.

(b) The essential clauses of a draft treaty of 10 articles which the Commission presented to the two Governments on February 22 with the request that it be accepted before March 1.

(c) The Commission communicated this draft treaty to the Argentine Government, the President of Uruguay and to the Ambassadors of Brazil, Chile, Peru and the United States. (I therefore assume that the text is available to the Department.)

(d) With regard to the draft treaty the Commission feels that the two states respectively should take the following advantageous points into consideration.

“Paraguay: (1) The Hayes Zone excluded from arbitration. (2) Paraguay acquires police rights for all parts of the Chaco important to her. (3) Equality of effectives and control of the production of arms.

Bolivia: (1) Legal arbitration assured with only the sacrifice of Bolivia's position respecting the Hayes Zone. (2) Abandonment of the inquiry concerning responsibility with a view to sanctions which Paraguay has demanded. (3) Limitation of effectives and arms during a reasonable period only and the possibility of increasing them. (4) Police rights which Paraguay wished to refuse. (5) Prompt repatriation of her numerous prisoners. (6) Economic questions not intermingled with juridical questions. (7) Juridical position entirely safeguarded.

(e) In addition to the foregoing points the Commission feels that both parties should understand that this probably constitutes the last chance for peace which will be presented for some time to come.”

2. The Secretary General has in the name of the President of the Council telegraphed to the Governments of the Argentine, Chile, Peru, Uruguay, Brazil, Great Britain, France and Italy asking these Governments “to employ their high authority in giving urgent support to the proposals of the Commission and to recommend to the Governments of the two parties to accept these bases for an honorable and equitable solution susceptible of restoring peace”. The telegram to the three European powers includes a résumé of the essentials of the draft treaty.

3. The Secretary General has communicated to me a request in like terms to the American Government. (Note Consulate's 31, February 16, 4 p. m., paragraph 3).³⁰

4. The Secretary General would very much appreciate receiving advices respecting such pertinent action as may be taken by the United States Government.

5. None of the foregoing is yet being made public here.

GILBERT

724.3415/3553 : Telegram

The Secretary of State to the Minister in Bolivia (Des Portes) ³¹

WASHINGTON, February 25, 1934—5 p. m.

3. The Department has been advised by the League Chaco Commission of the formula of solution delivered by it to the Governments of Bolivia and Paraguay on February 22. Please cable immediately the fullest information available as to the attitude of the Government to which you are accredited regarding the proposal offered.

HULL

724.3415/3553 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, February 25, 1934—5 p. m.

18. The Department has been advised by the League Chaco Commission of the formula delivered on February 22 to the Governments of Bolivia and Paraguay. Please cable immediately the attitude taken by the Brazilian Government concerning the proposal and furthermore whether it would be disposed to press for its acceptance by the Bolivian Government should that Government prove reluctant to adopt it. You may say to the Foreign Office that this Government will not only welcome advice as to the position of the Brazilian Government, but would likewise appreciate any suggestions as to how this Government might be helpful in advancing the cause of peace at this moment.

Should the Foreign Office inquire the opinion of this Government regarding the League formula you may say that in our judgment it offers a fair and equitable basis for a peaceful solution.

HULL

³⁰ Not printed.

³¹ The same telegram, February 25, 5 p. m., to the Minister in Paraguay as No. 8.

724.3415/3553 : Telegram

*The Secretary of State to the Ambassador in Chile (Sevier)*⁸²

WASHINGTON, February 25, 1934—5 p. m.

23. The Department has been advised by the League Chaco Commission of the formula which it delivered on February 22 to the Governments of Bolivia and Paraguay. It is our earnest hope that the suggestion so proposed which seems in our judgment to offer an equitable basis for the pacific solution of the existing controversy may be accepted by both nations. Please ascertain discreetly and confidentially of the appropriate authorities what action if any the (Chilean, Peruvian, Uruguayan) Government contemplates taking in support of the League proposal. It is of course our earnest desire to be helpful in furthering the cause of peace on the continent, and we will be very glad to receive any confidential suggestion from the Government to which you are accredited, should it desire to offer such suggestion, as to how we may be of effective moral assistance in the attainment of the objective in which the entire continent is deeply concerned.

HULL

724.3415/3554 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, February 25, 1934—5 p. m.

29. Your 36, February 23, 4 p. m. Please cable Department immediately the disposition of the Argentine Government regarding the formula of the League Chaco Commission and in particular whether it is considering bringing pressure to bear upon the Paraguayan Government should that Government prove reluctant to accept the proposal. You may state to Saavedra Lamas that this Government will welcome information as to the attitude of his Government as well as any suggestions he may care to offer as to how this Government may be helpful at this time in furthering the cause of peace upon the Continent.

Should Saavedra Lamas inquire the opinion of this Government regarding the League formula you may say that in our judgment it offers a fair and equitable basis for a peaceful solution.

HULL

⁸² The same telegram, February 25, 5 p. m., to the Ambassador in Peru (as No. 16) and the Minister in Uruguay (as No. 15).

724.3415/3553 : Telegram

*The Secretary of State to the President of the League of Nations
Chaco Commission (Alvarez del Vayo)*

WASHINGTON, February 26, 1934.

I thank you sincerely for your courtesy in making available to our Ambassador in Buenos Aires a copy of the draft treaty which your Commission has submitted to the Governments of Bolivia and Paraguay looking to the reestablishment of peace in the Chaco.

My earnest hope and that of my Government is that the Commission will be completely successful in these peace efforts.

CORDELL HULL

724.3415/3559 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, February 26, 1934—2 p. m.
[Received February 26—10:40 a. m.]

36. Consulate's 35, February 24, noon. 1. Secretary General informs me that he has received word that Paris and London are making strong supporting recommendations to the two Governments.

GILBERT

724.3415/3563 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, February 26, 1934—6 p. m.
[Received February 26—5:30 p. m.]

30. Department's 18, February 25, 5 p. m. Brazilian Government considers League formula fair basis for peaceful solution but at present it hesitates to offer any suggestions to the two parties, being convinced that Paraguayan Government cannot accept any solution agreeable to Bolivia, and that such acceptance would inevitably result in overthrow of the Government. Present feeling is that war must proceed further, and possibly result in stalemate before friendly good offices can have any helpful effect.

Foreign Office reluctant to put foregoing considerations in writing but is instructing Brazilian representative at Bern to call on Secretary General and state that while Brazil is most anxious for peaceful solution and ready and anxious to contribute does not, for reasons stated above, feel that its efforts would be fruitful at this time.

GIBSON

724.3415/3567 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, February 27, 1934—11 a. m.

[Received 11:50 a. m.]

14. Attitude toward peace proposal generally favorable. Extension of time for reply may be requested. Repeated to Buenos Aires, Asunción.

DES PORTES

724.3415/3561 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, February 27, 1934—11 a. m.

30. Your 40, February 26, 4 p. m.,³³ last sentence. On February 26, in reply to a message I had received from the President of the League Commission expressing the hope that the Commission's efforts would meet with our support, I cabled him as follows:

[Here follows text of telegram dated February 26 to the President of the League of Nations Chaco Commission, printed on page 57.]

You may point out to the Minister for Foreign Affairs, if you think it advisable, that my message does not "approve" the Commission's formula, but expresses my hope and that of my Government that the Commission will be completely successful in these peace efforts.

HULL

724.3415/3568 : Telegram

The Minister in Uruguay (Wright) to the Secretary of State

MONTEVIDEO, February 27, 1934—3 p. m.

[Received February 27—2:30 p. m.]

20. Your 15, February 25, 5 p. m.³⁴ I have the League's formula. Uruguayan Foreign Office has given me copy of identic telegrams sent yesterday by the President of Uruguay to the Presidents of Paraguay and Bolivia expressing earnest wish that formula may lead to definitive peace although more than ever of the opinion that the most direct, definite and economic arrangements possible are indispensable between two nations which are not in a position to await results of long drawn out negotiations but should soon undertake to repair the ravages of war.

Terra and the Foreign Office are of the opinion that the formula will not succeed because if one belligerent accepts the other is sure to reject

³³ Not printed.³⁴ See footnote 32, p. 56.

and vice versa and very confidentially observe that the League Commission in again seeking the cooperation of Terra is paying the price for its rather summary treatment of him when the Commission left suddenly for Buenos Aires after the conference. In short Terra clings to his economic proposals which he explained personally to you.

WRIGHT

724.3415/3569 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, February 27, 1934—8 p. m.

[Received 8 : 40 p. m.]

44. Referring to my telegram No. 40, February 26, 4 p. m.,³⁵ the Minister for Foreign Affairs this afternoon informed me that a further examination of the League Commission formula, which he again emphasized he had no hand in drafting, showed it to be defective and that he had so informed the President of the Commission. He had last night invited the Paraguayan Delegate and Minister to discuss entire subject with him and with an Argentine officer, formerly president of an Argentine military commission in Paraguay, and that he and the latter had urged upon the Paraguayan representatives that nothing was to be gained by a prolongation of the war and that the occupation of Bolivia was unthinkable, adding that Argentina's neutral attitude would be strictly continued. He urged that the foregoing be communicated to the President of Paraguay. I asked if the foregoing was not equivalent to at least a qualified support of the League formula to which he replied negatively saying his support was toward achievement of peace and that he was again urging this through his Ministers in the two belligerent capitals. He added that he was very pessimistic as to the success of the Commission negotiations and that it now looked as if American countries would have to renew their friendly offices.

The Minister for Foreign Affairs also discussed the matter today at luncheon with his legal adviser and the Bolivian Minister urging a reasonable attitude on Bolivia's part.

WEDDELL

³⁵ Not printed.

724.3415/3570 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, February 27, 1934—11 p. m.

[Received February 28—12:12 a. m.]

13. The President called me to his house tonight and said that steps have been taken to take advantage of the 3 days' extension that Bolivia has requested in preparing reply. He said that the Commission proposal as submitted will be rejected. The main objection is the inclusion in the territory to be arbitrated of the territory on the West bank of the Paraguay River and its corresponding hinterland which he says is the life blood of Paraguayan economy. The President expressed his opinion that this was introduced into the negotiations by Bolivia for political effect.

The unexpected fairness of the Commission's proposal has made favorable impression in best circles here. He expressed his belief that peace would be forthcoming in the near future though possibly not through Commission's efforts.

Repeated to Buenos Aires.

NICHOLSON

724.3415/3574 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, February 28, 1934—4 p. m.

[Received February 28—4 p. m.]

15. Extension until Saturday granted for the reply.

Jockeying seems likely, Bolivia more wholeheartedly accepting to the degree that reports indicate Paraguayan rejection of the proposal.

An expectation here appears to be that the replies on March 3 will be only the beginning of the present phase of the negotiations.

Repeated to Buenos Aires, Asunción.

DES PORTES

724.3415/3573 : Telegram

The Ambassador in Chile (Sevier) to the Secretary of State

SANTIAGO, February 28, 1934—6 p. m.

[Received 9:35 p.m.]

26. Department's telegram 23, February 25th. In a conversation with the Minister for Foreign Affairs this morning he informed me that according to his information Bolivia may accept the League proposal but that Paraguay will reject it. However, since Chile is a member of the League of Nations he has instructed his respective Legations to recommend without comment its acceptance.

The Minister was outspokenly unimpressed with the formula and I am convinced that he will not support it effectively. He feels that it fails to take into consideration the psychological and legal factors, namely, that Paraguay is the victor and is in possession. Therefore, he considers it unreasonable to require the victor to withdraw to the river miles behind its railheads. He understands that the military group in Paraguay would never consent to this measure even were the Government disposed to accede, in which latter event a revolution would immediately start. In the second place he is reliably informed that Paraguay will not agree to the inclusion in the arbitration of the Paraguay River and the hinterland. He feels that the first objection could be removed by modifying the formula so as to require the withdrawal of Paraguayan troops only to the railheads but he can see no solution to the second article.

The Minister was frankly pessimistic about the situation and was convinced that the formula will not be accepted. Therefore he feels that in the event that the League proposal is definitely rejected the time will have come to take drastic measures to compel the cessation of hostilities and the definitive settlement of the controversy. He believes that this can be attained only through the close cooperation of the neighboring countries supported by the United States in coercing the belligerents. To that end he will be disposed to recommend that each of the neighboring countries take necessary steps to prevent the importation of war material and food supplies, except in the quantity required by the civil population. He added that he would also propose the suspension of diplomatic relations with the country refusing to submit the controversy to arbitration. However, prior to Saturday when the belligerents must reply to the League the Minister does not wish to take any action other than that outlined in the first paragraph.

SEVIER

724.3415/3578 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, March 1, 1934—midnight.

[Received March 2—6 : 04 a. m.]

25. Department's telegram No. 16, February 25, 5 p. m.,³⁶ and the Embassy's telegram 22, February 26, 9 p. m.³⁷ Foreign Office dictated the following suggestion to me late this afternoon following receipt of the text of the League formula by air from Buenos Aires.

"Dr. Polo³⁸ is of the opinion that since the basis of all the divergencies between Bolivia and Paraguay regarding the acceptance of

³⁶ See footnote 32, p. 56.

³⁷ Not printed.

³⁸ Solón Polo, Peruvian Minister for Foreign Affairs.

the proposal of the Commission to the League of Nations is reciprocal distrust, principally on the part of Paraguay which feels suspension of hostilities will permit Bolivia to prepare a new attack; the most efficacious cooperation neutrals can proffer for the success of the mediation is the effective guarantee that they will in no case consent that hostilities shall be renewed either on the one side or on the other on any pretext whatever.

The idea of such a guarantee was suggested by Dr. Polo during the mediation of the four neighboring powers and was well received by the Governments of Argentina, Brazil and Chile. It was limited, however, to a purely moral character, a limitation which was not in the thought of Dr. Polo when he first made the suggestion and rendered his suggestion relatively inefficacious.

Dr. Polo believes that if an effective guarantee were offered upon the initiative of the American Government and with the support of the four neighboring powers all the distrust which now impedes the arrangement of peace would disappear and the suspension of hostilities would be brought much closer."

Dr. Polo states he feels that if our Government would support his suggestion, which really means the effective prohibition of any further importations of war materials and war supplies into Bolivia and Paraguay, it would rapidly bring about a settlement. He explains confidentially that his original suggestions in this sense (see Embassy's despatch 2132, dated September 19, 1932)³⁹ were largely nullified by the attitude of Brazil which felt that to take a decided step of this kind might involve the neighboring powers in responsibilities it would appear preferable to avoid. Dr. Polo feels these fears are unfounded and that an effective blockade against the entry of any further munitions and war supplies could be carried out without undue involvement and would bring the two countries to reason.

Dr. Polo is keeping closely informed of conditions in Bolivia and tells me his reports indicate extremely unstable political affairs with the public turning strongly against Salamanca and the army and avoiding the last call to the colors in every way possible. Bolivian Minister today urgently requested measures along the Peruvian frontier to prevent Bolivians subject to military duty from escaping into Peru.

DEARING

724.3415/3583: Telegram

The Ambassador in Chile (Sevier) to the Secretary of State

SANTIAGO, March 3, 1934—noon.

[Received 12:45 p. m.]

27. My telegram No. 26, February 28, 6 p. m. The Foreign Minister and principal Foreign Office officials have left the city for the week-

³⁹ Not printed.

end. It is understood that no action by Chile in regard to Paraguay's rejection of the League formula will be considered prior to early part of next week.

SEVIER

724.3415/3582 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, March 4, 1934—10 p. m.

[Received March 4—2: 10 p. m.]

15. My telegram No. 13, February 27, 11 p. m. Official Paraguayan reply to League Commission virtually refuses peace proposal, chief objection as stated in my telegram referred to. Full text by air mail.

Repeated to Buenos Aires and La Paz.

NICHOLSON

724.3415/3580 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, March 4, 1934—11 p. m.

[Received March 5—2: 33 a. m.]

48. President of League Commission in transmitting Paraguayan reply ⁴⁰ writes me as follows:

"The Paraguayan reply clearly closes the door to future negotiations on the basis of the draft treaty and I am afraid on any basis whatsoever as the delay concerning the Bolivian answer is due to the fact that, even after knowing that Paraguay is rejecting the draft treaty, some influential people in Bolivia do not even want to accept that draft which they consider far too favorable for Paraguay.

I am really distressed by the situation the Commission is going to leave behind them.

My comfort is that your Government and yourself have fully understood that situation and have given us their support."

Paraguay's counter offer suggests following general bases for peace.

1. Immediate cessation of hostilities under guarantees of security.
2. Withdrawal positions of belligerent forces to be equidistant from line existing when hostilities cease.
3. Paraguay to police the Chaco.
4. Subject matter for arbitration shall be to determine limits that in the western hinterland of Paraguay River and in nonarbitrated regions separated province of Paraguay from the military government of Chiquitos and from provinces of upper Peru.
5. Conference of limitrophe countries to convene after peace arranged and before initiating arbitration.
6. League Commission to fix responsibility for the war and the League to determine sanctions.

WEDDELL

⁴⁰ League of Nations, *Official Journal*, July 1934, p. 791.

724.3415/3589 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, March 5, 1934—4 p. m.

[Received 4:17 p. m.]

18. Foreign Minister Calvo has tendered resignation because of disagreement regarding reply to peace proposal which may be made tonight.

He desires this kept confidential presumably hoping for rejection resignation and furtherance his peace efforts.

DES PORTES

724.3415/3590 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, March 6, 1934—6 p. m.

[Received 8:11 p. m.]

19. Calvo resignation accepted. Minister of Gobernación, Ugarte, President's brother-in-law as interim Foreign Minister today replied to League Commission to the following effect:⁴¹

(1st) Bolivian Government accepts Hague Arbitration within maximum pretensions according to the principles of August '32.

(2d) Is disposed to consider and accept exclusion zone for Paraguay if compensated equivalent zone Paraguay River.

(3d) Considers essential resolve basic question and that stipulations arbitration be concrete foreseeing. Therefore security measures not considered of great importance although they should be just. It is hoped transitory security measures will find easy solution.

(4th) Because of the difficulties Bolivia suggests conferences Ministers both countries under the influence League Commission.

Repeated to Buenos Aires, Asunción.

DES PORTES

724.3415/3592 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, March 7, 1934—7 p. m.

[Received 7:40 p. m.]

52. Secretary of League Commission informs me tonight that Commission inquired of Paraguayan delegation if they were inclined to consider favorably Bolivian further suggestion (contained in Des Portes' March 6, 6 p. m.). After short delay Paraguay inquired whether if they did so Bolivia would accept as bases for discussion

⁴¹ League of Nations, *Official Journal*, July 1934, p. 795.

Paraguayan counter-proposition outlined in my telegram No. 48, March 4, 11 p. m.

Answer expected from Bolivia tomorrow. Meanwhile Commission is making tentative arrangement for departure.

WEDDELL

724.3415/3603 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, March 13, 1934—4 p. m.

[Received March 15—7:05 a. m.]

42. Consulate's 35, February 24, noon. Chaco Commission has informed Secretariat to the following effect, having received the replies of the two parties and subsequently having convoked their representatives in conference. The Commission found their points of view so divergent that it considered the chances of success of further negotiations too slight to justify its remaining any longer. The Commission announces its departure for Europe on March 15 from Montevideo on the Steamship *Avila Star*. Buero, however, will remain behind as special mandatory of the Commission to keep the latter informed, to maintain any contacts desired by the parties, and to represent it in any eventual negotiations.⁴²

Secretariat is making this information public.

GILBERT

724.3415/3651 : Telegram

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, April 30, 1934—2 p. m.

[Received April 30—10:30 a.m.]

237. 1. Alvarez del Vayo, Chairman of the Chaco Commission, called this morning and stated that he wanted to tell me how much he was indebted to the Secretary of State for the valuable counsel and assistance that the Secretary had given him in South America. At the same time he told me that as soon as there was available a copy of the Commission's report on which they were now working he would hand it to me. I shall not enter into details of Del Vayo's conversation as I understand from him that he went over the situation in detail with Weddell who reported from Buenos Aires.

2. Costa du Rels, the Bolivian delegate, called immediately subsequently to put me in touch with what he knew regarding the report and stated that the Bolivian Minister at Washington had urged him

⁴² See League of Nations, *Official Journal*, July 1934, p. 796.

to give me particulars about the matter as seen from Geneva for the information of the Secretary of State.

3. Recently Havas has carried several despatches from Washington which purport to show a considerable interest on the part of our Government in the Chaco matter as well as a possibility that the American Government might concern itself more directly with the settlement of this dispute. Members of the Secretariat have already inquired entirely informally as to whether this indicated that the Government of the United States contemplated separating its action from that of the Council. Normally I would take advantage of the presence of the Commission here to get whatever information I could to report to you. If, however, there is any question of a departure by us from our policy of cooperation with League efforts for the settlement of the dispute I should query the desirability of taking any steps locally. Would appreciate advice.

WILSON

724.3415/3651: Telegram

*The Secretary of State to the Minister in Switzerland (Wilson),
at Geneva*

WASHINGTON, April 30, 1934—3 p. m.

142. Your 237, April 30, 2 p. m., paragraph 3. The reports that this Government is considering taking some independent action in the Chaco matter are wholly without foundation. Our policy continues to be one of cooperating and working in every possible and appropriate way towards securing permanent peace in the Chaco.

HULL

724.3415/3702: Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 19, 1934—10 p. m.

[Received May 19—8:42 p. m.]

83. The Council this afternoon took the following action in the Chaco matter:

1. The *rapporteur* submitted a brief report reviewing the situation and embodying the text of a letter addressed by Wilson to the Secretary General quoting the Department's circular telegram of May 18, 7 p. m.⁴³

2. Adopted without discussion and without dissent the following resolution:

⁴³ Not printed.

A—The Council decides to meet in extraordinary session on May 30th, 1934. It instructs its Committee of Three to continue to give all its attention to the question and in the interval between the sessions to take any measures that it may deem advisable.

B—The Council invites the Governments of Bolivia and Paraguay to reexamine between now and the opening of its extraordinary session the solution proposed by the Chaco Commission and the arguments militating in favor of that solution and of the prompt reestablishment of peace.

C—Recalling the action started last year with a view to prohibiting the export or transit of arms and war material intended for Bolivia or Paraguay the Council begs the Committee of Three at once to resume the examination of this question and to proceed to the consultations that are indispensable in order that measures may be taken if need be at the time of the next extraordinary session.

3. I understand that the "consultations" will be initiated by sending identic communications to the following states regarded as manufacturing states intimately concerned with the procuring of arms by the belligerents: Great Britain, France, Italy, Germany, Japan, Yugoslavia, United States, Russia, Belgium, Czechoslovakia, Sweden, Spain, Switzerland, Argentina, Brazil, Chile, Peru. These communications will be sent out tonight by the League authorities, the one to the United States being addressed direct to the Secretary of State.

4. Comment follows.

GILBERT

724.3415/3782½ : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 31, 1934—6 p. m.

[Received June 2—7: 15 a. m.]

115. Consulate's 112, May 30, 8 p. m., paragraph 4.⁴⁴ The following is a summary of the Council meeting this morning:

1. Najera, President of the Committee of Three, recalled the Council's resolution of May 19 (Consulate's 83, May 19, 10 p. m., paragraph 2(B)) and requested the two parties to state their views. He further remarked that the incident relating to the non-observance by Paraguay of the rules of international law had been settled by the latter's telegram (Consulate's 106, May 30, noon⁴⁴).

2. The Bolivian representative repeated previous arguments advancing nothing which would seem in effect to indicate a change of attitude toward the proposals for settlement contained in the Chaco Commission's report. He laid particular stress on the implication in the report that the dispute related to vast territory and was not a mere boundary question as Paraguay maintains. The whole territory

⁴⁴ Not printed.

should, therefore, be submitted to arbitration. With regard to Commission's formula for settlement he objected to the exclusion of the Hayes Zone from the matter to be submitted to arbitration implying that this was a political concession due to Paraguay's recent victories.

Referring to the embargo proposal he urged the Council not to undertake such a measure maintaining that an embargo could not be applied equally to both countries due to the more favorable geographical position of Paraguay. Such a measure he said would be tantamount to the unjust application of sanctions against Bolivia. Under article 16 of the Covenant sanctions could be applied only against the aggressor which had not been determined by the Commission. He desired that the Covenant be applied but in view of the difficulty of an investigation into responsibilities he would consent to the adjournment of that question.

Bolivia was prepared to accept the legal formula proposed by the Commission, but insisted that the whole matter should be submitted to arbitral settlement without regard to political considerations such as that involved in the exclusion of the Hayes Zone. If the procedure under article 11 proved unsuccessful his Government would invoke article 13.

3. Paraguay resumed previous arguments stating in particular that no settlement could be accepted which did not include adequate guarantees of security. The position in regard to the Hayes Zone was maintained.

4. The representative of Mexico then read the text of a telegram despatched to the two parties by the Mexican Foreign Minister appealing for an armistice and a final settlement before the impending embargo should be applied. The replies of the two parties, which he likewise read, indicate no change of position. Bolivia again suggested an arbitral judgment and that Mexico act as intermediary to that effect. In regard to the latter statement Najera declared that he considered the League as the last instance and that further intervention of third parties was not desirable.

5. The Argentine representative urged the parties to come to an agreement before the application of an embargo and suggested to the Council that it proceed prudently in regard to the embargo proposal in the hope that some result be obtained either through direct negotiations or under the auspices of the neighboring countries.

6. The Bolivian representative then stated that since the representative of Paraguay had not responded to his appeal for an arbitral settlement on a legal basis he saw no hope of success under article 11 and considered it useless to invoke article 13. He requested the Council, therefore, to deal with the matter under article 15.

7. The President of the Council stated that the question of the application of article 15 would be considered forthwith. He requested the Committee of Three to meet as soon as possible to consider how their work might be affected by the Bolivian request and to expedite their report on the embargo.

GILBERT

724.3415/3783 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 1, 1934—5 p. m.
[Received June 3—6:23 a. m.]

122. Consulate's number 115, May 31, 6 p. m., paragraph 7.

1. Am informed that in a private meeting this morning the Council acceded to Bolivia's request to deal with the dispute under article 15 of the Covenant.⁴⁶ Paraguay offered no objection.

With reference to paragraph 1 of that article the Secretary General stated that since the Chaco Commission had already rendered its report he was prepared to submit at once full information on the subject it being necessary merely to put the documentation in order and publish a few additional documents.

With reference to paragraph 2 the Paraguayan declared that since his Government had only just received the Commission's report there would be some delay in submitting his Government's statement. The Bolivian made light of any necessity for delay and asserted that though his Government had likewise just received the report there would be no difficulty about submitting a statement very shortly.

The parties were requested to submit their statements as soon as possible.

2. The embargo proposal⁴⁷ was not discussed, Committee of Three not yet having prepared its report.

GILBERT

724.3415/3521 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 11, 1934—4 p. m.
[Received June 12—8:35 a. m.]

158. Consulate's 142, June 8, 11 a. m., paragraph 3.⁴⁸ Bolivia has formally requested that the consideration of the dispute under article

⁴⁶ *Treaties, Conventions, etc.*, 1910-1923, vol. III, p. 3336. See also League of Nations, *Official Journal*, July 1934, p. 846.

⁴⁷ See pp. 237 ff.

⁴⁸ *Post*, p. 257.

15 be referred to the Assembly. This is construed, however, as not preventing the continuation of Council action under article 11 pending the convening of the Assembly.

The legal section of the Secretariat is considering whether the dispute may be placed directly on the agenda of the League or whether prior action by the Council is necessary. Bolivia may endeavor to have called an extraordinary session of the Council for this purpose.

League authorities will endeavor to avoid the convocation of an extraordinary session of the Assembly. The presumption now is that the questions will be brought before the ordinary session in September.

It would appear to me that the underlying reason for Bolivia's referring the dispute to the Assembly is to ensure its consideration by a body comprising a large number of Latin American states rather than by the Council which Bolivia regards as being dominated in Latin American matters by Argentina.

GILBERT

724.3415/4055 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, August 27, 1934—5 p. m.

[Received August 29—8:20 p. m.]

219. Avenol asked me to call on him today and exposed to me his views on the present posture of the Chaco question vis-à-vis the League.

He stated that the era of general effort and indefinite negotiations had come to an end due to the special situation created by Bolivia's appeal to the Assembly under article 15. This through the "6 months" provision required a definitive report in November which would state either, (a), the terms of a settlement quite impracticable or, (b), that no settlement had been reached. If such report was to the effect that a settlement had not been reached an entirely new situation would arise the handling of which he could not foresee at this time. He said that in his opinion the best way to meet the present exigency was by the appointment by the forthcoming Assembly of a small committee to sit in Geneva and to be composed of the present Council Committee of Three, Mexico, Spain and Czechoslovakia; of the League bordering states Argentina, Chile and Peru; and if possible of the United States and Brazil, such a committee to meet as soon as possible after it is set up, its competence technically expiring in November. He added that he felt the committee he had suggested to be an ideal one as it was properly composed chiefly of the states having the greatest concern with the matter and of sufficient states

urging the interests of the League. He asked me if I thought the United States would be willing to participate on such a committee.

I replied that I could give no opinion but that I felt it probable that the United States would at least not be willing to exercise the power of voting on measures which envisaged action under the Covenant. Avenol replied that he thoroughly understood such a position but that a general statement that we would not vote in the committee might be avoided by a formula to the effect that our participation was with the understanding that we would not vote on matters falling under the Covenant, his idea being that the committee's findings would be in two parts, (a), on the dispute itself and, (b), recommendations presumably in part at least involving Covenant action. He felt that we might be prepared to vote respecting part (a).

I commented on the absence on such a committee of the great League powers and he stated that he felt that better results would be obtained in keeping the committee small, that one great power could not be included without the inclusion of all and that in essence the principal League powers were not interested in the means of settlement but solely in restoring peace and in the preservation by some settlement of the integrity and prestige of the Covenant. My personal belief is that in addition to the reasons stated there is a desire to avoid difficulties arising from possible conflict of interests among the great powers in this question, the Italian position in the former League Chaco Commission being a case in point, and furthermore a desire to avoid additional loss of prestige to the League through the possible failure of an endeavor in which the great League powers played an important role.

Avenol stated that in view of the limited period under which the committee could act he hoped it would be set up as early as possible in the Assembly session. He intends to approach Brazil immediately in the sense of the foregoing. He requested me to ascertain informally and confidentially from you respecting the willingness of the United States to participate in such an arrangement.

GILBERT

724.3415/4055 : Telegram

The Acting Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, August 30, 1934—4 p. m.

87. Your 219, August 27, 5 p. m. Please take an early occasion to call on Avenol and thank him for a frank exposition of views on the League's relation to the Chaco dispute.

It is probable that the Argentine representative has already communicated confidentially to Avenol the present status of the new conciliation formula⁴⁹ which the United States, Argentina, and Brazil are now working on with Paraguay and Bolivia, and which gives real ground for hope. If the plan is accepted without reservation by the two interested parties, six other American Republics will be called in to cooperate in the conciliation discussions, with the added proviso that if this procedure is not ultimately successful, the dispute will be submitted to the Permanent Court of International Justice. With this set-up in prospect, we are distinctly apprehensive of the possibility of crossed wires in case an active Committee should now be set up by the League.

You may review briefly to Avenol the various evidences of full cooperation we have shown the League throughout the course of this dispute, notably at the time of the Montevideo Conference last winter. Our primary concern has been to help find a solution, whether through inter-American cooperation, or through the more universal international cooperation of the League. At the moment the prospects of success through the cooperative efforts of the United States, Argentina, and Brazil seem the brighter. You may accordingly tell Avenol, in strictest confidence, that we feel certain of a similar desire on his part to assist the more hopeful procedure in so far as he can do so consistently with the binding provisions of the Covenant. We therefore suggest that he may be able to evolve ways and means of restricting the activity of the League at this moment to a bare minimum.

In the circumstances, Avenol will understand why we feel it would be inadvisable for us to participate in the Committee he suggested.

PHILLIPS

724.3415/4055 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Weddell)*

WASHINGTON, August 30, 1934—4 p. m.

103. The Department has received a cable from the American Consul in Geneva reporting an interview on August 27th with the Secretary General of the League of Nations, in which the latter brought up the Chaco question. Avenol stated that Bolivia's appeal to the Assembly under Article 15 required, under the 6 months' provision, a definitive report in November which would declare either that (a) the terms of a settlement were quite impracticable, or (b) that no settlement had been reached. Avenol added that in his opinion, the

⁴⁹ *Post*, p. 142.

best way to meet the present exigency was by the appointment by the forthcoming Assembly of a small committee to be composed of the present Council committee of three, namely, Mexico, Spain, and Czechoslovakia; of the League bordering states, Argentina, Chile, and Peru; and if possible, of the United States and Brazil, the competence of such Committee to expire in November.

Please bring the above immediately to the attention of Dr. Saavedra Lamas and state that it is, of course, impossible for the United States to form part of such a Committee and that inasmuch as neither the United States nor Brazil are members of the League of Nations and since Argentina is both a member and represented on the Council, it would seem appropriate that Dr. Saavedra Lamas himself discuss the present situation frankly with the Secretary General. In the opinion of this Government, the recent negotiations for a settlement of the Chaco dispute under the auspices of Argentina, Brazil, and the United States have now reached the point where a successful outcome in the near future is hoped for, and it would seem exceedingly regrettable to prejudice the probability of success by any confusion which might arise as the result of active negotiations being now undertaken by the League Committee in addition to the negotiations already in progress. It would further appear to be expedient to point out to the Secretary General and the Council of the League that during the course of the past year, the problem of finding a solution has been under the jurisdiction of the League, and that the American Republics, including the United States, have cooperated with and supported the endeavors of the League Committee, notably at the time of the holding of the Montevideo Conference; that the objective sought in the present negotiations is the same as that sought by the League and that it would appear to be in the interest of the League itself to await so far as may be possible under the Covenant the outcome of the present negotiations before undertaking any further active participation in the settlement of the dispute. You may state that the views of this Government are being informally communicated to the Secretary General of the League.

Please cable the Department the views which Dr. Saavedra Lamas may express.

PHILLIPS

724.3415/4055 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, August 30, 1934—4 p. m.

117. The Department has today cabled the following instruction to the American Ambassador in Buenos Aires:

[Here follow first and second paragraphs of telegram No. 103, August 30, 4 p. m., to the Ambassador in Argentina, printed *supra*.]

Please advise the Brazilian Minister for Foreign Affairs of the substance of the views expressed by this Government to the Argentine Foreign Office and state that the Department will greatly appreciate receiving the expression of the views of the Brazilian Government and any suggestions which the Brazilian Minister for Foreign Affairs may care to offer in order that the present negotiations may not be prejudiced. The Department is advised that Avenol intends to approach Brazil immediately, if he has not already done so.

PHILLIPS

724.3415/4065 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 31, 1934—5 p. m.

[Received 6:55 p. m.]

148. I communicated this afternoon the contents of the Department's 103, August 30, 4 p. m., to the Minister for Foreign Affairs who expressed himself as being in entire accord with the Department's views as expressed therein. He added that he hoped very much Brazil might be inclined to communicate informally its views in a similar sense to the League of Nations.

The Minister for Foreign Affairs said further that it is a little difficult for him to open the subject with Avenol since the latter has not broached it to him.

WEDDELL

724.3415/4069 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 1, 1934—noon.

[Received 4:40 p. m.]

220. Upon Avenol's return to Geneva this morning I took early occasion to call on him and to inform him of the substance of the Department's 87, August 30, 4 p. m. The Secretary General expressed his appreciation of the exposition of the current efforts of the United States, Argentina and Brazil respecting the Chaco and in particular of your views regarding the prospects for success of such efforts and the situation thus created. He is fully sensible of your cooperative policy respecting all international efforts vis-à-vis the Chaco as clearly demonstrated in Montevideo of which he feels your message to him is further evidence.

1. He reexpressed the definite change in the juridical position of the League respecting the dispute arising from the appeal to the Assembly and emphasized the time limit imposed on League action.

2. He discussed the previous policy of the League in withholding action in deference to the Washington negotiations earlier in the dispute. While such policy may have been an expedient position for the League to take at that time it had nevertheless been a difficult and somewhat questionable position for the League to assume in the face of its responsibilities under the Covenant in particular in the face of a factual condition of warfare which has continued to the present. He looked with apprehension upon a more protracted lack of activity of the League in the Chaco as subversive of an internal and external regard for its responsibilities and prestige with a consequent relaxation of the sense of general international responsibility in all fields.

3. Thus particularly in view of the new juridical responsibilities of the League which will arise immediately upon the convening of the Assembly on September 11th he felt that the Assembly could not withhold taking active measures unless fully satisfied that measures taken elsewhere were being conducted under a satisfactory procedure which likewise gave some promise of success. This was of course entirely for the Assembly itself to decide vis-à-vis the situation as the Assembly would view it.

4. I expressed to Avenol the opinion that it was reasonable to suppose that Argentina as a party to the present American efforts and also as a member of the League would be the Government which would expose and advocate either formally or informally the character and the prospects of success of these arrangements.

In reply Avenol said that he had no information whatsoever from Argentina, his sole source of information being what I had told him and what he had read in the press.

I then asked him whether he would make inquiries of the Argentine Government or whether a voluntary statement to him on the part of the Argentine Government which he could circulate to the League would be helpful.

In reply he said that he would not make such an inquiry and that he would prefer that Argentina make no official statement to him at present as respecting the first it could be charged and respecting the second it could be inferred that he had been a party to activities which were derogatory of the responsibility of the Assembly or of the expression of its authority in determining its action.

5. He felt that the only course of action which could reconcile the position of the League and the position of the American efforts would be a formal communication to the Assembly (or to an Assembly com-

mittee which might be set up upon the convening of the Assembly) of the entire details of the American formula together with some estimate of the prospects of a successful issue based on such a formula. A mere statement that hopeful efforts were being undertaken outside of the League would be felt not be sufficient. Likewise any assumption of responsibility on the part of the participants in such efforts could not in itself be construed by the League as a reason for foregoing its own responsibility. While it was for the Assembly to arrive at its own decision he personally felt that it could not for the reasons discussed above lay aside its responsibility without reasons for doing so which would be fully accepted by the Assembly and by public opinion.

6. He said that he had taken up the matter of participating in an Assembly committee with the Brazilian representative as forecast in my 219⁵⁰ and that while he had received no definite answer he had been given to understand that Brazil would probably follow the lead of the United States.

7. Avenol stated that he would see me again the first of the week after he had given the matter further consideration. He stated that he did not perceive that there could be any modification in the principles respecting the necessary position of the League as he had expressed it but that he might have some added considerations to present or suggestions respecting procedures.

8. He expressed the hope that you would understand the position of the League and his own position as he had explained it and that exchanges of views might continue between you and himself with a view to arriving at the fullest cooperation in all efforts.

9. I feel that it would be most helpful to me to receive the Department's reaction to the foregoing before my further conversation with Avenol.

10. Respecting the American efforts in themselves Avenol expressed only the following opinions.

(a) That as expressed to him by the Bolivian representative Bolivia did not trust the impartiality of Argentina and that thus the expediency of Argentina's leadership in this matter was to be questioned.

(b) That the declared neutrality of the neighboring states which was contrary to the Covenant was leading to a dangerous situation inasmuch as he did not perceive it to be neutral in fact and he was thus apprehensive that a continuance of this situation would lead to a spread of the conflict in South America.

(c) That the jealousy felt for any Latin American state which played a leading role militated against successful common efforts within the Latin American sphere.

GILBERT

⁵⁰ Telegram No. 219, August 27, 5 p. m., p. 70.

724.3415/4068 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 1, 1934—6 p. m.

[Received 6:40 p. m.]

203. Department's 117, August 30, 4 p. m., badly garbled and could not be taken up with Foreign Office until today.

1. Minister for Foreign Affairs states that he plans to go along with us in dealing with League intervention in Chaco question, and is advising Brazilian Ambassador in Buenos Aires and Minister in Berne to this effect.

2. Minister offers as suggestion that in view of the fact that Bolivian Government requested the application of article No. 15 it should apply to the League for the withdrawal of the request or postponement of action.

3. Bolivian Minister here has informed Minister of Foreign Affairs that Bolivia accepts in principle the seven points of the Argentine formula,⁵¹ but wishes to offer certain modifications in order to avoid commitments which they read between the lines of the Argentine formula. They wish particularly to make reservations in regard to the conditions of arbitration.

4. Bolivian Minister was urged to impress upon his Government the necessity for unconditional acceptance of the conciliation formula as it stands. Brazilian Minister at La Paz is also being instructed to make similar statement to Bolivian Minister for Foreign Affairs, which in effect is only reiteration of stand previously taken.

5. Confidentially, Foreign Minister believes that failure of Bolivian Government to make unconditional acceptance of conciliation formula is due to the fact that Bolivia has no confidence in the outcome of any conciliation conference at Buenos Aires and therefore prefers action of League of Nations. We may be able to judge better as to foundation for this view when we have Bolivian reply to latest representations.

6. Brazilian Ambassador at Santiago reports that Cruchaga has told him that in further effort to settle the Chile-Paraguay incident⁵² he is willing to accredit a Chilean Chargé d'Affaires to Asunción, and requests Brazil to ask whether this will be acceptable to Paraguay. This offer is coupled with the condition that Paraguay in her official acceptance make statement regretting newspaper attacks on Chile and reiterating confidence in Chile's neutrality. This is of course the original Chilean position.

⁵¹ Dated July 12, p. 140.

⁵² See pp. 300 ff.

7. The Brazilian Minister in Asunción having been instructed to sound Minister of Foreign Affairs on this subject, has just telegraphed that the Paraguayan Government is not interested in Cruchaga's suggestion and prefers to await developments.

8. Foreign Office expresses in strict confidence conviction that this stand has been taken by Paraguay under the direction of Saavedra Lamas who prefers to keep the present incident alive and thus exclude Chile from active participation in Chaco negotiations.

Foregoing for your information and not as my own views as I am not in a position to form an opinion on the subject.

GIBSON

724.3415/4086 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 6, 1934—5 p. m.

[Received September 6—4:42 p. m.]

208. Reference paragraph 2 my 207, September 5, 6 p. m.⁵³ Foreign Office has instructed Bolivian [*Brazilian?*] Minister in La Paz to advise Bolivian Minister for Foreign Affairs that in view of the fact that Brazil is not a member of the League it will not accept position on any League committee such as suggested by Bolivia. Repeated to Buenos Aires.

GIBSON

724.3415/4088 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 7, 1934—noon.

[Received 1:35 p. m.]

223. At the opening meeting of the 81st session of the Council this morning Beneš of Czechoslovakia presided.⁵⁴

Council adopted a resolution on the Chaco matter transferring the dispute to the Assembly in accordance with paragraph 9 of article No. 15 of the Covenant. The resolution provides further that "The duties which the Council may have to fulfill in accordance with the Covenant remain unaffected by the present decision."

The only discussion consisted of statements by the representatives of Bolivia and Paraguay. The former reiterated his Government's "express reservation concerning the illegality of embargo measures taken under cover of the Covenant but outside of its provisions re-

⁵³ Not printed.

⁵⁴ See League of Nations, *Official Journal*, November 1934, p. 1530.

lating to sanctions". The latter repeated the reservation previously advanced concerning the legal objections to the application of article 15 during the continuation of hostilities.

GILBERT

724.3415/4089 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 7, 1934—4 p. m.

[Received September 7—2 p. m.]

224. Consulate's 220, September 1, noon, paragraph 7.

1. Avenol has not asked to see me and in the absence of instructions I have not sought to see him.

2. Today, however, Najera, Chairman of the Council Committee, informed me as follows:

(a) The Argentine Ambassador showed him a telegram from the Argentine Foreign Minister to the effect that American peace efforts respecting the Chaco appeared very hopeful. Najera desired to make official use of this information but the Ambassador stated this could not be done until he had received authority from his Government. This he agreed to seek.

(b) The present League plan for handling this phase of the question is as follows:

(1) Should Argentina furnish an official statement which could be made public to the effect that a satisfactory settlement at Buenos Aires was imminent the Assembly would not take up the question for at least 1 or 2 weeks.

(2) Should the statement be unpromising the Assembly would at once take action on the dispute.

(3) Should an immediate statement or later statements indicate that the peace plans were progressing favorably but that a settlement was not probable until after the Assembly session on the call for the Assembly of an exposé of the peace project which the Assembly found satisfactory the Assembly would probably be willing to withhold independent action pending the results of such efforts.

Najera believes that the Ambassador transmitted the substance of the foregoing to his Government.

It will be noted that this is in general line with Avenol's policy as expressed in my number 220 paragraphs 3 and 5.

3. The probable procedure should the Assembly act would be reference to the Sixth Committee which would consider the formation of a consultative committee (my 219, August 27, 5 p. m.) if that course seemed desirable.

GILBERT

724.3415/4149 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, September 20, 1934—noon.

94. Your 248, September 19, 5 p. m., paragraph 5.⁵⁵ You are correct in your assumption that in the event that an inquiry is officially made of you, you may state that the United States will be unable to accept membership on any League commission which may be appointed to deal with the Chaco problem.

HULL

724.3415/4152 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, September 21, 1934—1 p. m.

96. Your 251, September 20, 11 a. m., last paragraph.⁵⁵ You are authorized to make, orally and informally, the clarifying statement to Avenol which you suggest based upon the contents of Department's 87, August 30, 4 p. m. and the statement further contained in the first sentence of the Department's 91, September 18, noon.⁵⁶

You should, of course, make it perfectly clear that the position assumed by this Government is due solely to its belief that as a practical question the existing negotiations offer a favorable opportunity for success and that it is in no sense due to any desire to minimize the importance or the helpful character of the League's negotiations. If the negotiations now being conducted by Argentina, Brazil, and the United States, in their present form or enlarged in scope by the additional participation of other American Republics, prove to be fruitless, the League will, of course, later be warranted in resuming actively its previous negotiations.

HULL

724.3415/4175 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 25, 1934—9 a. m.

[Received 12:35 p. m.]

268. 1. Yesterday evening in the Sixth Committee the Bolivian delegate speaking on instructions from his Government made a statement which is interpreted here as announcing the termination of the

⁵⁵ Not printed.⁵⁶ The sentence reads, "This Government is unwilling to accept membership on any Committee appointed by the League in connection with the Chaco dispute." Telegram No. 91 not printed.

Buenos Aires negotiations. I am informed that a like statement was to be delivered by Bolivian representatives at Washington, Rio de Janeiro and Buenos Aires. The Bolivian delegate began by declaring that he had been authorized to communicate to the Assembly all the documents necessary for making clear the Bolivian position with regard to the Argentine proposal. These documents had been circulated. He then continued

“I am to inform the Assembly that the United States and Brazil considered the proposals for amendment submitted by Bolivia to the Argentine proposal to be reasonable.

In the second place I must state that if my Government accepted the consultation offered to it on July 12 it did so because there was still a certain interval that must elapse before the meeting of the Assembly which is the only jurisdiction that Bolivia at present recognizes.

The Bolivian Government therefore thought it ought [not?] to omit the possibility of any negotiation that might be calculated to lead to the end of the conflict. At no time, however, have we thought that these negotiations could in any way whatsoever delay, impede or break up the procedure to which appeal had been made before the Assembly. My Government, therefore, remains firmly attached to this view. It has put the dispute before the Assembly and it is from the Assembly that it awaits a solution either by means of conciliation or by way of recommendation.”

2. The Paraguayan representative declared that although his Government still entertained legal doubts in regard to the integral application of article 15 he had been instructed to state that his Government hoped that the Assembly would not terminate before obtaining definite results in the direction of the restoration of peace and that it was desirous of doing nothing which would in any way impede the course of procedure directed towards that end.

3. Cantilo followed with a noncommittal statement which leaves the Argentine position ambiguous.

4. The Chilean representative pronounced himself unequivocally in favor of immediate action by the League.

5. The Peruvian representative made a noncommittal statement.

GILBERT

724.3415/4174 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 25, 1934—10 a. m.

[Received September 25—8:40 a. m.]

269. Immediately following meeting of the Sixth Committee described in the Consulate's 268, September 25, 9 a. m. Avenol asked me to come to see him.

He referred to the statement I had made to him in line with the

Department's 96, September 21, 1 p. m. and said that the Brazilian Minister had made a statement to him in similar terms.

He said that at the end of last week it had been found impossible to form, as had been originally planned, a satisfactory League Commission regarding the Chaco composed chiefly of American states. It has then been decided to constitute a large committee similar to the Sino-Japanese Committee of nineteen composed of the Council states and certain interested Latin American League states.⁵⁸ The resolution setting up this committee was to take note of the Buenos Aires mediation and the committee acting in theory under the conciliation procedure of paragraph 3 of article 15 would nevertheless not meet and would take no action until the end of a time set for the termination of the conciliation procedure probably November 1st. In other words the Buenos Aires mediation would be regarded as tantamount to League conciliation and the League would remain quiet during the period stated and in no way interfere with action at Buenos Aires. If the Buenos Aires mediation was not successful by November 1 the committee would meet about that date and proceed immediately to draw up a report under paragraph 4 of article 15. If during the period of the preparation of the report a settlement was effected elsewhere the report would not be acted upon. If however no set settlement was reached the report would be made to an extraordinary Assembly before December 9, the date upon which Bolivia made her appeal to the Assembly under article 15 being construed as the beginning of the "6 months' period".

Avenol then said that the declarations made by Bolivia in my telegram under reference entirely changed the situation. He stated that whatever motives might lie behind this action of Bolivia a formal statement of that import on the part of one of the disputants must be accepted as a technical notification of the termination of the Buenos Aires negotiations.

In this situation the present plan is immediately to set up a committee as described above which will at once proceed to the preparation of a report for presentation to the extraordinary Assembly. There may also be appointed a subcommittee of conciliation to act during the preparation of the report. It is not yet clear whether an effort will be made to obtain the participation of the United States and Brazil in such a committee.

I wish to emphasize that the foregoing is only Avenol's view as to what action the Assembly will take. Avenol added, however, that he believed that no meeting of the Sixth Committee would be held for general discussion until the presentation to it of this plan.

GILBERT

⁵⁸ See Resolution Adopted by the Assembly of the League of Nations on March 11, 1932, *Foreign Relations, Japan, 1931-1941*, vol. I, p. 210.

724.3415/4178 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 25, 1934—4 p. m.

[Received 5:30 p. m.]

271. Costa du Rels the chief Bolivian delegate here called on me in my office today and after making statements respecting the course of events during the Buenos Aires mediation procedures gave me the chief points of Bolivia's present policy vis-à-vis the League's handling of the Chaco matter together with an explanation of that policy.

The substance of what he had to say to me respecting the current situation is as follows:

1. The stage reached in the Buenos Aires mediatory procedures at the date of the opening of the Assembly was that Bolivia had made formal objections to the two disputants and the mediatory powers had not yet made a reply to the Bolivian objections. Thus Bolivia regarded the mediation as continuing.

2. Bolivia took a position against the reference of the matter to the Assembly feeling herself to be at a disadvantage in that respect inasmuch as the mediatory procedures were in course and her objections had not yet been answered.

3. Bolivia understood that the action of Argentina before the Assembly was taken without the authority of the other mediatory powers, the United States, and Brazil. This was confirmed respecting the United States through advices telegraphed from La Paz that a note to that effect had been presented by the United States Minister at La Paz to the Bolivian Foreign Office.

4. Bolivia was forced to consider the Buenos Aires mediation procedures terminated as of the date of Argentina's action in the Assembly inasmuch as this action had been taken over Bolivia's formal protests to Argentina.

5. In view of the non-existence of mediatory or peace negotiations elsewhere Bolivia's present policy is to press for League action. For this reason she clarified the situation and opened the way for League action by her declaration of yesterday before the Sixth Commission (Consulate's 268, September 25, 9 a. m.), which could be understood as a definite notification that the Buenos Aires mediation had terminated.

6. Bolivia's reason for pressing for action in the quarter where immediate action seems most possible to achieve is due to the present situation respecting the embargo. She feels the longer the embargo continues the greater will be her disadvantage inasmuch as Paraguay has current access to materials of war despite the embargo which access is not available to Bolivia.

7. With reference to the proposed League plan of setting up a large Assembly committee (Consulate's 269, September 25, 10 a. m.), Bolivia does not favor that type of committee but rather one with a larger proportionate representation of Latin American states. I gained the impression, which was however an indefinite one, that Bolivia objected to Italy's participation in such a committee.

GILBERT

724.3415/4185 : Telegram

The Ambassador in Chile (Sevier) to the Secretary of State

SANTIAGO, September 26, 1934—6 p. m.

[Received 8:15 p. m.]

94. The Minister for Foreign Affairs this afternoon called the Counselor of the Embassy and the Brazilian Ambassador to his office and informed us that he had just received information from Geneva according to which the group of American countries had decided to request that in the Chaco Commission America should be represented by the four limitrophe countries, the five countries which form the Commission of Neutrals, and in addition Venezuela. The group decided also that the League of Nations should extend a special invitation to the United States and Brazil to collaborate with it. According to these reports the commission would be composed of the permanent members of the Council and 6 more which would make a total of 20 members. Cruchaga expressed confidence in the action of this commission and believes that it will be able to arrive at a solution of the Chaco question but he considers essential the collaboration of the United States and Brazil without whose presence in the direct negotiations this new attempt he feels would fail. In view of this he has asked me to transmit immediately to the Department the desire of Chile that the United States collaborate actively.

Both the Minister for Foreign Affairs and the Brazilian Ambassador evinced considerable fear that Saavedra Lamas, through pique or personal ambition, may attempt in one form or another to impede the labors of the commission. They expressed furthermore their belief that in case the commission decides to sit in a Latin American capital it chooses Montevideo rather than Buenos Aires since in the latter case Saavedra Lamas would undoubtedly be chosen as chairman and this would be viewed with great disfavor by Bolivia.

SEVIER

724.3415/4183 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 26, 1934—8 p. m.

[Received 8:40 p. m.]

274. This evening the Sixth Committee adopted unanimously a draft resolution on the Chaco matter which will be submitted to the Plenary Assembly probably tomorrow. The draft resolution is divided into three parts. The first part merely enumerates the technical steps leading to the Assembly's being seized of the dispute. The remainder reads as follows:

“Second Part.

1. Whereas, hostilities have been proceeding in the Chaco for more than 2 years and all the efforts that have been made to secure the cessation of hostilities and the pacific settlement of the dispute have so far proved ineffectual;

2. And, whereas, in particular, the endeavor made in the interests of peace prior to the meeting of the Assembly by the Government of the Argentine Republic with the support of the Governments of the United States of America and the United States of Brazil has revealed the difficulties which still stand in the way of a settlement by conciliation;

3. The Assembly considers that while endeavoring to secure a settlement of the dispute by the procedure of conciliation provided for in article 15 paragraph 3 of the Covenant it should forthwith take steps to prepare the report contemplated in paragraph 4 of the same article on the understanding that the conciliation procedure remains open until such time as the said report shall have been adopted.

Third part.

4. The Assembly hereby decides to establish a Committee comprising (a) the members of the Council; (b) those members of the League who not being at present members of the Council have taken part in the attempts previously made in America as members of the Washington Committee of Neutrals or as states bordering on the parties to the dispute, that is to say, Colombia, Cuba, Peru, and Uruguay; (c) four other members to be selected by the Assembly.

5. The Committee will be formed without delay. It will settle its own procedure with a view to discharging its duty as effectively and speedily as possible. It may secure such assistance as it may consider necessary.

6. Should it succeed in bringing about the settlement of the dispute by applying article 15 paragraph 3 of the Covenant the Committee will make public on behalf of the Assembly a statement giving facts and explanations regarding the dispute and the terms of settlement thereof.

7. Should it prove impossible to settle the dispute the Committee will submit to the Assembly the draft report, contemplated in article 15 paragraph 4 of the Covenant, containing a statement of the facts of the dispute and the recommendations concerning the cessation of hostilities, the settlement of the dispute, and any consequences arising out of those recommendations in regard to the application of the pro-

hibition to supply arms and war material to which numerous governments have subscribed in some cases 'subject to any further recommendation by the Council of the Assembly.'

8. In accordance with rule 1 paragraph 2 of its rules of procedure the Assembly will meet in extraordinary session at the request of the Committee hereby set up."

This draft was amended by the addition of a paragraph to the effect that the Sixth Committee recommend to the Assembly to select in accordance with paragraph 4(c) above the following states: China, Ireland, Sweden, and Venezuela.

After the approval of this draft resolution the Argentine representative, referring to the last sentence of paragraph 5 above, expressed the hope that inasmuch as the Chaco matter was now in the hands of the League the proposed Committee would invite the United States and Brazil to take part in its work. Chile, Bolivia, Venezuela, Paraguay, and Spain supported this suggestion.

It is now contemplated that the Committee envisaged in this draft resolution will hold its first meeting on Friday, September 28.

GILBERT

724.3415/4188 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 27, 1934—9 a. m.
[Received September 27—7:44 a. m.]

275. The immediate technical situation of the Chaco question before the League is:

(a)—The draft resolution quoted in my 274, September 26, 8 p. m. awaits Assembly approval.

(b)—The developments envisaged in paragraph 5 and the penultimate paragraph of that telegram await action in some form by the proposed League Chaco Committee after its establishment.

Adoption of the draft resolution by the Assembly appears certain. It is further understood that Madariaga⁵⁹ will be Chairman of the Committee and that its first meeting will be held on Friday.

Last evening Avenol and Madariaga jointly stated to me that they construed the procedures in the Sixth Committee cited in my telegram referred to above as in effect an invitation to the United States to participate in the League Chaco Commission. They thus felt justified at this time, and that it was further incumbent on them in view of the changed situation, to ask me to ascertain confidentially and informally whether the United States would participate.

⁵⁹ Representative of Spain on the League Council.

Such reply [as] I may be instructed to make to this inquiry will obviously govern the action of the Committee after its establishment in extending an invitation to the United States.

Avenol informed me Brazil was being approached in a similar sense.

GILBERT

724.3415/4191 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 27, 1934—2 p. m.

[Received September 27—1:35 p. m.]

244. Foreign Office has received informal invitation from Avenol to join League Commission. Anxious receive earliest possible moment indication as to line taken in your reply in order to follow same course.

GIBSON

724.3415/4192 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, September 27, 1934—4 p. m.

[Received 5:50 p. m.]

66. Foreign Minister informed me this afternoon that the League Chaco Commission of 22 countries has been named to include the United States and Brazil, and that the Bolivian delegate at Geneva has expressed to him the thought that if the Assembly unanimously invites the United States to form part perhaps the Department will accept; he also stated that the Bolivian Congress will telegraph Washington requesting such acceptance, and that all Bolivia hopes for it. In his own name the Minister for Foreign Affairs requests me to state that a United States refusal will place Bolivia in a very difficult position since he considers United States participation very important and he wishes the Bolivian request to the United States to be made with the utmost warmth. He pointed out that United States participation in the Leticia conciliation is a precedent.

DES PORTES

724.3415/4193 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 27, 1934—7 p. m.

[Received September 27—5:20 p. m.]

277. The resolution cited in my 274, September 26, 8 p. m., was adopted at the closing meeting of the Assembly session this afternoon.

GILBERT

724.3415/4188 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, September 27, 1934—8 p. m.

99. Your 275, September 27, 9 a. m. In reply to the inquiry addressed to you, you may state confidentially and informally that while the United States is unable to participate in the proposed League Chaco Commission, this Government, acting in its individual capacity, will adopt a friendly and cooperative attitude towards the activities of the Commission whenever in its own judgment such attitude may prove of practical assistance in furthering the pacific solution of the Chaco problem.

HULL

724.3415/4197 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 28, 1934—2 p. m.

[Received September 28—12:40 p. m.]

280. I have knowledge that the Uruguayan representative here has received instructions from his Government that Uruguay desires that the solution of the Chaco conflict be entrusted to the American Governments on the League Chaco Committee and that this has the support of the two disputants.

GILBERT

724.3415/4192 : Telegram

The Secretary of State to the Minister in Bolivia (Des Portes)

WASHINGTON, September 28, 1934—3 p. m.

25. Your 66, September 27, 4 p. m. In view of the definite statement made by the Department in the Department's cable number 22, September 17, 7 p. m.,⁶¹ and which was communicated by you to the Minister for Foreign Affairs, it is a matter of surprise that the Bolivian Government should still be under the impression that this Government would accept membership in a commission appointed by the League of Nations to deal with the Chaco problem. You should call immediately upon the Minister for Foreign Affairs and state that the decision of this Government in that regard has already been communicated to the Bolivian Government both through you as well as through the Bolivian Minister in Washington.

You should further advise the Minister for Foreign Affairs for his confidential information that in response to an informal inquiry re-

⁶¹ *Post*, p. 210.

ceived from the Secretary General of the League of Nations, the latter was yesterday informally advised by the American Consul in Geneva that while the United States was unable to participate in the proposed League Chaco commission, this Government, acting in its individual capacity would adopt a friendly and cooperative attitude towards the activities of the commission whenever in its own judgment such attitude might prove of practical assistance in furthering the pacific solution of the Chaco problem.

You may then add that this Government is sure that the Bolivian Government will recognize the earnest and consistent desire of the United States to assist in the solution of the Chaco problem as has been made peculiarly evident during the past few months by the continued efforts of the United States together with the Governments of Brazil and Argentina to find the grounds for a peaceful solution equally acceptable to Bolivia and to Paraguay and that it was understood from the message received from Dr. Alvesteguí and transmitted in your cable number 63, September 19, 3 p. m.,⁶² that it was the desire of the Government of Bolivia that these negotiations should continue. You may point out that the sole notification received by this Government from the Bolivian Government that the latter considered these negotiations as terminated was that contained in the recent declarations made by the Bolivian delegate to the League of Nations in Geneva. You may then request official confirmation of the fact that the Bolivian Government considers the mediation negotiations in which the United States has participated together with Brazil and Argentina as being terminated.

In conclusion you should state that this Government will, of course continue in its individual capacity to cooperate in endeavoring to further the peaceful solution of the Chaco war in every appropriate manner.

HULL

724.3415/4185: Telegram

The Secretary of State to the Ambassador in Chile (Sevier)

WASHINGTON, September 28, 1934—3 p. m.

70. Your 94, September 26, 6 p. m. Please say to Dr. Cruchaga that this Government appreciates highly the friendly message he has sent expressing the hope of the Chilean Government that the United States will collaborate actively in the Chaco commission designated by the League of Nations. You may inform him for his confidential information that the Secretary General of the League was yesterday informally advised that while the United States was unable to partici-

⁶² *Post*, p. 216.

pate in the proposed League Chaco commission, this Government acting in its individual capacity, would adopt a friendly and cooperative attitude towards the activities of the commission whenever in its own judgment such attitude might prove of practical assistance in furthering the pacific solution of the Chaco problem.

HULL

724.3415/4191 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, September 28, 1934—3 p. m.

116. For your information, this Government yesterday in response to an informal inquiry received from the Secretary General of the League of Nations as to whether the United States would participate in the League Chaco commission, replied that while the United States was not able to participate in the proposed League Chaco commission this Government, acting in its individual capacity would adopt a friendly and cooperative attitude towards the activities of the commission whenever in its own judgment such attitude might prove of practical assistance in furthering the peaceful solution of the Chaco problem.

You should communicate the reply made to Dr. Saavedra Lamas and to your Brazilian colleague. The Department yesterday informed the Brazilian Government of the attitude taken in this regard and it understands that the policy of the Brazilian Government will be identical.

HULL

724.3415/4202 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, September 29, 1934—2 p. m.

139. Your 250, September 28, 3 p. m.⁶³ The Department received yesterday from the Bolivian Minister a memorandum⁶³ communicated by instruction of his Government in which it was stated with regard to the recent declarations of the Bolivian delegate to the League of Nations that "The Bolivian Foreign Office is informed that these statements were made in a manner forced by unexpected circumstances without the delegate having had sufficient time to deliberate regarding his attitude". The memorandum concludes with an expression of regret that these declarations may have given offense to the Government of the United States "whose honesty and impartiality it is a pleasure to

⁶³ Not printed.

acknowledge once more—and proof of which acknowledgment is found in the insistent efforts which the Government of Bolivia is making in order that the United States may form part of whatever body is organized for the purpose of bringing about peace between Bolivia and Paraguay.”

You may communicate these statements to the Minister for Foreign Affairs who, it is assumed, will receive a similar statement from the Bolivian Government.

It would seem premature in view of this . . . statement on the part of the Bolivian Government to determine upon the course of procedure at this moment. The reported appointment by the League committee of a subcommittee of conciliation composed exclusively of American states and the as yet uncertain attitude of Argentina with regard thereto, makes it highly desirable to await the outcome of these present developments before reaching any final decision as to policy. You may, of course, state to the Minister for Foreign Affairs that this Government will consult fully with the Government of Brazil before reaching any determination in this regard.

I incline to the views expressed by the Minister for Foreign Affairs as reported in paragraph 4 of your cable and the arguments advanced in your paragraph 5 have been repeatedly used in our conversations with the Bolivian Minister here.

Please cable the Department whether in your judgment, should a subcommittee composed exclusively of American states undertake to hold a conciliation conference with representatives of the two belligerents in Buenos Aires, the Government of Brazil would be disposed to appoint a representative to cooperate in such conciliation endeavors together with the representatives of the other American states forming part of such subcommittee.

HULL

724.3415/4204 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

[Extract]

BUENOS AIRES, September 30, 1934—noon.

[Received 3:20 p. m.]

170. Yesterday I communicated the contents of the Department's number 116, September 28, 3 p. m., to the Minister for Foreign Affairs. Dr. Saavedra Lamas read me a telegram he said he had sent to his representatives in Washington and Geneva instructing them that the attitude of the Argentine Government before the League of Nations' Chaco Commission was one of passive observance keeping in mind, however, the loyalty owed to the League and adding that he was con-

vinced that this Commission's efforts would fail. The Minister for Foreign Affairs then emphasized to me his conviction that a passive attitude in this connection was the correct one at present awaiting the moment when the matter might again be mature for further peace efforts by the three mediating countries.

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WEDDELL

724.3415/4213 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 1, 1934—2 p. m.

[Received 6:35 p. m.]

253. Department's 139, September 29, 2 p. m., last paragraph.

1. It is my impression that the Brazilian Government would be extremely reluctant to modify the attitude it has consistently maintained and which was confirmed in a message to Bolivia day before yesterday, reported in my 252, September 29, 3 p. m.,⁶⁵ in which it stated "We regret that we cannot accept membership on any committee organized by the League."

2. As a practical matter it is not anticipated that the situation envisaged in the Department's telegram will arise. According to reports received from Geneva the subcommittee of American states will not sit in Buenos Aires but in Geneva. It is not charged with the duty of holding a conciliation conference but with making a report to the main committee, and it is felt here that participation in the work of such a subcommittee would be in no real sense different from participation on the committee itself.

3. In case Department's inquiry was prompted by exchange with Uruguayan Government, reported in my 247, September 28, 10 a. m.,⁶⁵ I venture to draw attention to the fact that the Uruguayan proposal was that the League should withdraw in favor of the nine countries we ourselves had proposed to handle the question. The Brazilian Government having assured itself that this was not to be a proposal that the question would be handled by the League but merely a re-statement of our own intentions, felt justified in saying that it would offer no objection providing it was understood that the conference would take place in Buenos Aires, this in order to put a stop to Uruguayan maneuvers to secure the conference for Montevideo. I am assured that this implies no modifications of the Brazilian attitude toward League activities.

⁶⁵ Not printed.

4. In conversation with the Secretary General of the Foreign Office this morning, he tells me that the Brazilian Government has gone definitely on record with the League and with the Governments of Argentina, Chile and Bolivia, in the sense of the message to Bolivia referred to in paragraph 1 above, and would find considerable difficulty in any statement which involved a reversal of policy.

5. I trust Department will withhold a decision in this matter pending a receipt of an important telegram which I hope to get off tonight embodying the views of the Brazilian Government on the whole question of League activity in American conflicts.

GIBSON

724.3415/4211 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 1, 1934—6 p. m.

[Received 9:50 p. m.]

254. My telegram No. 253, October 1, 2 p. m. Minister for Foreign Affairs⁶⁶ this afternoon confirmed impressions I reported, both as to improbability of League conciliation commission sitting in Buenos Aires and as to reasons for acquiescing in Uruguayan proposal. He added that he saw no practical difference between accepting membership on committee or subcommittee and that Brazil had followed a consistent course which had been confirmed in message to Bolivia Saturday and in definite statement made by President Vargas today to Bolivian Minister that Brazil would accept no place on committees organized by the League.

If the Department is considering a different course I hope you will give me the benefit of your views.

GIBSON

724.3415/4210 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 1, 1934—6 p. m.

[Received 10:50 p. m.]

255. The Minister for Foreign Affairs expresses himself as perturbed by the League's activity in the Chaco question, first of all because he fears it threatens the normal development of the system of settling American problems among ourselves.

While he recognizes the obligation of the League to take cognizance of the conflict when brought to its attention by a member state, he feels that a sense of reality would have dictated a postponement and

⁶⁶ José Carlos de Macedo Soares.

the exertion of League influence to back up our efforts to secure acceptance of the formula and the cessation of hostilities. If this course had been taken he believes we could have succeeded.

Instead of this the League seems to be taking over the whole range of the problem and entrusting its solution to a committee composed arbitrarily of non-American powers—Russia, China, Ireland, Sweden, et cetera. Past experience gives ground for fearing that under such conditions the matter will be handled in a legalistic and oratorical way which is calculated to lose sight of the more realistic aim of stopping the war. Briefly, he feels the interjection of the League can only serve to deter a solution.

Comparing past League efforts with purely American efforts, he feels experience has shown that we understand our own problems better than they are understood at Geneva and that we can settle American conflicts better and more expeditiously among ourselves than can be hoped for if duplicate negotiations afford the parties an opportunity to alternate between the two and thus complicate and prolong the discussion, as is being done at the present time.

He therefore suggests that you may be willing to give thought to the desirability of some broad statement, speech, or other pronouncement, stressing the importance we attach to settling American problems in America. He recognizes of course that this is both delicate and important but feels that it calls for consideration.

It is his idea that such a step would be welcome[d] rather than resented by most of the American Republics if the statement brought out the idea of association and partnership which already exist. His thought is that at the start the basis of our relations was the Monroe Doctrine⁶⁷ which as enunciated was of course unilateral—but a unilateral obligation rather than a unilateral assertion of a privileged position for ourselves. It was unilateral because the United States was the only country in this hemisphere able to stand on its own feet at that time. The United States assumed this responsibility as an emergency measure in order to gain time for the newly independent countries to get their growth and in the hope that as time went on other American countries would develop strength to share the responsibility we had assumed for their benefit. This is so obvious that it has perhaps not been stated often enough. However we have spontaneously recognized the fact that others have attained their majority by seeking their help in settling American problems. Experience has shown better results from this method than from any other.

From the Brazilian-American point of view the Minister said “so long as Brazil and the United States are not members of the League of

⁶⁷ See section entitled “Official Statement of and Commentary Upon the Monroe Doctrine by the Secretary of State”, *Foreign Relations*, 1929, vol. 1, pp. 698 ff.

Nations we should not permit any intervention of non-American states in the handling of purely American problems". The Minister has not sought to indicate the time, nature, or ostensible occasion for the suggested pronouncement, all would be determined by developments; but the Minister is anxious that you should be turning the general idea over in your mind.

It is clear from the sober and measured way in which the Minister talked that this has been the subject of considerable thought and discussion. He kept stressing the view that the present problem is more fundamental than any question of procedure in handling the Chaco problem and raises the question as to whether the Monroe Doctrine is to develop into an all American principle or whether we are going to allow it to be undermined by non-American handling of American affairs.

If such a pronouncement is made it would have to be made by the United States but the Minister feels that he could follow it up by a statement of his own, confirming and supporting it.

I venture to point out that the foregoing are the views of the Minister uncolored by comments of my own. In view of the importance of his message I have this afternoon gone over this telegram with him in order to make sure that his opinions were accurately reported.

He would welcome an expression of your views.

GIBSON

724.3415/4209 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 1, 1934—9 p. m.
[Received 11:35 p. m.]

256. 1. Paraguayan Minister here today informed Minister for Foreign Affairs under instructions from his Government, that if Brazil and the United States do not participate in the League negotiations Paraguay will withdraw from the League sooner than accept jurisdiction of Chaco Commission.

2. The President of Bolivia telegraphed Minister here to make personal appeal to President Vargas for reconsideration of Brazilian stand and acceptance of place on League Chaco Committee. The President has today made it clear to the Minister that the Brazilian Government will not modify its attitude.

3. The Minister for Foreign Affairs says that, although the belligerents may not have analyzed their fears, one principal apprehension lies in the thought of a demobilized army returning penniless and unemployed and its accompanying problems. The Brazilian Gov-

ernment has told the Ministers of Bolivia and Paraguay that as demobilization proceeds Brazil will provide work for a large number of demobilized men on coffee and cotton plantations where there is shortage of labor. He pointed out that this should predispose the two Governments towards peace in that it provides immediate gainful occupation for many thousands of men, lessening the possibility of revolution and providing unexpected income.

4. Bolivian Minister has also been told that if in the conciliation conference Bolivia is awarded a port on the Paraguay River south of Bahía Negra Brazil would consent to a Bolivian air service flying over Brazilian territory connecting with nearest railroad, thus gaining rapid access to the Atlantic Ocean. He states Bolivia now has a considerable amount of suitable aviation material to set up such a service.

5. The Minister for Foreign Affairs is in agreement with the understanding expressed in your 139, September 29, 2 p. m., that it is essential to await developments. In his opinion if we take no action both Bolivia and Paraguay will within a short time get nervous and themselves make overtures. As both are suspicious of the Argentine Republic their pleas will probably be addressed to the United States and Brazil. The Minister's idea would be to take advantage of the opportunity to impose reasonable terms on both sides without bringing Lamas into the discussions, but, in order that there may be no reason for offense, he suggests that after having secured an agreement to negotiate we should insist that the negotiations take place in Buenos Aires under the presidency of Lamas. Naturally all the foregoing is contingent on developments at Geneva.

GIBSON

724.3415/4218: Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 2, 1934—5 p. m.

[Received 8 p. m.]

258. Argentine Ambassador here has received telegram from Lamas dated Saturday night. It states in substance: (1) Lamas is convinced the League Committee of Twenty-two is bound to fail; (2) that it is better for the mediating powers to await developments, and that so long as the League is handling this question the Argentine will play a passive role; (3) that at the present time Brazil and the United States, not being members of the League of Nations, are in a favorable position to resume negotiations with Argentine support.

The Minister for Foreign Affairs has told the Argentine Ambassador that he is in agreement as to the general views and that whatever

might be decided he would insist upon the conference being held in Buenos Aires.

Repeated to Buenos Aires.

GIBSON

724.3415/4217 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, October 2, 1934—7 p. m.

[Received 7:55 p. m.]

69. President of Bolivia returned yesterday afternoon. Foreign Minister informed me this afternoon that on Sunday he received a telegram from the Bolivian Minister at Washington that the latter had talked with Assistant Secretary Welles and the United States Government did not insist upon the question in the Department's telegram 25, September 28, 3 p. m. Foreign Minister states that he considers tripartite mediation in a pause and that it can be returned to in case of failure by the League.

In the telegram of yesterday to the League Secretary the Foreign Minister urged invitation participation United States and Brazil, and appointed the delegate Bolivian plenipotentiary to the Committee.

Foreign Minister also commented on the commanded absence from Geneva of the Paraguayan delegate.

On Saturday he stated to me that the recent declarations of the Bolivian delegate had been forced by the maneuvers of the Argentine delegate.

DES PORTES

724.3415/4210 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, October 2, 1934—7 p. m.

143. Your 255, October 1, 6 p. m. Please inform the Minister for Foreign Affairs that this Government has studied with the deepest interest the suggestion which he has offered. You may say that the views which he has outlined meet with a peculiarly sympathetic response on the part of this Government. It is the belief of the United States as it is of Brazil that American problems can be most advantageously solved through some form of cooperation between the American states themselves and not through the utilization of non-American agencies. This Government, in fact, believes that one of the fundamental needs of the American continent is the creation of a practical and effective American mechanism to be constantly available

when disputes are threatened or break out between members of the American community of nations.

This Government is, however, sure the Brazilian Government will agree that any pronouncement of the character indicated by Dr. Macedo Soares if made at this moment would inevitably be construed as an attack upon the League of Nations or as a deliberate reflection upon its general utility. For that reason this Government believes it desirable to take no action now but will however undertake full and detailed consideration of the far-reaching policy suggested by the Brazilian Minister for Foreign Affairs.

You may further state that this Government, of course, will gladly avail itself of the opportunity to discuss all phases of the question with the Brazilian Government before reaching any final decision.

HULL

724.3415/4217 : Telegram

*The Secretary of State to the Minister in Bolivia (Des Portes)*⁶⁸

WASHINGTON, October 3, 1934—4 p. m.

26. Your 69, October 2, 7 p. m. For your personal information. The Department believes that the wisest policy to be pursued for the time being with regard to the mediation negotiations is to await developments in Geneva and to make no further representations either to Bolivia or to Paraguay until this Government can ascertain the course which the League Commission will pursue.

HULL

724.3415/4211 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, October 3, 1934—4 p. m.

144. Your 254, October 1, 6 p. m. This Government has already upon several occasions made known its determined policy not to accept membership on any League committee or subcommittee dealing with the Chaco problem. The inquiry contained in the last paragraph of the Department's 139, September 29, 2 p. m., was based upon information received that the Uruguayan Government with the probable support of Chile would attempt to persuade the League Commission to appoint a subcommittee composed exclusively of American states to meet in some South American capital to proceed solely with the task of conciliation and that if this plan were adopted, Brazil

⁶⁸ The same telegram, except for the opening phrases, communicated to the Minister in Paraguay as telegram No. 37, October 3, 4 p. m.

and the United States would be requested to cooperate in this effort through the appointment of representatives to sit with the members of the subcommittee although not as members of the subcommittee itself. In that case, of course, any United States representative would function solely under the jurisdiction of his own Government and would not take part in the drafting of any report to the Commission of the League. This development, however, now seems unlikely. You may, however, advise the Brazilian Minister for Foreign Affairs of the reason for the Department's inquiry and state that this Government would consult with the Brazilian Government prior to reaching any decision as to its action in such contingency.

The Argentine Ambassador here yesterday conveyed a message similar to that communicated to the Brazilian Government and communicated in your 258, October 2, 5 p. m. The Department made a reply similar to that made by the Brazilian Minister for Foreign Affairs. This Government believes that at the present time the best policy to pursue is to await developments and to ascertain specifically what action Bolivia and Paraguay will take in Geneva. The American Consul in Geneva reports this morning⁶⁹ that the Bolivian Government has designated Costa du Rels as Bolivian plenipotentiary on the Committee and Subcommittee and has at the same time expressed the desire that the United States and Brazil be invited to participate. Paraguay has sent a reply to the League Commission's invitation reiterating its former stand that a cessation of hostilities with adequate security is a necessary preliminary to any efforts of conciliation but that it is willing to examine the possibility of mediation on the basis of the foregoing. The Subcommittee has addressed a telegram to the Paraguayan Government calling attention to the fact that there is no Paraguayan representative in Geneva; taking note of the Paraguayan declaration made and stating that the Subcommittee is awaiting the decision of the Paraguayan Government. The members of the Subcommittee are leaving Geneva subject to call upon the receipt of a pertinent communication from Paraguay. In view of the situation which has thus developed there would seem to be little probability of League success in conciliation unless the attitude of the Paraguayan Government changes.

HULL

⁶⁹ Telegram No. 286, October 2, 9 p. m., from the Consul at Geneva, not printed.

724.3415/4228 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, October 5, 1934—11 a. m.

[Received 2:55 p. m.]

44. I shall observe strictly the instructions in the Department's telegram No. 37, October 3, 4 p. m.⁷⁰

Last night in an informal conversation with President Ayala he said that the League of Nations had asked Paraguay to explain the conditions of security she has asked as a condition of the cessation of hostilities. The President said the Paraguayan Government would reply today that it is prepared to appoint a plenipotentiary to appear before the League subcommittee with the object exclusively of arranging for the immediate cessation of hostilities, with a plan of security for maintaining peace, a reduction on the armies and a limitation upon the purchase of war materials. And also stipulations for a system of policing the zone of occupation by each country and a pact of non-aggression under international guaranty. Following an agreement upon these points Paraguay would be prepared to discuss questions of conciliation.

NICHOLSON

724.3415/4229 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 5, 1934—4 p. m.

[Received 5:20 p. m.]

262. This morning Calvo the Bolivian Minister (former Minister for Foreign Affairs) called on me for a general talk. He was chiefly interested in eliciting a definite statement as to our attitude toward accepting membership on League commissions. I told him our position as outlined in the Department's telegrams, and in my turn asked him how in the face of our repeated statements of our position Costa du Rels could feel justified in continuing to state that he believed the United States and Brazil could be persuaded to modify their attitude. Doctor Calvo said the Bolivian Government had already addressed that question to Du Rels, who had replied that he had "definite assurances from Americans in Geneva not members of the Consulate or Legation".

If Costa du Rels is acting on the basis of this sort of information Department may want to have the facts made plain to him.

GIBSON

⁷⁰ See footnote 68, p. 98.

724.3415/4283 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, October 24, 1934—noon.
[Received October 25—12:30 p. m.]

301. Avenol asked me to come to see him today and showed me in confidence a telegram from the Bolivian Government to the Bolivian representative here which the latter had transmitted to him privately for his information. The text of the telegram is substantially as follows:

The United States Government has recently made a *démarche* at La Paz to the effect that, understanding that the conciliation efforts at Geneva respecting the Chaco were unsuccessful, some attempt should be made in America to arrive at conciliation before the issuance of the Assembly report at the end of November.

I estimate the situation here to be that Bolivia's policy at least in part is to place herself in as favorable a light as possible before the League in the hope of obtaining either through the Assembly report or as a result of that report a lifting of the embargo either respecting both parties or respecting herself.

GILBERT

724.3415/4283 : Telegram

The Acting Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, October 26, 1934—noon.

105. Your 301, October 24, noon, second paragraph. You may inform Avenol orally that this Government has made no *démarche* at La Paz or elsewhere in the sense reported. The facts are that the Bolivian Minister recently inquired what the United States proposed to do with regard to resuming mediation negotiations; he was informed that the negotiations in which we had been engaged were temporarily suspended; that our position was exactly what it had always been, namely, that we stood ready to be helpful whenever in our judgment an appropriate opportunity was presented if the two belligerents desired such help, but that we certainly could take no steps on our own initiative until both Bolivia and Paraguay desired such assistance. The Minister said that he was going to send a cable to his Government stating that a resumption of mediation negotiations would in no way be incompatible with the situation at Geneva.

PHILLIPS

724.3415/4321 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, November 13, 1934—9 a. m.

[Received 9:30 a. m.]

317. 1. I am generally informed that the following were the chief developments in the meeting yesterday afternoon of the Chaco Committee of Twenty-two.

(a) The report of the subcommittee of conciliation was adopted Consulate's 316, November 12, 2 p. m. paragraph 1)⁷¹

(b) Madariaga proposed that an invitation be extended to the United States and Brazil to participate in the work of the Committee or at least in its work of conciliation.

(c) Argentina, Chile, Uruguay and Venezuela associated themselves with this proposal.

(d) Avenol explained the position of the United States (Department's 99, September 27, 8 p. m.) and on that basis suggested the possible inexpediency of extending such an invitation. France supported Avenol's views.

(e) Madariaga questioned Avenol's interpretation of the American position particularly in respect of its applying to paragraph 3 as well as paragraph 4 of article 15 of the Covenant.

(f) Osusky⁷² presented a substitute proposal in the form of a resolution which was unanimously adopted, of which the following is the text.

"The Committee, prompted by the observations formulated in the course of the discussion of the Assembly and in conformity with the resolution adopted by the latter on September 27, has from the moment of its formation attached great importance to the collaboration of the United States of America and of Brazil for the solution of the conflict between Bolivia and Paraguay.

The Committee instructs the President and the Secretary General to choose the opportune moment for seeking this collaboration in the form deemed most appropriate."

For reference in text see Consulate's No. 274, September 26, 8 p. m.

2. Last evening Avenol and Osusky jointly formally handed me the text of the resolution. I fully appreciate the character of this action on their part: it was solely informative and is not to be regarded in any sense as an invitation.

They have not as yet decided how [to] act on this mandate of the committee.

The impression they left with me was that they were hesitant and somewhat embarrassed in the face of position previously expressed

⁷¹ Not printed.

⁷² Substitute (for Beneš) Representative of Czechoslovakia on the League Council.

by Washington how to carry out the intent of the committee, that if possible they obtain American cooperation. They stated that they would communicate with me again shortly.

I personally construe their handing me the resolution unaccompanied by any request or suggestion to be that it is in the hope that I might be instructed to give them advice which by application would suggest the course they might best follow or obviate their taking action. The Department may wish to consider this with a view to forestalling protracted speculation here and in the press.

3. Avenol and Osusky told me that Madariaga's proposal came as a complete surprise to them and they believed to almost all of the Committee.

My personal estimate of the situation is that Avenol and Osusky and perhaps certain European representatives would have opposed approaching the United States and Brazil in this sense at this time but in view of the support accorded this idea on the part of certain Latin American representatives they did not wish to place themselves in absolute opposition to these representatives in a Latin American matter. Thus the resolution which was adopted was a compromise within the terms of which there is considerable latitude respecting the action to be taken.

4. The Committee of Twenty-two will continue its sessions here until the convening of the Extraordinary Assembly on November 20.

GILBERT

724.3415/4322: Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, November 13, 1934—4 p. m.
[Received November 13—11:15 a. m.]

318. I am in receipt of a letter from Avenol dated today of which the following are the component parts:

1. The resolution of the Chaco Commission of Twenty-two cited in my telegram 317, November 13, 9 a. m.

2. In effect a paraphrase of that portion of the Department's telegram 99, September 27, 8 p. m., beginning with the word "government" to the end of telegram.

3. "In view of the terms of the above resolution the President and I would greatly appreciate any information which you may be in a position to give us regarding the views of your Government as to the most opportune moment and most suitable form which might be found for the collaboration which is so keenly desired by the Committee."

GILBERT

724.3415/4321 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, November 14, 1934—2 p. m.

113. Your 317, November 13, 9 a. m., and 318, November 13, 4 p. m. In your reply to the letter received by you from the Secretary General of the League, you should make the following statements:

1. You should express the appreciation of this Government for the courteous and friendly message received.

2. You should reiterate the position which the United States has on repeated occasions officially assumed with regard to cooperation with all peace agencies endeavoring to further a solution of the Chaco dispute and you should repeat the message addressed by you in accordance with the Department's cable No. 99, September 27, 8 p. m., to the Secretary General of the League to the effect that this Government, acting in its individual capacity, would adopt a friendly and cooperative attitude towards the activities of the League Commission whenever in its own judgment such attitude might prove of practical assistance.

3. Finally, you should state that while the United States, under the circumstances now existing, does not deem this particular moment opportune for collaboration with the League Committee, nevertheless it will give the invitation received its favorable consideration, and that, should, in the future, the time come when in the opinion of the United States its cooperation with the League Committee might prove useful in the furtherance of peace in the Chaco, you will so inform the Secretary General of the League and at such time indicate the form in which the cooperation of the United States may be offered.

Please send by mail the exact text of your letter to Avenol.

HULL

724.3415/4321 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, November 14, 1934—2 p. m.

169. The Department has been informed by cable from the American Consul in Geneva ⁷³ that the Chaco Committee yesterday adopted the following resolution.

"The Committee, prompted by the observations formulated in the course of the discussion of the Assembly and in conformity with the resolution adopted by the latter on September 27, has from the moment of its formation attached great importance to the collaboration of the United States of America and of Brazil for the solution of the conflict between Bolivia and Paraguay.

⁷³ Telegram No. 317, November 13, 9 a. m., p. 102.

The Committee instructs the President and the Secretary General to choose the opportune moment for seeking this collaboration in the form deemed most appropriate."

Subsequent to the adoption of the resolution, the Secretary General of the League addressed a letter to the American Consul advising him of the adoption of the resolution and stating that in view of its terms the President of the Chaco Committee and himself would greatly appreciate any information as to the views of this Government concerning "the most opportune moment and most suitable form which might be found for the collaboration which is so keenly desired by the Committee."

Please inform the Minister for Foreign Affairs of the above at the earliest possible moment and say that this Government would welcome the views of the Brazilian Government regarding the request received from the Secretary General of the League which it assumes has been made in identical form to the representative of Brazil in Geneva. You may further state that in the opinion of this Government there would not seem to be any effective means for collaboration by the United States with the Chaco Committee in its efforts for conciliation in view of the short time elapsing before the convening of the Extraordinary Assembly on November 20 even should the United States desire to collaborate with the Chaco Committee. Furthermore, in view of the fact that this Government has been confidentially advised that certain of the European powers will propose drastic action with regard to Bolivia and Paraguay during the sessions of the Extraordinary Assembly, the impression created by the consistently friendly and impartial attitude displayed by both Brazil and the United States with respect to the two belligerents might be jeopardized were our two Governments to be identified with League efforts at a moment when an acrimonious debate involving the two belligerents may take place in Geneva which might readily incur the resentment of and injure the susceptibilities of both of the two nations involved in the Chaco conflict. Consequently, this Government has determined, in replying to the request of the Secretary General of the League, to limit itself to an expression of appreciation for the friendly tenor of the message; to reiterate the position which the United States has officially and publicly assumed with regard to cooperation with any and all agencies endeavoring to further a peaceful solution of the Chaco dispute; and finally, to state that while the United States, under the circumstances now existing, does not deem this particular moment opportune for collaboration with the League Committee, nevertheless, it will give the invitation conveyed its favorable consideration and should in the future the time come when in the opinion of the United States its cooperation with the League

Committee would prove useful in the furtherance of peace in the Chaco, it will so inform the Secretary General of the League and at such time indicate the form in which its cooperation might be offered.

Please cable reply as soon as may be possible.

HULL

724.3415/4332 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, November 16, 1934—9 a. m.

[Received November 16—7:32 a. m.]

322. Department's 116, November 15, 6 p. m.⁷⁴

"Geneva, Switzerland, November 15, 1934.

My dear Mr. Avenol: In response to your letter which you addressed me under date of November 13, 1934, and in which you courteously drew my attention to the resolution adopted on November 12 by the Assembly Committee on the dispute between Bolivia and Paraguay I am instructed to express to you the appreciation of my Government for your message.

As I have informed you personally in the course of our recent conversations the Secretary of State has on various occasions made clear that the United States of America has stood ready and stands ready to contribute in any feasible way to the efforts of any agency engaged in the promotion of peace, acting on its independent judgment as the exigencies of each case may suggest. This is a policy which I feel it scarcely necessary to add has been demonstrated on a number of occasions in the relationship of the Government of the United States to the efforts of various peace agencies which have concerned themselves with the unfortunate situation in the Chaco.

In pursuance of this policy my Government has adopted a friendly attitude toward the League Committee which now has this question before it. My Government does not, however, under the circumstances now existing deem this particular moment as opportune for collaboration with that Committee. It will, however, give the communication you have addressed me its favorable consideration and, should in the future a time arrive when in the opinion of my Government its cooperation with the League endeavors in this respect would appear to prove useful in the furtherance of peace in the Chaco, I shall so inform you and at the same time indicate the form in which the cooperation of the United States of America may be offered.

I am, my dear Mr. Avenol, very sincerely yours. Prentiss Gilbert."

This will be released here today at 3 p. m., Geneva time.

GILBERT

⁷⁴ Not printed.

724.3415/4337 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, November 16, 1934—6 p. m.
[Received 9 p. m.]

318. Department's 169, November 14, 2 p. m. Due to the national holiday yesterday Minister for Foreign Affairs was not accessible until early this afternoon.

He stated that the Brazilian Minister to Switzerland had only just received from the Secretary General of the League a written request similar to the one addressed to us.

The Minister for Foreign Affairs further stated that the views of the Brazilian Government concurred with those of our Government as set forth in your telegram with the following exception: With regard to the final clause in our answer to the League stating that if a time should come in the future when in our opinion we could usefully cooperate with the League Committee we would so inform the Secretary General. The Minister said he realized that this did not commit us to such cooperation: However, in accordance with his consistent attitude (e. g. Embassy's 254, October 1, 6 p. m.) he felt that an answer couched in these terms would not clearly enough assert the principle that cooperation with a League Committee under any conditions would be impossible for Brazil as a nonmember of the League.

He proposed, therefore, to conclude his answer with a statement to the effect that if in the future a time should come when Brazil would feel that she could usefully take "parallel action" in furtherance of peace in the Chaco she would so inform the Secretary General.

The Minister for Foreign Affairs further told me (requesting that you treat it as absolutely confidential) that he proposed sending a personal telegram to "his great friend," Harold Butler of the International Labor Bureau, setting forth to him informally for such use as he could make of it the Minister's views, including his belief that mediatory efforts initiated by Brazil and the United States offered the best hope of effective results. To his mind the League is doomed to failure in its present Chaco efforts and will have a very awkward time finding a formula to conceal such failure so that a suggestion of this kind might be developed into something in the nature of a face saver and likewise bring about a quicker resumption of more effective efforts; if the League should eventually express the hope that the United States and Brazil would resume the initiative of further mediatory efforts this would necessarily mean that the Argentine would be asked by us both to collaborate.

I was somewhat astonished at this, to me, entirely new departure, and indicated that this seemed to be quite a step in advance, to which

the Minister replied that the proposed telegram would be purely private and personal with a view to finding as quickly as possible a way out of what he deems the present impasse. He promised to give me a copy of the telegram as soon as it has been sent.

In conclusion the Minister requested me to reiterate to you that as heretofore the Brazilian Government is extremely desirous of continuing to work in complete harmony with us in this matter, and asks to be advised concerning all developments.

GORDON

724.3415/4340 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, November 17, 1934—2 p. m.

[Received 5:02 p. m.]

320. My 318, November 16, 6 p. m. Brazilian reply to League is expected to be delivered today.

The following telegram was sent last night to the Brazilian Minister to Switzerland to be delivered to Butler:

"I request you to remind Avenol of the disadvantage of taking drastic measures against Paraguay and Bolivia without the League having first tried to obtain peace in the Chaco by the temporary suspension of the activities of the Committee in order to permit the League to invite the United States and Brazil to take such initiative as they may judge opportune for the reestablishment of peace, the League taking this occasion to announce that it will give its entire support to the action of the United States and Brazil."

The Brazilian Minister to Switzerland was requested, in case Butler should not be in Geneva, to have the International Labor Bureau forward the telegram to him on the understanding that it is a strictly personal confidential communication.

Unfortunately this telegram was sent without first ascertaining whether Butler is in Geneva and if not where he is at the present moment. The Foreign Office hopes however that the Brazilian Minister in Switzerland can arrange for its repetition to Butler without a leak.

Replying to my renewed expressions of doubt the Secretary-General today, in amplifying the motives for the decision of the Minister for Foreign Affairs to take this step, said that if sentiment in Geneva was as the Minister thought it to be he felt that a suggestion of this kind might be acceptable as enabling the League to put the matter back into channels capable of more active mediation efforts and thus avoiding what might in effect be a flat declaration of incapacity on the part of the League to bring about any solution. As explained yesterday, the Minister also felt that if such a suggestion found any favor it would

avoid matters dragging on indefinitely in Geneva and bring them to a head more quickly.

The Minister informed me that the Argentine Ambassador here has now received authorization to be present with the American and Brazilian representatives at direct conversations between the Paraguayan and Bolivian Ministers here if and when they may eventually take place. Part of the Minister's thought in his suggestion to Butler was that if the suggestions were acted upon in any form a channel for the immediate resumption of mediation efforts would thus be at hand in the shape of such direct conversations.

GORDON

724.3415/4352 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, November 19, 1934—6 p. m.

[Received 7:45 p. m.]

321. My 320, November 17, 2 p. m. Foreign Minister informed me yesterday that Butler sailed from New York on the *Berengaria* last night. The Minister did not share my apprehension as to the possibilities of a leak, but he did assure me that there would be no attempt to convey his message to Butler by radio to the ship.

I again expressed my view that this move was fraught with potentially far reaching consequences, but the Minister clearly was not perturbed thereat.

Perhaps I am unduly concerned myself and this may be due to the fact that such knowledge as I have been able to acquire of the Chaco situation has hitherto necessarily been mainly from documentary study. It is true that the Minister yesterday reiterated that if any concrete basis for agreement between Bolivia and Paraguay were reached either as a result of direct conversations between the representatives of those two Governments here, or of any other mediation efforts consequent upon the League's desistance, the conciliation conference in expanded form would take place in Buenos Aires (see Department's 151, October 9, 5 p. m.,⁷⁵ Embassy's 288, October 17, 6 p. m.⁷⁶) Likewise, he may feel that he could, in case of necessity, interpret this move as not differing substantially from the Argentine position outlined in the Embassy's 258, October 2, 5 p. m. Nevertheless, it seems to me at least a question whether this step does not represent a strengthened desire to decrease the influence of Lamas in connection with any mediation efforts which might result in creating a substantial foundation for an eventual conference in Buenos Aires.

⁷⁵ *Post*, p. 222.

⁷⁶ *Post*, p. 225.

In other ways also the present move appears to me to be one of an unusual nature for the Brazilian Government inasmuch as it risks being construed as an attempt to speak for us, and the dangers of its becoming a matter of public knowledge are patent.

I should very much appreciate the Department's guiding comment in the premises.

GORDON

724.3415/4351 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, November 19, 1934—9 p. m.
[Received November 19—6:30 p. m.]

334. Consulate's 333, November 19, 5 p. m.⁷⁷ Avenol asked me to come to see him this evening and raised the following points with me respecting the report of Assembly Chaco Committee.

1. He inquired whether the United States might not be able to express some approval or perhaps indorsement of the report.

I replied that I had no knowledge as to Washington's opinion or position respecting the report but that in any event I doubted the expediency of the United States taking any position while League action was still pending—in other words, before action by the Extraordinary Assembly.

2. He then took up the provision in the report as follows:

“XII. A Neutral Supervisory Commission shall be set up consisting of six members designated by the Argentine, Chile, Peru, Uruguay . . . respectively.”⁷⁸

It will be noted that this leaves the Assembly to take action respecting the completion of the composition of the Neutral Supervisory Commission.

Avenol stated that he would prefer that the Assembly complete this provision by adopting a formula under which participation or cooperation by the United States and Brazil might be sought but under which if one or both indicated unwillingness to participate the participation of other states could later be arranged for. He stated, however, that there were delegates to the Assembly who might insist on no change in the terms of this paragraph which would mean that the Assembly would have to act definitely to complete the full six members of the Commission.

⁷⁷ Not printed.

⁷⁸ League of Nations, 15th Assembly, 1934, “Dispute between Bolivia and Paraguay,” p. 7, of the Draft Report. This Report was drawn up by the League Chaco Committee and adopted by the Assembly on November 24, 1934.

Avenol expressed the hope that Washington could indicate its attitude in this respect in such a manner that he could confidentially employ it to guide Assembly action along the most desirable lines.

3. Avenol discussed the contemplated peace negotiations at Buenos Aires and stated that it would be helpful for him to know if the United States would be inclined to participate.

4. He spoke in the same terms concerning the Advisory Committee.

5. Respecting questions raised in paragraphs 3 and 4 above, I stated that I did not feel that these were urgent but that I would forward his inquiry.

6. Consulate's 327, November 17, 3 p. m.⁷⁹ I would appreciate knowing, and also would like to inform radio nations [*stations?*], if receipt by wireless was satisfactory.

GILBERT

724.3415/4352 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, November 21, 1934—5 p. m.

173. Your 321, November 19, 6 p. m. In view of the reply recently addressed by this Government to the Secretary General of the League of Nations, it does not seem probable that the action proposed by the Minister for Foreign Affairs will create the impression in Geneva that the Brazilian Government is attempting to speak for the United States. Should any misunderstanding in Geneva result, however, the Department will take the steps necessary to make clear that the Brazilian initiative was taken without prior consultation with the United States and that the position of this Government remains that manifested in the last communication addressed to the Secretary General of the League. It is desirable that you do not discuss this question at this moment with the Minister for Foreign Affairs.

HULL

724.3415/4355 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, November 21, 1934—7 p. m.

[Received November 21—2: 45 p. m.]

341. Avenol this afternoon expressed himself to me as follows:

He is somewhat disturbed by press reports from Rio de Janeiro to the effect that Paraguay would refuse the report but more in particular that Asunción had declared League efforts to be a failure and

⁷⁹ Not printed.

that she would turn to "American mediation". While he expects that in any event Paraguay would be slow in accepting the report he foresees a pretext for delay in this alleged appeal for American mediation. He feels that could this pretext, if possible, be taken from them at this particular juncture it would be most helpful. He thus has preoccupations whether Washington would consider taking action either privately or publicly with the two governments as in a somewhat similar situation in the Leticia matter (Department's press release November 1933⁸⁰).

GILBERT

724.3415/4351 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, November 22, 1934—6 p. m.

121. Your 334, November 19, 9 p. m. The Department shares your views that it is decidedly inexpedient for the United States to express any opinions regarding the report of the Chaco Committee at this time. In your discretion you may orally and informally state to Avenol that the position of this Government has been made very clear upon repeated occasions and that in general the United States would be disposed to view favorably any proposals that in its judgment might seem calculated to further peace in the Chaco; but that this Government is unable to assume any definite position until tangible, concrete, and official proposals are presented to it. In such event, the Government of the United States will determine its attitude with regard to each specific proposal in accordance with the merits of such proposal and taking into consideration the conditions which exist at that time.

In reply to the inquiry contained in paragraph 6 of your cable under reference, receipt by wireless was satisfactory.

HULL

724.3415/4364 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, November 23, 1934—3 p. m.

[Received 4:44 p. m.]

325. Department's 173, November 21, 5 p. m. In the course of a conversation on other matters with the Secretary General of the Foreign Office yesterday evening he volunteered the following information:

⁸⁰ Not found in Department files.

Bolivian Minister here had just called on Foreign Minister and had appeared quite sanguine as to Bolivia having acquired a much stronger tactical position through Paraguay's action concerning the Chaco report.

The Bolivian Minister then outlined the solution which he thought the League might adopt if Paraguay refused to accept League plan whereupon the Minister for Foreign Affairs replied that no solution which might be reached without the participation of one of the parties in conflict could put a final stop to hostilities. The Foreign Minister then said that in his view the best hope of definite and final solution lay in procedure of the nature reported in my 318, November 16, 6 p. m., and my 320, November 17, 2 p. m.

The Secretary General said that the Bolivian Minister appeared to acquiesce in this idea and stated that he would report the suggestion sympathetically to his Government. The Secretary General concluded by saying that the Foreign Office also felt that Paraguay would recognize that procedure of this nature would offer the best prospects.

In view of the Department's instructions referred to above I refrained from any disclaimer or comment of any kind.

GORDON

724.3415/4372: Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, November 24, 1934—10 p. m.

[Received November 24—6: 35 p. m.]

354. Avenol has handed me a communication dated today addressed to you and signed by himself as Secretary General of which the following is the text:

"Sir: I have the honor to inform you that on November 24th, 1934, the Assembly of the League of Nations adopted a report concerning the dispute between Bolivia and Paraguay as provided for under article 15, paragraph 4, of the Covenant of the League of Nations.

I beg to enclose a copy of this report.

Paragraph 12 of part 4 of the report provides for the setting up of a Neutral Supervisory Commission. The Argentine, Chile, Peru and Uruguay shall each appoint one member of the Commission. The United States of America and the United States of Brazil shall also be invited to appoint one member each. The duties and powers of the Neutral Supervisory Commission are laid down in paragraph 12 of part 4.

In accordance with the instructions of the Assembly, I have the honor to convey to you this invitation.

I need not say that the Assembly attaches great importance to the cooperation of your Government in the Neutral Supervisory Commission and earnestly hopes that it will be able to accept this invitation.

I have the honor to be, Sir, your obedient servant."

GILBERT

724.3415/4373 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, November 24, 1934—midnight.
[Received November 24—6:50 p. m.]

356. Avenol has just handed me a communication dated today addressed to you and signed by himself as Secretary General of which the following is the text:

“Sir: I have the honor to inform you that on November 24th, 1934, the Assembly of the League of Nations adopted a report concerning the dispute between Bolivia and Paraguay as provided for under article 15, paragraph 4, of the Covenant of the League of Nations.

I beg to enclose a copy of this report.

In accordance with part 6 of the report an Advisory Committee has been appointed by the Assembly with the duties and responsibilities set forth in that report.

The Committee consists of representatives of the following states: Argentine, Australia, United Kingdom, Chile, China, Colombia, Cuba, Czechoslovakia, Denmark, Ecuador, France, Irish Free State, Italy, Mexico, Peru, Poland, Portugal, Union of Soviet Socialist Republics, Spain, Sweden, Turkey, Uruguay, Venezuela.

The Advisory Committee met on November 24th and in accordance with the instructions of the Assembly directed me to invite the Governments of the United States of America and the United States of Brazil to collaborate in its work in the manner which they shall consider the most appropriate.

I have now the honor to convey to you this invitation.

I need not say that the Advisory Committee attaches great importance to the cooperation of your Government in its work and earnestly hopes that it will be able to accept this invitation.

I have the honor to be, Sir, your obedient servant.”

GILBERT

724.3415/4373 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, December 1, 1934—3 p. m.

176. In accordance with recommendations adopted by the Assembly of the League of Nations, this Government has received two invitations transmitted by the Secretary General of the League through the American Consul in Geneva, the first requesting the United States to participate in the deliberations of an Advisory Committee whose seat shall be at Geneva, and the second requesting the United States to appoint a representative to take part in the duties of a so-called “Neutral Supervisory Commission” to deal with the purely military aspects involved in the proposed cessation of hostilities between Bolivia and Paraguay and in the taking of measures necessary to assure

the neutrality of a security zone between the military forces of the two belligerents.

After very careful consideration this Government contemplates sending the following replies to these two invitations:

[Here follow texts of replies transmitted to the Consul at Geneva in (1) telegram No. 126, December 6, 6 p. m., printed on page 125; (2) telegram No. 125, December 6, 5 p. m., printed on page 124.]

The reference made in the second of these replies to the peace conference at Buenos Aires has to do with that portion of the recommendation of the League which provides for the holding of a conference of representative[s] of American States to meet at Buenos Aires within 1 month of the date of cessation of hostilities for the purpose of assisting the belligerents in concluding a treaty of peace based upon (a) "the final delimitation of the frontier between the two countries; (b) security clauses; and (c) economic clauses." The conference would be limited to the American republics and would be invited by the Argentine President; the period fixed for its labors would be limited to a period not to exceed 2 months and in the event that the conference should not succeed, the two belligerents would be bound to call upon the Permanent Court of International Justice to give judgment in accordance with the provisions which they shall previously have agreed upon in accordance with the terms of the report of the League.

At the earliest opportunity after receipt of this cable you should obtain an interview with the Minister for Foreign Affairs and say to him orally on behalf of your Government that the United States, which deeply appreciates the very close and friendly cooperation between our two Governments, does not desire to send these replies to the League without first communicating their contents to the Brazilian Government and being afforded an opportunity of discussing the policy therein envisaged in the frankest manner with the Government of Brazil. You should thereupon read to him the texts of the proposed replies.

You should further state that in the judgment of this Government, while it would unquestionably be desirable that all inter-American disputes be adjusted by purely American peace agencies, the time has not yet come when efficient machinery is functioning nor have the peace agencies created by common agreement between the American nations so far acquired sufficient prestige to prove their usefulness at this juncture. Frequently the peace efforts of the American nations during the years of the continuation of the Chaco dispute have broken down as the result of disagreement between the American mediating nations. Except for Brazil and the United States, the present report of the League provides the first occasion upon which all of the American republics have officially agreed upon a formal recommendation for

the settlement of the dispute. Because of the special circumstances existing, this Government believes that were the United States to appear to adopt an attitude of passive opposition and refuse its cooperation so far as it is able to offer it in view of its non-membership in the League, the blame for the possible failure of the League efforts or for the refusal of Bolivia or Paraguay to agree to the terms of the report would in certain quarters be placed upon the United States.

This is a practical possibility which the United States desires to avoid. But more important than that, the United States believes that its moral support should be consistently offered as it has publicly stated to all peace movements on this continent which appear to hold the promise of achieving their objective. While the United States is not willing to take part in any committee which is constituted to sit in Geneva and which is responsive solely to the necessities of the League organization, it nevertheless believes that by participating in the manner indicated in the Neutral Supervisory Commission and in the proposed peace conference in Buenos Aires, it might be of assistance in the common peace objective of the American nations, particularly since both the Neutral Supervisory Commission and the peace conference in Buenos Aires would be composed exclusively of American States operating on American territory.

In conclusion you should state that were the Brazilian Government to share the views expressed by the United States and to take similar or parallel action, it is believed that should this present effort fail, both Brazil and the United States would be in a stronger position subsequently to exert their efforts for peace and at an appropriate moment to lead the way together with other American nations in proposing the formulation of peace machinery on this continent which would always be adequate in the event that the peace of this hemisphere was threatened.

Similar views to those expressed above have been made in full detail to the Brazilian Ambassador in Washington who is communicating with his Government.

It is of the utmost importance that the views of the Brazilian Government be communicated to the Department at the earliest possible opportunity in order that our official and public reply to the League invitations may not be unduly delayed. It is the earnest hope of this Government that the views of Brazil and of the United States may coincide on this occasion as they have to such great common advantage throughout the Chaco negotiations.

HULL

724.3415/4392 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, December 3, 1934—7 p. m.

[Received 9:40 p. m.]

328. Department's 176, December 1, 3 p. m. Minister for Foreign Affairs stated this morning that the view of the Brazilian Government was that its reply to the invitations of the League of Nations should be similar to ours as regards non-participation in the deliberations of the Advisory Committee and as regards participation in the Buenos Aires conference. As regards participation in the labors of the Neutral Supervisory Commission, Brazil feels that in view of its geographical position, contiguous to the belligerents, it is in an entirely different situation from ourselves and therefore that in appointing a representative upon this Commission he must be given full powers and not be subject to the limitations as we propose to impose upon our representatives.

The Foreign Minister pointed out that as a result of the schedule of time limits set forth by the League Report and the statements on the part of Paraguay and Bolivia as to when their answers might be expected, hostilities would still be continuing throughout this month, if not longer. His Government, therefore, felt that a determined effort should be made to secure the consent of Bolivia and Paraguay to the immediate cessation of hostilities in return for Brazil's agreement to participate in the League peace plan. If this could be brought about it would constitute such an important new factor, altering the situation as it had hitherto existed, that Brazil would be justified in departing from her former consistently maintained policy of non-cooperation with League agencies. Accordingly, the Foreign Minister has sounded out the Bolivian and Paraguayan Ministers here both of whom today promised to recommend strongly to their respective Governments that this proposal be accepted. The Secretary-General of the Foreign Office also informed me that the Brazilian representatives in La Paz and Asunción have been instructed to endeavor immediately to obtain affirmative replies to this proposal.

The Minister stated that Paraguay could not consistently refuse to accede to this proposal and that he also had ground for believing that Bolivia would prove amenable.

The Minister, of course, only spoke for Brazil when making his proposal. If, however, the United States were disposed similarly to suggest to Bolivia and Paraguay immediate cessation of hostilities in return for American participation at Buenos Aires and in the work

of the Neutral Supervisory Commission, the Foreign Minister would be much gratified. In any event, he wished definitely to request that our replies to the League invitations be held up until he received replies from La Paz and Asunción to his proposal, which he is confident will be within 2, or at the most, 3 days.

Will the Department therefore instruct me at its early convenience in the premises.

The Minister showed me the telegram which he sent Aranha⁸¹ last Saturday which clearly indicates the importance his Government attaches to the immediate cessation of hostilities as a new fact justifying the reversal of policy which Brazil is now prepared to consider.

I pointed out to the Minister this afternoon that there was nothing in the tenor of my instructions as I conveyed them to him this morning indicating that we had any idea of interrupting our further collaboration with League agencies upon the cessation of hostilities. The Minister consequently did not formally request us to take similar action but merely stated as set forth above how gratified he would be if we should see our way clear to do so.

I also stated to the Minister that in my opinion if Bolivia and Paraguay should agree to his proposal for an immediate cessation of hostilities on the express condition that Brazil cooperate with League peace agencies, that would be tantamount to acceptance by the two belligerents of the whole League plan; as both countries had indicated that they would not be able to give their answer on the League Report until a good many days hence, I did not quite understand how he felt so sanguine as to getting an immediate and favorable reply to his proposal. The Minister said that he agreed as to the effect of an acceptance of his proposal but he still felt that this acceptance could be obtained in short order with the result that Brazil and America would be leading the way to peace.

In explaining his optimism, the Foreign Minister stated that both the Paraguayan and Bolivian Ministers had not only promised, as indicated above, to recommend acceptance of his proposal, but also had told him this afternoon that they considered the chances of it being accepted in their respective countries were very good. In addition, the Minister also showed me necessarily in strictest confidence a short memorandum from the Bolivian Minister stating that if Brazil and the United States agree for an immediate cessation of hostilities as the condition precedent to their collaboration in the League peace plan he had good reason to believe his Government would accept it. Of course this was only the personal opinion of the Bolivian Minister and he may well have been exceeding his instructions in some of his conversations with the Foreign Minister.

⁸¹ Oswaldo Aranha, Brazilian Ambassador to the United States.

In connection with the general discussion reported in the first part of this telegram the Secretary General made the statement that his Government very much wished that we could see our way to conferring full powers upon our representative on the Neutral Supervisory Commission.

GORDON

724.3415/4392 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, December 4, 1934—noon.

177. Your 328, December 3, 7 p. m. You may inform the Minister for Foreign Affairs that this Government is deeply gratified to learn that the views of the Brazilian Government with regard to the invitation of the League of Nations are so nearly identical to those held by the United States. You may further say that in deference to the desire expressed by the Foreign Minister, this Government will be glad to withhold its official reply to the League invitation until the latter part of this week with the hope that this action may be conducive to a successful termination of the negotiations which the foreign Minister is conducting with Paraguay and Bolivia. This Government, however, does not feel that it should withhold its official reply for any additional period in view of the mistaken conjectures which such postponement might give rise to.

This Government further fully appreciates the fact that the situation of Brazil as a country contiguous to the belligerents is dissimilar to that of the United States and that for that reason the Brazilian representative appointed to the Neutral Supervisory Commission would be given full powers. The United States, however, in view of its individual position, and because of the fact that the Commission might at certain times be subject to the jurisdiction of the Assembly of the League, does not feel able to alter its decision that its own representative should be without vote and without powers to commit this Government except after specific instruction.

Aranha, in conversation here, has intimated very strongly that he opposes the Foreign Minister's negotiations through the Bolivian and Paraguayan Ministers in Rio. He has sent an urgent cable requesting him to desist from a continuation of these negotiations and recommending that the Brazilian Government adopt an attitude similar to that of the United States.

For your own guidance, this Government is not inclined to predicate its acceptance of the League invitation upon immediate cessation of hostilities by the belligerents. The League proposal presupposes cessation of hostilities under the regulation of the Neutral Supervisory

Commission and in view of the existing military situation, it would seem highly improbable that Paraguay, even if it accepts the League proposal, will agree to this further condition now sought by Brazil. Consequently, this Government stands on the decisions already communicated to you and will transmit its official replies to Geneva without modification at the time indicated above. You will be advised by cable as soon as the replies are cabled to Geneva.

HULL

724.3415/4395 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, December 4, 1934—2 p. m.

[Received 5:11 p. m.⁸²]

329. My 328, December 3, 7 p. m. last paragraph. The Minister for Foreign Affairs confirmed the statement made by the Secretary General emphasizing his opinion that if both the American and Brazilian representatives on the Neutral Supervisory Commission were given full powers the situation entrusted to this Commission would be much easier to control.

Yesterday the Foreign Minister and the Secretary General had been somewhat non-committal as to Brazil's probable course of action should her confidential *démarches* in Bolivia and Paraguay not result favorably. I brought the point up again by saying that as this *démarche* was a confidential and individual one on the part of Brazil alone even if its outcome should contrary to the Minister's hope and expectation prove unfavorable I assumed that Brazil would not consider that she would then be definitely precluded from cooperating with League peace agencies but that if she felt that her larger interests lay in that direction would still be open for such cooperation.

The Minister replied that this was the case but that he felt even more confident than yesterday afternoon that his proposal would be accepted by both Bolivia and Paraguay. He has a telegram from the Minister at La Paz which while not final indicates that a definitely favorable reply from the Bolivian Government may be expected during the course of today.

Aranha's telegram of yesterday was shown me by the Foreign Minister who expressed regret that you did not share his (the Foreign Minister's) views as to the feasibility of securing the agreement of both belligerents to an immediate cessation of hostilities and as to this constituting the "new fact" of capital importance. He concluded by saying that although Brazil alone had taken the risk in this *démarche* if, as he had more than ever reason to believe, its outcome proved sat-

⁸² Telegram in two sections.

isfactory he would be more than glad to share the benefit thereof with the United States: and he firmly hoped that if such a solution were now to be attained the United States in replying to the League invitations would join Brazil in stating that the belligerents having requested an immediate cessation of hostilities at their request they were now respectively prepared to cooperate with certain agencies set up by the League report. The Minister felt that if we took such action the United States and Brazil would be preserving in signal and effective manner their leadership in the efforts to establish peace.

GORDON

724.3415/4373 : Telegram

*The Secretary of State to the Minister in Bolivia (Des Portes)*⁸³

WASHINGTON, December 4, 1934—4 p. m.

30. (Repeat Gray section of telegram to Rio No. 176, December 1, 3 p. m.)⁸⁴ You should obtain an interview at the earliest possible moment with the Minister for Foreign Affairs and read to him the text of the above replies, without, however, leaving copies thereof. Please state to the Minister for Foreign Affairs that the decision of this Government as above indicated demonstrates once more the earnest desire of the United States to cooperate in every effective and practical way with the other nations of this Continent for the peaceful solution of the Chaco War and that this Government desires the Bolivian Government to be confidentially advised of the intention of the United States before the official replies of the United States are received in Geneva.

Please make it clear, in your conversation with the Minister for Foreign Affairs that these replies to the League invitation will not be sent for 2 or 3 days yet and consequently request that the information contained therein be regarded as strictly confidential by the Government to which you are accredited.

The Bolivian Minister here has been informed of the contents of the above this morning.

Please cable the Department as soon as possible the reply which may be made to you by the Minister for Foreign Affairs in response to this communication. You should further transmit by cable any information you may have as to the nature of the reply which Bolivia may make to the League recommendations. Cable at the same time briefly present political status and whether in your judgment the present Government is going to be able to maintain itself.

HULL

⁸³ Similar telegram, omitting the final sentence, to the Minister in Paraguay as telegram No. 40, December 4, 4 p. m.

⁸⁴ *Ante*, p. 114, the portion of the telegram up to the paragraph beginning "At the earliest opportunity . . ."

724.3415/4400: Telegram

The Chargé in Chile (Scotten) to the Secretary of State

SANTIAGO, December 5, 1934—4 p. m.

[Received December 5—3: 27 p. m.]

112. In conversation with the Undersecretary for Foreign Affairs the latter informed me of the receipt of a cable from the Chilean Ambassador in Washington reporting the decision of the Department regarding the manner in which the United States will cooperate with the special Commissions of the League of Nations looking towards a settlement of the Chaco conflict. The Undersecretary indicated that the Chilean Government is highly pleased with the way in which this matter is developing and especially with the policy of the United States and Brazil. It is, of course, obvious that Chile feels that the inclusion of the United States and Brazil will prevent any final settlement from being dominated by Argentina.

SCOTTEN

724.3415/4399: Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, December 5, 1934—7 p. m.

[Received 9: 22 p. m.]

84. The two contemplated replies in the Department's telegram 30, December 4, 4 p. m., were read to the Minister of Foreign Affairs this afternoon and he expressed pleasure at the Department's decision to participate in Buenos Aires, and he wishes the United States would take more part in the Committee in Geneva, and stated that the Department's message would be taken into account at the Cabinet discussions on the Bolivian reply to the League which are going on and which will continue for a few days more when he thinks the reply may be sent.

Judging from the newspaper interview with the Foreign Minister (air despatch No. 195, November 26th⁸⁵) it is thought that the reply to the League will be a brief acceptance. However, military authorities may influence the new President toward a less peaceful attitude.

Present government is well established and should have few difficulties until March. Nevertheless, having been installed militarily it may so disappear in a few months.

DES PORTES

⁸⁵ Not printed.

724.3415/4401 : Telegram

The Chargé in Paraguay (Butler) to the Secretary of State

ASUNCIÓN, December 5, 1934—10 p. m.
[Received December 6—9: 25 a. m.]

50. Department's telegram No. 40, December 4, 4 p. m.⁸⁶ At the suggestion of the Minister for Foreign Affairs I had an interview with the President and him this afternoon. After reading the text of the replies quoted in the Department's telegram and giving them the information contained in the second, third and fourth from the last paragraphs of the Department's telegram I asked the President if he could give me any information as to the nature of the reply which the Paraguayan Government intends to make to the League. He told me that the official text of the League proposal had only been received today and that his Government is now considering its reply. The President then made the following observations:

Paraguay does not want to risk being placed in the position of being held responsible for the failure of any peace proposal but the League plan cannot be accepted as it stands. Paraguay will seek modifications of the plan which would make it acceptable. The specific objections are, first, that the plan does not provide for immediate cessation of hostilities and demobilization of forces but merely for an armistice with troops being held under arms during months of negotiations; second, that the conditions for putting an end to the fighting and establishing a neutral zone are impossible of fulfillment; third, that the League procedure cannot be accepted by Paraguay without the ratification of Congress because it involves agreements about arbitration as well as measures relating to a cessation of military operations.

The President stated that he was convinced that Congress would not ratify the League proposal even if it were in session. He said that he thought the procedure was contrary to the Bolivian Constitution also, but that for tactical reasons Bolivia might agree to the League proposal knowing that Paraguay would have to ask for modifications.

The President expressed some concern lest the Department's proposed replies to the League invitations might be construed by world opinion to indicate that the United States Government is attempting to influence a decision to accept the League proposal. He said that he considered the immediate present an inopportune time for any action on the League plan because of instability of the Government of Bolivia. The situation might change in a week or so he thought. The President also said that Paraguay must ask for an investigation of the responsibility for the war.

⁸⁶ See footnote 83, p. 121.

I feel sure that the Paraguayan reply to the League will amount to a practical rejection of the plan. It was quite evident that both the President and the Minister for Foreign Affairs are opposed to the proposal in its present form and are convinced that it could not succeed.

BUTLER

724.3415/4372: Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, December 6, 1934—5 p. m.

125. Your 354, November 24, 10 p. m. Please make reply to Avenol as follows:

"I duly transmitted to my Government the courteous invitation of the Assembly of the League of Nations conveyed in your letter of November 24, 1934, to cooperate in the work of the Neutral Supervisory Commission set up under paragraph 12 of part 4 of the report adopted on that date by the Assembly concerning the dispute between Bolivia and Paraguay. In reply I am directed to express the appreciation of my Government for this invitation and to say that my Government, taking into consideration that the Neutral Supervisory Commission will be composed of representatives of American States meeting on American soil for the specific purpose of supervising and facilitating the execution of measures relating to the cessation of hostilities, which measures would have been previously agreed to by both parties to the dispute, will be happy to cooperate with the Neutral Supervisory Commission by appointing a member of the Commission, who would, however, participate in the labors of the Commission without the power to vote or to commit the United States except under specific instructions from the Government of the United States.

My Government desires me to add a reference to paragraph 13 of part 4 of the report, which provides for a conference of representatives of American States to meet at Buenos Aires within 1 month from the date of the cessation of hostilities for the purpose of conducting negotiations looking to the conclusion of a treaty of peace. My Government has noted that the report provides that the President of the Argentine Republic would be requested to fix the date of the conference and to invite, among other American States, to participate therein the States represented on the 'Washington Committee of Neutrals', of which the United States is one. I am directed to inform you that my Government upon receipt of an invitation from the President of the Argentine Republic to take part in such conference will be happy to accept."

Deliver foregoing reply tomorrow, December 7, in the forenoon. Department will release it for publication here at noon tomorrow.

HULL

724.3415/4373 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, December 6, 1934—6 p. m.

126. Your 356, November 24, midnight. Please address the following reply to Avenol:

"My Government has directed me to make the following reply to your letter of November 24, 1934, transmitting the invitation of the Advisory Committee appointed by the Assembly of the League of Nations in accordance with part 6 of the report adopted on that date by the Assembly concerning the dispute between Bolivia and Paraguay.

My Government has given attentive consideration to the duties and responsibilities of the Advisory Committee as set out in the aforementioned report. The Advisory Committee, which has already met at Geneva, is composed of representatives of 23 States, including the States members of the Council of the League of Nations as well as other States. The Committee has been constituted 'to follow the situation, more especially as regards the execution of the Assembly's recommendations for the settlement of the dispute and to assist the members of the League to concert their action and their attitude among themselves and with non-member States, more particularly as regard the most effective application, the modification, or withdrawal of the prohibiting of the supply of arms', as well as 'to make any proposals it may think desirable'. The Committee 'shall have power to make any communication, recommendation or proposal which it considers desirable to the members of the League, the Assembly, or the Council. It shall communicate its reports to the Governments of the States non-members of the League which are cooperating in its work, as well as to the members of the League. The Committee shall more particularly bear in mind the Assembly's desire that the state of breach of obligations (of the Covenant of the League of Nations) to settle disputes by peaceful means shall promptly be brought to an end.'

In view of these powers, duties, and responsibilities of the Advisory Committee as above briefly reviewed, my Government, inasmuch as it is not a member of the League of Nations, does not find it possible to collaborate in the work of this Committee. However, in accordance with the policy of my Government, which it has consistently followed, and repeatedly announced, of furthering in every possible and practical manner, the peaceful settlement of this dispute, my Government will be glad to instruct me to maintain informal contact with the members of the Advisory Committee for purposes of information, if this should be found agreeable by the Committee."

Deliver foregoing reply to-morrow, December 7, in the forenoon. Department will release it for publication here at noon to-morrow.

HULL

724.3415/4398 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, December 6, 1934—6 p. m.

181. Aranha communicated to the Department this morning a cable from his Government which corresponded in general to the information transmitted in your 332, December 5, 8 p. m.⁸⁷ It is obvious, both from this information and from information received from the Bolivian and Paraguayan Ministers here and from the American Legations in Asunción and La Paz, that neither of the two belligerents is prepared to accept the condition imposed by the Brazilian Government. The Bolivian Minister here states that acceptance by his Government of the Brazilian condition would merely offer Paraguay the way to evade acceptance of the League's invitation on the ground that Brazil's participation in the League procedure was indispensable and that since the condition imposed by Brazil for her participation was impracticable Paraguay could therefore not accept the League proposal.

. . . It would, of course, be highly desirable in the interest of all that Brazil should not place herself now in a position from which she cannot recede and which would make her participation with the United States and the other Republics of this Continent in the peace move impossible.

You may say to the Foreign Minister that this Government deeply appreciates the very frank way in which the Brazilian Government has communicated its own views to this Government and that the United States sincerely regrets that it is unable to adopt the suggestion offered by the Brazilian Government to insist upon cessation of hostilities as a prerequisite to its participation in the proposal of the League; nevertheless it trusts that the situation may so develop as to make it possible for Brazil to express its willingness to participate with the United States and the other American Republics in this new peace movement should both of the belligerents accept the League proposal. You may state further that in accordance with the information previously conveyed to the Brazilian Government, the replies sent by the United States to the Secretary-General of the League will be delivered tomorrow, Friday, morning, and will be made public here in the course of the same day.

HULL

⁸⁷ Not printed.

724.3415/4408 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, December 7, 1934—7 p. m.
[Received 8:20 p. m.]

336. Department's 181, December 6, 6 p. m. In communicating your instruction to the Foreign Minister, he stated that he now had a definite reply from Bolivia accepting his proposals that she cease hostilities immediately in return for Brazilian participation in the League peace proposals. This had just been communicated to him orally by the Bolivian Minister who, upon his request, was to give it to him in written official form later this afternoon.

The Foreign Minister felt that under the circumstances he would have to keep the matter under further consideration.

He thought that with this Bolivian acceptance in hand he could now force Paraguay into an acceptance of his proposals.

I thereupon emphasized the point contained in the penultimate sentence of the Department's telegram under reference and said that I hoped that even if Paraguay did not accept his proposal but did accept the League recommendations that Brazil would be prepared to participate. The Foreign Minister replied that it seemed clear to him that if Paraguay refused his proposal it would be only because she intended to refuse the League recommendations. I again observed, as I had done in previous conversations, that there seemed to be a clear distinction between the two and once more pressed the point. The Minister then said that if Paraguay did not reply to his proposal within about a week he would inform her of his intention to accept the League's invitation in terms similar to those of the American answers with the exception of giving full powers to the Brazilian member of the Neutral Supervisory Commission and adding that in an humanitarian effort he had attempted to obtain the immediate cessation of hostilities and that while Bolivia had acceded to his request Paraguay had refused to accept. He hoped this would constitute sufficient pressure to bring Paraguay into line.

GORDON

724.3415/4415 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, December 11, 1934—10 a. m.
[Received 10:45 a. m.]

381. Avenol informed me late last evening that the Chaco Advisory Committee would meet on Wednesday, December 12, instead of December 20 and that he would send me an informal letter inviting me "to

be present if I desired in order conveniently to be informed of the proceedings⁷. Knowing the situation I wish to make clear that in this Avenol did not in his view place any strained construction on the final paragraph of my communication to him of December 7 (Department's 126, December 6, 6 p. m.) but rather to meet the suggestion expressed therein by the best means at his disposal and in a manner to him entirely normal. I may add that I could undoubtedly arrange to have such a communication worded in any way that might be desired.

I immediately replied that I preferred that he not bring this question forward at this time. He readily acquiesced. Thus if desired the matter may rest at that point. I nevertheless feel it desirable to acquaint the Department with all of the pertinent factors of the situation here in order that in a matter of policy of this character the case may be considered on its merits.

(a)—I feel that the considerations which I discussed in my despatch 1087, political, November 16⁸⁸ are in general applicable. The special conditions are however,

(b)—The extreme lucidity of our last two communications on the Chaco respecting the American technical position vis-à-vis the League has most helpfully cleared the atmosphere here and rendered misinterpretation of our position virtually impossible.

(c)—Our constructive approval of certain League actions in this matter renders this somewhat of a special case. Our physical presence in the Committee on however informal a basis is regarded here as having psychological values favorable to satisfactory achievement and thus is the course we are looked to to follow rather than the opposite.

(d)—Latin-American delegates, all of whom I felt it sound policy personally to cultivate, have expressed the hope or taken it for granted that we would be present at these deliberations in which they plan to play the leading role.

(e)—The Brazilian delegate has informed me that he has reason to believe that his Government will instruct him to be present. If this be the case it would present the aspect of disparity in our attitudes.

(f)—Experience has clearly demonstrated to me the very real difficulty of obtaining sound information when not actually present at proceedings. Information furnished me by the Secretariat through any arrangement is either *pro forma* with all of the fine points missing or elements presumably felt to be disadvantageous to the League are omitted. I have customarily resorted to checking such information by conversations with delegates which I have endeavored to make appear as casual as possible. But this method is at best unsatisfactory and in it is a certain lack of dignity in respect of a question in which we are so evidently interested.

I fully appreciate the differences in the status of the Committee depending on the acceptance of the report by the parties. Certain of

⁸⁸ Not printed.

the factors which I have enumerated apply however in both cases.

Please instruct at least for guidance.

GILBERT

724.3415/4415 : Telegram

The Acting Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, December 11, 1934—5 p. m.

128. Your 381, December 11, 10 a. m. The acceptance in part by this Government of the invitations extended by the League is necessarily contingent upon the acceptance by the two belligerents of the League Report. Until such time, therefore, as the reply of Paraguay is determined upon, it would seem clearly desirable for you to refrain from being present at any of the sessions of the Chaco Advisory Committee.

Should the League Report be accepted by both belligerents, the nature of the "informal contact", which the League was informed you would be instructed to maintain with the Chaco Advisory Committee, would be determined by considerations of convenience and the practical advantages to be obtained. While the Department has given full and sympathetic consideration to the various points which you bring forward, you will realize that this Government has already determined not to take part in the deliberations of the Advisory Committee and it would unquestionably be regarded as at least passive participation by the United States if its representative were present at the meetings of the Committee. It would seem probable that Avenol, or the chairman of the Committee, in order to make your "informal contact" effective, might readily arrange to advise you fully of all of the important matters dealt with by the Committee.

PHILLIPS

724.3415/4423 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, December 13, 1934—2 p. m.
[Received December 13—12: 40 p. m.]

386. 1. The Department's telegram No. 128, December 11, 5 p. m. was exceedingly useful in reaffirming the Department's pertinent basic policy which I have consistently employed as background and more specifically in stating its application to the technical point in question. This opportunely enabled me yesterday morning before the Committee meeting to discuss with Avenol (without however disclosing to him all of the Department's preoccupations) the possible machinery of our

being kept informed and at the same time to suggest to him the desirability of preventing if possible any untoward discussion in the Committee of the American position in this matter.

2. The following is a summary of the Committee's report which was handed me by the Secretariat.

(a)—The Committee met to take cognizance of the Bolivian reply and the United States' letters of December.

(b)—Noted that the Bolivian reply constitutes an unreserved acceptance of the Assembly's recommendations and decided to inform the representative of Paraguay thereof.

(c)—Was "happy to note that the Government of the United States declares its willingness to cooperate on the conditions stated in its letter with the Neutral Supervisory Commission and with the Buenos Aires peace conference. It accepted the United States Government's proposal that contact should be established between the members of the Committee and the United States Consul in Geneva and instructed its Bureau (the Secretary General and the Chairman) to take the necessary steps for this purpose".

(d)—Took cognizance of the Paraguayan telegram of December 11 and despatched the reply quoted in my number 385, December 13, 10 [9?] a. m.⁸⁹

3. The Secretariat also apprised me orally as follows:

The Bolivian representative who was present in the Committee assumed an attitude which was easily forecast by the general atmosphere of the Bolivian position here to the effect that her acceptance of the recommendations in a sense morally relieves her of responsibilities respecting the Chaco. Specifically the Bolivian representative:

(a)—Asserted that after December 16 (6 days following the date of Bolivia's acceptance) all responsibility for loss of life in the Chaco would rest with Paraguay. The Committee merely pointed out that the import of the pertinent provision in the report was that the 6 days would run after the acceptance of the revised text by both parties.

(b)—Notified the Committee that he would raise the question of the arms embargo after the 20th. The Committee thereupon decided to reconvene on December 20.

(c)—Asked that the meetings of the Committee be public in order that the Bolivian position might be generally known. The Committee took no action but the matter may come forward at its next meeting.

4. It was originally intended that the meeting of December 12 should take the place of that which had been scheduled for December 20. The reason alleged for this was that the presence of a large number of delegates in Geneva to the Extraordinary Council would render the former date more convenient. The Bolivian statement respecting the embargo cited above rendered technically necessary the holding of an additional meeting on December 20. I may comment however that

⁸⁹ Not printed.

upon the abandoning of the original plan to hold the meeting on the 20th rumors were current here that this move was instigated by Argentina presumably with the thought that the Paraguayan material position in the Chaco would be more advantageous by January 11 when the Committee would have next convened simultaneously with the January Council which is now scheduled for that date.

5. I learn from other sources that the following also occurred in the Committee respecting the American position :

(a)—The Advisory Committee. Madariaga took issue with the phrase "informal contact" asserting that there could neither juridically nor appropriately be an informal relationship with a responsible official body. He felt that there should be a clearer definition or interpretation of the American position. Citing precedents of our presence in similar bodies in the Sino-Japanese and Leticia affairs he interpreted the present American external attitude as a substantive change in policy.

Najera ⁹⁰ assisted by Avenol finally achieved the adjustment of the Committee's leaving the matter of contact with the United States to be arranged with me as stated above.

(b)—Supervisory Commission. Guani (Uruguay) took exception to the phrasing in our communication "representatives of American States meeting on American soil" asserting at some length that it by inference misinterpreted the character of the Commission which was a League organ. He likewise suggested that political motives including the Monroe Doctrine lay back of our whole relationship to this matter of which the phrase in question was illustrative.

6. I am not informed whether other representatives took part in the discussion on the two points mentioned above and it may be that the information as I received it is an over-statement. I gather the impression that the general attitude of the Committee members is to make light of these matters and to regard them as inconsequential.

7. In conversations with the Brazilian representative here I told him that in view of the similarity in our status I would keep him informed of such attitudes as we might adopt here. He said that he would be glad to do the same. Later he told me that he had informed his Government of my "very helpful offer". I mention this solely because the Brazilians might speak of it. I trust that the Department will understand that I would only inform him of what was appropriate.

GILBERT

⁹⁰ Mexican representative on the League Council and Chairman of the Chaco Committee of Three.

724.3415/4434 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, December 19, 1934—5 p. m.
 [Received December 19—4: 38 p. m.]

393. 1. Secretary-General has received a telegram from the Paraguayan Government under date of December 18 submitting in detail objections to the essential provisions of the recommendations of the Assembly for the settlement of the Chaco conflict. This reply is considered as tantamount to a rejection.

2. A reply from Brazil to the invitation to participate in the bodies envisaged in the Assembly's recommendations is substantially the same as that of the United States except that the Brazilian member of the Neutral Supervisory Commission will be provided with full powers.

I shall not telegraph texts unless instructed.

GILBERT

724.3415/4437 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, December 21, 1934—10 a. m.
 [Received December 21—9: 35 a. m.]

394. Consulate's 393, December 19, 5 p. m., paragraph 1. At the close of its meeting last night the Advisory Committee on the Chaco sent the following telegram to the Paraguayan Government:

"The Advisory Committee met on December 20th and took note of your telegram of December 19th. It feels that it must revert to certain points which have been raised by the Paraguayan Government. Before doing so it desires to point out that after receiving the observations of the Paraguayan Government and with the object of meeting those observations, the Assembly made important changes, more particularly in the military provisions, in its first draft report. The authentic text was sent to you on November 24th. Some of your observations appear, however, to refer to the first draft.

The cessation of hostilities proposed is definitive; this is an essential condition of the recommendations of the Assembly, the latter being particularly concerned to prevent the continuation of the breach of the Covenant. The plan does not provide for a long armistice, but for a final cessation of hostilities. It does not leave the armies on a war footing; it provides for demobilization, which is to begin immediately, under the supervision of the Neutral Supervisory Commission. Paraguay having always demanded adequate measures of security, the Supervisory Commission, composed of representatives of American states, provides for the most effective and most impartial measures. It has very wide terms of reference and must take the most appropriate steps. The report fixes no arbitrary distance, but leaves it to the Commission to organize security according to practical necessities.

The Committee is therefore convinced that the Supervisory Commission will be able to prevent any dangerous incidents, and should such occur, to settle them rapidly. Such a system of security is necessary in order that demobilization may be actively pursued once it has begun. Should it not have been completed by the time the Buenos Aires conference opens, the latter will deal with the matter urgently.

As regards the time limits for the negotiations it is stipulated that these time limits may be prolonged by agreement between the parties. It is obvious that if there is a possibility of voluntary agreement there will at the same time be a possibility of agreement to extend the time limits. It should not be forgotten that these negotiations will take place with the active cooperation of the 10 American states mentioned in paragraph 13 of the report. The United States of America and the United States of Brazil having agreed to participate the Committee considers that the question of prisoners could be dealt with at the Buenos Aires peace conference.

As regards the conditions for a possible recourse to the Permanent Court of International Justice the Assembly only contemplates such recourse to a judicial settlement in the event of the failure of direct negotiations; it hopes that this eventuality will not arise, but in its recommendations under article 15 it is obliged to provide for it. The formula proposed for submitting the substantive questions to The Hague Court does not sanction any particular view of the case; it in no way diminishes the freedom of each of the parties to uphold their proposals.

The Assembly has not lost sight of the constitutional questions to which the Paraguayan delegate had already drawn its attention. It considers that if the Paraguayan Government was prepared to accept the recommendations, it would be able to submit them to Parliament for the latter to take a decision one way or the other within the shortest time permitted by the Constitution, that is if necessary at an extraordinary session summoned for the purpose. It should moreover be pointed out that these recommendations do not formulate a settlement of the substantive question, but merely a method of settlement.

The Committee concurs in the Paraguayan Government's view that what is necessary is to ensure the immediate and final cessation of hostilities and the negotiation of a peace in an atmosphere conducive to a settlement based on reason and justice. Such was the very purpose of the Assembly's report in recommending the immediate cessation of hostilities and the conference of Buenos Aires.

The Assembly desired to arrest hostilities between two of its members by recommending to them practical means whereby peace might be reestablished and the system of the covenants to which they are parties again brought into observance. In its report the Assembly deliberately aimed at the restoration of peace in the future. The agenda of the conference of Buenos Aires is a statement of the questions which in its opinion call for settlement; but this does not preclude the two parties from asking the conference that other questions such as those mentioned in your telegram should be included.

The Committee hopes that its explanations will be given serious consideration by the Paraguayan Government and will facilitate its acceptance of the Assembly's recommendations the execution of which

it is Committee's duty to follow but which it has not the power to change.

The Committee will reassemble on January the 14th and urgently requests the Paraguayan Government to communicate its final reply by that date as it will be its duty to draw up a report in accordance with its terms of reference."

GILBERT

724.3415/4439 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, December 21, 1934—5 p. m.
[Received December 21—2:30 p. m.]

396. 1. Advisory Committee on the Chaco terminated its session today. Its report has not yet been issued but an official of the Secretariat has shown me the draft in French. In the report the Committee records briefly the following points:

(a)—took note of the Brazilian reply (Consulate's 393, December 19, 5 p. m.)

(b)—authorize[d] the Secretary General "for the present" to maintain contact with me.

(c)—considered the Paraguayan observations on the Assembly's recommendations and drafted the reply quoted in my 394, December 21, 10 a. m.

(d)—took note of a statement made yesterday before the Committee by the Bolivian representative urging that the arms embargo against Bolivia be raised.

(e)—discussed the British note concerning infractions of the embargo (Consulate's 395, December 21, 11 a. m.)⁹¹ and noted statements of Chile and Uruguay waiving responsibility in regard to transit of arms.

(f)—decided to meet on January 14 to draft a report and to consider the attitude of the parties on that date to the Assembly's recommendations and what effect such attitude might have on the situation, particularly as regards the arms embargo.

2. From other sources I have been informed that Russia and Czechoslovakia in yesterday's meeting designated Paraguay's reply as a flat rejection and urged immediate decisions. The Latin-Americans led by Argentina took the position that Paraguay's response was an "interim reply" and left the door open for further consideration.

I am likewise informed that in today's meeting the discussion centered around the embargo. The Italian delegate said that his Government had never favored the placing of an embargo indiscriminately against both parties but had consented to participation in the embargo action because of uncertainty as to the responsibilities of the parties

⁹¹ Not printed.

but now that the question of responsibility was clearer and would be still clearer on January 14 he urged the Committee at its next meeting to direct the embargo solely against the responsible party. This attitude was supported by France, Russia and Poland, France stating that the Covenant must be strictly applied. The British representative was less direct in his statements but appeared to acquiesce.

The Latin-American delegates took little part in the embargo discussion except that Chile and Uruguay declined responsibility as to transit.

I learn that the Latin-Americans feel that Paraguay is playing for time in order to gain possession of the oil fields in the Chaco.

GILBERT

II. EFFORTS OF AMERICAN NATIONS TO SETTLE THE DISPUTE

724.3415/3913

The Peruvian Ambassador (Freyre) to the Secretary of State

WASHINGTON, June 26, 1934.

YOUR EXCELLENCY: My Government inform me that the Presidents of Peru and Colombia have agreed to promote a conference for the purpose of initiating direct negotiations between Bolivia and Paraguay and co-operating in the friendly settlement of the Chaco question. The conference would be attended by Delegates from Argentina, Brazil, Chile, Peru, Colombia, United States, Mexico and the belligerent nations. The Bolivian Government have accepted this form of mediation; but the Government of Paraguay, intent mainly upon realizing an immediate demobilization and upon obtaining guarantees that would prevent a new attack on their forces, have replied to the President of Peru that the League of Nations' mediation is still pending, but will practically terminate at the beginning of July, when the Council approves the report from the Special Committee.

My Government would greatly appreciate were the Government of the United States to support the proposed project of a conference, for they feel sure that an important step would thus be taken in bringing to a close the deplorable Chaco conflict.

I have [etc.]

M. DE FREYRE Y S

724.3415/3900a : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, July 3, 1934—3 p. m.

75. During the course of the visit here by Dr. Alfonso Lopez,⁹² the latter discussed with the President and with the Department the ques-

⁹² President-elect of Colombia.

tions involved in the Chaco controversy and the initiative recently taken by the Governments of Colombia and Peru. Dr. Lopez expressed his belief that the time had come when Argentina, Brazil, Chile, Peru, Colombia, Mexico and the United States should make a move to urge upon the belligerent nations the desirability of accepting their good offices with a view to finding a pacific solution of the dispute and that it seemed highly unwise to wait until September with any hope that the League of Nations would be able to take effective action at such time. Dr. Lopez was advised that this Government, as it had frequently stated in the past, was always ready to cooperate in any movement looking towards a peaceful solution of the controversy provided that such movement seemed to hold promise of success and further that such a move met with the consent of the two parties to the controversy. He was further informed that this Government inclined to the belief that the dispute had now reached a stage where it affected the interests of all of the Republics of the Continent and that the solution of the dispute was necessarily a matter of joint concern to the American Republics and implied a responsibility which all should be willing to shoulder. No more specific commitments, however, were made by this Government.

Subsequently, the Department of State received an official invitation from the Government of Peru⁹³ requesting it to cooperate with Colombia and Peru, as well as with the Governments of Argentina, Brazil, Chile, and Mexico, in promoting a conference to be attended by delegates from those Governments "for the purpose of initiating direct negotiations between Bolivia and Paraguay." The Peruvian Government stated that "the Bolivian Government have accepted this form of mediation; but the Government of Paraguay, intent mainly upon realizing an immediate demobilization and of obtaining guaranties that would prevent a new attack on their forces, have replied to the President of Peru that the League of Nations mediation is still pending and will practically terminate at the beginning of July when the Council approves the report of the Special Committee."

This Government has not as yet replied officially to this invitation of the Government of Peru.

In response to a confidential inquiry as to his views in the matter, Dr. Saavedra Lamas has indicated that while in a general sense Argentina will always be ready to cooperate in any effective move towards peace, Argentina finds herself in a peculiar position, since she is a member of the Council of the League of Nations, and has indicated his hope that this Government will agree to a short period of delay before reaching any final decision in order that he might present for our consideration bases for action which contemplate the tender of

⁹³ *Supra.*

good offices by Argentina, Brazil and the United States acting in cooperation with the Council of the League of Nations. Dr. Saavedra Lamas has been informed by this Government in reply to his suggestion, that this Government, of course, will await with interest the suggestions which he intends to offer, but that it feels that any prolonged delay will be counter to the interests of the Continent and that from all information received, opinion among the American Republics is now crystallizing very rapidly in favor of an inter-American conference. The views of Dr. Saavedra Lamas and the opinion expressed to him by this Government are transmitted to you solely for your personal and confidential information.

The Department desires you to discuss the general questions involved with the appropriate officials of the Brazilian Government and advise the Department by cable at the earliest opportunity whether the Brazilian Government has received an invitation from the Governments of Colombia and Peru similar to that received by this Government. Please ascertain likewise what the views of the Government of Brazil may be in the matter and advise the Department whether the Government of Brazil will be more inclined to favor an inter-American conference or a conference limited to a smaller number of American Republics and in the latter event, whether it would consider the formula suggested by the Governments of Colombia and Peru more effective than a possible move by Argentina, Brazil and the United States acting in cooperation with the Council of the League. It is important at this time that you make it plain that the Government of the United States has not as yet reached any conclusion with regard to the questions under consideration and that it would greatly value an expression of opinion from the Government of Brazil which it considers of the greatest importance for the purpose of advancing the cause of peace on the Continent through the friendly cooperation of all the American Republics.

CARR

724.3415/3902 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, July 6, 1934—6 p. m.

[Received 11:30 p. m.]

129. Department's 75, July 3, 3 p. m. delayed in delivery and badly garbled. I have consequently been able to take it up with the Foreign Minister only this afternoon. In the meantime he had received and answered a telegram from the Brazilian Chargé d'Affaires in Washington who has doubtless acquainted you with his views.

Dr. Cavalcanti states the attitude of the Brazilian Government in this whole matter substantially as I have reported to the Department on previous occasions (my 80, May 15, 6 p. m.⁹⁴).

Brazil is unwilling envisage any initiative so long as the matter is in the hands of the League.

2. If the League mediation terminates or the League requests the cooperation of certain American states Brazil would be disposed to act only (a) in answer to a definite invitation (b) with the assurance that a solution has been found which would be acceptable to the two contending parties.

3. The Brazilian Government feels that this question is not susceptible to solution by a conference as an international meeting would inevitably be utilized by the two parties to jockey for position and the possibilities of agreement would thus become more remote.

4. Brazilian Government has no preference as to a formula for settlement and is ready to accept any formula acceptable to the two contending powers.

5. The essential point of Dr. Cavalcanti's statement is that the Brazilian Government is convinced that the only hope of solution lies in "negotiations in utmost secrecy" with a view to ascertaining whether any formula can be discovered which can be accepted by the two parties. If such a formula is found and definite assurances obtained as to its acceptance then only would the Brazilian Government believe in the desirability of convening an international conference. In the event this can be achieved they attach no importance to the number of American states invited to participate, as the conference would be convened merely to give public form to an agreement already reached.

Dr. Cavalcanti said he greatly hoped no conference would be called until the possibilities of private negotiation had been exhausted, as he felt that if a public discussion of this matter ended in failure it would prejudice any further move toward bringing about a peaceful solution.

The views of the Brazilian Government have been made known now or previously to the representatives of Peru and Colombia, Bolivia and Paraguay, Chile and the Argentine so that there can presumably be no misapprehension as to the Brazilian position in this whole matter.

Newly arrived Bolivian Minister has asked whether Brazilian Government would suggest to Paraguay acceptance of an agreement under which certain specified territories would be recognized to each of the parties and only a limited zone left to arbitration. He was told that the Brazilian Government would not suggest any formula of agreement.

⁹⁴ Not printed.

In conclusion Dr. Cavalcanti said that he was particularly anxious to work in full cooperation with the United States in this matter and would be glad to have the benefit of your views at any time they could be afforded him.

GIBSON

724.3415/3913

The Secretary of State to the Peruvian Ambassador (Freyre)

WASHINGTON, July 11, 1934.

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's note of June 26th advising me that the President[s] of Peru and Colombia have agreed to promote a conference for the purpose of initiating direct negotiations between Bolivia and Paraguay and of cooperating in the friendly settlement of the Chaco question. The conference would be attended by delegates from Argentina, Brazil, Chile, Peru, Colombia, the United States, Mexico, and the belligerent nations. Your Excellency further states that the Bolivian Government has accepted the form of mediation proposed but that the Government of Paraguay has indicated to the President of Peru in its reply its inability to accept the invitation on the ground that the mediation of the League of Nations is still pending.

Finally, Your Excellency informs me that the Government of Peru would greatly appreciate it were the Government of the United States to support the proposed project of a conference, feeling sure that an important step would thus be taken in bringing to a close the deplorable Chaco conflict.

I have the honor to request that Your Excellency will be good enough to advise the Government of Peru of the deep appreciation felt by the Government of the United States for the information thus conveyed to it and for the invitation so graciously extended. My Government feels, as does the Government of Peru, that it is an obligation incumbent upon the republics of the American continent to further in every friendly way possible the peaceful settlement of any and all controversies arising on the continent since hostilities between two American republics inevitably involve the interests of every other American republic inasmuch as the peace, welfare and economic stability of the continent are affected thereby. My Government further believes that the notable precedent recently created by the Governments of Peru and Colombia in the pacific solution of the controversy which had unfortunately arisen between them,⁹⁵ affords a welcome proof that controversies arising over boundary adjustments are susceptible of an equitable and peaceful solution and

⁹⁵ See pp. 321 ff.

that for that reason the initiative so laudably taken by the Governments of Peru and Colombia at this time was peculiarly fitting.

As the Government of Peru is well aware, this Government, throughout the period during which the hostilities in the Chaco have continued, has held itself ready at all times to further in every possible way the promotion of peace between Bolivia and Paraguay, provided such cooperation on its part were welcome to the two belligerent nations. Unfortunately, from Your Excellency's note under acknowledgment as well as from information which has reached this Government from other sources, it appears that the Government of Paraguay is not willing at this moment to accept the invitation extended by Your Excellency's Government and by that of Colombia. After very careful deliberation the Government of the United States has reached the conclusion that it might, therefore, be productive of more beneficial results to postpone for the time being the consideration of calling the proposed conference, in the hope that an opportunity may very soon arise when both the belligerent nations engaged in the war in the Chaco may be disposed to participate in a conference called for the purpose of assisting them to find a peaceful solution to this tragic dispute.

In conclusion may I state that this Government applauds the noble initiative taken by the Governments of Peru and Colombia and finds itself most heartily in agreement with the belief of those two Governments thus manifested that the American nations should cooperate in promoting the peaceful adjudication of all controversies which may arise on this continent.

Accept [etc.]

CORDELL HULL

724.3415/3946

*The Argentine Conciliation Formula*⁹⁶

[Translation]

After laborious explorations this Chancellery has reached the following plan for a solution of the Paraguayan-Bolivian conflict:

WHEREAS the Governments of Bolivia and Paraguay adhered to the Declaration of August 3, 1932, whereby conquest as a means of acquiring territory is proscribed;

WHEREAS both Governments signed the American Anti-War Pact, whereby war as a means of settling international conflicts is renounced and in virtue of which differences, whatever their nature may be, must be settled by means of pacific solutions consecrated by International Law;

⁹⁶ Transmitted to the Department by the Ambassador in Argentina in his despatch No. 348, July 13; received July 23.

WHEREAS independently of these general declarations there is no doubt that questions, whether of boundaries or whether of territories have been settled in America by those means of pacific solution;

WHEREAS in accordance with these documents which pledge the good faith and honor of its signatories, and also in accordance with the antecedents mentioned above, there is no reason for the Chaco war to exist inasmuch as it is carried on in opposition to the pledges made and to these antecedents, and no object should be pursued through this war not in agreement with legal precepts:

WHEREAS the Pact to which reference is made has been accepted during the course of the war, without any kind of restrictions, and it must consequently be inferred that the differences which have caused the conflict are not excluded from its application;

WHEREAS in adhering together to the agreements mentioned above, the American Republics sanctioned *ipso facto* the principle that they cannot be indifferent to any wars on this continent; and, whether alone, by groups or jointly, they have pledged themselves to exercise all legal means in their power to avoid or check war, a principle strengthened by the fact that they have ratified The Hague Convention for the pacific solution of international conflicts, authorizing the good offices and mediation in any zone of the conflict;

Interpreting the common desire of the American Republics as expressed in the acts mentioned above, the Governments of
. formulate the following proposals and submit them to the consideration of Paraguay and Bolivia:

1) Bolivia and Paraguay signify their readiness to renounce any territorial conquest whatever;

2) Paraguay and Bolivia declare that in the present war they do not propose to acquire territories belonging to the jurisdiction of either country by just title.

3) They also declare that any other difference pending which might have caused the conflict must be settled by juridical proceedings.

4) In conformity with the foregoing statements, the Chaco war must cease within the briefest possible time.

5) Bolivia and Paraguay declare that within the briefest possible time they will appoint plenipotentiaries to meet in the city of Buenos Aires to discuss the definite cessation of hostilities and the measures of security necessary to ensure such cessation.

6) The Plenipotentiaries are authorized to form a Commission of Conciliation foreseen by Article V of the Anti-War Pact for the application to the solution of the conflict, of the procedure established therein, in consideration of the fact that the Chaco conflict, owing to its special character, can be settled in a satisfactory manner through conciliation, inasmuch as factors of equity, reciprocal utility and other

factors must be taken into account which can hardly be considered in a process of purely legal arbitration.

7) Bolivia and Paraguay declare that, in case conciliation should prove ineffective, they pledge themselves to submit the question to the arbitration of the Permanent Court of International Justice, it being necessary to agree on the arbitral compromise within three months which may be extended by agreement on the part of the interested parties.

BUENOS AIRES, July 12, 1934.

724.3415/3921a : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, July 14, 1934—3 p.m.

80. The Argentine Ambassador in Washington has handed the Department a copy of the conciliation formula⁹⁷ prepared by Dr. Saavedra Lamas and submitted to the Paraguayan President and to the Bolivian Government. The Department is informed that the Argentine Minister for Foreign Affairs is "certain of Paraguayan acceptance". It further understands that the suggested formula has been under discussion with the Paraguayan Government for some time and that the Argentine Government has positive reason to believe that it is acceptable to Paraguay. The Argentine Minister for Foreign Affairs states that the success of this attempted mediation now rests on the attitude of the Bolivian President and feels that every possible influence should be brought to bear to secure his acceptance of the project. He has requested the whole-hearted support of this Government and has urged that the influence of the United States be brought to bear upon Bolivia in order to procure the acceptance of that Government. The Department is further informed that a copy of the conciliation formula was handed yesterday by Dr. Saavedra Lamas to the Brazilian Ambassador in Buenos Aires and that such communication had only been made to the Brazilian and the United States Governments.

The Argentine Government has been informed as follows:

(1) The Government of the United States is now as always disposed to exert every effort to promote a peaceful solution of the Chaco dispute and to cooperate with any nation, or group of nations, or any organization, towards that end, provided such cooperation is agreeable to the two nations at war, and provided further that such a move appears to hold the promise of success. Predicated upon the assumption that the suggested formula will be accepted unequivocally by

⁹⁷ See *supra*.

Paraguay in accordance with the assurances given by the Argentine Minister of Foreign Affairs, the Government of the United States will be glad to cooperate with the Argentine Government in this move and to urge acceptance by the Government of Bolivia with the hope and belief that the Government of Brazil will likewise cooperate in the same manner jointly with Argentina and the United States.

(2) The views of the Brazilian Government as to the settlement of the Chaco dispute as set forth in your 129, July 6, 6 p.m., are, of course, entitled to the fullest respect and the most sympathetic consideration by this Government. The Government of the United States, however, does not assume that the Government of Brazil would be unwilling to cooperate in any peace move merely on the ground that the matter was technically still in the hands of the League so long as the Brazilian Government has valid reason to believe that such a peace move had reasonable prospects of success. While there is not as yet complete "assurance that a solution has been found which would be acceptable to the two contending parties" as stated in Clause B, paragraph 2 of your cable above referred to, the nature of the conciliation formula, the assurances given that this formula is certain of acceptance by Paraguay, and the particularly cordial relations existing between Bolivia and Brazil would seem to offer reasonable hope for the success of this peace move if the Brazilian Government were to join with the United States and Argentine urging their acceptance of the formula.

We hope very strongly, consequently, that the Government of Brazil may feel disposed to cooperate in the manner indicated inasmuch as it is our belief that no valid and legitimate opportunity should be lost for bringing about the fair and peaceful settlement of the Chaco dispute. This Government will appreciate receiving at the earliest possible moment an expression of the views of the Government of Brazil which it trusts may be favorable.

Should the Foreign Minister express objection to Buenos Aires as the seat of the proposed conciliation conference, you may discreetly point out to him that Rio de Janeiro has had the good fortune of being the seat of the conference which brought about the successful termination of the Leticia dispute, a fact which will always be remembered by the American republics, and that in the special circumstances it would be regrettable if any objection as to the seat of the conference as proposed by the Argentine Government were to involve a breakdown of these present negotiations.

You may further state that this Government has expressed the opinion to Argentina that if the present move is successful and a confidential agreement is reached between Paraguay and Bolivia through the good offices of Argentina, Brazil and the United States, the other republics of the continent should then be invited to join when the formula is officially and publicly presented to Bolivia and Paraguay. This suggestion is in line with the suggestion of the Brazilian Government as conveyed in paragraph 5 of your cable under reference.

Finally, you may state that we reciprocate wholeheartedly the sentiments expressed by Dr. Cavalcanti and that we deem it essential to work in full cooperation with his Government, and that in accordance with his request we have thus communicated very frankly our view and our sincere belief that the present move offers promise of practical success provided Brazil is willing to take part in it.

HULL

724.3415/3915 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, July 14, 1934—4 p. m.

64. Your No. 100, July 13, 10 p.m.⁹⁸ The Argentine Ambassador yesterday handed the Department the copy of the conciliation formula. He was this morning informed as follows:

This Government is now as always disposed to exert every effort to promote a peaceful solution of the Chaco dispute and to cooperate with the Argentine Government towards that end provided such cooperation is agreeable to the two nations at war and provided further that such a move appears to hold the promise of success. Predicated upon the assumption that the formula of Dr. Saavedra Lamas would be accepted unequivocally by Paraguay in accordance with the assurances given by the Argentine Foreign Minister, the Government of the United States will be glad to cooperate with the Argentine Government in support of this formula and to urge acceptance by the Government of Bolivia in the belief that the Government of Brazil will likewise cooperate in the same manner.

The Argentine Ambassador has further been told to inform Dr. Saavedra Lamas that this Government has immediately cabled the American Ambassador in Rio de Janeiro to express the earnest hope of this Government that Brazil will cooperate in the manner indicated and has made similar representations to the Brazilian Chargé d'Affaires.

If the reply received from the Brazilian Government is satisfactory, we would then be prepared to make the most earnest recommendation to the Bolivian Government that the proposed formula be accepted by Bolivia.

We have also indicated to the Argentine Ambassador that it is our most sincere belief that if a confidential acceptance in principle of the formula can be obtained as the result of the good offices of Argentina, Brazil, and the United States, Peru and Colombia and the other republics of this continent should immediately be invited to join in presenting the formula to Bolivia and Paraguay for their official acceptance. We have emphasized our belief that the question

⁹⁸ Not printed.

of promoting peace on the continent is one of continental responsibility and that the action thus proposed would create a very highly important and useful precedent.

For your personal and confidential information, you will realize that the practical hope of success depends upon the unequivocal acceptance by Paraguay and to a large extent upon the participation at this time by Brazil in the joint representations to be made to Bolivia. It is further obvious that the chances of success would be greatly prejudiced if there is any publicity given to the present move.

HULL

724.3415/3922: Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, July 16, 1934—4 p. m.
[Received 5:30 p. m.]

135. Department's 80, July 14, 3 p.m. Minister for Foreign Affairs is sending instructions to the Brazilian Minister at La Paz to urge upon Bolivian Government acceptance of Argentine formula.

He states that there is no possible objection to the conference meeting in Buenos Aires and I even gather it is preferred that the meeting should not be in Rio.

He is in full agreement as to inviting the other American Republics after definite acceptance by both parties.

It is felt that chances of acceptance by Bolivia have not been improved by allowing newspaper publicity (Havas despatch from Buenos Aires) to the fact that Paraguay has already been consulted and accepted as Bolivian reaction is likely to be that this implies the formula is disadvantageous from the Bolivian point of view. However, since matters have gone this far Brazilian Government is prepared to cooperate to the full and I believe Department may rest assured that Brazilian attitude will not be affected by any concern as to whether the Argentine will get credit.

GIBSON

724.3415/3927a: Telegram

The Secretary of State to the Minister in Bolivia (Des Portes)

WASHINGTON, July 16, 1934—8 p. m.

10. You are instructed at the earliest opportunity to obtain an interview with the Minister for Foreign Affairs and present to him orally and textually on behalf of the Government of the United States the following representations:

"The Government of the United States has received for its confidential information from the Government of the Argentine Repub-

lic a copy of the conciliation formula to provide for a pacific solution of the Chaco dispute prepared by the Argentine Minister for Foreign Affairs and submitted to the Governments of Bolivia and Paraguay. As the Government of Bolivia is aware, the Government of the United States is now as always disposed to exert every effort to promote a peaceful solution of this tragic war on terms equally honorable to both countries and to cooperate with any nation, or group of nations, or any organization, towards that end, provided such cooperation is agreeable to the two nations at war. Your Excellency will recall the earnest efforts which the Secretary of State of the United States made in that sense during the course of the Inter-American Conference at Montevideo.

The Argentine Government has requested the cooperation of the Governments of Brazil and of the United States in supporting the conciliation formula thus presented to the Government of Bolivia.

My Government has carefully examined the formula submitted for the consideration of Your Excellency's Government by the Argentine Government and believes it to be a method for arriving at a fair and equitable solution of this long standing controversy through direct conciliation and in the event that such direct conciliation might regrettably not prove practicable, the method suggested would provide for the submission of the question to the arbitral decision of the Permanent Court of International Justice.

As an impartial friend of both Bolivia and Paraguay, the Government of the United States is sure that the Government of Bolivia will recognize that in view of this opportunity which has thus been presented for adjusting through peaceful means this controversy which has continued for so long a period and which has been so destructive of the life and the wealth of both the Governments involved and which has been a cause of such grave disquiet to the friends of peace on the American continent, the Government of the United States cannot but express its most earnest and sincere hope that the Government of Bolivia will find it feasible to accept the invitation thus conveyed.

My Government has expressed the hope to the Government of Argentina that should it be possible for the Governments of Bolivia and Paraguay to reach a confidential agreement upon the bases proposed, all of the American republics should be invited to join in presenting the suggested conciliation formula officially to those two Governments.

In conclusion I am instructed to state to Your Excellency that my Government trusts that the Government of Bolivia will appreciate the motives of sincere friendship which prompt the Government of the United States to express the very earnest hope that this opportunity for reaching a peaceful settlement of the Chaco war may not be rejected".

Please cable the Department immediately the reply which may be made to you by the Bolivian Minister for Foreign Affairs and keep the Department closely advised by cable of all subsequent developments. You should also cable whether the Brazilian Minister has as yet made representations in a similar sense to the Bolivian Government.

HULL

724.3415/3922: Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, July 17, 1934—6 p. m.

66. Upon receipt yesterday of information that the Brazilian Government had determined to support the conciliation formula and had instructed its Minister in La Paz accordingly, this Government immediately instructed the American Minister in La Paz to represent to the Bolivian Government the earnest hope of the Government of the United States that the Bolivian Government would be disposed to accept the formula presented to it. Similar representations have been made in the most urgent manner this morning to the Bolivian Minister in Washington. You may inform Dr. Saavedra Lamas accordingly.

For your own information and for such use thereof as you may deem appropriate in your conversations with the Argentine Minister for Foreign Affairs, this Government believes that the successful result of the present negotiations can only be obtained by making it possible for the Bolivian Government to suggest such modifications to the formula as it may deem fitting and desirable, provided solely that the modifications suggested do not change the essential features of the formula as now drafted. It would be deeply regrettable if the possibility of the reaching of a satisfactory accord were impeded by the insistence on the part of either the Government of Paraguay or the Government of Argentina upon some technicality of no fundamental importance. It is further believed that the active support of the essential features of the formula by the Governments of Brazil and of the United States and their continued active participation in the progress of negotiations would be the strongest possible inducement to Bolivia to accept the proffered invitation and furthermore, that the eventual cooperation by the other republics of this continent suggested by this Government would under present conditions be favorably regarded by Bolivia and would act as a further inducement.

Please express to Dr. Saavedra Lamas the satisfaction felt by this Government at its ability to cooperate in the interests of peace with his Government and with that of Brazil and express to him our earnest hope that he will keep this Government fully advised both of his views and of all phases in the development of the existing negotiations. You may add that this Government will be particularly glad to keep in constant contact with the Argentine Foreign Office in order that we may thus transmit to him all information of a pertinent nature that comes to our attention as well as our own observations concerning developments.

HULL

724.3415/3922 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, July 17, 1934—6 p. m.

82. Your 135, July 16, 4 p. m. Please express to the Minister for Foreign Affairs the sincere gratification of this Government at the reply given by the Brazilian Government to the message contained in the Department's telegram 80, July 14, 3 p. m.

This Government is in entire accord with the view expressed by the Brazilian Minister for Foreign Affairs that the situation has not been benefited by the newspaper publicity which has unfortunately arisen.

You may advise the Brazilian Government that immediately upon receipt of information that the Brazilian Minister in La Paz had been instructed to urge acceptance of the conciliation formula presented to the Bolivian Government, a similar instruction was sent to the American Minister in that capital and that representations of like nature were made this morning by the Secretary of State to the Bolivian Minister in Washington. It is apparent that if the Bolivian Government decides to accept as a basis the conciliation formula presented, it will do so because of the support of that proposal by the Brazilian and the United States Governments and that phase of the proposal has been emphasized in our conversations with the Bolivian Minister here. It is further believed that if a successful result of the present negotiation is to be obtained the Bolivian Government must be afforded full opportunity to make such proposals for modification of the suggested formula as it may deem fitting and desirable, provided solely that such suggested modifications do not change the essential features of the formula as now drafted.

In conclusion, please state to the Brazilian Government that the response of the Brazilian Government has been a matter of peculiar satisfaction to the Government of the United States and that we will welcome all information or observations throughout the course of these negotiations that the Brazilian Government may desire to convey to us and that the Government of the United States in turn will keep the Brazilian Government fully informed both of its own views and of all information that it may receive regarding the course of the proceedings.

HULL

724.3415/3931 : Telegram

The Secretary of State to the Minister in Bolivia (Des Portes)

WASHINGTON, July 18, 1934—2 p. m.

11. Department's 10, July 16, 8 p. m., and your 39, July 17, 5 p. m.⁹⁹ In its exchange of views with the Brazilian Government and in the opinions expressed to the Argentine Government, this Government has made it clear that it believed as a practical matter that the Bolivian Government would find it difficult because of public opinion in Bolivia to accept the Argentine conciliation formula unless the fact were emphasized that this formula was supported whole-heartedly by the Governments of Brazil and of the United States. Furthermore, the expressed desire of this Government that, should a confidential agreement in principle upon the bases proposed be reached between Bolivia and Paraguay, all of the other republics of the continent be invited to join with the Government of Argentina, Brazil and the United States in the presentation of such a formula to the Governments of Bolivia and Paraguay should undoubtedly be an additional inducement to the Bolivian Government to adopt a favorable attitude with regard to the proposal. The Governments of Brazil and of the United States are in accord that they should be willing to take an active part in any friendly and helpful manner which the Bolivian Government may deem desirable in any negotiations which may ensue for the purpose of reaching a definitive agreement, whether now or in Buenos Aires. You should emphasize the above facts so far as in your judgment may be desirable in discussing the questions at issue with the Bolivian Minister for Foreign Affairs.

This Government has further taken the view and has so stated both to the Argentine Government as well as to Brazilian Government that the Bolivian Government should be given the fullest opportunity to make such suggestions as it may deem desirable with regard to modification of the articles of the formula submitted to it so long as such suggested modifications would not impair the essential nature of the conciliation formula. You may likewise make such discreet use of this information in your conversations with the Bolivian authorities as you may deem proper.

HULL

⁹⁹ Latter not printed.

724.3415/3938 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, July 19, 1934—noon.

[Received 1 : 35 p. m.]

41. Bolivian Minister for Foreign Affairs received me this morning and the messages, telegraphic instructions 10¹ and 11,² were given.

He commented that the Argentine proposal is being studied; that he understands it was presented long ago to Paraguay, Brazil and the United States and only on Saturday to Bolivia, hence some days will be necessary for a reply and when sent this Legation will be informed of it. He also called attention to the proposal of President of Bolivia for an inter-American Congress (to the Peru-Colombia invitation) an idea which is not abandoned, and wishes to know whether the United States does not approve that proposal and does not consider it better to place the Chaco question under other auspices than those of Argentina.

He ended complaining that aircraft parts and accessories for commercial use ordered by the Lloyd Aero a commercial organization from United Aircraft Corporation are hindered shipment by the United States.³

DES PORTES

724.3415/3941 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, July 19, 1934—1 p. m.

[Received 7 : 29 p. m.]

101. Referring to Department's No. 66, July 17, 4 [6] p. m., I last night communicated substance of first paragraph of Department's telegram No. 66, July 17, 4 [6] p. m., to the Argentine Minister for Foreign Affairs who expressed his satisfaction thereat. At the same time I also brought out the essential points contained in the second paragraph with which the Minister said he was in substantial accord adding that in this whole matter he was without prepossession, seeking only the goal of peace. I then made known to the Minister our Government's feelings and desires as set forth in the concluding paragraph of the Department's telegram.

Doctor Saavedra Lamas told me that he had received a reply from the President of Bolivia that was indefinite in its terms and that a more considered answer was promised after the departure of the President of Ecuador who is now visiting Bolivia. This provisional

¹ July 16, 8 p. m., p. 145.² *Supra.*³ See pp. 289 ff.

response, said the Minister, was not entirely satisfactory since President Salamanca . . . sought in it to link acceptance of the formula to certain engagements by Paraguay (such as a port on the Upper Paraguay) which the Minister said he had hastened to point out was against the spirit of his plan which sought to bring the parties together for reconciliation, then to proceed to the adjustment of differences.

The Minister further said that he was beginning to think that perhaps the time was now ripe to give publicity to the matter in order to exert the power of all American public opinion on [Bolivia];⁴ he was entirely willing that in the final solution all American Republics should be represented but that Argentina, Brazil and the United States must be careful to guard their dignity as first class powers in all negotiations; he was perfectly willing to accept any modification of his formula that did not strike at its fundamentals; he feels that now is the accepted time for achieving peace and that with the close friendship prevailing between his country and Brazil and with the [latter]⁵ and the United States supporting the plan the moment was propitious for accomplishing something definite.

WEDDELL

724.3415/3940 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, July 19, 1934—6 p. m.

[Received 7:07 p. m.]

42. Department's telegram No. 11.⁶ Argentine Minister called on Foreign Minister this afternoon, explained there that Paraguay was given point 1 of the proposal previously because it concerns forceful acquisition of territory declaration of August, '32.⁷

Foreign Minister was to have first discussion on proposal with the President this afternoon after some days separate study.

Foreign Minister has requested Brazilian Minister to transmit to Rio de Janeiro the wish that Brazil advise Argentine and join with the United States Government in the invitation to the other Republics for presentation of the formula.

[Speaking] to the Argentine Minister, Bolivian Minister for Foreign Affairs was opposed to suspension hostilities before the discussions.

DES PORTES

⁴ See telegram No. 102, July 21, 2 p. m., p. 154.

⁵ In the telegram as originally received, this read "Chilean Government"; see penultimate paragraph of telegram No. 68, July 20, 7 p. m., to the Ambassador in Argentina, p. 153, and footnote 8.

⁶ July 18, 2 p. m., p. 149.

⁷ *Foreign Relations*, 1932, vol. v, p. 159.

724.3415/3940 : Telegram

The Secretary of State to the Minister in Bolivia (Des Portes)

WASHINGTON, July 20, 1934—6 p. m.

12. Your 41, July 19, noon, and 42, July 19, 6 p. m. It is deemed desirable that you make it clear in your next conversation with the Minister of Foreign Affairs that the copy of the Argentine formula was received by this Department on Saturday, July 14, the same date upon which it was presented to the Bolivian Government. It is the understanding of the Department that the document was transmitted to the Brazilian Government at identically the same time that it was delivered to the Government of the United States. It is obvious that the Minister is under a misapprehension when he states that it is his understanding that the Argentine proposal was presented "long ago" to Brazil and the United States.

You should further state at the earliest opportunity that throughout the months which have passed since the time of the holding of the Montevideo conference, this Government has constantly exerted its best efforts to further the presentation of a peace proposal to Bolivia and Paraguay which could be considered as a fair and reasonable proposal, one equally honorable to both countries, and one which contained the principle of a resort to arbitration should conciliation unfortunately prove impracticable. The Government of the United States believes that the Bolivian Government will readily appreciate the fact that in its earnest desire to promote satisfactory bases for peace, the Government of the United States was primarily concerned with the nature of the proposal itself and not with its source.

If the Government of the United States had failed to express its earnest hope that a fair and reasonable proposal be accepted by both the governments at war, it would have considered itself derelict in its moral obligation as an impartial friend now as always of both Bolivia and Paraguay.

You should further make very clear the feeling of this Government that the action taken by Argentina and the proposal that the site of the proposed conciliation conference be Buenos Aires does not in any sense imply that the question is placed under the auspices of Argentina. The participation of both Brazil and the United States in the discussions which have now commenced and the firm desire of both Brazil and the United States that all the other nations of the continent support the peace proposal should it be agreed to in principle by Bolivia and Paraguay, should be regarded as convincing proof that the solution of the question is not to be left to the "sole auspices of Argentina." If the Bolivian Government will bear these significant facts in mind, the Government of the United States hopes that

it will concern itself with the consideration of the nature of the formula presented to its study and no longer attribute any material importance to the points indicated in the latter half of the second paragraph of your 41.

With reference to this Government's attitude as regards the Colombian-Peruvian invitation, you should limit yourself to stating that the Government of the United States applauded the initiative taken in the interest of peace by those two Governments, but that in view of the fact that both Brazil and Argentina had declined the invitation and that Paraguay had refused to accept it, it seemed very clear to this Government that noble as the initiative might be, a satisfactory outcome could hardly be anticipated under these conditions and that consequently it was felt that any determination by the United States as to the acceptance of the invitation had better be postponed.

HULL

724.3415/3941 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, July 20, 1934—7 p. m.

68. Your 101, July 19, 1 p. m. Please tell Dr. Saavedra Lamas that the views he has been good enough to send us both through your cable under reference and through the Argentine Ambassador in Washington this morning, have been received with the utmost satisfaction and that we have given them the most careful study. Tell him, furthermore, that we find ourselves whole-heartedly in sympathy with the broadminded approach which he is demonstrating in his efforts to secure peace. With the specific opinions which he expresses relating to the cooperation of all the American republics and to the reasonable elasticity of the conciliation formula presented, we are in complete accord. You should point out to him, however, that we fear very much that were the formula now to be made public as is intimated in the last paragraph of your cable under reference, it might be exceedingly difficult to obtain the subsequent cooperation of certain other republics in supporting that formula before the Government of Bolivia. We are strongly of the opinion that the best method of insuring success of the initiative which Dr. Saavedra Lamas has undertaken is to attempt to obtain the confidential acceptance by the Bolivian Government of the principles involved in the formula and then confidentially seek the cooperation of the other republics of the continent in presenting such formula officially to the Governments of Bolivia and Paraguay before publicity is given to it. We are primarily concerned with the success of the movement initiated by Dr. Saavedra Lamas in obtaining peace, and in our judgment con-

tinental public opinion can be more successfully rallied in favor of the formula if the Governments of the other American republics are called upon for their cooperation before the formula is made public than if they are requested to lend their support to a formula of peace already made public.

For your strictly confidential information, the reference to the Chilean Government in the last paragraph of your cable⁸ is not clear. It is most earnestly to be hoped that the Chilean Government will urge the Bolivian Government to accept the formula presented, but the Department has been confidentially informed by the Chilean Government that it is under the impression that it has been rigorously excluded from these peace negotiations and it has intimated that if this policy is persisted in the negotiations will necessarily prove unsuccessful. The Chilean Government has been urged to press upon the Bolivian Government the desirability of accepting the formula and it has been emphasized that the Chilean Government will, of course, be requested to cooperate with the other American governments as soon as some confidential agreement in principle has been reached.

Please cable the Department at an early opportunity whether you understand that Dr. Saavedra Lamas has approached the Chilean Government in the matter.

HULL

724.3415/3944: Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, July 21, 1934—2 p. m.

[Received 2:25 p. m.]

102. Last paragraph Department's 68, July 20, 7 p. m. No reference was made to the Chilean Government in last paragraph my 101, July 19, 1 p. m. In first sentence last paragraph my 101 the word Bolivia inadvertently omitted. Phrase should read "all American public opinion on Bolivia;"

WEDDELL

724.3415/3943: Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, July 21, 1934—7 p. m.

[Received 10 p. m.]

43. Department's telegram No. 12.⁹ Bolivian Minister for Foreign Affairs informed me this afternoon that probably the reply to Buenos

⁸ See *infra*.

⁹ July 20, 6 p. m., p. 152.

Aires will be ready 23rd; that after agreement in principle between the two countries he would like further points of conciliation elaborated by at least nine countries (ABCP and the five members of the committee at Washington).

He expects to request Argentina immediately to sound the belligerents as to certain necessary bases before discussions take place. When pressed as to what those bases might be he admitted that an outlet on the Paraguay River would be one. Argentine Minister considers that if these bases are placed as [*sic*] previous conditions progress will stop there.

DES PORTES

724.3415/3945 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, July 23, 1934—4 p. m.

[Received 8:45 p. m.]

103. Referring to Department's No. 68, July 20, 7 p. m. I this afternoon saw the Argentine Minister for Foreign Affairs and made known to him the Department's views and observations as contained therein. He seemed deeply gratified by the Department's sympathetic attitude and emphasized his general accord with the Department's views adding that his suggestion of publicity was meant only as a last resort in the event of a flat refusal by either of the countries concerned to accept his formula. He considers secrecy as vital at the present stage of the negotiations.

He showed me a telegram just received from his Minister in La Paz informing him that the American Minister there had returned [*received?*] instructions from his Government "that he insist on the acceptance of the formula by Bolivia", the Argentine Minister at La Paz adding that the Bolivian Government saw no objection to Buenos Aires as the place of meeting for the conciliation group.

The Foreign Minister also showed me a long message received Friday or Saturday from his Ambassador in Rio the latter stating that the Brazilian Government was perturbed by press despatches concerning peace negotiations and submitting from the Brazilian Foreign Office a suggested communiqué to the press tacitly admitting that negotiations were going on. The Argentine Ambassador in Rio was concerned over the whole matter fearing a repercussion in Chilean Government circles. The Foreign Minister's reply to his Ambassador was to the effect that he would deprecate publication of such a statement saying it would . . . kill the negotiations. . . .

Referring to the concluding sentence of the Department's telegram No. 68 the Minister for Foreign Affairs said that the Chilean Amba-

sador here had quite recently called on him to ask for information; that he had informed the Ambassador that "exploratory conversations" had been negotiated by him with the two Governments at war; that a natural modesty had restrained him from discussing the matter with Chile when there was a chance of a second rebuff by one or the other of the combatants; that of course it had always been his idea promptly to inform the Chilean Government as soon as something like an understanding had been reached; and that the Ambassador was empowered to inform his Government to the foregoing effect. The Minister for Foreign Affairs said he had told the Ambassador nothing of the formula.

The Minister for Foreign Affairs said he had been also approached by the Peruvian Ambassador here and had replied in the above sense to him with permission to inform his Government.

The Minister for Foreign Affairs said that the position of Argentina before the League of Nations was a delicate one as it was a member of the Council and that he had instructed his Minister at Bern to inform the League of these exploratory conversations.

In conclusion the Minister for Foreign Affairs said that in the case of Bolivia he feared two things, first, a premature and ill-considered reply which might be explicitly in the negative, and second, the linking of acceptance of the formula to certain engagements by Paraguay (the latter as suggested in my number 101 of July 19, 1 p. m.) and by an insistence on arbitration.

WEDDELL

724.3415/3978

*The Bolivian Minister for Foreign Affairs (Alvesteguá) to the Bolivian Minister in Argentina (Rojas)*¹⁰

[Translation]

LA PAZ, July 24, 1934.

Please inform that Chancery that we have received its new suggestion for the pacific arrangement of the Chaco with equal deference to its previous ones and that we are disposed to consider it with the same sincere spirit as in the other occasions. We would have desired, however, that before it was concretely made into an official formula that we had been consulted previously and confidentially. Thus was the procedure in the case of the Antokoletz plan which we accepted deferentially and which Paraguay rejected, without there having remained of that rejection any other proof than the confidential information which you received from the Argentine Chancery. In such a situation we are pleased to propose:

¹⁰ Copy transmitted to the Department by the Minister in Bolivia in his despatch No. 126, July 25; received August 2.

First: That the Argentine Chancery kindly incorporate in the proposed mediation the four limitrophe republics and the five which constituted the commission of neutrals. We understand that in this manner greater authority and efficacy would be given to the mediation, which would manage to harmonize all the efforts generously realized by those republics in various opportunities and which finally would be the best means to realize the accord of August 6, 1932,¹¹ as well as to give real life to the doctrine of August 3 of the same year.

Second: That the Argentine Chancery kindly charge itself to explore before the Paraguayan Government more concrete bases of conciliation, having on our part as a confidential basis *sine qua non* the recognition in our favor of a littoral zone on the Paraguay River, extending south from Bahía Negra. We wish equally to establish that we maintain our criterion regarding the cessation of hostilities only if it can be simultaneous with the arrangement of the basic question. We declare also that we ratify with the greatest pleasure our adhesion to the doctrine that neither conquest nor occupation constitute juridical titles.

724.3415/3960b : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, July 26, 1934—9 p. m.

70. The Department was given last night by the Bolivian Minister a copy of the reply addressed by the Government of Bolivia to the Argentine Government.¹²

Please obtain an interview with Dr. Saavedra Lamas at the earliest opportunity and advise him that this Government would appreciate having his views concerning this reply. You should state that we are addressing a similar inquiry to the Government of Brazil.

In your conversation you may say that while, of course, the reply is not as satisfactory as could have been hoped for, this Government nevertheless believes that a favorable opportunity is now presented for pressing forward with the conciliation formula.

The Minister of Bolivia in Washington has given it as his personal opinion that the reply should be construed as an acceptance in principle of the Argentine proposal and this Government believes that it would be helpful to consider it as such. It is hoped that Dr. Saavedra Lamas will see no objection to agreeing to the request made by Bolivia that Chile, Peru, Colombia, Uruguay, Mexico, and Cuba be invited by Argentina, Brazil and the United States to join with these three governments in presenting and in supporting the conciliation formula

¹¹ *Foreign Relations*, 1932, vol. v, p. 168.

¹² See *supra*.

of Dr. Saavedra Lamas. It would seem that this step would not only be in accord with the opinion already expressed to us by the Argentine and Brazilian Governments, but that it would at once rally to the support of the conciliation formula the continental public opinion desired by Dr. Saavedra Lamas as indicated in his recent messages to this Government. Such general support of the conciliation formula would have a very great moral weight. Compliance with this request of the Bolivian Government would also unquestionably have a calming effect upon public opinion in Bolivia.

If Dr. Saavedra Lamas coincides with this belief as above expressed, it is hoped that he will be willing to make the utmost endeavors to obtain the consent of Paraguay, and in such event, the American Minister in Asunción will be instructed to support most earnestly such representations.

With regard to the additional request of Bolivia that the Argentine Government ascertain whether the Government of Paraguay would be willing to agree upon more concrete bases of conciliation, specifying as one of them that the right of Bolivia to a zone along the River Paraguay from Bahía Negra south be recognized, in the opinion of this Government it would seem to be very clear that these points are precisely those which should be taken up for the most ample and careful consideration in the conciliation conversations and it is suggested that if the nations above mentioned accept the invitation to participate in presenting the conciliation formula to Bolivia, they might then appropriately be requested to join in urging upon Bolivia the desirability of instructing the Bolivian plenipotentiaries in the conciliation proceedings to present these points as representing the Bolivian point of view. All of the Governments involved might further appropriately state that the Bolivian Government's requests will, of course, be given the most friendly consideration during the conciliation proceedings.

In conclusion please state to Dr. Saavedra Lamas that the views above expressed are transmitted to him confidentially and that no official intimation will be given to the Government of Bolivia of the attitude of the Government of the United States with regard to the Bolivian reply until after we have had the fullest opportunity for consultation with Argentina and Brazil.

HULL

724.3415/3960a : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, July 26, 1934—9 p. m.

90. Please advise the Minister for Foreign Affairs that this Government received last night from the Bolivian Minister in Wash-

ington a copy of the reply sent by the Bolivian Government to the Argentine proposal for the settlement of the Chaco dispute.

Please state that this Government would welcome at the earliest possible opportunity such observations as the Brazilian Government may be good enough to send it concerning this matter.

You may state that we believe it would be very helpful if the request of the Bolivian Government that Chile, Peru, Colombia, Uruguay, Mexico, and Cuba be invited to join with Argentina, Brazil, and the United States in presenting this formula to the Bolivian Government be acceded to. It is felt that the cooperation of these important nations of this continent in supporting this move for peace would coincide with the views previously expressed to the Argentine Government by both Brazil and the United States and that the beneficial effect of the moral support of these additional countries would be very great. It would further have the helpful effect of calming public opinion in Bolivia and in making easier an unreserved acceptance of the peace proposal by the Bolivian Government.

If the Brazilian and the Argentine Governments were to share our views in the matter, it is believed that the Argentine Government might well urge the acceptance of this proposal upon Paraguay and the Brazilian and American Ministers in Asunción should in that event be instructed to support such representations.

In the latter portion of the Bolivian reply the Bolivian Government requests the Argentine Government to inquire whether Paraguay would support more concrete bases for conciliation, mentioning specifically the recognition of the right of Bolivia to a zone of territory along the River Paraguay from Bahía Negra south. It would seem that these questions might more appropriately be dealt with in the proposed conciliation conversations, and if all the governments above mentioned agree to support the conciliation formula, it might well be suggested to them that all of the nations concerned unite in urging upon Bolivia that these matters might more appropriately be dealt with in the conciliation conference at which time all of the friendly nations involved would, of course, make every effort to see that all reasonable and fair proposals offered by Bolivia should be given the most ample and friendly consideration.

In conclusion please state to the Minister for Foreign Affairs that we are likewise consulting with the Argentine Government and that we will give no official intimation of any views held by this Government to Bolivia until after we have had the benefit of receiving such observations as Brazil and Argentina may make to us.

HULL

724.3415/3963 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, July 27, 1934—6 p. m.

[Received 9 p. m.]

150. Department's 90, July 26, 9 p. m. Minister of Foreign Affairs has practically suspended operations until after the week-end. The new Minister whom I saw this afternoon has read none of the telegrams and is not familiar with the question. The Secretary General has left and no successor has taken over.

I discussed the matter with a well informed junior official who will try to get the Minister to read the telegrams tomorrow and give me some answer which I can report but I hardly expect to have anything dependable before Monday.

GIBSON

724.3415/3965 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, July 28, 1934—6 p. m.

[Received 7:28 p. m.]

107. Referring to Department's telegram No. 70, July 26, 9 p. m. On July 26 and before receipt of the Department's telegraphic instructions referred to I had called on the Foreign Minister at his request when he handed me a copy of the note from the Bolivian Minister in this city with the request that I transmit it to you. At this time the Minister showed me a telegram dated July 25 from his Minister in Santiago stating that the Chilean Minister for Foreign Affairs was deeply interested in his peace efforts and that he could count on the cooperation of Chile whose policy was one of accord with Argentina in securing peace. He told me that he had also been advised in a similar sense by the Peruvian Ambassador here. The Foreign Minister again emphasized the necessity for extreme secrecy toward Chile and Peru as to the existence of a definite formula, reiterating that he had told them that his efforts were in the nature of exploratory conversations and that for this reason he had not asked them to take any steps at La Paz lest the fact that there was a formula be developed. The Minister further told me that he was not advising Ambassador Espil of Bolivia's reply.

Promptly on receipt of the Department's telegram No. 70 I arranged an interview with the Minister for Foreign Affairs calling on him this morning and went over with him the points contained in the Department's telegram. Referring to the fourth paragraph he said that he was doubtful if we should give much weight to the favorable

interpretation of the Bolivian reply given by the Bolivian Minister in Washington.

He is in general accord with the idea of the collaboration of the other countries named in presenting and supporting his formula but was reluctant to say what steps he would take to start this machinery. I rather pushed him on this and he finally said that he would "explore the matter with Paraguay" but before doing this it was highly desirable to arouse Brazil to greater activity. I inquired if he anticipated any change in Brazil's attitude under the new Foreign Minister.¹³ He replied in the negative; that this official was a well poised pacific man, and had represented Brazil in the Disarmament Conference.¹⁴ He said precaution with Brazil is necessary because that Government does not wish to act strongly until there is definite acceptance of the formula by the two Governments. I reiterated the desire of my Government to support his efforts at Asunción when he thought the moment propitious. With regard to the additional request of Bolivia, paragraph 6 of the Department's telegram under reference, he said that he thought of expressing his great surprise thereat to the Bolivian representative since it was something that could be discussed in conciliation conversations and that the fact that this was confidentially advanced as a *sine qua non* indicated that Bolivia would be afraid to have brought out publicly that it had laid down such a condition. He added that if the zone were insisted upon he would end the whole matter.

The Minister showed me a telegram from his representative at Geneva reporting that he had informed the League of Nations of the exploratory conversations and quoting their expressions of satisfaction thereat. He added that when the League reassembled in September the Argentine position before it would be entirely regularized.

The Minister referred to shipments of arms from the United States and said he was uncertain of the repercussion in Paraguay but that he hoped for one not unduly unfavorable. Following this he said: "Your country must push Bolivia since you have the means to do it." To this I made no reply.

At the beginning, during, and at the conclusion of our conversation, the Minister counseled extreme patience and great deliberation, insisting that in the whole matter we must go slowly since this was a last effort and we must avoid defeat, that we must have Brazil strongly supporting the effort, and that there must be perfect accord with that Government. . . .

¹³ José Carlos de Macedo Soares replaced Felix de Barros Cavalcanti de Lacerda on July 26, 1934, as Foreign Minister.

¹⁴ For correspondence concerning the Disarmament Conference of 1932, see *Foreign Relations*, 1932, vol. I, pp. 1 ff.

The Minister asked me for a résumé of the Department's message and I replied that I was not authorized to do so. He did not press the matter further. I request your instructions on this point.

WEDDELL

724.3415/3969 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, July 30, 1934—6 p. m.
[Received 6:35 p. m.]

152. My 150, July 27, 6 p. m. Minister for Foreign Affairs has transmitted answer to my inquiry direct to Embassy in Washington in following telegram:

"Please inform American Government that Brazil although reluctant to take any initiative in the Chaco question, joined recently at the request of the Argentine in the work of sounding out the Governments of Paraguay and Bolivia. We are ready to cooperate loyally and disinterestedly in any negotiation designed to reach a solution honorable and satisfying to both parties. The present Minister for Foreign Affairs consistent with his previous course in international conferences especially the Disarmament Conference in 1932 where he was the chief of the Brazilian Delegation will always act in full understanding with the American Government as he desires to maintain and develop still further our relations with that country.

Accepting the suggestion of the American Government we are giving our Ambassador in Buenos Aires instructions to act with the American Ambassador to arrange with the Argentine Government a joint action to persuade Paraguay and Bolivia to accept participation in the mediation of the members of a commission of neutrals and those of the ABCP."

This telegram repeated to Brazilian missions in Paraguay, Bolivia, Argentina and Chile.

GIBSON

724.3415/3970 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, July 31, 1934—1 p. m.
[Received 6:48 p. m.]

109. Supplementing my No. 107, July 28, 6 p. m. The Minister for Foreign Affairs told me today that he had just given messages for the President of Paraguay to the Paraguayan Minister in Brazil who is leaving here tomorrow for Asunción.

He is obviously anxious to accomplish something definite before the League Council meeting in September next. He remarked that it would be difficult for Argentina to disassociate itself from League

peace activities once the Council had met. I gather that he is now inclined to think an endeavor should be made to get Paraguay and Bolivia to agree on an arbitral compromise (if conciliation should prove ineffective) within a 1-month period rather than the 3 months specified in paragraph 7 of his conciliation formula.

WEDDELL

724.3415/3975a : Telegram

*The Secretary of State to the Ambassador in Argentina (Weddell)*¹⁵

WASHINGTON, August 1, 1934—6 p. m.

73. By instruction of his Government, the Bolivian Minister in Washington informs the Department in clarification of the Bolivian reply to the Argentine proposal that the statement made by Bolivia in the latter part of her reply, to the effect that Bolivia must be given an outlet to the Paraguay River as a *sine qua non*, was intended to be regarded solely as a confidential statement for the information of the mediating nations and is not to be considered in any sense as a condition imposed for participation by Bolivia in the Conciliation Conference; furthermore, that this statement had reference solely to the Conciliation Conference and not to arbitration and that Bolivia would agree to arbitration in the broadest sense by the Permanent Court at The Hague.

This information, which appears to be highly satisfactory, as an evidence of Bolivia's willingness to participate in conciliation negotiations and to agree to arbitration if conciliation proves impracticable, has been communicated confidentially to the Argentine Ambassador here and to the Brazilian Government. You may, of course, refer to it in your further conversations with Dr. Saavedra Lamas.

HULL

724.3415/3981 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, August 3, 1934—6 p. m.

[Received August 3—5: 44 p. m.]

155. Department's 90, July 26, 9 p. m. Argentine Ambassador called at Foreign Office this afternoon to state that his Government was not in favor of inviting the other six states to join in the mediation and felt it should be restricted to the original three until definite agreement was reached.

Minister of Foreign Affairs states he is anxious to follow the course adopted by us in this matter. He is in favor of inviting the other six

¹⁵ A similar telegram was sent, August 1, to the Ambassador in Brazil as No. 92.

but before sending instructions to the Brazilian Ambassador in Buenos Aires he would appreciate a statement of your own intentions.

I should be glad if this could be given me urgently so that instructions may be sent to Buenos Aires.

GIBSON

724.3415/3981 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, August 4, 1934—2 p. m.

96. Your 155 August 3, 6 p. m. The Brazilian Chargé d'Affaires communicated yesterday evening to the Department an inquiry similar to that addressed to you by the Brazilian Minister for Foreign Affairs. The Brazilian Chargé d'Affaires was advised of the deep appreciation of this Government for the attitude shown by the Brazilian Government in consulting with the Government of the United States and was further told that the views of this Government had already been made known both to the Argentine and Brazilian Governments in prior communications. In the opinion of this Government, Brazil and the United States have cooperated with Argentina in the interest of the advancement of peace between Bolivia and Paraguay by lending their strong moral support to the conciliation formula presented to the Bolivian Government by the Government of Argentina. We believe that for practical considerations it may be well to limit the nations cooperating with Argentina in the peace movement to Brazil and the United States until a definite agreement in principle on the bases of the conciliation formula has been obtained both from Bolivia and from Paraguay. We further believe, however, that as soon as such definite acceptance of principle has been obtained from both Governments, it would be highly advantageous to request the formal cooperation of the other American Republics referred to by Bolivia in her reply in presenting and supporting officially the conciliation formula to the two belligerent nations. It was our clear understanding that the Argentine Government coincided in this point of view as was made evident in conversations had with Dr. Saavedra Lamas by the American Ambassador at Buenos Aires, as well as in messages received by the Argentine Ambassador at Washington from his Government.

The following are the reasons for the opinion held by this Government in the matter :

1. The influence of Chile in Bolivia is momentarily preponderant and unless Chile is invited to participate in the peace negotiations, it seems very probable that those negotiations may not be successful.

2. It would be exceedingly difficult for the United States, in view of its failure to cooperate in the recent initiative of Colombia and

Peru, to refrain from requesting those Governments to cooperate in this new peace move.

3. Mexico, Uruguay, and Cuba, which formed part of the Commission of Neutrals at Washington, would necessarily resent the failure of this Government to invite them to participate in any new peace movement.

4. This Government is decidedly of the opinion and has frequently so stated, that the furtherance of peace on the American Continent should be a matter of joint moral responsibility for all of the American Republics and does not believe that efforts in behalf of peace should be limited to any bloc or clique of American Republics. The latter procedure would be more likely to promote ill feeling than to further peace, particularly under present conditions. The precedent involved in this instance is one which this Government attributes the highest importance.

5. Finally, it is well known by Argentina, Brazil, and the United States that Dr. Saavedra Lamas' conciliation formula had been presented to Paraguay and had apparently received its full approval before it was presented to the Government of Bolivia. The only specific request upon which Bolivia has continued to insist since its reply was sent to Argentina is that the additional American Republics under reference be invited to participate in the mediation. If this request is not complied with, it would appear to be very difficult for Bolivia to agree to the peace formula.

For the reasons above set forth, this Government believes that if an agreement in principle between Paraguay and Bolivia can be obtained, the additional American Republics should be at once invited to participate in presenting the conciliation formula to both belligerents. There seems to be no reason for extending this invitation immediately, since we have no information leading us to believe that the final acquiescence in principle by Paraguay has as yet been obtained by the Argentine Government.

HULL

724.3415/3988 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, August 6, 1934—6 p. m.
[Received 8:30 p. m.]

160. Department's 96, August 4, 2 p. m. I had on my own responsibility already outlined the substance of the Department's views but was glad to be able to confirm them by reading your telegram to the Foreign Minister this afternoon. He was obviously gratified.

He informed me (1) that he had today sent the Brazilian Chargé d'Affaires in Washington a telegram outlining substantially the same views in regard to this question so that there was no doubt of our complete understanding.

(2) That he was today sending a telegram to the Brazilian Ambassador in Buenos Aires instructing him to confer with his American colleague and in full understanding with him to inform Mr. Saavedra Lamas definitely that Brazil was in favor of extending the invitation to include the nine powers.

(3) That he was about to hand the Argentine Ambassador here a memorandum informing him that (once the Argentine formula had been accepted by the two parties) Brazil was definitely in favor of inviting the other powers in question to join in the work of conciliation. He stresses as the essential argument the fact that after proclaiming peace on this continent to be a matter of general American concern, any attempt to retain control by the three powers might well be regarded as an effort on their part to dominate affairs in this hemisphere. As I understood it he contented himself with that one argument.

(4) The Chilean Ambassador had just handed him a memorandum containing the text of the note addressed to the Paraguayan Government announcing the withdrawal of the Chilean Minister.¹⁶ As I assume the Department will receive this from the Chilean Ambassador in Washington I shall not telegraph the text unless so instructed.

It is felt here that this action is regrettable as at a time when all efforts should be centered on conciliation Chile has created a fresh complication which does not facilitate her being asked to serve as a conciliator. The Minister for Foreign Affairs made no carefully formulated comments to the Chilean Ambassador but stressed the desirability of forbearance and moderation in the general interest and expressed the hope that a definite rupture would be avoided.

(5) Some annoyance was expressed at what was considered a rather crude effort on the part of the Argentine to get Brazil to espouse the Argentine point of view and thus face the United States with the choice of acquiescing or being made responsible for the consequences. I cannot judge as to the foundation for this belief but it seems clearly to have made the Brazilians more determined to stick to their guns.

In conclusion the Minister once more stressed the point that he sees eye to eye with us in the present situation and having full confidence in our singleness of purpose he is anxious to be kept as fully informed as possible in order that he may effectively support what we are trying to accomplish.

GIBSON

¹⁶ See section entitled "Concern of the United States Over Misunderstanding Between Chile and Paraguay Resulting in Temporary Withdrawal of Diplomatic Representatives," pp. 300 ff.

724.3415/3988 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, August 7, 1934—6 p. m.

100. Your 160, August 6, 6 p. m.

1. Please express to the Minister for Foreign Affairs the great satisfaction occasioned this Government upon ascertaining that the views of the Brazilian Government with regard to procedure in the Chaco peace negotiations appear identical with the views held by this Government. A similar response was made this morning to the Brazilian Chargé d'Affaires in Washington.

2. This Government is deeply concerned by the threatened break in relations between Chile and Paraguay. Both because of the fact that a final break in relations would materially impede the pacific solution of the Chaco controversy as well as because of the consequent unfavorable effect on relations between Chile and Argentina, it seems exceedingly desirable that a strong effort be made without delay to avert this possibility. Should the Government of Brazil view the situation, and the possible dangers inherent therein, in the same manner in which this Government regards them, it would seem desirable for both Governments to inquire through their respective missions in Santiago and in Asunción whether the Governments of Chile and Paraguay would care to avail themselves of the friendly offices of Brazil and the United States in attempting to find a solution of the difficulties which have arisen between them agreeable to both Governments concerned.

If any steps in this sense are to be taken, they should obviously be taken immediately. Please cable the views of the Minister for Foreign Affairs at the earliest opportunity.

HULL

724.3415/3998 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, August 9, 1934—7 p. m.

[Received 7:06 p. m.]

167. 1. Foreign Office advises me that Saavedra Lamas has agreed that once formula is accepted in principle the six other powers will be invited. They are now going on the assumption that this is a definite acceptance of our point of view.

2. Brazilian Ambassador at Santiago, who has instructions to act as soon as his American colleague is ready, reports that American Ambassador is still without instructions.

3. In view of the importance of time element Department may think it desirable that I repeat my pertinent telegrams to Weddell for his information.

GIBSON

724.3415/3998 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, August 10, 1934—3 p. m.

103. Your 167, August 9, 7 p. m. Referring to your Paragraph 1, this Government now understands that the Argentine, Brazilian, and United States Governments are in accord that the other six powers will be invited once the conciliation formula has been definitely accepted in principle by Bolivia and Paraguay.

With reference to Paragraph 2 of your cable, the American Ambassador at Santiago received instructions in the evening of August 8,¹⁷ and carried them out before midnight on that date. He has informed the Department that the Chilean Government has suggested that the United States, acting either alone or in conjunction with Brazil and Argentina, endeavor to persuade Paraguay to make a statement (1) that Paraguay considers as unfounded the personal attacks appearing in the Paraguayan press upon the President and members of the Government of Chile; and (2) that "Paraguay has complete confidence in the fidelity of Chile towards its obligations as a neutral." Dr. Cru-chaga added that if the latter point could not be obtained, he was open minded to any alternative plan which this Government might suggest.

The Department has not as yet received any response from the Government of Paraguay to the inquiry made of it in terms identical to that made in Santiago.

The Department is advised by the Argentine Ambassador of the efforts being made by Dr. Saavedra Lamas to prevent a rupture of relations between Chile and Paraguay, but is not as yet advised as to the attitude adopted by Paraguay.

Referring to Paragraph 3 of your cable, the Department approves of your repeating pertinent telegrams to American Embassy at Buenos Aires for its information.

HULL

¹⁷ *Post*, p. 306.

724.3415/4003 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, August 10, 1934—6 p. m.
[Received 9:30 p. m.]

169. 1. Brazilian Ambassador in Buenos Aires reports Saavedra Lamas states both Paraguay and Bolivia have accepted protocol in principle.

2. Ambassador also reports that Ayala has just telephoned Saavedra Lamas that he is instructing his Minister in Santiago to express to the Minister for Foreign Affairs his Government's entire disapproval of the press campaign which was a purely private matter.

3. Ayala informed Brazilian Minister at Asunción that in making foregoing statement to the press tomorrow he proposed to add that the Paraguayan Government still fully maintains its previous assertion that Chile has been guilty of nonneutral conduct.

4. Brazilian Ambassador in Santiago reports that in conversation Cruchaga affirms that he has no desire to humiliate Paraguay or demand satisfaction which would be offensive to her national pride.

5. Foreign Office telegraphing Brazilian Minister at Asunción instructions to act with his American colleague to persuade Ayala to defer or preferably refrain from making press statement which could only make matters worse suggesting to him the alternative of instructing his Minister in Santiago to call upon Cruchaga when expressing verbally the Paraguayan Government's regrets at the press campaign to affirm Paraguay's confidence in the propriety of Chile's diplomatic action.

6. Foreign Office at the same time suggesting informally at Buenos Aires, Santiago and Asunción that the notes exchanged between latter two capitals be withdrawn with a view either to replacing them with other notes in milder terms or to verbal adjustment.

7. The Foreign Office feels there is great urgency in this matter and hopes you will feel justified in issuing appropriate instructions to Nicholson.

GIBSON

724.3415/4003 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, August 11, 1934—2 p. m.

104. Your 169, August 10, 6 p. m. Referring to your Paragraph 1, the Argentine Ambassador here advises the Department that Dr. Saavedra Lamas has obtained a definite acceptance in principle of his conciliation formula by both Bolivia and Paraguay and that he is

conferring today with the American and Brazilian Ambassadors in Buenos Aires to discuss procedure with them.

The press statement referred to in your Paragraph 5 was issued late in the evening of August 9, by the Paraguayan Minister for Foreign Affairs according to a cable received this morning from the American Minister in Asunción. The pertinent portions are as follows:

(1) The Paraguayan Government "maintains in full the statements in its note of August 2, as concerns the neutrality observed by the Chilean Government;

(2) "That there cannot be given to the note" (that of August 2) "any interpretation in the sense that the Government associates itself with the press propaganda and much less with the attacks of a personal character directed against Chilean personalities which attacks merit the Government's frank reprobation."

Point 2 clearly meets the desires of the Chilean Government, but Point 1 is understood to be unacceptable. The Department understands, however, that Dr. Saavedra Lamas believes that he has obtained from President Ayala a conciliatory statement covering the contents of Point 1 which will prove acceptable to the Chilean Government.

In view of the fact that the Paraguayan statement has already been issued and that Dr. Saavedra Lamas is optimistic as to the outcome of his mediation, it would seem preferable temporarily to await developments and for this Government to make no further representations at this time to the Government of Paraguay. Further instructions will be sent you upon receipt of precise information from Buenos Aires.

You may advise the Foreign Office of the above and state that this Government would have been very glad to join with the Government of Brazil in suggesting to the Government of Paraguay that it refrain from the publication of the official statement above referred to, but that the speedy publication of this statement prevents any action in the matter.

HULL

724.3415/4005 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 13, 1934—7 p. m.

[Received 7:52 p. m.]

122. At the request of the Minister for Foreign Affairs I today met with him and the Brazilian Ambassador at the Brazilian Embassy to discuss the Chaco matter. The Bolivian Minister came in later. The latter said that his Government was in accord with the general principle of arbitration but that the Chaco as defined by Paraguay before the League was not an acceptable basis, intimating strongly

that the scope of the arbitration should be first determined if Bolivia is to accept the Argentine formula. He, however, expressed himself as highly pleased with the outlook for peace. His general attitude would seem to be at variance with the statements made to the Department by the Bolivian Minister in Washington (see your No. 73, August 1, 6 p. m.).

The Minister for Foreign Affairs feels that the crux of the matter is the willingness of Bolivia to arbitrate in a broad spirit and he hopes that further pressure can be brought on that Government to this end.

The Minister for Foreign Affairs, the Brazilian Ambassador and I meet again on Wednesday.

WEDELL

724.3415/4011 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 15, 1934—7 p. m.

[Received 8:55 p. m.]

124. At the request of the Minister for Foreign Affairs I again met with him and the Brazilian Ambassador at the Brazilian Embassy today. The Paraguayan Minister was present. The latter said that his personal reactions to the Argentine formula for Chaco peace were favorable but that of course he would like to consult his Government and would later enter into contact with us.

At our specific request the Minister of Foreign Affairs later informed the Brazilian Ambassador and myself privately that he had the certainty of Paraguay's acceptance of his formula.

The Minister for Foreign Affairs showed me a letter just received from the Bolivian Minister saying he was instructed by his Government to seek an immediate interview with Doctor Saavedra Lamas and the Brazilian and American Ambassadors at which he might set forth the exact views of his Government concerning the peace formula in order to avoid any misunderstanding. He is being invited to meet us at the Brazilian Embassy tomorrow afternoon.

WEDELL

724.3415/4015 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, August 16, 1934—8 p. m.

[Received 9:55 p. m.]

175. 1. Brazilian Minister at La Paz advises Foreign Office Bolivian Minister for Foreign Affairs annoyed at contradictory state-

ments he is receiving concerning bases of conciliation discussed in Buenos Aires between the Brazilian Ambassador, American Ambassador, and Saavedra Lamas.

2. Bolivian Minister for Foreign Affairs wishes the arbitration to be *de jure* and not simple in character. He further asserts that as far as Bolivia is concerned the concession of a port on the Paraguay River must be made *sine qua non* part of the bases for the conciliation and that this item was apparently omitted in the above mentioned conversations held in Buenos Aires.

3. Saavedra Lamas yesterday informed Brazilian Ambassador that he is in possession of Paraguayan note of last July accepting all seven bases for the conciliation although apparently Paraguay now declares that it can only accept the first and last mentioned bases.

4. Brazilian Minister for Foreign Affairs is today telegraphing Freitas-Valle¹⁸ to consult with you concerning the joint action which should be taken by us at Buenos Aires in view of the present attitude of Paraguay and Bolivia.

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Repeated to Buenos Aires.

GIBSON

724.3415/4017: Telegram

*The Ambassador in Argentina (Weddell) to the Secretary
of State*

BUENOS AIRES, August 17, 1934—10 a. m.

[Received 11:25 a. m.]

126. As previously arranged I met the Minister for Foreign Affairs, the Bolivian Minister and the Brazilian Ambassador, at the latter's residence yesterday afternoon.

The Bolivian Minister read to us his Government's reply to the Argentine Government referred to in the Department's No. 70, July 26, 9 p. m. I pointed out that this had been qualified by declarations made to the Department (see your No. 73, August 1, 6 p. m.); the Minister for Foreign Affairs corroborated this referring to similar advices received from his Ambassador in Washington; the Brazilian Ambassador said these statements also accorded with his own information.

The Bolivian Minister then read a telegram from his Government dated August 15 to the effect that it had understood that conciliation would come first with arbitration as a last resort and not as a prerequisite and that in the present circumstances it must advance as a *sine qua non* an outlet on the Paraguay River, insinuating that the

¹⁸ C. de Freitas-Valle, Brazilian Chargé in Washington.

United States, Argentina and Brazil should ascertain Paraguay's claims and then endeavor to reconcile the two. He continued to insist that his Government was in accord with the principles of the Argentine formula but that a "method" for conciliation must be worked out and that until such conciliation procedure was arrived at no progress could be made toward arbitration. This seemed to deadlock discussion and the Bolivian Minister withdrew saying he would again consult his Government and later ask for another interview.

The Brazilian Ambassador, the Minister for Foreign Affairs and I are at one in considering that Bolivia's attitude as set forth above represents a change of front from that previously made known to us and a return to its original position.

I am meeting the Minister for Foreign Affairs and the Brazilian Ambassador again this afternoon.

WEDDELL

724.3415/4020 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, August 17, 1934—5 p. m.
[Received 6 p. m.]

176. Bolivian Minister today left memorandum at Foreign Office stating his country makes Paraguayan recognition of Bolivian zone on Paraguay River (from Bahía Negra south) a fundamental condition precedent to acceptance of formula. In other words they want to add an eighth point to formula.

Memorandum adds that Bolivian Government understands hostilities shall cease immediately on acceptance of all points by both countries.

Minister for Foreign Affairs is telegraphing Brazilian Ambassador at Buenos Aires expressing annoyance at the apparent discrepancy between statements made by Saavedra Lamas to the mediating countries on the one hand and the contending countries on the other hand, a course which may lead to serious complications. Ambassador is instructed to confer with Weddell with a view to concerted action in urging Saavedra Lamas to exert pressure on Paraguay to adhere to previous acceptance of formula.

Minister for Foreign Affairs would value an expression of your views on this subject and on the attitude to be adopted in dealing with Bolivia's demand.

Repeated to Buenos Aires.

GIBSON

724.3415/4021 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 17, 1934—6 p. m.

[Received 6:26 p. m.]

127. As previously arranged I this afternoon met the Minister for Foreign Affairs and the Brazilian Ambassador.

At this meeting we received a note dated today addressed to the three of us by the Paraguayan Minister in this city quoting in full the Argentine peace formula and accepting the same "without reservations" in the name of his Government. Copies by next air mail unless otherwise instructed.

It was felt that the fact of Paraguay's acceptance would be most confidential to our respective Governments and should not be communicated to the Bolivian Government.

WEDDELL

724.3415/4024 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 18, 1934—10 a. m.

[Received 12:30 p. m.]

128. Supplementing my 127, August 17, 6 p. m., at yesterday's meeting it was felt by the Minister of Foreign Affairs, the Brazilian Ambassador and myself, that as this seemed a critical moment in the negotiations each of us should suggest to our governments that pressure be now brought on the Bolivian Government to accept unreservedly the Argentine formula, the Minister for Foreign Affairs to give corresponding instructions to his own diplomatic representative in La Paz. I postponed advising you of above until I received oral confirmation from Brazilian Ambassador that he was sending a similar message to his Government.

WEDDELL

724.3415/4020 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, August 18, 1934—1 p. m.

108. Your 176, August 17, 5 p. m. The Department received last night from the American Embassy in Buenos Aires a cable¹⁹ stating that the Minister for Foreign Affairs, the Brazilian Ambassador, and

¹⁹ Telegram No. 127, August 17, 6 p. m., above.

the American Ambassador had on that date received a note from the Paraguayan Minister quoting in full the Argentine peace formula and accepting the same without reservations in the name of his Government.

In view of the action thus taken by Paraguay there would seem to be no further reason for questioning the full acceptance by Paraguay of Dr. Saavedra Lamas's conciliation formula.

With reference to the first paragraph of your cable and to the request of the Brazilian Government for an expression of our views thereon, the statements made by the Bolivian Minister in Rio de Janeiro in the memorandum to which you refer appear to be at variance with statements made to the Department by the Bolivian Minister in Washington. The latter has stated that the outlet to the Paraguay River insisted upon by Bolivia is a condition essential to a satisfactory agreement between Bolivia and Paraguay through conciliation, but that it is not an indispensable prerequisite to an agreement to accept arbitration on the part of Bolivia. Please state, therefore, to the Minister for Foreign Affairs that the Department desires to clarify this apparent conflict before expressing any final views on this subject.

For your confidential information, I am inclined to believe that more satisfactory progress will be made if Brazil and the United States at this stage of the negotiations were to endeavor to obtain a definitive statement of her attitude from Bolivia, the Argentine Government doing the same with regard to Paraguay, with a simultaneous endeavor on the part of Argentina, Brazil, and the United States to attempt to conciliate the respective points of view of the belligerent governments. At the present time there seems to be considerable discrepancy in the statements made by Bolivia at Buenos Aires and the statements made at Rio and at Washington and it might be more practical to suggest next week to Dr. Saavedra Lamas that the procedure above indicated be temporarily adopted. The Department will cable you definite instructions on this point early next week.

PHILLIPS

724.3415/4025 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, August 18, 1934—2 p. m.

[Received 5 p. m.]

177. 1. Brazilian Ambassador in Buenos Aires advises that he has received Paraguayan note definitely accepting all seven bases for conciliation.

2. Brazilian Ambassador in conference with Bolivian Minister last night requested latter to urge his Government to accept the seven

bases, leaving all matters of a technical nature to be decided by the conciliation commission, promising confidentially to support at that time Bolivia's claim to a port on the Paraguay River. Minister for Foreign Affairs is instructing Brazilian Minister in La Paz confidentially to make this known to the Bolivian Minister for Foreign Affairs and to urge acceptance upon this basis of the original seven points.

3. Minister for Foreign Affairs is telegraphing Washington to request you to support confidentially this proposal.

Repeated to Buenos Aires.

GIBSON

724.3415/4024: Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Weddell)*

WASHINGTON, August 20, 1934—7 p. m.

91. Your 128, August 18, 10 a. m. For your personal and confidential information, the Argentine Ambassador here has received instructions from Dr. Saavedra Lamas suggesting that the Ministers of Argentine, Brazil, and the United States in La Paz be instructed to make joint representations to the Bolivian Government expressing the surprise of their respective Governments at the statements made by the Bolivian Minister in Buenos Aires at the meeting of August 16th and calling the attention of the Bolivian Government to the fact that the said statements are in complete disaccord with prior statements made by the diplomatic representatives of Bolivia and especially by the Bolivian Minister in Washington, and that such a change in attitude is inconceivable only 2 days after the present negotiations have been commenced.

The instructions given the Argentine Ambassador here appear to be quite different from the understanding reached at your conference with Dr. Saavedra Lamas and the Brazilian Ambassador on August 17th as reported in your cable above referred to, which understanding, as you conveyed it, refers solely to bringing pressure to bear upon Bolivia to accept without reservations the original conciliation formula.

The Argentine Ambassador has been informed that it does not appear to this Government an opportune time to adopt an admonitory tone towards Bolivia, since it appears to be very probable, in our judgment, that the apparent discrepancies between the statements made by the Bolivian Minister in Buenos Aires and those made by other officials of the Bolivian Government are due in great part to misunderstanding and perhaps to complication in procedure. The Argentine Ambassador has been informed that the Department has, however, already urged upon the Bolivian Government, through the

Bolivian Minister here, acceptance without reservation of the conciliation formula.

The Bolivian Minister in Washington this morning strongly reiterated the prior statements he had made with regard to the attitude of his Government towards conciliation and towards arbitration. He has stated that the *sine qua non* of the outlet to the River Paraguay refers solely to conciliation and was intended as a friendly and confidential statement to the three mediating nations of the point of view which Bolivia must maintain during the conciliation conversations, if these took place. He has further stated that unless the mediating powers were willing to propose this during the course of the conciliation proceedings as an essential part of the agreement to be arrived at, it would seem better to resort immediately to arbitration, since Bolivia could not accept an agreement through conciliation unless an outlet to the River Paraguay formed a part of such agreement. The Minister was informed in reply to this statement that it seemed logical that Bolivia should first accept without reservations the conciliation formula and then request the friendly support of the mediating powers for her point of view if that were deemed reasonable and acceptable by the mediating nations.

With regard to the question of arbitration, the Minister was reminded that in the "reply of the Bolivian Government concerning the Commission of the League of Nations draft treaty transmitted by the Bolivian Plenipotentiary on March 6, 1934," the Bolivian Government reiterated its acceptance of the proposal of the Commission that there be entrusted to the Permanent Court of International Justice at The Hague legal arbitration to delimit the sovereignty of the two contending countries over the territory included in the maximum claims so far advanced by the belligerents in accordance with the principles proclaimed by the American nations in their declaration of August 3, 1932. The Department stated to the Minister that this was understood as providing for ample arbitration. The Minister replied that he understood that this was still the point of view maintained by his Government, but that in order to ascertain if any change had taken place in such point of view since March, last, he would cable immediately and obtain an explicit confirmation of his own impression. Upon receipt of this confirmation, the Department will advise you accordingly.

It appears very obvious that many complications and misunderstandings at this stage of negotiations are brought about by the endeavor of Dr. Saavedra Lamas to negotiate directly with Bolivia and Paraguay at the same time. This condition may perhaps be due in part to the suspicion with which Bolivia views Dr. Saavedra Lamas' activities and to Bolivia's continued belief that any suggestions made by Dr. Saavedra Lamas are to the advantage of Paraguay. It would

seem preferable, until conciliation conversations have definitely commenced, that Brazil and the United States obtain, if possible, through direct negotiations with Bolivia an agreement without reservation as to the conciliation formula and a clear and definitive statement of Bolivia's position with respect to conciliation and with respect to arbitration, and that the Argentine Government undertake the same service with regard to Paraguay, the three mediating Governments then attempting to reconcile such discrepancies as there may be in the points of view of the belligerent nations through their representatives in Buenos Aires.

Before definitely making the suggestion to Dr. Saavedra Lamas, the Department desires you to cable your impression as to his probable reactions to such a suggestion. It is understood that the Government of Brazil will be favorably disposed to the procedure indicated.

PHILLIPS

724.3415/4025 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, August 20, 1934—7 p. m.

110. Your 177, August 18, 2 p. m. The Department has urged the Bolivian Government, through the Bolivian Minister here, to accept without reservations the conciliation formula. It is not disposed at this moment to make any commitments to support Bolivia's claim to a port on the Paraguay River. Freitas-Valle this morning conveyed the request of the Minister for Foreign Affairs, as communicated by you, and was told in reply that it seemed appropriate that Bolivia accept without reservations the seven points of the conciliation formula before discussing with her the attitude which this Government would adopt during the course of the conciliation negotiations; that Paraguay might rightly infer that the mediating nations were adopting an attitude partial to Bolivia if they gave secret commitments to Bolivia to support her claims during those negotiations, whereas if the Bolivian claims appear to be fair and reasonable to Argentina, Brazil, and the United States, they might logically support such claims after conciliation conversations had commenced without having made any prior commitment to do so. Freitas-Valle appeared to be entirely in accord with this policy.

From a conversation today with the Bolivian Minister here, it would seem to be evident that misunderstanding has arisen in Buenos Aires with regard to the statements of the Bolivian Minister in Argentina made at the conference of August 16th. Please cable the views of the Brazilian Government with regard to the suggestion contained in the last paragraph of the Department's 108, August 18, 1 p. m.

PHILLIPS

724.3415/4030 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 21, 1934—4 p. m.

[Received 5 : 30 p. m.]

132. By appointment I met the Minister for Foreign Affairs and the Brazilian Ambassador at the latter's residence yesterday afternoon. The Bolivian Minister was present.

The Minister for Foreign Affairs stated that following a visit just received from the Paraguayan Minister he felt at liberty to inform the Bolivian Minister of Paraguay's unconditional acceptance of the Argentine Peace Formula.

The Bolivian Minister while registering no surprise stated he considered the news important and would inform his Government. Asked if he thought his Government would also accept the formula unconditionally he replied negatively declaring that the phrase "without reservations" in the Paraguayan letter of acceptance then shown to him was not clear. After sustaining this viewpoint for some time he shifted the discussion to clause VII of the formula declaring this to be "vague and uncertain" arguing at length that it was necessary before proceeding further to fix with Paraguay exactly what was to be submitted to arbitration.

After the departure of the Bolivian Minister the Brazilian Ambassador showed us a telegram from his Government stating that its Minister in La Paz was being instructed to push Bolivia for an unconditional acceptance of the formula.

The Minister for Foreign Affairs declared if these attempts to achieve peace failed he was inclining to the belief that the representatives of Argentina, Brazil and the United States should draft and make public a document setting forth the negotiations which would pillory Bolivia in world public opinion. I made no reply.

Since drafting the foregoing I have received the Department's 91, August 20, 7 p. m., which I am carefully studying.

WEDDELL

724.3415/4029 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, August 21, 1934—4 p. m.

[Received 4 : 44 p. m.]

181. Department's 110, August 20, 7 p. m. Foreign Office is in agreement with suggestion last paragraph your 108.²⁰ Telegram has been

²⁰ August 18, 1 p. m., p. 174.

sent to La Paz to press for clear understanding of Bolivian position. Importance of clarity has been impressed on Bolivian Minister here.

Minister for Foreign Affairs informs me he felt obliged to make concession to Bolivia, not only because he feels the demand reasonable but as he was convinced it was the only way of keeping Bolivia from backing out. He quite understands and agrees with position taken by us that we should make no commitments of any character.

GIBSON

724.3415/4029 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, August 22, 1934—7 p. m.

112. Your 181, August 21, 4 p. m. Please express to the Minister for Foreign Affairs the deep appreciation of this Government for the message sent in your cable under reference. A similar message has been received from Freitas-Valle. Please say once more how invaluable we find the helpful and friendly cooperation of the Brazilian Government throughout the course of these negotiations.

The Department is now awaiting a clear and definitive statement which the Bolivian Minister in Washington has requested of his Government regarding the position of Bolivia with reference to arbitration. The Minister's statements in this regard have been highly satisfactory, but he desires to obtain specific confirmation from his own Foreign Office.

With the formal and written acceptance by Paraguay of the seven bases of the conciliation formula, the desirable procedure now would seem to be to obtain from Bolivia acceptance without reservation of these same bases and, subsequently, to obtain from Paraguay an agreement with Bolivia as to the nature of the submission to arbitration should conciliation prove impracticable.

You will be advised immediately of the response received from the Bolivian Minister in Washington.

PHILLIPS

724.3415/4033 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 23, 1934—6 p. m.

[Received 9 : 15 p. m.]

137. By appointment I met the Minister for Foreign Affairs and the Brazilian Ambassador at the latter's [residence?] this afternoon. The Minister of Foreign Affairs read a telegram from Washington which seemed to follow closely paragraphs 3, 4 and 5 of the Department's

91, August 20, 7 p. m. I told the Minister that the information contained therein appeared to coincide with that given me. The Brazilian Ambassador seemed to have been similarly advised. The Minister for Foreign Affairs then read a paper which he had drafted interpreting the acceptance of paragraph 7 of his conciliation formula as constituting also a complete acceptance of the statutes of the Hague Tribunal, article 36 of which leaves to that body the determining of the scope of arbitrations, et cetera, submitting [*submitted?*] to it.

The Minister for Foreign Affairs then stated that he felt it would be now appropriate for the United States and Brazil to endeavor to obtain at La Paz an agreement without reservation as to the conciliation formula, and a clear and definite statement of Bolivia's position with respect to conciliation and with respect to arbitration, the Argentine Government to undertake the same service at Asunción, adding that the Brazilian Ambassador, he and I should rather confine ourselves at the moment to seeing that there was no breakdown in the negotiations here. I said I would inform my Government of the foregoing and the Brazilian Ambassador said he would do likewise.

The above suggestion from the Minister for Foreign Affairs seems to take care of the concluding paragraph of the Department's telegram referred to above, save that it limits the suggestion to action at the two belligerent capitals.

Following this the Paraguayan Minister arrived and the Minister for Foreign Affairs read to him the paper relating to his interpretation of paragraph 7 of his conciliation formula above referred to, with which the Paraguayan representative said he was in accord, adding that his Government had accepted the formula with a full consciousness of its implications and in a spirit of entire good faith.

WEDDELL

724.3415/4033a : Telegram

The Acting Secretary of State to the Minister in Bolivia (Des Portes)

WASHINGTON, August 23, 1934—8 p. m.

17. There appears to have arisen considerable misunderstanding in the course of the conversations held in Buenos Aires between Dr. Saavedra Lamas and the Bolivian Minister in Argentina as to the statements made by the Bolivian Minister in Washington with regard to the views of his government concerning the conciliation formula. Dr. Finot's statements to this Government have been entirely clear and have been clearly comprehended. He has today confirmed the Department's prior understanding on this point. Inasmuch as the first message received from the Bolivian Government with regard to its attitude towards adoption of the conciliation formula appeared to leave room for doubt, Dr. Finot, at the Department's request, cabled

for a further expression of Bolivia's views, which he interpreted to the Department as follows: that the statement referring to the *sine qua non* of the outlet to the River Paraguay was intended for the confidential information of the mediating nations in order that Argentina might sound out the position of Paraguay with regard thereto and was to be construed as a clear warning on the part of Bolivia that Bolivia could not accept an agreement through conciliation unless an outlet to the River Paraguay formed a part of such agreement. He stated further that the *sine qua non* was understood to refer solely to efforts at conciliation and not to an agreement to arbitrate. Please advise the Minister for Foreign Affairs immediately of the above and state that there is no misunderstanding on the part of this Government of the views expressed by Dr. Finot as above outlined.

As the Bolivian Government has been informed, the Government of Paraguay has now accepted formally and in writing and without reservation the seven bases contained in the conciliation formula proposed by Dr. Saavedra Lamas. This Government earnestly hopes that the Government of Bolivia may be disposed to take similar action promptly. While the Government of the United States is unwilling to make any prior commitment to support the claims of either one of the belligerent nations, you may say that in the conciliation conversations which might ensue, this Government, as one of the mediating powers, would necessarily support any proposals for solution which at such time appeared to it to be fair and reasonable.

It seems highly important that the Government of Bolivia define clearly its attitude towards arbitration and it would seem desirable that the bases for arbitration be agreed upon prior to the commencement of conciliation conversations in order that both nations may realize that if the attempt at conciliation fails, arbitration by the Permanent Court becomes at once obligatory at the end of the time stipulated in the conciliation formula.

Please cable the Department fully the response which may be made to you by the Minister for Foreign Affairs and express the pleasure with which this Government will receive any suggestions which the Bolivian Government may care to make as to how it may be helpful in bringing about an agreement along the lines proposed in the Argentine conciliation formula. The Department understands that your Brazilian colleague has been instructed to cooperate closely with you and that similar instructions have been sent to him by his Government.

PHILLIPS

724.3415/4035 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 24, 1934—9 p. m.
[Received 11 p. m.]

138. At reception given this afternoon by the President to American newspaper men the Minister of Foreign Affairs told me that he today received a visit from the Bolivian Minister who seemed to be in a responsive mood with regard to the Chaco and would meet the Minister of Foreign Affairs, the Brazilian Ambassador and me tomorrow afternoon for further discussion.

The Minister of Foreign Affairs then stated in the presence of the President that he considered the moment critical and that what was now required was strong and immediate pressure on Bolivia. The President concurred in these statements although minimizing the importance which the Minister of Foreign Affairs gave to reported Paraguayan victories. The President added that he hoped the efforts his Government was now making to promote peace would convince my Government of the sincerity of the desire of Argentina to bring hostilities to an end. I assured him there was no doubt in my mind of this attitude.

WEDDELL

724.3415/4040 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, August 25, 1934—2 p. m.
[Received 3: 55 p. m.]

189. 1. Minister for Foreign Affairs has instructed Brazilian Minister at La Paz to endeavor to persuade Bolivian Government to accept unconditionally the seven points already accepted by Paraguay and to add that indefinite procrastination on the part of Bolivia will inevitably jeopardize the efforts now being made to bring about a peaceful solution.

2. Freitas-Valle has been instructed to consult you with a view to having our Minister in La Paz take concerted action with Brazilian Minister. Brazilian Government shares in the view that the attitude of the Bolivian Government constitutes the immediate problem and that our effort should be concentrated for the moment on eliciting a clear-cut statement of its position.

3. Brazilian Ambassador at Buenos Aires has been instructed to sound out Saavedra Lamas concerning the action Argentina intends to take with regard to the Bolivian forts it now occupies in the disputed territory.

4. Brazilian Minister in Asunción advises he is in accord with Nicholson²¹ that it is inadvisable for the moment to press for a solution of the Chile-Paraguay incident.

Repeated Buenos Aires.

GIBSON

724.3415/4041 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, August 25, 1934—7 p. m.

[Received 9:45 p. m.]

51. Department's telegram No. 17.²² Message was delivered Foreign Minister this afternoon. He commented that he understood from Finot that the United States as well as Brazil is disposed to support Bolivia's *sine qua non* condition. He wishes to know if in case Paraguay should refuse condition whether the United States would not consider it desirable to omit conciliation proceedings and go directly to arbitrate.

Bolivia studying formula and will consult Brazil and United States before making formal reply to Buenos Aires which will be delayed until after the return of the President from a secret trip to Chaco.

The Foreign Minister thanks you for interest and wishes United States Government to know that Bolivia has a sincere desire for peace under honorable conditions.

Brazilian Minister at the request of Bolivian Minister for Foreign Affairs has requested information through Rio de Janeiro to Buenos Aires regarding press report military occupation by Argentina of several Chaco forts.

DES PORTES

724.3415/4041 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, August 27, 1934—4 p. m.

114. Your 189, August 25, 2 p. m. The American Minister in La Paz was instructed last week to make the same representations to Bolivia as those contained in the first paragraph of your cable under reference. The American Minister in Bolivia will be in constant touch with the Brazilian Minister.

The Department is entirely uninformed concerning the report mentioned in paragraph 3 of your cable. It is awaiting replies to inquiries sent requesting information in the matter to the American Ambassador at Buenos Aires and to the American Minister at La Paz.

PHILLIPS

²¹ American Minister in Paraguay.

²² August 23, 8 p. m., p. 181.

724.3415/4046 : Telegram

*The Ambassador in Argentina (Weddell) to the Secretary
of State*

BUENOS AIRES, August 27, 1934—4 p. m.

[Received 8:35 p. m.]

139. By invitation I met the Minister of Foreign Affairs and the Brazilian Ambassador at the latter's residence Saturday afternoon. The Bolivian Minister was present.

After extensive discussion the Minister of Foreign Affairs outlined his interpretation of the attitude concerning conciliation of the Bolivian Government as set forth by the Bolivian Minister, and stated the attitude of the Argentine Government toward this, agreeing to reduce his declaration to writing and to furnish a copy to all present.

The Bolivian Minister concurred in the Minister of Foreign Affairs' interpretation, saying he would make this known to La Paz immediately on receipt of the draft from the Minister of Foreign Affairs. My copy of the draft which I received last night appears to be in exact harmony with the original declaration. A close translation reads as follows:

"Bolivia insisting that its point of view *sine qua non* to reach a conciliation solution is that it be given (within such a solution) an outlet to the River Paraguay below Bahía Negra and expressing its wish to be informed—confidentially—of the support which in this respect it might obtain from the three mediating powers, Argentina declares that in its desire to reach a conciliation, it will support that point of view, provided that it may be brought into harmony with the point of view of Paraguay, adding that should such a suggestion not be accepted by Paraguay, it (Argentina) will propose other and different suggestions with a view to obtaining the desideratum of peace.

It must be clearly understood that the contribution requested by Bolivia for the solution of the difficulty does not constitute ratification or approval of the Bolivian point of view and that the Argentine Government does not prejudice the basic question, which will have to be decided by arbitration at the opportune time, that is when the efforts to obtain harmony may have failed, making it necessary to apply article VII of the plan which prescribes arbitration".

During our discussion the Minister of Foreign Affairs seemed at first to desire that the Brazilian Ambassador and I should make declarations concerning our consent of Governments' attitude similar to his own but I said I was not authorized to do this and the Brazilian Ambassador said the same.

The Bolivian Minister is suspected by the Minister for Foreign Affairs of trying to place the latter's Government and that of Brazil and the United States in the position of not only supporting but of endorsing Bolivia's viewpoint with regard to an outlet on the Paraguay

River; and the Minister for Foreign Affairs seeks to avoid such a commitment through the declaration quoted above.

The Brazilian Ambassador tells me he has been instructed to work in close harmony with me in all negotiations. He and I are at one in thinking that just now any pressure by our two Governments on Bolivia should be at La Paz.

Repeated to Rio de Janeiro.

WEDELLE

724.3415/4047 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, August 27, 1934—7 p. m.

[Received 10:26 p. m.]

39. Following is a summary of my despatch 105 which was sent air mail August 23.²³ Buenos Aires has a copy and the Ambassador suggested that I cable this summary.

On his own initiative I saw the President at his house August 17th. He made clear for the first time that instead of the reluctant yielding of a port on the Paraguay River he was quite anxious to make arrangements for a Bolivian port. He observed that Bolivia owns many millions of acres of oil lands which are not involved in the Chaco dispute. Pipe lines to a river port would be of advantage to Paraguay, calling for the building of refineries, increasing population and assuring cheaper gasoline for Paraguay. He explained that Argentina was not [*now?*] interested in some arrangements to pipe the oil from the Bolivian fields south to connect with Argentine oil fields and refineries. It would be, he said, more advantageous for Bolivia to connect with a Paraguayan port than to throw this traffic to Argentina. The piping would be easier, and the product could be exported more economically.

I got from all this that President Ayala does not view Argentina's interest in promoting peace as unselfish and as purely a gesture of good neighborliness; that Argentine participation in mediation or arbitration could scarcely be dissociated from her desire to link her territory effectively to Bolivia.

The President did not seem disturbed about the Chilean incident and expressed satisfaction at the departure of the Chilean Minister. Comment from other reliable sources is to the effect that much of the difficulty in reestablishing cordial relations between Paraguay and Chile is due to bad feeling between the Foreign Ministers of Argentina and Chile.

NICHOLSON

²³ Not printed.

724.3415/4059a : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Weddell)*

WASHINGTON, August 29, 1934—3 p. m.

101. In the course of a conversation at the Department yesterday, the Bolivian Minister stated that his Government was as yet hesitant as to acceptance of the conciliation formula without reservations because of its belief that Article 7 was so vaguely worded as not to impose the obligation on the part of Paraguay to submit the dispute to the arbitration of the Permanent Court in the event that conciliation endeavors prove unsuccessful, and furthermore, because the said article made no provision for determining the scope of arbitration. The Minister was asked whether in his opinion, were Paraguay formally to ratify the interpretation given Article 7 by Dr. Saavedra Lamas,²⁴ the assurance so provided would be sufficient to allay the fears of his Government. Dr. Finot expressed the belief that ratification of this interpretation by Paraguay would be satisfactory to Bolivia and he was requested specifically to confirm his personal understanding of his Government's view which he promised immediately to do by cable.

In discussing the question of conciliation, the Minister asked whether Argentina refused to sound out the viewpoint of Paraguay with regard to the *sine qua non* specified by Bolivia. The Minister was informed that in the opinion of the Department Paraguay would feel herself unwilling to make any formal commitment on this point prior to the conciliation conversations, but that this Government saw no reason why the matter might not be brought confidentially to the attention of Paraguay, and the Bolivian Government thereafter be confidentially advised whether this point would prove an insuperable objection in the conciliation negotiations. For your strictly confidential information, the Department's statement on this latter point was made in view of the conversation between the American Minister at Asunción and President Ayala held on August 17 of which you have been advised by the former.

Please discuss the substance of the above with Dr. Saavedra Lamas at the earliest opportunity and advise him that it is the impression of this Government that Bolivia will accept the conciliation formula without reservation, provided Article 7 of the formula is interpreted by Paraguay in the manner set forth by Dr. Saavedra Lamas, and provided Bolivia is given confidentially to understand that the sounding out by Argentina of Paraguay on the question of the *sine qua non* has not been productive of completely unsatisfactory results.

²⁴ See telegram No. 137, August 23, 6 p. m., from the Ambassador in Argentina, p. 180.

The decision of the Bolivian Government will be reached only after President Salamanca returns to La Paz and the intended reply of Bolivia will be first made known to Brazil and to the United States before formal transmission to the Argentine Foreign Office. Favorable and early action on the two points above mentioned may, it is hoped, bring forth an equally favorable decision on the part of Bolivia.

PHILLIPS

724.3415/4056 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 29, 1934—5 p. m.

[Received 8:55 p. m.]

142. Referring to my telegram No. 139, August 27, 4 p. m., Brazilian Ambassador today told me that he is informed by his Government that it is in accord with Bolivia's desire to obtain an outlet to the Paraguay River below Bahía Negra and that it will uphold this viewpoint within the committee of conciliation provided for in the Argentine peace formula.

The Minister for Foreign Affairs this afternoon told me that yesterday he had communicated the Bolivian confidential *sine qua non* to the Paraguayan Minister here saying he felt this was necessary in order to assert the impartiality of his attitude.

Repeated to Rio de Janeiro.

WEDDELL

724.3415/4066 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 31, 1934—6 p. m.

[Received 9:57 p. m.]

149. Department's 101, August 29, 3 p. m. I this afternoon communicated the essential contents of Department's message to the Minister for Foreign Affairs.

He stated that he had just discussed at length the Chaco matter with President Justo who said that there were questions of national dignity now becoming involved and that it behooved his Government to act with extreme circumspection. The Minister for Foreign Affairs continued that he could not take up alone with Paraguay the matter of obtaining its formal ratification of his interpretation of clause 7 of his formula. It would seem that he had already discussed this with the Paraguayan Minister since the latter had informed him that his

formal acceptance of the interpretation in the presence of the Minister for Foreign Affairs and the two Ambassadors should be an evidence of his Government's good faith, the Paraguayan Minister further remarking that although Paraguay had made a written statement of its position nothing whatever had been received from Bolivia. . . .

The Minister for Foreign Affairs continued that advices just received from Rio de Janeiro indicated that the Brazilian Government was getting tired of the whole subject in the face of the fruitlessness of efforts thus far made. He declared that the Bolivian attitude and policy seemed to be to delay any effective action and that "Bolivia must first give some sort of answer before Paraguay is pushed further" adding that thus far every suggestion made by Bolivia has been met without arriving anywhere.

The Minister for Foreign Affairs indicated that if in the negotiations the Bolivian Government sought to place the Argentine Government in a secondary position it would immediately withdraw from the affair; he said further that if nothing should be accomplished he considered making public a statement setting forth the course and conduct of the negotiations.

WEDDELL

724.3415/4070 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 4, 1934—9 a. m.
[Received 10 a. m.]

204. Brazilian Minister in La Paz has been instructed by telegraph to obtain from the Bolivian Minister for Foreign Affairs before September 7th, on which date the League Committee meets,²⁵ a definite statement as to Bolivian claims.

Same telegram instructs Minister to suggest to Bolivian Minister for Foreign Affairs that Bolivia request the League to postpone action in connection with the application of article No. 15.

GIBSON

724.3415/4073 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, September 4, 1934—5 p. m.
[Received 7:35 p. m.]

151. I met the Brazilian Ambassador and the Minister for Foreign Affairs in the latter's office this morning. The Bolivian Minister who was also present said that he hoped for a reply today from his Govern-

²⁵ See pp. 32 ff.

ment to an urgent message he had sent last night asking for Bolivia's decision on the peace formula. He urged the necessity for securing Paraguay's formal acceptance of the interpretation of the formula drafted by the Minister of Foreign Affairs. The latter referred to the solemn statements made by the Paraguayan Minister (see my 137, August 23, 6 p. m.) and expressed disinclination to take up the matter again. The Bolivian Minister said that he felt it was highly desirable to clarify doubtful points before proceeding further, emphasizing the desire of his Government for arbitration but stressing the importance of making paragraph 7 entirely clear, while the Minister urged that his Government accept the formula in principle and then ask for the clarification of doubtful points.

The Minister for Foreign Affairs said that he had just received a visit from the Spanish Ambassador who asked on behalf of his Government for a copy of the peace formula and for full information concerning the negotiations and that he had informed him that the League of Nations was being fully posted to which Spain as a member of the League might apply.

The Minister for Foreign Affairs, the Brazilian Ambassador, and I are to meet the Bolivian Minister again tomorrow or as soon as he receives a reply from his Government.

My Brazilian colleague thinks that Bolivia is pursuing dilatory tactics and I am inclined to share this view.

Repeated to Rio de Janeiro.

WEDDELL

724.3415/4070: Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, September 4, 1934—8 p. m.

118. Your 203, September 1, 6 p. m.²⁶ and 204 September 4, 9 a. m. A request similar to that addressed by the Brazilian Government to the Bolivian Minister for Foreign Affairs was today made by this Government to the Bolivian Minister in Washington. The Bolivian Minister has showed me a telegram from his Government informing him of its urgent desire for a successful outcome of the present negotiations. He has further intimated that the Bolivian Government preferred the negotiations provided for in the conciliation formula with the participation of Brazil and the United States to negotiations under the auspices of the League. He has promised to cable his Government immediately insisting that a clear statement of Bolivia's views with regard to the conciliation formula be given Brazil and the United States before September 7th. The Bolivian Minister feels

²⁶ *Ante*, p. 77.

that his Government will be unwilling, however, to request the postponement of the action of the League under Article XV because of the general belief in Bolivia that Bolivia will be in a more favorable position before the Assembly than will Paraguay.

For your strictly personal information. I am inclined to believe that the Bolivian Government is more favorably disposed towards the present negotiations rather than a renewal of activity by the League because of the fact that the Bolivian Minister here was instructed some 2 weeks ago to proceed to Geneva to defend Bolivia's cause before the Assembly. Upon his protesting against the instruction on the ground that he would be more useful in Washington than in Geneva, he has been permitted to remain here, and the Bolivian Government has apparently determined to present her cause in Geneva through her present delegate. If Bolivian [Government?] were determined to press the matter vigorously before the Assembly, it would seem likely that she would have selected the strongest delegation possible.

MOORE

724.3415/4089 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Weddell)*

WASHINGTON, September 7, 1934—9 p. m.

106. The Department received last night from the Bolivian Minister the text of the Bolivian suggestions for modification to the conciliation formula. The Argentine Ambassador this morning received a cable from Saavedra Lamas stating that in his opinion, after preliminary study, the Bolivian suggestions were "conciliable" and that he had immediately transmitted the text to the Government of Paraguay.

In the opinion of the Department, the proposals appear reasonable, although Article VII as proposed by Bolivia lacks clarity and leaves open to doubt the determination of the arbitral tribunal and the time for the signing of the arbitral agreement. The Bolivian Minister here has stated that he believes that his Government would accept the Permanent Court of International Justice and would be quite willing that the arbitral agreement should be signed within the period fixed for conciliation. Consequently, it would seem highly desirable that Article VII as proposed by Bolivia should be amended to read as follows:

"Bolivia and Paraguay declare that in the event that the conciliation is not successful, they will sign an agreement within the same period of 70 days mentioned above in Article VI, submitting to the juridical arbitration of the Permanent Court of International Justice the determination of the rightful sovereignty of the territory in dis-

pute, in accordance with the principle of *'uti possidetis juris'* of 1810 and the declaration of August 3, 1932, the Court to take into consideration in arriving at its decision the maximum claims, and no greater claims, than those previously advanced by the two parties, namely, by Bolivia, in the memorandum of February 28, 1933, addressed to the Governments of the neighboring countries;²⁷ and by Paraguay, in the note of her Delegate to the League of Nations dated June 6, 1933. ["]²⁸

Please state to Dr. Saavedra Lamas at the earliest possible opportunity that this Government has learned with the greatest gratification of his opinion that the Bolivian proposals appear to offer a basis for settlement, which opinion this Government fully shares. Explain to him the feeling which I hold regarding the revision of Article VII as suggested by Bolivia and read to him the suggested amendment thereof as above quoted. Please state that it would seem highly desirable to leave no room for controversy or doubt as to this exceedingly important point in his conciliation formula and that should he consider it desirable, the suggestions indicated would be pressed upon Bolivia by the United States and, it is anticipated, by Brazil as well, with the hope that this further revision may make it easier to obtain the agreement by Paraguay to the original amendments suggested by Bolivia.

You should further state that this Government has received this evening a cable from Geneva²⁹ reporting that Najera, the Chairman of the Council Committee, has stated that should Argentina furnish an official statement which could be made public to the effect that a satisfactory settlement at Buenos Aires was imminent, the Assembly would not take up the question for at least 1 or 2 weeks; that should an immediate statement or later statements indicate that the peace plans were progressing favorably or that a settlement was not probable until after the Assembly session on the call for the Assembly of an exposé of the peace project which the Assembly found satisfactory, the Assembly would probably be willing to withhold independent action pending the result of such efforts. The Department understands that this information has been cabled by the Argentine Delegate to Dr. Saavedra Lamas. This Government shares the belief expressed by Dr. Saavedra Lamas through the Argentine Ambassador here that it would be deeply regrettable if the exceedingly favorable prospects for peace resulting from his initiative were now jeopardized by a conflict of jurisdiction and that it is hoped that he may find it possible to give the statement requested by the Chairman of the Council Committee. This Government has reason to believe that Bolivia will

²⁷ *Foreign Relations*, 1933, vol. iv, p. 279.

²⁸ See Paraguay, *Libro Blanco*, pt. iv (Asunción, 1934), p. 11.

²⁹ See telegram No. 224, September 7, 4 p. m., from the Consul at Geneva, p. 79.

be willing to withdraw her petition for action under Article XV as soon as a definite agreement with Paraguay on the basis of the Argentine conciliation formula has been reached.

Please cable fully Dr. Saavedra Lamas' views on the above points at the earliest possible opportunity.

MOORE

724.3415/4089 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, September 7, 1934—9 p. m.

119. I received yesterday evening from the Bolivian Minister here the text of the Bolivian suggested modifications.³⁰ They vary considerably from the résumé sent in your 207, September 5, 6 p. m.,³¹ and in the event that you have not already received them, they are as follows:

“Article I unchanged.

Add to Article II the phrase ‘emanating from the Spanish Crown’
Article III to be omitted

Article IV unchanged.

Add to Article V ‘simultaneously with conciliation agreement defining the rights of the two parties in the Chaco Boreal or with an agreement for juridical arbitration in accordance with the procedure established in the following articles. Once such agreement has been ratified by the respective Congresses of the belligerent countries, hostilities will be suspended.’

Article VI to read as follows: ‘The plenipotentiaries of Bolivia and Paraguay will form with those of Argentina, Brazil, Colombia, Cuba, Chile, United States, Mexico, Peru, and Uruguay, the Commission of Conciliation provided for in Article VI of the Anti-War Pact, whose mission it shall be to procure within the maximum period of 70 days the conciliation agreement referred to in Article X of the said Anti-War Pact.’

Article VII to read as follows: ‘Bolivia and Paraguay declare that in the event that conciliation should not prove successful, they will sign an agreement providing for juridical arbitration to determine the sovereignty of the disputed territories in accordance with the principle of *uti possidetis juris* of 1810 and the declaration of August 3, 1932, taking as a basis the maximum claims already advanced by the two parties, namely: by Bolivia, in the memorandum of February 28, 1933, to the Governments of the neighboring countries; and by Paraguay, in the note of her Delegate to the League of Nations dated June 6, 1933.’”

Saavedra Lamas has cabled the Argentine Ambassador here that he considers the Bolivian proposals as providing a basis for acceptance and that he has transmitted the Bolivian reply to Paraguay.

³⁰ Modifications of the Argentine Conciliation Formula of July 12, 1934, p. 140.

³¹ Not printed.

In the Department's opinion, the Bolivian proposals appear to be reasonable, although the form of Article VII seems to lack clarity and to leave open to question both the arbitral tribunal to which the parties shall go, as well as the time within which the arbitration agreement would be signed and would become effective in the event that conciliation does not prosper. The Bolivian Minister has stated, however, that in his opinion, his Government would be willing to sign the proposed arbitration agreement within the period provided for conciliation and further that while it would prefer American arbitration, it would be willing to accept the arbitration of the Permanent Court. It would seem highly desirable that Article VII which is the fundamental point of the proposed agreement should be worded in such a manner as to leave no room for controversy or doubt. Please inquire, therefore, of the Brazilian Minister for Foreign Affairs whether should the Government of Brazil share our views it would be willing to suggest to Bolivia that Article VII as now proposed by Bolivia be amended to read as follows:

"Bolivia and Paraguay declare that in the event that the conciliation is not successful, they will sign an agreement within the same period of 70 days mentioned above in Article VI, submitting to the juridical arbitration of the Permanent Court of International Justice the determination of the rightful sovereignty of the territory in dispute, in accordance with the principle of *uti possidetis juris* of 1810 and the declaration of August 3, 1932, the Court to take into consideration in arriving at its decision the maximum claims, and no greater claims, than those previously advanced by the two parties, namely, by Bolivia, in the memorandum of February 28, 1933, addressed to the Governments of the neighboring countries; and by Paraguay, in the note of her Delegate to the League of Nations dated June 6, 1933."

If the Brazilian Government coincides in the desirability of this amendment, I suggest that the Brazilian Government and the Government of the United States intimate to Bolivia the desirability of such change with the understanding that the two Governments support such modification and endeavor with the assistance of Argentina to obtain the consent of Paraguay thereto.

The above suggestion is being cabled to Saavedra Lamas in order that he may express his views with regard thereto. I think it would be advisable that neither Brazil nor the United States approach Bolivia in the matter until we assure ourselves that Saavedra Lamas is likewise in accord.

Your 208, September 6, 5 p. m.³² The views of this Government, of course, are the same as those expressed by Brazil. A cable has been received this evening from Geneva stating that Najera, Chairman of the Council Committee, states that should Argentina furnish the

³² *Ante*, p. 78.

League an official statement which could be made public to the effect that a satisfactory settlement at Buenos Aires was imminent, the Assembly would not take up the question for at least 1 or 2 weeks. The Department is further advised that this information has been cabled to Saavedra Lamas by the Argentine Delegate in Geneva. The policy of Avenol seems to be that if the League can justify delay by means of a public statement that success in the present negotiations is imminent, he will be willing to have any immediate action by the Council Committee or by the Assembly held off. It is further assumed that should an agreement on the conciliation formula be reached, Bolivia would be willing to withdraw her petition for action by the Assembly under Article XV.

MOORE

724.3415/4090 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, September 9, 1934—10 a. m.

[Received 6:40 p. m.]

154. I communicated the contents of the Department's telegram No. 106, September 7, 9 p. m., to the Minister for Foreign Affairs yesterday morning who expressed his strong conviction that the Bolivian suggestions modifying his formula offered a favorable basis for solution and added that he also believed Bolivia would be willing to accept the Permanent Court of International Jurists in an arbitration.

The Minister for Foreign Affairs stated further that the Department's proposed amendment to article 7 insofar as it provides for a period of 60 [70?] days within which arbitral agreement might be signed is unacceptable as it affects an essential feature of his formula which contemplates a simultaneous signing of the agreement for arbitration and conciliation (the Brazilian Ambassador told me this is also the viewpoint of his Government). The concluding portion of the suggested amendment the Minister for Foreign Affairs said might be favorably studied.

Dr. Saavedra Lamas said further that he felt the subject was now one for decision by the Presidents of the belligerent countries and that he was considering sending his legal adviser to Asunción to lay the situation before the President since he feels that neither of the two Ministers here is advancing the cause of peace.

Yesterday afternoon I met the Minister for Foreign Affairs, the Bolivian Minister and the Brazilian Ambassador at the latter's residence when we discussed the Bolivian suggestion at length. An acceptance more in line with the original peace formula was urged upon the Bolivian Minister who said he would lay the matter before his Government.

We also discussed the situation vis-à-vis the League of Nations, the Minister for Foreign Affairs feeling that the most he should do would be to telegraph to Geneva the bare fact of Paraguay's unconditional acceptance of his formula, and that Bolivia had accepted in principle, making no plea or recommendation. However, the Minister for Foreign Affairs is to withhold sending this message until the Bolivian Minister had communicated with his Government which he promised to do.

In the course of the conversation the Bolivian Minister said "My country does not refuse the Hague Tribunal; it leaves the matter open". He stated further that his Government would welcome comments and counsel in the matter of the Bolivian suggestion for modifications to the conciliation formula.

WEDDELL

724.3415/4090 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Weddell)*

WASHINGTON, September 10, 1934—7 p. m.

107. Your 154, September 9, 10 a. m. Please cable Department immediately what prior statements Dr. Saavedra Lamas may have made to you providing for a simultaneous signing of the agreement for arbitration and conciliation under the terms of the conciliation formula. If the interpretation Dr. Saavedra gives to the conciliation formula is that the signing of the conciliation formula will be simultaneous with the conclusion by Bolivia and Paraguay of an agreement to arbitrate, the solution would appear to be satisfactory in every way. The Department has not, however, received any previous intimation that this was the intent and neither Article VII of the original conciliation formula nor Article VII in the Bolivian counter proposal make this point clear.

If Dr. Saavedra Lamas interprets his intention along the lines above indicated, you may state that the procedure so outlined would appear entirely satisfactory to this Government and that the suggestion for modification of Article VII previously communicated to you by the Department should consequently be modified accordingly.

It was the Department's understanding, as it was that of the Brazilian Government, that the Bolivian modifications were to be communicated confidentially to the mediating powers in order that Brazil and the United States might be afforded the opportunity of suggesting to Bolivia such changes in her proposal as might seem desirable and calculated to afford a better opportunity of obtaining Paraguayan acquiescence. The Brazilian Government has expressed to us its surprise

that Dr. Saavedra Lamas has forwarded the Bolivian conditions to Paraguay without consulting either Brazil or the United States. It would be advisable for you at some appropriate opportunity to make it clear to Dr. Saavedra Lamas that both this Government and Brazil might be enabled more effectively to assist in the negotiations if, when the Paraguayan reply to the Bolivian suggestions is received, Brazil and the United States be afforded the opportunity of being advised of such reply before it is communicated to Bolivia. In that way both Brazil and the United States would be enabled to consult with the Argentine Government as to the representations which should be made to Bolivia.

PHILLIPS

724.3415/4105 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, September 12, 1934—11 a. m.

[Received 1:20 p. m.]

156. Department's telegram No. 107, September 10, 7 p. m. The Minister for Foreign Affairs informed me orally yesterday afternoon that his interpretation of the concessions [*conciliation*] formula is that the signing thereof would be simultaneous with the conclusion by Bolivia and Paraguay of an agreement to arbitrate. I, therefore, communicated to the Minister for Foreign Affairs the contents of the second paragraph of the Department's telegram above referred to regarding which, however, he made no comment. He also told me that he has but little hope of anything being accomplished through conciliation proceedings and feels that the two countries must be caught in an inescapable arbitration agreement if peace is to be achieved.

The Bolivian Minister who with the Brazilian Ambassador was present a part of the time refused to agree that the Minister for Foreign Affairs might inform the League of Nations that his Government accepted the peace formula "in principle." Dr. Saavedra Lamas said that he proposed to discuss the matter with the Paraguayan Minister today before telegraphing Geneva.

I am meeting the Minister for Foreign Affairs, the Brazilian Ambassador and the Paraguayan Minister this afternoon and shall endeavor to discuss the pertinent portions of the concluding paragraph of the Department's No. 107, September 10, 7 p. m.

WEDDELL

724.3415/4166

*The Salvadoran Minister for Foreign Affairs (Araujo) to the
Secretary of State*

[Translation]

No. A 715

SAN SALVADOR, September 12, 1934.

L. D. No. 1471

MR. MINISTER: My Government has followed with lively interest the noble efforts made by the other governments of America to bring about a termination of the state of war existing between Bolivia and Paraguay. It has also lent its friendly cooperation to that end, in fulfillment of the duty of every sister people to watch over the peace and tranquility of the Continent.

Unfortunately, all these efforts have not resulted in the desired success. The specter of war continues to foment hatreds in that region; decimating generations, uselessly sacrificing hundreds of lives. Such are the cable reports that we receive daily as to the tragic development of the fratricidal struggle.

The recent appeal made by a noted Uruguayan daily, calling upon all the mothers of America to help in putting a stop to the war in question should also move the men of those countries to find the desired formula of peace and which would restore to those two sister peoples the harmony that they need.

It is with this feeling that the Government of El Salvador ventures respectfully to appeal to the conscience of America to make one more effort to bring about an agreement between Bolivia and Paraguay; and it feels sure that Your Excellency's Government, which on all occasions has given proof of its love of peace on the continent, will see fit to give its consideration and its valuable support to the idea, which I have the honor to set forth hereinafter, the purpose of which is to put an end to the bloody tragedy.

An honorable antecedent of this attitude is the continental declaration of August 3, 1932, which filled our America with hope and brought into prominence the example of the union of all the American peoples in the face of the catastrophe of the two sister peoples engaged in the struggle. Subsequently, in confirmation of this fraternal principle, were the efforts made by the VII Panamerican Conference, which, on December 24, 1933, "reaffirms its unalterable faith in pacific measures for the settlement of international conflicts" and "reiterates the disposition of the countries represented thereat to support, in accordance with the special circumstances and policy of each Government, the formula of settlement which may be arrived at for the solution of the Chaco conflict [?]."³³

³³ *Report of the Delegates of the United States of America to the Seventh International Conference of American States*, p. 262.

The idea in question is that we authorize our diplomatic representatives residing in Washington, to propose as soon as possible, in agreement with the Pan American Union and in the name of all America, to the Governments of Paraguay and Bolivia, on the bases that they may consider advisable, the acceptance of an armistice to last for a year at least or the time that they may consider sufficient for those countries to study a just and friendly solution of their differences, thus following the edifying example of patriotism that has been bequeathed to the history of America by four sister Republics, Guatemala and Honduras, Colombia and Peru, in recently settling their boundary disputes³⁴ on the basis of friendship and concord, whereby they avoided a useless shedding of blood, which would have been a painful memory for posterity.

Thanking the enlightened Government of the United States of America in advance in the name of the Government of El Salvador for the kind attention that it may give to this suggestion, I take pleasure in offering to Your Excellency, etc., etc.

MIGUEL ANGEL ARAUJO

724.3415/4113: Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, September 13, 1934—11 a. m.

[Received 2: 35 p. m.]

157. Department's 108, September 11, 7 p. m.³⁵ and concluding paragraph Department's 107, September 10, 7 p. m. I met the Brazilian Ambassador, the Paraguayan Minister and the Minister for Foreign Affairs at the Foreign Office yesterday afternoon. The Paraguayan Minister stated "in the name of his Government" that since Bolivia had suggested modifications to the original Argentine peace formula which formula his government had accepted without reservations Paraguay asks permission if Bolivia persists in this attitude to withdraw its unqualified acceptance and to submit observations and suggestions of its own. This was the first intimation I had received of Paraguay's attitude vis-à-vis the Bolivian suggestions.

After the departure of the Paraguayan Minister the Minister for Foreign Affairs discussed at length with my Brazilian colleague and me the language of a message which he said he was about to send to the League authorities concerning the status of the negotiations with Bolivia and Paraguay. He repeated his previous declarations that

³⁴ See *Foreign Relations*, 1930, vol. I, pp. 344 ff.; *ibid.*, 1932, vol. v, pp. 270 ff., pp. 350 ff., and *ibid.*, 1933, vol. iv, pp. 561 ff.

³⁵ Not printed.

this message should be a bald statement of fact (see my telegram 154, September 9, 10 a. m.) in order to guard his impartial position between the two belligerents and that nothing should be communicated which would damage either country before the League although he said Argentina's position before that body is "very delicate". He said that this would leave to the League to determine whether "the good offices" of the mediating countries should now come to an end and in that case the League to accept the responsibility for success or failure in further negotiations.

Following this I made known the contents of the Department's 108 September 11, 7 p. m. to the Minister for Foreign Affairs who said the information appearing in the first paragraph of the Consul's telegram was substantially correct but that there appeared to be a "misunderstanding" as to Cantilo's other statements and that he proposed sending a message to Geneva which would clear up the matter.

WEDDELL

724.3415/4101 : Telegram

The Secretary of State to the Minister in Paraguay (Nicholson)

WASHINGTON, September 13, 1934—3 p. m.

35. The Department is advised that the Bolivian reply was transmitted by Dr. Saavedra Lamas to the Paraguayan Government some days ago. As yet this Government has received no information as to the attitude of the Paraguayan Government with regard thereto. At the present moment it is not considered desirable for you to make any specific inquiry of the President or Minister for Foreign Affairs in order to ascertain the views which they may hold. Please cable, however, any information which may have come to you concerning the probable reaction of the Paraguayan Government to the Bolivian suggestions.

HULL

724.3415/4117 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 13, 1934—6 p. m.

[Received September 14—3:28 a. m.]

218. Foreign Office has shown me telegram from Brazilian Ambassador Buenos Aires dated September 11, 8 p. m. but so garbled that it had to be repeated and was available only today.

1. Ambassador advised that Lamas informed him that the Paraguayan Minister was "irritated at the Bolivian proposal". This is understood by the Foreign Office here to refer not to the Legation's

suggested modifications of the seven bases, but to the Bolivian memorandum which would appear to indicate that Lamas had also communicated this document directly to Paraguay without previous consultation with the United States and Brazil.

2. Lamas further advised the Ambassador on September 9, 3 p. m. that he thought of making a brief statement to the League on the present state of the negotiations, viz. the acceptance of the proposal without reservation on the part of Paraguay and the modifications proposed by Bolivia, adding that although it was his idea to join with Bolivia in requesting the League to postpone action that Bolivia had declined to take such a step.

3. Lamas [further stated that as he was now doubtful as to the success of the negotiations he had determined to confine himself to informing the League that in spite of confidential efforts no satisfactory results have as yet been obtained. He said that inasmuch as Argentina was a member of the Council of League it was his duty to communicate at least this information.]³⁶

4. The Government here is somewhat concerned at a United Press despatch from Geneva to the effect that Argentine delegate had spoken presumably not only for himself but for the United States and Brazil expressing discouragement with the present eruption and the belief that the question should be taken up by the League. Foreign Office has addressed an inquiry to Buenos Aires as to character of the statement made by Cantilo at the same time Brazilian Ambassador in Buenos Aires was instructed to impress upon Lamas desirability of observing the forms of cooperation with the United States and Brazil and at the same time carrying out the general desire of requesting that League withhold action for the present.

5. . . . reports that he has definite proof that Peru has sold 4,000 cases of arms and ammunition of Japanese origin to Bolivia, material originally bought by Peru for use in the Leticia conflict. He states he has information that 36,000 cases of similar origin have already gone in Bolivia from Peru. He adds Paraguayan Government is in possession of these facts and the Paraguayan Minister to Peru will immediately upon presentation of his letters of credence deliver a formal protest. It would appear that this may lead to another complication of the general situation.

6. Paraguayan Secretary here has informed Foreign Office that the forts in question are Sorpreste [*Sorpresa?*] and Chanar in the estero region of the Pilcomayo.

7. The Minister for Foreign Affairs today . . . told me that unless matters soon took on a better aspect Brazil would probably withdraw

³⁶Text of paragraph 3 omitted from this telegram but sent separately as telegram No. 219, September 14, 10 a. m. (724.3415/4118).

from the mediation and have nothing further to do with it unless it were to resolve itself into a Brazilian-American effort. This may be worth bearing in mind in connection with my number 216³⁷ which was prepared before seeing the Minister and which has not been discussed with him.

GIBSON

724.3415/4122 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, September 14, 1934—9 a. m.

[Received 2:50 p. m.]

42. Department's No. 35, September 13, 3 p. m. At the President's invitation and before receiving the Department's telegram I called at his house the eve of September 12 and talked with him for more than 1 hour. He seems to feel that nothing will come of the present peace negotiations and I assumed that the Paraguayan reply to the Bolivian counter proposals had been sent. . . . The President stated emphatically that the Bolivian demand for a port on the river is not a proper subject for arbitration but for discussion and negotiation after the fighting has ended and the armies have been demobilized. He objected strongly to the Bolivian insistence upon Paraguay's recognition in advance of the juridical claims affecting territorial rights. He reiterated his anxious desire for peace with guarantees against the renewal of the war. He stated his confidence in the loyalty of the Paraguayan people and army. For the first time the President expressed the opinion that neither side could obtain a decisive victory in the field.

The President told me of a new plan in which he is much interested. He spoke in strictest confidence and I respectfully request that my relations with the President be protected in whatever use the Department may see fit to make of this information.

The President had just finished a letter to the Paraguayan Minister in the Argentine Republic containing the suggestion that if possible the Presidents of Argentina, Brazil and the United States should join in a peremptory demand upon the two belligerents to stop the war, exude [*withdraw?*] their armies and appoint representatives to meet in order to discuss arbitration. I inferred that the President expects the Paraguayan Minister in Buenos Aires to sound the President of Argentina directly on this matter. The President expressed his admiration of the character and ability of the President of Argentina. He asked me whether I thought that President Roosevelt would join

³⁷ September 13, 1 p. m., not printed.

in such a movement. I replied that I was not in a position to express an opinion but that I felt sure that my Government probably would continue in its policy of having South American Republics take the initiative in peace efforts. The President then requested that I keep this matter strictly confidential until he had heard from Buenos Aires.

I realize that if such a movement succeeds it would place Paraguay in a strong position since President Ayala is not prepared to accede to such a demand. Bolivia naturally would refuse if it suspected that the idea was Paraguayan in origin. However, I am convinced of the President's genuine and pressing desire to end the war, even though it is complicated by his desire to avoid Argentine domination and his refusal to cede territory in advance of the discussion and negotiation. My despatch No. 115 leaving Asunción September 16 contains further details.³⁸

NICHOLSON

724.3415/4113 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, September 14, 1934—5 p. m.

109. Your 157, September 13, 11 a. m. and 158, September 13, noon.³⁹ Please inform Dr. Saavedra Lamas at the earliest opportunity of the interest with which this Government has received his views as transmitted in your two cables under reference. You may further say that this Government would appreciate having at the first opportunity the "observations and suggestions" which Paraguay intends to make if its unqualified acceptance of the conciliation formula is withdrawn, should these have been transmitted to the Argentine Minister of Foreign Affairs. It would seem to be highly useful to obtain at the earliest possible opportunity the considered views of the Paraguayan Government with regard to the Bolivian suggestions in order to ascertain whether there is not a common ground and whether the apparent difference between the points of view of the two countries expressed in your 158 is not susceptible to solution. From the views expressed here by the Bolivian Minister, the Department believes that there is ample ground for hope of a satisfactory adjustment of the views of Bolivia concerning arbitration to those expressed by Paraguay.

I am somewhat concerned by the statement made by Dr. Saavedra Lamas and reported in your 157 in which he said that his proposed declaration to the League would leave it to the League "to determine whether the good offices of the mediating countries should now come to

³⁸ Not printed.

³⁹ Latter not printed.

an end". I assume that the statement thus quoted was made orally to you and will not be incorporated in any official declaration made by the Argentine Delegate at the League. The only inference which can be drawn from this statement is that the United States will be willing to permit the League to decide whether or not it should continue its mediation between two belligerent republics of the American continent when its good offices have been accepted by both parties. The determination to be reached by the Government of the United States in such regard is, of course, a matter which can be decided only by itself and you are desired, tactfully but clearly, to emphasize this point in your conversation with Dr. Saavedra Lamas. The position of Argentina with regard to the League is completely distinct from that of the United States and this Government reserves complete liberty of action with regard to what its policy may be in connection with the continuation of the present peace negotiations. The attitude of the Government of Brazil is identical with that of this Government.

HULL

724.3415/4117 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, September 14, 1934—5 p. m.

125. Your 218, September 13, 6 p. m., paragraph 7. I hope that the intimation that Brazil is considering possible withdrawal from mediation given you by the Minister of Foreign Affairs is not to be construed as any considered opinion but as merely due to momentary irritation. The difficulties of the negotiation are patent and have been recognized from the outset. In any event, please make sure that no decision is reached by the Brazilian Government in this regard without our being afforded a full opportunity of discussing the pros and cons of the situation.

HULL

724.3415/4124 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 14, 1934—6 p. m.

[Received 9 : 20 p. m.]

221. 1. Brazilian Ambassador in Buenos Aires reports today that Paraguayan Minister has stated that although Paraguay accepted the seven bases unconditionally, Bolivia has now put forward certain suggested modifications which change the whole problem, and that under

the circumstances Paraguay desires to withdraw her original acceptance in order to propose modifications in her turn.

2. Ambassador reports Lamas has confirmed the substance of his note to the Bolivian Government in regard to the forts, stating that Argentine forces have occupied only three forts and this because by a change in the course of the Pilcomayo River they are now in Argentine territory, and further that Bolivian detachments which occupied them requested the Argentine forces to take them over.

3. Bolivian Minister for Foreign Affairs expresses surprise to Brazilian Minister at Lamas' action in informing the League that his mediation is ended and that the solution is now in the hands of the League. He requests the Brazilian Government to ask explanation of "this strange behavior".

4. Foreign Office has explained to the Bolivian Minister here that in its opinion the Bolivian Government is not entitled to regard this behaviour as strange; that the mediating powers urged Bolivia to request postponement of action by the League and that in spite of original agreement Bolivia had done nothing and it was therefore felt that Bolivia had no ground for complaint.

5. Bolivian Minister called at Foreign Office today with further appeal that Brazil and the United States should join the League Committee at Geneva, and was told in definite terms that under no circumstances could Brazil consider such action. His attention was called to previous official statements to the same effect.

6. No answer has as yet been received to Brazil's request for explanation of Cantilo's speech and Lamas' position. The Foreign Minister feels that if Lamas has indeed turned the matter over to the League it will be desirable that Brazil and the United States agree upon a statement to be published that inasmuch as this has been done our participation has automatically come to an end, although we shall, of course, continue to hope for a successful solution.

7. The Secretary General of Foreign Office said today in his judgment there was no likelihood the present mediation or League negotiations would solve the problem and that under certain conditions the best hope might lie in a Brazilian-American effort. Aside from one or two details of procedure his chief thought was that the best hope for a solution lay in holding the negotiations in Washington. He said it would be unwise to have them in Rio de Janeiro as there would be inevitably certain amount of Latin American jealousy which might prove to be an obstacle.

724.3415/4128 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, September 15, 1934—noon.

[Received 2:45 p. m.]

60. Foreign Minister was informed by Bolivian Minister in Buenos Aires in message sent yesterday noon that Argentine Minister for Foreign Affairs had then confirmed that good offices of the mediators were virtually suspended out of consideration for League authority and pending League convenience.

He also received from Bolivian Minister in Rio de Janeiro last night information that Argentina had stated to Brazil that mediation is suspended "in view of unsatisfactory attitude of Bolivia".

Foreign Minister has instructed Bolivian delegate in Geneva to deliver a statement of the status to the League, probably today.

He hopes to see a clear statement from Argentine Minister for Foreign Affairs as to whether mediation suspended or not and whether case is turned over to the League, and if it is so delivered he expects the League to name a commission of the nine countries and hopes the United States will accept such a mandate when offered.

DES PORTES

724.3415/4125 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 15, 1934—5 p. m.

[Received 11 p. m.]

226. Bolivian Minister here informed Foreign Office today that Bolivia did not ask the League to postpone action in view of the request made by Lamas to the Bolivian Minister in Buenos Aires on the ground that he, Lamas, was against such postponement. The Foreign Office is inclined to discount this information.

2. Foreign Minister feels that this situation is complicated by the fact that (despite repeated Brazilian suggestions) Bolivia has failed to ask, on its own initiative, postponement of League action. He has the impression that Bolivia, in order to save her own face, is now trying to promote misunderstanding between Brazil and Argentina as to responsibility for present difficulty. He expresses determination not to allow himself to become involved in difficulty with Argentina on this subject.

3. Minister feels that this question can still be disposed of if Bolivia will ask League to postpone action. As Brazilian representations have thus far been ignored he hesitates to try again but submits for your consideration the possibility of your making the suggestion.

4. Foreign Office further states that the Bolivian Minister was extremely depressed at the prospect of the Chaco question being dealt with by the League without the presence of Brazil and the United States.

5. Argentine Ambassador here has received telegram from Lamas in substance as follows:

(a) He has not taken one step or sent one note without previous consultation with American and Brazilian Ambassadors, with whom he is in daily contact.

(b) He feels that as the problem is not ripe for solution a pause is essential. Otherwise failure will result. It was therefore desirable to take advantage of the meeting of the Assembly of the League. For this reason Cantilo stated that the matter was now in the hands of the League.

(c) Time having been gained in this way, it is desirable not to abandon the common front of the tripartite mediation.

(d) Taking account of the effect of Cantilo's first speech, he has been instructed to speak again, setting forth the details of the Argentine proposals, approved and supported by the United States and Brazil. It is felt that the League will find the Argentine proposals so sensible that no improvements can be suggested, and it is believed that the League will take no initiative along different lines. If it does it will, of course, assume all responsibility and will at the same time afford us an opportunity to determine our own course of action.

GIBSON

724.3415/4129 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 15, 1934—7 p. m.

[Received 8 : 40 p. m.]

224. Department's 125, September 14, 5 p. m. Confident there is no ground for worry that Brazil will act impetuously and withdraw from mediation without consulting us. They came into this joint effort because of us and I am confident they will not withdraw from it except in agreement with us.

There is distinct irritation tinged with discouragement. However, the statement made by the Minister was not based on momentary irritation but on his desire to keep us advised as to his estimate of the situation. He felt, in view of news despatches that Lamas was on his own initiative turning the matter over to the League, that there was a definite possibility the United States and Brazil might find their participation automatically terminated. He also feels there is a possibility that if Lamas continues to act without previous consultation we will sooner or later be involved in embarrassing difficulties.

Despite annoyance the Minister has shown restraint and says that Brazil wishes at all costs to avoid antagonizing the Argentine Govern-

ment. I have taken the stand throughout that we must exhaust all the possibilities of the present method of negotiation, but the Brazilian attitude has not called for any pressure in this sense. In any event I think you may depend on being fully consulted before any steps will be taken.

GIBSON

724.3415/4130 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 15, 1934—8 p. m.

[Received 8:30 p. m.]

225. My 224. After further conversation this afternoon I am authorized to say that despite irritation and concern Brazil is in this mediation as long as [we?] desire her cooperation.

GIBSON

724.3415/4142 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, September 17, 1934—6 p. m.

[Received 9 p. m.]

161. I today discussed with the Minister for Foreign Affairs the contents of the Department's 109, September 14, 5 p. m. He thinks it unlikely that Paraguay will at least at this time make any "observations and suggestions" but promises to advise me promptly in such event, declaring that he believes the Paraguayan Government to be elated with their recent victories and therefore little disposed for negotiations. He added further that he thinks in neither country is the desire for peace sufficiently "mature" for profitable discussion with them at the moment. He gave me a memorandum which he said summarized his views on the actual situation of the Chaco problem presenting two possible courses.

Paraguay "1. Renew the negotiations suspended in Buenos Aires which would probably imply the renewal of anxieties since it appears that the will to make peace is not ripe on the part of the belligerents. In any event to take this path it would necessitate organizing the committee of nine countries with the hope of giving it greater efficacy.

2. To link the negotiations which have been carried out to those which now pertain to the League in order to strengthen these activities. This attitude would perhaps be more prudent because it would make it possible to work through the application of a definite instrument, as is the League Pact, and would strengthen the action of the public opinion of a great number of states."

The memorandum continues: As to the general situation the Argentine Government, keeping in mind its duties toward the friendly

countries which have so frankly collaborated in this matter, has kept the League informed concerning the negotiations which have developed. Brazil and the United States, although not members of the League, could not overlook the fact that both belligerents are members thereof and with the Argentine Government have supported the principle that the stipulations of the Pact must be taken into consideration. It was for this reason that at the beginning of the negotiations both countries made the condition that previous advice should be given to the League as for a possible collaboration of the representatives of Brazil and the United States on the conciliation commission which may be appointed in Geneva. That of course is a question which only the interested Governments can determine. It can nevertheless be recalled that a representative of the Washington Government collaborated efficiently on the Council of the League of Nations during the 1932 [1931?] sessions which were convoked to act on the Manchurian conflict.⁴⁰

The Minister for Foreign Affairs declared his entire understanding of the concluding paragraph of the Department's telegram under acknowledgment and further handed me the text of a telegram he had sent to the Argentine delegate in Geneva reading as follows:

"In explaining to the Assembly the peace steps taken you should make it clear that the line of conduct followed by the Argentine Government is not to compromise in any way whatever, as is elementary the position, the judgment, and the full liberty of the other countries with which it has had the honor to share the good offices that have been carried out."

In the presence of the Brazilian Ambassador the Minister for Foreign Affairs referred to the request made by the Bolivian representative in Geneva that the correspondence exchanged by the three mediating powers relating to the Chaco negotiations be laid before the League and said he proposed if we had no objection to telegraph his representative in Geneva as follows:

"Please state with reference to the request made for the documents relating to the steps taken by Argentina together with the United States of America, and Brazil, that I have had the honor to confer with the diplomatic representatives of those countries. The information requested which we are very pleased to supply is limited to the peace plan already known and the replies given by the belligerent countries which by a happy circumstance are represented in that Assembly and are members of the League."

The Brazilian Ambassador and I agreed that we had no objection to offer to the sending of this telegram.

WEDELL

⁴⁰ See *Foreign Relations*, 1931, vol. III, pp. 1 ff.

724.3415/4128 : Telegram

The Secretary of State to the Minister in Bolivia (Des Portes)

WASHINGTON, September 17, 1934—7 p. m.

22. Your 60, September 15, noon. With reference to the hope expressed by Dr. Alvesteguí as reported in the last paragraph of your cable, you should make it immediately clear to the Minister for Foreign Affairs that this Government would not accept membership on any Committee appointed by the League to deal with the Chaco problem. It is understood that the views of the Brazilian Government on this point are identical to those of the United States. The friendly and cooperative attitude of the United States towards the activities of the League in dealing with the Chaco problem has been made evident throughout the past year and notably during the course of the Montevideo Conference. During the past 6 months, however, the League suspended all active endeavors to promote peace in the Chaco and it was for that reason that the United States and Brazil actively supported the initiative taken by Argentina in order that the moral influence of this Government might as always continue to be exerted strongly on behalf of peace on the American Continent. Under these conditions, in view of the fact that the present negotiations had reached a point where there appeared to be a hopeful sign of a favorable outcome, this Government is not willing to consider that the present negotiations can be terminated unless the Governments of Bolivia and Paraguay so desire.

While in no sense desiring to disparage or to minimize the activities of the League, the Government of the United States believes that under present conditions a peaceful solution of the Chaco dispute may more readily be obtained through the cooperation of some or all of the American Republics.

With reference to the second paragraph of your cable, this Government has received no information whatever which would lead it to believe that the Argentine Government has made the statement quoted by you. On the contrary, the American Ambassador in Rio de Janeiro cables that Dr. Saavedra Lamas has informed the Brazilian Government as follows:

“As the problem is not ripe for solution a pause is essential. Otherwise failure will result. It was therefore desirable to take advantage of the meeting of the Assembly of the League. For this reason Cantilo stated that the matter was now in the hands of the League. Time having been gained in this way, it is desirable not to abandon the common front of the tri-partite mediation. It is felt that the League will find the Argentine proposals so sensible that no improvement can

be suggested and it is believed that the League will take no initiative along different lines.”⁴¹

It is apparent that a moment has been reached when the exercise of the greatest possible amount of patience and tact by all of the powers taking part in the present negotiations is all-important. Public statements which may be made reflecting upon the discretion or good faith of any officials taking part in the negotiations or of their Governments must necessarily prove prejudicial to the great common objective which is to find at the earliest possible moment the way towards peace.

Please convey the above orally and not in writing to the Minister for Foreign Affairs. You should conclude by stating that for the objects and within the limitations set forth above, the Government of the United States will be glad to continue in the mediation negotiations as it has in the past and that it will be happy to receive at the earliest moment an expression of the views of the Bolivian Government.

HULL

724.3415/4122 : Telegram

The Secretary of State to the Minister in Paraguay (Nicholson)

WASHINGTON, September 17, 1934—7 p. m.

36. Your 42, September 14, 9 a. m. The information contained in your cable has been highly useful to the Department.

Please obtain, as soon as may be possible, an interview with President Ayala. You should state that this Government would welcome a frank statement of the position of the Government of Paraguay both with regard to the situation which has now developed at Geneva and more specifically with regard to the suggestions made by Bolivia for modification of the Argentine conciliation formula.

With reference to the former question, you should point out that because of the fact that for the past 6 months, the League has refrained from taking any active part in furthering peace in the Chaco, the Government of the United States strongly supported the Argentine peace initiative and has consistently and loyally cooperated with Brazil and Argentina and the two belligerent nations in endeavoring to find a satisfactory ground for adjustment. It has been a matter of particular gratification to this Government that its participation in the negotiations has been so welcome to the Government of Paraguay. Notwithstanding the material difficulties which have been en-

⁴¹ For Cantilo's statements to the League, see *Republica de Argentina, Ministerio de Relaciones Exteriores y Culto, Memoria presentada al Congreso, 1934-1935* (Buenos Aires, 1935), pp. 37-41.

countered during the course of negotiations, this Government believes that the negotiations had progressed in a satisfactory manner and that the prospects for a successful outcome were bright. Consequently, the Government of the United States will continue in the present negotiations provided Paraguay and Bolivia desire such continuation. It is understood that the attitude of the Government of Brazil will be the same. From a statement recently made by the Argentine Minister for Foreign Affairs, it is understood that it is the strong desire of the Argentine Government that the common front of the tri-partite mediation should not be abandoned.

You should then make it clear that while this Government throughout the past year, and notably at Montevideo, has demonstrated an attitude of helpful cooperation towards the activities of the League Committee and does not desire to disparage or minimize in any manner the activities of the League, it believes that under present conditions the solution of the Chaco dispute can more readily be attained through the cooperation of some or all of the American Republics.

You may then state that this Government has not as yet been afforded an opportunity of knowing precisely and specifically what the attitude of the Paraguayan Government may be with regard to the Bolivian suggestions for modification of the conciliation formula. You may say that President Ayala's expressed desire for peace and for guaranties against the renewal of war is, of course, the objective which all of the powers taking part in the present negotiations are seeking, and it is for that reason that this Government believes a clear statement of the feeling of the Paraguayan Government regarding the Bolivian proposals would help materially to clarify the situation and enable the mediating powers to exert their utmost endeavors to find a common ground acceptable to both belligerents. This Government believes that the bases proposed in the Argentine conciliation formula possess the great advantage of making it possible for Bolivia and Paraguay to attempt through conciliation conversations, under the auspices of the friendly powers counselling with them to ascertain whether peace may be obtained through direct negotiations, and, in the event that that should, unfortunately, prove impossible, as the result of prior agreement, to submit the dispute to arbitration. Necessarily, there must be divergent opinions between the two belligerents as to certain technical features of this general proposal and it is, of course, the duty and the obligation of the mediating powers to lend their assistance in solving the questions which so arise. A clear statement of the position of the Government of Paraguay at this time for the confidential information of this Government would enable the United States to make further efforts to exert its influence in a friendly and helpful manner.

For your strictly confidential and personal information. The Department cannot see any particular benefit at this time to be derived from the suggestion advanced to you by President Ayala and reported in the next to the last paragraph of your cable. The Bolivian Government has already indicated its unwillingness to cease hostilities until it is assured of an arbitral agreement. Furthermore, the plan proposed would again bring up for discussion the "security" required by Paraguay. If Paraguay sincerely desires to resort to arbitration in the event that direct negotiations prove impossible, she should be willing now to indicate clearly and precisely what form of arbitration she will accept.

HULL

724.3415/4143 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 17, 1934—7 p. m.

[Received 10:25 p. m.]

228. 1. I have just seen a telegram addressed by Lamas to Cantilo repeated to Argentine Ambassador here. Cantilo is instructed in his next statement to make it clear that he speaks solely on behalf of Argentina as a member of the League and in no way on behalf of Brazil and the United States.

2. Bolivian Minister has today submitted to Foreign Office here the text of a telegram sent to the Bolivian delegate in Geneva when the question of postponement first arose, directing him to act in concert with his Argentine colleague with a view to securing postponement. The Minister states that the Bolivian delegate made an effort in this sense but was dissuaded from action by his Argentine colleague. (Foreign Office is disposed to question entire accuracy of this).

3. Brazilian Minister in La Paz describes present state of mind of Bolivian Government as one of some bewilderment. He says they have shown him "documentary evidence" to indicate that Lamas has taken different lines in Washington, Rio de Janeiro and Buenos Aires; that Washington was given to understand Cantilo had exceeded his instructions and would be reprimanded; in Rio he said Bolivia had not supported the move for League postponement whereas the fact is Bolivia took the initiative but desisted because of Argentine resistance; in Buenos Aires he had taken a different line.

4. The Bolivian Government now feels that the various maneuvers of Lamas are aimed at isolating Bolivia and leave her in Geneva in an untenable position.

5. Foreign Office is inclined to discount foregoing as it feels that Bolivia had no need to accept Argentine versions on her demand for

postponement. It is felt that Bolivia has endeavored to use pressure of time element in the hope of maneuvering Brazil and the United States into accepting membership on the League Committee. Bolivian Minister again this afternoon appealed to the Foreign Office that Brazil and the United States should accept membership and was told in clear terms that Brazil had already given a definite answer that she would accept no place on the Committee.

6. Some bewilderment has been expressed at Bolivia's taking a line in Geneva which might result in her being isolated but Foreign Office here feels that she has taken this risk knowingly in her anxiety to avoid going to a conference at Buenos Aires.

7. Brazilian Ambassador in Buenos Aires states Lamas has given to the press his plan and formula. He explained to the Ambassador he had done so because of pressure exerted on him by the press.

8. I was told confidentially this afternoon that Foreign Office is convinced Bolivia in an effort to win Brazilian support is resorting to methods which may make for bad feeling between Brazil and Argentina, that being forewarned they are making a special effort to avoid anything which might give Lamas ground for offence or suspicion.

GIBSON

724.3415/4142 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, September 18, 1934—6 p. m.

111. Your 161, September 17, 6 p. m. Please state to Dr. Saavedra Lamas that this Government has read with the greatest interest his memorandum as transmitted by you. It is felt certain that Dr. Saavedra Lamas recognizes fully the spirit of cooperation and moral support shown by this Government during the past year towards the efforts of the League Chaco Committee. The desire of this Government to support and further efforts for peace in the Chaco, whether emanating from Geneva or from the American Republics, has been repeatedly demonstrated and notably so at the time of the Montevideo Conference. It is believed therefore that he will readily appreciate the fact that this Government is not animated by any spirit of prejudice nor by any desire to minimize or disparage the activities of the League when it expresses the belief that under present conditions, a peaceful solution of the Chaco problem is more likely to be obtained through the cooperation of some or all of the American Republics rather than by a renewal of League activity. You may remind the Minister for Foreign Affairs that it was only after the League had apparently suspended all active participation in promoting a peaceful solution of the Chaco war that this Government accepted the in-

vitiation of Argentina to join with her and Brazil in support of the Argentine conciliation formula. Since the United States joined with those two nations in the efforts at mediation, she has consistently and untiringly devoted herself to bringing about a common ground between the two belligerents in the belief that the conciliation formula presented by Dr. Saavedra Lamas offered an effective manner of terminating the dispute.

The obligations and responsibilities of Argentina, owing to her membership in the League of Nations, are, of course, readily understood by this Government. The United States necessarily believes that the determination of these obligations and responsibilities is solely a matter for Argentina to decide for herself, and should Argentina, in view of her situation, believe it preferable to "link the negotiations which have been carried out to those which now pertain to the League", this Government would not, of course, question the high motives which might prompt Argentina so to do.

This Government, however, is not a member of the League of Nations. As you have been previously informed, the Government of the United States will not accept membership on any committee appointed by the League to deal with the Chaco problem. It would therefore be unable to continue in the present negotiations should these negotiations be amalgamated with negotiations under the jurisdiction of the League.

On the other hand, the United States, for the reasons above set forth, participated in the present negotiations in the belief that its influence and moral support and active participation might be beneficial and conducive to an agreement between Bolivia and Paraguay for a lasting peace. Until recently, these negotiations appeared to offer a favorable prospect for success. In view of these circumstances, the Government of the United States will continue in the present negotiations provided that Bolivia and Paraguay desire such continuation.

The Government of Brazil has stated that its policy in this regard was identical with that of the United States. In conclusion, you may state that in the considered judgment of this Government, the bases of settlement offered in the Argentine conciliation formula, with such modifications thereto as the two belligerent nations might by common accord adopt, offer an effective and practical means of obtaining peace. It would, of course, be the purpose of this Government to continue to support that formula, as it has in the past.

It is very clear that any conflict of jurisdiction over the Chaco controversy would have highly prejudicial effects. It would seem reasonable to suppose that the League, while technically continuing its own jurisdiction, might refrain from any renewal of activity until

such time as the present negotiations reach a point where it may be ascertained definitely that they will meet with success or be doomed to failure. In the latter event, the League could promptly determine what action it desired to take.

HULL

724.3415/4144 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, September 18, 1934—6 p. m.

130. Your 228, September 17, 7 p. m. and 229, September 18, 1 p. m.⁴² The following instruction has today been sent by cable to the American Ambassador in Buenos Aires in order that the substance thereof may be communicated by him to Dr. Saavedra Lamas:

[Here follows text of telegram No. 111, September 18, 6 p. m., to the Ambassador in Argentina, printed *supra*, commencing with the sentence "It is felt . . ."]

You may feel it desirable to inform the Minister for Foreign Affairs of the contents of this instruction. Please reiterate to him the deep satisfaction of this Government occasioned by the effective co-operation between Brazil and the United States throughout the course of these negotiations and the gratification which this Government has been occasioned by the assurances conveyed through you that the Government of Brazil will determine upon a policy similar to that of the United States with regard to the Chaco problem.

HULL

724.3415/4148 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, September 19, 1934—3 p. m.

[Received 5 p. m.]

63. Department's telegram No. 22.⁴³ The message was delivered orally to the Minister of Foreign Affairs this afternoon.

He expressed regret that the United States and Brazil will not form part of a committee appointed by the League; and stated that when the pause is ended he hopes the United States and Brazil will continue the negotiations. He expressed the wish that the United States would take the initiative in such negotiations to avoid such a situation as has occurred with the Argentine initiative.

He stated he plans to keep the United States informed of developments.

DES PORTES

⁴² Latter not printed.

⁴³ September 17, 7 p. m., p. 210.

724.3415/4159 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, September 20, 1934—2 p. m.
[Received September 21—1 : 05 a. m.]

43. Department's telegram No. 36, September 17, 7 p. m. Following is a translation, which has been approved by the President, of a written statement which President Ayala prepared immediately upon my informing him of the Department's telegram referred to.

"1. After the rejection of the formula proposed by its special commission of investigation, the League, at the proposal of Bolivia, examined the possibility of applying article No. 15 of the Covenant to the Chaco conflict. Paraguay observed that the said article has for its objective to prevent war and is not applicable to the case, but in order to show its pacific disposition, it gave its consent exclusively to the conciliation procedure established by the said article for the solution of international differences. This month both parties presented the memorandum referred to in paragraph 2 of article No. 15.

A committee at the seat of the Assembly now is studying the most effective manner of utilizing the Covenant in the conflict. My opinion is that the League will not succeed. If Paraguay complied with the debate in Geneva it is because of the obligation implied by its character as a member.

2. The Argentine formula consists substantially of a meeting of plenipotentiaries in order to negotiate the immediate and definite termination of the war, and then the submission of conflict to the conciliation procedure of the American Anti-War Pact, and eventually to arbitration. Paraguay accepted the plan without reservations or modifications. Not so Bolivia, which presented a counter proposal in which it introduced modifications which are objectionable to us. The Paraguayan Government is of the opinion that the Bolivian reservations or modifications can be examined adequately in the meeting. There would be serious objection to discussing them prior to that meeting.

No valid reason is given why Bolivia should not attend a meeting, as Paraguay is willing to do, which does not compromise more than the good faith of the two countries.

3. Paraguay is disposed, as soon as hostilities shall cease, to examine the questions which separate the two belligerents in a broad spirit which shall contemplate not only reciprocal security but also and particularly the future of the two Republics. Those questions cannot be solved satisfactorily in an atmosphere of war. The war eliminated, the peace which shall not imply the imposition of one party on the other will be much easier.

4. If recourse is had to arbitration, there must be arranged by agreement the usual commitment which shall define the specific materials of the controversy and other required conditions. In the negotiation of the commitment, the participation of the mediators will be useful and necessary and it is not impossible that an agreement may be reached. But if an agreement upon the material of the litigation should not be possible, recourse could be had to the procedure specified

in the Washington Convention of 1929 on conciliation and arbitration,⁴⁴ or to some other method which might give the same result.

5. Paraguay has stated in several documents its thesis upon the exclusion from the litigation of the zone awarded in its favor by President Hayes,⁴⁵ as well as of the littoral of the river, and concerning responsibility for the war, but it does not make the acceptance of these theses the conditions *sine qua non* for a negotiation of peace under the auspices of the mediators.

6. Paraguay regards with great satisfaction and hope the mediation of the United States, Argentine and Brazil. It does not object to the presence of other American Republics, even though it believes that the numerous groups may be an obstacle to a firm and rapid action.

7. Any mediators should propose above all the immediate cessation of the fighting. If there is a sincere desire for peace, the continuation of hostilities is not justified."

NICHOLSON

724.3415/4159: Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, September 21, 1934—6 p. m.

133. The Department has today received by cable from the American Minister in Asunción the following written statement communicated by President Ayala to the American Minister:

[Here follows quoted portion of telegram No. 43, September 20, 2 p. m., from the Minister in Paraguay, printed *supra*.]

On September 19, the Department received the following statement of the Minister for Foreign Affairs of Bolivia communicated to the American Minister in La Paz on that date.

"He expressed regret that the United States and Brazil will not form part of a committee appointed by the League; and stated that when the pause is ended he hopes the United States and Brazil will continue the negotiations."⁴⁶

Please advise the Minister for Foreign Affairs fully of the above and state, at the same time, that this information has not been communicated as yet to the Government of Argentina. You should state that this Government would welcome the opinion of the Brazilian Government as to the course which should now be pursued in the Chaco negotiations in view of these two statements by the belligerent nations.

In the opinion of the Government of the United States, if the negotiations in which Brazil and the United States are participating are

⁴⁴ For text of the conciliation convention, see *Foreign Relations*, 1929, vol. I, p. 653; for text of the arbitration convention, see *ibid.*, p. 667.

⁴⁵ On November 12, 1878; see *ibid.*, 1878, p. 711.

⁴⁶ For text of complete message, see telegram No. 63, September 19, 3 p. m., from the Minister in Bolivia, p. 216.

to be carried on successfully, it would seem advisable that a joint decision be reached by the two Governments as to the course to be pursued immediately after a determination is reached at Geneva as to the exact nature of the League's activities. The suggestion made by the President of Paraguay that conversations should be commenced between representatives of Bolivia and Paraguay with the participation of the representatives of the mediating powers appears to this Government to offer concrete advantages. It is feared that it might prove a difficult, if not an interminable task to persuade Paraguay to agree to some portion of the modifications of the conciliation formula suggested by Bolivia if such an attempt is made prior to an actual conference. On the other hand, it would be exceedingly difficult for Bolivia now to retreat from the position which she has taken in that regard. There would, however, appear a good ground for hope that in the course of the proposed conference both Bolivia and Paraguay might be persuaded by the mediating powers to agree upon some revised form of the original conciliation formula and likewise to agree upon some arbitral agreement. For obvious reasons, it would further seem desirable to insist that the meeting place of the conference continue to be Buenos Aires, but it would likewise seem advantageous, should such a conference take place, to insist that all of the American Republics composing the original group of nine be represented from the outset in the mediation proceedings.

Should the views of the Brazilian Government coincide with the opinions expressed, you may suggest to the Minister for Foreign Affairs that as soon as an agreement has been reached between Brazil and the United States, the proposal be laid by the American and Brazilian Ambassadors at Buenos Aires before Dr. Saavedra Lamas.

The time element seems now to be of importance and state to the Minister for Foreign Affairs that this Government would therefore deeply appreciate receiving the views of his Government at the earliest opportunity.

HULL

724.3415/4172 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, September 24, 1934—3 p. m.

[Received 6:20 p. m.]

167. I saw the Minister for Foreign Affairs Saturday noon and communicated to him the contents of the Department's 111, September 18, 6 p. m. He expressed himself as entirely appreciative of the Department's viewpoint. He sent me last night a memorandum containing his views on the situation, the essential features of which are as follows:

"1. Having informed the League of its plan, Argentina's attitude now is one of waiting.

2. Argentina does not feel bound in any way by the above action nor through any stipulation of the League Covenant, to limit itself in following the shortest and most effective way toward peace in the Chaco.

3. With regard to the League and the countries exercising their good offices, Argentina suggests two ways of ending the conflict: (1) to have the League appoint a conciliatory commission as some of its members seem to be inclined to do; (2) to have the League declare its decision to abstain for a time in order to allow the countries that are exercising their good offices to continue to do so with the understanding that should these negotiations prove ineffectual after a certain period the League would resume its own action.

4. Should the League adopt the first proposition and include Argentina on the commission Argentina will consult the American countries with which it shared the exercise of good offices as to the line of action to be followed.

5. Should the League abstain permitting the American countries to act it would be advisable to bring about direct conversations between the belligerents under the auspices of the mediators or from now on to include their action with that of the nine countries. This requires preliminary discussions before invitations are extended to them for the reason that in the prevailing opinion the opportune time has not arrived due to the military illusions of the belligerents."

The memorandum concludes with the declaration that the Argentine Chancellery has an open mind to receive whatever line of argument the United States or Brazil may care to submit, with which countries' heads it intends to continue the joint action and is disposed to continue it jointly and preferably.

I am sending full Spanish text by air mail tomorrow.

WEDDELL

724.3415/4180 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 25, 1934—5 p. m.

[Received 5:10 p. m.]

242. Department's 133, September 21, 6 p. m. Minister for Foreign Affairs states that since the outset it has been the Brazilian view that (1) the conference should be held at Buenos Aires and (2) that the nine powers should be invited to participate; (3) that it was at the request of Argentina, in which we acquiesced, that Brazil consented to preliminary mediation by the three powers, but always with the idea that definite conciliation negotiations would be carried out by the nine at Buenos Aires.

The Brazilian Government is therefore in complete accord with your present view as to procedure.

It is understood, of course, that the foregoing is contingent upon postponement or abandonment of League action. However, in the meantime the Foreign Office is telegraphing the Brazilian Ambassador in Buenos Aires stating that it is in full agreement with the American Government as to the course outlined in your 133, and directing him to consult and act in concert with his American colleague.

Foreign Office further proposes, if you see no objection, that the Brazilian and American Ambassadors in Buenos Aires be directed to call on Lamas and say to him that our two countries came into this mediation at his request and have sought to support his efforts effectively; that we now feel certain misgivings as to the best course because of our uncertainty as to what the League is going to do; that we would therefore appreciate a definite statement from him as to whether (1) he proposes to secure postponement of League action and continue tripartite mediation, whether he proposes to turn question over to the League, that in the former case we should be glad to continue cooperating with him and we make the definite proposal that the conference of nine be convened at Buenos Aires; in the second case, that we are reluctant to do anything that might be construed as competition with the League and that we will therefore withdraw from the picture temporarily at least.

Foreign Office feels that unless we take this course we may risk becoming involved in unpleasant complications.

GIBSON

724.3415/4166

The Secretary of State to the Minister in El Salvador (Corrigan)

No. 34

WASHINGTON, October 5, 1934.

SIR: There is transmitted herewith for your information a translation of a communication dated September 12, 1934, from the Foreign Minister of El Salvador for the Secretary.⁴⁷

A reply to Señor Araujo's note is likewise transmitted herewith, which you are directed to deliver personally to the Minister for Foreign Affairs. At the same time, you will please say to the Minister that in view of the negotiations which on the initiative of the Argentine Government have been taking place in Buenos Aires, and in view of the activities of the League of Nations regarding the Chaco question, it is possible that he may wish to consider whether any further specific peace initiative at the present time might not tend to confuse the various proposals and possibly prevent any of them from prospering.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

⁴⁷ *Ante*, p. 198.

[Enclosure]

*The Secretary of State to the Salvadoran Minister for Foreign Affairs
(Araujo)*

WASHINGTON, October 5, 1934.

EXCELLENCY: I thank Your Excellency sincerely for your communication of September 12, 1934, in furtherance of the earnest interest which both our Governments have in the prompt termination of the hostilities which unfortunately exist between Bolivia and Paraguay.

I fully share your deep regret at the continuation of this tragic struggle, and have read with great interest your suggestion that the nations represented at Washington, in agreement with the Pan American Union and in the name of all the American Governments, propose as soon as possible to the Governments of Paraguay and Bolivia, on the bases that they may consider suitable, the acceptance of an armistice for a minimum period of a year, or for such time as may be considered sufficient, for those countries to study a just and friendly solution of their differences.

As you will recollect, the nations represented at the Montevideo Conference in December, 1933, bent every effort to obtain the consent of the Governments of Bolivia and Paraguay to an extended armistice for the purpose of allowing those Governments to compose their difference. Unfortunately, although the armistice was accepted, its duration was not sufficient to permit a solution of the basic problem or to prevent the resumption of hostilities.

I am glad to inform you in response to your proposal that, as this Government has repeatedly stated in the past, it will always be ready to support any initiative looking towards peace on this continent, provided the participation of the United States in such initiative prove agreeable to the belligerent nations, and further provided that such initiative in the judgment of this Government give promise of success.

Accept [etc.]

CORDELL HULL

724.3415/4242 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, October 9, 1934—5 p. m.

151. Your 268, October 8, 4 p. m.^{47a} For some time past the Department has believed that the Chilean Foreign Office has felt increasing resentment because of the supposed exclusion of Chile from the mediation negotiations dealing with the Chaco problem. Throughout the course of the negotiations the Department has impressed upon the Chil-

^{47a} Not printed.

ean Embassy here the fact that both this Government and Brazil had insisted that if and when some concrete basis for agreement between Bolivia and Paraguay were reached the other members of the original group of nine should immediately be called in to join in the mediation and that as soon as practicable thereafter all of the republics of the continent should be invited to lend their active and moral support to further the cause of peace in the Chaco. Upon receipt of the message from the Chilean Foreign Minister referred to in your cable, the Chilean Ambassador here was reminded of these facts. He was also reminded of the consistently cooperative attitude demonstrated by this Government towards Chile, notably when the incident between Chile and Paraguay arose, and he was further informed that every suggestion made by Chile had received the fullest and most friendly consideration and that while the Department regretted that it could not accede to the suggestion offered by the Chilean Government that the United States accept membership in the League subcommittee, it had, nevertheless, explained in considerable detail how it was disposed to cooperate with such a committee should conditions in the judgment of the United States make such cooperation feasible and of practical value. The Chilean Ambassador in Washington appeared to take a completely reasonable and understanding attitude and promised to transmit the views expressed by cable to Cruchaga and to add that this Government would gladly welcome any expression of opinion from Cruchaga concerning the present situation and the manner in which the friendly assistance of the United States might continue to be rendered to promote an early settlement of the Chaco situation.

In view of the erroneous press statements recently published, it is obviously undesirable for the United States to take any initiative in the matter at this time. It seems to be clear that neither Paraguay nor Bolivia have any hope of obtaining effective action in Geneva and are once more looking to this continent for assistance in reaching an agreement. The views of the Paraguayan Government have already been made completely clear in communications received from Asunción and the Bolivian Minister in Washington yesterday inquired by instruction of his Government what the mediating nations now proposed to do. He further stated that his Government would gladly welcome a renewal of the efforts to promote peace on the part of the American nations. He emphasized in particular the view of the Bolivian Government that the mediation negotiations had never terminated and that a continuation of such negotiations was not incompatible with the activities of the League.

The Department would be glad to have you discuss the situation very frankly with the Brazilian Minister for Foreign Affairs and explain why the United States does not desire at this time to take the lead in

any possible resumption of mediation negotiations, although should conditions so develop that Brazil and Argentina believe that the time is propitious for inviting the remaining members of the nine powers to join in resuming mediation efforts through a conciliation conference, this Government will be glad to lend its assistance and active cooperation to such end.

The Brazilian Government has been in complete accord with the United States from the commencement of these negotiations in endeavoring to prevent the creation of the belief that the two Governments were assisting the creation of a bloc on this continent. It is for that reason, particularly in view of Cruchaga's comments in this regard, that it is desirable not to renew mediation negotiations without the cordial participation and cooperation of the other members of the original group of nine. There further seems to be growing on the part of certain of the smaller republics of the continent the belief that they are being disregarded in these peace movements. It is therefore equally desirable that steps be taken in the event that negotiations are resumed to dissipate this feeling in every appropriate manner at the opportune time.

HULL

724.3415/4251 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 10, 1934—3 p. m.

[Received 8:23 p. m.]

272. I went over the Department's 151, October 9, 5 p. m., with Acting Minister for Foreign Affairs this morning. He assures me that the Brazilian Government is in full agreement on every point raised by you. He quite understands Department's reluctance to take any initiative at the present time, and in any event feels that it would be wiser for the mediating powers to wait developments for the reasons stated in my 256, October 1, 9 p. m.;⁴⁸ that if the contending parties approach us they might well be told that the League action must be terminated or at least clarified in such a way as to justify our taking new steps before we could consider any resumption of good offices. He is in agreement as to the necessity for including the other members of the original group of nine in any resumption of negotiations. This view he had already expressed (see my 250, September 28, 3 p. m.⁴⁹).

He will be glad to cooperate in any steps that you consider desirable with a view to dissipating misunderstanding on the part of the other American Republics.

GIBSON

⁴⁸ *Ante*, p. 95.

⁴⁹ Not printed.

724.3415/4252 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 10, 1934—5 p. m.
[Received 8:40 p. m.]

277. My 268, October 8, 4 p. m.^{49a} Telegram to Brazilian Embassy in Santiago sent yesterday as follows:

"The Brazilian Government, complying with the urgent appeal of the American Government, decided on July 14th last to support the conciliation formula proposed by Saavedra Lamas, on the understanding that it would take no initiative and that after acceptance of the formula by the belligerent countries the other countries of the group of nine would be invited to participate in the conciliation conference. Therefore, without the effective collaboration of the Government of Chile, nothing could be done. We could not have thought of going ahead without being able to count upon the collaboration of Chile, which we considered a *sine qua non* for the final success of our efforts for the restoration of peace on this continent.

The selection of Buenos Aires as the seat of the conference was quite natural in view of the fact that the preliminary negotiations now under way were initiated by the Argentine Minister for Foreign Affairs.

With reference to the League intervention in the subject, our position is perfectly clear. We were sounded by Avenol as to whether we would accept membership on a commission set up under League auspices. We replied on September 1st that, Brazil not being a member of the League, we did not desire to accept a place in the committee, and we also thought that the moment was inopportune for any intervention on the part of the League. We have not modified our attitude in this respect nor do we expect to do so in the future.

Apart from the League of Nations, we are still disposed to lend our efforts in the noble work of putting an end to the inglorious Chaco War and to attain this objective we hope that we can always count with [*upon?*] the decided and loyal support of Minister Cruchaga.

We can affirm that the Government of the United States pursues the same course.

You are instructed to furnish the substance of this telegram to Minister Cruchaga."

GIBSON

724.3415/4267 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 17, 1934—6 p. m.
[Received 9:20 p. m.]

288. Bolivian Minister yesterday told Minister for Foreign Affairs he was convinced that if he and the Paraguayan Minister could meet informally in company with the Foreign Minister and the American

^{49a} Not printed.

Ambassador they would be able to come to a prompt agreement on a formula. At his request, Foreign Minister broached the subject to the Paraguayan Minister, who agreed and has submitted the proposal to his Government for approval.

The Paraguayan Minister said he felt his Government would consider it desirable to include the Argentine Ambassador. The Foreign Minister feels that this is desirable in order that it may be clear in Buenos Aires that this is merely a friendly exploration, and incidentally because the Argentine Ambassador here is steady [*ready?*] and anxious for agreement.

In talking to both Ministers, Dr. Macedo Soares made it clear that if agreement were reached through any such conversations it must be understood in advance that the conciliation conference itself would take place in Buenos Aires as planned.

The Minister for Foreign Affairs said he was convinced there was a real possibility of "surprising results". One of the chief obstacles has been the Bolivian claim to a plot on the Paraguay River south of Bahía Negra, and he is convinced from what he has learned that if this is put forward by Bolivia Paraguayan authorities will agree in order to bring about an immediate cessation of hostilities, which is now the chief Paraguayan desideratum.

The Bolivian Minister says that if agreement can thus be reached on a formula which permits the early convening of the conciliation conference, the Bolivian Government will be able without losing face to withdraw the whole question now pending at Geneva on the ground that through fortunate developments agreement has been reached by direct negotiations.

The Department will recall that both the Bolivian and Paraguayan Ministers, before their recent arrival at this post, were the Ministers for Foreign Affairs in their respective countries and are thoroughly familiar with the whole problem.

It is the idea of the Minister for Foreign Affairs to invite the two Ministers to tea at his home with the Argentine and American Ambassadors in order that the meeting may be as unofficial as possible and leave them to work out their own course. He has made clear to both Ministers that if we accept their proposal to act as friendly witnesses they must not expect us to exercise anything more than helping and moderating influence.

GIBSON

724.3415/4267: Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, October 18, 1934—5 p. m.

156. Your 288, October 17, 6 p. m. The Department views the proposal most favorably. Please keep the Department fully informed by cable of all developments.

PHILLIPS

724.3415/4277: Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 22, 1934—2 p. m.

[Received 2:10 p. m.]

296. [My] 288, October 17, 6 p. m. Paraguayan Minister has received authorization from his Government to participate in direct conversations. Bolivian Minister states he has not yet heard from his Government.

As soon as formal acceptance is received from Bolivia, Minister for Foreign Affairs proposes to invite the two Ministers to his house for a first meeting with no one present except President Vargas, who will seek to impress upon the two representatives the imperative necessity for reaching agreement. After this meeting we will take account of stock and decide on next step.

GIBSON

724.3415/4284: Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 25, 1934—6 p. m.

[Received 7:40 p. m.]

300. My 296, October 22, 2 p. m. Foreign Office informs me that although Argentine Government first gave its approval and authorization to Argentine Ambassador to participate the latter has now called with a long telegram from Saavedra Lamas in which he reopens the whole question and states that (chiefly in view of the dangers of eventual publicity) he has serious scruples about any action outside of the League of Nations. His message ends with the statement that under the circumstances Argentina is unable to participate.

The Bolivian Minister has kept away from the Foreign Office but yesterday the Secretary General cornered him and asked about the reply from his Government. The Minister gave no direct answer but went into elaborate explanations as to the difficulty of Bolivian acceptance, the necessity for adhering to League procedure, et cetera.

Under directions from the Minister for Foreign Affairs, the Secretary General has now told the Bolivian Minister that the Brazilian Government washes its hands of the whole subject; that if at any future time he wants to bring the matter up again he must do so in writing and with definite guarantee that his Government will stand hitched.

GIBSON

724.3415/4303

The Salvadoran Minister for Foreign Affairs (Araujo) to the Secretary of State

[Translation]

No. A. 715

SAN SALVADOR, October 25, 1934.

L. D. No. 1.792

[Received November 3.]

MR. MINISTER: In relation to the Note which I had the honor to address to Your Excellency, No. 1,471, of September 12th, last,⁵⁰ I take pleasure in sending you, herewith, for the information of your Government, a copy of the communications which I am sending today to Their Excellencies the Ministers of Foreign Relations of Bolivia and Paraguay, with reference to the initiative which this Chancellery has had the honor to transmit to the consideration of the countries of the Continent and which was directed toward achieving the reconciliation of those two sister peoples.

I avail myself, etc., etc.

MIGUEL ANGEL ARAUJO

[Enclosure—Translation]

*The Salvadoran Minister for Foreign Affairs (Araujo) to the Bolivian Minister for Foreign Affairs (Alvesteguí)*⁵¹

No. A. 715

SAN SALVADOR, October 25, 1934.

L. D. No. 1.782

MR. MINISTER: The warlike attitude which, for a long time past, has, without any doubt whatever, ruined the well-being of Bolivia and Paraguay, plunges all the peoples of the continent in profound grief, and these peoples earnestly desire the reconciliation of those two countries through a formula consistent with the national honor.

In this sense the Chancellery in my charge took the liberty, on a recent date, of issuing a Circular Note⁵⁰ containing the idea that the

⁵⁰ *Ante*, p. 198.

⁵¹ The same, *mutatis mutandis*, to the Paraguayan Minister for Foreign Affairs, October 25.

American Governments, through their diplomatic representatives accredited at Washington, might undertake a joint and friendly negotiation to the end that Bolivia and Paraguay concert a new armistice for a period sufficiently long to allow them, free from warlike excitement, to arrive at an honorable arrangement, putting an end to the differences which have unfortunately and temporarily alienated the one from the other.

In order to avoid precipitation in a step of so much importance, my government desired to know the attitude of the American nations before announcing this plan to Your Excellency's enlightened Government. And now, having received a favorable reply inspired by the most cordial sentiments of peace and fraternity, from most of the countries addressed, and being confident that the Governments which have not yet replied will answer in the same manner, I take pleasure in advising Your Excellency of the work of the Salvadoran Chancellery.

For your due information I take pleasure in enclosing herewith a copy of the Circular Note referred to.

In the hope that these efforts on behalf of the reconciliation of the two sister countries will receive the honor of being viewed by Your Excellency's Government and the noble Bolivian people with sympathy and benevolent approval, a sympathy and approval which will encourage us to continue the negotiation initiated, I take pleasure in expressing to you on this propitious occasion the sentiments of my highest consideration.

MIGUEL ANGEL ARAUJO

724.3415/4323

*The Salvadoran Minister for Foreign Affairs (Araujo) to the
Secretary of State*

[Translation]

No. A. 715

SAN SALVADOR, October 26, 1934.

L. D. No. 1815

[Received November 10.]

MR. MINISTER: I have the honor to acknowledge the receipt of Your Excellency's kind communication dated the fifth of the current month ⁵² relative to my previous note on the necessity of organizing a joint action of the countries of America, through the Diplomatic Representatives accredited to Washington in order that, in accord with the Pan American Union, they should propose to the Governments of Bolivia and Paraguay a minimum armistice of one year for the purpose of seeking, far from the hazards of war, a formula that would conciliate the interests in dispute, at the same time protecting the honor of the belligerent nations.

⁵² *Ante*, p. 222.

The conscience of the whole continent has expressed itself in favor of an effective peace, these sentiments having been clearly shown on various occasions. One of the historical attitudes of most importance was without any doubt the action taken through the Pan American Congress of Montevideo—referred to by Your Excellency—which achieved the concerting of a truce inspired by the same purpose which this chancellery has set forth, which truce, however, was unfortunately not long enough to produce an atmosphere of serenity favorable to the understanding which we anxiously desire.

I am informed by Your Excellency's interesting note under reference of the broad spirit of cooperation which prevails in the spirit of your enlightened Government whenever there is a question of the promotion of peace on this continent, and subject to the understanding that the participation of the United States may—as I hope—be agreeable to the nations interested, your country reserving its decision with a view to the probabilities of success which the negotiations may promise.

In expressing to Your Excellency the most profound gratitude for the generous demonstration of solidarity which your reply signifies in relation to the desires of a perpetual peace in the Chaco, I have the great honor to repeat to Your Excellency the assurance of my greatest esteem and consideration and to subscribe myself your faithful and obedient servant.

MIGUEL ANGEL ARAUJO

724.3415/4289 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 27, 1934—noon.

[Received 1:15 p. m.]

302. My 300, October 25, 6 p. m. Bolivian Minister who evidently wants to keep door open now states that his Government will only today receive an air mail letter in which he explained the whole scheme more fully than he could do in his telegram.

The Argentine Ambassador has called at the Foreign Office with a further telegram from Saavedra Lamas stating that he had received a telegram from Avenol⁵⁴ inquiring whether any conversations were proceeding, that he had telephoned back a categorical denial. Saavedra Lamas in order to make doubly sure, requested a clear statement from the Ambassador here in support of his message to Avenol.

⁵⁴ Joseph Louis Avenol, Secretary General of the League of Nations.

It has not yet been explained how Avenol heard of the proposed conversations.

In the light of his present knowledge Minister for Foreign Affairs is of the opinion that Bolivia will not agree to any conversations.

GIBSON

724.3415/4290 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, October 29, 1934—5 p. m.

162. Your 302, October 27, noon. The American Consul at Geneva cabled under date of October 26th,⁵⁵ that Avenol on that date, assuming that conciliation negotiations were continuing on this Continent, expressed the hope that the bases for such an attempted settlement and those which will be expressed in the final report of the Assembly would not present divergencies sufficient to permit the two disputants to seek recourse to separate jurisdictions. He admitted that in the absence of a Paraguayan representative, conciliation in Geneva was in fact a failure, adding that the justification of a continuity of *de jure* conciliatory attempts in Geneva was that the League should not be regarded as not having made every effort. Avenol further stated that were conciliation attained elsewhere before November 20th, it might obviate the convening of the extraordinary session of the Assembly.

The Argentine Government, through its Ambassador here, has communicated a message giving its views on the present situation which are approximately the same as those communicated to the Brazilian Foreign Office. While the unwillingness of the Argentine Government to foster conversations in Rio is based officially upon that Government's alleged desire to avoid any conflict of jurisdiction with the League at this time, it is clear from between the lines of the message received by the Argentine Ambassador that the more material objection is the transfer of the seat of these conversations from Buenos Aires to Rio. Saavedra Lamas suggested to the Department that any further conciliatory action be postponed until the League had "spent itself."

Both the Bolivian Minister here and the Bolivian Minister in Rio are apparently urgently desirous that conversations proceed in Rio as originally planned. The Bolivian Foreign Minister apparently, however, fears jeopardizing the position of Bolivia in Geneva and the approaching elections in Bolivia are likewise clearly an obstacle to the taking of any positive action by Bolivia at this moment. If, for any reason, however, the attitude of the Bolivian Government should change and the Bolivian Minister in Rio were formally instructed by

⁵⁵ Telegram No. 303, not printed.

his Government to proceed with the conversations, this Government would be glad to further them in every appropriate manner, provided, of course, that the Brazilian Government maintains its present announced willingness that the seat of the conversations be transferred to Buenos Aires should any concrete formula develop therefrom.

CARR

724.3415/4293 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 30, 1934—5 p. m.

[Received 6 p. m.]

306. Department's 162, October 29, 5 p. m. Minister for Foreign Affairs took occasion some days ago to impress on the Argentine Ambassador that in discussions with the Bolivian and Paraguayan representatives he had made it clear that should any formula be evolved in the proposed conversations the ensuing conference must be held in Buenos Aires. The Minister further stated that the Brazilian Government had accepted an invitation to a conference in Buenos Aires and felt that the terms of the invitation should be adhered to; second, that Brazil had recently had one long-drawn-out conference and could not afford another one; third, that under no condition would she consent to a transfer of the conference from Buenos Aires to Rio unless an unexpected situation arose where the Argentine as well as the other interested Governments definitively asked for Brazilian hospitality.

It is felt that there can now be no room for misunderstanding as to Brazilian intentions. The Secretary General of the Foreign Office tells me that their views as to the present situation are in full harmony with those expressed in your telegram.

GIBSON

724.3415/4305 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, November 6, 1934—6 p. m.

[Received 6:30 p. m.]

309. Bolivian Minister has just called with two telegrams from La Paz, the first received last Saturday. For some reason he has not yet communicated them to the Foreign Office but has an appointment there this evening.

The first message stated that although the Bolivian Government cannot foresee much hope of a solution through direct conversations, in order to show its good will it authorized him to participate therein in the presence of the representatives of the United States and Brazil.

The second message amplifies the first with a report of the Department's interest expressed by Mr. Welles in exploring the possibilities of agreement through such conversations.

The Minister added that in his opinion there was very little hope of agreement inasmuch as the points of view are too radically different.

GIBSON

724.3415/4306a : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, November 6, 1934—7 p. m.

163. The Minister of Bolivia has informed the Department today by instruction of his Government that the Bolivian Minister in Rio de Janeiro has been instructed to inform the Brazilian Government of the desire of Bolivia to participate in the suggested conversations to be held with the Minister of Paraguay in Rio de Janeiro with the assistance of the Brazilian Minister for Foreign Affairs and yourself and the Argentine Ambassador, provided the latter is permitted to do so by his own Government.

The Bolivian Minister further states that the Argentine Minister in La Paz requested an audience with President Salamanca 2 days ago in the course of which the former stated that the Argentine Government desired to know whether the Bolivian Government was disposed once more to consider peace proposals which the Argentine Government was prepared to make to Paraguay and to Bolivia. During this conversation no mention whatever was made of Brazil or the United States. The Bolivian President replied that the Bolivian Government was now as always prepared to consider any peace proposals that might be suggested to it.

Please cable the Department whether the Bolivian Minister in Rio de Janeiro has as yet complied with the instructions referred to in the first paragraph and if so, what the present disposition of the Brazilian Government may be.

PHILLIPS

724.3415/4310 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, November 7, 1934—3 p. m.

[Received 3:30 p. m.]

310. My 309 November 6, 6 p. m., Department's 163, November 6, 7 p. m. Bolivian Minister called on Minister for Foreign Affairs last night and communicated to him first message referred to in my telegram. Minister for Foreign Affairs stated that Bolivian acceptance

would have been more welcome several weeks ago; that there was not time for reaching any solution within the few days remaining before the special League Assembly.

The Bolivian Minister fell back on an inquiry as to whether Brazil and the United States would renew the suggestion of direct conversations in case the League failed to find a solution. Minister for Foreign Affairs said that if that situation arose he felt it would be unwise for Brazil and the United States to grant friendly good offices in connection with direct conversations except in response to a specific request from both the belligerents. The Bolivian Minister asked whether Brazil and the United States could not take the initiative and was told by the Minister for Foreign Affairs that while no answer could be given to such a hypothetical question, he felt that our recent experience had demonstrated that it would be wiser to act only in response to specific requests from both parties.

The Minister for Foreign Affairs has received word from La Paz in regard to the Argentine overtures in substantial agreement with the facts given in the Department's telegram.

In view of the discrepancy between the statements in the Department's telegram and mine as to whether the Bolivian proposal envisaged the presence of the Argentine representative at direct conversations here, I inquired as to what the Bolivian Minister had said last night. Minister for Foreign Affairs tells me that he made no mention of the Argentine in that connection.

GIBSON

724.3415/4310: Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, November 8, 1934—4 p. m.

164. Your 310, November 7, 3 p. m. The Argentine Ambassador called this morning to inform the Department, by instruction of Saavedra Lamas, that the latter had instructed the Argentine Ministers in La Paz and Asunción a few days ago to sound out the Bolivian and Paraguayan Governments in order to ascertain whether they would be favorable to renewed peace proposals. In each case, the reply was stated to have been favorable. Saavedra Lamas stated that what he had in mind was a renewal of the mediation negotiations along the lines previously agreed upon in the event that the League efforts proved unsuccessful.

PHILLIPS

724.3415/4317 : Telegram

*The Chargé in Brazil (Gordon) to the Secretary of State*RIO DE JANEIRO, November 9, 1934—7 p. m.
[Received November 10—10:20 p. m.]

313. The Bolivian Minister called this morning and in the course of reviewing past negotiations at some length, evidently for my benefit as a newcomer, went into the chronology of communications between him and his Government with the object of showing that the delay in communicating to Brazilian Minister for Foreign Affairs Bolivian Government's consent to direct conversations with Paraguayan Minister here was due to unavoidable physical causes (including Brazilian Minister for Foreign Affairs' absence from Rio over long week end, see Embassy's 309, November 6, 6 p. m.). Bolivian Minister consequently was not inclined to cavil at the reception given to the message from his Government and said that he now presumed that direct conversations were out of the picture for the time being.

He declared that personally he was convinced that Geneva would fail to find a solution, and that he hoped such failure would be definitely established before the end of the year in order that mediation along the lines previously pursued, essential to the reaching of a permanent solution, could be resumed.

Bolivian Minister volunteered that the Argentine overtures in La Paz (your 163, November 6, 7 p. m.) mentioned "a new mediation" without indicating what countries other than Argentina were supposed to participate.

Incidentally Bolivian Minister stated that his recent instructions concerning participation in direct conversations with the Minister of Paraguay here contained no mention as to the presence of the Argentine representative (Department's 163, November 6, 7 p. m.; Embassy's 310, November 7, 3 p. m., last paragraph).

The Bolivian Minister proffered the view that the Liberal Party candidate had a fair chance at Sunday's coming elections; he added that although the opposing political parties did not overtly differ on the question of the Chaco it was well understood that the Liberals if successful, while still insisting upon the soundness of Bolivia's legal position, would be prepared to make practical concessions.

I saw the Paraguayan Minister this afternoon who agreed that direct conversations were now out of the question. He said that he favored a resumption of mediation along lines previously pursued but professed more impatience than the Bolivian Minister at the prospect of their resumption being delayed until it becomes clear that Geneva cannot proceed further with hope of effective results; he felt that Geneva would resort to various procedures consuming much time before such a stage could be said to have been reached.

GORDON

724.3415/4338 : Telegram

The Chargé in Paraguay (Butler) to the Secretary of State

ASUNCIÓN, November 17, 1934—9 a. m.

[Received 11:25 a. m.]

49. In commenting upon the recent Paraguayan victory the President stated that now any peace must take the past [*sic*] situation into account. While the Paraguayan attitude will be stiffened by military successes there are also important factors working for peace. I have been unofficially informed that it is possible that an effort may be made to establish contact between the two belligerents for the purpose of exploring the possibility of direct negotiations. See air mail despatch No. 128 sent today.⁵⁷

BUTLER

724.3415/4323

The Secretary of State to the Minister in El Salvador (Corrigan)

No. 48

WASHINGTON, November 22, 1934.

SIR: With reference to your despatch No. 88 dated October 17, 1934,⁵⁷ regarding the Salvadoran proposal for a Chaco armistice there are transmitted for your further information copies of communications under date of October 25 and 26, 1934, from the Foreign Minister of El Salvador to the Secretary, together with enclosures to the former of the two notes mentioned.⁵⁸

There is likewise transmitted a reply which you are requested to deliver to the Minister for Foreign Affairs. A copy of this reply is also forwarded for the Legation's files.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

[Enclosure]

The Secretary of State to the Salvadoran Minister for Foreign Affairs (Araujo)

WASHINGTON, November 22, 1934.

EXCELLENCY: I thank Your Excellency for your courteous note of October 25, 1934, with further reference to your note of September 12, last, transmitting for my Government's information a copy of the communications which you addressed on the former date to the Ministers for Foreign Affairs of Bolivia and Paraguay, regarding the initiative taken by your Government looking to a peaceful solution of

⁵⁷ Not printed.⁵⁸ *Ante*, pp. 228 and 229.

the Chaco controversy. I also acknowledge the receipt of your note of October 26, 1934, on the same subject, for which I thank you.

As Your Excellency is already aware, this Government stands ready to support any move acceptable to the parties to the dispute which, in its judgment, offers reasonable hope for success. My Government would be most happy were the initiative taken by El Salvador to result in ending the state of war which unhappily exists between two of our sister nations. Accordingly, and in harmony with the views which the Minister of the United States in El Salvador expressed under instructions to your Government on October 5, 1934, this Government would be happy to lend its cooperation, in due time, should Your Excellency's proposal prosper, and should the proposal prove acceptable to the Governments of Bolivia and Paraguay.

Accept [etc.]

CORDELL HULL

III. ARMS EMBARGO UNDER THE AUSPICES OF THE LEAGUE OF NATIONS AGAINST THE CHACO BELLIGERENTS

724.3415/3680: Telegram

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, May 17, 1934—9 a. m.

[Received May 17—7:34 a. m.]

254. 1. Eden called early today and told me that at the meeting of the Council this morning he intended to oppose postponement of consideration of the Chaco report⁵⁹ on the ground that the matter is too pressing for delay. He will propose complete arms embargo against both belligerents.

2. He said that the Secretariat had reason to hope that the Argentine Government would acquiesce. The embargo, is, of course, contingent on agreement on the part of all exporting countries. He realizes that under present conditions the embargo cannot be made effective as far as the United States is concerned but hopes that you may see your way to cooperate if feasible by proposing a special law to cover this particular case.⁶⁰ He said that he apprised me of this in advance in order that you might have warning before the press made inquiry. He declared that the matter had only been finally decided last night by telephone with London and longer warning had therefore not been possible.

WILSON

⁵⁹ See telegram No. 115, May 31, 6 p. m., from the Consul at Geneva, p. 67.

⁶⁰ See circular telegram of May 28, 9 p. m., to all American diplomatic missions in the American Republics, p. 289.

724.3415/3687 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 17, 1934—6 p. m.
 [Received May 18—4: 52 a. m.⁶¹]

78. Consulate's 77, May 17, 5 p. m.;⁶² and Wilson's 254, May 17, 9 a. m.

1. The following is a summary of the British representative's statement proposing an arms embargo: The British Government endorses "the general conclusions to be drawn from the Chaco Commission's report" and in particular considers that the draft treaty proposed by the Commission is an "honorable solution" and urges the two parties to reexamine and accept it.

Eden then referred to an arms embargo as offering an effective means of contributing to the cessation of hostilities. He recalled the negotiations for an embargo initiated by the British in a note to the Secretary General under date of February 25, 1933.⁶³ These negotiations had been suspended because of the proposals made for a commission of inquiry. It was now urgently necessary to resume these negotiations and he proposed that the Council "send telegrams at once to the 17 Governments whose cooperation is necessary to inquire whether they are prepared to agree to the arms embargo proposal." He added: "It may be in some instances that Governments have not at this moment the necessary powers to put an embargo into effect; where this is so His Majesty's Government trusts that it may be found possible to take necessary legislative action as an emergency measure." He then urged the neighboring countries to forbid the transit of war supplies to the belligerents.

2. The representative[s] of France, Italy, Spain, Czechoslovakia, the Argentine and Australia spoke in support of the British proposal. The Argentine support appeared unequivocal.

3. Full text of statements being despatched by mail.

4. Discussion on the embargo proposal will be resumed in the Council today.

5. In regard to the Chaco question as a whole (see telegram under reference) the President will set as early a date as possible for its discussion. He requested the Committee of Three to follow the matter in the interval with the assistance when desired of the members of the Chaco Commission.

GILBERT

⁶¹ Telegram in two sections.

⁶² Not printed.

⁶³ See League of Nations, *Official Journal*, April 1933, p. 632.

724.3415/3692 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 18, 1934—3 p. m.
[Received May 18—12: 45 p. m.]

80. Consulate's 78, May 17, 6 p. m., paragraph 4.

1. The Council this morning authorized the Committee of Three to obtain the collaboration of jurists to frame a suggestion for a procedure to give effect to the British proposals for an arms embargo. I understood that the juridical point more particularly involved is the question of taking Council action without the consent of the two disputants.

2. The Danish representative supported embargo proposal stating that it was in accord with the laws already in force in his country prohibiting shipments of arms to countries at war or involved in a conflict threatening to lead to war.

3. The conclusion ended with a statement by the Bolivian representative in which he maintained an embargo imposed equally on both parties might in effect result in injustice due to the less favorable geographical position of one of the parties respecting obtaining of arms. This would be tantamount to the application of sanctions to the more isolated party. He referred to Bolivia's position on this question at the Havana Conference stating that it was supported by the American Delegation.⁶⁴

GILBERT

724.3415/3703 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 19, 1934—midnight.
[Received May 19—8: 57 p. m.]

85. 1. The following appear to me to be the chief factors which governed the Council action in the Bolivia-Paraguay dispute described in my 83, May 19, 10 p. m.⁶⁵

From a technical point of view this procedure was devised to escape the difficulties under the unanimity rule (article 11 of the Covenant⁶⁶) through the adverse positions certain to be taken either by Bolivia or Paraguay or by both.

More fundamental political considerations were, however, undoubtedly operative. Opposition developed to such a sanction as the proposed embargo being taken against both of the belligerents as

⁶⁴ See Department of State, *Report of the Delegates of the United States of America to the Sixth International Conference of American States, Held at Habana, Cuba, January 16 to February 20, 1928* (Washington, Government Printing Office, 1928), pp. 18-19.

⁶⁵ *Ante*, p. 66.

⁶⁶ *Treaties, Conventions, etc.*, 1910-1923, vol. III, p. 3336.

contravening the prevalent conception that the value of sanctions as an element of security lies in their special applicability against the belligerent which has been determined to be the aggressor or otherwise primarily responsible for a conflict. It is, of course, evident that in this case the Chaco Commission had in effect placed the blame equally on both disputants and thus sanctions might in such circumstances be invoked against both and still presumably be in harmony with this conception. Nevertheless, such action was opposed as creating a precedent tending to undermine this principle. Czechoslovak officials expressed this view frankly in informal conversations and presumably advanced it officially in private discussions. It appears that Italy also supports this general contention. To what extent Czechoslovakia in this also reflects the views of other League states is not clear but probably at least the other Little Entente countries. In any event, aside from the opposition of the disputants it would probably have been impossible to obtain direct and unanimous Council action on the embargo proposal.

There are also intimations that these and perhaps other states are for commercial considerations unfavorable to an embargo and some doubt is even expressed as to whether certain states will give completely acquiescent reply to the Committee of Three's telegram. The best opinion appears to be, however, that such states will stop short of being placed in an isolated position in such a connection.

GILBERT

724.3415/3701 : Telegram

*The Chairman, Council Committee of Three of the League of Nations
(Castillo Najera), to the Secretary of State*

GENEVA, May 20, 1934.
[Received 10:45 a. m.]

Reference Bolivia-Paraguay conflict, members Council last year contemplated prohibiting on their territory exportation and reexportation, whether direct or indirect, arms, war material, aeroplanes, aeroplane motors, separate parts thereof and munitions to Bolivia or Paraguay, whether by public authorities or private enterprises or individuals whether nationals or foreigners. Council has instructed Committee undertake consultations necessary view eventual application this prohibition following extraordinary session commencing May 30th. Beg inform me urgently through Secretary General whether your Government prepared participate this measure either unconditionally or on condition other states accept same obligation; in latter event please communicate list states whose acceptance considered necessary taking account nature of case.

[File copy not signed.]

724.3415/3708 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 22, 1934—2 p. m.
[Received May 22—12: 05 p. m.]

88. Consulate's 83, May 19, 10 a. m. [*p. m.*?], paragraph 3.⁶⁷ I find today (Secretariat was closed yesterday) that following private conversations with a number of delegates the Committee of Three late Saturday evening made extensive changes in the list of states to which the arms embargo communication was sent and also certain modifications in the communications. The nature of the communications and the revised list were determined on entirely new bases as follows :

(1) A communication was sent to a total of 32 states derived from the following categories :

(a)—The 13 states excepting Japan members of the Council last year, Great Britain, France, Germany, Italy, Norway, Poland, Czechoslovakia, China, Spain, Guatemala, Irish Free State, Mexico, Panama.

(b)—The 17 states on whose acceptance of the embargo proposal of 1933 certain of the states mentioned above conditioned their own acceptance, Argentine, Austria, Belgium, Brazil, Canada, Chile, Denmark, United States, Finland, Lithuania, Luxembourg, The Netherlands, Peru, Portugal, Sweden, Switzerland, Yugoslavia.

(c)—One state on account of its special position, Uruguay.

(d)—One state as a new member of the Council this year, Australia.

(2)—All communications were signed by Najera (Mexico) Chairman of the Committee of Three.

(3)—The communications were not precisely identic but varied in certain elements by categories of states as follows :

(a)—States which had accepted the embargo proposal of last year were reminded of this and to such of these states as had made their acceptance conditional on that of other states, it was suggested that they modify such conditions as far as possible.

(b)—The bordering states were enjoined to interdict the transit of arms as well as reexport of arms.

(c)—The communications to states formally approached for the first time on this subject were the same as that sent to the United States.

Unless I am instructed to the contrary I shall assume that the Department desire to be informed telegraphically as replies are received.⁶⁸

GILBERT

⁶⁷ *Ante*, p. 66.

⁶⁸ The replies were reported to the Department by the Consul at Geneva, but in general these reports are not printed here, as the replies are published in League of Nations, *Official Journal*, July 1934, pp. 827-843, and *ibid.*, November 1934, pp. 1594-1609.

For a summary of the status of the embargo, see the report by the Secretary General on September 25, 1934, *ibid.*, pp. 1610-1611.

724.3415/3709 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 22, 1934—3 p. m.
[Received May 22—2:10 p. m.]

89. I have been informed by responsible Secretariat officials as follows:

1. Respecting the preoccupations of certain League states described in my No. 85, May 19, midnight, third paragraph, the endeavor of the Secretariat will be to discount such contentions by stressing the special character of the Bolivia-Paraguay situation with particular reference to the statements respecting an aggressor on page 52 of the Commission's report (Consulate's despatch 907, political, of May 15, 1934⁶⁹).

I am informed that this element of the report was written with this present exigency in mind.

2. Consulate's 88, May 22, 2 p. m. paragraph 1.

(a) It will be noted that Japan is omitted. Japan was not approached last year to avoid probable unsuccessful results due to her special and adverse position vis-à-vis the League at that time. For similar reasons it is hoped that no state will now make its acceptance contingent on that of Japan.

(b) The same hope is expressed respecting Soviet Russia which is likewise omitted.

(c) German action is regarded as very uncertain and it is therefore desired that as few states as possible will make their present action contingent on Germany's.

3. It is noted that should all producing states place an embargo on exports the action of the bordering states would not be necessary and conversely the prohibition of transit and reexport by the neighboring states would be sufficient without action by the producing states.

It is particularly desired to avoid each of these groups endeavoring to delay action by placing the chief responsibility upon the other.

4. From the position which Bolivia appears to be taking respecting the embargo (Consulate's No. 80, May 18, 3 p. m. paragraph 3) it is believed that Bolivia may adopt the immediate strategy at the extraordinary meeting of the Council of accepting the Commission's report thus placing Paraguay in an unfavorable position as juridically the state upon which pressure should alone be placed.

Although obviously this would have a direct relationship to the embargo question, Secretariat opinion has not gone further than that, under the conditions which would thus be created the question would have to be considered anew.

⁶⁹ Not printed.

5. Although the League authorities perhaps naturally do not express themselves as pessimistic respecting the receipt of favorable replies to the proposals, nevertheless, they appear to be definitely sceptical as to the outcome in the face of the obvious and complicated difficulties which I have discussed.

GILBERT

724.3415/3717 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 22, 1934—4 p. m.

[Received May 22 (23?)—2: 50 p. m.]

90. 1. League authorities have imparted to me in strict confidence the positions which were taken by the states concerned vis-à-vis the embargo proposals of 1933 (Consulate's 88, May 22, 2 p. m., paragraph 1) as follows: China, Spain, Guatemala, Ireland, Mexico—unconditional acceptance.

China, however, suggested that embargo be provisional and should be lifted as regards the party which might eventually conform to the Covenant.

Panama—with reservation providing for free transit through Panama Canal according to clause 18 of our treaty of November 18, 1903.⁷⁰

Germany, France, Great Britain, Italy, Norway, Poland and Czechoslovakia, respectively, made their acceptance contingent on the acceptance of the states listed below after each of their names.

Germany—France, Great Britain, the United States, Netherlands, Belgium, Czechoslovakia, Denmark, Austria, Switzerland, Poland, Lithuania, Luxemburg.

France—Italy, Germany, Great Britain, the United States, Netherlands, Belgium, Norway, Sweden, Czechoslovakia, Denmark, Austria, Spain, Finland, Switzerland, Argentina, Brazil, Chile, Canada.

Great Britain—France, Italy, Germany, the United States, Netherlands, Belgium, Norway, Sweden, Czechoslovakia, Denmark, Austria, Spain, Finland, Switzerland, Poland, Jugoslavia, Portugal, Argentina, Brazil, Chile, Peru.

Italy—France, Great Britain, the United States, Netherlands, Belgium, Sweden, Czechoslovakia, Spain, Switzerland, Argentina, Brazil, Chile, Peru, Canada. Italy moreover made a special reserve in regard to current contracts and also against the establishment of any system of control.

Norway—France, Italy, Germany, Great Britain, the United States, Netherlands, Belgium, Sweden, Czechoslovakia, Denmark, Austria,

⁷⁰ *Foreign Relations*, 1904, p. 543.

Spain, Switzerland, Poland, Jugoslavia, Portugal, Argentina, Brazil, Chile, Peru.

Poland—France, Italy, Germany, Great Britain, the United States, Norway, Czechoslovakia, Spain, China, Guatemala, Ireland, Mexico, Panama.

Czechoslovakia—France, Italy, Great Britain, the United States, Belgium, Switzerland, Argentina, Brazil, Chile, Peru.

2. The League's policy in creating the category indicated by the foregoing reference to my telegram No. 88, is to take as a point of departure for the current effort the ground gained by the acceptances secured last year to the embargo proposal. Germany was particularly considered in this connection.

GILBERT

724.3415/3714 : Telegram

The Minister in Uruguay (Wright) to the Secretary of State

MONTEVIDEO, May 23, 1934—8 p. m.
[Received 8:32 p. m.]

40. The Minister for Foreign Affairs has just informed me by memorandum that his Government has replied to the League of Nations that Uruguay will join in the measures upon which the Council of the League may agree concerning an embargo on arms to the Chaco belligerents but that such embargo to be effective should be with the acquiescence of the bordering countries. The memorandum continues that notwithstanding the foregoing and being aware of our proposed legislation in this regard the Uruguayan Minister at Washington will be telegraphically informed that this Government is desirous of knowing our thought in the matter in order to assure a harmonious attitude on Uruguay's part, which is all the more necessary because Uruguay is convinced that the cooperation of the United States is indispensable to the efficacy of the measures proposed by the British representative on the Council of the League.

WRIGHT

724.3415/3701 : Telegram

*The Secretary of State to the Minister in Switzerland (Wilson),
at Geneva*

WASHINGTON, May 28, 1934—9 p. m.

159. Please transmit the following message to the Secretary General for the Chairman of the Council's Committee of Three dealing with the Chaco conflict:

"The receipt is acknowledged of your telegram of May 20 requesting information as to whether this Government is prepared to partici-

pate in cooperation with other governments in prohibiting the sale of arms and munitions of war to the Governments of Bolivia and Paraguay. On May 18 this Government caused to be introduced in Congress a Joint Resolution to confer the necessary authority upon the President. This Joint Resolution was passed without a dissenting vote by both Houses of Congress and was approved by the President today. Acting under this Resolution, the President has today issued a Proclamation⁷¹ prohibiting the sale of arms and munitions to the Governments of Bolivia and Paraguay or to any person, company or association, acting in the interest of either country, until otherwise ordered by the President or by Congress, admonishing all citizens of the United States to abstain from violation of the provisions of the Joint Resolution and enjoining all officers of the United States, charged with the execution of the laws, to exert the utmost diligence in preventing violations of the prohibition.

This Government has not wished to make its action in this matter subject to any specific conditions. It hopes, however, that the cooperation of other governments may be secured to an extent sufficient to assure a complete stoppage of shipments."

Please ascertain and report the time at which this exchange of telegrams will be released in Geneva.

HULL

724.3415/3746 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 28, 1934—noon.

[Received 3:15 p. m.]

98. Arms embargo proposal.

1. China and Denmark accept, no conditions stipulated. Great Britain accepts on condition of acceptance by the same states as specified last year (Consulate's 90, May 22, 4 p. m.).

Peru confirms previous reply (Consulate's 91, May 22, 5 p. m.)⁷² and adds in substance as follows: "Will fulfill its duties as member of the League with respect to what may be decided in regard to the transit of arms concerning which there exist provisions in treaties in force but hopes that logically measures concerning exportation will precede those relating to transit."

2. Germany—no reply having yet been received from Berlin taken together with Germany's attitude toward the League, incline Secretariat officials to believe that Germany will not make any reply to the embargo communication. They feel, nevertheless, that Germany might yet reply at least in some terms in view of the circumstances that the communication was signed by Najera and that Berlin might

⁷¹ See circular telegram to all American diplomatic missions in the American Republics, May 28, 9 p. m., p. 289.

⁷² Not printed.

for reasons of policy wish to avoid injuring the *amour propre* of a Latin American.

[3. ?] Japan—in the course of a conversation on another subject and without my making direct inquiries Yokoyama stated to me that he had had no exchanges with Tokyo on the subject of the proposed arms embargo, that he was merely waiting to note whether any other state made its action contingent on that of Japan and that in such event he would confine his action solely to notifying his Government. He added that he had no idea as to what his Government's policy would be in such event.

4. Responsible Secretariat officials inform me that should Japan (or any other state not yet approached) be so named the procedure would undoubtedly be that a communication would be forwarded to the Government concerned of a type indicated in my 88, May 22, 2 p. m. paragraph 4(c).

5. Responsible Secretariat officials are very pessimistic respecting the successful issue of the embargo efforts on two scores; (a)—the apparent attitude of the bordering states in the matter of the "transit treaties" with the belligerents; (b)—the large number of states on whose action so many states are making theirs contingent.

With regard to the latter they see in this naming of so many other states a definite policy to avoid taking action on the embargo. They see these states as inspired by the expectation that some of the states they thus name will either reply unfavorably or make no reply and that thus the embargo plan may be killed and at the same time responsibility therefor diverted.

6. In the circumstances that seem to be developing Secretariat officials feel that the only hope for a successful issue of this matter lies in two or three of the great powers taking the position that they will institute an embargo regardless of the action of any other states and that the moral force of such a position would impel all the other powers to follow such an example. They envisage that it would facilitate the general acceptance of such a position should the pertinent statements of policy include that such action would not be regarded as a precedent but that the Chaco situation should be considered a special case, ample grounds for regarding it as such being in their opinion to be found in the Commission's report and in the general Chaco situation.

GILBERT

724.3415/3743 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 28, 1934—2 p. m.

[Received May 28—12:55 p. m.]

99. Arms embargo proposal. Consulate's 98, May 28, noon, paragraphs 3 and 5.

1. Italy has replied renewing her reservations of 1933 (Consulate's 90, May 22, 4 p. m.) and naming in addition Japan and Soviet Russia.

2. Secretariat officials are discouraged by this Italian action for reasons explained in previous telegrams expressing themselves as uncertain of Russia's reply and inclining strongly to the belief that Japan's would be unfavorable.

3. Under present conditions action would normally follow as indicated in paragraph 4 of my telegram first referred to above. Secretariat is, however, for the moment suspending this action and withholding announcement of Italy's reply pending conversations with high Italian officials now in Geneva with the hope of inducing Italy to modify her reservations particularly that respecting Japan. Secretariat officials confidentially but frankly assert that they believe Italian policy is to wreck if possible the embargo plan (my 85, May 19, midnight).

GILBERT

724.3415/3757 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 29, 1934—9 a. m.

[Received 11:55 a. m.]

100. My 98, May 28, 2 p. m. [noon?] paragraph 3. Walters⁷³ informs me in confidence that it is felt after giving the matter consideration that Italy cannot be asked to eliminate Japan and Soviet Russia from the states on which it makes its action on the Chaco arms embargo contingent inasmuch as Italy could logically defend her policy on the basis of both being arms producing countries.

He stated that a part of the strategy of the arms embargo proposal was however to employ it as pressure to induce Bolivia and Paraguay to accept the League Commission's report. It has been hoped that the making public of the progressive acceptance by states of the proposal would augment that pressure; thus by the same token the announcement of such a reply as Italy's introducing the problem of obtaining the presumably difficult acquiescence of Russia and Japan would have

⁷³ Francis P. Walters, Under Secretary General of the League in charge of the Political Section.

the opposite effect. The Secretariat's present endeavor is therefore to induce Italy to reword her reply in a manner which while retaining the same purport would not specifically mention Russia and Japan, such a reply to be made public and communications presumably eventually to be furnished Moscow and Tokyo (Consulate's 98, May 28, noon, paragraph 3) could be withheld for a while. Aloisi is now in telephonic communication with Rome on this subject.

This would all seem to me to be difficult of adjustment and I feel that Italy's intent will soon become common knowledge. In any event Walters requests that the existence and nature of the Italian reply be kept for the present strictly confidential.

GILBERT

724.3415/3754 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 29, 1934—11 a. m.

[Received 12:05 p. m.]

101. My No. 98, May 28, noon, paragraph 2. The German Consul here has just called on me. He stated that he had received instructions from his Government to inform me that Germany would make no reply to the League's Chaco arms embargo communication; but that Germany would conform its policy to that of the United States. His understanding was that following the United States taking a definite position respecting an embargo Germany would publicly take the same position.

He requested that I inform the responsible League authorities of the substance of our conversation with the request that it be kept strictly confidential.

I have informed Walter Belden,^{73a} Undersecretary General in charge of political affairs who states that he will strictly observe the injunction of secrecy.

The German Consul also stated that it would be greatly appreciated could I give him some intimations of American policy in the premises. It would be helpful could I give him some kind of a message.

GILBERT

724.3415/3754 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, May 29, 1934—8 p. m.

47. I desire to commend you for the excellence of your recent series of telegrams on the Chaco arms embargo.

^{73a} Apparently garbled and reference should be to Francis P. Walters.

Your No. 101, May 29, 11 a. m. It is assumed that the publication of the reply of this Government to the Chairman of the Committee of Three has answered the question of the German Consul.

HULL

724.3415/3762 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 30, 1934—2 p. m.
[Received May 30—12:20 p. m.]

108. Arms embargo proposal. Italy has reworded her reply (Consulate's 100, May 29, 9 a. m.). The reply in its present form indicates the same position as before with the exception that it makes no mention of Russia and Japan and terminates with a statement to the effect that Italy reserves until later, when "the definite text of the decision to be adopted is under discussion", the designation of all the states on whose adhesion Italian action will have to be made contingent.

GILBERT

724.3415/3771a : Telegram

The Acting Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, May 31, 1934—8 p. m.

49. Please telegraph briefly concerning the reaction in Geneva to the action of this Government in regard to the Chaco Arms Embargo.

Following for your information. The *Baltimore Sun* carries a special cable under Geneva date line of May 30, reading in part as follows:

"Dr. W. Krauel, German Consul here, informed Prentiss B. Gilbert, the American Consul, that while Germany could not cooperate with the League undertaking, she, nevertheless, would ship no arms to the belligerents, Paraguay and Bolivia. . . . Mr. Gilbert, according to the German quarters in which the story was revealed, was nonplussed when the Germans, who withdrew from the League last October, asked the United States, which never has been a member of the League, to make the declaration for them."

The report continues with a statement that after requesting instructions from the Department you called at the League Secretariat and delivered the message from the German Government.

PHILLIPS

724.3415/3772 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 1, 1934—9 a. m.

[Received 9:20 a. m.]

117. Department's 49, May 31, 8 p. m., second paragraph. Walters saw me late last evening and stated that lack of definite instructions in Geneva of the German position on the arms embargo was most harmful and that in view of the United States now having taken a position on which the Germans appear to be contingent he asked me if I could obtain for the League from the German Consul here information as to Germany's probable action. I replied that as the German Consul has stated it to me German policy in this matter was concerned with Germany's relations with the United States and that my informing the League of it which I had been glad to undertake was purely collateral. I thus felt that I could not well pursue the matter further with the Germans. United Press and [*New York?*] *Herald Tribune* representatives here had told me that the German Consul had given them the information embodied in my 101, May 29, 11 a. m. Pertinent news accounts now appearing in the American press in Paris render the situation here somewhat confusing.

I naturally surmise that Washington has been in direct touch with Berlin on this subject. Could, however, the German position as it was forecast to me be in some manner authoritatively communicated here it would be as I see it distinctly helpful particularly as so many states have made Germany's action contingent upon theirs.

German Consul here informing the Embassy that he is without instructions in the premises.

GILBERT

724.3415/3781 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 1, 1934—6 p. m.

[Received June 1—2:35 p. m.]

123. Department's 49, May 31, 8 p. m., first paragraph. General reaction here to the United States position in the matter of the Chaco arms embargo is one of extreme gratification. Current reports of the favorable steps being taken by Congress even prior to the formal declaration of the embargo obviously stimulated action by other states. League officials also from a technical point of view regard the declaration as evidence that in specific cases judged by the United States on their merits the latter is willing to cooperate effectively with the peace machinery of the League. Expressions of satisfaction have been made

to me by officials of a large number of delegations even in quarters where it might be suspected that the prompt action of the United States was received with some dismay as eliminating an excuse for delay or for the adoption of a negative attitude.

GILBERT

724.3415/3772 : Telegram

The Acting Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, June 1, 1934—7 p. m.

50. Your 117, June 1, 9 a. m. We have no information other than that contained in your recent telegrams in regard to the position which the German Government proposes to take or of the procedure which it intends to follow in communicating with the League.

This Government does not intend to take any action in the matter.

We see no reason why the German Government should not, if it so desires, communicate its reply to the League either directly or through a government member of that organization.

In view of the provisions of Article 170 of the Treaty of Versailles⁷⁴ prohibiting the export of arms, munitions and war material of every kind from Germany, it is not understood why other governments have made their action contingent upon that of Germany. Have you any information on that point?

PHILLIPS

724.3415/3786 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 2, 1934—5 p. m.

[Received June 4—9:25 a. m.]

128. Department's 50, June 1, 7 p. m. Arms embargo.

1. The French and I believe other states which have made their action contingent upon Germany's have taken the position that they cannot act until Germany replies in some way to the League.

2. Encountering the German Consul today he told me as follows:

(a) Upon its receipt of the second communication from the League (Consulate's 112, May 30, 8 p. m., paragraph 3)⁷⁵ his Government instructed him to go a step further and to state the German position direct to Najera in the same terms as he had expressed it to me.

(b) Najera requested that he solicit Berlin to clarify its position by more formal action.

(c) He suggested to Berlin that they make a unilateral declaration or issue a statement through some official press organ.

(d) He has received no reply from Berlin.

⁷⁴ *Treaties, Conventions, etc.*, 1910-1923, vol. III, pp. 3329, 3402.

⁷⁵ Not printed.

3. He stated to me that Berlin informed him that its fundamental position was to "make no difficulties" for the embargo but that it would reply direct to the League and would probably not act otherwise on its own initiative. He was given to understand, however, that if any interested state should address a pertinent inquiry to Berlin they were prepared to give a favorable reply.

4. He told me definitely what he had intimated in my previous conversation with him that his Foreign Office informed him by telephone that the German Ambassador in Washington had been instructed to take this matter up with the Department.

5. League authorities tell me that they are considering asking Great Britain or some other League state which has included Germany as a state upon which their action was contingent to address Berlin in the sense discussed in the preceding paragraph. Could they at the same time gain Berlin's assent to communicate the German reply to the League, Germany's position would be formalized.

6. I can only say that the reasons why other states have made Germany's action contingent upon theirs is a part of the almost impenetrable network of political considerations which appears here to surround this entire matter. On the more technical side with respect to article 170 of the Versailles Treaty, Secretariat authorities note that the embargo proposal embraces the question of transit. The same naturally holds good also for Austria.

GILBERT

724.3415/3784: Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 2, 1934—6 p. m.

[Received June 4—8:40 a. m.]

129. Consulate's 122, June 1, 5 p. m.⁷⁶ I learn from League officials that the Paraguayan representative on leaving for Paris stated that his Government's statement under paragraph 2 of article 15 would probably not be ready for at least a month. The consideration by the Council of the substance of the dispute will therefore in all probability remain suspended for some time.

1. Arms embargo proposal. (a)—As explained in previous telegrams the plan of action on this question envisages if possible a complete separation from the substance of the dispute. Official League position is therefore that the application of article 15 will have no effect thereon. (b)—A Committee of Jurists met this morning to attempt to find a formula to which all the states concerned should

⁷⁶ Not printed.

adhere in order to render the terms of the embargo precise and identical. This was seen to be of the greatest difficulty in view of the great variety in the terms of the replies and the differences in the laws in force in the various countries.

The jurists express themselves strongly that this is not a juridical question but rather a political and practical. The legal adviser is however making a further effort to find a formula to present to the Committee of Jurists on Monday.

In this connection the legal adviser informed me that the question has been raised as to the exact scope of the American embargo proclamation and that it would be helpful to him to have the text of the proclamation or at least that portion which designates specifically the types of war material covered and the nature of the prohibition prescribed, that is, sale, transit, export, et cetera.

(e)—Those states which have not submitted a complete list of the states on which their action is contingent especially Italy, Finland, Chile, are now being requested to do so immediately.

GILBERT

724.3415/3796 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 4, 1934—10 a. m.

[Received June 5—9:25 a. m.]

131. Consulate's 129, June 2, 6 p. m., paragraph 2. As a background for such developments in the Chaco arms embargo proposal as may take place here in the immediate future the following seem to me to be the chief elements in the present situation.

[2.?] Luxemburg is the only state which has not replied to communications thus far⁷⁷ whereby two grave difficulties are present in the pursuance of this project of two separate types, although each has its repercussion on the other.

(a)—The chief obstruction lies in the divergence in the replies particularly in the matter of the reservations and in the interdependence of the action involved. Note may especially be taken of Italy's reply upon which position at least six other states have made their action depend (Consulate's 99, paragraph 3⁷⁸). This goes beyond a mere matter of technicalities; the implications are of the present unreadiness or a basic unwillingness on the part of a number of important states to institute an embargo. In respect of this difficulty, while a large number of separate factors have become known

⁷⁷ Consulate's telegram No. 134, June 4, 5 p. m., reported that Luxemburg accepted without conditions (724.3415/3791).

⁷⁸ May 28, 2 p. m., p. 247.

to me it is impossible for me from this point in any comprehensive or satisfactory way to distinguish as to its causes in which so many states are involved between genuine practical considerations, a basic opposition to the embargo either for immediate commercial reasons or as an unwelcome precedent, or because of less evident political interests (Consulate's 89, paragraph 5;⁷⁹ and 98, paragraph 5⁸⁰).

(b)—With respect to League procedure it will have been noted that it has been conducted under a scheme devised to obviate certain technical difficulties (Consulate's 85⁸¹). It was seen at the outset that favorable Council action would be exceedingly difficult to obtain not only because of the unanimity rule vis-à-vis the evident attitude of Bolivia and Paraguay but more fundamentally because it was undoubtedly known to Council leaders that the position taken by important Council states in response to 1933 embargo proposals would be maintained in respect of the present proposals. The receipt of the formal replies only confirms this and renders evident that any Council action which must be predicated on the common denominator of all the replies received would be worthless as a practical embargo measure. While conducted under the aegis of the League and theoretically under League procedures it was seen that in essence it was a "matter for individual states". The inconsistencies in this situation in my mind militate against incisive action. The Committee of Three cannot divest itself of the fact that it is a Council Committee. Although close questions are involved a good case can be made that the embargo proposal itself and action envisaged thereunder do not harmonize with or are perhaps even subversive of various provisions of the Covenant. Note Bolivia's repeatedly expressed position in this respect which I have reported and the attitude Czechoslovakia (Consulate's 85) and doubtless of other League states, an open statement of which would undoubtedly be made were the matter forced to an issue in a League body. Again in objections of this character it is extremely difficult to determine the underlying motives.

3. The technical problems discussed above are those which the Commission of Jurists have before them and the political and practical problems those which the Committee of Three must consider during the coming week.

4. The situation is so uncertain that it is impossible for me to forecast developments. In my opinion, however, what is fundamentally required as in all such cases here to bring this matter to a successful issue is a strong and unequivocal position taken by the great powers in the League.

⁷⁹ May 22, 3 p. m., p. 242.

⁸⁰ May 23, noon, p. 245.

⁸¹ May 19, midnight, p. 239.

5. For reasons which I have indicated as related to the League itself, and for practical reasons respecting the embargo, preoccupations are current to the effect that unless some satisfactory advance can shortly be made here to disembarass the League of this problem and to arrange if possible for some important League state to take the matter in hand and to conduct the affair under an enhanced freedom of action, the point of departure for such action on the part of such a state might be made to rest primarily on practical and humanitarian considerations.

GILBERT

724.3415/3787 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 4, 1934—2 p. m.
[Received June 4—12:30 p. m.]

132. Consulate's No. 129, June 2, 6 p. m., paragraph 2c, arms embargo proposal. In addition to the states in its 1933 reply Italy has formally named Soviet Russia and Japan. Question of communicating with those Governments is not yet settled.

GILBERT

724.3415/3798 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 5, 1934—2 p. m.
[Received June 5—12:05 p. m.]

135. Arms embargo developments.

1. Consulate's 132, June 4, 2 p. m., pertinent communications have been sent to Tokyo and Moscow.

2. The British Delegation informs me privately that they have suggested to London to take the matter up with Berlin along the lines indicated in Consulate's 128, June 2, 5 p. m., paragraph 5.

3. Consulate's 131, June 4, 10 a. m., a project was developed to convene here a meeting of Council states but technically not meeting as the Council, to inquire what embargo measures each had taken or was prepared to take. Although no satisfactory common formula could be evolved from the replies received a request would be made at such a meeting that each institute immediately an embargo in some form. It is understood here that the states which have thus far executed embargo measures are the United States, Great Britain, Austria, Switzerland, Brazil and Argentina. The Italians, however, stated that they were unwilling to attend such a meeting pending replies from Russia and Japan. Thus this project is for the moment in abeyance.

4. The situation appears to me to have improved due to the increased activity on the part of the British.

GILBERT

724.3415/3797 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 5, 1934—3 p. m.
[Received June 5—11:35 a. m.]

136. Arms embargo. Consulate's 135, June 5, 2 p. m., paragraph 3. I have been privately informed that a meeting of "interested states" was also considered with thought being given to possible American participation. There have been no outward developments in this whatsoever and I have heard no discussion of it.

GILBERT

724.3415/3784 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, June 6, 1934—7 p. m.

54. Your No. 129, June 2, 6 p. m. The full text of the President's Proclamation has been sent to Berne for transmission to the Secretary General. The essential portion reads as follows: ". . . It shall be unlawful to sell . . . any arms or munitions of war in any place in the United States to the countries now engaged in that armed conflict, or to any person, company or association acting in the interest of either country . . .".

The phrase "arms or munitions of war" is not defined. The definition would be a matter for determination by the courts in decisions in cases arising under the Proclamation. In this connection, the following opinion of Attorney General Wickersham of March 25, 1912, is of interest:

"In my opinion the phrase 'arms and munitions of war', as used in the said Joint Resolution and the President's proclamation should be interpreted as referring to those articles which are primarily and ordinarily used for military purposes in time of war, such as weapons of every species used for the destruction of life, and projectiles, cartridges, ammunition of all sorts, and other supplies used or useful in connection therewith, including parts used for the repair or manufacture of such arms, and raw material employed in the manufacture of such ammunition; also dynamite, nitroglycerine or other explosive substances; also gun mountings, limber boxes, limbers, military wagons, field forges and their component parts, comprising equipment of a distinctly military character, articles of camp equipment and their distinctive parts, and implements manufactured ex-

clusively for the manufacture of implements of war, or for the manufacture or repair of arms or war material.

Foodstuffs, ordinary clothing and ordinary articles of peaceful commerce are not included in the prohibition."⁸²

You will note that transit and export are not covered by the Proclamation. In view of the geographical position of the United States, the prohibition of transit would appear to be of no practical importance if embargoes are established by other producing countries. Export was not prohibited in order that there might be no violation of Article 6 of the Treaty of 1858 with Bolivia⁸³ and Article 4 of the Treaty of 1859 with Paraguay.⁸⁴ In practice the prohibition of sale appears to have put an end to exports to either country, except in a few cases in which title had passed before the issuance of the proclamation.

HULL

724.3415/3800 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 7, 1934—10 a. m.
[Received June 7—7: 17 a. m.]

140. Arms embargo. British Delegation informs me that London has taken action indicated in Consulate's 135, June 5, 2 p. m., paragraph 1.

GILBERT

724.3415/3811 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 8, 1934—11 a. m.
[Received 4: 55 p. m.]

142. 1. Chaco question substance of the dispute. At a meeting of the Council held yesterday afternoon the President in closing the present session enjoined the two parties to submit their statements under article 15 as soon as possible and suggested that July 1 be considered as the time limit for their submission. He laid emphasis on the circumstance that the procedure of conciliation under article 11 remained open and was likewise provided by paragraph 3 of article 15. The Committee of Three was instructed to pursue its efforts on that basis and was authorized to ask in its discretion for the convocation of an extraordinary session of the Council. The Bolivian and Paraguayan representatives confined themselves to stating that

⁸² 29 Op. Atty. Gen. 375, 379.

⁸³ Malloy, *Treaties*, 1776-1909, vol. I, p. 113.

⁸⁴ *Ibid.*, vol. II, p. 1364.

they would immediately inform their Governments of the Council's proceedings, the Bolivians, however, referring to the arms embargo made complete reservations respecting any action outside article 15.

2. As was the case in connection with Bolivia's possibly accepting the Commission's report (Consulate's 89, paragraph 4⁸⁵), the impression grows that Bolivia if her military position be adverse at the time would accept any report that the Council might make, her tactics in this being if possible to place Paraguay in the position contemplated under paragraph 6 of article No. 15. With this in mind the Council would exercise great care respecting the terms of its report (note Consulate's 61, April 28, 11 a. m., paragraph 3⁸⁶). Depending on the military situation Paraguay will undoubtedly delay the submission of its report as long as possible. Another element of delay is the possibility of action under paragraph 15 of the article. In this complex situation developments here are at least not very promising and at most are difficult to forecast.

3. Consulate's 131, paragraph 2(b).⁸⁷ With regard to the technical situation the difficulties of the arms embargo question being brought before the Council are increased by Bolivia's appeal under article 15 in that either disputant could contend that the application of sanctions previous to the action envisaged under paragraph 4 of the article in question would constitute an improper prejudgment of the case particularly as theoretically at least the final determination of the Council under that article might select only one of the disputants as the subject of sanctions. This would be a position probably juridically impossible to contravert and thus would doubtless receive the support of other Council states.

4. Arms embargo proposal.

(a) Consulate's 131, paragraph 2(a). Najera before the Council meeting showed me a draft "undertaking" which after repeated modifications had reduced to a minimum the obligations which the states might take individually in the matter of embargo measures. He told me that Italy not only objected even to so attenuated an undertaking but also to its being brought forward. He interpreted Italy's objection to its being presented to her desire not to be placed in the position of having her attitude in the matter being made so unequivocally explicit.

(b) Faced with this situation Najera nevertheless called a meeting of Council states (Consulate's 135, paragraph 3⁸⁸) in which he presented his draft undertaking. The text which was amended in

⁸⁵ May 22, 3 p. m., p. 242.

⁸⁶ Not printed.

⁸⁷ June 4, 10 a. m., p. 253.

⁸⁸ June 5, 2 p. m., p. 255.

the meeting I am transmitting in a following telegram. It represents the technical essentials of the development in this matter to date. As to the status of this document or of the document in the final form into which it may evolve I can only say that it must speak for itself. Due to its nature and the indeterminate character of the meeting which is passing upon it its status here is consciously entirely undefined.

(c) The meeting of Council states was private but yesterday evening in giving me the draft undertaking Najera informed me of developments in the meeting substantially as follows. All the Council states (except Panama which was absent) accepted the proposal except Italy and France. Some states declared their readiness to sign immediately. Italy took the technical position that she must wait for the replies from Germany, Japan and Russia. France expressed readiness to accept upon Italy's acceptance but mentioned that she understood the embargo of the United States omitted reference to airplane and airplane parts including motors. Italy's general attitude and the question of the Italian reservation in its reply respecting existing contracts, although the latter was not mentioned in the meeting, were the chief obstacles to an agreement. The present program is that the draft undertaking probably after some amendments will be again discussed in a similar meeting this afternoon.

(d) Najera informed me that he believed that Italy's position was determined by the existence of Italian contracts with one or both of the belligerents providing for future shipments of munitions over an extended period. He also felt that Italy was governed in the matter by complex political considerations the character of which he could not determine.

In this connection I would say that there would seem to be ample evidence that Italy has been playing some special role in the Chaco affair for some time. The obstructive attitude of the Italian member of the Commission seems to be notorious both in the field and in drafting the Commission's report in Geneva. Note in this connection Consulate's despatches 613, political, June 6, 1933, page 15, and 632, political, July 14, 1933, page 11.⁸⁹

(e) In private conversations the Italians here assert that their only objection to the embargo is a skepticism of states applying it honestly. The French declare that their attitude is based upon the circumstances that unless Italy modifies her position an embargo would be useless and merely give Italy all the advantages in munitions sales.

My estimate of the situation is that Great Britain is now pressing the matter hard and that France is mildly supporting or at least not objecting. The Italians are uncomfortable under a continuing

⁸⁹ Neither printed.

general pressure and modification of Italy's position appears at least possible.

(f) Consulate's 131, paragraph 5. There is no apparent progress in this plan.

(g) Consulate's 136.⁹⁰ I have heard of no renewal of suggestions on this schedule and have naturally refrained from discussing it.

(h) I have been told informally by several delegates that I would be welcome in the meeting of Council states as an observer simply in order that I might have first-hand and more definite knowledge of the developments. I do not anticipate that this will be definitely raised and I am merely informing the Department of it in case it has any views to express.

GILBERT

724.3415/3810 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 8, 1934—1 p. m.

[Received 1:50 p. m.]

144. Consulate's 142 June 8, 11 a. m., paragraph 4(b). The following is the text of the draft "obligation":

"1. The representatives of the governments of (left blank).

2. Seeing that notwithstanding the efforts made for pacific settlement of the conflict between Bolivia and Paraguay hostilities have continued for nearly 2 years;

3. Seeing that the supply from abroad of arms, munitions and war material facilitates the prolongation of these hostilities;

4. Seeing, therefore, that pending settlement of the conflict in accordance with the Covenant, and subject to any recommendation which may subsequently be made by the Council of the League of Nations, it is desirable that measures should be taken by the Governments on their territories to prevent the supply to the two parties of arms, war material, aeroplanes, aeroplane motors, separate parts thereof and munitions either by public authorities or by private enterprises or individuals whether nationals or foreigners;

5. Noting that the Governments of the United States of America, the Argentine Republic, the United States of Brazil, the United Kingdom of Great Britain and Northern Ireland and the Helvetic Confederation have declared that they have already taken such legislative or other measures as they consider appropriate and that Austrian law prohibits export of war material of every kind;

6. Seeing that the Governments of the following countries: Canada, China, Denmark, Spain, Guatemala, Irish Free State, Latvia, Lithuania, Luxemburg, Mexico, Panama, Netherlands, Portugal, Sweden, Uruguay, Yugoslavia have declared themselves ready to take such measures for the same purpose without making their consent conditional on other governments consenting to take such measures and that the Governments of Australia, Belgium, Chile, Finland, France, Italy,

⁹⁰ June 5, 3 p. m., p. 255.

Norway, Peru, Poland and Czechoslovakia have made their consent conditional on other governments consenting to take such measures;

7. Seeing that thus agreement on the principle has already been reached between a large number of governments;

8. Announce the intention of the governments which they represent to take immediately on their territories, if they have not already done so, measures adequate for the purpose in view, subject to the right of each government concerned, to reexamine its position in case any government should omit to take or to enforce the necessary measures;

9. Express the hope that the other governments which have declared their readiness to associate themselves with these measures will be so good as immediately to take measures for this purpose and that the governments not mentioned in the present declarations will be so good as to take measures to prevent their territories from being utilized for supply of the articles above enumerated."

GILBERT

724.3415/3816 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 8, 1934—2 p. m.

[Received June 11—6:18 a. m.]

145. Emphasizing the inequitable character of an arms embargo against both parties, the Bolivian representative in a communication to the Secretary General declares that Paraguay's arsenals at Puerto Sajonia and a munitions factory at Campo Grande specifies in detail the war supplies manufactured in Paraguay and states that Bolivia's dependence on foreign factories places her in an inferior position.

GILBERT

724.3415/3808 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 8, 1934—3 p. m.

[Received June 8—12:20 p. m.]

146. I have conveyed the information embodied in the first five paragraphs Department's 54 June 6, 7 p. m. to the legal adviser of the Secretariat. I have thought it inadvisable for reasons analogous to those which I express below to give the impression that I am acting under formal instructions.

The material in the final paragraph is extremely useful to me in my responses to informal inquiries which I couch as simply my personal understanding of these matters. I have, however, refrained from employing this information in any way as a concrete or connected statement and in particular from conveying the inference that I am presenting American official views or that I have received pertinent instructions from the Department. I have, moreover, made no men-

tion of the statement in the final sentence of the paragraph in question. I have done this to avoid what I feel to be a very real danger of giving Paraguayans or any other representatives here the opportunity of construing what I might say as tantamount to American reservations to a complete embargo or as implying that the United States was making its action in any way contingent on the action of other states.

On the supposition that in view of other considerations, the Department desires to have its position in these matters fully clarified here I shall continue in this course unless otherwise instructed.

GILBERT

724.3415/3809 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 8, 1934—4 p. m.

[Received June 8—2:25 p. m.]

147. Arms embargo proposal. Russia accepts unconditionally.

GILBERT

724.3415/3813 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 9, 1934—10 a. m.

[Received June 9—9:55 a. m.]

149. Arms embargo proposal.

1. Japan has replied orally through its Consul General here. The following is the text of an official memorandum of Yokoyama's statement to Najera :

"With regard to the telegram which you addressed to our Minister of Foreign Affairs concerning the question of the embargo on arms directed at Bolivia and Paraguay, by order of my Government I hasten to inform you as follows.

Since the withdrawal from the League of Nations the Government of Japan has adopted the principle of abstaining from all participation in enterprises of this institution having a political character.

The Government of Japan regrets in these circumstances that it cannot depart from this principle in regard to a political problem such as this embargo proposal having a relation to the stipulations of article No. 11 and others of the Covenant of the League of Nations.

It should be noted that Japan having never exported arms destined to Bolivia or Paraguay it is not appropriate that it be mentioned at this time in this manner."

2. Coincident with Japan's reply there appeared an obviously inspired item in the Geneva press quoting a statement of the Japanese Foreign Office spokesman to the effect that Japan had adopted the

principle not to take part in political questions dealt with by the League. The communiqué added that Japan had not yet, however, adopted any practical method for the application of this principle.

3. I believe that I am correct in saying that the telegram from Najera was the first communication on a political subject from the League to Japan since the latter's withdrawal from the Extraordinary Assembly. The Japanese action in this matter is of significance as rendering publicly explicit an important element in Japan's policy in her general relations with the League which I have discussed in previous communications (note in particular Consulate's despatch No. 765, political, December 20, 1933, page 3⁹¹).

4. I have reason to surmise that some League state, probably Great Britain, may endeavor to obtain a more satisfactory answer from Japan (for reasons implied in my telegram to follow) but to avoid a formal unfavorable reply no action will be taken without previously sounding out Tokyo informally and that for this reason this action will not be made generally known.

GILBERT

724.3415/3815 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 9, 1934—noon.

[Received 12:43 p. m.]

151. Consulate's 142, June 8, 11 a. m., paragraph 4(c). A meeting of Council states was held yesterday afternoon in which I am reliably informed the following developments took place.

1. Italy has maintained fully her previous position now however basing her attitude on the unsatisfactory nature of Japan's reply.

This is universally regarded here as the merest pretext.

2. Great Britain raises the question of the propriety of "existing contracts" as a reservation and took the position supported by France that an unlimited reservation of such a purport would nullify any embargo measure asserting that at least such a reservation should include a reasonable time limit during which it should run.

3. Italy obviously being the state concerned the Italian representative stated that he would submit these views to his Government.

4. The British representative announced that he had just been advised by the British Embassy at Berlin that it had no news as to the German reply.

5. The following is the procedure now contemplated for continuing the consultations.

⁹¹ Not printed.

Najera will communicate by letter with all the governments consulted enclosing, (a), a report on the situation as indicated by the replies received to date and, (b), the text of the draft undertaking (Consulate's 144, June 8, 1 p. m.) with any amendments deemed necessary. The letter will explain that the text of the undertaking is being submitted as a model which the governments may use in communicating the action taken or contemplated individually by each government, it being fully understood that this formula is only a model and that the communication from each government may take the form which it deems appropriate. Najera will in turn inform the other governments concerning the replies received.

In the letter addressed to the states which have accepted unconditionally attention will be drawn to the fact that certain states have already instituted embargo measures and that a large number have declared themselves disposed to act unconditionally. It is hoped in this manner to attain at once an appreciable commencement of the execution of the embargo measures. In the letter to the states which have made their acceptance dependent on that of other states Najera will indicate that he will communicate to all the governments consulted the replies received from each in order that the governments which have stipulated certain conditions may judge whether or to what extent these conditions have been fulfilled.

6. These communications will probably be despatched on Monday.

7. The British Delegation in respect to procedure see this as only a third best which it was necessary to fall back on after failing to obtain either Council action or simultaneous action by Council states. This relatively unsatisfactory method combined with the Italian attitude renders the British frankly pessimistic as to the outcome.

GILBERT

724.3415/3812 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 9, 1934—2 p. m.

[Received June 9—9 a. m.]

152. Consulate's 149 June 9, 10 a. m. Yokoyama has just called on me to discuss Japan's reply. He stated that he was fully cognizant of the Italian position vis-à-vis the arms embargo and while he felt that "Japan's reply" might be agreeable to Italy he regretted that it might not give satisfaction to the United States and Great Britain. He stated that the form and substance of Japan's reply were solely governed by Japan's relations with the League.

He then stated that should the United States or Great Britain care to approach Tokyo direct in this matter he felt that a more satisfactory response might be obtained.

It seemed entirely evident to me that he was acting under instructions.

In view of the delicate character of this situation I am not saying anything about this to the British. Please instruct.

GILBERT

724.3415/3817 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 11, 1934—2 p. m.
[Received June 11—10:35 a. m.]

157. Consulate's 151, June 9, noon, paragraph 4, arms embargo proposal. The British Delegation has just read to me the following note from the German Government dated June 9:

"The Ministry of Foreign Affairs has the honor to inform His Majesty's Embassy in reply to their note number 196 that the German Government continue to recognize after their withdrawal from the League of Nations the principles of the declaration of March 1933 which they signed in the League of Nations together with other states regarding the prohibition of the export and transport of weapons, material of war, airplanes, parts therefor, and munitions to the countries of Paraguay, and Bolivia which are at war with each other and are ready to act in accordance with that declaration provided that all of the participating governments engage as before to act similarly. The German Government presumes from the note under reference that this condition is fulfilled as regards His Majesty's Government and notes at the same time that the list mentioned of the states concerned remains the same as last year."

The British Delegation is communicating this formally to the League today.

GILBERT

724.3415/3822 : Telegram

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, June 12, 1934—11 a. m.
[Received June 12—7:32 a. m.]

261. Chaco dispute. Najera approached me today as did subsequently the British Delegation. Najera explained that in a secret meeting of the Council the question had been raised of the shipment of airplanes and motors by the United States which does not appear to have been covered by the embargo. The British Delegation had explained to Najera that they had received a telegram from London reporting a conversation with the Chief of the Latin American Division in Washington in which the British Ambassador was informed that instructions had been given to our customs authorities to "scruti-

nize" shipments of airplanes and motors. Both Najera and the British felt that they would be glad if it were possible for a message to be sent through me which I could deliver to Najera to the effect that instructions have been issued to scrutinize carefully such shipments.

WILSON

724.3415/3822 : Telegram

*The Secretary of State to the Minister in Switzerland (Wilson),
at Geneva*

WASHINGTON, June 13, 1934—6 p. m.

160. Your 261, June 12, 11 a. m. Have appropriate measures been taken to ensure close cooperation and exchange of information between the Delegation⁹² and the Consulate in regard to this and other matters of concern to both? See Department's 54, June 6, 7 p. m., to Gilbert.

The Department, in administering restrictions on exports pursuant to the Joint Resolution of January 31, 1922,⁹³ has held the phrase "arms and munitions of war" to include military airplanes and parts thereof, and military airplanes have been held to include not only airplanes of a specifically military character, but all airplanes presumed to be destined for military use. It is assumed that the same construction will be placed upon the phrase by the authorities of this Government charged with the enforcement of the President's Proclamation of May 28.

All shipments of arms and munitions of war known or supposed to be destined to Bolivia or Paraguay are being scrutinized by Treasury officials and information concerning them is being brought to the attention of the Department of Justice for investigation and possible criminal prosecution under the terms of the President's Proclamation. Shipments in cases in which prosecution is instituted will be seized and held as evidence.

You may use the above information in any manner your judgment may dictate, provided that no action is taken which would conflict with the policy indicated in our No. 61, June 11, 7 p. m., to Gilbert.⁹⁴

Please transmit the information contained herein to Gilbert. It is suggested that you may wish to request him to explain the considerations on which he based the expression of opinion in paragraph 2 of his No. 160 of June 12, 4 p. m.,⁹⁴ in order that you may have his recommendations before you decide whether or not to transmit all or part of this information to Najera.

Report by telegraph.

HULL

⁹² American delegation to the General Disarmament Conference.

⁹³ 42 Stat. 361.

⁹⁴ Not printed.

724.3415/3835 : Telegram

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, June 15, 1934—3 p. m.
[Received June 15—10:20 a. m.]

262. Department's 160, June 13, 6 p. m. I appreciate the full information which your telegram gives me.

Copies of all telegrams sent and received on this and other miscellaneous subjects are exchanged between the Delegation and Consulate so we are thus always continually informed of each other's reports as well as instructions. In addition there is oral communication between the Delegation and the Consulate if there is any doubt with regard to the despatch of a particular message to the Department. For example, I read over my 261, June 12, 11 a. m., to Gilbert before telegraphing it to ensure that there was no crossing of wires.

After reading the previous correspondence both from and to the Consulate and the Delegation and discussion of the matter with Gilbert I have decided not to transmit any information to Najera at this stage.

WILSON

724.3415/3842 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 15, 1934—6 p. m.
[Received June 18—8:20 a. m.]

168. Consulate's 160, June 12, 4 p. m., paragraph 3.⁹⁵

1. Identic letters enclosing a draft report on the situation are being despatched by Najera today to all governments previously consulted except Germany and Japan. The letter to the United States I understand is being mailed directly to the Secretary of State. This letter embodies expressions similar to those cited in the second part of paragraph 5 of my 151, June 9, noon, and terminates as follows:

"The governments will moreover be able should they so desire to proceed to direct exchanges of views with one another more particularly as to the manner in which the conditions that some of them have laid down might be fulfilled with a view to generalizing the action already taken by other governments".

The enclosed report referred to above comprised the following:

(a)—A summary of the situation based on the replies received to date—though couched in different terms the information thus given apparently differs in no material way from that already transmitted

⁹⁵ Not printed.

to the Department in my series of telegrams relating to the replies received.

(b)—General—A part of this restates the states of paragraph 5 of my telegram No. 151, June 9, noon, and the remainder is included in more compact form in the text of the “model reply” discussed below. In addition a recommendation is included along the lines of paragraph 2 of my 151.

(c)—As an annex, the text of the model which the governments may use in their discretion in communicating their replies—with the following exceptions—this text is the same as the text of the draft “obligation” transmitted in my 144, June 8, 1 p. m. (see also my 151, paragraphs 5 and 7): paragraph 1 now reads: “the government of”; in paragraph 2 omit “nearly”; in paragraph 4 insert after “Council” the words “or the Assembly” and for the words “airplanes, airplane motors” substitute “aircraft, aircraft motors”. Paragraphs 5 and 6 are omitted. Paragraphs 7, 8 and 9 now read as follows:

“Seeing that the consultations initiated in pursuance of the Council resolution of May 19, 1934, show that agreement upon the principle already exists among a large number of governments.

Announces its intention of taking immediately on its territory (announces that it has taken or that it will take) on its territory as from (blank date) adequate measures for the purpose in view, subject to the right to reconsider its position in case another government should omit to take or to enforce the necessary measures;

Expresses the hope that other governments which have announced their readiness to join in these measures will immediately take measures to this effect and that the governments of countries which do not manufacture arms will take measures to prevent their territories being utilized for the supply of the articles enumerated above”.

2. With respect to the preoccupations expressed in my 160, June 12, 4 p. m., paragraph 2, I feel from the situation here that the phrase “arms and munitions” in our reply to the League’s original communication might well stand for the present as an adequate definition of the scope of our embargo measures. In other words, that an attempt now to interpret or define elements of that reply might lead to the difficulties I have discussed in previous communications. On the other hand the letter addressed to the Secretary referred to above although not definitely calling for reply might nevertheless be employed as a basis of a reply and should the situation at that time suggest that a more comprehensive definition of our embargo measure would serve a useful purpose such a definition could be embodied in such a reply.

3. After watching developments here and noting the expression of opinion of a large number of officials I venture to express the thought that to obtain in advance a unanimous technical agreement, as has been attempted in a matter in which precedents are so lacking as in

an arms embargo employed as a sanction, might be more difficult than to obtain the actual practical execution of an embargo. Should a majority of the great powers and a substantial number of the smaller powers each improving measures that they found possible to take now institute a practical embargo the self-interest of these powers to bring pressure on the recalcitrant states together with a possible mobilization of public and press opinion against so tangible a matter as the actual shipment of arms on the part of a few states might bring into line the powers which under present conditions are reluctant to institute such measures. The obvious annoyance of the Japanese here at what they term the action of Italy in endeavoring to place the responsibility on Japan for the failure of a universal embargo is a case in point.

GILBERT

724.3415/3841a : Telegram

The Secretary of State to the Ambassador in Italy (Long)

WASHINGTON, June 16, 1934—3 p. m.

42. Advices from Geneva indicate that Italy is placing obstacles in the way of the putting into effect of the League's proposal for an embargo on arms and munitions to Bolivia and Paraguay. Please ascertain discreetly and report by telegram the attitude of the Italian Government and the reasons therefor.

HULL

724.3415/3784 : Telegram

The Secretary of State to the Consul at Geneva (Gilbert)

WASHINGTON, June 20, 1934—11 a. m.

71. Department's 54, June 6, 7 p. m., final sentence. Pursuant to the authority delegated to him in the Proclamation, the Secretary on June 14 informed the Attorney General that there have been excepted from the prohibitions of the Proclamation goods manufactured and ready for delivery prior to May 28, 1934, pursuant to valid and binding contracts of sale entered into prior to that date, and which had been paid for in whole or in part by the belligerent government. Notes to this effect were sent to the Bolivian and Paraguayan Ministers on June 16 and released to the press.

HULL

724.3415/3852 : Telegram

The Secretary of State to the Minister in Bolivia (Des Portes)

WASHINGTON, June 21, 1934—7 p. m.

7. Your 36, June 20, 6 p. m.⁹⁶ There has of course been no "American propaganda" in Geneva or South America for an arms embargo. The action we have taken in relation to Geneva has been to advise the League's Committee of Three of the President's proclamation of May 28, in reply to the Committee's inquiry whether this Government was prepared to participate in an embargo; and to transmit the text of the proclamation to the Secretary General. As regards South America, we have merely inquired the views of various countries.

Our action has been in line with our consistent and impartial efforts over several years to further in every appropriate way a peaceful settlement of this conflict.

HULL

724.3415/3863 : Telegram

The Ambassador in Italy (Long) to the Secretary of State

ROME, June 22, 1934—5 p. m.

[Received June 22—2:35 p. m.]

130. Department's 42, June 16, 3 p. m. In the course of a conversation with Suvich⁹⁷ today I mentioned incidentally the embargo on arms and ammunition shipments from the United States to Bolivia and Paraguay which the President had been authorized to place and with a view to ascertaining the views of the Italian Government on the arms embargo proposal before the League of Nations, asked if the Italian Government had any policy which would make it difficult to place such an embargo.

Suvich replied that his Government had no such policy; that it had no desire to oppose such embargoes particularly in the Americas; and that it was not opposed to the general idea of arms under existing treaty. He then volunteered the statement that the Italians had withheld consent to the proposal at Geneva (1st) because they felt at the moment that Paraguay had defeated Bolivia and that to impose the embargo at that time would confirm that defeat and, (2d) that they did not believe that embargoes could be efficacious unless they were universally accepted and applied and they had no assurances that both Japan and Russia would consent. He added that the Italian representative on the Committee at Geneva had on his own initiative injected a novel condition which was intended to support the program of the

⁹⁶ *Post*, p. 295.⁹⁷ Italian Under Secretary of State for Foreign Affairs.

League in that it proposed to force acceptance of a League program by placing an embargo on shipments to the state which failed to accept. That, he considered, would confront the recalcitrant state with the alternative of acceptance or facing a certain military defeat.

In conversations with officers of the War Ministry the Military Attaché to the Embassy was told that no restrictions had been imposed on the shipment from Italian factories of arms and ammunition to Paraguay and Bolivia; that for purpose of reaching an accord on the matter of this arms embargo [conversations?] were being conducted with other governments (France, England and Japan were specifically mentioned) and that until such an accord could be reached no action was being taken with reference to an embargo. It was also stated that there were no dealings in Italian aircraft or aircraft armament with either Bolivia or Paraguay but there were no assurances that no negotiations were under way or that contracts might not be concluded at a later date.

LONG

724.3415/3886 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, June 28, 1934—4 p. m.

[Received June 29—7:18 a. m.]

186. Department's 70, June 20, 11 a. m.⁹⁸ The following is a paraphrase of the British reply:

"Government propose to continue for the present to hold up the issuing of licenses for the export of arms to these two countries but feel it would be inadvisable for them to make a formal declaration on the lines proposed in the Committee's report until the governments of all the countries included in the list of countries whose cooperation Great Britain regards as essential (see Consulate's 98, May 28 noon) have announced that they are willing to participate without reservations."⁹⁹

GILBERT

724.3415/3893 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, July 3, 1934—noon.

[Received July 5—5:25 a. m.]

190. In communication to the League the British Government states that upon being approached by the Paraguayan Government concerning the issuance of a license for the sale to Paraguay of two

⁹⁸ Telegram No. 70 instructed the Consul to "telegraph substance of replies as received." (724.3415/3841)

⁹⁹ For slightly different text, see League of Nations, *Official Journal*, July 1934, p. 842.

aeroplanes "for purely ambulance purposes" it had replied that it could not allow such an order to be fulfilled in view of the fact that the proposed embargo covers the supply of aircraft of all types. The British Government expresses the hope that other governments will make the same reply if approached for the same purpose and suggests that the Committee of Three make a communication in this sense to the governments which have declared their willingness in principle to accede to the embargo.

GILBERT

724.3415/3916 : Telegram

The Ambassador in Great Britain (Bingham) to the Secretary of State

LONDON, July 14, 1934—1 p. m.

[Received July 14—7:43 a. m.]

413. For the Secretary from Norman Davis. In the course of a conversation yesterday Simon referred to repeated efforts which England had made to induce Italy to take a more constructive attitude as regards the Chaco arms embargo proposal. He was particularly concerned over the Italian insistence that the embargo should not apply to existing and recurrent contracts for the shipment of arms. He asked me to transmit to you a personal message to the effect that it would be most useful if the United States could express to the Italian Government its preoccupation over the delay in the practical application of this proposal.

BINGHAM

724.3415/3924a : Telegram

The Secretary of State to the Ambassador in Great Britain (Bingham)

WASHINGTON, July 14, 1934—3 p. m.

301. Press reports from London state that Lord Stanhope, speaking in the House of Lords on July 12, in regard to the Chaco arms embargo said: "As we understand it, Italy said that not merely current contracts but recurrent contracts should be allowed to proceed, which is a very different matter."

Is it to be inferred that the British Government is allowing arms manufactured under current contracts to proceed?

Please ascertain and report fully by telegraph the policy of the British Government in this matter, especially in respect to arms and munitions manufactured under contract for the Bolivian or Paraguayan Governments and paid for in whole or in part before the embargo became effective.

Please keep the Department informed of all developments.

HULL

724.8415/89751

*The British Chargé (Osborne) to the Assistant Secretary of State
(Welles)*

WASHINGTON, July 23, 1934.

MY DEAR WELLES: AS I told you this morning, the Italian Government have now informed the Committee of the Council of the League of their decision to prevent the export of war material destined for Bolivia and Paraguay. Since I spoke to you I have received a cable from London confirming that there is no longer any need to follow up the suggestion, which was contained in my *aide-mémoire* of 21st July,¹ that the United States Ambassador at Rome should support the representations made by Sir E. Drummond with a view to obtaining an early reply from the Italian Government.

I have been instructed by Sir John Simon to convey to the United States Government the text of a communication addressed by him to the Secretary General of the League of Nations, which reads as follows:—

“His Majesty’s Ambassador at Rome informs me that Italian Government have informed President of Committee that they will enact necessary measures to prevent export from Italian territory of war material destined for Bolivia and Paraguay and that such measures will contain no exception in favour of current contracts.

“His Majesty’s Government have learned with great satisfaction of this decision and are now prepared to reply to letter of June 14th from President of Committee informing him that they formally accept embargo proposal and will immediately enforce complete suspension of all exports of arms and war material including any consignment for which licences had been issued before May 9th, date on which issue of new licences was suspended.

“Before taking this action His Majesty’s Government would urge that a telegram should be despatched to all governments which received M. Najera’s circular letter of June 14th informing them of foregoing facts and enquiring whether they are now willing to put embargo into force without reservations without delay and if possible before end of this month.”

I have at the same time been directed to express the earnest hope that the United States Government will at an early date take steps, similar to those contemplated by His Majesty’s Government, for the complete enforcement of the embargo.

With reference to your question regarding current contracts, you will see from the second paragraph of the communication to the League of Nations that His Majesty’s Government in the United Kingdom are making their embargo applicable even to consignments

¹ Not printed.

for which export licences had been issued before the date on which the issue of new licences was suspended.

Yours sincerely,

D. G. OSBORNE

724.3415/3957 : Telegram (part air)

The Consul at Geneva (Blake) to the Secretary of State

GENEVA, July 25, 1934—11 a. m.
[Received July 26—10:30 a. m.]

205. Department's 70, June 20, 11 a. m.²

1. The Italian Government has now replied that it will proceed to enact the necessary embargo measures. Furthermore that these measures will not contain any exceptions in favor of current contracts.

2. The British Government has submitted a further statement of which the following is a paraphrase.

"Having been informed by the British Ambassador at Rome of the Italian reply, the British Government now formally accepts the embargo proposal and will immediately enforce a complete suspension of all exports of arms and war material including any consignments for which licenses had been issued before May 9th the date on which the issue of new licenses was suspended. Before taking this action His Majesty's Government would urge that a telegram should be despatched to all the governments which received the circular letter of June 14th informing them of the foregoing facts and inquiring whether they are now willing to put the embargo into force without reservation without delay and if possible before the end of this month."

3. I understand from the Secretariat that a telegram along the lines suggested above is now being prepared.

BLAKE

724.3415/3953 : Telegram

The Ambassador in Great Britain (Bingham) to the Secretary of State

LONDON, July 25, 1934—2 p. m.
[Received July 25—10 a. m.]

432. Department's 313, July 24, 7 p. m.³ The Foreign Office states that a communication was made yesterday to the League of Nations signifying that the British Government are now prepared to enforce a complete suspension of arms exports to Bolivia and Paraguay and that they will do this as soon as the original governments concerned

² See footnote 98, p. 271.

³ Not printed; it requested that a reply to Department's No. 301, July 14, 3 p. m., be expedited.

are willing to put the embargo into force. Under this action the British will stop immediately all licenses for export of arms to Bolivia and Paraguay whether under contracts existing prior to the date of the embargo or not. According to the Foreign Office the British have delayed in making this communication to the League until they had received assurance from the Italian Government that they likewise would enter the embargo plan. The British Chargé d'Affaires in Washington has been instructed to advise the Department fully of the attitude and intentions of the British Government in this matter.

The Foreign Office hopes that they will be notified within a very few days by the League of Nations of the concurrence of other interested countries notably Belgium and Czechoslovakia. The impression was received however that even if Belgium and Czechoslovakia should refuse to concur the British Government nevertheless will enforce the embargo on its part.

BINGHAM

724.3415/3953 : Telegram

The Secretary of State to the Ambassador in Great Britain (Bingham)

WASHINGTON, July 25, 1934—7 p. m.

314. Your 432, July 25, 2 p. m. Your telegram does not give the information requested in the Department's 301 of July 14, 3 p. m. You state "the British *will* stop immediately" et cetera. A full report is desired in regard to the policy of the British Government up to the date of the communication to the League of Nations to which you refer, especially in respect to arms and munitions manufactured under contract for the Bolivian or Paraguayan Governments and paid for in whole or in part before the embargo became effective.

HULL

724.3415/3961 : Telegram (part air)

The Consul at Geneva (Blake) to the Secretary of State

GENEVA, July 26, 1934—10 a. m.
[Received 11:05 a. m.]

206. Department's 70, June 20, 11 a. m.⁴

1. Spain has replied announcing the intention of applying embargo measures immediately.

2. Sweden has replied that unconditional embargo has been put into effect.

3. Consulate's 205, July 25, 11 a. m., paragraph 3. Najera has despatched under date of July 25 a telegram to all states which re-

⁴ See footnote 98, p. 271.

ceived the circular letter of June 14 except those which have indicated that they have already placed an embargo into effect or are on the point of doing so. The text will be communicated to the latter by mail for their information.

In order to forestall further protests particularly on the part of Bolivia, the telegram specifies that it is being despatched at the request of the British Government thus presenting the embargo action as emanating from the individual states rather than from the League.

BLAKE

724.3415/3955 : Telegram

The Ambassador in Great Britain (Bingham) to the Secretary of State

LONDON, July 26, 1934—noon.

[Received July 26—8:15 a. m.]

433. Foreign Office made further details available this morning which enables me to supplement my 432, July 25, 2 p. m.

1. British have issued no licenses for export of arms and ammunition to Bolivia or Paraguay since May 9th, this prohibition extending to all contracts even though executed or paid for in whole or in part before that date.

2. Likewise manufacture under current contracts is not proceeding.

3. In three cases however, there are exceptions to paragraphs 1 and 2 above. Where contracts existed previous to May 9th and actual licenses for export thereunder had been issued prior to May 9th manufacture is proceeding for these contracts and certain shipments have taken place since May 9th. In these instances however, all administrative requirements had been fulfilled by the shipper before May 9th.

4. Foreign Office stated that British Government are now prepared to enforce a complete embargo and to prohibit all shipments even under those licenses issued before May 9th. Before doing so the Foreign Office desire to learn how far the League of Nations are able to satisfy the British Government that those countries who have already accepted the embargo in principle are prepared to conform in practice, particularly Belgium and Czechoslovakia who it was stated confidentially are currently shipping.

BINGHAM

724.3415/3955 : Telegram

The Secretary of State to the Ambassador in Great Britain (Bingham)

WASHINGTON, July 26, 1934—8 p. m.

317. Your 433, July 26, noon. Please obtain, if possible, and telegraph full information in regard to the three exceptions mentioned in paragraph 3. The Department particularly desires information in regard to the nature of the commodities shipped, the quantities thereof and the country of destination.

Do the three cases mentioned cover all shipments made from Great Britain to Bolivia or Paraguay since May 9?

HULL

724.3415/39751

The Assistant Secretary of State (Welles) to the British Chargé (Osborne)

WASHINGTON, July 27, 1934.

MY DEAR OSBORNE: Thank you very much for your letter of July 23, transmitting the text of a communication in regard to the sale of arms and munitions of war to Bolivia and Paraguay, addressed by Sir John Simon to the Secretary General of the League of Nations. We were pleased to learn of the progress made toward effective international cooperation in this matter, as we are convinced that the stoppage of shipments of arms to the belligerents will have results, both moral and material, which will hasten the restoration of peace between them.

Since the Joint Resolution of Congress, prohibiting the sale of arms and munitions to the Governments of Bolivia and Paraguay or to persons acting in their interest, was proclaimed by the President on May 28, no shipments of such commodities destined to either country have left the United States, with the exception of some which were contracted for by the Bolivian Government and paid for in whole or in part before May 28 and of which the manufacture was completed or virtually completed on that date. At the request of the Bolivian Government, we have made a careful examination of all outstanding contracts between it and American companies and of contracts between the Lloyd Aereo Boliviano—a commercial airline operated in Bolivia—and an American company, and, on grounds of equity to Bolivia, certain exceptions from the general prohibitions of the Resolution have been granted. All shipments pursuant to the sales which have been excepted will be completed within the next week or ten days and as the Secretary has determined that no further exceptions will be granted, no further shipments of arms or munitions destined to either country

can be made thereafter. The effect of the President's Proclamation will, therefore, be an absolute and unqualified embargo.

You may be interested in the Press Release in regard to this matter which is being issued to the press today. I enclose a copy.⁵

Very sincerely yours,

SUMNER WELLES

724.3415/3966 : Telegram

The Secretary of State to the Consul at Geneva (Blake)

WASHINGTON, July 27, 1934—11 a. m.

82. Department's 71, June 20, 11 a. m. I have informed the Attorney General that there have been excepted from the prohibitions of the Proclamation certain arms and munitions contracted for with American companies by the Bolivian Government and by the Lloyd Aereo Boliviano and paid for in whole or in part prior to the date of the President's Proclamation. The arms and munitions so excepted were not entirely ready for delivery on May 28, but the process of manufacture had been nearly completed in all cases. Equitable treatment of the Bolivian Government required that these exceptions be made.

A press release giving full information in regard to this matter is being transmitted to you by open mail.⁵

I have informed the Bolivian Minister that all outstanding contracts have been carefully considered and that no further exceptions will be made.

There are no outstanding contracts between the Paraguayan Government and American companies.

HULL

724.3415/3966 : Telegram

The Secretary of State to the American Delegate to the General Disarmament Conference (Wilson)

WASHINGTON, July 27, 1934—3 p. m.

164. Department's No. 82, July 27, 11 a. m. to the Consulate. Please transmit the following message to the Secretary General for the Chairman of the Council's Committee of Three dealing with the Chaco conflict:

"With further reference to your telegram of May 20, requesting information as to whether this Government was prepared to participate in cooperation with other governments in prohibiting the sale of arms and munitions of war to the Governments of Bolivia and Paraguay, I have to inform you that since May 28, the date on which the

⁵ Department of State, *Press Releases*, July 28, 1934, p. 71.

President proclaimed the Joint Resolution of Congress, prohibiting the sale of arms and munitions to the Bolivian and Paraguayan Governments or to persons acting in their interests, no shipments destined to either country have left the United States with the exception of certain arms and munitions which were contracted for by the Bolivian Government with American companies, paid for in whole or in part, and of which the manufacture was wholly or virtually completed before the date of the President's Proclamation. These contracts have been carefully studied by my Government and, on grounds of equity to the Bolivian Government, exceptions from the general prohibitions of the Resolution have been made in certain cases. Shipments pursuant to the sales which have been excepted, including 5 airplanes, will probably be completed within a week or 10 days. As all outstanding contracts have been examined and as my Government has determined to grant no further exceptions, no arms and munitions will leave the United States for Bolivia or Paraguay after those referred to have been exported, until such time as the prohibitions of the Resolution are rescinded by the President or by Congress."

HULL

724.3415/3962 : Telegram

The Ambassador in Great Britain (Bingham) to the Secretary of State

LONDON, July 27, 1934—4 p. m.
[Received July 27—11:22 a. m.]

438. In reply to inquiries based on your 317, July 26, 8 p. m., the Foreign Office does not have the detailed information desired by the Department but will endeavor to obtain in each case the exact commodity, quantity and country of destination from the appropriate authorities.

Foreign Office again confirmed that three exceptions mentioned cover all shipments made from Great Britain to Bolivia or Paraguay since May 9th.

BINGHAM

724.3415/3980 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

LONDON, August 3, 1934—1 p. m.
[Received August 3—9:50 a. m.]

449. Foreign Office advised the Embassy this morning that they have not yet received detailed information desired by the Department which it appears is not readily available and must be assembled from more than one source. It was stated informally, however, that a practically complete embargo already exists on the part of the British Government with respect to the licenses issued prior to May 9th.

All replies so far received to inquiries by the League of Nations (see Embassy's 433, July 26, noon, paragraph 4) have been in the affirmative but certain important countries notably Belgium and other nations have not yet replied.

ATHERTON

724.3415/4004 : Telegram

The Chargé in Great Britain (Atherton) to the Secretary of State

LONDON, August 11, 1934—noon.
[Received August 11—7:55 a. m.]

463. Embassy's 449, August 3, 1 p. m. Foreign Office, through informal communication dated August 10, confirms oral information previously given and telegraphed to the Department that no licenses have been issued for exports of arms and ammunition to Bolivia and Paraguay from the United Kingdom since May 9 last.

The Foreign Office states further that they did not think it necessary to interfere with the completion of a small number of contracts for the execution of which licenses had been issued previous to May 9; that these contracts have been completed and that the British Government are now in effect enforcing a complete embargo on the supply of all arms to the two belligerents, including aeroplanes and aeroplane motors although they have not yet made a formal announcement to this effect at Geneva.

Foreign Office still unable to furnish detailed information requested in the Department's 317, July 26, 8 p. m.

ATHERTON

724.3415/4004 : Telegram

The Secretary of State to the Ambassador in Great Britain (Bingham)

WASHINGTON, August 15, 1934—5 p. m.

332. Your 463, August 11, noon. You need not make any further effort to obtain the detailed information requested in Department's 317, July 26, 8 p. m.

HULL

724.3415/4082

The Consul at Geneva (Gilbert) to the Secretary of State

No. 979 Political

GENEVA, August 25, 1934.
[Received September 5.]

SIR: I have the honor to submit below a summary of the present situation at Geneva relating to developments in the Bolivia-Paraguay dispute, particularly as regards (1) the status of the embargo

and (2) action on the substance of the dispute. The observations set forth below are based on a study of the communications from the various governments consulted on this question by the President of the Committee of Three and on conversations with responsible officials of the Secretariat.

I. THE EMBARGO

(1) *Observations on the Position of Certain States.*

The Department will have observed from the series of telegrams despatched by the Consulate in conformity with the Department's telegraphic instruction No. 70 of June 20, 11 a. m.⁷ that all of the governments to which the President of the Committee of Three addressed his circular letter of June 15 (Consulate's telegram No. 168, June 15, 6 p. m.) have replied thereto except the following: Argentina, Brazil, Austria, China, Guatemala, and Luxemburg. Secretariat officials have expressed themselves as feeling no concern in regard to the absence of replies from Argentina and Brazil whose respective positions were clearly stated, from a formal standpoint at least, in their replies to the first communication sent by the Committee of Three on this subject on May 19, in which each of these governments referred to its declaration of neutrality and stated that from the moment the declaration was issued a complete embargo had been put into effect (Consulate's telegrams No. 94, May 24, 4 p. m. and No. 110, May 30, 4 p. m.⁸). Likewise no concern is felt in regard to Austria, China, Guatemala, and Luxemburg since Austria has stated that internal legislation (presumably in fulfillment of her obligations under the Treaty of St. Germain) prohibits the exportation of arms, and the other three countries in their replies to the communication of May 19 accepted the embargo proposal unconditionally. Nevertheless it is felt that the status of Luxemburg will not be entirely clear until Belgium, which I shall discuss later, has given a definite reply, it being assumed that the attitude of Luxemburg will depend to a large extent on that of Belgium. In passing it may be observed that the Committee's letter of June 15 was not sent to Germany and Japan inasmuch as it was felt that it would not be possible to obtain any information concerning their position on the matter further than that received from them as a result of the first communication sent out by the Committee of Three on May 19. The positions of Germany and Japan were reported in the Consulate's telegrams No. 101, May 29, 11 a. m., No. 149, June 9, 10 a. m., and No. 157, June 11, 2 p. m. The position of Germany as thus made known does not afford any cause for anxiety, but Secretariat officials have frequently expressed

⁷ See footnote 98, p. 271.

⁸ Neither printed.

concern in regard to Japan who merely stated that it "had never exported arms" to the belligerent countries. It is considered possible here that if the embargo is rendered effective by measures taken by all the other manufacturing states, one or both of the belligerents might succeed in obtaining arms from Japan since that country has given no engagement not to ship arms in the future.

Coming now to the governments which have replied to the circular letter of June 15, the Department will have observed from the documents which the Consulate has transmitted regularly under cover of despatch that the replies have varied greatly in form and in degree of precision. With the exception of the neighboring states of Chile and Peru, however, to which I shall refer later, the replies of only three countries are causing the Secretariat any serious concern, namely, Belgium, Norway, and Finland.

The position of Belgium is important not only because that country is a large manufacturer of arms but also due to the circumstance that the action of Norway and Finland and the continued favorable action of several other states has been made contingent on that of Belgium. As reported in the Consulate's telegram No. 216, August 16, 11 a. m.,⁹ Belgium has expressed a readiness to decree an embargo but requested to know the position of the other states. The delay in answering the Committee's letter of June 15 and the follow-up telegram despatched on July 25 to several states including Belgium, together with this request for additional information when in fact the Belgium Government has been informed regularly of the replies of the other governments or at least could have readily ascertained the position of any given state or states at any time, has given rise to some doubts as to Belgium's sincerity.¹⁰ Recently the Italian Government addressed a letter to the Committee of Three (see document C.280 (*m*) M.120 (*m*). 1934.VII enclosed with despatch No. 977 Political of August 24, 1934)¹¹ which contains a warning that if the other states fail to take appropriate measures in the near future to prevent effectively the shipment of arms to the belligerents Italy would consider this as justification for revoking her own embargo measures. I have been given to understand in the strictest confidence that the Italians sent this letter because they alleged that they were aware that Belgium was withholding a definite reply in order to allow time for Belgian manufacturers to fill orders for large shipments of arms. I have likewise been apprised in confidence that the British are now exerting pressure at Brussels, and it is hoped that as a result of this action Belgium will fall into line.

⁹ Not printed.

¹⁰ The Belgian Government announced its unconditional application of the arms embargo beginning September 29 (telegram No. 282, October 1, 3 p. m., from the Consul at Geneva, not printed).

¹¹ Not printed.

Norway has expressed a willingness to apply an embargo on condition that Great Britain, France, Italy, Belgium, the Netherlands, Poland, and Czechoslovakia do the same. This condition seems to be fulfilled with the exception of Belgium. But in addition Norway reserves the right to make deliveries up until December 1 "under a few outstanding contracts." The responsible League officials have no information concerning the extent of these contracts, but I understand that they intend to approach shortly the Norwegian representative here in order to obtain information on this head and to attempt to persuade the Norwegian Government to revoke this reservation.

The Finnish Government has made its acceptance contingent on the effective application of an embargo by some 21 governments including Belgium, Norway, Chile, and Peru. Belgium and Norway are the only manufacturing countries designated by Finland which have not accepted the embargo proposal. The matter is further complicated, however, through the inclusion on the list of Chile and Peru whose situation with respect to cooperation in the application of the embargo, so it is understood here, is rendered difficult by the existence of treaties between these countries and Bolivia guaranteeing free transit to the latter. Holsti, the Finnish permanent delegate to the League, is now in Helsingfors. I understand that he has been requested to attempt to persuade his government to remove Chile and Peru from the list. The Secretariat is now waiting some word from him.

In addition to the obstacles to the effective application of the embargo which I have already described there has been evident here some apprehension in regard to the possibility of irregular shipments of arms reaching the belligerents even if all the manufacturing countries agree to place an embargo in effect. Although all of the governments may honestly enforce the embargo insofar as concerns direct shipments to Bolivia and Paraguay, it is felt that the possibility is not excluded that shipments despatched ostensibly to private companies in other countries may be diverted to the belligerents. It is difficult to judge at this distance from the region of the conflict, and without special knowledge of local conditions, whether this apprehension has any foundation in reality, but I have heard the opinion expressed that there is a danger of irregular shipments being successfully brought through to Paraguay by way of the water channels connecting that country with the ocean. Bolivia, it is felt, is not as favorably situated geographically for obtaining irregular shipments of arms as Paraguay, but even here the uncertain position of Chile and Peru relative to the embargo does not allow this possibility to be excluded.

Furthermore, the reservation made by Norway in regard to allowing shipments to continue until December 1 (and this may be followed by other similar reservations) constitutes a serious danger for the

successful outcome of the embargo action because other countries such as Italy, in view of this situation, may decide to revoke the measures which they have already taken, and even if this does not occur, the continued shipment of arms to the belligerents for such a long period of time would greatly diminish the effectiveness of the embargo.

(2) *Embarrassment Caused by the Uncertain Legal Basis of the Embargo.*

In several of my telegrams to the Department I have discussed certain difficulties from a legal point of view which have tended to militate against any incisive action on the part of the League with respect to obtaining agreement or a concerted policy among the states on the embargo proposal. I refer in particular to telegrams No. 85 of May 19, 12 midnight, and No. 131 of June 4, 10 a. m., paragraph 2*b*. From the very beginning of the embargo movement Bolivia has protested vehemently against the measure as being inequitable in practice, out of harmony with the spirit of the Covenant, and legally subversive of the provisions of the Covenant relating to the settlement of disputes. Even among non-belligerent states, notably Italy and Czechoslovakia, there was great hesitancy in accepting the proposal which they at first more or less openly opposed on the ground that the embargo was in effect a sanction and that the application of such a sanction against both belligerents contravened the prevalent conception that the value of sanctions as an element of security lies in their special applicability against the belligerent which has been determined to be the aggressor or otherwise primarily responsible for the conflict. The states having such scruples consented to give their assent to the proposal and their agreement to put it into effect only on the understanding that the Chaco dispute, as borne out by the report of the League Commission of Inquiry, was a special case which should not constitute a precedent. Moreover, from a legal point of view the League Council was unable to act directly, under Article XI, on account of the unanimity rule. Wherefore the plan was evolved, which the Bolivians apparently consider as a mere subterfuge to hide what is in effect a direct responsibility of the League, of conducting the consultations under the aegis of the League through the Committee of Three but at the same time laying emphasis on the argument that the action on the embargo was in essence a matter for the individual states, both as to the initiative in formulating the proposal and as to the responsibility for carrying it out. In view of these considerations some of the responsible officials of the Secretariat have felt that from the League's standpoint the legal basis of the embargo was extremely tenuous and have expressed misgivings in regard to the possible repercussions of this affair on the League and the consequences it may have in relation to the final settlement of the dispute.

Bolivia has repeatedly protested against the embargo itself and against the part played by the League therein. I have been informed confidentially that Bolivia has likewise protested to the British Government individually and that the latter has been embarrassed to find an adequate reply. I understand that the British, who initiated the movement, have attempted to shift the responsibility to the League, or at least to thrust a share of the responsibility on the League, not in so many words perhaps but by implication. The Bolivians have replied that in League quarters they were met with the argument that the embargo action was a concern of the individual states and not a responsibility of the League. The British Government, finding itself in this dilemma, had recourse to the Secretariat for help in finding arguments to meet the Bolivian onslaught. As a result of this appeal, an official of the Secretariat prepared a memorandum, of which a translation made by this office is enclosed,²² in which an attempt is made to reconcile realities with legal scruples. This memorandum, after receiving the tentative approval of the President of the Committee of Three, was forwarded to Paris and London with the injunction that, inasmuch as it had not yet been considered by the full Committee, the document should be used as background only from which arguments might be drawn in meeting the Bolivians but should not be shown to them. Recently the Secretariat has privately requested of the two governments to be informed as to what use they have had occasion to make of the document. The French have replied that having received no protests from Bolivia they have had no occasion to employ it. The British have not yet replied.

The Secretariat is now considering the opportuneness of making this document public after first submitting it to the scrutiny of the Legal Section. It is now planned to present the memorandum to the Committee of Three which is expected to meet in the near future, when a decision will be made, in the light of the observations which the British may submit on the subject and of the general situation with respect to the Bolivian position on the matter, whether publicity will be given to the memorandum in its present or in a modified form.

This document was handed to me in the strictest confidence with the understanding that it be treated as such and considered for the present as being entirely unofficial. The member of the Secretariat on handing it to me observed that, although it might not be entirely watertight from a legal standpoint, he felt that it was a practical rebuttal of the Bolivian arguments. In any case it seems to me to be of interest both as showing the dilemma in which the League is placed and as an excellent example of legal tight-rope walking.

²² Not printed.

(3) *The Effect on the Embargo of the Invocation by Bolivia of Article XV.*

From the moment when Bolivia invoked Article XV of the Covenant officials of the Secretariat have maintained that this action would in no wise interfere with the embargo. Up until now this view seems to have been correct and may possibly remain so throughout the League's treatment of the dispute. There is a feeling, however, at the present moment that matters may so develop that it may be desirable, or even necessary, to attempt to correlate the embargo action with the action of the League on the substance of the dispute under Article XV. It has been suggested that the Assembly's "recommendations" under paragraph 4 of Article XV might include an injunction to the members of the League to apply an embargo equally to the two belligerents, since in the view of the Chaco Commission as set forth in its report it was impossible to determine the aggressor in this conflict, that both parties were violating the Covenant in continuing the war, that neither had shown any real intention of seeking a peaceful solution, and that both are consequently equally guilty.

There are two schools of thought in the Secretariat in regard to this matter, one which considers the foregoing as legally possible and supports it, another which maintains that such a procedure is not legally sound, chiefly, I understand, because they consider the "recommendations" envisaged in this Article as being addressed to the two parties to a conflict and not to the members of the League. In this connection the Department will recall that the recommendations of the Assembly under this Article for the settlement of the Sino-Japanese conflict did in fact include a corollary injunction to the members of the League not to recognize the "Manchukuo" régime.

This matter has not developed far enough yet to allow of making any appraisal of possible developments on this head. Probably no decision can be reached until the statements of the two parties have been examined and the feeling of the Assembly on the question as a whole has become manifest. This would seem to be particularly true because the dispute has been under the competence of the Council in the past and affairs may take an entirely new turn when the matter is brought before the Assembly in accordance with the Bolivian request reported in my telegram No. 158, June 11, 4 p. m.¹³

II. ACTION ON THE SUBSTANCE OF THE DISPUTE

As intimated above, the action on the substance of the dispute under Article XV is still in abeyance. I have been informed in confidence that the Secretariat is now in possession of the statements of each of the parties required by paragraph 2 of Article XV. Strange to

¹³ Not printed.

say, these statements have not yet been submitted officially to the Secretary-General but were handed in unofficially as advance copies of what is presumably the official versions. As a matter of fact the status of these documents is very nebulous. In the case of Paraguay the representative of that country handed the document over without a covering communication stating that it should not be made public until it was possible to make public simultaneously the Bolivian statement. This would seem to indicate that the text of the Paraguayan statement in the possession of the Secretariat is in fact the official version. As to the Bolivian document, I have been unable to ascertain exactly how it came to the Secretariat but I am informed by a responsible and reliable official that it is there. This official intimated, but did not say so directly, that the Bolivian representative, Costa du Rels, had handed it over as an advance copy. It is therefore not possible at present to ascertain definitely whether the text of the Bolivian statement in the possession of the Secretariat is the final official version. In any case, the Secretariat is now making translations of both documents. They will not be circulated, however, until their transmission to the Secretariat has been rendered official through some action of the governments concerned.

I have been informed that a cursory examination of these statements seems to indicate that they add nothing new to the mass of argumentation which the parties have already submitted throughout the long course of this conflict.

As to possible action on the substance of the dispute under Article XV, developments are not yet sufficiently advanced to afford the basis for even a summary appraisal. In view of the circumstance that Paraguay has not been as successful in pushing her campaign in the Chaco as she apparently felt that she would be during the first flush of victory, and in view of the strain on both parties, the Secretariat feels, but with little optimism, that possibly there may be some hope that the parties may return to Geneva in a more conciliatory frame of mind.

Respectfully yours,

PRENTISS B. GILBERT

724.3415/4158 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 19, 1934—4 p. m.

[Received September 21—5:30 a. m.]

247. Council this morning discussed the question of the arms embargo and adopted a report in which it is stated that insofar as the Council is concerned this question now has its natural place in the Sixth Committee of the Assembly to which the dispute has been re-

ferred and that its further discussion by the Council would serve no useful purpose.

The French delegate emphasized that the delay by certain states in applying the embargo measures placed his Government in a difficult position and urged these states to take immediate action. The representatives of Czechoslovakia, Great Britain and Spain supported this view.

Referring to the question in its larger aspects the French delegate also declared that the dispute must be settled in the shortest possible time and that the League must insist upon the proper execution of any decisions it may take.

With regard to the Council's decision mentioned above while I have no information as to whether or in what manner the arms embargo question may actually be raised in the Sixth Committee it is possible that an attempt may be made at some time to join the embargo with the Assembly's action on the substance of the dispute along the lines of the suggestion described in my despatch 979, political, August 25, pages 11 and 12.

GILBERT

724.3415/4181 : Telegram (part air)

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, September 24, 1934—4 p. m.
[Received September 26—7 : 08 a. m.]

267. Consulate's 251, September 20, 11 a. m. paragraph 3.¹⁴ The First Committee today adopted a report on the legal questions raised by the Italian Delegation. The report considers, first, the legal status of the present embargo against Bolivia and Paraguay and second, the question of principle viewed from the standpoint of pure law and in particular the question of prohibiting under the provisions of the Covenant the supply of arms to belligerents.

1. In regard to the first question the Committee gave an opinion in the following sense. The members of the League which have imposed the prohibition could take such measures in this particular case without doing so in application of any article of the Covenant. They acted in the lawful exercise of their sovereignty and without infringing any provision of the Covenant.

They were actuated by anxiety to contribute to the general interest towards putting an end to war, an object which is eminently proper for the members of the League to promote. It rests with the Assembly to appreciate whether in the recommendations which it may be led to

¹⁴ Not printed.

adopt under the provisions of article 15 it would be desirable to insert provisions dealing with the matter.

2. As regards the second point the Committee is of the opinion that the question is too complex to be solved in the time at its disposal and suggests that the Sixth Committee might propose that the Council be requested to appoint a special committee to study the problem.

3. During the course of the discussion the Italian delegate explained that he had raised the question from the standpoint of pure law; that his Government still considers the present embargo as a special case and has no intention of raising it.

GILBERT

IV. PROHIBITION BY THE UNITED STATES OF THE SALE OF ARMS AND MUNITIONS TO THE CHACO BELLIGERENTS

724.3415/3758a : Circular telegram

The Secretary of State to All American Diplomatic Missions in the American Republics

WASHINGTON, May 28, 1934—9 p. m.

Please inform the Government to which you are accredited:

On May 18 this Government caused to be introduced in Congress a Joint Resolution to confer upon the President the authority to prohibit the sale of arms and munitions of war to the Governments of Bolivia and Paraguay, or to any person, company or association, acting in the interest of either country, until otherwise ordered by the President or by Congress. This Joint Resolution was passed without a dissenting vote by both Houses of Congress and was approved by the President today. Acting under this Resolution, the President has today issued a Proclamation in accordance with its terms.¹⁵

This Government has not wished to make its action in this matter subject to any specific conditions. It hopes, however, that other governments will cooperate to an extent sufficient to assure a complete stoppage of shipments.

HULL

724.3415/3761 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, May 29, 1934—5 p. m.

[Received 5:20 p. m.]

34. Referring to Department's circular May 28, 9 p. m. The information was today given the Foreign Minister who commented

¹⁵ Department of State, *Press Releases*, June 2, 1934, p. 327.

his opinion that the Resolution is contrary to article VI Treaty of 1858¹⁶ and Hughes Convention at Habana;¹⁷ that the Resolution unfair since Bolivia needs material for defense particularly regarding plans invasion Santa Cruz and geographic inequality the two countries for receiving supplies; he also wishes to know if Resolution retroactive.

DES PORTES

724.3415/3761 : Telegram

The Acting Secretary of State to the Minister in Bolivia (Des Portes)

WASHINGTON, May 31, 1934—7 p. m.

5. Your 34, May 29, 5 p. m. The Department does not consider that the resolution proclaimed by the President on May 28 contravenes Article VI of the Treaty of 1858 or the terms of the Habana Convention. The resolution prohibits the sale of arms and munitions of war in the United States to those countries now engaged in armed conflict in the Chaco. Regarding the retroactive effect of the resolution, neither this Department nor the Executive will rule on the sale of arms or munitions made prior to or subsequent to the date of the resolution. This is a matter for determination of the courts.

PHILLIPS

724.3415/3792

The Bolivian Minister (Finot) to the Secretary of State

[Translation]

WASHINGTON, June 1, 1934.

MR. SECRETARY OF STATE: The Government of Bolivia has been informed of the measures taken by the United States Government, under authorization from the Congress, to prohibit the sale of arms and ammunition intended for Bolivia and Paraguay. Without entering into consideration of a doctrinal order concerning the procedure adopted, which might form the subject of an interesting argument, the Bolivian Government considers that the measure adopted is useless to secure the cessation of the Chaco War, for as long as the territorial question itself is not settled by means of arbitration, a real pacification can not be reached.

With relation to Bolivia, my Government considers that the decision adopted by the American Government is in violation, in particular, of the Treaty of Friendship, Navigation and Commerce signed

¹⁶ Malloy, *Treaties, 1776-1909*, vol. I, p. 113.

¹⁷ *Foreign Relations, 1928*, vol. I, p. 604; see also *Report of the Delegates of the United States of America to the Sixth International Conference of American States*, pp. 18-19.

at La Paz on May 13, 1858, in effect between the two countries, which plainly provides that "(nor) shall any prohibitions be imposed on the importation or exportation of any articles, the produce or manufactures of the Republic of Bolivia or of the United States, which shall not equally extend to all other nations." This means that while the United States Government permits any nation to supply itself with arms and ammunition within its territory, it can not prohibit Bolivia from doing the same, especially if she enjoys, moreover, the benefits of the most favored nation, in accordance with the same treaty. The measure adopted, applying equally to the two belligerents in the Chaco, is unjust as far as it concerns Bolivia, for Paraguay enjoys the benefits of the international waterway which enables her to receive war matériel directly, while Bolivia, which lacks that advantage, will be the only one to suffer from the rigors of the prohibition. Considering, therefore, that the measure ordered by the American Government thus turns out to be favorable to one of the contenders and unfavorable to the other, and that such could not have been the purpose contemplated in adopting it, the Government of Bolivia trusts that as soon as its injustice has been shown, it will be abolished.

If, in addition to the injustice that this measure means for Bolivia, it also proves to be true that the American Government is taking steps with other countries to secure its adoption, it is evident that the danger which it causes to Bolivia will be increased, leaving her unarmed, at the mercy of her adversary.

In bringing the preceding considerations to Your Excellency's knowledge, by express instructions from my Government, I have the honor to repeat to you the assurances of my very high and distinguished esteem.

ENRIQUE FINOT

724.3415/3792

The Secretary of State to the Bolivian Minister (Finot)

WASHINGTON, June 13, 1934.

SIR: I have the honor to acknowledge the receipt of your note of June 1, 1934, submitting the observations of your Government on the Proclamation issued by the President of the United States on May 28, 1934, pursuant to the Joint Resolution of Congress of the same date, prohibiting the sale of arms and munitions of war in the United States to those countries now engaged in armed conflict in the Chaco.

With respect to the opinion expressed by your Government that the Proclamation of the President is in violation of the Treaty of Friendship, Navigation and Commerce signed at La Paz May 13, 1858, between Bolivia and the United States, I invite your attention to the fact

that the Resolution prohibits the sale in the United States of arms and munitions of war to those countries now engaged in armed conflict in the Chaco, whereas the provisions of Article VI of the Treaty of May 13, 1858, relate to importation and exportation.

I have given the fullest and most careful consideration to your observation that the measures adopted, although they are applied equally to the two nations now at war, are unjust to Bolivia because, so you state, Paraguay "enjoys the benefits of the international waterway", so that Bolivia, "which lacks that advantage", will be the only belligerent to suffer from the prohibition to purchase arms and munitions of war in the United States.

Inasmuch as the sale in the United States of arms and munitions of war is prohibited in identical terms to the Governments of Bolivia and Paraguay and to persons, companies, or associations acting in the interests of either, I am unable to see that the "benefits of the international waterway", which it is alleged Paraguay enjoys, can constitute an advantage to that nation inasmuch as the prohibition on sales of arms and munitions of war imposed by this Government is equally applicable to Paraguay as well as to Bolivia and consequently no arms or munitions of war sold in the United States can be obtained by Paraguay through the waterway referred to or by any other means of transportation.

I desire to take this opportunity of reminding you of the consistent efforts of the Government of the United States during the past years in which these tragic hostilities have continued, to further in every friendly way the peaceful settlement of this controversy. I should like further to remind you that this Government has invariably demonstrated complete impartiality as between the two parties to the controversy and has time and again demonstrated its real and sincere friendship to both the Republics of Bolivia and Paraguay, as well as its devotion to the cause of peace. May I further point out that the action to which you refer has been taken by this Government with the full knowledge that other governments have been contemplating similar action and that parallel action has been proposed in the League of Nations.

The Government of the United States, as you are well aware, has dedicated itself to the policy of the good neighbor. It would be in the highest degree inconsistent with that policy that arms and munitions of war manufactured in the United States should continue to be sold for the purpose of assisting in the destruction of the lives of the citizens of our two sister republics of Bolivia and Paraguay and in prolonging the warfare in the Chaco which has already resulted in such grave prejudice to the well-being and prosperity of those two republics.

Accept [etc.]

CORDELL HULL

724.3415/3929

Memorandum by the Legal Adviser (Hackworth)

[WASHINGTON,] June 14, 1934.

The Bolivian Minister and the First Secretary of the Legation, Señor de Lozada, called on the Secretary this morning regarding the embargo on the sale of arms. Mr. Welles and Mr. Hackworth were present.

The Minister was disturbed by the conclusion said to have been reached by the United States District Attorney, Mr. Conboy, in New York, that, even though goods had been purchased and paid for by Bolivia, the transaction could not be regarded as a completed sale prior to the President's Proclamation of May 28, where delivery to the Bolivian Agent had not taken place prior to that date. He produced certain canceled checks showing that the supplies had been paid for either in whole or in part; that in some cases the goods had actually been manufactured and were ready for delivery, while in other cases they were in process of manufacture at the time the Proclamation was issued.

It was suggested to the Minister that this Department would recommend to the Department of Justice that, in those cases where the goods had actually been manufactured and paid for, an exception should be made. He then raised the question as to the status of goods which had only been partially manufactured or partially paid for. He mentioned in particular cases in which the manufacturer had, on the basis of orders placed, purchased or contracted for materials, and expressed the view that such contracts should not be interfered with; that if, for example, Bolivia should, because of the establishment of peace or for other reasons, decide that the supplies were not needed, the manufacturers would undoubtedly have a legal right to contend that Bolivia was bound nevertheless to take the goods because of the contracts. He expressed the view that likewise Bolivia should be entitled to require deliveries in such cases.

The Minister also pointed out that the embargo was not having the effect intended by the United States, for the reason that it is operating against only one of the belligerents; that Bolivia has been depending upon the purchase of munitions in the United States, whereas Paraguay has been obtaining and can now obtain all needed supplies in Europe; that the European countries have not placed an embargo on the sale of munitions; that Italy in discussing the matter in the League of Nations stated that if an embargo is placed by that country an exception will be made with respect to existing contracts, and that, under the circumstances obtaining, Paraguay could, on the basis of supplies already purchased and contracted for, continue the war for a period

of five years, whereas Bolivia, because of her financial condition and other reasons, could not obtain materials from other sources, and that if the embargo is enforced in line with the views expressed by the District Attorney, the action of the United States will fail in its purpose. He thought that the practical side of the situation should be borne in mind.

Finally, the Minister observed that our action in interfering with the contracts will have a very bad effect upon the general commercial relationship between the two countries. He expressed the hope that the position of his Government would be carefully considered.

The Secretary explained that he had endeavored in various ways, both at Montevideo and subsequent to that conference, to bring about some concerted action that would restore peace in the Chaco; that it was obvious that expressions of desire for the restoration of peace without some concrete action, such as the prevention of the sale of munitions, were futile; and that the only way by which this Government could show in a concrete manner its genuine desire for the restoration of peace was to prevent the sale of munitions and try to persuade other Governments to do likewise; that while he could well appreciate the views expressed by the Minister, it was of course well recognized that any drastic step looking to the bringing about of conditions of peace must necessarily be displeasing to some of the parties and may seemingly work a hardship, but it having developed that no other method holds out any hope for peace, resort to this measure would appear to be the only alternative. He was mindful of the cordial relations that exist and have existed between the two countries, and was desirous of promoting them in every possible legitimate way and would give most careful consideration to the views expressed by the Minister.

GREEN H. HACKWORTH

724.3415/3830 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, June 14, 1934—11 a. m.

[Received 11:50 a. m.]

35. This forenoon Foreign Minister requested me to call Department's attention to Minister Finot's protest being made that arms ordered before embargo were yesterday held at New York in spite of assurance previously given Finot by the Department that embargo not retroactive.

This morning's newspapers comment Department's reply to Finot's protest of 1st June regarding violation of the treaty by embargo in milder terms than expected after recent editorials, stating American

note is ambiguous, subtle and evasive in desire to help Paraguay against Bolivia; viewpoint being that embargo was intended to help Paraguay to easy victory.

DES PORTES

724.3415/3830 : Telegram

The Secretary of State to the Minister in Bolivia (Des Portes)

WASHINGTON, June 20, 1934—11 a. m.

6. Your telegram 35, June 14, 11 a. m. You may inform the Foreign Minister that the President's Proclamation May 28 does not of course apply to sales completed before the issuance of the Proclamation, and that there have been excepted from the prohibitions of the Proclamation goods manufactured and ready for delivery prior to May 28, 1934, pursuant to valid and binding contracts of sale entered into prior to that date and which had been paid for in whole or in part by the belligerent government. The Bolivian Minister has been officially apprised of the foregoing.

HULL

724.3415/3852 : Telegram

The Minister in Bolivia (Des Portes) to the Secretary of State

LA PAZ, June 20, 1934—6 p. m.

[Received 7:40 p. m.]

36. Referring to Department's telegram No. 6,¹⁸ message was delivered to the Minister for Foreign Affairs who commented that Bolivia is displeased at American propaganda in South America and Geneva for an arms embargo and also on American unfairness of the Proclamation since Paraguay buys little from the United States and will continue to receive supplies from Italy and Argentina.

DES PORTES

724.3415/3966 : Telegram

The Secretary of State to the Minister in Paraguay (Nicholson)¹⁹

WASHINGTON, July 27, 1934—11 a. m.

27. I have informed the Attorney General that there have been excepted from the prohibitions of the Resolution of Congress certain arms and munitions contracted for with American companies by the Bolivian Government and by the Lloyd Aereo Boliviano and paid for in whole or in part prior to the date of the President's Proclamation.

¹⁸ June 20, 11 a. m., *supra*.

¹⁹ The same telegram, July 27, to the Minister in Bolivia as No. 13, referring to Department's telegram No. 6, June 20, 11 a. m.

The arms and munitions so excepted were not entirely ready for delivery on May 28, but the process of manufacture had been nearly completed in all cases. Equitable treatment of the Bolivian Government required that these exceptions be made.

A press release giving full information in regard to this matter is being transmitted to you by air mail.²⁰

I have informed the Bolivian Minister that all outstanding contracts have been carefully considered and that no further exceptions will be made.

There are no outstanding contracts between the Paraguayan Government and American companies.

HULL

724.3415/3966 : Telegram

The Secretary of State to the Minister in Paraguay (Nicholson)

WASHINGTON, July 27, 1934—6 p. m.

28. Department's 27, July 27, 11 a. m. In order to avoid misapprehension you should make clear in any conversations you may have with the President or any other officials of the Government of Paraguay that the total value of the munitions destined for Bolivia which have been excepted under the terms of the Proclamation and which may consequently be shipped is \$615,071.38, and that the total value of additional munitions contracted for by the Bolivian Government with American companies to which exception has been refused and which consequently cannot be shipped amounts to \$2,065,421.79.

Full information in the above sense has been communicated to the Minister of Paraguay today. The latter attributed especial importance to the fact that four Condor planes whose construction was contracted for by Bolivia with the Curtiss Wright Company were not excepted and consequently will not be shipped.

Finally, you should give emphasis to the fact that no further exceptions will be made under any circumstances and consequently that no additional shipments of munitions can be made either to Paraguay or to Bolivia.

HULL

724.3415/3973 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, August 1, 1934—10 a. m.

[Received 1:10 p. m.]

33. There has been much hostile comment in the press with respect to the action of the United States in making exceptions to the embargo

²⁰ Department of State, *Press Releases*, June 2, 1934, p. 327.

in order to allow some war materials to be shipped to Bolivia. The more extreme newspapers refer to the United States and Chile as equally unneutral and ask if the Paraguayan Government is going to continue to maintain friendly relations with them. Standard Oil Company influence is charged with responsibility for the exceptions. A statement published as coming from the Minister for Foreign Affairs says that the decision of the American Government to make exceptions to the arms embargo has caused painful surprise in Paraguay and that such action, in spite of the technical legal reasons for it, appears destined to stimulate a continuation of the war and to favor one of the belligerents.

The local press also publishes news despatches from Washington to the effect that new peace proposals are to be made by Brazil and that they probably will have the support of the United States. These despatches state that it is inferred from Secretary of State Hull's observations that he favors mediation of continental scope instead of by a small group. Ayala also has asked me about this point. I shall be glad to learn any information that the Department can give me with respect to the present state of peace negotiations.

NICHOLSON

724.3415/3973 : Telegram

The Secretary of State to the Minister in Paraguay (Nicholson)

WASHINGTON, August 1, 1934—8 p. m.

29. Your 33, August 1, 10 a. m. and Department's 27, July 27, 11 a. m. and 28, July 27, 6 p. m. The hostile comment to which you refer and the statement published as coming from the Minister for Foreign Affairs appear to be based upon complete misapprehension of the situation. The Joint Resolution and the Proclamation of the President issued in accordance therewith did not impose an embargo as stated in your cable under reference, but solely a prohibition of sales of arms and munitions to Paraguay and Bolivia. The imposition of an embargo would have been contrary to the provisions of our existing commercial treaties with Paraguay and with Bolivia. The arms and munitions of a total value of \$615,000 destined for Bolivia and excepted from the prohibitions of the Joint Resolution had been manufactured under contracts entered into in good faith long prior to May 28th, the date of the Proclamation; had been paid for in whole or in part; and in all cases the process of manufacture had been nearly completed. As you have been already advised, these exceptions were made after a protracted and painstaking study of all contracts between the Bolivian Government and American manufacturers and were necessarily made solely on the grounds of equity and fair dealing. Identical action would have been taken if any similar contracts between the Paraguayan

Government and American manufacturers had existed. The attitude of friendly but strict impartiality as between the belligerents consistently maintained by this Government is, the Department trusts, recognized by the Paraguayan Government, and the statement issued by the Minister for Foreign Affairs referred to in your cable is a matter of some surprise to this Government.

You may, in your discretion, seek the earliest opportunity of discussing these facts as indicated above very frankly with President Ayala and with the Minister for Foreign Affairs. You may point out that the action taken by this Government with regard to prohibiting the sale of arms and munitions to Paraguay and Bolivia was taken of its own initiative and prior to similar action taken by other governments. You may further take the opportunity of stating that information has been received by this Government from various sources that Paraguay has been receiving shipments of arms and munitions from European countries where she had placed contracts prior to the imposition of any arms embargo by those countries, whereas it is our understanding that all recent contracts for armaments had been placed by Bolivia in the United States and that the operation of the prohibitions of the Joint Resolution and the President's Proclamation has prevented Bolivia from receiving more than approximately one-third of the total value of munitions contracted for in this country. With regard to the continuing references made in the Paraguayan Press to the influence of the Standard Oil Company, the Department has received from the President of the Standard Oil Company of New Jersey a copy of a message sent by him to the Secretary of the League of Nations on July 27th, of which a full copy is being sent to you by air mail. This message asserts that none of the Company's concessions lie within the territory in dispute and that the total actual production during 1933 from the Company's concessions in Bolivia was an average of 307 barrels per day, sold locally within Bolivia.

It is believed that it would be very helpful if the facts as above set forth were made available to public opinion in Paraguay so that there may be no room for doubt as to the friendly and consistently impartial attitude of this Government as between the two belligerents.

The conciliation formula ²¹ presented by Dr. Saavedra Lamas to the Governments of Paraguay and Bolivia was supported in Bolivia by the Governments of Brazil and of the United States at the request of the Argentine Foreign Office. It is our confidential understanding that the Bolivian Government accepts the formula in principle provided the Government of Argentina, Brazil, and the United States are joined by Chile, Peru, Colombia, Uruguay, Mexico, and Cuba in presenting the formula officially to the two belligerents. The Argen-

²¹ Dated July 12, p. 140.

tine Minister for Foreign Affairs is now discussing the points raised in the Bolivian reply with the Paraguayan Government and this Government, together with the Brazilian Government, has agreed to support such representations as Dr. Saavedra Lamas might make to the Paraguayan Government for the purpose of conciliating the Paraguayan and Bolivian points of view with regard to the formula at such time as he might deem appropriate. The Department consequently believes it advisable that you should not discuss the attitude of the United States with regard to mediation until you receive further instructions, which will be sent you upon receipt of further advice from the Argentine Foreign Office.

HULL

CONCERN OF THE UNITED STATES OVER MISUNDER-
STANDING BETWEEN CHILE AND PARAGUAY RESULT-
ING IN TEMPORARY WITHDRAWAL OF DIPLOMATIC
REPRESENTATIVES

724.3415/3906 : Telegram

The Ambassador in Chile (Sevier) to the Secretary of State

SANTIAGO, July 9, 1934—6 p. m.

[Received 11:05 p. m.]

59. In conversation this morning with the Chilean Minister for Foreign Affairs, Cruchaga alluded to the increasing tension between Chile and Paraguay brought about by the resentment of Paraguay on account of the recruiting by Bolivia of Chilean laborers as well as retired officers (see Embassy's despatches 114, May 19th and 141, July 7th¹). He stated that the Paraguayan Minister in Santiago had been transferred to Lima although the date of his departure has not yet been fixed. The Minister for Foreign Affairs has been unable to obtain any assurances that the Paraguayan Minister will be replaced and is extremely worried lest the Paraguayan Legation be left vacant. He stated that in this case his Government might feel compelled to withdraw the Chilean Minister from Asunción. He emphasized that should this situation arise it would be interpreted in many quarters as a rupture of diplomatic relations and increase the tension already existing. He explained that he was endeavoring as a gesture to appease Paraguay to secure legislation which would enable the Government to prevent the practice mentioned in the first sentence. He added that while he realized the question of representations on the part of the Government of the United States to the Government of Paraguay would be extremely delicate and might in fact be inadvisable, nevertheless he hoped that possibly in the interest of peace some high official of the Department might in conversation with the Paraguayan Minister at Washington inform the latter that according to advices received from Santiago the Chilean Minister for Foreign Affairs is very preoccupied with the situation.

The Brazilian Ambassador informs me that his Government either has already or will shortly approach the Paraguayan Government discreetly regarding this matter.

¹ Neither printed.

The Embassy is convinced that Chile has fully complied with its neutrality obligations and sincerely desires to avoid any friction with either of the belligerents.

SEVIER

724.3415/3906 : Telegram

The Secretary of State to the Ambassador in Chile (Sevier)

WASHINGTON, July 14, 1934—3 p. m.

55. Your 59, July 9, 6 p. m. You may wish to say to Cruchaga that Assistant Secretary Welles took occasion to mention to the Paraguayan Minister that we have been informed both from Santiago and by the Chilean Minister here of the deep concern with which the Chilean Government views the friction now existing between Chile and Paraguay, and expressed our hope that no break in relations might take place.

HULL

724.3415/3942a : Telegram

The Secretary of State to the Minister in Paraguay (Nicholson)

WASHINGTON, July 20, 1934—2 p. m.

26. The Department has been advised confidentially upon several occasions recently of the very deep concern felt by the Government of Chile because of the increasing friction in the relations between Chile and Paraguay. The Chilean Government is especially disturbed by reason of the transfer of the Paraguayan Minister from Santiago and by the intimation given that no successor will be appointed to replace him.

The Department has discussed the matter informally with the Paraguayan Minister in Washington and has expressed the hope as a close friend of both governments that in a crucial period such as the present, no steps may be taken which would definitely impair the relations between the two governments and that in the interest of harmonious relations and better understanding between all of the American republics, a strong effort be made to find a friendly solution of those questions which have given rise to misunderstanding between Chile and Paraguay.

It is desirable that in your next conversation with President Ayala you express to him informally the very earnest hopes of the Government of the United States in the sense above indicated.

HULL

724.3415/3950 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, July 24, 1934—11 a. m.

[Received 5:50 p. m.]

32. Department's telegram No. 26, July 20, 2 p. m. The President requested me to see him at his home last evening and I talked with him for about 2 hours. An air mail despatch covering the conversation will leave Asunción on July 26.² The following paragraphs summarize his observations with respect to the Chilean situation and peace negotiations.

I told the President the sense of the Department's telegram No. 26. He replied unhesitatingly to the effect that there is no reason for any hurry about naming another Minister to Chile since such protests as Paraguay has made as to various unfriendly acts of Chile had gone unheeded. He said that the President of Chile has dictatorial powers and could have prevented the enlistment of Chilean officers in the Bolivian Army. He stated that he was satisfied that war materials are reaching Bolivia through Chile and he added that he knew that a secret pact of a military nature had been made between Chile and Bolivia. He said that 2 months ago he had told the Chilean Minister in Paraguay of his belief in or knowledge of such a pact and that when the latter denied it the President requested the Minister to verify the report by inquiry to the Chilean Government. The Chilean Minister wrote a telegram to his Government in the presence of the President. The President informed him that the Chilean Government had not answered the inquiry. The President again repeated his often expressed opposition to any suggestion that the West Coast governments serve as mediators in the Chaco controversy.

With respect to mediation the President said that Argentina had commenced a movement for mediation and had invited the United States and Brazil to join with her. The proposal had been submitted to Bolivia and the President of Bolivia would agree only if the possession of a river port were guaranteed in advance. Paraguay will not agree to this stipulation. The President reiterated that he is entirely agreeable to the present Argentine proposal of immediate cessation of hostilities with guarantee of security and a meeting of representatives of the belligerents in Buenos Aires with mediators from the United States, Argentina and Brazil to agree upon the points to be arbitrated. This agreement upon the scope of arbitration is regarded by the President as essential. The President thinks that pride rather than hope of gaining her demands was the cause for the Bolivian objection to the Argentine proposal. He believes that Bolivia must have some-

² Despatch No. 94, July 25, not printed.

thing to show to satisfy political opinion at home and to counteract military reverses and stated that perhaps some judicious pressure exerted on Bolivia by the United States would lead to an acceptance of the Argentine proposal. I repeated to the President that my Government as a friend of both Paraguay and Bolivia is sincerely interested in the success of any proposal to bring about peace.

NICHOLSON

725.34/16 : Telegram

The Ambassador in Chile (Sevier) to the Secretary of State

SANTIAGO, August 6, 1934—6 p. m.

[Received 8:45 p. m.]

65. Chilean-Paraguayan tension has increased to a disquietening extent due to intense resentment of Chile against recent anti-Chilean campaign in Paraguayan press of which the Department is aware. On August 2nd the Chilean Foreign Office made what it termed a friendly remonstrance to Paraguay. The Paraguayan reply was considered by the Chilean Foreign Office so unsatisfactory and, in fact, insulting, that last night a very strong note was telegraphed to the Chilean Legation at Asunción for delivery to the Paraguayan Government. This note, which the Embassy has seen, after rehearsing the situation, states as follows: "Together with presenting to Your Excellency a formal protest against the unacceptable scope of the note which I am acknowledging and not finding therein any trace which would signify a retraction of the unusual opinions and the imprudent offenses referred to, my Government has resolved to recall the undersigned diplomatic representative and leave the Legation in the hands of an officer in charge of the archives".

The Foreign Office states that the Chilean Embassy at Washington has been fully advised in the premises with instructions to explain the situation to the Department. I have not been able to see the Minister of Foreign Affairs as yet but the political adviser at the Foreign Office who usually shares his views expressed a strong suspicion that for motives of which he was not clearly aware the campaign in the Paraguayan press against Chile is, if not inspired, at least countenanced by the Argentine Government.

SEVIER

725.34/17 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 7, 1934—5 p. m.

[Received 5:13 p. m.]

113. This morning the Minister for Foreign Affairs showed me a letter dated today from the Chilean Ambassador here quoting a

message from the Chilean Government informing him that in view of the Paraguayan note of recent date self-respect required that Chilean Government withdraw its Minister from Asunción.

The Minister for Foreign Affairs stated explicitly that he did not consider this a rupture of diplomatic relations but that the entire personnel of the Legation would leave Asunción and that the Argentine Government had agreed to take over the archives and that meanwhile he would continue his efforts to rectify this misunderstanding between the two countries.

WEDDELL

725.34/18 : Telegram

The Ambassador in Chile (Sevier) to the Secretary of State

SANTIAGO, August 7, 1934—8 p. m.

[Received 8:20 p. m.]

66. Embassy's telegram 65, August 6, 6 p. m. Foreign Office informs me that presentation of its note to Paraguay has been delayed due to the telegraphic garbles but that it will be delivered tonight and that Chilean Minister at Asunción will depart next Sunday. Foreign Office does not consider this will constitute technical rupture of diplomatic relations and holds that the latter will arise only when and if Paraguay withdraws its Minister from Santiago and places its interests in the hands of a third power.

Neither the Chilean press nor public is fully aware of the situation as yet and the reaction is consequently mild.

SEVIER

725.34/21 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, August 8, 1934—9 a. m.

[Received 7:25 p. m.]

34. Department's telegram No. 26, July 20, 2 p. m., and my telegram No. 32, July 24, 11 a. m. The Chilean Minister called on me last evening to discuss the exchange of notes between the Governments [of] Paraguay and Chile. He has received by cable from the Chilean Minister for Foreign Affairs the text of a note which he is instructed to deliver to the Paraguayan Government. This note has not yet been presented due to the errors in the cable text which the Chilean Minister is verifying. He also was instructed to inform me, and the Ministers of Argentina, Brazil and Peru concerning the text of the recent exchange of notes between the Chilean Legation and the Paraguayan Ministry for Foreign Affairs. The Chilean Minister has been acting under direct instructions from Santiago in this matter.

The Paraguayan note which called forth the reply which the Chilean Minister is about to present mentioned Chilean protests concerning the violent campaign against Chile and its governing officials which is being carried on in the Paraguayan press, and gave as sufficient reason the contracting of Chilean officers and laborers by Bolivia and the shipment of war materials to Bolivia through Chilean territory and over Chilean railroads. The Paraguayan note observed that these facts forced the conclusion that such actions were the result of a deliberate policy of the Chilean Government and that they were unneutral acts of partiality toward Bolivia.

The Chilean note, which the Minister showed to me last evening, states that the Government of Chile had desired to discuss differences calmly through diplomatic channels; that now it could not accept Paraguayan criticism of the President of Chile and the charge that personal economic interests led the Chilean Minister for Foreign Affairs to favor Bolivia; that the tone of the Paraguayan note indicates that the Paraguayan Government accepts as its own, and therefore assumes responsibility for, the violent opinions expressed in the press; and that in view of these circumstances the Chilean Government has decided to instruct its Minister to leave Asunción and to turn over the archives of the Legation to an official for safe-keeping. Press reports state that a secretary from the Chilean Embassy in Buenos Aires is en route to Asunción. The Minister said last night that he had no confirmation of this fact but that the Argentine Minister has agreed to take charge of the archives until other arrangements could be made. The Chilean Minister expects to leave Asunción on Sunday.

President Ayala has been ill and I have not been able to see him since the conversation reported in my despatch 94 of July 25th.³ The Chilean Minister suggested last evening, personally and unofficially, that I might think it advisable to see the President to discuss this matter with him. I replied that I preferred not to take any action without instructions from my Government. However, the feeling against Chile is so bitter and the President was obviously so indignant about the matter during our last conversation that I believe that any further reference to it would be unfortunate. This feeling is increased in Government circles by personal dislike for the present Chilean Minister. Consequently I shall take no action in absence of instructions other than to keep informed concerning the course of events.

I have just been informed that the note has been presented and that the Chilean Minister is leaving Sunday.

NICHOLSON

³ Not printed.

725.34/24a : Telegram

The Secretary of State to the Minister in Paraguay (Nicholson)

WASHINGTON, August 8, 1934—3 p. m.

30. This Government views with great concern the withdrawal of the Chilean Minister from Asunción and the possibility that a complete rupture of diplomatic relations between Paraguay and Chile may result therefrom. A break in relations between two of the American Republics would at any time be a matter of apprehension to this Government, but it would be peculiarly so at this time in view of the fact that such a rupture of relations might seriously prejudice the successful outcome of the existing negotiations for the pacific solution of the Chaco dispute.⁴

Please obtain, at the earliest opportunity, an interview with President Ayala and inquire of him confidentially whether the Government of Paraguay would desire to avail itself of the friendly services of the Government of the United States in attempting to find a solution of the present controversy between Paraguay and Chile which might be equally acceptable to both Governments. You should, of course, be careful to state that this Government has no opinion to express regarding the merits of the existing controversy.

This Government has been advised by the Government of Brazil that it is addressing a similar inquiry to the Government of Paraguay and should the Government of Paraguay so desire, the Government of the United States will be glad to act jointly with the Government of Brazil in the matter.

Please cable the reply made to your inquiry at the earliest possible moment.

HULL

725.34/18 : Telegram

The Secretary of State to the Ambassador in Chile (Sevier)

WASHINGTON, August 8, 1934—3 p. m.

60. Your 66, August 7, 8 p. m. This Government is gravely concerned by the dangers inherent in the withdrawal of the Chilean Minister from Asunción, although it does not construe the action taken as implying a desire on the part of the Chilean Government to break diplomatic relations between Chile and Paraguay. The situation which has already developed and the possibility that this may lead to a complete severance of diplomatic relations appear seriously to jeopardize the possibility of a successful outcome of the existing negotiations for a pacific solution of the Chaco controversy. Moreover,

⁴ See pp. 32 ff.

any open break in relations between two of the American Republics is necessarily a cause for apprehension to all of the other Republics of the Continent.

In view of these facts, please obtain, immediately, an interview with the Minister for Foreign Affairs and state to him confidentially the feeling of sincere regret with which this Government would view a continuation of the ill feeling between Chile and Paraguay and state that the Government of the United States would consider it a privilege if the Government of Chile desired to avail itself of its friendly services in attempting to find a solution of the difficulty which has arisen between Chile and Paraguay which might be equally acceptable to both. You may remind Dr. Cruchaga of the pleasure with which the Department of State acceded to his suggestion that the Government of the United States express its concern, some time ago, to Paraguay at the increase in tension between Chile and Paraguay and state that we would now be happy if we could be of service in bringing about a restoration of normal and friendly relations between the two countries. You should be particularly careful to make it clear that this Government has no opinion to offer as to the merits of the present controversy.

This Government is advised by the Government of Brazil that it is addressing an identical inquiry to the Chilean Government, and the Government of the United States would, of course, be glad to act jointly with the Government of Brazil should the Chilean Government so desire.

Please cable the reply made to the above inquiry at the earliest possible moment.

HULL

725.34/25 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, August 10, 1934—10 a. m.

[Received 4:30 p. m.]

35. Department's telegram No. 30, August 8, 3 p. m. I last night conveyed to President Ayala the American Government's tender of its friendly offices in the matter of the Paraguayan difficulty with Chile. The Brazilian Minister on his own motion accompanied me. His instructions were identical with my own. The President expressed his appreciation of the interest of the American and Brazilian Governments. He said, and repeated in reply to a direct question, that the withdrawal of the Ministers by both the Paraguayan and Chilean Governments did not in his opinion constitute a severance of relations. As to tenders of good offices he said that there was

nothing requiring mediation between the two Governments. I asked whether Paraguay would expect explanations or assurances for the future as to the points of irritation before diplomatic representatives would again be named for Santiago and Asunción and he replied that this might not be necessary. The President expressed annoyance that the first knowledge of the Chilean note informing the Paraguayan Government that the Chilean Minister was to be withdrawn had reached him in a message from the Argentine Minister for Foreign Affairs tendering good offices before the Paraguayan Government had received the Chilean note.

It is my personal opinion that this matter is not serious except as it possibly may affect pending peace negotiations. It would appear to be on both sides a case of gesturing for local effect.

The Ministry for Foreign Affairs issued a long statement last evening reviewing the incidents in relations between Chile and Paraguay and concluding as follows:

“The Government of Chile has resolved to retire its Legation accredited in Asunción and to make public the notes exchanged, putting an end to the correspondence in the matter.

Consequently, the Paraguayan Government issues the present statement for the purpose of declaring

1st. That it maintains in full the statements in its note of August 2nd as concerns the neutrality observed by the Chilean Government.

2nd. That there cannot be given to the note any interpretation in the sense that the Government associates itself with the press propaganda and much less with attacks of a personal character directed against Chilean personalities which attacks merit the Government's frank reprobation.”

The last paragraph of the quoted statement would appear to meet the last Chilean objections mentioned in my telegram 34, August 8, 9 a. m.

NICHOLSON

725.34/18 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, August 10, 1934—3 p. m.

79. On August 7, the Department was advised by the Argentine Ambassador here of the grave anxiety with which Dr. Saavedra Lamas viewed the threatened rupture of relations between Chile and Paraguay and received the suggestion from him that this Government exert its friendly efforts to prevent such rupture. It was also informed that Dr. Saavedra Lamas was himself making every effort to obtain a solution of the incident satisfactory to both Governments.

Please advise Dr. Saavedra Lamas at the earliest opportunity that

on August 8, this Government instructed the American Ambassador in Santiago and the American Minister in Asunción to inquire whether the friendly services of the Government of the United States would be acceptable to both Governments with a view to finding a satisfactory solution of the difficulty. This Government was advised by Brazil that it was taking similar action and in the instruction sent to the American representatives in Santiago and Asunción they were informed that this Government would be very glad to act jointly with other American Republics should that procedure seem desirable to Chile and to Paraguay.

No response has as yet been received from the Government of Paraguay. The Government of Chile has expressed its gratitude for the offer made by this Government and has suggested that the United States, either acting alone or in conjunction with Brazil and Argentina, persuade Paraguay to make a statement substantially as follows:

“(1) Paraguay considers to be unfounded the statements in certain of the Asunción papers regarding the personal activities of the Chilean President, the Minister of Finance, and the Minister for Foreign Affairs;

“(2) Paraguay has complete confidence in the fidelity of Chile towards its obligations as a neutral.”

Dr. Cruchaga has intimated that while the first point can easily be obtained, he realized that Point (2) was more difficult and that if the latter was found to be impracticable, he was open minded to any alternative plan which might be suggested.

The Department has learned from the Argentine Ambassador here that at the suggestion of Dr. Saavedra Lamas, the President of Paraguay has instructed his representative in Santiago to convey to the Chilean Government a formal statement covering Point (1). In view of the efficacious efforts of Dr. Saavedra Lamas in this question and in order to avoid any complications which might result from independent action on the part of this Government, the Department would appreciate information from Dr. Saavedra Lamas as to the progress which he may have been able to make covering Point (2) as indicated above, and would likewise be grateful for any suggestions which he might make as to the assistance which this Government might offer in facilitating the return to a normal and friendly relationship between Chile and Paraguay. This Government feels certain that a prompt and satisfactory solution of this incident is essential in order that the Chaco negotiations may not be materially hampered and furthermore that frank and full cooperation between the friendly nations endeavoring to compose the difference between Chile and Paraguay would be highly beneficial.

725.34/29 : Telegram

The Ambassador in Chile (Sevier) to the Secretary of State

SANTIAGO, August 11, 1934—noon.

[Received 1:42 p. m.]

72. Embassy's telegram 71, August 11, 2 a. m.⁵ The statement of the Minister appears on the front page of all the morning papers in the following form:

"We inquired of the Minister of Foreign Affairs regarding the attitude which the Government will adopt toward the approaching discussion of the Chamber of Deputies of the project which would prohibit the rendering by Chileans of military service to belligerent countries, a project which is first on the schedule for discussion on Monday. Señor Cruchaga replied: 'The Government in its desire to bring about an improvement in the legal system regarding neutrality, going farther than that established by the Hague Conventions in regard to this subject,⁶ presented for the consideration of the legislature the project referred to. It supported this project in the Senate and it will support it in the Chamber of Deputies when it is discussed. By proceeding in this way the Government demonstrates its continued approval of this project notwithstanding an international incident which everything leads to suppose will be settled in a satisfactory manner'."

SEVIER

725.34/25 : Telegram

The Secretary of State to the Minister in Paraguay (Nicholson)

WASHINGTON, August 11, 1934—2 p. m.

31. Your 35, August 10, 10 a. m. The Department is advised by the Argentine Ambassador here that Dr. Saavedra Lamas believes that he has obtained a conciliatory statement from President Ayala which will be acceptable to the Chilean Government covering Point (1) of the statement issued by the Minister for Foreign Affairs quoted in your cable under reference. Dr. Saavedra Lamas is conferring today with the American and Brazilian Ambassadors in Buenos Aires. Until it is advised of the results of these conferences and of the results of Dr. Saavedra Lamas' mediation between Chile and Paraguay, this Government believes it inadvisable to make any further representations to the Government of Paraguay.

HULL

⁵ Not printed.⁶ See *Foreign Relations*, 1899, pp. 521 ff., and *ibid.*, 1907, pt. 2, pp. 1181 ff.

725.34/30 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, August 12, 1934—10 a. m.

[Received 1:55 p. m.]

36. Department's telegram No. 31, August 11, 2 p. m. The departure of the Chilean Minister from Asunción has been postponed.

NICHOLSON

725.34/32 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, August 13, 1934—10 a. m.

[Received 2:05 p. m.]

119. Last Saturday I discussed the Department's telegram No. 79, August 10, 3 p. m., with the Minister for Foreign Affairs who told me that he was in communication with the Chilean and Paraguayan Governments regarding a formula, the principal points of which he outlined, to settle their differences, that he was reducing it to final shape and would advise me shortly as to developments. Yesterday the Minister for Foreign Affairs handed me a copy of an identic telegram he had sent to the Ministers of Foreign Affairs of Paraguay and Chile which stated in effect that the Argentine Ministry for Foreign Affairs had invited to come to the Ministry, jointly with the American and Brazilian Ambassadors, the diplomatic representatives of Chile and Paraguay to express to the latter on behalf of their Governments their profound regret at learning of the incident, et cetera; that he (the Argentine Minister for Foreign Affairs) had received the mission to request the Chilean and Paraguayan Ministers for Foreign Affairs to express their agreement to the reestablishment of normal diplomatic relations maintaining their respective ordinary representatives and leaving these representatives to discuss amicably questions relating to neutrality. A translation of the last paragraph of the telegram reads as follows:

"The mentioned Governments of Paraguay, Brazil, the United States and Argentina at the same time declare, on the receipt of the reply which I permit myself to request, that they hope for Chile's contribution in the pacific efforts which are being made to end the Chaco War, on a basis of mutual confidence and sentiments of solidarity."

The Argentine Minister for Foreign Affairs then stated that President Ayala had just informed him that the above formula was acceptable provided that the word "Paraguay" and the phrase "on a basis of mutual, et cetera" be eliminated. The Minister for Foreign

Affairs hopes the Chilean Government can be persuaded to agree to omissions requested by Paraguay.

At Minister for Foreign Affairs' request I am meeting him this afternoon at Brazilian Embassy.

WEDDELL

725.34/32 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, August 13, 1934—8 p. m.

82. Your 119, August 13, 10 a. m. Since the receipt of your cable referred to the Department is informed by the Argentine Ambassador here of the contents of a cable sent from Buenos Aires at 3 o'clock this afternoon by the Argentine Foreign Office in which the Ambassador is advised that the Government of Paraguay has definitely assured the Argentine Government that the last paragraph of the suggested formula is acceptable to Paraguay provided that the word "Paraguay" is omitted from it.

Please advise Dr. Saavedra Lamas immediately that this Government will gladly express to the Government of Chile through the American Embassy in Santiago its urgent hope that the formula proposed by Dr. Saavedra Lamas may be acceptable to it and that the basis of agreement so proposed may bring about an immediate resumption of normal diplomatic relations between Chile and Paraguay. Please extend to Dr. Saavedra Lamas my warm felicitations upon his earnest endeavors to bring about a satisfactory and prompt termination of this diplomatic incident and express to him the wish of this Government that his efforts may be entirely successful as well as the hope that as soon as this incident is settled rapid and satisfactory progress may be made in furthering the solution of the Chaco dispute based upon the Argentine conciliation formula.

HULL

725.34/35a : Telegram

The Secretary of State to the Ambassador in Chile (Sevier)

WASHINGTON, August 13, 1934—8 p. m.

66. The Department is advised by the Argentine Ambassador here and by the American Ambassador in Buenos Aires that Dr. Saavedra Lamas has sent an identic telegram to the Ministers for Foreign Affairs of Paraguay and Chile which stated that he had invited to the Foreign Office jointly with the American and Brazilian Ambassadors, the diplomatic representatives of Chile and Paraguay in order that the three former might express to the latter on behalf of their Governments profound regret at the break in relations between Chile

and Paraguay; and that Dr. Saavedra Lamas had been entrusted with the mission of requesting the Chilean and Paraguayan Ministers for Foreign Affairs to express their agreement to the reestablishment of normal diplomatic relations, maintaining their respective ordinary diplomatic representatives and leaving these representatives to discuss amicably questions relating to neutrality. A translation of the last paragraph of the telegram so sent by Dr. Saavedra Lamas reads as follows:

“The aforementioned governments of Brazil, the United States and Argentina at the same time will declare, upon the receipt of the reply which I permit myself to request, that they hope for Chile’s contribution in the pacific efforts which are being made to end the Chaco war, on a basis of mutual confidence and sentiments of solidarity.”

In a cable just received by the Argentine Embassy in Washington, the contents of which have been communicated to the Department, this Government is informed that the President of Paraguay has definitely assured the Argentine Government that the formula of agreement above indicated is acceptable to Paraguay.

Please obtain immediately an interview with Dr. Cruchaga and express to him the earnest hope of this Government that the solution proposed by Dr. Saavedra Lamas may be found acceptable by the Government of Chile. State to him that this Government is peculiarly gratified at the possibility of having the powerful and effective cooperation of the Government of Chile under the wise direction of Dr. Cruchaga in the furtherance of negotiations for finding a pacific solution of the Chaco dispute. Dr. Cruchaga will appreciate that a speedy resumption of normal and friendly diplomatic relations between Chile and Paraguay would be an essential factor in promoting a rapid settlement of the Chaco controversy, and this Government is consequently all the more anxious that the incident which has arisen between Chile and Paraguay may be adjusted upon the basis suggested by Dr. Saavedra Lamas with the support of the Governments of Brazil and of the United States.

Please cable immediately the result of your conversation with the Minister for Foreign Affairs.

HULL

725.34/47 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Weddell)*

WASHINGTON, August 23, 1934—5 p. m.

95. The Department has this morning received a cable from the Embassy in Santiago stating that the Chilean Government is willing

to accredit the Chilean Secretary now at Asunción as Chargé d'Affaires providing Paraguay will make reply to the Chilean note more or less as follows:

- “1) Acknowledgment receipt of the note;
- 2) Taking advantage of the opportunity presented to repeat the statement contained in the communiqué of August 9th, condemning the press campaign against members of the Chilean Government;
- 3) In the conversations which took place in Buenos Aires between the representatives of the friendly countries, Argentina, Brazil, and the United States expressed their hope of counting upon the cooperation of Chile in the negotiations for a peaceful settlement of the Chaco question. The Paraguayan Government has seen with pleasure the efforts which Chile has dedicated jointly with the other governments towards this noble end and reserving the right to discuss the questions relative to neutrality by means of the normal channels as has been the case up to the present, would be pleased to see the general efforts bring about the peaceful result desired by general American sentiment.”

The Department understands that Dr. Saavedra Lamas has been advised of this Chilean suggestion. You may take the opportunity of advising Dr. Saavedra Lamas that this Government has been informed of the proposal and that it trusts that the procedure so indicated may be supported by Dr. Saavedra Lamas as a means of re-establishing promptly normal diplomatic relations between Chile and Paraguay. Please state further that in the same manner in which this Government was glad to accede to Dr. Saavedra Lamas' earlier request that it support his efforts to solve the diplomatic incident between the two countries, it will now be glad to cooperate for the same purpose.

PHILLIPS

725.34/49 : Telegram

*The Minister in Paraguay (Nicholson) to the Secretary
of State*

ASUNCIÓN, August 24, 1934—noon.

[Received 4:50 p. m.]

38. The Brazilian Minister called on me this morning to discuss instructions that he has received from his Government in the following sense:

“Through the Brazilian Embassy in Santiago the Brazilian Government understands that the Chilean Government is well disposed toward settling the incident with Paraguay. In view of the change in the Foreign Minister in Paraguay and because of the importance to future mediation in the Chaco dispute the Brazilian Minister at Asunción is requested to approach the Paraguayan Minister for Foreign Affairs, if the American Minister agrees, and to confidentially seek to facilitate the mediation of the Governments of the United

States, Argentina and Brazil to reestablish friendly relations between Chile and Paraguay. The Brazilian Minister is informed further that Cruchaga is disposed to immediately accredit a Chargé d'Affaires in Asunción in case Paraguay, at the request of the three mediators, gives a satisfactory reply to the Chilean note. It is suggested that the Paraguayan Minister for Foreign Affairs could in such note make reference to the observation contained in the statement of August 9th that the Paraguayan Government does not associate itself with the press campaign against Chile. It is also suggested that the Paraguayan note could refer to the fact that in the conversations in Buenos Aires between the representatives of Brazil, Argentina and the United States these representatives have [stated?] that they hope to count on Chilean collaboration in peace negotiations. It is suggested that the Paraguayan note might state that Paraguay has seen with satisfaction the efforts of Chile, together with other countries, to bring about an end of the war, but that the note could reserve the right for Paraguay to discuss the question of neutrality through normal channels. Finally it is suggested that the Paraguayan note might observe that Paraguay as always sees with satisfaction the general efforts toward peace which is the sentiment of the American countries."

I do not believe that anything further can be accomplished by approaching the Paraguayan Government again on this matter at the present time and I believe that it would be ill-advised to suggest any such note as outlined above. It is wholly unlikely that the Paraguayan Government would accede to any such request unless circumstances change very radically. The Brazilian [Minister?] agrees with this opinion entirely.

I have taken no action whatever aside from discussing the situation informally with those of my colleagues who have come to talk with me about it. The Brazilian [Minister?] has decided not to see the Minister for Foreign Affairs but has asked his Government for further instructions. Please cable instructions as to my future action.

I respectfully suggest that it would materially assist me here and save embarrassment in my relations with other Legations and with the Paraguayan Government if I were promptly advised of developments in the Chilean matter and with respect to the Chaco peace conversations now in progress in Buenos Aires.

NICHOLSON

725.34/49: Telegram

*The Acting Secretary of State to the Minister in Paraguay
(Nicholson)*

WASHINGTON, August 27, 1934—2 p. m.

33. Your 38, August 24, noon. At this stage in the Chaco negotiations, it has been considered advisable by Argentina, Brazil, and the United States to entrust temporarily to the former the making of such

representations to Paraguay as are considered desirable by the three nations, leaving to Brazil and to the United States the making of such representations to Bolivia as are considered necessary. This procedure has been temporarily adopted owing to various misunderstandings and complications which have ensued as the result of conversations held simultaneously in Buenos Aires with the diplomatic representatives of both Bolivia and Paraguay. For this reason, likewise, it has been deemed desirable to leave to Dr. Saavedra Lamas the task of exerting such pressure upon Paraguay as he deems desirable in order to obtain a solution of the Chilean-Paraguayan incident. The Department has instructed the American Ambassador in Buenos Aires to express to Dr. Saavedra Lamas the hope that Paraguay would be favorably disposed towards the last solution suggested by the Minister of Foreign Affairs of Chile as reported to you by your Brazilian colleague, but has no intention of instructing you to make representations in that sense directly to the Paraguayan Government.

The Department is further advised today by the American Ambassador in Rio de Janeiro that the Brazilian Foreign Office has been informed by the Brazilian Minister in Asunción that the latter is in accord with your view that it is inadvisable to press in Asunción for a solution of the Chilean-Paraguayan incident.

As you are presumably informed by the Paraguayan Government, the latter has officially and in writing accepted without reservations the Argentine conciliation formula.⁷ The Brazilian and American Governments are endeavoring to persuade Bolivia to take similar action. The Bolivian Government is likewise being urged to state clearly its considered views with regard to the nature of the submission to arbitration should conciliation proceedings prove impracticable.

PHILLIPS

725.34/59 : Telegram

The Minister in Paraguay (Nicholson) to the Secretary of State

ASUNCIÓN, September 5, 1934—10 a. m.

[Received 11 : 45 a. m.]

41. Department's telegram No. 34, September 4, 3 p. m.⁸ The Paraguayan reply stated that the form of solution proposed is unusual and that it would not be suitable to include the points suggested in the proposal in a routine note acknowledging the appointment of a Chilean Chargé d'Affaires in Asunción. The telegram to the Paraguayan Legation in Buenos Aires then concludes with the following observations :

(1) The Paraguayan Government is disposed to adjust its relations with Chile;

⁷ *Ante*, p. 140.

⁸ Not printed.

(2) Normal relations should be reestablished by the designation of a Chilean diplomatic representative;

(3) The question of Chilean neutrality will be discussed through diplomatic channels;

(4) The Government of Paraguay considers that the question of press attacks has been answered and that no repetition of its statements is necessary;

(5) Because of its traditional friendship with Chile the Paraguayan Government will not object to the efforts of Chile toward peace in the Chaco. The Paraguayan Government does not think it decorous for either country under the present circumstances if Paraguay makes statements of greater significance. The Paraguayan Government is confident that time and good will will terminate an incident which neither country wants continued.

No information has been received subsequent to the telegram outlined above.

NICHOLSON

725.34/60: Telegram

The Ambassador in Chile (Sevier) to the Secretary of State

SANTIAGO, September 17, 1934—2 p. m.

[Received 4:55 p. m.]

90. Embassy's telegram 81, August 22, 5 p. m.⁹ The Foreign Office has informed the Embassy that as a result of a suggestion made directly to Cruchaga by the Paraguayan Minister in Buenos Aires the incident between Chile and Paraguay may be satisfactorily closed on the following basis:

1. Paraguay to request agreement for Ibarra as new Minister in Chile. Chile to reply cordially.

2. Cruchaga to make public explanation stating Paraguay does not feel it necessary to make a new official explanation concerning the press campaign, expressing, however, that the latter Government maintains assurances embodied in its communiqué of August 9th in respect to press campaign and attacks on Chilean Government officials (reference despatch 171¹⁰).

3. Paraguay to instruct its delegation in Geneva to vote for Chile. Chile to accredit García la Huerta as Chargé d'Affaires with a cordial note.

4. The usual courtesy telegrams to be exchanged between the Governments on September 18th.

The Foreign Office received word from Buenos Aires Sunday that Paraguayan Minister there had communicated above suggestion to Asunción recommending it as satisfactory.

SEVIER

⁹ Not printed.

¹⁰ August 17, from the Ambassador in Chile, not printed.

725.34/61 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, September 17, 1934—7 p. m.

[Received September 18—3:19 a. m.]

162. By invitation of the Minister for Foreign Affairs, the Brazilian Ambassador and I met the Chilean and Paraguayan diplomatic representatives at the Foreign Office this afternoon. The Chilean Ambassador said that he desired to communicate to the Minister for Foreign Affairs and to the Brazilian and American representatives the fact that his Government had arrived at a complete understanding with the Paraguayan Government over their recent differences, that normal diplomatic relations would be at once resumed, and further that the Paraguayan representative in the League of Nations would cast his country's vote for the Chilean representative as a member of the League Council. He concluded by expressing in the name of his Government warm thanks for the sympathetic interest and efforts of the mediating countries. The Paraguayan Minister then spoke to the same effect.

It is expected that Rogério Ibarra, former Minister for Foreign Affairs now in Asunción, will be made Minister to Chile and the present Chilean Chargé d'Affaires in Paraguay will be designated Chargé d'Affaires pending the arrival of a Minister.

Repeated to Asunción.

WEDDELL

725.34/60 : Telegram

The Secretary of State to the Ambassador in Chile (Sevier)

WASHINGTON, September 18, 1934—7 p. m.

69. Your 90, September 17, 2 p. m. Please express to Dr. Cruchaga the satisfaction with which this Government views the approaching termination of the incident between Chile and Paraguay. The friendly adjustment of a difficulty arising between two of our sister Republics is necessarily peculiarly gratifying to the United States.

Please express likewise to Dr. Cruchaga my congratulations upon his personal efforts which have in so large a measure made the termination of the incident possible.

HULL

725.34/62 : Telegram

The Ambassador in Chile (Sevier) to the Secretary of State

SANTIAGO, September 19, 1934—11 a. m.

[Received 11:20 a. m.]

91. Chilean-Paraguayan incident has been satisfactorily adjusted along the lines of my telegram 90, September 17, 2 p. m.

SEVIER

725.34/63

The Ambassador in Chile (Sevier) to the Secretary of State

No. 195

SANTIAGO, September 20, 1934.

[Received October 1.]

SIR: I have the honor to inform the Department that I called this morning upon Dr. Cruchaga and delivered to him the substance of the Department's telegram No. 69, September 18, 7 p. m., congratulating him upon the termination of the incident between Chile and Paraguay. Dr. Cruchaga expressed not only in words but in his demeanor a keen appreciation of the Department's sentiments and seemed greatly pleased at the allusion to his personal efforts toward terminating this incident. He stated that if I saw no objection he would appreciate having this message in writing and I of course assured him that since the incident has now been terminated I would be glad to communicate it to him officially.

Dr. Cruchaga very naturally considers the satisfactory solution of this incident as a decided feather in his cap. His sentiments are clearly expressed in the enclosed translation of his official statement¹¹ which appeared in *El Mercurio* of September 19th.

I am informed on reliable authority that credit for the good sense shown in settling this incident is directly due to Señor Felix Nieto, the political adviser in the Foreign Office. In fact, Señor Nieto has informed me that a few days ago he called Dr. Cruchaga's attention to the fact that Chile's national holiday, September 18th, was approaching and that it would be a happy gesture if the Paraguayan incident could be settled before that date. He informed Dr. Cruchaga that in his opinion the Paraguayan Minister in Buenos Aires, Señor Rivarola, was a man of great ability and adroitness and very friendly to Chile. He suggested that Dr. Cruchaga telephone Señor Rivarola personally and suggest that the two countries arrange to resume diplomatic relations without any further splitting of hairs over the fine points of the dispute.

¹¹ Not printed.

At present a spirit of jubilation is evident in Foreign Office circles at the fact that through their own efforts the incident with Paraguay has been settled and also because of the election of the Chilean delegate to a seat on the Council of the League of Nations. A very natural personal equation enters into the sentiment of jubilation in the sense that the Foreign Office feels that Dr. Cruchaga has scored a diplomatic victory over his friendly rival, Dr. Saavedra Lamas. As the Department is of course aware, this rivalry between the two men, each of whom is seeking the highly commendable reputation of being the greatest Latin American peacemaker, is an important element to be taken into consideration in evaluating the political situation in Latin America generally and the diplomatic relations between Chile and Argentina in particular.

The press announced this morning that Señor Gallardo Nieto, formerly the Chilean Minister in Asunción who returned to Santiago some time ago following the break of relations between the two countries, will very probably be reappointed to his former post at Asunción.

Respectfully yours,

For the Ambassador:
ROBERT M. SCOTTEN
Counselor of Embassy

LETICIA DISPUTE BETWEEN COLOMBIA AND PERU¹

721.23/2102a : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, January 26, 1934—4 p. m.

10. Please cable what progress is being made in the Leticia discussions and report more fully by airmail. We should be glad to be currently advised of the information discreetly available to you concerning developments in this situation.

HULL

721.23/2103 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, January 29, 1934—1 p. m.

[Received 2 p. m.]

16. Department's 10, January 26, 4 p. m. Absence of reports on Leticia negotiations due to complete lack of progress. For several months meetings have been purely *pro forma* in order to avoid acknowledging a break. For over a month there have been no meetings, due partly to dissensions in Peruvian delegation and to absence (at Montevideo) followed by resignation of Mello Franco² who was sole existing motive force. Day before yesterday he consented, while maintaining his resignation from the Cabinet, to continue his conciliatory role in the negotiations. Expected a meeting will take place this week.

Dissensions in Peruvian delegation have resulted in return to Lima of Alberto Ulloa and Colonel Llona.

GIBSON

721.23/2107 : Telegram

The Minister in Switzerland (Wilson)³ to the Secretary of State

GENEVA, February 2, 1934—1 p. m.

[Received February 2—8:45 a. m.]

226. A confidential letter from the Secretariat informs me that alarming reports are current concerning military preparations by both

¹ Continued from *Foreign Relations*, 1933, vol. IV, pp. 384-548.

² Afranio de Mello Franco, Brazilian Minister for Foreign Affairs.

³ Hugh Robert Wilson, American representative on the advisory commission of the League of Nations to observe developments in the Colombian-Peruvian dispute, 1933.

Colombia and Peru. The letter adds that the Committee of Three set up by the Advisory Committee would be grateful to receive any information as to the state of negotiations now being carried on at Rio de Janeiro and as to prospects of the improvement in the relations between the two countries. The Committee of Three has therefore requested the Secretariat to make confidential inquiry of those Governments which are represented in Rio de Janeiro, Lima and Bogotá as to whether they have any information which they could put at the Committee's disposal both now and during the next few months.

2. I am also informed that the Governments represented on the Committee of Three (see telegram 225, January 18, 4 p. m., third paragraph ⁴) are already making inquiry in the three capitals mentioned.

WILSON

721.23/2107 : Telegram

*The Secretary of State to the Minister in Switzerland (Wilson),
at Geneva*

WASHINGTON, February 5, 1934—5 p. m.

132. Your telegram No. 226, February 2, 1 p. m. You may confidentially and orally inform appropriate officials of the Secretariat that this Government's last information regarding the Leticia negotiations at Rio de Janeiro is that there has been a lack of progress; and that for over a month there have been no meetings due partly, it is said, to dissension in the Peruvian delegation and partly to the absence of the Brazilian Foreign Minister at Montevideo who had lent his encouraging support to the meetings. It is believed that although he has resigned from the cabinet he will continue his conciliatory role in the negotiations. Our information is that Alberto Ulloa and Colonel Llona of the Peruvian delegation have returned to Lima.

HULL

721.23/2117a : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, February 14, 1934—3 p. m.

16. Please ascertain informally from Dr. Mello Franco present status of Leticia negotiations and whether there is any probability of the resumption of active negotiations in the near future. Neither the Peruvian Ambassador nor the Colombian Minister in Washington

⁴Not printed.

appear to be aware of the real reason for the apparent breakdown and are apparently not advised whether any concrete proposal has been offered by the Peruvian delegates to the Colombian delegates.

The Department will be glad to have by cable any information you can obtain bearing upon these points.

HULL

721.23/2121 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, February 16, 1934—2 p. m.

[Received 2:40 p. m.]

27. Department's 16, February 14, 3 p. m. Mello Franco informs me no recent developments but that Peruvian and Colombian delegates are to call on him today or tomorrow to discuss a date for the resumption of conversations. So far as can be judged, reason for delay lies in the fact, (1), that there has been a conflict within the Peruvian delegation (see my 16, January 29, 1 p. m.) and, (2), that there was such a definite deadlock as to Leticia itself that it was considered unwise to force the issue. Mello Franco feels that there is a possibility of agreement which will have to be brought about through some rather complicated exchange of territory. He feels that the time has not been entirely lost as feelings have been afforded an opportunity to cool off and the relations between the two delegations, formal at the outset, have become distinctly friendly and personal. His only concern lies in the fear that the press in Peru and Colombia may start a fresh wave of feeling. He is informed that both Governments are purchasing arms and is unofficially urging upon the two delegations that if they hope to maintain the ascendancy of the civil authorities over the military they must come to a [prompt?] and reasonable agreement.

Mello Franco promises to keep me informed as to developments.

GIBSON

721.23/2132

The Minister in Colombia (Whitehouse) to the Secretary of State

No. 108

BOGOTÁ, February 19, 1934.

[Received March 1.]

SIR: I have the honor to report that the members of the Commission of the League of Nations for the Administration of the Territory of Leticia expect to turn that territory over to the Colombian authorities at the expiration of their year's mandate. Some question arose as to whether the date should be June 19, 1934, the anniversary of the first

formal meeting of the Commission, or June 23, the anniversary of their actually taking over the administration. The League of Nations has been consulted and has given an opinion that the first date mentioned should govern.

All of the members of the Commission are of the opinion that immediately after Colombia has again assumed administration of Leticia an attack by Peruvian forces, either regular or irregular, is inevitable. During the recent trip of Mr. Dawson of the Legation staff to Leticia, General Arthur W. Brown, retiring member of the Commission, and Captain Alfredo de Lemos Basto and Captain Francisco Iglesias, the continuing members thereof, gave it as their belief that, in the absence of an agreement at Rio de Janeiro, the possibility of which seems at the present rather remote, the only way to avoid a resumption of hostilities between Peru and Colombia would be for the term of the Commission to be extended. General Edwin B. Winans, replacing General Brown, expressed no opinion, as he arrived at Leticia with Mr. Dawson and had not had time to judge the situation. All of the old Commissioners feel that neither the Commission nor the League of Nations itself could suggest an extension of the mandate and that any action toward that end would have to be taken by the two governments concerned at the Rio de Janeiro conference or otherwise. Both Captain de Lemos Basto and Captain Iglesias stated that they would be unwilling to remain at Leticia more than the original year agreed upon and that if the term of the Commission were extended its personnel would have to be changed. General Winans also remarked that he had agreed to remain only until June and wished to return to the United States then.

Respectfully yours,

SHELDON WHITEHOUSE

721.23/2121 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, March 13, 1934—3 p. m.

24. Your 27, February 16, 2 p. m. Please ascertain informally from Mello Franco his views as to any progress made in Leticia discussions. What does he foresee as the probable situation next June when the League Commission's mandate expires? Please inquire informally and confidentially the views of the Brazilian Foreign Office on this last point.

HULL

721.23/2107 : Telegram

*The Secretary of State to the Minister in Switzerland (Wilson),
at Geneva*

WASHINGTON, March 13, 1934—3 p. m.

134. Your 226, February 2, 1 p. m., and Department's 402 [132?], February 5, 5 p. m. Please ascertain informally and confidentially views of the Secretariat whether any progress has been made in Leticia discussions at Rio de Janeiro. What does the League foresee as the probable situation next June when the mandate of its Commission expires?

HULL

721.23/2138 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, March 14, 1934—1 p. m.

[Received 1:55 p. m.]

42. Department's 24, March 13, 3 p. m. Mello Franco states there is nothing concrete to report. He feels that much has been done to improve friendly spirit of the negotiations. He does not consider it wise to rush matters but in spite of difficulties he is still optimistic of settlement before League mandate expires. He is not clear whether this is May 25th or June 25th. If settlement is not reached before expiration he believes Peru will ask for an extension. There are some doubts about Colombia's attitude but he believes it can be arranged that Colombia join in request for extension.

Shall not be able to get statement from Foreign Office before tomorrow.

I am following this matter carefully and trust Department will not interpret my long silences as indication that I have lost sight of the question.

GIBSON

721.23/2139 : Telegram

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, March 14, 1934—6 p. m.

[Received 7:40 p. m.]

230. Department's 134, March 13, 3 p. m.

1. On March 12th the Secretariat circulated confidential document C Colombia Peru 12 (already mailed) being a translation of a lengthy communication dated January 23 from the President of the Leticia Commission asking advice on three questions:

- (1) The date of the expiration of the Commission's mandate.
- (2) To what authority the Commission should hand over the territory at such expiration.
- (3) Whether the Government of Colombia may be permitted before the expiration of the mandate to send down a force of troops for the protection of the territory.

2. I have discussed this letter with officials of the Secretariat. As to question 1, they are of opinion that the mandate should expire on June 19th the anniversary of the date when the Commission was constituted at Tefe. As to question 2 they agree with the Commission's recommendation that the territory should be handed over to such authorities as the Government of Colombia may appoint. As to question 3 the League officials recognize that this is a more involved question than the others and while they have not hesitated to express their views on the first two questions to the representatives of Colombia and Peru, they have refrained from comment on the third. However, it is their private opinion that inasmuch as the Commission is exercising its authority "in the name of the Colombian Government" it would be unreasonable to refuse the Colombian Government the right to send such forces to the territory as it may deem necessary at the time of transfer and further, that the Commission must permit the sending of such troops a reasonable time in advance of the transfer of the territory. The letter of the Commission points out that the sending of such forces may be provocative and disturb the tranquility which the Commission has so far maintained. Also they point out that even one thousand men would be helpless before an attack of regular Peruvian forces inasmuch as communication with Colombia could be so readily cut. The Colombian representatives argue, and the Commission admits, however, that a thousand men would be adequate to prevent a sudden seizure by locally recruited forces.

3. The letter of January 23d lays these questions before the Secretary General for confidential communication to states represented on the Advisory Committee. The Secretary General has sent a copy to Colombia and Peru inviting comment. On receipt of their replies the Secretary General contemplates requesting the Committee of Three to study this matter at once. The question of whether or not to summon the Advisory Committee is being left open meanwhile. The officials of the Secretariat are inclined to believe that a useful purpose would be served by summoning eventually a meeting of the Advisory Committee for the purpose of urging moderation upon the two Governments. On this question and on those raised by the Commission they would be very grateful for our confidential advice. It has been my experience that the small committees have usually come to us for confidential advice and any views which we might express would be given due weight and would, I believe, be appreciated.

4. The Secretariat has no very definite information as to the course of negotiations at Rio. Negotiations were resumed on February 22d but no news has come of progress made. As you are doubtless aware there is some endeavor at Rio to make a trade of the Leticia Trapezium for a strip along the Putumayo, perhaps endeavoring at the same time to give some satisfaction to Ecuador's claim in this territory.

5. There is apparently a current of opinion in the British Foreign Office to the view that it might be advisable to prolong the life of the Leticia Commission but I am informed by the Secretariat that while at the moment Peru might be disposed to accept such prolongation, the Colombians are definitely opposed to it. It appears to me that the only grounds on which prolongation could be urged would be to provide a period within which some definite proposed solution might be examined and that a mere prolongation always providing that Colombia accepting it would be no more than a palliative.

6. Colombia, I am informed at the Secretariat, has recently purchased from the Portuguese Navy two destroyers mounting 4.7 guns for the purpose of sending them to the Leticia area. I am informed also that the Colombian officials talk freely of the prospects of trouble when the Commission moves out. Apparently in the whole area from Iquitos to Manaus trouble is confidently expected.

7. I trust that you will find the foregoing an adequate answer to the two questions in your telegram 134. I can only add that the Secretariat officials take a serious view of this situation and would be most grateful for any expression of opinion from us. While I would have preferred you having further documentation before asking you for an opinion, nevertheless if you feel you can do so on receipt of this telegram it would probably be helpful to have your views before the meeting of the Committee of Three.

WILSON

721.23/2140 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, March 15, 1934—10 p. m.

[Received 11:57 p. m.]

44. Department's 24, March 13, 3 p. m. Nabuco, Secretary General of the Foreign Office expresses some hope of settlement before the expiration of League mandate but is less optimistic than Mello Franco. He said that there was a move for an extension of mandate for 6 months but doubted whether Colombia would accept.

Believing that hostilities will inevitably begin promptly on expiration of truce he told me in strictest confidence that Brazil is sending troops to the frontier to protect her neutrality. He says this has been told to nobody else and requests that it be kept secret.

GIBSON

721.23/2139 : Telegram

*The Secretary of State to the Minister in Switzerland (Wilson),
at Geneva*

WASHINGTON, March 17, 1934—1 p. m.

135. Your 230, March 14, 6 p. m., has been most helpful. For your strictly confidential information Gibson cables that Mello Franco states that while there is nothing concrete to report, he feels that much has been done to improve friendly spirit of negotiations; Mello Franco does not consider it wise to rush matters, but despite difficulties is still optimistic of settlement before League mandate expires; if settlement is not reached before expiration he believes Peru will ask for extension and that while there are some doubts about Colombia's attitude he believes it can be arranged that Colombia join in request for extension. The Brazilian Foreign Office, however, while having some hope of a settlement before expiration of League mandate, is less optimistic than Mello Franco and doubts whether Colombia would accept extension.

With reference to paragraphs 3 and 7 of your telegram under acknowledgment, you may say that we greatly appreciate the suggestion for an expression of our views; that we continue to desire to do everything we appropriately can to assist towards a peaceful settlement; and that for the moment at least we do not feel sufficiently informed of all developments and details of this matter to venture an expression of views.

As soon as replies are received from Colombia and Peru commenting on the letter of January 23 from the President of the Leticia Commission please cable substance thereof.

HULL

721.23/2153 : Telegram

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, March 23, 1934—1 p. m.

[Received March 25—10:40 a. m.]

231. Department's telegram No. 135, March 17, 1 p. m.

1. The Secretariat has recently discussed the Leticia question both with Santos, the Colombian representative, and Najera, the Chairman of the Committee of Three. It is probable that the Advisory Committee will be called shortly to meet approximately at the time the Bureau of the Disarmament Conference⁵ is in session, that is to say on or about April 10 or 12.

2. The Secretariat hopes that a definite settlement of the Leticia question may be arrived at by means of the Putumayo compromise

⁵ See vol. I, p. 1 ff.

mentioned in paragraph 4 of my telegram No. 230, March 4 [14^h], 6 p. m. and that fact of the summoning of the Advisory Committee will contribute to this.

3. With regard to the question of a prolongation of the Commission's mandate the Secretariat seems not only to be opposed on general principles but fears that if proposed by Peru it would probably be refused by Colombia. This would start another strained situation. Thus the Secretariat is strengthened in its desire that some definite settlement of the whole matter may be arranged before the termination of the Commission's mandate.

WILSON

721.23/2152 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, March 24, 1934—1 p. m.

[Received 1:40 p. m.]

36. Embassy trustworthily informed quarrel arose in Cabinet meeting yesterday over excessive armament expenditures which Minister of Hacienda declared reached 72 million soles in past 12 months. Minister of Hacienda insists this cannot go on and he, Minister of Fomento, and one other member will endeavor to convince the President that Leticia must be delivered to League for return to Colombia. Status of Leticia question at present is causing much concern and disturbances in exchange as reports spread that developments are adverse to Peru.

DEARING

721.23/2152 : Telegram

The Secretary of State to the Ambassador in Peru (Dearing)

WASHINGTON, March 26, 1934—5 p. m.

23. Your 36, March 24, 1 p. m., last sentence. What are the "developments" mentioned in the reports in question?

HULL

721.23/2158 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, March 27, 1934—10 a. m.

[Received 1:45 p. m.]

37. Department's 23, March 26, 5 p. m. As nearly as Embassy can gather the reports of adverse developments cover the following:

(1) Prado who went to Rio de Janeiro under special instructions

to pacify Peruvian delegation and give negotiations a more favorable turn is meeting with scant, if any, success.

(2) Impression is gaining ground Leticia must be returned to Colombia and thus will make Peru lose face and by angering armed forces and Cerristas may lead either to internal trouble or war.

(3) Prospect of necessity for Peru to pay an indemnity which would aggravate effects under (2) and bring financial and business disturbances also. Minister of Hacienda has thought it necessary to make public statement today that the Government has been forced to make a loan but that to take care of "unpostponable national necessities which no Peruvian could gainsay the Government has been able to secure the necessary resources without disturbing any public interest worthy of being considered".

(4) Prospects [of] war the expense of which would prostrate the country.

(5) Continued secrecy and slowness of Rio de Janeiro negotiations disquiets public, favors rumor and heightens effect of the foregoing.

(6) Minister for Foreign Affairs yesterday described the outlook to me more optimistically as follows:

(7) Prado has special instructions to speed up negotiations and more frequent sessions are expected to bring forth concrete bases of settlement within the next fortnight.

(8) Peruvian Government confidently expects definitive settlement to be reached before the expiration League Commission's occupancy of Leticia, June 23.

(9) The only prolongation of League occupancy therefore contemplated by the Peruvian Government is merely sufficient time for ratification of the agreement by Peruvian and Colombian Congresses.

(10) Personally this seems to me too simple and too sanguine. Situation easier perhaps but by no means cleared up.

(11) Please instruct if the Department wishes fuller or more frequent reports by cable. Embassy endeavoring to avoid expense.

DEARING

721.23/2166 : Telegram (part air)

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, March 29, 1934—1 p. m.

[Received March 31—12:50 p. m.]

232. My 230, March 14, 6 p. m.

1. I have received documents C/Col Per/14/15, being the replies of Peru and Colombia respectively to the communication contained in number 12. Consulate sending documents open mail steamer *Europa* March 31st.

2. Two points of special interest arise in the Peruvian communication: (a), A request for an extension of the mandate of the Leticia Commission, (b), A paragraph reads as follows:

“Furthermore in anticipation of this eventuality the Chairman of the Commission for administering Leticia suggests the possibility of handing over this territory to the Colombian authorities. Such an action would destroy the very basis of the Geneva Agreement, since the latter would have had no object if Peru had been disposed to hand over the territory of Leticia to Colombia; it would also be manifestly at variance with the policy consistently pursued by the Peruvian Foreign Office during the conflict and disregard the circumstance which is of fundamental importance, that the Commission received from Peru the Leticia Trapezium it is administering.”

3. In the Secretariat I am informed that the Peruvian delegate is even stiffer on the question of the return of the territory to Colombia than the note indicates and claims that such action would be unjust to Peru since the latter surrendered the territory to the Commission in the expectation of a settlement of the question and that it would be no settlement of the question as far as Peru was concerned if the Commission merely returned the territory to Colombia.

4. The Secretariat has also learned from Colombian delegate that his Government will vigorously oppose any extension of the period of the mandate of the Commission.

5. The Secretariat is planning to call a meeting of the Advisory Committee on April 12. In this connection the Secretariat seems to be ignorant of the course of the negotiations at Rio de Janeiro. Might it not be advisable for Gibson to suggest to the Brazilian Government that they acquaint their representative on the Advisory Committee fully as to the course of these negotiations so that the Committee itself may have the benefit of this information in their discussions.

6. You may think it advisable to acquaint me with your views as to the three questions raised in document 12 of March 12. I venture to add that if we hold strong views on any of the points mentioned it would be well for me to have them as soon as possible since a good deal of work can be done quietly in anticipation of the meeting.

WILSON

721.23/2158 : Telegram

The Secretary of State to the Ambassador in Peru (Dearing)

WASHINGTON, March 30, 1934—11 a. m.

27. Your 37, March 27, 10 a. m., paragraph 11. Please send brief cable reports on developments of interest in the Leticia situation.

721.23/2170 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, April 4, 1934—2 p. m.

[Received 3:15 p. m.]

54. My 44, March 15, 10 p. m. Leticia negotiations here have recently taken on a decidedly less favorable aspect owing to recognition of fact that negotiators are unable to agree upon a basis of solution.

One evidence of the growing feeling of uneasiness is found in the fact that both delegations have issued general statements, the Colombian yesterday and the Peruvian today.

The Colombian statement stresses the view that there is no connection between the period of the League mandate and the negotiations in Rio, that the latter can perfectly well continue after the expiration of mandate.

The Peruvian begins with the rather surprising statement that the trouble in Leticia was caused by rebel frontiersmen. The only thought not very clearly expressed in the statement is that it would be unwise to make any change in the status of Leticia for any brief additional time which might be necessary to reach agreement.

Foreign Office more pessimistic and disposed to feel that negotiations are bound to fail and be followed by outbreak of hostilities. I shall report more fully when I have had an opportunity for checking up information with Mello Franco this evening.

GIBSON

721.23/2171a : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, April 4, 1934—5 p. m.

32. We are greatly concerned over the situation between Peru and Colombia. As you know, the League Commission's mandate expires June 23; Colombia has declined to extend the mandate, and both countries are openly making extensive preparations for possible hostilities. From such information as we have received regarding the discussions at Rio de Janeiro it appears that the Colombian and Peruvian delegations have each made proposals which have been refused by the other side. So far as our information goes Mello Franco does not as yet appear to have made any proposal of his own looking to a settlement. Obviously, it is difficult, if not impossible, in the present state of feeling between Peru and Colombia for either Government to accept any proposal put forward by the other. However, if a reasonable proposal were made by Mello Franco, who is so widely known for his high sense of impartiality and justice, it might conceivably meet with the approval of the two Governments, which could satisfy their public opinion by

explaining that while they had invariably declined every proposal made by the opposing side, they did not feel that they could afford to disapprove an equitable solution proposed by such an outstanding personality as Mello Franco, representing the fervent desire and appeal of the American countries for a peaceful solution of this difficulty. We of course assume that Mello Franco has had in mind offering a solution of his own but that he has withheld such action until in his judgment an appropriate time had been reached. It would now seem that further postponement of such action seriously risks the possibility of incidents occurring between Peru and Colombia which would render it much more difficult, if not impossible, to obtain their acceptance of any peaceful solution.

We therefore desire you, provided you perceive no objection, to discuss this situation as set out above confidentially and discreetly with Mello Franco, and to say to him that it would be a matter of deep gratification and relief to your Government to hear that he had proposed on his own initiative to both delegations a fair and just solution giving hope of a peaceful and lasting settlement of this difficult question. In discussing this with Mello Franco you will of course make it abundantly clear to him that the last thing we have in mind is any attempt to interfere with his handling of the situation; and that our views as set out above arise from our anxiety over the situation between the two countries and our desire to be of any assistance we appropriately can to him in his work for a peaceful settlement.

HULL

721.23/2166 : Telegram

*The Secretary of State to the Minister in Switzerland (Wilson),
at Geneva*

WASHINGTON, April 4, 1934—5 p. m.

136. Your 232, March 29, 1 p. m. Your paragraph 5. We are asking Gibson to make this suggestion. We of course assume that the Secretariat is requesting the Brazilian representative on the Advisory Committee to obtain this information.

Your paragraph 6. We do not desire to express any opinion at this moment on the three questions mentioned.

HULL

721.23/2166 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, April 4, 1934—6 p. m.

33. Wilson cables from Geneva that the League Secretariat is planning to call a meeting of the Advisory Committee on Leticia on

April 12, and states in this connection that the Secretariat seems to be ignorant of the course of the negotiations at Rio de Janeiro. Unless you perceive objection, please suggest discreetly to the Brazilian Government the desirability of their acquainting their representative on the Advisory Committee fully as to the course of these negotiations, so that the Committee itself may have the benefit of this information in their discussions.

HULL

721.23/2171 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, April 4, 1934—10 p. m.

[Received April 5—1:12 a. m.]

44. My number 37, March 27, 10 p. m. [*a. m.?*] Leticia.

1. Foreign Minister informs me Peruvian Ambassador was instructed April 2d to explain to our Government Peruvian viewpoint regarding prolongation occupancy Leticia by League's Commission with the idea of obtaining our Government's support and if possible favorable recommendations to the League and [as?] I understood to the Colombian Government as well.

2. Foreign Minister states postponement at Colombia's request of beginning of Rio de Janeiro negotiations to October 1933 produced a delay of 4 months which should now be compensated by a reasonable prolongation of occupancy and thus of negotiation status.

3. Foreign Minister declares withdrawal of League's Commissioners prior to a settlement resulting from Rio de Janeiro conferences would inflame Peruvian opinion, particularly in Lima. He states President and Cabinet are ardently for peace and his own continuance in Cabinet is conditioned upon the finding of a pacific settlement. It is the internal situation, he says, which preoccupies the Government which fears that once thoroughly roused the country cannot be restrained from war. Foreign Minister admits he is aware Colombia also has an internal situation to consider.

4. Foreign Minister insists Colombia's right and title to Leticia is not involved, that all Peru wishes is to preserve for a reasonable time a state of affairs and an atmosphere which will permit of finding a peaceful solution and that this can be done only by a prolongation of League occupancy.

5. The Foreign Minister made an appeal for my own support to which I was noncommittal. I feel the Peruvian people, including the people of Loreto as a whole sincerely desire to avoid war and that the Government overestimates the reaction of the country to the withdrawal of the League's Commissioners from Leticia. The remaining

Sanchez Cerristas now forming the Unión Revolucionaria Party and possibly some sections of the armed forces might be disgruntled but if the Government shows any firmness, I believe it could dominate the situation and indeed develop it in such a way as to add greatly to its prestige. The Apristas are against war and until the wrong done Colombia originally is rectified and the *status quo ante* September 1, 1932, is reestablished I am dubious as to anything more for Peru than a face-saving device resulting from the Rio negotiations.

Further report by air mail.

DEARING

721.23/2174 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, April 5, 1934—2 p. m.

[Received 5:32 p. m.]

56. My 54, April 4, 2 p. m. Mello Franco states that although he had recently felt a breakdown was inevitable, later developments encourage him again to hope for a solution. He summarized recent developments as follows:

1. Negotiations came almost to a standstill because of the practical impossibility of harmonizing Peruvian-Colombian views on fundamental issue of Salomon-Lozano Treaty.⁶ Peruvians insisted that Treaty should be scrapped because it is vitiated by physical impossibility of executing its provisions relating to the Sucumbios parcel. This difficulty was not settled by proposal for exchange of territory, Colombian demands apparently being considered exorbitant.

2. A further blow was dealt negotiations on Tuesday of last week when the Peruvians, without advising either Mello Franco or the other member of their intentions, addressed a petition to the League Secretariat requesting an extension of the League mandate. This gave great offense to the Colombians and imposed considerable burden on Mello Franco in averting serious complications.

3. Encouraging developments, to which Mello Franco alluded, have followed the suggestion that the entire case might be submitted to the Permanent Court at The Hague. Colombians were not favorably inclined and produced an opinion by Dr. Urrutia designed to show that the Court could not properly deal with this case. Mello Franco, however, demonstrated to the satisfaction of the delegates that the Court could properly deal with the question and, to make the proposal more palatable, he suggested that the case might be referred to the Court by the Council of the League merely for the purpose of obtaining an opinion. It is Mello Franco's thought that as the Council of the League does not meet until May and the Court until June his proposal would at least gain time.

⁶ Signed March 24, 1922, *Foreign Relations*, 1923, vol. I, p. 351; or League of Nations Treaty Series, vol. LXXIV, p. 9.

Mello Franco said that he felt, in view of the role we might eventually be called upon to play, we were entitled to know everything and that for that reason he was communicating to us in the utmost confidence and not to be repeated to Geneva or elsewhere that Belaunde and Cano, Junior, members of the two delegations, have been working very privately and without the knowledge of the chief delegates on a plan by which Peru would address a communication to Colombia expressing regret for the events of September 1st acknowledging the validity of the Salomon-Lozano Treaty and proposing arbitration. This communication would suggest a practicable plan for policing the Leticia zone under some foreign supervision, possibly a commission presided over by Dr. Mello Franco.

GIBSON

721.23/2177 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, April 5, 1934—9 p. m.

[Received 11:10 p. m.]

57. Department's 32, April 4, 4 [5] p. m. I saw Mello Franco this evening and communicated to him substance of your message which he understood clearly and of which he was deeply appreciative.

When I arrived Mello Franco was finishing a long conference with the chief Peruvian delegate who came out with him and remarked cheerfully that he had news from Washington. After he had gone Mello Franco said Maúrtua had told him that a telegram from the Peruvian Ambassador in Washington gave him to understand that the Department supported the Peruvian stand in regard to the prolongation of the mandate. Mello Franco did not seem to take this too seriously.

Mello Franco was troubled by perplexity as to which way to move and showed clearly that he has no new solution of his own that he can bring forward at this time. He said very confidentially that he felt the solution indicated in the last paragraph of my 56, April 5, 2 p. m. would be a solution and would assure peace. He is obviously perplexed as to how this solution can be suggested as the two junior delegates hardly dare acknowledge to their chiefs that they have talked matters over on their own initiative.

Mello Franco raised the question whether as being a perfectly excellent solution, you would feel disposed to have a talk with the Peruvian Ambassador and ask him as of your own motion why the whole matter could not be simplified by Peru taking the initiative in expressing regrets for the incidents of September 1st (which she has maintained were caused by rebellious frontiersmen) and further-

more for the burning of the Colombian Legation in [Lima].⁷ He felt that the whole situation would be considerably clarified if Peru instead of attacking the validity of the Salomon-Lozano Treaty were in its communication to recognize its legal validity but stress the practical difficulties of its application in view of the requirements that Colombia turn over territory belonging to Ecuador. Such a spontaneous expression on the part of Peru might render it easier for Colombia to accept a direct settlement which might either obviate or facilitate arbitration of the whole difficulty.

He particularly stressed the fact that if you decide to broach this idea it should be as one which had occurred to you without reference to any suggestions from Rio de Janeiro.

I told Mello Franco that I had no idea whether you would be disposed to entertain this idea and left it at that. It seems clear to me that he felt there was greater hope of the matter being entertained sympathetically by both sides if the suggestion should come from you in informal conversation.

I should be glad of any views you may care to give me for my guidance in further conversations with Mello Franco.

GIBSON

721.23/2205

The Ambassador in Brazil (Gibson) to the Secretary of State

No. 216

RIO DE JANEIRO, April 6, 1934.
[Received April 14.]

Subject: Leticia peace negotiations.

SIR: In connection with recent telegrams from this Embassy on the subject cited above, I have the honor to transmit herewith copies, in translation, of the statements recently issued by the Chairman of the Colombian and Peruvian delegations to the Leticia peace conference.

Respectfully yours,

HUGH GIBSON

[Enclosure 1—Translation]

*Communication From the Chairman of the Colombian Delegation
(Arbeláez)*⁸

Dr. Urdaneta Arbeláez, chairman of the Colombian Delegation to the Colombian-Peruvian Conference, assembled at this capital, gave the following statement to the press:

⁷ See *Foreign Relations*, 1933, vol. iv, pp. 549 ff.

⁸ From the *Jornal do Commercio*, April 3, 1934.

“According to the Agreement at Geneva, the following two recommendations of the Council of the League should be fulfilled:

- (a) Complete evacuation by the Peruvian troops of the territory of Leticia;
- (b) Upon fulfillment of the first recommendation, negotiations based upon the treaties in effect should begin in order to discuss all pending problems.

For the purpose of facilitating fulfillment of the first recommendation, Colombia granted authority to the League of Nations for the maximum period of one year to administer the Leticia territory through a commission designated by and in the name of the Government of Colombia.

There does not exist nor can there be established any relation whatever between the time determined by the Agreement of Geneva for the administrative commission of Leticia, and the course of the negotiations in Rio de Janeiro; these may perfectly well continue after the period mentioned has expired, as also they might have terminated before.

Colombia, with a spirit of comprehension, attends to the second of the recommendations of the Council, based upon the strict observance of the first, and nothing will more efficaciously contribute to the success of the negotiations at Rio de Janeiro, than the cordial and unreserved compliance with the Agreement of Geneva upon which it is based.

Rio de Janeiro, April 2, 1934.”

[Enclosure 2—Translation]

*Communication From the Chairman of the Peruvian Delegation
(Maúrtua)*⁹

Mr. Victor Maúrtua, chairman of the Peruvian Delegation to the Peruvian-Colombian Conference assembled at this capital, sent the following statement to the press:

“The Governments of Peru and Colombia signed an Agreement at Geneva on May 25, 1933, authorized by the Council of the League of Nations.

This Agreement was for the purpose of peacefully adjusting the frontier incidents between the two countries, caused by a rebellion in Leticia of the frontier population.

It was stipulated that the disturbed zone would be evacuated and delivered, for one year, to the administration, in the name of Colombia, of a Commission of the League of Nations.

It was also provided that immediately thereafter negotiations would open between the two States, for the settlement in a just and satisfactory manner, of all the pending problems or differences, taking account of the legitimate interests of Peru.

Things are now in this state. The provisional status of Leticia has obeyed the convenience of maintaining tranquillity on the frontier

⁹ From the *Jornal do Commercio*, April 3, 1934.

while negotiations are being carried on. Prudence and a sincere desire for peace, counsel no change for an additional short period of time if found necessary or useful for an understanding between the two countries.

A quiet frontier affords a great opportunity for an understanding at the Peruvian-Colombian Conference, which should not be overlooked by responsible statesmen.

We are not dealing with strict problems of law, susceptible of raising disturbing objections. We are dealing with a carefully prepared plan, back of which is a profound desire for harmony.

But while viewing the juridical side of the question, it is only just to recognize that not only in the Agreement of Geneva, as also in the Boundary Treaty which caused difficulties between Colombia and Peru, the two Parties have rights and obligations which they maintain reciprocally. The equal position of the two States will facilitate with real efficacy, the work of civilization that they are undertaking."

721.23/2177 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, April 6, 1934—3 p. m.

35. Your 57, April 5, 9 p. m., second paragraph. We of course have made no statement to the Peruvian Ambassador which would warrant such an impression. The last time the Ambassador discussed the Rio de Janeiro negotiations in the Department Assistant Secretary Welles advised him that all our information from Colombia indicated that an extension of the mandate would be entirely unacceptable to Colombia; and that we of course would make no move in support of the suggested extension.

While we are somewhat to doubt the wisdom of our making the suggestion to the Peruvian Ambassador mentioned by Mello Franco, we will give careful consideration to the idea and will advise you later.

HULL

721.23/2179 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, April 6, 1934—5 p. m.

[Received April 6—4:19 p. m.]

58. Department's 33, April 4, 6 p. m. Foreign Office will telegraph informal statement as to present situation to Brazilian representative at Geneva. It points out that this cannot be considered as official inasmuch as the Brazilian Government has no connection with the negotiations.

GIBSON

721.23/2180 : Telegram

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, April 7, 1934—1 p. m.

[Received April 7—8:20 a. m.]

233. Department's 136, April 4, 5 p. m. With regard to second sentence of your first paragraph Secretariat states that on attempting to get into touch with Brazilian representative they find there is none available since the Minister to Bern is resigning and the Consul at Geneva being transferred. The Secretariat has addressed an urgent communication to the latter with regard to his country's representation on the Advisory Committee through a Brazilian representative.

2. The Under Secretary General¹⁰ further tells me that a note has just been received from Colombia refusing to agree to a prolongation of the Leticia Commission's mandate. While this refusal is definite the Under Secretary General does not feel that it completely closes the door to further consideration of this matter by Colombia. The note will be distributed shortly when I shall telegraph further if desirable.

3. Walters has heard from Paris that the Peruvian Minister there informed Barthou¹¹ that a note from the Peruvians would probably be forthcoming breaking off the negotiations at Rio de Janeiro on the ground that they have proved a failure. Walters thinks this may foreshadow a demand from Peru that the Council deal directly with the negotiations.

WILSON

721.23/2191 : Telegram

The Minister in Colombia (Whitehouse) to the Secretary of State

BOGOTÁ, April 11, 1934—11 a. m.

[Received 2:20 p. m.]

19. Minister for Foreign Affairs called at my house last evening to hand me a memorandum on the state of the negotiations at Rio de Janeiro.

Substance of the memorandum is that Colombia in February formally proposed to Peru agreements for, (1) customs union on the Amazon. (2) protection of the nations. (3) free navigation of the common rivers and their tributaries, and declared herself ready to study agreements for collaboration in the frontier regions and non-aggression.

This was never replied to by the Peruvian delegation.

In March the Peruvians formally proposed, (1) exchange of Leticia quadrilateral for the Sucumbios triangle. (2) protocol to apply article

¹⁰ Francis P. Walters.¹¹ Jean Louis Barthou, French Minister for Foreign Affairs.

9 of the 1922 treaty in accordance with the stipulations in the memorandum of the Peruvian Legation in Bogotá (presumably this refers to enclosure 3, the Legation's despatch No. 4465, September 27, 1932¹²). (3) after acceptance and termination of points 1 and 2 study of agreements similar to those mentioned in Colombian proposal.

This proposal was rejected by the Colombian delegation and withdrawn by the Peruvian.

The memorandum then gives Colombian motives for rejection. Am forwarding full text by air mail.

The Minister for Foreign Affairs further told me this memorandum had been drawn up to furnish information requested by the Brazilian Government.

WHITEHOUSE

721.23/2197 : Telegram

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, April 12, 1934—6 p. m.
[Received April 12—2:15 p. m.]

235. Consultative Committee on Leticia held two meetings today. In the morning the discussion centered as anticipated on the state of negotiations at Rio. The Brazilian representative made a short declaration to the effect that his Government had done and would continue to do all possible to further the negotiations and that developments in the past week gave grounds for hopes for a successful outcome. Somewhat later Eden¹³ received a despatch from the British Ambassador at Rio. He informed the Committee that the details were confidential but that he could confirm the hopeful state of the negotiations.

Eden subsequently informed me privately and in strict confidence that the British Ambassador had reported that he had ascertained from the representatives of both Colombia and Peru and from Mello Franco that a tentative accord had been reached. The British Ambassador urged that the League do nothing at the present time to jeopardize the accord.

In the afternoon session arguments were heard from the Colombian and Peruvian delegates separately. Subsequently the Committee decided that in view of the state of the negotiations and in order to obtain further information regarding them before coming to decisions the Committee would adjourn until approximately April 30th.

A report containing fuller details follows by mail.

WILSON

¹² Not printed.

¹³ Anthony Eden, British Lord Privy Seal and British representative on the Council of the League of Nations.

721.23/2197 : Telegram

*The Secretary of State to the Minister in Switzerland (Wilson),
at Geneva*

WASHINGTON, April 12, 1934—6 p. m.

140. Your 235, April 12, 6 p. m. The Brazilian Ambassador advised the Department today, by instruction of his Government, that the Leticia negotiations at Rio had suddenly taken a very favorable turn, and that the Brazilian Government feared that intervention by the League in the question at this moment might endanger a successful accord between Colombia and Peru. The Brazilian Government requested that the United States Government support the suggestion it had made at Geneva that for the reason above expressed, the League refrain for the time being from any move in the matter. He was advised that this Government, of course, could officially take no action in accordance with the request made, but that the request of the Brazilian Government and the information given would be transmitted to you for such informal and discreet use thereof as you might deem it possible to make.

HULL

721.23/2197 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, April 13, 1934—noon.

38. The Brazilian Ambassador called yesterday by instruction of his Government to inform the Department that the Leticia negotiations at Rio had suddenly taken a very favorable turn and to ask that this Government support the request made by Brazil at Geneva that no action be taken by the League at this time for fear that such action might jeopardize the successful outcome of the negotiations. He was informed that while we could take no official action, the information he communicated to us would be at once cabled to our representative at Geneva for such informal use as he might be able discreetly to make of it.

The Department was likewise informed yesterday by cable from Wilson at Geneva that the British Ambassador in Rio had reported that he had ascertained from the representatives of both Colombia and Peru and from Mello Franco that a tentative accord had been reached and that the British Ambassador had urged that the League take no action at the present time. The Consultative Committee in Geneva decided yesterday that in view of the state of the negotiations it would adjourn until approximately April 30th without taking action.

The Department is likewise informed by the American Embassy in Lima that the Peruvian Minister for Foreign Affairs has stated that "he is almost certain conference at Rio is on the point of reaching satisfactory settlement".

Please cable Department immediately all information you can obtain regarding present status of negotiations and all details available regarding nature of accord which it is alleged has been reached.

HULL

721.23/2203 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, April 14, 1934—5 p. m.

[Received 6 p. m.]

60. Department's 38, April 13, noon. Mello Franco whom I saw this afternoon offers his apologies for failure to keep me currently informed as had been promised. He explained he had been greatly upset by the sudden death of his brother and was under the impression he had made arrangements for me to be informed in the same way as the British Ambassador who had requested an appointment but that he realizes now he had failed to do so.

He states that while the situation has taken a distinctly favorable turn the progress is not quite as great as indicated in the messages cited by the Department. Colombia and Peru have agreed to reestablish their diplomatic missions he believes with the rank of embassies. Aside from this distinct step away from a breakdown of negotiations all that has happened is agreement in principle on a series of points to be discussed [apparent omission] the conference such as frontiers, frontiers police, international waterways, customs, et cetera.

Several paragraphs dealing with these points have been drafted in detail but not yet formally approved.

He states the negotiations suffered a relapse yesterday as a result of a provocative speech made by the Peruvian delegate in Geneva which had caused the Colombians to take the stand that they could not continue to negotiate. He has urged Peruvian and Colombian Governments to warn their delegates in Geneva to avoid controversy and hopes this will enable negotiations to continue.

He expressed gratification at the adjournment of the League Committee and added that if there was hope of real agreement this would be manifest before the next meeting.

GIBSON

721.23/2282

The Chief of the Division of Latin American Affairs (Wilson) to the Assistant Secretary of State (Welles)

[WASHINGTON,] April 19, 1934.

DEAR MR. WELLES: Dr. Lozano, Minister of Colombia, telephoned this morning to say that his attention had been called to an article in *La Prensa* of New York of April 18 to the effect that the Secretary of State had replied to questions of correspondents concerning the Leticia dispute and the attitude of this Government by stating that if both Peru and Colombia should so request we would extend our good offices in an effort to reach a peaceful settlement of the dispute.

Dr. Lozano said that in conversation with you he had suggested that the United States should offer its good offices in the matter, and he wished to inquire in order to report to his Government the exact significance of the statement attributed to the Secretary. He said he had tried to communicate with you but had been unable to get in touch with you.

I attach hereto the article in *La Prensa* to which Dr. Lozano referred, and also the memorandum of the press conference of April 17.¹⁴ All that appears in this memorandum regarding this matter is the statement—

“Good offices would be offered within our usual practice if the occasion should call for them, but we have no steps immediately in view and we have not been requested to offer them.”

If you agree, I will advise Dr. Lozano that the Secretary's remarks indicated only that we were, as we always have been, ready to give any possible and appropriate assistance that we can in behalf of peaceful settlements of conflicts on this continent.¹⁵

EDWIN C. WILSON

721.23/2227 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, April 24, 1934—5 p. m.

[Received 10:13 p. m.]

66. My 60, April 14, 5 p. m. Mello Franco tells me today he has completed draft of a protocol embodying following points:

(1) Peru expresses regret for Leticia incident and burning of Legation.

¹⁴ Neither found attached to this memorandum.

¹⁵ A notation in red pencil at the bottom of the page reads: “Dr. Lozano later spoke to me on the phone and I told him exactly what is outlined in your last paragraph. S[umner] W[elles]”

(2) Provisional arrangements for frontier police, navigation, customs, et cetera.

(3) Institution of an arbitral tribunal to be composed of one American, one Brazilian and one representative of the League of Nations.

The Peruvian delegate told Mello Franco he was prepared to sign. Colombian delegate stated he must consult his Government. Since then nothing has been heard from Colombia but Peruvian has sent word that nothing further should be done for the moment. He made an appointment to see Mello Franco yesterday but did not appear. Mello Franco states that while his protocol contains possibilities of a solution it has been his experience that one side can always be depended upon to refuse if the other accepts and he is not over-sanguine.

My reason for reporting the foregoing is that the press is filled with reports of apparent agreements which appear to arise from a feud between the Havas and United Press.

GIBSON

721.23/2241 : Telegram (part air)

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, April 26, 1934—noon.

[Received April 27—11:25 a. m.]

236. Department's 140, April 12, 6 p. m. and my 235, April 12, 6 p. m.

1. The Secretariat has no further word from either the British or Brazilians regarding negotiations. The Secretariat is inclined to discount the accuracy of the optimistic reports.

2. A meeting of the Consultative Committee is called for May 2d.

3. In this connection a member of the Secretariat called yesterday to explain the present trend of the League of Nations views with regard to the situation leaving a confidential memorandum on the subject which is being sent to the British, French and Italians as well. Copy is going forward by mail.

4. The principal interest in the memorandum as well as the verbal explanation lies in the tendency of the League toward a realistic point of view to the effect that the disposition of the Leticia territory is the essence of the dispute. The suggestion is made that Peru and Colombia might agree to negotiate on the basis of exchange of the Leticia Trapezium for the right bank of the Putumayo; that meanwhile the mandate of the Leticia Commission should be extended for a period of not to exceed 6 months; that a statement should be made at the time of the extension of the mandate; that the territory would be handed over by the Commission to the Colombian Government on December 23d unless prior thereto other arrangements for

its disposition were decided upon by the two parties; and that it would be understood that the Commission should afford the Colombian Government adequate facilities for the garrisoning of Leticia a sufficient time prior to the end of the mandate if it then appeared that no agreement would likely be arrived at.

5. The Secretariat hope that if the British, French, Italian and United States Governments favor this suggestion that they will instruct their representatives at Lima and Bogotá to adopt this point of view and avail themselves of any occasion informally to discuss it with the two Governments concerned.

WILSON

721.23/2247 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, April 28, 1934—11 a. m.

[Received noon.]

68. Peruvian delegate tells me Colombians have refused to accept various points in protocol described in my 66, April 24, 5 p. m. Maúrtua states however that he has embarked on an "offensive of conciliation" and is confident that within a short time he will be able to reach agreement provided nothing untoward happens in Geneva. He is anxious that the Committee scheduled to meet on May 2nd should be deferred as the only way to avert statements by both sides which may prejudice chances of success here. He has asked Brazilian Minister of Foreign Affairs to instruct its representatives in this sense.

GIBSON

721.23/2241 : Telegram

*The Secretary of State to the Minister in Switzerland (Wilson),
at Geneva*

WASHINGTON, April 30, 1934—4 p. m.

143. Your 236, April 26, noon. Our information from Bogotá, Lima and Rio de Janeiro appears to warrant optimism as to the possibility of direct settlement between Colombia and Peru in the present negotiations.

HULL

721.23/2249 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, April 30, 1934—5 p. m.

[Received 6 p. m.]

69. Minister for Foreign Affairs tells me this evening there is distinct progress toward agreement on bases of protocol reported in my 66, April 24, 5 p. m. Colombian objections have been narrowed down to points of detail about functions of administrative body and he believes Colombia is responding to more generous attitude of Peruvians. Text of protocol seems to be changing daily but as now drafted provides that unless agreement is reached sooner negotiations shall continue here until June 23rd, that after that date they shall be carried on through diplomatic channels between the two Governments; and that if agreement not reached December 31st question shall go to World Court. During this period both parties engage not to resort to force.

In view of hopeful situation and with acquiescence of both Governments, Minister for Foreign Affairs transmitted to Brazilian representative at Geneva an appeal from Mello Franco that discussion should be adjourned until May 10th. Press flash just received announces President of Committee has acquiesced.

GIBSON

721.23/2248 : Telegram

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, April 30, 1934—6 p. m.

[Received April 30—1:25 p. m.]

238. My 236, April 26, noon.

1. Circular from Secretariat today's date reports that the Brazilian representative has informed the Advisory Committee on Leticia that Mello Franco in accord with the Colombian and Peruvian delegations has suggested that the meeting of the Committee be adjourned since there are grounds to hope that the negotiations at Rio will bring about an agreement between the two Governments before May 10th.

2. The meeting of the Committee is therefore postponed until May 15th.

WILSON

721.23/2261 : Telegram

The Minister in Colombia (Whitehouse) to the Secretary of State

BOGOTÁ, May 4, 1934—5 p. m.

[Received 8:55 p. m.]

26. Minister of Foreign Affairs told British Minister this morning that Peruvian Government now realizes that the treaty or frontier revision should not be mixed up with the present settlement and is making no effort to do so. However, he added that the Colombian Government harbored misgivings that wires were being pulled at Geneva to influence the League to confuse the issue of proposed settlement with the lapse of the League mandate in Leticia. British Minister is telegraphing his Government to urge that it do what it can to prevent this.

WHITEHOUSE

721.23/2272 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, May 9, 1934—noon.

41. The Department is confidentially advised that an agreement between Peru and Colombia appears to be near on all points under discussion save eventual modification of the treaty of 1922; that the Colombian Delegation insists upon the article contained in the Colombian counter proposal, namely, that the treaty cannot be modified except by joint consent of the two contracting parties; while the Peruvian Delegation is maintaining that if the treaty can only be modified by joint consent of the contracting parties and a resort to arbitration is made impossible, there is no hope for an eventual permanent settlement of the questions involved should direct diplomatic negotiations for amendment of the treaty prove unsuccessful. In this connection, the Department is further advised that Mello Franco either has or intends to propose a compromise formula covering the question under reference. Please endeavor to obtain informally from Mello Franco any friendly compromise he may have offered or if such suggestion has not yet been made, endeavor to ascertain what compromise proposal he may have in mind. You may state to him that this Government is deeply interested in the negotiations which are being conducted under his auspices for the pacific settlement of the Leticia dispute and would greatly appreciate confidential advice from him as to the present status of the negotiations.

HULL

721.23/2278 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, May 10, 1934—7 p. m.
[Received 9:35 p. m.]

73. Department's urgent telegram 41, May 9, noon, delivered this morning. Mello Franco's eldest daughter died last night and was buried this evening. He is confined to bed as a result of the shock and I have of course been unable to see him.

From Peruvian sources I learn that at a meeting, just before his daughter's death, Mello Franco drew up in the course of discussion a compromise formula which sought to conciliate the points of view indicated in the Department's telegram and others. Peruvians consider it generally acceptable but have referred it to Lima for approval. Colombian Foreign Minister tells me he considers the formula more a series of ideas than a text and that while he has telegraphed it home he feels that it must still be the subject of considerable adjustment.

Peruvian delegate has promised me the text of this document and I shall telegraph it at once on receipt.

Despite unenthusiastic attitude of the Colombians, which I believe to be a calculated part of their strategy, I gather that both delegations are really hopeful of reaching agreement.

GIBSON

721.23/2280 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, May 10, 1934—11 a. m. [*p. m.*?]
[Received May 11—2:45 a. m.]

75. My 73, May 10, 7 p. m. Following is the full text in translation of Mello Franco's compromise formula which is communicated in confidence:

"Article 1. Peru sincerely deploras as she has previously declared the events which occurred at Leticia on September 1, 1932, and the others which without the responsibility of her Government have immediate connection therewith and perturbed her relations with Colombia.

The two governments having resolved to reestablish their relations Peru manifests the desire that these be restored with the intimate friendship of the past and the profound cordiality of the two sister peoples. Colombia sharing these sentiments declares that her proposals are identic.

For this purpose Peru and Colombia agree simultaneously to accredit Legations in Bogotá and in Lima.

Article 2. The boundary treaty of March 24, 1922, ratified on January 23, 1928, constitutes one of the judicial ties which unites Peru and

Colombia and cannot be modified unless by the mutual consent of the parties or by decision of international justice under the terms of article 7.

Article 3. The negotiations between the two countries will be continued through normal diplomatic channels in order that all pending problems may receive a just, lasting and satisfactory solution observing during the course of these negotiations the principles established by the present protocol.

Article 4. Having in view the common necessities of the two states in the Amazon basin Peru and Colombia will enter into special agreements concerning customhouses, commerce, free navigation of the river, protection of settlers, traffic policing of frontiers and all others which may be necessary to obviate any difficulties which arise or may arise in the frontier region between the two countries.

Article 5. For the same purpose the two governments will conclude an agreement demilitarizing the frontier under which they will be obligated to maintain there only civilian authorities and the police forces strictly indispensable for the needs of internal public order.

The two Governments will nominate to this end a technical commission composed of an equal number of members of each nationality presided over alternatively month by month by the highest ranking official of each, the first president to be selected by the drawing of lots. The seat of the commission will be fixed by mutual accord between the Governments.

Article 6. In order to supervise and verify the execution of the agreements covered by clause 4, a commission of three members will be created, nominated by the Governments of Peru, Colombia and Brazil, the president of which will be the last named. The seat of the commission will be in territory of one or the other contracting countries within the region to which the above-mentioned agreements apply, it having the right to move from one point to another within the boundaries, in order more effectively to collaborate with the local authorities of both states for the maintenance of a regime of permanent peace and neighborly relations on the common frontier.

Sub-paragraph 1. This mixed commission has no police power, administrative function or judicial competence in the territories subject to the jurisdiction of the High Contracting Parties whose authorities there shall exercise their full powers.

Sub-paragraph 2. If, however, in the execution of the above-mentioned agreements which shall form an integral part of the present protocol there should arise disputes due to decisions which have violated any of the mentioned agreements or which refer to an interpretation of those agreements or to the nature and extension of the reparations due to the breaking of one of them and such disputes are brought by the interested parties to the attention of the commission, the commission will forward these cases with all information to the two Governments in order that they may in mutual understanding take the necessary adequate measures.

Sub-paragraph 3. In the absence [of] this understanding and after the period of 90 days has elapsed counting from the date of the communication to the two Governments the commission will finally resolve the question by a majority of votes.

Sub-paragraph 4. The two Governments will solicit the cooperation of the Government of Brazil for the composition of the commission.

Sub-article 7. Peru and Colombia solemnly obligate themselves not to make war nor to employ directly or indirectly force as a means of solution for their present problems or for any others which may occur in the future. If in any eventuality they do not reach a solution through direct diplomatic negotiations either of the High Contracting Parties may appeal to the procedure established by article 36 of the statutes of the Court of International Justice.

Only sub-paragraph. In this case the High Contracting Parties reciprocally promise to agree among themselves as to the means for the extension of the sentence. If, however, they do not reach an agreement the Court itself will stipulate the terms as provided in article 38 of its statutes."

GIBSON

721.23/2283 : Telegram

The Minister in Colombia (Whitehouse) to the Secretary of State

BOGOTÁ, May 11, 1934—1 p. m.

[Received 8:55 p. m.]

27. I asked for an interview with the Minister for Foreign Affairs this morning to find out what was delaying the negotiations at Rio de Janeiro.

The Minister informed me that Mello Franco's formula was on the whole acceptable except that he wished to clarify the clause regarding possible appeal to the Permanent Court of International Justice and to limit this appeal to procedure established by article 36 of the Court's statute as it was clear that Peru intended refer the case to the Court.

A much greater complication, however, was an addition to Mello's formula proposed by Maúrtua which tended to enlarge still further the jurisdiction of the Court and which if accepted by the Colombian Government would amount to giving the Court the powers of an arbitral tribunal. This the Minister considered totally unacceptable and he had [sent?] a memorandum to that effect to the President this morning which was now being considered at a Cabinet meeting. He added that my request to be received had been providential for him as an excuse for not attending the meeting which would have been painful for him. He said that he could not assume responsibility for making concessions along these lines and he expected tender his resignation today or tomorrow although this depended on the result of the Cabinet meeting.

In further explanation his attitude he pointed out that in adhering to the Court Peru had made a reservation excepting from the Court's jurisdiction acts prior to the ratification. Maúrtua's proposal would

eliminate this reservation. As Colombia's ratification had been on a reciprocal basis the acceptance of Maúrtua's proposal would require special approval of the Colombian Congress which he feared would entail bitter debate, stir up bad feeling in both countries and make it more difficult to reach a settlement.

While the Minister specifically disclaimed being a party man I have the impression that internal politics have influenced his decision.

WHITEHOUSE

721.23/2278 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, May 11, 1934—4 p. m.

[Received 6:55 p. m.]

76. My 73, May 10, 7 p. m. Peruvian chief delegate has just called. He states that Colombian delegation has practically accepted principle of solution embodied in Mello Franco's protocol (my 75, May 10, 11 a. m. [*p. m.*?]) but that Colombians have now adopted "evasive attitude" as to conclusion of agreements referred to in articles 4, 5 and 6. Peruvians feel that the agreements covering the provisional regime in the frontier district should be incorporated in the protocol as proposed by Mello Franco and provided in numbered paragraph 2 of article 6 whereas the Colombians are now advocating concluding a protocol confined to general principles and defers the agreements in question to subsequent negotiation.

Maúrtua talked sensibly of the existing situation. He says he feels it is imperative to conclude full agreement such as that outlined in Mello Franco's protocol in order to avert disastrous consequences which at best might be a resumption of hostilities and at worst hostilities and political upheavals in both countries. He says that he is willing to be generous in an effort to meet specific Colombian desiderata but that he feels there is no excuse for failure to reach early agreement and for that reason he inquires whether our Government would feel disposed to talk the matter over with the Colombians in a friendly way pointing out the danger of delay and our earnest hope that some means may be found of concluding full agreement before the expiration of the League mandate.

I told Maúrtua I could not of course answer his question but that I would report his conversation and that he might be sure it would be considered in the light of our deep interest in the peaceful solution of this difficulty.

While I have not discussed that phase of the matter in sufficient detail with the Colombians to make any definite assertion I must say

that I brought away from my last night's talk with the Colombian chief delegate the impression that he was anxious to prolong the negotiations and avoid an early and complete agreement.

If you feel that you can talk with the Colombians in the sense indicated an indication of your views might well have a deciding influence.

GIBSON

721.23/2284 : Telegram

The Minister in Colombia (Whitehouse) to the Secretary of State

Bogotá, May 11, 1934—5 p. m.

[Received 9:25 p. m.]

28. My 27, May 11, 1 p. m. President sent for me this afternoon and explained in detail the points under discussion at Rio.

Three of the difficulties are minor. The first is that Peru while expressing regret for the events that occurred wishes to add "although she has no responsibility for them". The second is how to arrange for the respective demilitarization. The third refers to the powers of the commission. Peru wants the commission to have power to make a definite resolution regarding indemnification for any infraction of the agreements if within 90 days after notification the offending Government shall not have taken the necessary action. The Colombian Government is afraid of giving such power to the commission and desires that the commission's resolution shall not have executive force and to be able to take the matter to The Hague if necessary.

The fourth and most serious is in substance [what] the Minister for Foreign Affairs told me this morning. The President gave me the text of article No. 7 of the Mello formula. After the preamble which is acceptable to both parties it reads as follows: "Sole article. In this case the High Contracting Parties bind themselves reciprocally to agree between themselves as to the means of execution of the sentence. If they do not reach an agreement the same Court shall ordain under the terms of article 38 of the respective statute." Or as an alternative to the second sentence "If nevertheless they do not reach an agreement there is attributed to the same Court besides its ordinary competence the faculty of making effective the sentence in which has been declared the right of one of the contracting parties". The President said Colombia could not accept the first but possibly the second. Colombia had however proposed a substitute as follows: "In this case the parties recognize that the Court can determine the form in which its sentence is to be executed."

While he knew I had seen the Minister for Foreign Affairs this morning the only reference he made to Peru's reservations in adhering

to the Court was to say that if Peru wished to annul their reservations that was Peru's affair and could not be objected to by Colombia which had made no reservations to its act of adherence.

WHITEHOUSE

721.23/2288 : Telegram

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, May 14, 1934—6 p. m.

[Received May 14—1 p. m.]

249. The Secretariat informs me that at the request of the Brazilian representative the meeting of the Leticia Committee has been adjourned pending the outcome of the present phase of negotiations in Rio which Mello Franco characterizes as showing promise of success. Both parties to the dispute have agreed to this procedure having received encouraging news of negotiations.

WILSON

721.23/2291 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, May 15, 1934—3 p. m.

[Received 4:25 p. m.]

69. Leticia. My 66.¹⁶

1. Dr. Polo¹⁷ informs me Cabinet on eve of Riva Agüero resignation approved *en toto* Mello Franco formula and that authorization was cabled Peruvian delegates to sign as soon as Colombian delegates receive similar instructions.

2. He says he cabled Freyre¹⁸ 12th to request our Government's good offices with Colombia. He requested my aid. I said I had reported Riva Agüero's expressions in the same sense.

3. He states readjustments in Colombian Cabinet are due to the removal of *intransigent* members and way being paved by new appointments for agreement with Peru.

4. He expresses conviction Colombia will soon accept Mello Franco formula saying Colombian wishes on all political matters have been met and that only details as to customs, commercial and navigation questions remain to be settled.

5. He concedes the full return of Leticia to Colombia and says nothing more about territorial compensation.

¹⁶ Telegram No. 66, May 14, noon, not printed. It reported that the President of the Council of Ministers, Riva Agüero, had resigned creating a Cabinet crisis. (823.00/1084)

¹⁷ Solon Polo, Peruvian Minister for Foreign Affairs.

¹⁸ Manuel de Freyre y Santander, Peruvian Ambassador in Washington.

6. Regarding two points of dispute: (a) references to The Hague and (b) mixed commission. He states former is for eventual matters and will cause no difficulty; latter not intended to subtract in the least from full Colombian sovereignty but rather, if I understood him correctly, to make possible an earlier reestablishment of Colombian sovereignty by substituting mixed commission as soon as formula adopted for League's Commission, Colombian authority to be installed upon retirement League's Commission and mixed commission then to begin its functions taking up negotiations where they are left off by the delegates at Rio de Janeiro who will also then withdraw.

7. I understand Polo to mean that upon renewal of diplomatic relations between the two countries mixed commission will at least at first take charge of the "direct" negotiations between the two countries. He seems certain mixed commission is not to have seat at Leticia except for brief period as it takes over from League Commission *pari passu* apparently with delivery of Leticia to Colombian authorities.

8. . . . Printed news from Iquitos is growing more truculent and takes form of statements that Leticia must not be given up and that President is expected to bring about a satisfactory solution. Lima seems more resigned to the inevitable.

DEARING

721.23/2297 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, May 16, 1934—midnight.

[Received May 17—1:10 a. m.]

85. My 84, May 16, 2 p. m.¹⁹ Meeting referred to in my 84, May 16, 2 p. m., has just terminated. Mello Franco informs me that remaining two points have been agreed upon in principle by delegates here who are telegraphing agreed changes and additions in his compromise protocol to Bogotá and Lima for approval. Point 1 as proposed by Colombia, is redrafting of beginning of article 1 to read as follows:

"Peru sincerely deplores the events which occurred beginning on September 1, 1930 [1932], and which have perturbed its relation with Colombia. The two countries et cetera."

Point 2 is an addition to paragraph 3 of article No. 6 suggested by Mello Franco in following language:

"From this decision either of the Governments may appeal within a period of 30 days to a court of arbitration to be set up in Rio de Janeiro and composed of the President of the Supreme Court of Brazil, the Federal Judge of the First District and the Solicitor General of the Republic."

¹⁹ Not printed.

Complete agreement is therefore contingent upon favorable decision in Lima and Bogotá. Mello Franco would value any support you feel justified in giving in conversations with Peruvian and Colombian representatives in Washington and possibly through our representatives in Bogotá and Lima. If two Governments approve these changes the political aspect of the Leticia question may be considered as settled, there will only be remaining drafting of agreements for provisional regime in frontier regions which are to form integral part of protocol. I should appreciate any views you can give me for my guidance in conversations with Colombian and Peruvian delegates.

GIBSON

721.23/2303 : Telegram

The Minister in Colombia (Whitehouse) to the Secretary of State

BOGOTÁ, May 17, 1934—6 p. m.

[Received 8:20 p. m.]

30. The Secretary of the Foreign Office sent for me this afternoon to tell me, first, that Colombia had accepted the alternative formula of Mello Franco for article 7 (see my telegram 28²⁰). Second, that Peru had now suggested fundamental modifications of the supplementary agreements to the Mello formula; namely, those mentioned in the second paragraph of my telegram 19, April 11, noon [11 a. m.?²], which are an integral part of the protocol under the Mello formula. He then handed me the text of the agreements as proposed by Colombia. These are quite inoffensive and text will be forwarded by air mail. As I did not see how their subject matter could lend itself to serious differences I asked what the Peruvian proposals were. He did not know but said he would ask at the Palace if they had received them.

On account of these sudden Peruvian proposals no discussion of the minor difficulties mentioned in my telegram 28 has yet begun.

WHITEHOUSE

721.23/2297 : Telegram

The Secretary of State to the Minister in Colombia (Whitehouse)

WASHINGTON, May 17, 1934—7 p. m.

18. We are advised by Mello Franco that the Colombian and Peruvian delegations at Rio de Janeiro are in agreement on his compromise formula, including agreement in principle on his proposals relating to the two points which had remained for settlement; namely, a re-drafting of article 1 of the formula and an addition to paragraph 3

²⁰ May 11, 5 p. m., p. 353.

of article 6; and that complete agreement therefore now rests upon a favorable decision in Bogotá and Lima.

Please see the Acting Foreign Minister, advise him orally of the foregoing, and say that your Government on the basis of the information which it possesses regarding Mello Franco's compromise formula, regards it as equitable and as offering an honorable and peaceful method of reaching a permanent solution of this serious controversy. This Government very much hopes that it may be accepted by both Colombia and Peru. You may add that we are expressing the same views at Lima.²¹

HULL

721.23/2297 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, May 17, 1934—7 p. m.

49. Your 85, May 16, midnight. We are expressing at Bogotá and at Lima our opinion that the Mello Franco compromise formula, with the proposals he has made to cover the remaining two points, is equitable and offers an honorable and peaceful method of reaching a permanent solution of this controversy. We have expressed hope that the formula may be accepted by both Colombia and Peru.

HULL

721.23/2307 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO [May 18, 1934—10 a. m.]

[Received May 18—9:40 a. m.]

87. My 85, May 16, midnight. Mello Franco informs me all agreements for provisional regime in frontier zone has been drafted and were definitely accepted by both delegations at last night's meeting. It would therefore appear that for all practical purposes the conference is only awaiting agreement on point 2, referred to in my telegram, namely, addition to paragraph 3 of article 6.

GIBSON

721.23/2309 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, May 18, 1934—1 p. m.

[Received 1:42 p. m.]

73. Department's telegram No. 40, May 17, 7 p. m.²² Leticia.

1. Foreign Minister expresses deep appreciation for message.

²¹ Telegram No. 40, May 17, 7 p. m., not printed.

²² See footnote 21, above.

2. He states instructions were sent to Peruvian delegation late last night to accept Mello Franco compromise formula unconditionally and to sign.

3. He hopes final agreement and signature can be accomplished tomorrow and says our good offices with Colombia will be decisive.

4. British Minister informs me British Legation Bogotá reports Colombia ready to sign compromise formula but that Peru is raising questions under article 4.

5. Minister of Foreign Affairs made no reference to this but gave every indication of Peru's firm decision to meet Colombian wishes and Mello Franco's suggestions at all points. He stated that Peru had accepted original formula unconditionally and was accepting the compromise formula without reservation of any kind.

DEARING

721.23/2308 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, May 18, 1934—1 p. m.

[Received 1:35 p. m.]

89. My 87, May 18, 10 a. m. Mello Franco has telegraphed Najera stating that agreement is practically achieved and expressing the hope that matter will not be discussed in Geneva lest something be said or done to prejudice agreement. Brazilian representative at Geneva has received instructions in the same sense from the Foreign Office and it is hoped you will feel justified in authorizing Wilson to act in his discretion to prevent any untoward developments.

GIBSON

721.23/2310 : Telegram

The Minister in Colombia (Whitehouse) to the Secretary of State

BOGOTÁ, May 18, 1934—6 p. m.

[Received 8:44 p. m.]

31. I have just seen the President as there is no acting Minister of Foreign Affairs and gave him your message. He told me that as to article 1 the delegations were now in agreement but that as to paragraph 3 of article 6 the [Peruvian] President wished to have after the reference to the appeal to the Court the words "without our prejudice of the provisional execution" and to this he could not agree as it put too much power in the hands of the commission. He pointed out that from the facts of the case nobody of any importance would accept membership on such a commission and what would amount to practically the power of final decision could not be left in their hands without the prior right of appeal.

I then asked him if he could tell me what were the fundamental modifications referred to by Gonzales in my telegram 30 of May 17, 6 p. m. He said that Maúrtua wished to make part of the agreements a settlement of the Araña claim which amounts to 10 million pesos. However the Colombian delegation have telegraphed that Maúrtua had withdrawn this.

The President seems confident that an agreement is imminent as Peru can hardly insist on the commission's decisions being carried out prior to the result of an appeal to The Hague . . .

WHITEHOUSE

721.23/2308 : Telegram

*The Secretary of State to the Minister in Switzerland (Wilson),
at Geneva*

WASHINGTON, May 18, 1934—8 p. m.

156. Following cable just received from Gibson at Rio de Janeiro:
[Here follows text of telegram No. 89, May 18, 1 p. m., from the
Ambassador in Brazil, printed on page 358.]

You may of course use your discretion.

HULL

721.23/2311 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, May 18, 1934—9 p. m.

[Received May 18—8:28 p. m.]

91. Mello Franco informs me full agreement reached on Leticia question this evening. He is so telegraphing Secretary General of the League of Nations. Final signature probably next week.

GIBSON

721.23/2314 : Telegram

The Minister in Switzerland (Wilson) to the Secretary of State

GENEVA, May 19, 1934—11 a. m.

[Received May 19—7:30 a. m.]

256. Your 156, May 18, 8 p. m.

1. At the Leticia Advisory Committee meeting this morning the President of the Committee read out a communication from Mello Franco as well as statements made to him by the Peruvian and Colombian delegates to the effect that complete agreement had been reached at Rio covering all the points at issue.

2. The Committee is making an appropriate statement to the Council which has the matter on its agenda for this afternoon.

WILSON

721.23/2315 : Telegram

The Consul at Geneva (Gilbert) to the Secretary of State

GENEVA, May 19, 1934—11 p. m.
[Received May 19—7:52 p. m.]

84. Council this afternoon adopted a report embodying the communication from Mello Franco cited in Wilson's 256, May 19, 11 a. m. and directed the transmission of a congratulatory telegram to Mello Franco.

GILBERT

721.23/2326 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, May 24, 1934—8 p. m.
[Received 8:20 p. m.]

101. Leticia agreement signed 6 o'clock this afternoon. Last act of Conference was to address a plea to Bolivia and Paraguay to seek peaceful solution of Chaco conflict.²³

GIBSON

721.23/2346

The Ambassador in Brazil (Gibson) to the Secretary of State

No. 277

RIO DE JANEIRO, June 1, 1934.
[Received June 9.]

SIR: With reference to the Embassy's telegram No. 101—May 24, 8 P. M., and previous correspondence, I have the honor to enclose herewith a copy and translation of the agreement signed in this city on May 24, 1934, between the Colombian and Peruvian delegations with respect to the Leticia matter.

The agreement has been extremely well received in this city on all sides. Not only the Colombian and Peruvian delegates have expressed their great satisfaction in interviews granted to various local papers but also the local press has been unanimous and profuse in its expressions of approval. High praise has been showered upon the ex-Minister of Foreign Affairs, Mr. Mello Franco, for his indefatigable work of conciliation. *A Nação* has suggested that the Nobel Peace Prize for 1934 should certainly be given to him and this proposal has been echoed not only in the local press but evidently also in other countries. Particular gratification has been expressed at the success of this peace endeavor in view of precarious and unpromising situations which exist in other parts of the world.

²³ See pp. 32 ff.

The Department will observe that the protocol and additional act settle everything down to the minutest detail, with the exception of the one vital question—the modification of the boundaries established in the 1922 treaty, which is left to “negotiations between the two countries through normal diplomatic channels” or perhaps to “a decision of International Justice”. Nevertheless, the value of the present agreements should not be minimized. They furnish an invaluable sedative to overly excited national feelings, and particularly in view of the provisions of Article 7 of the Protocol it would be difficult for the countries to go to war even should diplomatic negotiations break down.

In closing I wish to repeat the information forwarded in my telegram No. 93 of May 19, 1 P. M.,²⁴ with respect to the efforts of Dr. Mello Franco. In spite of the death of a brother and a daughter during the critical period of the negotiations, it was largely on account of his patience, tact and resourcefulness that any agreement was concluded.

Respectfully yours,

HUGH GIBSON

[Enclosure—Translation²⁵]

*Protocol of Peace, Friendship and Cooperation and Additional Act
Between the Republic of Colombia and the Republic of Perú, Signed
May 24, 1934*

The Republic of Colombia and the Republic of Perú, executing the agreement adopted by them in Geneva on May 25, 1933,

Considering,

That both Republics, in harmony with the moral conscience of humanity, assert as a fundamental duty of States the proscription of war, the settlement of their difficulties politically or juridically and the prevention of the possibility of conflicts between them;

That this duty is the more agreeable for the States which compose the American community, among which exist historical, social and sentimental ties, which cannot be weakened by divergencies or events which must always be considered in a spirit of reciprocal understanding and good will;

That this duty of peace and cordiality may be better accomplished by applying the methods established by contemporary international

²⁴ Stating that he was sure a personal message of congratulation from the Secretary to Mello Franco would be much appreciated. The Secretary replied in telegram No. 51, May 22, 1 p. m., that on the preceding day he had sent a telegram of congratulation to Mello Franco. (721.23/2316)

²⁵ Revised translation made in the Division of Latin American Affairs.

law, for the juridical settlement of differences between States, and for the guarantee and development of human rights.

That the attitude which they now adopt should serve as a fraternal encouragement for the settlement of other international American conflicts:

Have appointed their respective Plenipotentiary Delegates, to wit:

His Excellency the President of the Republic of Colombia, Their Excellencies Doctors Roberto Urdaneta Arbeláez, Guillermo Valencia and Luíz Cano. His Excellency the President of the Republic of Perú, Their Excellencies Doctors Victor M. Maúrtua, Victor Andrés Belaunde and Alberto Ulloa. Who, having assembled in the city of Rio de Janeiro, capital of the Republic of Brazil under the presidency of His Excellency Señor Afranio de Mello Franco, and having exchanged their full powers which they have found in good and true form, have agreed to sign, in the name of their respective Governments, a Protocol of Friendship and Cooperation as well as an additional act as follows:

PROTOCOL OF PEACE, FRIENDSHIP AND COOPERATION BETWEEN THE
REPUBLIC OF COLOMBIA AND THE REPUBLIC OF PERÚ

Article 1. Perú sincerely deplores, as she has previously declared, the events which have taken place since September 1, 1932, which have disturbed her relations with Colombia. The two Republics having resolved to reestablish their relations, Perú expresses the wish that these may be restored with the same intimate friendship as in the past, and the profound cordiality of two sister peoples. Colombia shares these sentiments and declares that it has an identical purpose.

In consequence, Perú and Colombia agree simultaneously to accredit their respective Legations in Bogotá and in Lima.

Article 2. The Boundary Treaty of March 24, 1922, ratified on January 23, 1928, constitutes one of the juridical ties which bind Colombia and Perú and may not be modified or affected except by mutual consent of the parties or by a decision of International Justice within the terms below established in Article 7.

Article 3. Negotiations between the two countries shall continue through normal diplomatic channels, in order that all pending problems may receive a just, lasting and satisfactory solution; and in the course of said negotiations, the principles established in the present protocol shall be observed.

Article 4. In view of the common requirements of the two states in the valleys of the Amazon and Putumayo basins, Perú and Colombia are adopting special agreements regarding customs houses, commerce, free navigation of the rivers, protection of settlers, transit and policing

of frontiers; and shall adopt such other agreements as may be necessary to obviate any difficulties which may or might arise in the frontier region between the two countries.

Article 5. The two States shall study an agreement for the demilitarization of the frontier, according to the normal requirements of their (or its) security. The two Governments shall for this purpose appoint a technical commission composed of two members for each of the High Contracting Parties, alternately presided over month by month by the official of the highest rank of each. The first President shall be chosen by lot. The seat of the Commission shall be fixed in common agreement by the two Governments.

Article 6. To supervise the agreements covered by Article 4 and to stimulate their execution, a commission of three members is hereby created, appointed by the Governments of Perú, Colombia and Brazil, the president of which shall be appointed by the latter country. The seat of the commission will be in territory of one or the other of the High Contracting Parties, within the limits of the region to which the above-mentioned agreements apply. The commission shall be free to move from one point to another within those limits, in order more effectively to collaborate with the local authorities of both States for the maintenance of a régime of permanent peace and good neighborhood on the common frontier. The period of duration of this commission shall be four years, which may be extended at the discretion of the two Governments.

Paragraph 1. The Mixed Commission referred to has no police powers, administrative functions or juridical competence in the territories under the jurisdiction of the High Contracting Parties whose authority shall be fully exercised therein.

Paragraph 2. However, if in the execution of the agreements above mentioned, which form an integral part of this treaty, there should arise any disputes due to acts or decisions which may imply a violation of any of the above mentioned agreements or which may refer to the interpretation of them or to the nature or extension of the reparations due for the breaking of one of them,—and such conflicts should be brought by the interested parties to the attention of the commission,—the latter will transmit them, together with its report, to the two Governments so that they may take adequate measures in common agreement.

Paragraph 3. In the absence of such an understanding and after a period of ninety days has elapsed, counting from the date of the communication to the two Governments, the dispute shall be settled by the Commission. Either of the two Governments may appeal, within a period of thirty days, from this decision, to the Permanent Court of International Justice at The Hague.

Paragraph 4. The two Governments shall request the Government of Brazil to cooperate in the composition of the commission.

Article 7. Colombia and Perú solemnly obligate themselves not to make war nor directly nor indirectly to employ force as a method for the settlement of their present problems or of any others which may arise in the future. If in any eventuality they should not succeed in settling them through direct diplomatic negotiations, either of the High Contracting Parties may appeal to the procedure established by Article 36 of the Statute of the Permanent Court of International Justice, without the latter's jurisdiction being excluded or limited by the reservations which either of them may have made in the act of signing the optional clause.

Sole Paragraph. In this case, the decision having been announced, the High Contracting Parties obligate themselves to come to an agreement regarding the methods for its realization. Should they not reach an agreement, there are conferred upon the Court, in addition to its ordinary competence, the powers necessary to carry out the decision in which it has declared the right of one of the High Contracting Parties.

Article 8. The present Protocol and the agreements referred to in Article 4, shall be submitted within the shortest period possible, to the ratification of the Legislative Power of the High Contracting Parties, without prejudice to the immediate application of all the measures, according to such constitutional law of each of them, as does not depend upon the previous approval of the Power above mentioned.

Article 9. The exchange of the instruments of ratification of the present Protocol and of the additional act which accompanies it, shall be effected within the shortest time possible, before December 31st of the current year.

In faith of which the Plenipotentiaries above mentioned have signed the present Protocol and have affixed their seals, in two copies at the City of Rio de Janeiro on the 24th day of May, 1934.

ADDITIONAL ACT

which constitutes an indivisible whole with the Protocol signed upon this date by the Delegations of Plenipotentiaries of Colombia and Peru, to which Articles 4 and 6 of said Protocol refer.

Article 1. Entire freedom of transit and navigation shall exist between the fluvial territories of Colombia and Peru, in the valleys of the Amazon and Putumayo. In the exercise of this freedom there shall be no distinction between flags. There also shall be no distinction between the nationals of either of the Contracting States, nor between individuals, who, coming from one of the States, may proceed to the territory of the other, nor between their property or possessions.

In either of the States the nationals of both States shall be treated upon a basis of perfect equality. No distinction can be made by reason of the origin or destination or address of consignments.

Article 2. Colombian craft in Peru and Peruvian craft in Colombia navigating their common rivers, tributaries and confluents are exempt from every impost whatever its origin or name.

Article 3. Coastwise commerce or that from port to port of the same country, even though passing through foreign waters, with or without transfer from one vessel to another, shall be subject in each of the two States to its respective laws. The two States shall study the possibility of extending reciprocally, up to a specified boundary from their respective river banks, the advantages and restrictions of their own coastwise navigation.

Article 4. Merchandise in transit shall not be examined by the fiscal or police authorities of either of the countries.

Article 5. In the exercise of the right common to both States to establish provisions and adopt measures required for the general policing of the territory and for the application of laws and regulations regarding the supervision and sanctions over contraband, health, precautions against diseases of animals and plants, emigration and immigration, importation and exportation of forbidden merchandise, it is understood that these provisions and measures shall not go beyond the limit of necessity and shall be applied upon a footing of perfect equality to the nationals and merchandise of both countries, or which are proceeding to or from either of them, and in no case, without necessity, shall the freedom of navigation or transit which both countries recognize to each other in perpetuity in treaties now in effect, be obstructed.

Article 6. By common accord, Colombia and Peru may establish, when they deem it necessary, imposts of a retributive character, which shall be exclusively destined in an equitable manner to the improvement of conditions of navigation of one or more of their common rivers or their tributaries and confluents and in general to the better service of navigation. Aside from these imposts which shall be the same for the nationals, the vessels and the merchandise of both countries, no other imposts shall be collected between them on the visé of consular invoices, health, tonnage, captaincy of ports, bills of lading, manifests, statements, crew lists, passenger lists, ship store lists, or any other no matter what its name or object, nor may they oblige the vessels of any flag, destined to the ports of one of the countries to carry inspectors or fiscal officers of the other country, or to make forced calls at ports.

Article 7. All shipping owned and manned according to the laws of the country to which it belongs shall be considered Peruvian in Colombian ports and Colombian in Peruvian ports.

For the effects of this Article and for those of Article 2, it shall be understood that vessels, boats, launches, rafts for carrying lumber, rubber and other articles are included, as well as in general, all means of commerce and transit in use in the region. All of these shall enjoy the rights, advantages and liberty now granted or which may be granted to their own nationals for the exercise of their business and activities.

Article 8. Merchant and war vessels of Colombia and Peru shall enjoy, furthermore, all the rights and privileges which, with respect to commerce and to river navigation, each one may have recognized or conceded, or may in the future recognize or concede to any other State.

II.

Article 9. The two States shall organize a special customs regime to facilitate frontier traffic and to protect and develop the commerce of their boundary river regions. For this purpose the custom-house duties and imposts or accessory duties which must be paid on the merchandise, no matter where originating, shall be identical in either country in said regions. The two countries shall come to an agreement for the establishment of a common tariff, adequate to the requirements of the respective regions.

Until this tariff is agreed upon, the highest at present established shall govern.

The custom-house regulations shall also be uniform for both countries in said regions with respect to the manner of collecting duties and the rules, formalities and charges which may be required by shipping operations.

Article 10. A system of customs exemptions shall be established according to which the products of either country, imported in exchange for products received from the other country for the same value, shall be exempt from taxes and duties, in order that each country may free an amount of products equivalent to that which the other has exported.

Article 11. Neither country shall collect duties, taxes or imposts upon agricultural products or their by-products of the frontier zones, destined for exportation.

Lumber destined for working in saw-mills, for exportation, shall be exempt from all import or export taxes.

Article 12. Persons and ships under any flag and merchandise in transit which, destined to the fluvial ports of either country, may have to touch at the ports of the other country, shall be exempt from any impost, tax or contribution, as well as from all those formalities which may obstruct, impede or prejudice in any way their transit. No deposit shall be required.

Article 13. Such merchandise in transit shall be free in either country from the requirement of consular visés and from any other documents or formalities, excepting only those indispensable to hygiene and public safety; in this case, however, they shall be given without the respective officials being allowed to collect any duty, tax or contribution and without detriment to freedom of transit, (un)justified delay in the forwarding, or surcharge on freight.

Article 14. The High Contracting Parties shall proceed without delay to constitute a mixed Commission composed of three Colombian citizens and three Peruvian citizens, appointed by the respective Governments to develop the work of the most complete customs cooperation. It shall be the duty of this Commission: First, to suggest a common customs tariff for Colombian and Peruvian river ports, in the region comprising the valleys of the common rivers. Second, to suggest the unification of the customs regulations to be applied by the authorities of both countries in the fluvial ports. Third, to draw up and propose the system of customs exemptions referred to in Article 10. Fourth, to study all the provisions regarding policing of frontiers to be applied by either country in the fluvial regions, in order to unify the above mentioned provisions and to adopt them as well as possible to the requirements of the region, endeavoring to give the greatest facilities to its inhabitants.

Article 15. It shall also be the duty of the Mixed Commission, mentioned in the preceding article; First, to suggest to the Governments the establishment of an equitable system, equal in both countries, of municipal decisions regarding food supplies coming from neighboring farms and regarding lumber, woods and palm leaves. However, while this system is being established, none of the above mentioned duties shall be collected in either country by the Municipal authorities. Second, to suggest the regulation of a system of free commerce, exempt from any impost or tax, for food supplies, medicines, cotton cloth and tools, brought from abroad, to the frontier regions of the Putumayo.

However, until this system is established, no contribution or tax will be collected on the introduction of these articles. Third, to organize a system of cooperation to prevent smuggling on the frontiers and facilitate its suppression.

III.

Article 16. The two States shall make every effort to exercise in the respective fluvial boundary regions a careful vigilance for the effective safety of the enjoyment and exercise of civil rights and individual guarantees recognized by their laws, of the inhabitants dispersed throughout the forests and those who inhabit the cities and populated

centers of the river valleys. The two States consider the measures above-mentioned as an essential condition of international juridical life.

Article 17. The two States shall apply in their fluvial territories the principles of law which assert human dignity, labor and the freedom and welfare of their civilized and uncivilized inhabitants. Consequently they recognize: *a)* that labor shall not be considered an article of commerce; *b)* that labor should receive a wage which will assure it an appropriate standard of living in accordance with the circumstances of the locality and time; *c)* that norms established in each country regarding labor conditions, should guarantee an economical and equitable retribution and have in mind the safety and hygiene of the laborer, the work done by him, the climate, age, sex, food, cultural requirements and the necessary daily and weekly rest, the latter of at least 24 hours; *d)* that wages should be equal, regardless of sex; *e)* that the laborer in the forest regions should be specially protected against danger and disease.

Article 18. With reference to the Indians, not adapted or not completely adapted to civilization, the two States recognize it as their fundamental duty, in their respective zones of contact, to charge themselves assiduously and preferentially with the situation of the indigenous tribes, with a view to protecting them, educating them, aiding them, and improving their present condition.

a) Public instruction shall be promoted and schools shall be established in which instruction shall be given in the language of the Indians.

b) All forced and obligatory labor shall be prohibited.

c) The transmission of property does not impose the obligation of emigrating.

d) Freedom of movement is assured with respect to entrance, transit or return one or more times without other formalities than those which custom and the general laws may have established, which formalities shall not be applied to the Indians.

e) The principles adopted by the League of Nations regarding alcoholic beverages, arms and munitions and the prevention and combating of diseases of plants and animals, shall be applied.

f) An effort shall be made in the settling of the natives to prepare them especially for civilized life in their places of origin where the task of attracting and preparing their companions shall be effected.

g) The High Contracting Parties shall maintain, at their expense, in specified localities, dispensaries sufficiently supplied with the drugs and instruments required for the methodical continuous or occasional treatment of the Indians, for the maladies common to the region or in times of epidemic. This service shall be technically organized for the purpose.

h) The High Contracting Parties shall provide that not only in the private companies of exploitation, but also in the special posts and foundations and in the Indian settlements, plants adapted to the

region shall be sowed in order to eliminate certain diseases of the zone, caused by deficient alimentation and the Indian shall be taught to cultivate them.

i) The High Contracting Parties shall provide that the wage received by the Indians shall be converted into work tools, clothes, household goods, et cetera, and in no case into alcoholic beverages. They shall also take measures to save them from persons exploiting their ignorance and ingenuousness.

j) The same Mixed Commission entrusted with the fulfillment of the agreement shall organize a service of inspection which shall assure faithful compliance with the above-mentioned principles, the application of which shall be confided to the loyalty and humanitarian sentiment of the two States.

In faith of which the Plenipotentiaries above-mentioned have signed the present Additional Act and have thereunto affixed their seals, in two copies, at the city of Rio de Janeiro, on the twenty-fourth day of May nineteen hundred and thirty-four.

AFRANIO DE MELLO FRANCO
ROBERTO URDANETA ARBELÁEZ
GUILLERMO VALENCIA
LUÍZ CANO
VICTOR M. MAÚRTUA
V. A. BELAUNDE
ALBERTO ULLOA
ELISEO ARANGO, SRIO.
RAÚL PORRAS B., SRIO.

721.23/2354 : Telegram

The Minister in Colombia (Whitehouse) to the Secretary of State

BOGOTÁ, June 19, 1934—5 p. m.
[Received 7:47 p. m.]

46. Leticia was turned over to the Colombian Government this morning without incident and the Commission has departed.

WHITEHOUSE

721.23/2389 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, November 3, 1934—10 a. m.
[Received 11:35 a. m.]

105. Peruvian Constituent Assembly by vote of 61 to 11 last night approved Rio de Janeiro Protocol concerning Leticia.

DEARING

721.23/2401 : Telegram

The Chargé in Colombia (Washington) to the Secretary of State

BOGOTÁ, December 10, 1934—noon.

[Received 4:23 p. m.]

100. Roberto Urdaneta yesterday resigned as Minister for Foreign Affairs stating that as the congressional committees had terminated their study of the Rio de Janeiro Pact he wished to assume his seat in the Senate for the purpose of defending it.

Rio de Janeiro Pact is encountering unexpected difficulties in the Colombian Congress due entirely to domestic politics. Besides Fabio Lozano and Pedro María Carreño who are the leading opponents it is understood that Laureano Gómez has decided to support some amendments to articles 2 and 7. Last week Chancellor Urdaneta told Minister Whitehouse that his substitute in the Senate who is a follower of Laureano might not support the Pact without amendments and that if the opposition appeared too strong he might resign from the Cabinet and assume his Senate seat. His now having taken this step indicates that the situation is one to cause concern. As the Pact will probably be returned today by the Senate Committee to the floor of that body it is believed that more definite information regarding the line-up among the Senators may be available within a few days.

You might consider the advisability of explaining personally concern regarding matter to the Colombian Chargé d'Affaires in Washington who would undoubtedly communicate with his father-in-law, Dr. Carreño who is one of the leading opponents of the Pact.

WASHINGTON

721.23/2402 : Telegram

The Chargé in Colombia (Washington) to the Secretary of State

BOGOTÁ, December 12, 1934—4 p. m.

[Received 6:26 p. m.]

103. My telegram No. 100, December 10, noon. Senate Foreign Relations Committee has named Fabio Lozano and one other to draft a majority report which will not be submitted to Senate until the end of this week.

Though President López has expressed himself to be favorable to the Pact, he has stated that he will do nothing to influence the decision of Congress.

Guillermo Valencia, one of the signers of the Pact, remains in Popayán, declining the Senate's invitation to appear before it to defend his work.

Pact is considered safe in the House. In the Senate with Liberal Lozano in opposition and Conservative Urdaneta voting with the

Liberals and Pomanistas in favor of the Pact as it stands, the remaining Conservative Senators led by Laureano Gómez can cause a tie in a decisive vote.

Important factors are Gómez' personal hatred of Olaya and Urdaneta, the desire of all the legislators to force the President to summon another extraordinary session of Congress after the termination of the present one on December 31, and the maneuvers of the Conservatives to increase their power over the Government. They may allow the Pact to pass after they have secured some concessions from the Liberals, but as yet they show no sign of being influenced by considerations of internationalism.

WASHINGTON

721.23/2403 : Telegram

The Chargé in Colombia (Washington) to the Secretary of State

BOGOTÁ, December 13, 1934—7 p. m.

[Received 10:50 p. m.]

104. My telegram No. 103, December 12, 4 p. m. Urdaneta, Eduardo Santos, Luíz Cano and other defenders of Rio de Janeiro Pact appear to be extremely pessimistic regarding its fate, believing that for reasons of domestic politics the Conservatives will force a tie in the Senate and thereby prevent approval. Some persons who have spoken to President López have found him unconcerned and there is a report that he has an understanding with Conservative leader Gómez that after attacking the Pact several Conservative Senators will abstain from voting and allow it to pass. Few of the Pact's friends appear to give credence to this report though some believe that if President López should exercise only a slight pressure the approval of Pact would be assured.

Brazilian Minister has recommended to his Government by cable that Brazil, Great Britain and the United States make friendly representations to the Colombian Government pointing out the unfortunate consequences that would arise from nonratification of the Pact. I believe that a public appeal in which Brazil and the United States were the major participants might fail, both of these nations having been attacked at different times by the critics of the Pact. However, individual representations through Colombian diplomatic representatives in these and other countries to President López might produce the desired result. In order to avoid any misinterpretation it might be advisable that an appeal if public be made by all the American nations or by the League of Nations.

WASHINGTON

721.23/2404: Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, December 13, 1934—11 p. m.
[Received December 14—2:35 a. m.]

126. 1. Prefacing his statement by saying he was speaking to me after consultation with the President and in strictest confidence, the Minister for Foreign Affairs this afternoon informed me this Government is seriously alarmed by the course of affairs at Bogotá as reported by the Peruvian Minister there, Belaunde, in connection with the ratification of the Protocol of Rio de Janeiro for the settlement of the Leticia dispute.

2. He said there was no doubt whatever here as to López' sincerity but that it was felt he was overconfident and had erred in his tactics in leaving the question for the free disposition of the Congress.

3. He pointed out that ratification should take place prior to December 31, that the report of the special commission will not be made until about the 16th, that Senators supposed to be favorable are wavering and that Laureano Gómez and Fabio Lozano are working more and more successfully to defeat ratification.

4. The Foreign Minister stated that notwithstanding President Benavides' popularity in Loreto due to his Caquetá success in 1911 it would be impossible for this Government to control Loreto or what might happen there in case the Protocol should fail of ratification at Bogotá. He added that there was a tie and a deadlock in the Colombian Senate even with Urdaneta's participation and that he viewed the situation with the gravest concern.

5. He definitely inquired whether our Government would be willing in the interest of peace and good understanding to send some appropriate message to López or at least make an inquiry which would make the Colombian Government aware of our interest and concern so the Rio de Janeiro Protocol would be approved and ratified.

6. I expressed some incredulity as to the situation being as menacing as it appeared but the Minister who is not an alarmist informed me most earnestly he was seriously alarmed.

7. And the Embassy has learned enough of the growing unrest here and the background of the recent revolutionary outbreak to take the Minister, who reflects the President's attitude and very likely that of the Cabinet as well, at his word. In any event an adverse reaction in Loreto would be a difficult and costly thing to control.

8. I expressed my sincere sympathy with the Minister's desire to avoid unfortunate developments and said I would lay situation at once before our Government so its full import would be realized and it could do what it might deem necessary in the circumstances. Please instruct. Not repeated to Bogotá.

DEARING

721.23/2405 : Telegram

The Chargé in Colombia (Washington) to the Secretary of State

BOGOTÁ, December 14, 1934—1 p. m.

[Received 1:45 p. m.]

106. Conversation with Olaya and Luíz Cano lead me to believe that inquiries from individual American nations and more especially from the appropriate committee of the League of Nations as to the present status of the Rio de Janeiro Pact in the Colombian Congress might result in a change in attitude on the part of those opposed to the Pact. This inquiry could be based on the fact that according to article 9 ratifications must be exchanged by December 31. The Senate will probably commence its formal discussions on Monday afternoon. If action is to be taken it would be preferable that it be done before all the Conservatives have committed themselves to oppose the Pact.

WASHINGTON

721.23/2406 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, December 14, 1934—3 p. m.

[Received 6:05 p. m.]

127. My 126, December 13, 11 p. m. British Minister has just shown me messages from British Minister at Bogotá to Foreign Office, London, repeated to Lima and Rio de Janeiro, stating prospects of ratification of the Rio de Janeiro Protocol by Colombian Congress steadily decrease and that while the Colombian people approve the settlement, the Congress is apt to defeat it.

2. British Minister has just talked with Foreign Minister who requested him to seek the good offices of the British Government with the Colombian Government and has cabled London stressing the seriousness of the situation, the continuing unrest in Peru, the potentialities for trouble in Loreto and the Peruvian belief that López can if he wishes change his tactics, force the issue and oblige the Congress to ratify.

3. The British Minister states the Foreign Minister desires separate representations near the Colombian Government by the various friendly and interested powers and advises London against joint action with other powers or the League at the moment as calculated to unduly magnify the present danger.

4. The British Minister is conferring with the Brazilian Ambassador since his Bogotá colleague informed him the Brazilian Ambassador in Bogotá is communicating with Rio. He hints that the Nunciature, the Chilean Embassy, and the French and Italian Legations may also be interesting themselves in this matter shortly.

5. The Minister finally stresses in his telegram to London that Peru has a very great advantage under the Protocol and that the Colombian objections are based on articles 2 and 7.

DEARING

721.23/2403 : Telegram

The Secretary of State to the Chargé in Colombia (Washington)

WASHINGTON, December 15, 1934—3 p. m.

71. Your 104, December 13, 7 p. m., and 106 December 14, 1 p. m. Please call upon Foreign Minister and, with relation to this question, say that we wish to express our interest in the maintenance of friendly relations among the American states and our confident hope that the Rio de Janeiro Protocol, already ratified by Peru, may receive ratification in Colombia before the date fixed in the Protocol for exchange of ratifications.

Consult your Brazilian colleague and if he has received similar instructions you may make the foregoing oral statement to the Foreign Minister simultaneously with action taken by the Brazilian Minister, but not in any sense as a joint statement.

Your 100, December 10, noon, last paragraph. We have on various occasions expressed this thought to the Colombian Chargé d'Affaires here and shall endeavor to do so again on Monday, December 17.

HULL

721.23/2407 : Telegram

The Chargé in Colombia (Washington) to the Secretary of State

BOGOTÁ, December 17, 1934—noon.

[Received 1:40 p. m.]

108. Department's telegram No. 71, December 15, 3 p. m. Brazilian Minister not having received any instructions and in the absence of the Colombian Minister for Foreign Affairs I delivered your message to the Secretary of the Foreign Office. He replied that he would tell the President.

The present confused political situation makes it impossible to foretell developments with regard to ratification of the Rio de Janeiro Pact.

WASHINGTON

721.23/2404 : Telegram

The Secretary of State to the Ambassador in Peru (Dearing)

WASHINGTON, December 17, 1934—2 p. m.

72. Your 126, December 13, 11 p. m., paragraph 5. You may advise the Minister for Foreign Affairs orally in the strictest confidence that

we have expressed our interest in this matter to the Colombian Government.

HULL

721.23/2409 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, December 17, 1934—7 p. m.

[Received December 18—11: 15 a. m.]

131. Department's telegram No. 72, December 17, 2 p. m. Substance communicated to Foreign Minister who expresses profound appreciation.

DEARING

721.23/2415 : Telegram

The Chargé in Colombia (Washington) to the Secretary of State

BOGOTÁ, December 26, 1934—7 p. m.

[Received 9: 05 p. m.]

111. Rio Pact has passed Colombian House of Representatives. Most of the Conservatives were absent during the voting. Some hope is felt that it may pass the Senate by similar methods.

WASHINGTON

721.23/2418 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, December 28, 1934—10 a. m.

[Received December 29—1: 27 a. m.]

134. My telegram No. 126, December 13, 11 a. m. [*p. m.*]

1. The Foreign Minister appealed again today to the Brazilian Ambassador, British Minister, myself and possibly other diplomatic representatives for such assistance as may be possible at Bogotá.

2. He understands from Peruvian Minister there that Senate is divided 27 to 25 and that ratification is doomed.

3. He states he does not know what will happen if ratification fails, expressing great fear as to the result in Loreto which he again emphasizes the Government cannot control. He also mentions the troubled general political situation.

4. He rather looks for some last minute action by López such as dissolving Congress but is not hopeful.

5. British Minister has reported to London Peru will not give any assurances regarding scope of Protocol as described by Urdaneta in a

speech in Colombian Senate to which his opponents replied by saying they would like the same assurances from Peru.

6. I can detect no indication as to what this Government will do in case of failure of ratification but desire seems to be wholehearted to do everything possible to keep the situation from becoming aggravated.

DEARING

721.23/2419 : Telegram

The Chargé in Colombia (Washington) to the Secretary of State

Bogotá, December 29, 1934—6 p. m.

[Received 9:50 p. m.]

114. President López today issued decree declaring that the extraordinary sessions of Congress are prorogued for an indefinite period to enable it to finish its study of the Rio Pact. At the same time, he transmitted a message stating that although a majority of the Senate appears to consider the time accorded that body to arrive at an opinion to be insufficient he still hopes that in the interest of international harmony it may approve Pact before December 31st, the day specified in article 9 for the exchange of ratifications.

The Senate has held several secret sessions recently in one of which it is understood that the Foreign Minister reported the messages which had been received from foreign countries and several Conservative Senators vehemently protested against foreign intervention for the purpose of coercing the Colombian Senate. The alleged forceful intervention of Brazil and the United States at the request of the President of Peru was the subject of criticism in the public session of the House of Representatives yesterday. The President of the Senate Laureano Gómez suggested in that body day before yesterday that the Government of Peru be asked whether it agrees with the contention of the former Colombian delegates to Rio de Janeiro Conference that articles 2 and 7 of the Pact give the International Court the power to interpret only the Rio de Janeiro Pact and not the Salomon-Lozano Treaty. It is understood that the Government has been considering the suggestion.

WASHINGTON

REFUSAL OF THE UNITED STATES GOVERNMENT TO
FACILITATE PREPARATIONS FOR WAR BY COLOMBIA
AND PERU DURING THE LETICIA DISPUTE

721.23/2269

*Memorandum by the Chief of the Division of Latin American
Affairs (Wilson)*

[WASHINGTON,] April 6, 1934.

At my request the Minister of Colombia came in. I said to him that we had knowledge that the Consul General of Colombia in New York was enlisting a force of American aviators and mechanics to go to Colombia under contract to serve in peace and war; that in the event of war they were to serve in the armed forces of Colombia and to take part in hostilities.

I explained to the Minister the provisions of Sections 21, 22 and 25 of Title 18 of the United States Code, under the title "Offenses against Neutrality", particularly Section 22, and said to him that it was clear that the steps being taken in this regard by the Colombian Consul General were in violation of the spirit, if not the strict letter of the law. I said that we, of course, did not believe that the Colombian Government or its officials had desired to do anything contrary to our laws or which would cause the Government of the United States embarrassment; but the situation with regard to the law was as I had explained it. I then spoke of the consistent policy which this Government had followed ever since the outbreak of the Leticia affair, with which Dr. Lozano was thoroughly familiar, of maintaining a position of absolute impartiality and neutrality as between the two countries. I said that Secretary Hull had asked me to discuss this situation with the Minister, and in view of the provisions of the law mentioned, to ask the Minister to issue instructions to the Consul General in New York not to make any further contracts or arrangements with American citizens under which the latter agree to serve in the armed forces of Colombia and to call in the existing contracts and delete from them the clause to this effect.

Dr. Lozano said that this was the first he had known of the existence of such a law in the United States. He said that, of course, the last thing in the world his Government would wish to do would be to violate any provisions of United States law or to cause any difficulties for our Government. He said that his Legation had nothing

to do with making contracts or arrangements with Americans to go to Colombia, and that anything done to this effect had been by the Consulate General. He spoke at some length of the background of the Leticia affair, stating that Colombia was not making preparations to make war on Peru, but only to defend herself, that not only legally but morally Colombia was in the right, since the Leticia territory had been granted to her by a treaty duly ratified by both countries, the validity of which Peru did not contest, and that Peru had violated her obligations under the Briand-Kellogg Pact¹ in seizing the Leticia territory.

Dr. Lozano said that he would at once advise the Consul General in New York to "suspend all activities" of the nature complained of, and that he would cable to President Olaya a full report of the situation, requesting that instructions be sent to the Consul General along the lines desired by us. As I had mentioned that it was reported that a large number of these aviators were to embark on the SS *Colombia* on April 12 from New York, Dr. Lozano said that he would advise me immediately of the action taken by President Olaya.

I took occasion to tell Dr. Lozano of the great concern with which Secretary Hull regards this conflict between Colombia and Peru and of the Secretary's fervent hope that both countries will exhaust every possible measure of conciliation, discussion and negotiation in an effort to work out an equitable and lasting solution by peaceful means and to avoid warfare, which would be tragic in its consequences for the American continent. Dr. Lozano said that he appreciated the Secretary's sentiments, and that he wished very much to have me lay before the Secretary his views of the legal and moral position of Colombia as the aggrieved country endeavoring to protect her rights against an aggressor.

EDWIN C. WILSON

721.23/2186 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, April 10, 1934—11 p. m.
[Received April 10—3:07 p. m.]

45. 1. Subsequent to Cabinet meeting Foreign Minister informed me yesterday notification given by Governor Canal Zone under orders of Department of State repair facilities at Panama would be denied to Peruvian naval vessel *Bologne*[*si*] which is much resented by President, Minister of Marine, and other Cabinet members. I assured Minister any measures taken could not have been directed against Peru and would certainly be applied with absolute impartiality. Freyre has been instructed to make representations to the Department.

¹ *Foreign Relations*, 1928, vol. I, p. 153.

2. Press reports of enlistment of American aviators with Colombians have also caused a very bad impression the Minister informed me.

3. He is undoubtedly misinformed and accurate information is lacking. I set before him our position as outlined in Department's 423, December 10, 1932,² but he is inclined to make capital of statements in Embassy's note 281, July 12th,³ enclosure 1, with Embassy's despatch 1938 of July 18, 1932,⁴ as showing inconsistency. I assured him again of our absolute impartiality and cited case of American aviators in Rif several years ago.⁵

4. There can be no doubt the Government here feels we are showing partiality to Colombia, an impression I am endeavoring to remove as well as I am able, but being in the wrong this Government will inevitably misinterpret many things.

DEARING

721.23/2200

The Secretary of War (Dern) to the Secretary of State

WASHINGTON, April 10, 1934.

MY DEAR MR. SECRETARY: In accordance with letter from Mr. Edwin C. Wilson to the Chief of the Washington Office of The Panama Canal, dated the 7th instant, submitting draft of a radiogram to be sent to the Governor of The Panama Canal respecting the Peruvian Transport *Rimac*, the following radiogram was sent to the Governor on the 7th instant in code:

"Strictly Confidential—Following sent at request of Edwin C. Wilson of State Department:

"The Department of State has been advised by the Peruvian Ambassador that the Peruvian Transport *Rimac* will reach the port of Balboa approximately on the 9th of this month. The Ambassador does not indicate what facilities, if any, may be requested for the ship. The Department of State considers that developments between Peru and Colombia make it advisable to follow strictly the policy set out in State Department's letter to the War Department of January 20, 1933,⁶ namely, that no facilities of any nature of this Government should be placed at the disposal of either the Government of Colombia or the Government of Peru which would assist them in their preparations for possible hostilities."

"See our letter of January 21, 1933 transmitting State Department letter January 20th and other correspondence."

The following self-explanatory radio reply has been received from the Governor in code, dated the 9th instant:

² *Foreign Relations*, 1932, vol. v, p. 962.

³ *Ibid.*, p. 955.

⁴ *Ibid.*, p. 950.

⁵ See *ibid.*, 1925, vol. II, pp. 606 ff.

⁶ See letter of January 20, 1933, to the Secretary of the Navy, *ibid.*, 1933, vol. IV, p. 412.

"Strictly Confidential—Yours 7th Peruvian Transport *Rimac*. Note that above radio was not forwarded through Secretary of War. For his information desire state arrangements were made by representatives Peruvian Navy and Canal to re-boiler and general overhaul Cruiser *Bolognesi* and dock and overhaul two ex-Esthonian destroyers. *Bolognesi* now enroute Balboa and will be informed on arrival limitation placed on work by Canal."

Sincerely yours,

GEO. H. DERN

721.23/2186 : Telegram

The Secretary of State to the Ambassador in Peru (Dearing)

WASHINGTON, April 11, 1934—3 p. m.

31. Your 45, April 10, 11 p. m. The Peruvian Ambassador was informed by the Department yesterday that the contracts which had originally been entered into by the Colombian Consul General in New York with American aviators have been withdrawn and cancelled as the result of representations made to the Colombian Government by our Government that such contracts involved a violation of our neutrality laws. The Ambassador was also informed that the Colombian Government has been further advised that this Government was strongly opposed to the employment of American aviators by Colombia in any capacity but that if the Colombian Government nevertheless engaged the services of American aviators to go as civilian instructors, any contracts which might in the future be entered into with our citizens for such purpose must contain a clause specifically providing for the automatic cancellation of such contracts in the event that Colombia engages in hostilities with any other country.

Freyre was also told that we desired to offer every assistance both to Colombia and to Peru in the cause of peace in any way which the two Governments might deem proper to accept, but that we could not offer any assistance in preparations for war to either nation. An identical statement was made to the Minister of Colombia.

You may repeat these assurances to the Minister for Foreign Affairs and say that our refusal to facilitate preparations for war by either Government has been maintained and will be maintained with the utmost impartiality.

You may further repeat, as emphatically as possible, that this Government is animated by the most sincere friendship for the Government of Peru, as it is for the Government of Colombia. It is surprised that there could be any question of this fact on the part of the President of Peru and of the members of his Cabinet and that it feels sure that when due consideration is given to the fact that we have refused all facilities which might assist any warlike preparations both to

Colombia and Peru with absolute impartiality, any misapprehension which may have existed on this point will be dispelled.

HULL

721.23/2206

Press Release Issued by the Department of State, April 11, 1934

As regards recent reports that American aviators are going to Colombia under contract to serve in the Colombian military forces in the event of war, the Department understands that the facts are that the Colombian Government has engaged the services of American aviators to act as instructors, and that the contracts provide that in the event of a war in which Colombia might be involved the contracts will be automatically cancelled and the aviators free to return to the United States.

In this connection it should be stated that the Government of the United States disapproves of American citizens taking service in the armed forces of any foreign Government and if Americans do so it is on their sole responsibility and risk and they cannot look to their own Government for protection while in such service. Americans holding reserve commissions in our army will forfeit them if they enter the military service of a foreign country.

It is the policy of this Government, with regard to actual or potential conflicts between countries on the American continent, to give all possible assistance toward a peaceful settlement, but to refrain scrupulously from permitting its facilities to be used by either party in preparation for possible hostilities.

721.23/2199 : Telegram

The Ambassador in Peru (Dearing) to the Secretary of State

LIMA, April 12, 1934—3 p. m.

[Received 4:50 p. m.]

48. Department's telegram 31, April 11, 3 p. m. Leticia—American aviators. Minister of Foreign Affairs takes Department's message as a completely friendly expression, saying our Government's attitude gives the greatest satisfaction and that he is reporting it to President, Cabinet, and consultative board. He also has report from Freyre.

DEARING

721.23/2200

The Secretary of State to the Secretary of War (Dern)

WASHINGTON, April 12, 1934.

My DEAR MR. SECRETARY: I have for acknowledgment your letter of April 10, 1934, quoting the radiogram sent at the suggestion of the

Department of State to the Governor of the Panama Canal by the Washington Office of the Canal on the 7th instant regarding the Peruvian transport *Rimac*, and the text of the radio reply received from the Governor dated the 9th instant.

The message sent to the Governor at the suggestion of this Department stated as follows:

"The Department of State considers that developments between Peru and Colombia make it advisable to follow strictly the policy set out in State Department's letter to the War Department of January 20, 1933, namely, that no facilities of any nature of this Government should be placed at the disposal of either the Government of Colombia or the Government of Peru which would assist them in their preparations for possible hostilities."

I desire to confirm this statement of policy which will of course apply to the visit of the *Bolognesi* and the two destroyers to the Canal. In declining the request to re-boiler and overhaul these vessels it is suggested that explanation might be made by the Canal authorities to the Peruvian representatives that the concentration of the fleet near the Canal makes it impossible to grant such facilities, rather than to base the refusal on any general statement of policy.

In view of the present acute state of relations between Colombia and Peru I submit for your consideration the advisability of having any request for facilities made by representatives of either Government to the Canal authorities transmitted for your decision before any action is taken thereon by the Canal authorities.

Sincerely yours,

CORDELL HULL

721.23/2219

The Ambassador in Peru (Dearing) to the Secretary of State

No. 3357

LIMA, April 12, 1934.

[Received April 19.]

SIR: I have the honor to refer to my telegram No. 45 of April 10th, 11 p. m. and to the Department's confidential instructions No. 31 of April 11, 3 p. m., and to my telegram No. 48 of April 12th, 3 p. m., regarding American aviators who may take service with foreign governments and the refusal of our Government to facilitate preparations for war. The substance of the Department's message was at once communicated to the Minister for Foreign Affairs who immediately stated that he had already received a report from the Peruvian Ambassador in Washington, which caused him the greatest satisfaction.

Dr. Polo begged me to say to the Department that he took the message I was instructed to deliver to him as being an expression of the friendliest character and one which would give great satisfaction

to the President and members of the Peruvian Government. He indicated that he would take pains to bring our message to the President's attention and to that of all other officials who have any concern with the present foreign policy of the Government.

Dr. Polo referred once more to what he called a "disconformity" between the treatment accorded Peru in the matter of the Panagra aviators in July of 1932⁷ and the policy now being followed by our Government with regard to American aviators going to Colombia. His reference was for the purpose of saying that he took our present message as disposing of any question of discrimination in our Government's attitude.

Respectfully yours,

FRED MORRIS DEARING

721.23/2209

The Secretary of War (Dern) to the Secretary of State

WASHINGTON, April 17, 1934.

MY DEAR MR. SECRETARY: The receipt is acknowledged of your letter of the 12th instant, wherein you confirm the statement of policy contained in the message which accompanied Mr. Wilson's letter of the 7th instant addressed to Mr. A. L. Flint, Chief of Office, The Panama Canal, and which was by the latter quoted in confidential radiogram to the Governor of The Panama Canal on the 7th instant, a copy of which was furnished Mr. Wilson informally. You submit for consideration the advisability of having any request for facilities made by representatives of either the Government of Colombia or the Government of Peru to the Canal Zone authorities transmitted for my decision before any action is taken thereon by the Canal authorities.

Your suggestion was communicated to the Governor of The Panama Canal by radiogram for comment, and he points out in a radio reply, dated the 14th instant, that since the State Department's present policy, as confirmed in your letter under acknowledgment, is now understood on the Isthmus, he sees no necessity for referring requests for facilities to the Secretary of War, and I am inclined to agree with him.

In this connection there is quoted hereunder for your information the following self-explanatory confidential radiogram received from the Governor under date of the 12th instant:

"Peruvian Cruiser *Bolognesi* arrived 10th in accordance with arrangements made several months ago to have installed boilers purchased in England and shipped here and to have general overhaul work accomplished. Contemplated work would require vessel remain under repair and unable to move for about 3 months. Nature of work

⁷ See telegram No. 101, July 11, 1932, 9 a. m., from the Chargé in Peru, *Foreign Relations*, 1932, vol. v, p. 946.

is normal renewal of worn-out parts and not to be classed as preparation for immediate hostilities. Plan contemplates having Cruiser *Grau* overhauled similarly upon completion *Bolognesi*. Such periodic repairs Peruvian Naval ships have been done regularly at this plant since 1924. As previously reported limitation is being placed on work by The Panama Canal in conformance State Department's advice transmitted yours 7th. Probable result *Bolognesi* will take boiler material on board and depart for Chile to have work done there."

Sincerely yours,

GEO. H. DERN

721.23/2238

The Ambassador in Peru (Dearing) to the Secretary of State

No. 3373

LIMA, April 19, 1934.

[Received April 26.]

SIR: I have the honor to inform the Department, in connection with my despatch No. 3370 of April 17, 1934 and my further despatch No. 3372 of today's date,⁸ that I had a conversation at the Palace this morning with President Benavides, in which I sought his assistance in bringing about an early ratification by Peru of the London Silver Agreement.⁹

During the course of the conversation the President referred again—as he had done on the 16th—to the denial of dry-dock facilities to the *Bolognesi* at Panama and to the engagement of American aviators by the Colombian Government, intimating that the attitude of our Government was unfriendly and that requests from us such as that regarding the ratification of the Silver Agreement came with somewhat poor grace in the present circumstances.

The President said that for the last three days the press agencies have been receiving a flood of messages regarding the *Bolognesi* and that he had been obliged to have the censorship suppress every one of them as they were of so incendiary a character that for them to be published would undoubtedly arouse resentment against the members of the American colony and he was anxious for that not to happen.

The President was particularly incensed by a report that the Colombian Government had offered a prize of a thousand dollars to any American aviator for every Peruvian plane brought down and said he wondered whether he should not engage some American aviators himself and offer them a higher price for every Colombian plane brought down. He wondered what would happen if Americans should find themselves fighting each other!

Dr. Polo, the Minister for Foreign Affairs, had come into the room while I was talking to the President and accordingly I was able to turn

⁸ Neither printed.

⁹ Peru ratified "by acceptance" on April 24, 1934; see *Foreign Relations*, 1933, vol. I, p. 771.

to him and ask him to tell the President what had been said in the Department's Instructions No. 31 of April 11, 3 p. m. Dr. Polo confirmed me in my statement that the denial of facilities to the *Bolognesi* was an absolutely impartial act and was not directed against Peru, to which the President replied that unfortunately it was Peru that had been affected. I told the President that our Government, after the most careful consideration, had felt it should not, with Government facilities, aid even in preparations for war, and that he could be sure our Government would act with the utmost impartiality in every case; that a real friendliness for Peru animated our Government; that we felt the two Governments were friends and good neighbors and that it was traditional with us that Peruvians were among the closest of all the friends of our Country in Latin America. I added that over a long period of years I had never heard the slightest unfriendly expression in the United States regarding Peru. In short, I said everything I properly could to convince the President we are not inimical to Peru, that we are holding the scales even and that there is no partiality for Colombia.

In the conversation, however, it came out quite distinctly that the President is now quite hostile in his thoughts about Colombia and is convinced that our Government is more favorable to Colombia than to Peru. I told him I felt sure Colombia had felt as much aggrieved in certain cases as he did about the *Bolognesi*, and mentioned our Government's action with regard to the aviators going to Colombia as set forth in the Instructions above referred to. The President expressed incredulity and was not to be appeased. He referred to the fact that this Embassy is the custodian of the interests of Colombia in this country, whereupon I asked Dr. Polo to assure the President that our functions were carried out with the utmost care for Peruvian susceptibility and that of course they depended upon the complete acquiescence of the Peruvian Government.

I told the President that I felt it to be my duty, as I was sure he felt it to be his, to keep the best and friendliest relations between our two Governments, and that I hoped any lingering suspicions he might have as to our Government's action or my own would be dismissed. The President very graciously concurred in this and the question came up as to the mediation the press reports say Secretary Hull has determined upon in case both Colombia and Peru should request our Government's good offices. I told the President it would seem to me, from what I had read, that what had occurred had been given too positive a character; that my impression was that correspondents at a Press Conference had made an inquiry of the Secretary and had developed his common sense reply that of course if Peru and Colombia should request the good offices of our Government, whatever might be possible under the circumstances would be done, and that it seemed

hardly likely that there had been any considered intention of offering mediation or that our Government was merely waiting to be asked to offer it.

I stressed to the President the fact that our Government is following the policy of the good neighbor, saying we sincerely hoped the countries in this part of the world would be able to work out their own problems in their own ways and within their own resources. The President replied to this by saying that if the worst should happen, he would have to defend his country, but that as always, he is doing everything possible to bring about a peaceful settlement of the country's international dispute.

The Department must not get the impression from anything I have said that there was anything disagreeable about the conversation with the President and with the Minister for Foreign Affairs. I have always welcomed the President's directness and frankness as it makes it possible to talk to him with equal frankness and to perceive how he really feels. I regret to say that he is undoubtedly more hostile to Colombia than he has been heretofore and that he has been nettled by the *Bolognesi* and the aviator matters and finds it difficult to get them out of his system. His army affiliation becomes more apparent and it seems a pity that he has allowed himself to drift back into the attitude of the Sanchez Cerro Government instead of following the policy initiated in the conversations with Alfonso López.¹⁰

The internal situation is difficult and the President is undoubtedly under considerable strain. He has problems of considerable importance to deal with in the direction of Chile, Bolivia and Ecuador and the financial situation is also a difficult one. I trust I have been able to persuade him, in response to his frankness about ourselves, that he is under considerable misconception and that notwithstanding his natural disappointment, he can have no real ground for complaint.

As a final remark in closing this despatch, I beg to inform the Department that a decree has just been issued for the construction of a military airport in the vicinity of Lima. A translation of the decree is enclosed herewith.¹¹

Respectfully yours,

FRED MORRIS DEARING

721.23/2230

The Secretary of War (Dern) to the Secretary of State

WASHINGTON, April 23, 1934.

MY DEAR MR. SECRETARY: Referring to previous correspondence in reference to limitations being placed on work which was requested

¹⁰ See *Foreign Relations*, 1933, vol. IV, pp. 529-535, *passim*.

¹¹ Not printed.

of The Panama Canal to be done on the Peruvian Cruiser *Bolognesi*, and particularly to my letter of April 17th quoting the Governor's radiogram of the 12th instant advising, among other things, that this cruiser arrived on the 10th instant, there is quoted hereunder the following self-explanatory radio received from the Governor under date of the 21st instant:

"Confidential—Peruvian Cruiser *Bolognesi* sailed from Balboa yesterday afternoon. Understand going to Callao."

The above quoted message was read to a representative of the State Department over the telephone on the 21st instant.

Sincerely yours,

GEO. H. DERN

721.23/2270

The Secretary of State to the Minister in Colombia (Whitehouse)

No. 46

WASHINGTON, May 4, 1934.

SIR: There are transmitted herewith, for your confidential information, copies of memoranda of conversations between the Chief of the Division of Latin American Affairs and Dr. Fabio Lozano, Colombian Minister at Washington, on April 6th, last;¹² and between Mr. Welles, Assistant Secretary of State, and Dr. Lozano, on April 9, 1934.¹³ Both memoranda relate to the attitude of this Government toward the employment by that of Colombia of American citizens as aeronautical instructors. The following are also enclosed: a copy of a press release dated April 11, 1934, on this subject;¹⁴ a translation of a contract which the Colombian Government concluded with various American citizens for their services as aviation instructors, as well as photostatic copies of subsequent revised contracts with pilots and with mechanics¹⁵ from which, after objection had been made by this Government, certain provisions of the original contract were deleted, notably one actually enlisting the individuals in question in the Colombian armed forces, and another obligating them to fight in time of war.

As originally written, this Government was of the opinion that the contracts would violate the spirit, if not the strict letter, of Sections 21, 22 and 25 of Title 18 of the United States Code under the title of "Offenses against Neutrality", particularly Section 22. The Department refused to issue passports to travel to Colombia to persons signing that contract, and requested the Colombian Minister not to make any further contracts or arrangements with American citizens whereunder the latter would be required to serve in the armed forces of Colom-

¹² *Ante*, p. 337.

¹³ Latter memorandum not found in Department files.

¹⁴ *Ante*, p. 381.

¹⁵ Not printed.

bia, to recall the existing contracts and to delete from them the clause to this effect.

Upon the Colombian Government's compliance with this Government's request, passports were issued to the individuals signing the revised contracts, who departed for Colombia, according to the Department's information, on April 12, 1934. There is enclosed a photostatic copy of the list of passengers sailing from New York on the SS *Colombia* on April 12, 1934.¹⁶ All of the passengers on this list whose destination is given as Puerto Colombia are understood to have taken service with the Colombian Government.

The names contained on the lists attached hereto are not exhaustive of Americans who have taken service with the Colombian Government inasmuch as this Government understands that further contracts are being signed by the Colombian Government with American citizens who will be proceeding to Colombia in the near future.

The Department desires you to apprise it of whatever information of interest may come to your attention regarding the activities of any of the American aviators in the service of the Colombian Government. Should any of the Americans under reference enlist in the Colombian armed forces or, in the event of the outbreak of hostilities to which Colombia might be a party, should they participate in such hostilities, this Government would of course have to request the surrender of the passports of the individuals concerned.

As the Legation will observe from the enclosed press release dated April 11, 1934, Americans holding reserve commissions in our Army or Navy will forfeit them if they enter the military service of a foreign country. You are therefore instructed to report to the Department the names that may come to your attention of any Americans who are reserve officers in the United States Army or Navy, serving in Colombia, in order that their names may be transmitted to the War and Navy Departments for appropriate action, should they enlist in the Colombian forces or take part in combat.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

721.23/2293

The Secretary of War (Dern) to the Secretary of State

WASHINGTON, May 14, 1934.

MY DEAR MR. SECRETARY: Referring to recent correspondence in reference to the policy which the State Department desires followed that no facilities of any nature of this Government should be placed at the disposal of either the Government of Colombia or the Govern-

¹⁶ Not printed.

ment of Peru which would assist them in their preparations for possible hostilities, and particularly to your letter of April 12th and my reply of April 17th, there is quoted hereunder the following radiogram received from the Governor of The Panama Canal under date of May 12th :

“In view of improvement in relations between governments of Colombia and Peru as reported by press inquire if State Department desires make change in its policy which will permit Canal to repair vessels of both countries. Colombian Consul General in Panama has asked if Canal will undertake general repairs to Colombian Government Tug *Bastidas* and it is understood Peruvian Government still desires use of Canal facilities for repair of some of its vessels and Colombian Government would make similar request if favorable reply probable. I suggest good relations with these governments would be aided by termination earliest possible date restriction on use of this convenient and efficient shipyard. Early action desired in order not delay reply to Colombian Consul General.”

Please advise at as early a date as practicable what reply you desire made to the above quoted radiogram.

Sincerely yours,

GEO. H. DERN

721.23/2317

The Secretary of State to the Secretary of War (Dern) ¹⁷

WASHINGTON, May 24, 1934.

MY DEAR MR. SECRETARY: Reference is made to my letter of January 20, 1933,¹⁸ apprising you of the policy of this Government with reference to placing of its facilities at the disposal of either of two American states between whom hostilities are in progress or threatened.

In view of the recent peaceful settlement of the Leticia controversy between Peru and Colombia, that policy is no longer applicable to these countries, although it of course still applies to Bolivia and Paraguay between which countries hostilities are still in progress.

Accordingly, and with particular reference to your inquiry of May 14, 1934, I should appreciate it if you would be good enough so to advise the appropriate officials of the Canal Zone, in order that, should either Colombia or Peru apply in the future for the facilities of the Canal Zone, they may be granted as they would be normally to any other country.

Sincerely yours,

CORDELL HULL

¹⁷ Letter comprising first two paragraphs of this letter was sent on the same date to the Secretary of the Navy.

¹⁸ Not printed, but see footnote 6, p. 379.

SPECIAL MISSION OF JOHN H. WILLIAMS TO INVESTIGATE FOREIGN EXCHANGE PROBLEMS IN ARGENTINA, BRAZIL, CHILE, AND URUGUAY ¹

810.5151 Williams Mission/2

The Secretary of State to the Special Representative of the Department of State (Williams)

WASHINGTON, June 28, 1934.

DEAR MR. WILLIAMS: I am very pleased that you are undertaking a mission to certain important countries of South America in connection with the problems created by the control of exchange by the Governments of these countries.

As you know, this Government is striving to develop trade with the countries of Latin America. These exchange controls are one of the greatest present obstacles to that effort, and are costly to our producers and exporters. Although the trade of these countries has tended to increase recently and the pressure on their exchanges appears to have been easing somewhat, the controls are still in existence and continue to present perplexing difficulties both to American traders and to the Department.

The general policy that the Department has endeavored to uphold looks towards the diminution of the controls which impede international trade, and thus to achieve a more satisfactory trade relationship. In the meanwhile, its interest is to lighten the restrictive force of these controls as applied to American trade and to protect American trade against discriminations.

This Government has avoided, as far as possible, special arrangements that would increase the administrative regulation of trade and the extension of control over the foreign exchanges; it trusts that the American interest can be properly protected by understandings and agreements which do not involve serious extensions of these controls. The outline of these policies we have presented repeatedly to the Latin American Governments concerned both through the medium of their representatives in Washington and through our own diplomatic missions.

¹ For other correspondence regarding the foreign exchange problem in each of these countries, see Argentina, pp. 510 ff., and Brazil, pp. 542 ff.; Chile, and Uruguay, in vol. v. Mr. Williams was Economic Adviser, Federal Reserve Bank, New York City.

In accordance with the preceding ideas, you are instructed to visit the capitals of Argentina, Brazil, Chile and Uruguay (and you are also authorized to go to any other points in these countries in the event that it seems advisable in order to carry out the purposes of your visit). In each of these countries the American diplomatic and commercial missions will be instructed to assist you in obtaining the fullest possible understanding of all aspects of the exchange control situation, and to put you in touch with the local governmental authorities who are concerned in this matter. You in turn are instructed upon your arrival in each of these countries to put yourself at the disposition of the head of the mission for the purposes of assisting him in the consideration of the exchange control situations with which he has been dealing and for the purpose also of working out with him the major lines of policy immediately to be pursued by this Government. You will find that these missions have given very considerable thought to the subject and have kept themselves closely advised.

The missions have in fact recommended lines of possible agreement to the Department. It may well be that the occasion of your visit will be an auspicious time to formulate and to begin to negotiate with the foreign governmental authorities agreements to govern the treatment of American trade interests. In that event you will kindly give all assistance to the missions in the negotiation of these agreements. Of course, before entering into negotiations with any foreign governmental authorities the American mission will submit the proposed agreements to the Department for approval before in any way committing this Government.

I may perhaps summarize very briefly the immediate lines of suggested action which you are likely to discover in the countries you will visit.

In Chile the American Ambassador has been in negotiation with the Chilean authorities looking forward to an agreement in accordance with which the foreign exchange that arises out of trade between the United States and Chile will be released from the exchange control. A difficulty has arisen in connection with the rate at which exchange may be made available by the Chilean authorities for the purpose of gradually paying off the commercial and other frozen credits due to Americans. After study of the situation, the Department will welcome receiving, through the American Ambassador, your views on the situation and your recommendations regarding action. It believes there is a possibility that during your visit to Chile the final steps may be prepared towards reaching an agreement with the Chilean Government.

. . . The Brazilian Government appears to be tending to foster special agreements with other governments in an effort to assure or

secure new markets for its coffee, which agreements may prove to be disadvantageous to American interests. You are instructed to give the fullest possible study and consideration to this whole subject. The American Embassy has submitted a carefully prepared analysis to the Department, of which I believe you have a copy. This report² concludes by setting forth the alternative lines of action which may be open to the American Government and recommends one of them. You are instructed to confer with the American mission in regard to these recommendations and the Department will be glad to receive from you, through the American Ambassador, your judgment as to the most advantageous course to pursue. I hope that it may prove possible during your visit in Brazil for the first steps to be taken by the American Embassy, working in cooperation with yourself, towards an agreement with the Brazilian authorities. Again, you will understand that all proposed bases of negotiation with the Brazilian Government should be submitted to the Department for approval.

As regards Argentina, a general judgment exists that Argentine exchange arrangements are now distinctly working to curtail American trade. After study of the subject and conferences with the Embassy this Department will be glad to receive, through the Embassy, any recommendations regarding action which in your judgment will serve to protect American interests.

Upon your return, I would appreciate it if you will report fully to the Department.

Mr. Donald R. Heath of the Division of Latin American Affairs of the Department has been assigned to you as assistant and is being instructed accordingly.

Sincerely yours,

CORDELL HULL

810.5151 Williams Mission/49

The Special Representative of the Department of State (Williams) to the Secretary of State

[NEW YORK,] September 4, 1934.

DEAR SIR: I have the honor to submit herewith my report³ on the mission of investigation of American foreign exchange problems in Brazil, Argentina, Chile and Uruguay, which mission I have carried out in accordance with your letter of instruction, dated June 28, 1934.

It gives me great pleasure to report the able assistance rendered me by Mr. Donald Heath, of the State Department, who was officially designated to accompany and assist me, and also by Mr. Eric Lamb, who was loaned by the Federal Reserve Bank of New York. I also

² Presumably report dated May 31, 1934, not printed.

³ *Infra.*

wish to express my appreciation of the cooperation of the American Government representatives in the countries visited, and also of the American business community. I wish to report, as well, the uniformly cordial reception of us, and the facilities afforded us, by the foreign government representatives.

We left New York on June 30, and spent the period July 13-23 in Rio de Janeiro, July 27-28 in Montevideo, July 29-August 4 in Buenos Aires, and August 4-10 in Santiago, returning to New York on August 28.

Very respectfully yours,

JOHN H. WILLIAMS

*American Foreign Exchange Problems in Brazil, Argentina,
Chile, and Uruguay*⁴

STATEMENT OF THE PROBLEM

I

The exchange problem which it has been our mission to study in Brazil, Argentina, Chile and Uruguay, is mainly a result of the world depression. Value of exports was greatly reduced by the fall of world prices, and the inflow of foreign capital, which is always a characteristic of young countries in normal times but which was carried to extremes in the twenties, was abruptly cut off. Meanwhile, external public and private debt charges did not diminish, and in most cases merchandise imports decreased less promptly and drastically than did exports. This lack of balance in the international account was made worse, and the prospects for recovery blacker, by the defensive commercial policies pursued by the outside world.

In the main, and without minimizing the pre-depression mistakes made by these countries, especially their over-borrowing (for which the lenders were also responsible) or their subsequent mistakes, both in exchange control administration and in general policy, it seems clear that neither the origin of their exchange problem nor its solution is to be found primarily in acts or circumstances over which these countries have the principal control. A satisfactory general solution must depend upon world trade recovery and greater freedom of access to world markets.

In the meantime, the chief problem for these countries is to endeavor, so far as it lies within their power, to work toward a position of international equilibrium. Thus far, whether deliberately or by

⁴ No copy of the report is filed with the covering letter, printed *supra*. Printed from mimeographed report in the Department of State Library. Appendices not printed.

force of circumstances, they have tried three methods of achieving this result. The large gold outflows of 1929 and 1930 were of no avail because in a world where prices in *all* countries are falling sharply, as in the opposite case (such as war) where all prices are rising sharply, gold flow is a futile means of correcting an adverse balance of payments.

Depreciation of the currency, such as followed cessation of gold exports, also proved ineffective, largely by reason of the fact that this method also assumes for its success relatively stable (at least, not sharply falling) prices in the outside world, coupled with willingness and ability of foreign markets to buy. In a world of falling prices, of trade reduced to a minimum by high duties, quotas and other defensive measures, a world, moreover, in which currency depreciation was becoming the rule rather than the exception, no single country could hope for much immediate trade benefit by reason of its own currency depreciation.

Not only was further currency depreciation futile, under such circumstances, but it even came to be regarded as a positive evil, threatening on the one hand to produce an uncontrollable internal inflation which by raising domestic prices and costs would still further impair capacity to export, and on the other hand, to produce such a chaotic condition of the foreign exchange markets as to injure trade still further. There is another circumstance which appears to have played an important part in Latin American policy in establishing exchange control. Agricultural products are subject to inelastic demand conditions, and if the exporting country supplies an important fraction of the total coming upon the market, as is true of all these countries, any considerable stimulation of exports through exchange depreciation may itself contribute to break prices still further.

That considerations of the kind which have been cited have been much in the minds of those responsible for Latin American exchange policy has been abundantly illustrated during our trip. For example, Sr. Arteaga, Uruguayan Minister of Foreign Affairs, stressed the futility of permitting further gold export until trade and price equilibrium is assured. Dr. Souza Dantas, the Director of Exchange in Brazil, said he could not risk a premature relaxation of exchange control, because any sudden or large depreciation of the milreis would break the price of coffee. Dr. Pinedo, Argentine Finance Minister, said that the whole basis of the Argentine policy had been to prevent the external depreciation of the peso from becoming internal as well, and both he and Sr. Duhau, Minister of Agriculture, stressed the fact that the Argentine wheat producer can now cover his costs with wheat at 4.50 pesos, whereas in 1929, 7 pesos was a no-profit price;

in consequence, Argentina does not need a complete recovery of world wheat prices in order to recover her export trade position in that product. Likewise, Sr. Ross, Chilean Finance Minister, stated that his policy is based upon maintaining for as long as possible the present gap between the external and internal depreciation of the peso, a gap which was at one time threatened by the internal currency inflation which followed in the wake of the violent external depreciation of the Chilean peso, but which he believes can now be maintained for a considerable period so long as the present depreciated peso is held stable in the exchange market.

The third method attempted for working toward a position of international equilibrium has been that of exchange control. Whatever may be said in criticism of this method and of the manner in which it has been operated, it is important to note at the outset that it was not established until the summer of 1931, when the depression was nearly two years old, that it was not resorted to until both gold export and currency depreciation had been tried, and that it was then resorted to not by one or two countries but by virtually all of the South American countries, acting independently of each other.

The purpose of exchange control, rightly conceived, is to establish an official fixed rate of exchange, and to so ration the supply of exchange created by the exports as to establish at this fixed rate a balance between the country's incoming and outgoing payments. The method of control may be merely a system of supervision by the government or the central bank, of the exchange operations conducted by the commercial banks; or, if this method proves ineffective, the central bank or the government may actually take over the purchase and sale of the exchange. Most of the South American governments have gone through one or both of these phases of exchange control.

In all cases except Argentina, this attempt to produce a balance by rationing exchange at a fixed rate has involved either a complete default on the public external debt or some composition resulting in only partial debt service; and in all cases curtailment of private debt service and other non-commercial remittances has been involved. Undoubtedly, one important reason in some countries for the establishment of exchange control, besides those already mentioned, was the necessity for assuring to the government an adequate supply of exchange for debt service at a fixed (and not too high) rate which could be definitely budgeted for from year to year.

As we have heard it described repeatedly during our travels on this mission, the problem confronting this system of rationing exchange at an official rate is one of "not enough exchange to go around," so that the distribution unavoidably raises many difficult questions of equity and expediency as between different classes of interests.

Since the root of the trouble has been an insufficient surplus of exports over imports, it is not surprising that foreign exporters, as well as the foreign investors, should find themselves confronted, and their exports impeded, by this same condition. Either exchange has not been available at all, or a lag has developed as the importing country has found itself forced to draw upon its future supply of exchange in order to pay for past or current imports which, under the conditions, probably should not have been allowed to enter.

In this way, there has developed the problem of blocked or lagging balances, in addition to the continuing difficulties and uncertainties with respect to remittances on current trade account. A series of blocked funds agreements in 1932 and 1933, in Brazil, Argentina, and Uruguay partially cleared up these arrears and provided a means of spreading the payment over a period of years; but since that time some new accumulations have appeared in these countries. In Chile, no blocked funds agreements have been made except as part of its system of compensation treaties. (But see below, Report on Chile.⁵)

How these blocked balances should and can be cleared up has been one of the chief concerns of our investigation. The problem raises difficult questions as to equitable treatment of our commercial interests, many of whom have already consented to postponements under the earlier agreements. And on broader grounds, it should be recognized that until these arrears are disposed of and definite evidence is forthcoming that new accumulations are not piling up, there can be no general, satisfactory solution of the South American exchange problem. It was the failure to provide exchange to cover these lagging balances which was in large part responsible for the development of bootleg exchange markets, the appearance of which always constitutes a threat to the effective operation of the exchange control, and provides evidence that the system is not functioning successfully.

II

Confronted with these conditions arising out of "not enough exchange to go round," countries having commercial or financial interests in these Latin American countries have to consider two alternative lines of policy. If the country's trade position is strong, in that it buys more from the South American country than it sells, it is in a position, without waiting for any general solution of the latter country's exchange difficulties, to force a special agreement whereby it is assured that the exchange which it creates shall be used to cover its own export and other exchange requirements. This is the policy which Great Britain has pursued with Argentina under the Roca

⁵ *Post*, p. 411.

Agreement.⁶ The same general basis also underlies the system of compensation treaties which many of the Continental European countries have made with Chile. And there is evidence, more recently, that Great Britain has been considering a similar arrangement with Uruguay. The second alternative is to await, and insofar as possible to assist in facilitating, a general solution which will clear up the South American country's exchange difficulties as a whole. This is the policy which the United States has thus far pursued with all these countries, notwithstanding the fact that in two of them, Brazil and Chile, its trade position is strong.

One of the chief objects of our mission, therefore, has been to attempt to form a judgment, after first-hand investigation on the ground, as to whether, and under what conditions, the continuance of our past policy is justified, or whether, in view of all the circumstances, we must now adopt, where possible, the policy of special agreements in order to assure to ourselves an adequate supply of exchange cover. In the countries where our trade position is not strong, and where therefore such a solution is in any case impossible, the question has been whether it is possible by other means to secure more satisfactory treatment than that accorded to us in the past. In the separate reports which follow upon the individual countries I have endeavored to state my views as to the correct policy to be followed in each case, or the principal facts and considerations bearing upon the alternative lines of policy which are open to us. It will be sufficient in this introductory memorandum to set forth some general considerations.

Our past policy has been based upon recognition of the broad fact that special exchange agreements have the effect of canalizing trade, putting it in a strait-jacket, and doing away with those triangular trade relations which are essential if nations are to enjoy any degree of freedom to buy or sell particular products to best advantage. Since it is the foreign exchange mechanism which makes possible such multi-country relations, all devices for locking up exchange within the confines of particular trade channels through the exercise of pressure based on the strength of particular trade balance positions, has the effect of severely restricting world trade as a whole. They have, in fact, a far greater degree of restrictive effect than have protective tariffs. It has been the pursuit of such practices by some of the leading nations which has intensified and prolonged the greatest contraction of international trade that the world has ever seen.

As a corollary of this general truth, it should be recognized that this canalization of trade through exchange compensation or clearing agreements comes into direct conflict with the requirements of any

⁶ See section entitled "Representations Regarding the Exchange Provisions of the Anglo-Argentine (Roca) Agreement", *Foreign Relations*, 1933, vol. iv, pp. 722 ff.

general solution of the exchange-control country's difficulties, since it deprives that country of power to reduce its total imports in accordance with some criterion of necessity or desirability and thus to achieve a position of international balance best suited to its present requirements and future growth. Instead of the exchange being rationed on the basis of the country's needs and capacity for payment and transfer, it is allocated on the basis of countries, in accordance with the amount of pressure their trade position enables them to apply, with the result that the exchange-control country has no means of curtailing imports from countries with whom its trade is thus artificially canalized, even though such imports be non-necessities and luxuries; and may find itself forced in consequence to seek needed imports from other countries, even though it can now offer them even less satisfactory exchange arrangements than would otherwise have been the case. The difficulty of achieving, under these circumstances, any general solution of the exchange problem hardly requires further elaboration.

Recognizing the force of such broad considerations as these, which have heretofore formed the basis of our policy, it can be argued, nevertheless, that such a policy may not be tenable indefinitely in a world which to an increasing degree is resorting to trade canalization and special exchange agreements, and that we may therefore be justified in taking (or even forced to take) similar action. Especially can this view be argued wherever, notwithstanding our strong trade position, we have any clear reason to think that we are not being accorded treatment at least equal to that accorded other nationals, and are thus being penalized for our failure to pursue the more direct and selfish policy. This question has been raised in the State Department with respect to both Brazil and Chile, and it has been one of the chief assignments of this mission to investigate the facts in both these cases and to endeavor to arrive at a judgment with respect to our future policy. The question in Chile relates now only to the treatment of blocked balances, which is analyzed in some detail in our report on Chile. The question in Brazil is much broader, and relates as well to treatment on current trade. We have endeavored to satisfy ourselves as to whether any deliberate policy of according to us less than equitable treatment exists in any of the countries visited, and the basis for such treatment; and in particular in the case of Brazil we have sought to investigate the various rumors and differences of statement as to special transactions representing for us less than fair and equitable treatment compared with other nationals.

In dealing with questions of discrimination it is necessary to distinguish between a general restriction of imports, or other transactions requiring remittance, such as the discrimination in favor of necessities

and against luxuries, and discrimination as between different nationals exporting the same class of product. Much of the post-war expansion of our Latin American export trade occurred in commodities which under present conditions cannot be regarded as necessities, and indeed some of them were bought only because our banks and investors were mistakenly liberal in providing capital which created in these countries a false atmosphere of high prosperity. Although individual importers may now oppose and even resent curtailment of their market, there may well be a valid basis for this kind of restriction. In all the countries, the government officials have complained to us that any relaxation of exchange restrictions is seized upon by the importers as an opportunity for increasing their importations. It therefore seems probable that even after exchange control is lifted there may continue to be some system of import licensing. How soon all such restrictions could be removed would depend upon the conditions affecting these countries' balances of payment, including particularly the recovery of their export trade.

III

A major consideration, therefore, in attempting to decide as between these alternative lines of policy, is the prospect for general trade recovery in the South American countries. Having pursued thus far the broader policy calculated to assist world trade recovery, and having now in contemplation, as well, the policy of reciprocal trade agreements as a means of moderating tariffs and other obstacles to international trade, there would appear to be a presumption in favor of continuing upon our present course, if there is a nearby prospect of better trade and exchange conditions.

We have therefore sought especially to investigate, in each country visited, the present economic situation and the immediate trade outlook. It seems clear that during the present year there has occurred in each of the countries a fairly substantial improvement traceable primarily to a rise in world prices for its exports, and that as this improvement has taken place there has been some betterment of exchange conditions. If the present trend continues, it would seem reasonable to look forward to the achievement of a general solution of the foreign exchange problems.

This solution should take the form of a gradual lifting of exchange control, in favor of a free market. Though exchange control may have been necessary under the chaotic conditions of 1931, particularly in the face of a continuing fall in world prices, it is an artificial stop-gap device which is unlikely to provide any general or permanent cure for exchange disequilibrium. To prevent illicit dealings the governments have been forced to permit some operations in the free market, and in all the countries there has thus developed a complicated system of

exchange, partially "controlled" and partially "free," with frequently several gradations in between. This dual system now provides a means whereby the official control can gradually be reduced and a larger and larger portion of the exchange offered for sale in the free market.

That practically all of the governments visited recognize this procedure to be the final solution of their exchange difficulties has been indicated in our conversations with them. For example, Souza Dantas in Brazil hopes to lift the control entirely within a year, by placing a percentage of the coffee bills each month in the free market. In Argentina, Pinedo, the Finance Minister, stated that he regarded free exchange as the only sound system, and Gagneux, Exchange Control Director, explained that their present system, adopted last November, was designed expressly to permit a ready transfer to a free market system, as trade conditions warrant. The same policy is apparent in the new exchange decree announced during our visit in Uruguay. The only exception is Chile, where the Finance Minister clearly intends to retain the control; but even there, the purpose is to prevent appreciation of the peso rather than to restrict trade. Chile's policy will be, apparently, to use surplus exchange obtained under the present system to clear up blocked balances and then to begin service on the foreign debt.

While the present trend thus appears to be toward trade and exchange betterment, it is not possible to estimate, in any more precise fashion, the probable course of events. But again it must be recognized that one factor working against the lifting of exchange control is the policy pursued by foreign governments in restricting their markets and insisting upon canalization of trade by compensation agreements and other devices. Any success which our government might have in inducing the European governments to renounce these practices would accomplish much for the general solution of the exchange problem. We have also to recognize that any similar action on our part, resulting in the extension of this restrictive system, would tend to postpone a general solution; whereas anything that our country can do to improve the balance of payments of these countries, whether by trade agreement, financing of blocked balances, debt conversion and adjustments, or in any other way will ameliorate not only their position but our own. At the same time, there is no reason why our government should submit to treatment which bears evidence of any deliberate policy of hostility or discrimination toward our commercial or financial interests, whether from the South American countries themselves or from the European countries which have interests there.

REPORT ON AMERICAN EXCHANGE PROBLEMS IN BRAZIL

During our stay in Rio de Janeiro, July 13-23, we devoted ourselves to two main tasks: (1) a detailed investigation of the technical operation of the Brazilian exchange control, for which the Controller, Dr. Souza Dantas, gave us every facility; and (2) discussion with our own governmental representatives, the Brazilian officials, and the American Chamber of Commerce, of possible solutions of our exchange difficulties in Brazil.

On the latter problem we discussed two main types of solution, a general solution which would promise betterment for ourselves equally with others, and a special solution which would assure to our nationals more adequate and prompt exchange cover without waiting for Brazilian exchange difficulties as a whole to clear up. We have also tried to ascertain whether we are now receiving treatment which is fair and equal to that being afforded other nationals, or whether Brazil has been entering into special arrangements with other governments or their nationals (see Appendix 1) which might justify or compel us in our turn to seek some special arrangement designed to protect our interests and assure us treatment at least as good as that accorded to others.

I. Special Solutions of Our Own Exchange Problems.

Our visit to Brazil came after a long period of study and discussions carried on by our government representatives and by the American Chamber of Commerce in Rio with the Brazilian officials. The Ambassador's report on the situation, dated May 31, 1934,⁷ reviews the history of the problem, recites his failure to find proof of discrimination against us in his investigation of various rumors and complaints concerning special arrangements with other nationals, and concludes with discussion of four possible alternatives for improving the exchange treatment accorded to our exporters and other American interests requiring remittance from Brazil. Three of these alternatives deal with different possible methods of obtaining a sufficient percentage of the dollar exchange arising out of Brazilian exports to the United States to cover our exchange requirements. The fourth alternative discussed in the report is the granting of an American credit to Brazil.

A prolonged meeting which I held with the American Chamber of Commerce on Monday, July 16, made it clear that the Chamber is unanimous in the view that we should not wait for a general solution of the Brazilian exchange problem but should make some special agreement whereby a percentage adequate for our requirements would be allocated out of the dollar drafts created by Brazilian exports to

⁷ Not printed.

the United States. The members emphasized the strength of our trade position, called attention to the fact that we have not shared in the increase of Brazilian imports which has occurred in the past year, complained of special arrangements made by Brazil with other nationals involving discrimination against ourselves, and referred to the fact that under the exchange control as now operated the Brazilian Government can take exchange not only for debt service but for extraordinary military or other foreign expenditure, or in order to repatriate bonds, to the detriment both of our current exchange requirements and of payments on account of blocked funds. In these circumstances, since we have no means of controlling the Brazilian situation as a whole, the Chamber strongly favors the special solution already mentioned, and states that the Brazilian Government, aware of the strength of our position and the reasonableness of our claims, would promptly consent to such an arrangement if our State Department should request it. . . . Attached to this report is a memorandum by the Chamber of conversations between it and Dr. Oswaldo Aranha, the Finance Minister, in thirteen meetings held between May 28 and July 9. (See Appendix 4.)

On Tuesday, July 17, Dr. Aranha and Dr. Souza Dantas made to us a definite proposal for a compensation or clearing arrangement between the Banco do Brasil and a committee to represent the New York banks, whereby dollars would be paid out promptly in New York as milreis are deposited on account of imports and other debit items in Brazil, balances of dollars remaining unrequired at the end of each month to be available to Brazil for meeting her requirements in other countries; this arrangement to be accompanied by a credit extended to the Bank of Brazil by the Export-Import Bank, or by a group of New York banks, to be used for immediate liquidation of all American blocked balances accumulated since June, 1933; this loan to be amortized annually and the amortization requirements to be included in the clearing arrangement.

This proposal, which we did not in any way invite, was obviously prepared in advance of our arrival. Dr. Aranha has promised to give us a copy of it in writing (See Appendix 3, Title 1.); but he has also made it clear that he wishes to reserve it for discussion with the Department upon his arrival in Washington as Ambassador. The Minister has further asked that it be kept confidential, apart from communication to the Ambassador.

II. General Solution of Brazilian Exchange Problem.

The solutions thus far discussed are special arrangements between ourselves and Brazil which rest on the strength of our trade position and seek to secure for us adequate and prompt exchange cover without regard to Brazil's exchange position as a whole. In addition we have

considered a more general solution, the purpose of which would be to secure a general equilibrium in the Brazilian balance of payments which would permit a lifting of the exchange control. Such a solution would require:

- (1) Favorable external conditions for Brazilian exports, especially coffee.
- (2) A rate of exchange which would stimulate exports and discourage imports.
- (3) The pursuit by Brazil of an appropriate financial and economic policy designed to limit expenditures, especially foreign, and to avoid domestic inflation.

The policy would require also the formulation of a definite series of steps for the relaxation of control and should be accompanied at all stages by a definite reporting system on all exchange transactions which would enable the Controller to know precisely his position in order to prevent transactions which might upset the exchange market and defeat the purpose.

From our study of the statistics prior to our arrival and from our investigations here, we believe that the Brazilian situation is turning for the better. Coffee prices have held higher since last November and the balance of trade during the first five months of the year has been definitely more favorable than a year ago. The estimated balance of payments for 1934, prepared by Corliss, shows a net debit for the year of only \$15,500,000, notwithstanding the fact that he uses in his estimate the relatively small export balance of 1933. Both Dr. Souza Dantas and Dr. Aranha estimate that with the present reduced debt service and this year's more favorable export trade, the Brazilian account is now approximately in balance, were it not for the pressure of arrearages previously accumulated. The Chamber of Commerce memorandum, already referred to, contains the statement that, "There is now a noticeable betterment in the time elapsed from date of shipment of merchandise to date of receipt of exchange contract." This statement was both affirmed and denied during our meeting with the Chamber, but we have the distinct impression that on the whole the lag in payment is diminishing and the amount of exchange available is increasing.

A further favorable factor undoubtedly is the appointment, last March, of Dr. Souza Dantas as the new Exchange Controller. . . . It is noteworthy that the American community, despite many complaints, offered not a single unfavorable comment on Dr. Souza Dantas. He impressed us very favorably, and we are confident that if he is given a reasonably free hand he will progressively improve the exchange control administration. He has stated to us that his purpose is gradually to reduce the "official" market in favor of the "free"

and "grey" markets, and has promised us a memorandum setting forth the steps to be pursued in this process. (See Appendix 3, Title 2.) He estimates that under favorable circumstances he may be able to achieve his objective within a year. He thinks the essentials to the success of his plan are:

(1) To clean up by some funding or credit operation, blocked credits accumulated since June, 1933. (Neither the Chamber of Commerce nor the Exchange Controller has a statistical compilation of the amount of these credits. We have estimates from the Chamber of \$12,000,000, \$15,000,000 and \$18,000,000 and Dr. Souza Dantas' estimate is \$20,000,000, for American funds alone.) Dr. Souza Dantas says that the present number of creditors is much more numerous and the individual amounts smaller than in the case of the blocked funds agreement of June, 1933; and apparently chiefly for this reason he favors the arrangement of an American bank credit through the Banco do Brasil . . .

(2) To relax the control of exchange only by gradual and definite stages. He is fearful that a sudden or drastic fall in the milreis would break the price of coffee, but he feels that a carefully conceived plan whereby percentages of the coffee bills (say 10% a month) were taken out of the "official" market and put into the "grey" or "free" market would have no such ill effect on coffee prices.

(3) That it will be necessary to maintain a careful control over imports. He has recently drawn up and put into effect a classification of documentary imports in three groups, in the order of necessity (See Appendix 2, page 6). As now operated the exchange control takes over a percentage of exchange for Government requirements (debt service, et cetera); the remainder is distributed among the imports in the following percentages: 50% of exchange to the first group, 30% to the second and 20% to the third. Exchange applications are given a chronological number in the category to which the import corresponds. The remaining percentages of exchange must be acquired in the "grey" or the "free" market. The plan evidently is not to deny exchange to any importer but to force an increasing amount of imports into the "grey" and "free" markets and at the same time to place increasing amounts of exchange, arising out of the exports, in these markets. Since many American products come in the last class of imports (non-necessitous and luxury products), the policy will probably not be popular with some of the American exporters; but there is an offset in the fact that though the price of exchange is higher in these other markets than the "official" rate, the exchange cover will, if the plan succeeds, be more promptly available. It should be noted too that many American exports come in the first class of Brazilian imports.

III. Conclusion.

It is apparent from this summary that our Government has a choice of two alternative lines of policy with respect to the Brazilian exchange problem. Though Dr. Aranha appears to wish to reserve the subject for discussion with the Department upon his arrival as Amba-

sador, Brazil is evidently prepared to accept and even to suggest to us an arrangement for allocating an adequate percentage of our dollar drafts to cover our Brazilian exchange requirements. Dr. Aranha further wishes to arrange a credit to be used to liquidate the new blocked funds which have accumulated since June, 1933. It seems to me entirely possible, however, that the Department could, if it wished, obtain assent to the first half of this proposal without assenting to the second, provided some other disposition were made of the blocked funds accumulation. The Chamber of Commerce states that it would be interested in a plan for paying off the blocked funds provided the period did not exceed two years; it is not interested in a new six year plan. The advantage of this solution, from our point of view, is that it gives us assurance of prompt and adequate exchange cover provided out of Brazil's own exports to us. The disadvantage is that it bears a resemblance to the Roca Agreement and the general European exchange clearing and compensation agreements to which the Department's policy has heretofore been opposed. My understanding is, for example, that the Department was offered such an arrangement by the Chilean Government and refused it on grounds of general principle.

The proposal for a credit advance is unsound on the broad ground that Brazil's present exchange difficulties are in part due to previous overborrowing, as evidenced particularly by the fact that Brazil has had to make two debt compositions during the depression, which have reduced her service charges on public debt by 60%, in contrast with Argentina, who has maintained her debt service intact. While this debt situation continues to exist it does not seem prudent for Brazil to accumulate still further debt . . . On the other hand, it would seem desirable to find some method of cleaning up the new blocked funds accumulations, in order to provide a sound basis for the gradual relaxation of exchange control on current business.

As against these special solutions, our Government might pursue a policy with Brazil looking toward a more general solution of the Brazilian exchange problem along the lines already indicated. With favorable conditions such as now appear to be in prospect it seems quite possible that within a year the control might be removed and our exchange requirements supplied under the conditions of a free market. This is the result that seems now to be working out in Chile and in Argentina.

Should we follow this course, it would seem wise and reasonable, however, to take an active part in Brazilian exchange control policy insofar as our interests are concerned. For example, we would appear to have a right to protest against extraordinary Government expenditures, repatriation of Brazilian bonds, discrimination in favor of other

nationals, or any other disposition of exchange which would impair the position of American creditors or exporters, many of whom have already consented to wait for payment of blocked funds as well as to a reduction of interest on the public external debt. We could also make definite suggestions to Brazil as to the technical operation of her exchange control (See Appendix 2.). At present the control machinery does not provide, so far as we can find, any statistical record of the balance of payments position, although such a record should be the most obvious by-product of exchange control, and is indispensable both for an efficient control policy and for a program of gradual relaxation of exchange control.

The Department might consider whether it should not make direct representations to the Brazilian Government upon both of these points. It might take the position, for example, that for a definite limited period, it will not press for a special allocation of exchange to meet its requirements, notwithstanding its strong trade position, provided:

- (1) The Brazilian Government will undertake to refrain from such unnecessary or unwarranted uses of the exchange as have been enumerated; and
- (2) That it will improve its exchange control and exchange reporting machinery along the lines indicated.

After such a period, if these conditions have not been met and our exchange treatment has not definitely improved, it will reserve the right to suggest a special allocation of the exchange sufficient to satisfy our reasonable requirements.

REPORT ON AMERICAN EXCHANGE PROBLEMS IN ARGENTINA

During our stay in Buenos Aires, July 29–August 4, we interviewed various Argentine officials, including especially Dr. Pinedo, Finance Minister, Dr. Duhau, Minister of Agriculture, Dr. Prebisch, the economic and financial advisor of the Government, and Dr. Gagneux, the Exchange Controller. We had a meeting with the American Chamber of Commerce; another with the Exchange Committee of the same organization, and individual meetings with American importers and bankers; and discussed our problems with the American Government representatives.

Under the Exchange Control system now in force, Argentina allocates to us more than twice as much exchange as is created by our imports. But since the greater part is required for debt service, we received only about half enough official exchange to cover our exports to Argentina. To put it another way, Argentina allocates to us as cover for our exports about as much official exchange as is created by her exports to us, and in addition supplies official exchange for dollar

debt service*; but this means that for about half of our exports to Argentina we must have recourse to the "free market" at a premium over the official rate, which has recently been around 15 percent. In allocating the exchange, Argentina discriminates as between imports from us which she regards as more essential and imports which she regards as less essential. It seems clear also, though on this we have had no definite admission, that as between similar imports from different countries, she discriminates in favor of countries, notably England, with which she has concluded special exchange agreements. But it was stated at the meeting with the Exchange Committee of the American Chamber of Commerce that the range of such products is not great. The method of discrimination as between different imports from us is the requirement of a prior exchange permit, imports receiving such a permit being entitled to official exchange and those not receiving such a permit being forced for cover into the free market. Action on the application for permit can and should be had before the import leaves the country of origin, unless the importer is prepared to provide the exchange cover through the free market.

Our current exchange position could be improved by inducing Argentina to provide more official exchange or by the removal, or narrowing, of the spread between the official and the free market rates. We have, in addition, the problem of how to release unpaid balances.

Means of inducing Argentina to allocate to us more official exchange seem unpromising. We have not the trade position to press for, or to benefit by, a compensation agreement, like the Roca Agreement, and have not favored such a policy even in countries in which our trade position is strong. We could create more dollar exchange by a bilateral trade agreement, but shall probably not wish to do so in the near future. An advance of capital or credit would create more dollar exchange, but we have seen no evidence that Argentina wishes to borrow or the United States to lend; and except possibly in connection with freeing blocked funds (discussed below), which would provide no additional current exchange, there does not appear to be any sound reason, on either side, for recommending this type of solution.

Termination of the special exchange agreements with other countries would also help our position, though the Roca Agreement probably impairs our position less than one might in principle assume; but the Argentine officials state frankly that they have responded unavoidably to pressure in making these agreements, and emphasize the fact that the agreements are terminable upon the termination of exchange control. We have received the impression that they have little enthusiasm for the Roca Agreement but see no way out of it at present.

*It should be noted, however, that about half the dollar bonds are now held in Great Britain. [Footnote in the original.]

They also appear to feel, somewhat resentfully, that these agreements have not given them the assurance of their foreign market for beef which they expected. It would appear, however, to be both impolitic and futile to raise any questions respecting these agreements with Argentina, though it does appear that the United States has good ground, in logic at least, for pointing out to Great Britain the inconsistencies of her policy as between countries like Brazil in which her trade position is weak and countries like Argentina in which her trade position is strong, the policy being, as it now seems to us, to plead in the former countries for avoidance of compensation agreements, on broad economic grounds, and to press for such agreements in the latter, on narrower grounds of special advantage.

The remaining method of solution of our exchange problem lies in the achievement of equilibrium in the Argentine balance of payments, such as would permit the removal of exchange control and the emergence of a single exchange rate, equally applicable to all exporting countries, in a free market. The members of the Exchange Committee of the American Chamber of Commerce expressed themselves in favor of this solution, as both the most feasible and the most desirable. Whether, and when, this solution can be achieved depends upon a number of factors. The chief is world prices of Argentine exports, which have in recent months advanced substantially, materially improving the trade balance and giving rise to a distinctly optimistic atmosphere. This improvement has been accompanied by a narrowing of the spread in the exchange rates in the past two months, which appears to mean that more exchange is becoming available in the free market.† By reason of her internal policy, which has resulted in a substantial fall in farm costs, Argentina is in a very strong position to take advantage of any improvement in world prices for her products, and does not require a return of prices to the pre-depression level. This matter of internal prices and costs in relation to external we have investigated in some detail, and have discussed with the Minister of Agriculture and with Dr. Prebisch.

The Argentine Government is also endeavoring to improve its balance of payments position by applying a priority list on imports and by effecting conversions of its foreign debt at a lower rate of interest. It is in a strong position to achieve the latter, as security markets strengthen, owing to its record of maintaining the full debt service during the depression. Two British loans have already been converted, and discussions are now proceeding with respect to others. The Argentine officials have not omitted pointing out to us that a conversion of their six percent dollar bonds into five percents would

†See Footnote (**), Pages 21 and 22. [Footnote in the original. Reference is to footnote ||, p. 410.]

help their position considerably, but it will probably be some time before such an operation in our market could be successful.

The Argentines have also stated that under a system of free exchange they might not think it prudent to relax at once their system of import permits since there appears to be a strong tendency for imports to increase when control is relaxed or exchange conditions improve; they would have to be guided by actual experience.

One possible obstacle to an early removal of exchange control may be the fact that at present the Government makes a substantial profit in the official market by buying the exchange created by the exporters at a considerably lower rate than that at which it is auctioned off to importers having prior exchange permits. This profit has been used in part to buy grains from the farmers at an official minimum price. The Minister of Agriculture has informed me that the Government has now sold all its grain holdings and realized a substantial profit, but he took obvious pride in explaining how the spread in the exchange rates provided funds to finance such operations, and outlined a policy of building up reserves of this character to aid in supporting any agricultural production which might experience temporary market weakness. So long as these operations persist, they may provide a strong motive for retaining the present system of exchange control; but this possibility must be weighed against the counter-possibility that the producers, once they feel their foreign market is assured, may demand that the full price of the exchange, as in a free market, should come to them. This is the development which in Uruguay resulted (July 28) in a new exchange policy considerably enlarging the free market.

On the whole, I have received the impression that the Argentine situation is substantially improving, and that if the improvement continues it will result in a narrowing of the spread of exchange rates, the expansion of the free market, and eventually the removal of exchange control. How quickly this will occur cannot be estimated. One recent piece of evidence was the removal (August 1) of exchange control on small private (mainly immigrant) remittances, estimated at about 40,000,000 pesos a year, and the transfer of these operations to the free market. Another may be Dr. Gagneux's statement to us that the present exchange control mechanism, established last November, was designed to permit an easy and rapid transition to a free market when and as conditions permit. Apart from such straws as these, the Argentine officials have carefully avoided making any definite statements or commitments respecting their future policy.‡

‡ Dr. Pinedo, Finance Minister, said that he considered the free market, accompanied by exchange stabilization through gold flow, the only sound system; but he also stated that he does not intend to stabilize until he is certain of what other countries, especially Great Britain and the United States intend to do. [Footnote in the original.]

Two remaining questions are the attitude of the American business community in Buenos Aires, and the problem of blocked funds. We have the impression that American export interests and bankers in this market feel that the treatment being accorded them is as satisfactory under the circumstances as can reasonably be expected. In their view the system of prior exchange permits combined with freedom of access to the free market after notice is served that permits will not be granted is acceptable until such time as conditions permit the removal of exchange control. Thus far, the Chamber of Commerce Exchange Committee has supplied us with no complaints of discrimination or citations of cases of unfair treatment, and on the other hand several of its members have stated expressly that we are being accorded fair and reasonable treatment, all things considered. On the other hand, they point out that the exchange control has undoubtedly been injurious to many of our small exporters, and that the present comparative absence of complaint is in part due to the fact that only the fittest now survive. §

In the Chamber's view, the most serious problem at present is that of liquidating the unpaid balances. We understand that the Chamber intends to supply us with an estimate of the amount of these funds. Dr. Gagneux, the Exchange Controller, gave us an estimate of 25,000,000 pesos (the American part only), and pointed out that creditors have now the option of liquidating through the free market. || The Chamber of Commerce Exchange Committee stated that to some extent liquidation was occurring in this way, though this method involves a substantial loss in the exchange difference (See Appendix 2.). The Government has offered to pay off blocked funds with five-year notes

§ These views were expressed at our first meeting, which was with the Chamber's Exchange Committee. At the second, and much larger, meeting with the Chamber as a whole, individual complaints were expressed. These appeared to come mainly from the representatives of the smaller exporters. [Footnote in the original.]

|| In this respect, since our departure from Buenos Aires on August 4, certain developments have taken place which have been reported in an airmail letter to us by the resident representative of The First Boston Corporation, Dr. Oscar Muller, under date of August 21, as follows:—

“Around August 10 the peso started appreciating suddenly in the free market, going from 395 to 353 or just 4 above the official selling rate of 345. It looked indeed as if the whole system would have to be overhauled at a moment's notice, but instead of that the Government started lowering the official selling rate from 345 to 337, and sold exchange in order to counteract too fast an appreciation. The result is that now we have the official selling rate at 338, and the free market rate at around 365, or a difference of about 8%. It would seem that the policy is not to permit unduly violent fluctuations. More than ever I believe the tendency of the peso is to appreciate gradually. The present situation is being taken advantage of by people who held peso balances and were waiting for permits. They give up waiting and go into the free market at a loss of say 8% to 10%, and in this way a great deal of unblocking of pesos is taking place with the problem of blocked funds finding its own solution.

“After your departure grain prices rose still further, then they receded, but are firm once more.” [Footnote in the original.]

(similar to the arrangement offered Italy) but these are not acceptable, according to the Chamber, unless they can be discounted for cash (dollars) in the United States. The Exchange Controller is anxious to clear up the unpaid balances, and points out that the removal from the market of this potential pressure would be of great assistance. Both he and the Chamber's Exchange Committee have raised the question whether the Export-Import Bank could be interested in a transaction of this character.

Our two main conclusions are:

(1) The United States appears to have little or no means of inducing Argentina to offer us more favorable exchange treatment except as her general position improves; and this improvement appears now to be under way.

(2) Both Argentina and our exporters wish to clear up unpaid balances. This may now be done through the free market and to some extent is being done, but this method involves an exchange loss. The alternative method of payment in five-year notes depends upon the discounting of such notes by the Export-Import Bank or some other American institution. Anything we can do to facilitate the liquidation of these balances will undoubtedly assist Argentina in her general solution of the exchange problem, and will thereby improve our own treatment on current trade account.

REPORT ON AMERICAN EXCHANGE PROBLEMS IN CHILE

During our stay in Chile, August 4-10, we discussed the American exchange problems in considerable detail with the Embassy staff which, in advance of our arrival, had prepared two important memoranda, one on "Exchange Problems in Chile" and one on "Exchange and Compensation Factors affecting American Trade with Chile." We then interviewed at the Embassy in the presence of the Ambassador and the staff, a number of Americans representing a broad variety of American interests in Chilean industry and trade. These men, who were interviewed individually, are:

Horace Graham	Director, Nitrate Sales Corporation.
Paul Miller	Comptroller, Nitrate Sales Corporation.
Leo D. Welch	Manager, National City Bank, Santiago.
Phil W. Bonsal	International Tel. & Tel. Co.
Percy A. Seibert	Manager, Braden Copper Company.
J. Floyd Owens	Comptroller, Nitrate Sales Corporation.
Edward J. Craig	Gen. Manager, Anaconda Copper Company.
George S. Laing	Gen. Manager, West India Oil Company.

Accompanied by Mr. Scotten and Mr. Scott, I then had an interview of an hour and a quarter with Sr. Gustavo Ross, the Minister of Finance. As the situation now stands, Sr. Ross is the final authority on all economic and financial questions and is his own director of exchange control.

I

There are four possible alternative policies for handling our exchange problems with Chile:

1) By compensation treaty, which would include preferential treatment of frozen credits at the official rate of exchange, which in terms of our old gold dollar would mean 16.55 pesos per U. S. dollar, and in terms of the new gold dollar 9.6 pesos per dollar.

2) A general agreement with Chile, along lines already described in the Embassy's memorandum of March 27, 1934,⁸ but including also liquidation of frozen credits on most-favored-nation terms at the official rate of 9.6 to 1. This we understand to have been the State Department's position. This general agreement would give us freedom from exchange control and an exchange rate on current trade equal to that furnished compensation countries. In addition, by this agreement Chile would undertake to repay in dollars those having dollar deposits in the "Caja de Prevision de Empleados Particulares" and to furnish dollars at the official rate of exchange to those having peso deposits in the "Caja."

We understand that the Chilean Government has been willing to accept this agreement, in principle, in all respects except for its frozen credit provision; but that the State Department in view of this exception has not gone forward with the agreement, on the ground that to omit the frozen credit provision would represent acquiescence in less than most-favored-nation treatment with respect to this item.

3) A general agreement on the lines of (2) above as to current trade and the treatment of American depositors in the "Caja de Prevision," but with either (a) an agreement to liquidate frozen credits at some other rate of exchange than the official rate of 9.6 to 1, or (b) an understanding that an equitable settlement along these general lines would be effected privately between the Chilean Government and American holders of frozen credits.

4) Acceptance of the *status quo* as to current trade; a definite agreement on the lines already indicated with respect to deposits in the "Caja de Prevision;" and acceptance of the *status quo* as to frozen credits, but with an understanding to be worked out, either by the State Department or privately, as to the best practical method for resolving this problem.

II

In approaching the consideration of these four alternative lines of policy we have borne in mind the long history of negotiation with the Chilean Government concerning our exchange problems, during which time the economic and trade position of Chile has materially changed for the better. This improvement has occurred particularly since the period of active negotiation began last November. Our Government has consistently refused to consider the first plan outlined above, a

⁸ See section entitled "Efforts of the Department of State To Secure Equitable Treatment for American Interests With Respect to Chilean Exchange Restrictions," vol. v, pp. 1 ff.

compensation treaty, on broad grounds of general policy. In pursuing the second alternative, the Department in the beginning was evidently much concerned with receiving most-favored-nation treatment with respect to current trade. But partly by reason of the pressure exerted through our Embassy, acting on the Department's instructions, and in large part, by reason of the general improvement in Chilean trade, this problem has already been resolved without any formal agreement, so that today we are in fact receiving equal treatment with respect to current trade, exchange being made available to our exporters at the export bill rate of 25 to 1 and to the compensation countries at the official rate plus a premium which equalizes the price of exchange as between such countries and ourselves. A formal agreement, therefore, would accomplish nothing more than legalization of the existing *status quo*.

As the Department has consistently contended, such a formal agreement is unacceptable if not accompanied by an agreement with respect to frozen credits giving us in this respect also most-favored-nation treatment. All of the compensation treaties contain a provision for the liquidation of frozen credits at a rate which is better than the export draft rate now applied to current trade. Our problem has been how to secure equally favorable treatment on frozen credits without consenting to a compensation treaty. If now we should negotiate a general agreement with respect to current trade, and acquiesce in Chile's refusal to include in it most-favored-nation treatment for our frozen credits, we should apparently be relinquishing what has been, from the beginning of the negotiation, a major contention of principle, for the sake of a general agreement which now can give us nothing more than the treatment we are already receiving.

III

Our visit to Chile has impressed us with the complicated character of the frozen credits question. It is not easy to determine what would constitute for us most-favored-nation treatment or how desirable such treatment would be if we could get it. The French and other agreements are based on the official rate of exchange (three pence gold); in terms of our devalued dollar this would be 9.6 pesos for 1 dollar, but in terms of the old dollar it would be 16.55 to 1. It can be argued that Chile was not responsible for our devaluation and is entitled to consider 16.55 to 1 as its official rate. But to get even this rate, which the Finance Minister firmly refuses except as part of a compensation agreement, it would be necessary to consent to a time schedule which might mean only very gradual liquidation. In the French agreement 20 percent of nitrate sales to France are blocked to provide exchange for frozen credits, so that unless nitrate sales are large, liquidation is slow. A number of the Americans interviewed, when

asked whether they preferred slow liquidation at a good rate or faster liquidation at a worse rate, put greater stress upon the latter.

To provide exchange at the official rate for frozen credits, Chile compels the Nitrate Sales Corporation to sell exchange at that same rate, instead of at the much more favorable export draft rate. Since the nitrate industry represents largely American capital, such a solution of our frozen credits problem would be at the expense of an American interest. Our nitrate representatives, moreover, point out that since they use a considerable part of their exchange to buy American imports (including oil products, motors, electrical equipment, rubber, etc.), any such attempt to improve the position of American exporters on frozen credits would worsen our position in current trade. It should be pointed out, also, that most of the compensation treaties include only a portion of the frozen credits, so that they do not pretend to provide a complete solution of the problem.

To determine an equitable rate for the liquidation of our frozen credits, or the amount that would be liquidated were exchange offered, presents great difficulty. Part was frozen in July, 1931, when exchange control was imposed, and when the rate was about 8 to 1; but in reporting frozen balances creditors include as well the subsequent accumulations, when the rate was fluctuating from 8 to 60 to the dollar. A large portion of the frozen credits, moreover, has been invested in property or in securities, and in some cases large profits have been made. Some credits have been liquidated at the export draft rate, including some 18,000,000 pesos in response to two general offers made by the Finance Minister this year. Some credits are now so tied up that they cannot or will not be liquidated. This part includes 50,000,000 pesos used by Electric Bond & Share to buy up its local 8 percent debentures, effecting an important saving in interest. It probably should include also 18,000,000 pesos of bank deposits belonging to the Telephone Company, which appear to be destined, according to the local representative, for investment in Chile, in lieu of new capital from abroad, to carry out expansion in accordance with the company's contract. Thus of 157,900,000 pesos of "frozen credits" reported to the Commercial Attaché's office in response to his questionnaire, our inquiries would indicate that 18,000,000 pesos have been liquidated and at least 68,000,000 pesos cannot or will not be liquidated, leaving a total of about 72,000,000 pesos, which at the current export draft rate is less than \$3,000,000. What part of this was blocked prior to July, 1931, and therefore is in equity entitled to the official rate, and what part since that time, when the importer was taking his chances, I am not able to determine. In addition, there are some \$4,000,000 of frozen credits in the form of unpaid drafts, receivables, merchandise or other

items requiring payment by the debtor in dollars. All these, presumably, are in a different category, representing sums not yet collected from the debtor (local importers, etc.). What portion of these debts may still be good, and at what rates the debtors should now be required to provide exchange present difficult questions. But in general, it seems clear that the total amount of collectible or transferable credits is substantially smaller than had previously been supposed. In particular, it should be pointed out that of the total estimated frozen credits (Feb. 21, 1934), only 53,800,000 pesos is represented by deposits in banks; and that from this amount there must be deducted at least 31,000,000 pesos, of which 18,000,000 has already been liquidated this year at the export draft rate and 13,000,000 represents the Telephone Company's deposit at that time. These deductions would leave about 22,000,000 pesos, or less than a million dollars at the current export draft rate (or \$1,333,000 at the rate of 16.55 to 1).

IV

Throughout a long interview the Finance Minister discussed freely his present policy, but consistently refused to consider any better rate for frozen credits except in connection with a compensation treaty. I am satisfied that except in response to pressure in the form of some genuine threat to Chile's markets in the United States, he cannot be induced to alter this position.

His present policy with respect to exchange is to maintain the export draft rate at 25 to 1, equally for all countries, as to current trade, and to liquidate frozen credits at this rate, except as to the compensation countries. He has induced the British to furnish him a complete list of their frozen credits and has liquidated all but £40,000 of the British credits willing to accept this rate. He realizes fully, and pointed out in some detail, that some of the American credits do not now properly belong in the frozen credit category. He has made two general offers to liquidate our frozen credits at the export draft rate, and is convinced that he will in time succeed in clearing up the problem by this method. He asked us if the Embassy is able and willing to furnish a true list of frozen credits. He dislikes compensation treaties and is convinced that they have worked to the injury of the foreign countries which have insisted on them, and have resulted in a scarcity of exchange to finance their exports. He points out that Germany has not renewed the treaty which expired on June 30, 1934. He insists that the compensation countries themselves provide the differential in favor of their frozen credits in the high price for nitrate which prevails in these countries as compared with the price in England and the United States.

V

My conclusion is that preferential treatment for frozen credits, whether we mean by that treatment equal to that accorded to France and other compensation countries or merely a preferential rate as compared with current trade, cannot be secured except by a compensation treaty or by some other form of definite commercial pressure; and that in view of the relatively small size of the genuine frozen credits now remaining and the complicated status and character of these credits, making difficult the calculation of an equitable preferential rate, it would be unwise and impolitic to pursue such a course, since by it we would jeopardize the genuine good will which now exists, and might impair a trade position which appears to be distinctly favorable. If the Department should take this view, there would remain the question whether it wished, possibly after discussion with the American interests at home and in Chile, to acquiesce in the Minister's request for a list of American frozen credits, to be provided through the Embassy, as the British have done, or would consider that such a list should be provided by the private interests concerned.

If this policy were pursued with respect to frozen credits, the broader question would be whether it is still advantageous to negotiate a general agreement respecting current trade. My own view is that in view of the fact that we are now receiving without agreement as good treatment on current trade as could be had by means of an agreement, there is little to be gained by a procedure which would involve a formal relinquishment of our contention for the principle of most-favored-nation treatment with respect to frozen credits. I should therefore be inclined to favor the fourth of the alternatives outlined in section I (pages 23-24⁹).

REPORT ON AMERICAN EXCHANGE PROBLEMS IN URUGUAY

I

Our stay in Uruguay was limited to two days, July 27 and 28, but the American Chargé d'Affaires, Mr. Leon Dominian, had so planned our time that we were able to confer with the leading Uruguayan officials and American business men as well as our own government representatives. A midday conference with the American Association acting as an American Chamber of Commerce in Montevideo was followed by a round table conference with the Minister for Foreign Affairs, the President of the Banco de la Republica, the official bank, officials of the Foreign Office, representatives of American and Uruguayan business, and our official representatives. The following day

⁹ Reference is to p. 412.

included conferences with the Minister of Finance and officers of the Banco de la Republica and a final conference with the Minister for Foreign Affairs at his home.

Our arrival in Uruguay coincided with the announcement of an important modification in the system of exchange control, by the project of law and decree of July 28 (See Appendix 1).

Although complete control over exchange has been vested in the Bank of Uruguay since 1931, it has not been thoroughly effective. An artificially high rate of exchange was maintained which operated to delay the attainment of equilibrium in the balance of payments. The artificial rate gave the Government cheap exchange to service the external debt but was too high to check imports or stimulate exports. Also, it gave rise to smuggling and other evasions. Large accumulations of frozen credits have occurred of which to date only some 34,000,000 pesos have been funded through the issuance of the 5-year "amortizable obligations" leaving a backlog estimated between 20,000,000 and 25,000,000 pesos.

Partly, however, as a result of better prices for export products and also by reason of the reduction in outgoing payments, caused by cutting the interest on national external bonds to 3½ percent, equilibrium in the balance of payments (arrearages aside) was reached toward the end of 1933, and has since been maintained, according to the Government.

The new system of control is described as a concession to the agricultural interests and exporters, who have demanded freedom to sell their export bills at the "free" instead of the "official" rate.

The principal provisions of the new system are:

1. The broadening of the free market through permitting exporters to sell, depending upon the product, from 50 to 90 percent of the exchange resulting from exports of the principal products at the "free" rate, the balance to be disposed of to the government at the "official" rate.

2. The restriction of the use of official exchange to the service of the external debt, public services, and fuels, raw materials and other necessitous products.

3. The conversion of the backlog of unpaid balances by a new series of frozen credit bonds to be amortized within a period of 20 years and to bear not more than 4 percent interest.

4. All imports to be subject to license, the Government being empowered to reduce imports through its power to refuse licenses to 50 percent of their value in 1933.

SITUATION OF AMERICAN INTERESTS UNDER URUGUAYAN EXCHANGE CONTROL

II

Until the middle of 1933, Uruguay apparently allocated to American interests more than double the amount of exchange made by our pur-

chases of Uruguayan goods, although the amount was insufficient to prevent the accumulation of large amounts of frozen credits. Of the "amortizable obligations" issued to clear up these blocked balances, some U. S. \$6 million represent dollar bonds, and unfunded unpaid balances of Americans now total, it is estimated, an additional U. S. \$2.3 million.

During the past year, however, the Banco de la Republica has been restricting its allocation of exchange to American concerns, although it still seems to be allotting more than is created by Uruguayan exports to the United States. American firms received 46 percent less "official" and "compensated" exchange during the first six months of this year than during the corresponding period of 1933, although Uruguay's exports to the United States have increased in recent months. In the "free market" established in February of this year, however, American interests have been able to purchase some exchange at a rate averaging 45 percent over the official rate and 5 percent over the rate fixed for compensated exchange.

During this time British interests have been able, we are informed, to obtain substantially sufficient exchange for their requirements, much of it at the favorable "official rate." Exports to Great Britain, Uruguay's principal foreign market, create enough exchange for British requirements, and the Minister for Foreign Affairs states that Great Britain has exerted pressure to obtain an agreement whereby all of the exchange created by her Uruguayan purchases be made available to her nationals. Interests of other countries with which Uruguay has "favorable" trade balances are also alleged to have been favored in exchange allocation during this period. We have no recent figures to measure the discrimination in exchange treatment from which American interests suffer, but its existence is freely admitted by Uruguayan officials, who point out that they are being forced towards a bilateral system of exchange allocation by the countries which are Uruguay's chief markets. In addition, Uruguay also discriminates as between imports which she classes as necessitous and those which she regards as less essential. Thus, American oil companies during the first half of this year received \$702,000 in exchange at the official rate whereas only \$1,160,000 was allocated for all other American imports, of which one-half was at the favorable official rate and the other half at the 40% higher "compensated" rate.

The allocation of exchange to the oil companies is the subject of complaint by other American firms which point out that the allotment is charged by the control against the American quota of exchange although only a part of the petroleum products involved comes from the United States.

American bondholders also claim to be the object of discrimination through the action of the Uruguayan Government in 1933 in decreeing

that interest on all its external bonds shall be paid at the flat rate of $3\frac{1}{2}$ percent irrespective of the original coupon. This rate is full interest on the principal British issue—the Consolidated $3\frac{1}{2}$'s—whereas it is little more than one-half of the interest on the principal American loans, which bear 6 percent. The sterling loans which were the subject of consolidation, however, bore interest of 5 and 6 percent. It is understood that the Department is already informed that the Uruguayan Government maintains that no discrimination against American bondholders is involved. It is mentioned here because the reasons advanced by the Uruguayan Government for its reduction of interest on external obligations are the scarcity and high cost of foreign exchange.

It appears doubtful that the condition of insufficient exchange and discrimination in its allocation, in which American interests find themselves, will disappear under the new system of exchange control. According to our copies of the texts, the new law and regulations definitely provide that not only "import licenses" but "free" and "official" exchange as well will be apportioned according to quotas "for commodities and for countries" to be set up by the Bank of the Republic.

Further, the Minister of Foreign Affairs frankly stated that in order to preserve or extend her foreign markets, Uruguay is ready to make agreements offering exchange and tariff concessions. No definite agreements have as yet been made as far as we are informed although negotiations with Great Britain are in progress. The Minister also said that exchange concessions had been offered Italy in return for military purchases of Uruguayan meat.

Agreements of this kind, by corraling a greater share of exchange, might result in further restriction of allotments to American firms.

III

More dollar exchange is normally required for service of dollar bonds, frozen credit obligations, interest on American investments in Uruguay and imports from the United States than is provided by American purchases of Uruguayan products. A compensation treaty would, therefore, offer no solution of our exchange problem even if such agreements were in line with our general policy. It would be possible to increase the supply of exchange by a reciprocal tariff agreement but it seems doubtful that such an agreement could be decided upon in the near future.

There would appear to be no opportunity for effective protest against Uruguay's system of allocating exchange unless Uruguay should further reduce her American exchange quota and require that the entire sum necessary for interest on her dollar bonds, in addition to the ex-

change necessary for imports from us should be derived from the exchange created by our purchases of Uruguayan products. This would leave little exchange for our imports. According to our information, Uruguay has so far been taking a considerable part of the exchange necessary for dollar debt service from the general exchange fund resulting from its exports to all countries.

The complaint has been made that the quota of exchange for American requirements is smaller than it should be because exchange for petroleum products brought in by American companies from Venezuela and other Latin American oil fields is charged to it.

A report on this question from our representatives in Montevideo would be desirable and, in case their investigation shows the complaint to be founded on fact, also a statement of their views as to the advisability of making representations. There are various angles to this problem. For example, the control authorities might require information as to whether the exchange necessary for payment of the oil really returned to the country of production.

Aside from the above possibility of obtaining some increase in our exchange allotment and the possibility of creating more exchange through a reciprocal tariff agreement, there appears to be no special solution of our exchange difficulties in Uruguay.

Apparently we shall have an exchange problem as long as Uruguay maintains any system of exchange control. Exchange control is inevitably accompanied by discrimination in favor of nations which are good customers for her products. Our problem will disappear when, through the achievement of equilibrium in her international account, exchange control is lifted. Our policy should, therefore, be one of assistance towards this general solution of the country's exchange difficulties.

There has been an improvement in Uruguayan economic conditions and it appears very possible that Uruguay is now working definitely towards substantial freedom of exchange. President Terra has announced that this is the policy of his government. The new system is a step in this direction. The rural interests which are powerful, are pressing for abolition of control. A balance in the international account has apparently been obtained, and a balanced budget is forecast for this year. Uruguay has a relatively large gold reserve, a part of which according to the new exchange legislation she can use as a stabilization fund for the period of transition to exchange freedom, and, if necessary, in paying off a part of her frozen credit obligations. It is also reported that she is considering the use of part of the gold reserves to convert external bonds and thus reduce the outgo of exchange for debt service.

There is, however, a considerable opposition, including the importers and salaried classes, to any breakdown of exchange control which might involve further external depreciation of the peso. Also fearing the impairment of foreign markets for meat, a principal export, Uruguay stands ready to give exchange concessions through compensation agreements, a circumstance which might tend to prolong the period of exchange control.

If relaxation of exchange control is to be obtained it appears essential for the government to persuade the owners of the present large accumulation of blocked balances to accept payment over a period of years.

The objection of most American owners of blocked accounts to the acceptance of the proposed "frozen credit" bonds is understood to be that, being unmarketable, it is at present impossible to turn them into cash. If through the Import-Export Bank or some other institution these bonds could be discounted or otherwise made bankable on satisfactory terms, we would not only aid the American interests involved but would assist Uruguay in ending exchange control.

The new exchange control program provides for the issuance of "frozen credit" bonds to bear not more than 4 percent interest and to be amortized within 20 years. It is assumed that the latter figure is a maximum. If it is really Uruguay's intention to issue 20-year bonds, it is to be doubted that there will be a very large subscription for them by holders of frozen balances unless a market for the bonds were made. We believe that inquiry should be made as to the Government's intention with respect to the maturity of the proposed new issue of frozen credit bonds and that we should urge, in Uruguay's own interest, that it be kept down to the shortest possible period. It is to be noted that Argentina's endeavor to fund the remaining frozen credits by the issue of 5-year 2% bonds has so far not been successful. While it is possible that Uruguay may before long find it possible substantially to remove exchange control, the long view of her trade and exchange position is not too encouraging. Meat products are an important part of her exports and Uruguayan stock raisers fear that England, the chief market, may restrict her purchases as a result of the policy of Empire preferences and, recently, of protecting the livestock industry in the United Kingdom.

During our conference at the Ministry of Foreign Affairs, Uruguayan officials frequently referred to the effect of our 1930 tariff on Uruguayan exports to the United States. Uruguay was a relatively important customer of the United States prior to the depression and our investments, private and portfolio, yielded a good return. Uruguayan recovery is essentially dependent on her principal customers continuing to give her the same access to their markets that she formerly enjoyed.

IV

In conclusion it may be well to record that we were cordially received by the Uruguayan officials, particularly Señor Arteaga, Minister for Foreign Affairs, who represents the agricultural and livestock interests which apparently are exercising increasing control in government. He appeared gratified to learn that our views with respect to the advantage of relaxing exchange control coincided with that of his party. It is clear that the policy of this new group is to permit, through enlargement of the free market, a frank recognition of the external depreciation of the peso while at the same time endeavoring to prevent this depreciation from resulting in internal inflation. In this policy Señor Arteaga's group has to contend, however, with not only the importing interests but also the heads of the official bank, who are apparently dominated by a conservative allegiance to what might be called preserving the integrity of the old peso. It seems not improbable that our assurance to Arteaga and his friends that in our view he was pursuing the correct policy, may serve in some measure to strengthen his hand. He and other government officials also appeared to receive very favorably our suggestions for the technical improvement of the exchange control, particularly the need for an adequate reporting service which would enable them to know their balance of payments position and to make use of this knowledge in working out the steps for further relaxing exchange control.

THE CONFERENCE OF CENTRAL AMERICAN STATES¹

816.01/411 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, January 26, 1934—5 p. m.

[Received 8 : 32 p. m.]

30. My 28, January 25, 1 p. m.² The President informed me this morning that in his opinion no further steps will be taken in connection with proposed conference to be held in February until government of El Salvador is recognized by Government of the United States. As soon as El Salvador is recognized by us he expects that President Ubico will make the move. He said that he personally hopes that conference will be held in "neutral" place and specifically mentioned Panama as desirable, particularly he said because of the possibility that Panama might be included within the terms of the new treaty which it is proposed should be concluded. While he said that the agenda for the proposed conference had not been officially discussed he expressed the belief that the question of the political union of the Central American States (including Panama) might be brought up. He expressed himself as being strongly in favor of such a union because of the economies which could thereby be effected by all the countries and said that the attitude of the United States Government towards such a proposal would have an important effect.

Repeated to Central American missions and Panama.

LANE

713.1311/217 : Telegram

The Chargé in Guatemala (Lawton) to the Secretary of State

GUATEMALA, January 27, 1934—3 p. m.

[Received 9 : 05 p. m.]

14. With reference to telegram from Minister at Managua number 30, January 26, 5 p. m., this morning I had a long talk with the Foreign Minister about the forthcoming Central American conference. He told me that since his return 3 days ago from Montevideo he had not had a chance to consult the President at length and to

¹ For earlier correspondence preliminary to the Conference, see vol. v, section under El Salvador entitled "Recognition of the Martínez Government of El Salvador by Guatemala, Honduras, and Nicaragua, and by the United States."

² Printed in vol. v, section on "Recognition of the Martínez Government of El Salvador . . ."

formulate definitely the Guatemalan viewpoint with respect to the conference. However, he said that he was in a position to give me the following information:

President Ubico and Skinner-Klee³ are firmly of the opinion that the conference should be held in Guatemala and they would like to have its inauguration on Washington's Birthday, February 22. They prefer that the invitations should be extended by the Nicaraguan Government in the names of the Governments of Guatemala, Honduras, and Nicaragua. Without suggesting a particular day they feel that the invitations should be extended sometime next week. They will be glad to include Panama in the conference, as well as in any treaties that may be drawn up, as long as the United States approves such participation and does not feel that the obligations assumed are in conflict with the special relationship existing between the United States and Panama. They also agree that the conference will be of such importance that the delegations should comprise at least three members each.

The Foreign Minister then said that he had not yet obtained the President's approval of a draft agenda embodying the views of the Guatemalan Government but that he hoped to provide me with such a draft on Monday or Tuesday. However, he said that he plans to propose to the conference a number of measures tending towards a Central American union but not including a specific proposal for political federation. He feels the latter may develop gradually if the various preliminary measures are successful. These measures would include: Uniformity of laws, free trade throughout the Isthmus, a common Central American citizenship, a single diplomatic and consular service for the Isthmus, a unified educational system, and a common monetary system preferably based on the quetzal. Unlike President Ubico, he does not favor revision of the Treaty of Peace and Amity to include sanctions but he feels that the existing provision regarding non-recognition of revolutionary governments should be re-enacted in a new treaty to be subscribed to by all the Central American republics. He said that he hoped to persuade President Ubico to abandon his intention of insisting upon sanctions.

The Foreign Minister concluded by saying that he felt that Guatemala, Honduras, and Nicaragua should agree beforehand in a general way on the conference agenda and that they should go ahead along the lines indicated above whether or not the other republics joined with them. He also indicated that one of the most important factors for the success of the conference would be the approval and encourage-

³ Alfredo Skinner-Klee, Guatemalan Minister for Foreign Affairs.

ment of the State Department and he expressed a desire to know whether the suggested plans meet with the approval of the Department and also whether it would view sympathetically the issuance of an invitation to Panama.

Repeated to Central American missions and Panama.

LAWTON

713.1311/218 : Telegram

*The Minister in Nicaragua (Lane) to the Secretary of State*⁴

MANAGUA, January 29, 1934—3 p. m.

[Received 6:40 p. m.]

32. With reference to Lawton's January 27, 3 p. m.,⁵ President Sacasa told me this morning that he proposes to confer today with Honduran Chargé d'Affaires to inquire regarding President Carías' views as to the form which invitation to the conference should take and as to the place of meeting. He said that tomorrow he would see Guatemalan Minister and state that he is prepared to join in inviting Costa Rica and El Salvador to conference in the manner which may appear most convenient to Guatemala, Honduras and Nicaragua. (He said he would not mention to Guatemalan Minister the question of meeting place. Ubico's views in favor of Guatemala having been previously communicated to him by Ubico.) The President expressed himself in substance as follows: He has no objection to meeting in Guatemala and will gladly abide by views of majority of five Central American states on this point. He would prefer Panama, however, (1)—because it is a "neutral" country and (2)—because if conference were meeting there it would be a simple matter to invite Panama to attend, rather than that Panama should send delegates to some far off point after the conference had assembled. If an invitation is sent to Panama it should be sent not merely by Nicaragua, Honduras and Guatemala but by the other Central American states as well. While agreeable to conference meeting in February he considers it wise not to move too hastily as the delegations should be chosen with care and the agenda fully discussed among the inviting states.

He said he would advise me of the results of his conversations with Honduran and Guatemalan representatives.

LANE

⁴ Telegram No. 33, January 29, 8 p. m., reported that this telegram was repeated to Central American missions and Panama (713.1311/220).

⁵ See last sentence of telegram No. 14, January 27, 3 p. m., from the Chargé in Guatemala, *supra*.

713.1311/219 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, January 29, 1934—5 p. m.

[Received 9:25 p. m.]

8. With reference to telegrams from Legations Managua, January 26, 5 p.m., and Guatemala, January 27, 3 p.m.⁶ In conversation with Foreign Minister here yesterday he told me that he was deferring definite consideration of agenda for forthcoming Central American conference until arrival of two Honduran delegates to Montevideo Conference where they had undoubtedly discussed this subject with the Foreign Minister of Nicaragua and Guatemala at Montevideo. The Honduran delegates are now in New Orleans and are expected here within a few days. The Foreign Minister said he did not know whether President Carías was agreeable to holding the conference in Guatemala but that he, the Foreign Minister, believed Panama the more suitable place in the event that Panama is to be included in the conference as well as in any treaties. He said that questions as to which Government should issue invitations, date for convening of conference, place where conference should be held, when and in what form invitations should be extended to Panama, could be settled promptly by interchange of telegrams between the Governments of Guatemala, Honduras and Nicaragua but that he thought the drafting of the agenda might be expedited by a meeting of the Foreign Ministers of these countries at Tegucigalpa.

The Foreign Minister expressed the hope that something would emanate from the conference that would aid in the settlement of the long-pending boundary dispute between Central American countries especially that between Honduras and Nicaragua.⁷

Repeated to Central American missions and Panama.

LAY

713.1311/225 : Telegram

The Minister in Costa Rica (Sack) to the Secretary of State

SAN JOSÉ, January 30, 1934—2 p. m.

[Received 8 p. m.]

6. Regarding several telegrams from Guatemala, Honduras, and Nicaragua concerning proposed Central American conference and agenda therefor. This Government is being wholly ignored and I fear if agenda completed by three countries and then submitted to Costa Rica on a take it or leave it basis that Government and public

⁶ See last sentence of telegrams cited, p. 423.

⁷ See *Foreign Relations*, 1931, vol. I, pp. 792 ff.

sentiment will resent such action and a hostility to conference will result which may prove harmful insofar as Costa Rican participation is concerned.

During conference with Foreign Minister Pacheco today on another matter I gathered this country will be extremely wary in extent of union with other countries as outlined by Skinner-Klee to Lawton, January 27th.⁸ Respectfully suggest for future good will that before agenda announced Costa Rican pride and historical background be considered.

Repeated to Central American missions.

SACK

713.1311/226 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, January 30, 1934—10 p. m.

[Received January 31—12 : 20 a. m.]

34. My 32, January 29, 3 p. m., and telegram of January 29, 5 p. m., from Minister of Finance, Tegucigalpa.⁹ The President told me this afternoon that he had conferred with Chargé d'Affaires of Honduras and had requested him to present to President Carías his proposition substantially as follows:

1. The Presidents of Nicaragua, Honduras and Guatemala will each send invitations to the Presidents of Costa Rica and El Salvador stating that they are doing so in the name of their respective countries and in agreement with the other two; Guatemala to be the place of the conference.

President Sacasa said that he had discussed foregoing with Guatemalan Minister and that latter said he had no instructions on matter. Minister Guatemala, however, requested the President (according to latter) to communicate his views direct with Ubico. Sacasa told me he would first await reaction from Carías.

The President said that he is willing to leave the date of the conference to the President of Guatemala. With respect to the apparent modification of his views regarding the place of conference he said that he now considered it wise to have the conference in the Central American country which has the greatest population and which therefore should naturally have the hegemony in this region.

The foregoing is my understanding of President Sacasa's private views which, of course, are not for repetition to officials of other

⁸ See last sentence of telegram No. 14, January 27, 3 p. m., from the Chargé in Guatemala, p. 423.

⁹ Presumably an error for "the Minister at Tegucigalpa". See last sentence of telegram No. 8, January 29, 5 p. m., from the Minister in Honduras, p. 426.

Central American countries but are merely for the information the Department and of our representatives in the respective countries.

Repeated to Central American missions and Panama.

LANE

713.1311/227 : Telegram

The Chargé in Guatemala (Lawton) to the Secretary of State

GUATEMALA, January 31, 1934—5 p. m.

[Received 9:35 p. m.]

15. My 14, January 27, 3 p. m. The Foreign Minister told me this afternoon that the Guatemalan Government now feels that it would be preferable not to agree beforehand with Honduras and Nicaragua upon the conference agenda. He plans to transmit to the Governments of Honduras and Nicaragua by the next air mail (Saturday) the draft of an invitation which President Ubico will ask President Sacasa to extend to the Governments of Central America and of Panama. The inclusion of Panama will depend upon the desire of President Sacasa and the Department as Guatemala has no objection. Skinner-Klee promised me a copy of the draft invitation as soon as completed and I shall telegraph its substance to the Department and forward copies to the Department and interested missions by air mail. The Foreign Minister said that the invitation will be in the names of Guatemala, Honduras and Nicaragua and will invite the various Governments to participate in a conference to meet in Guatemala February 22 for the purpose of revising the several treaties of 1923.¹⁰ He pointed out that by mentioning all the pacts instead of only the Treaty of Peace and Amity a sufficiently broad scope would be provided to cover any likely developments.

Skinner-Klee is fully aware of the probable attitude of Costa Rica to any measures tending towards a Central American union and he has little hope that she can be induced to enter into the arrangements he has in mind. He believes, however, that if the invitation is extended as suggested above and if Guatemala, Honduras and Nicaragua do not make any preliminary plans among themselves Costa Rica could have no real cause for complaint or for refusing to attend the conference. He remarked he is of the opinion that Salvador will be glad to attend and that she will probably join Guatemala, Honduras and Nicaragua in any measures of common interest that may be adopted at the conference. He is now working on the draft of the proposals he intends to submit to the conference and he promised me a copy as soon as it has been approved by President Ubico. He said

¹⁰ See *Conference on Central American Affairs, Washington, December 4, 1922-February 7, 1923* (Washington, Government Printing Office, 1923), pp. 287 ff.

that he would greatly appreciate knowing the Department's reaction to his plan.

Skinner-Klee concluded by saying that since the draft invitation would not be mailed until Saturday the invitations could not be extended until next week but he feels that there will still be ample time for preparations before February 22.

Repeated to Central American missions.

LAWTON

713.1311/228a : Circular telegram

The Secretary of State to Diplomatic Representatives in Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua

WASHINGTON, January 31, 1934—7 p. m.

With reference to the recognition of the Government of El Salvador by Guatemala, Honduras and Nicaragua, it is the Department's understanding that the three last named countries continue to regard the 1923 Treaty of Peace and Amity¹¹ as in effect as concerns their relations with each other, but not as concerns their relations with El Salvador and Costa Rica.

With respect to the proposed new Central American Conference you should bear in mind in connection with any conversations you may have on the subject that this is a purely Central American project, that the United States not only has no responsibility in connection with it but wishes to remain in the background and not to take any active part in the preparations for it.

HULL

713.1311/227 : Telegram

The Secretary of State to the Chargé in Guatemala (Lawton)

WASHINGTON, February 1, 1934—5 p. m.

6. Your No. 14, January 27, 3 p. m. and 15, January 31, 5 p. m. You may state to the Minister of Foreign Affairs orally and confidentially that as he has pointed out Panama and the United States have a special relationship and special obligations toward each other that do not exist in the case of the United States and the countries of Central America. This circumstance might limit the extent to which Panama would feel that it could enter into a special treaty relationship with the Central American countries and it would also influence the attitude of the United States toward any treaty arrangement which included Panama. For these reasons the Guatemalan Government

¹¹ Conference on Central American Affairs, p. 287.

may wish to consider the wisdom of including Panama in the proposed conference.

Please express our great appreciation to the Foreign Minister for his courtesy in speaking to you on these questions, and add that the Department does not feel that it could appropriately comment on the other suggestions embodied in your telegrams. Repeat to the other Central American missions.

HULL

713.1311/228 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, February 1, 1934—5 p. m.

[Received 8 p. m.]

35. With reference to telegram of January 30, 2 p. m., from Minister at San José,¹² President Sacasa stated to me this morning that he has no intention of agreeing upon the agenda without consulting Costa Rica and expressed the belief that the invitations to the conference to revise the treaty should be tendered by the three states which are still parties to the treaty.

As to inviting Panama, President Sacasa said that of course El Salvador and Costa Rica should be consulted.

Repeated to Central American missions.

LANE

713.1311/231 : Telegram

The Chargé in Guatemala (Lawton) to the Secretary of State

GUATEMALA, February 2, 1934—3 p. m.

[Received 6:20 p. m.]

16. Your 6, February 1, 5 p. m. This afternoon I spoke to the Foreign Minister confidentially about the inclusion of Panama in the proposed conventions. Upon being informed of the Department's views as set forth in the telegram under reference Skinner-Klee said that his Government would advise President Sacasa to limit the invitations to the five Central American republics. He added that he had been doubtful all along of the advisability of including Panama and that he fully appreciated the special relationship of that country with the United States.

Repeated to Central American missions and Panama.

LAWTON

¹² See last sentence of telegram No. 6, January 30, 2 p. m., from the Minister in Costa Rica, p. 426.

713.1311/232 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, February 5, 1934—1 p. m.

[Received 3 p. m.]

38. President Sacasa told me yesterday that he had received a telegram from President Ubico advising him of forthcoming arrival here of Hernández de León, Guatemalan journalist, who is bringing to Sacasa a personal message from Ubico regarding proposed Central American conference together with a protocol to be signed by Presidents of Guatemala, Nicaragua and Honduras.

De León has already arrived.

Repeated to Central American missions.

LANE

713.1311/233 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, February 5, 1934—10 p. m.

[Received February 6—1:47 a. m.]

39. My 38, February 5, 1 p. m. The President showed me this evening a protocol delivered to him today by Hernández de León which had already been signed by President Ubico on February 3 and in which provision is made for signature also by the Presidents of Nicaragua and Honduras. Preamble to protocol after referring to generalizations regarding desirability of maintaining friendly Central American relations states that "the five Central American nationalities" are desirous of revising the General Treaty of Peace and Amity of 1923. In the body of protocol it is provided that President of Nicaragua shall extend in name of Guatemala, Honduras and Nicaragua invitations to Governments of Honduras, Guatemala, El Salvador, Costa Rica and Nicaragua (*sic*) to meet in Guatemala on February 22 to revise the treaty or treaties of 1923.

The President said that he is telegraphing to Ubico tonight suggesting that he (Sacasa) should not extend the invitation for a conference in Guatemala much as he appreciates the honor of speaking for Guatemala and Honduras. He stated that he considered Costa Rica particularly would resent not being invited by Guatemala. He also referred to incorrectness of the three countries speaking (in preamble) for all five.

I believe that the President fully understands our attitude (as explained in Department's circular telegram of January 31, 7 p. m.) and merely wishes to keep us fully informed.

LANE

713.1311/237 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, February 7, 1934—6 p. m.

[Received February 8—12: 25 p. m.]

43. Private Secretary to the President informed me this morning that protocol has now been signed by Presidents Ubico, Sacasa and Carías and that invitations to Central American Conference will probably be extended today.

LANE

713.1311/238 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, February 9, 1934—4 p. m.

[Received 7: 17 p. m.]

45. My 43, February 8 [7], 11 a. m. [6 p. m.]. The President confirmed to me today reports in the press regarding invitation having been extended yesterday by him on behalf of Presidents of Guatemala and Honduras and on his own behalf to Presidents of Costa Rica and El Salvador to send representatives to Guatemala for meeting February 22 with a view to discussing revision of treaties of 1923.

President Sacasa said that he had received telegram from his confidential agent in San José to the effect that Costa Rican Government was willing to send representatives to Guatemala but that date might be difficult because of the death of Costa Rican Minister for Foreign Affairs.

Repeated to Central American missions.

LANE

713.1311/240 : Telegram

The Chargé in El Salvador (McCafferty) to the Secretary of State

SAN SALVADOR, February 13, 1934—noon.

[Received 7: 05 p. m.]

6. President Martínez has informed President Sacasa that he accepts with pleasure the invitation of the Presidents of Guatemala, Honduras and Nicaragua to send plenipotentiary to a Central American Conference to be held in Guatemala, on February 22d, to revise the 1923 Central American pacts; but he requests that the inviting Presidents send him as soon as possible the project of the pacts to be presented at the Conference so that the Salvadoran Government may study them carefully in advance, taking into account the sad experience acquired because of the inefficacy and unconstitutionality of the treaty recently denounced by El Salvador and in order that the re-

spective plenipotentiaries may go prepared to sign an agreement which may guarantee in an inviolable manner a frank and loyal cordiality and an advantageous cooperation among the Central American states.

Repeated to Central American missions.

McCAFFERTY

713.1311/239 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, February 13, 1934—2 p. m.

[Received 8:14 p. m.]

47. My 45, February 9, 4 p. m. President Sacasa showed me last night telegram from President Jiménez accepting invitation on behalf of Costa Rica but suggesting that date of Conference be postponed until March 15th and that summary agenda be communicated to the interested Governments and (2) telegram from President Ubico dated February 12, acknowledging receipt of Sacasa's telegram (embodying above mentioned message from Costa Rica) but making no change in the date.

LANE

713.1311/242 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, February 15, 1934—noon.

[Received 2:20 p. m.]

49. My 47, February 10 [13], 2 p. m. Press of this morning publishes telegram from Guatemalan Minister for Foreign Affairs to Nicaraguan Minister for Foreign Affairs offering the use of airplane to bring to Guatemala on February 18 Nicaraguan delegates to Central American Conference.

Minister for Foreign Affairs has just informed me that this telegram crossed telegram sent yesterday by President Sacasa to Presidents of other Central American states proposing March 15th as date of Conference.

Repeated to Central American missions.

LANE

713.1311/243 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, February 15, 1934—6 p. m.

[Received February 16—12:28 a. m.]

14. Carlos Izaguirre now acting as a private secretary to President Cárías called at the Legation for diplomatic visa and told me that he

is leaving for Washington on United Fruit Company steamer due to arrive New York February 23d and will consult with Honduran Minister in Washington and Department regarding some understanding with the Department that it would give its support and adherence to some modification at Guatemala City Conference of article No. 2 of the General Treaty of Peace and Amity of 1923. He believes that without this assurance of support from the United States Government any modification of this article would not be agreed to by Honduras, Guatemala and Nicaragua. When he asked me what I thought of the idea I expressed as my own opinion the substance of the Department's confidential circular telegram of January 31, 7 p. m.

Mr. Izaguirre said that the Conference at Guatemala City has been definitely postponed until March 15th, that he with Augusto Coello, who was delegate at Montevideo Conference, and Silverio Laínez, now Honduran Minister at San Salvador, will be three of the four delegates chosen for Guatemala Conference, fourth to be selected later.

Repeated to Central American missions.

LAY

713.1311/246 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, February 16, 1934—3 p. m.

[Received 8:17 p. m.]

52. My 51, February 16, noon.¹³ The President stated to me that despite his having been requested by Ubico to extend the invitations to the Conference and his having suggested that he be given leeway as to the date, Ubico is now apparently making the question of the date a pretext for the exclusion of Costa Rica from the Conference. He said that if Costa Rica does not attend the Conference he feels that El Salvador will likewise not attend. He requested me to make a suggestion to the Department as coming from him that President Ubico be urged by us to reconsider his attitude so as to avoid certain failure of the Conference. He said that the fact that three of the five countries are in favor of March 15 should be a determining factor. He added that he hopes we will say to Ubico that we greatly appreciate the compliment of his wishing to open the Conference on Washington's birthday, but that we do not wish the Conference to fail because of the desire to fix February 22 as the date.

When I reminded him of the Department's policy (as expressed in the Department's circular telegram of January 31, 7 p. m.) he said that he understood our point of view; on the other hand he recalled that the initial step regarding a Conference was suggested by the De-

¹³ Not printed.

partment and that he had gladly accepted such suggestion. He expressed the hope therefore that the Department would see its way clear to endeavor to save the project from failure at the outset.

LANE

713.1311/244 : Telegram

The Minister in Costa Rica (Sack) to the Secretary of State

SAN JOSÉ, February 16, 1934—7 p. m.

[Received 10:27 p. m.]

11. Before receipt today of No. 51 from Managua¹⁴ Foreign Minister Gurdián called at the Legation for two purposes:

1. To seek my assistance to determine whether Guatemala would heed his request for postponement of Conference.

2. To hint that unless Conference date is postponed and Costa Rica is provided in advance with a specific agenda Costa Rica would not participate in the conference.

I informed Foreign Minister that I would, as a personal courtesy, seek information from Guatemala as to plan on postponement and am accordingly requesting such information from Guatemala. Heretofore, and again today, told Minister that the United States observing hands-off policy as to Conference.

Detailed exposition of Costa Rican views on Conference air mailed today.

Repeated to Central American missions.

SACK

713.1311/247 : Telegram

The Chargé in Guatemala (Lawton) to the Secretary of State

GUATEMALA, February 16, 1934—8 p. m.

[Received February 17—4:42 a. m.]

17. The Foreign Minister sent for me this morning to say that, in view of the difficulties that have arisen over fixing a date for the Conference and because of the desire of certain of the Governments to know beforehand what proposals are likely to be made, the Guatemalan Government is sending to the four other Central American Governments by air mail tomorrow two draft treaties that its delegation will submit to the Conference. Copies of these drafts and of their covering letter were furnished me this afternoon and I am forwarding them with translations to the Department and the Central American missions by air mail tomorrow.

¹⁴ Not printed.

Skinner-Klee indicated that his Government was no longer greatly concerned over the date of the Conference as the decision to make known its draft proposals to the other Governments as well as to the press makes it less important to hurry the opening of the Conference.

The following are summaries of documents mentioned above:¹⁵

1. Identical letter sent by Guatemalan Minister for Foreign Affairs to Foreign Ministers of Costa Rica, Salvador, Honduras, and Nicaragua. Letter states that Guatemalan Government did not prepare a program to cover the activities of the Conference as it seemed more fitting that each delegation should form its own projects and announce them at the Conference. However, Guatemalan delegation was instructed to draw up a draft treaty of peace and amity that would be simpler than the present one and would not cause differences of interpretation. This draft was prepared and embodies in one instrument most of the provisions of the several treaties of 1923. Letter further states that President Ubico had intended to present his personal views of the needs of Central America to the Conference but that he has embodied them in another pact which is enclosed along with the draft treaty of peace and amity. He feels that with good will the Conference cannot fail to be a success and he sees no obstacle to the meeting of the Conference in the near future at the date agreed upon by the five Governments. In conclusion the letter states that if for any reason the Conference does not take place President Ubico is pleased to make known his proposals by means of this letter.

2. Draft of general treaty of peace and amity. Article I renounces armed force for the settlement of differences declaring that war is impossible and that it is banished forever.

Article[s] II and III provide for limitation of armaments as agreed upon in 1923 treaty.

Article IV prohibits exportation of arms or munitions from one Central American state to another if they are intended for revolutionary activities.

Article V condemns use of poison gases.

Article VI affirms the principle of nonintervention in the internal affairs of another state but provides for concentration at a distance from frontiers of political emigrants.

Article VII declares that the only legal method for the transfer of public authority is that set forth in the various constitutions and provides that in case a revolutionary movement upsets that procedure "the new situation will not be recognized until it has been legalized in the constitutional manner provided by law". (This is the only provision as to nonrecognition of revolutionary governments.)

Articles VIII and IX provide for free trade within the Isthmus.

Articles X through XVIII provide for extradition of fugitives.

¹⁵ For texts of the documents, see *Primera Conferencia Centroamericana*, Guatemala, Marzo de 1934, *Nota Circular dirigida por el Ministro de Relaciones Exteriores de Guatemala a los Excelentísimos señores Ministros de Relaciones Exteriores de El Salvador, Honduras, Nicaragua y Costa Rica, 15 de Febrero de 1934 . . .* (Guatemala, C. A.—Febrero de 1934). See also *Secretaría de Relaciones Exteriores Costa Rica, Documentación relativa a los Tratados Centroamericanos firmados en Guatemala el 12 de Abril de 1934* (San José, Costa Rica, Imprenta Nacional, 1934).

Article XIX provides for recognition of public documents.

Article XX provides for recognition of judicial decisions.

Article XXI declares that arbitration is the only means of settling disputes and allows no exception to this provision.

Articles XXII, XXIII and XXIV prescribe the arbitral procedure but make no provision for a Central American tribunal.

Article XXV states that the present treaty summarizes the Washington Treaty of 1923.

Article XXVI is the last and provides that the treaty shall continue indefinitely but that after 5 years any state may denounce it and withdraw, the treaty continuing in force among those remaining.

3. Draft of a treaty of Central American fraternity to be submitted to the Conference by President Ubico. Article I declares the maintenance of peace and the elimination of war as the primary duties of the Central American states.

Article II states that the political union of Central America is the principal aim of its peoples and that the Governments represented at the Conference will cooperate to that end as far as possible without detriment to their sovereignty.

Article III provides for a common Central American citizenship.

Article IV provides for free trade, the unification of import and export tariffs and the abolition of passports.

Article V exempts monopolies and existing contractual rights from the provisions of article IV.

Articles VI through IX provide for a unified educational system and announce the creation of Guatemalan scholarships to students of other Central American states.

Article X provides for the recognition of public instruments throughout the five republics.

Article XI provides for the unification of civil, commercial, and procedure codes.

Article XII provides for agreement within 6 months after ratification on unification of our systems on a common gold standard and for uniform tariff schedules.

Article XIII provides for cooperation if requested by another state in suppressing revolutionary movements.

Article XIV provides for arbitration without exception of all disputes.

Article XV stipulates that pending disputes will retain their *status quo* for 10 years unless settled by direct and friendly action.

Article XVI provides for cooperation in development of all forms of transportation.

Article XVII provides for exchange of news and publications.

Article XVIII provides for encouragement of tourist industry.

Article XIX insures retention of full sovereignty and independent administration of all internal matters by each Government.

Article XX provides for suppression of subversive activity against another state and for concentration of emigrants.

Article XXI states that Central American foreign offices will communicate directly with each other, that diplomatic service between them is abolished and that a Consulate alone will be maintained between them.

Article XXII provides for effectiveness of treaty if as many as three states ratify it but grants other states the right to adhere at any time.

Article XXIII provides for modification of various national constitutions to accord with treaty.

Article XXIV pledges Governments not to delay ratification of treaty and provides for exchange of ratification in Guatemala.

Article XXV is the last and states that treaty will continue indefinitely but that any state may denounce it subject to 1 year's notice. Treaty will continue in force for the other states if there remains as many as three.

First two paragraphs repeated to Central American missions.

LAWTON

713.1311/248 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, February 17, 1934—9 a. m.

[Received 11:20 a. m.]

55. My 51, February 16, noon.¹⁶ The President showed me yesterday telegram sent last night to Ubico requesting latter to accede to slight postponement requested by Costa Rica.

Private secretary has just telephoned me that Ubico's reply states that arrangement will be acceptable to Guatemala.

Repeated to Central American mission[s].

LANE

713.1311/250 : Telegram

The Chargé in Guatemala (Lawton) to the Secretary of State

GUATEMALA, February 17, 1934—noon.

[Received 2:30 p. m.]

18. Foreign Office has just notified me that Conference will meet March 15. Repeated to Central American missions.

LAWTON

713.1311/246 : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, February 17, 1934—2 p. m.

11. We assume that the attitude of the Guatemalan Government as reported in Lawton's telegram of last night that the transmission of its draft proposals to the other Governments "makes it less important to hurry the opening of the Conference" takes care of the situation mentioned in your 52, February 16, 3 p. m.

HULL

¹⁶ Not printed.

713.1311/249 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, February 17, 1934—2 p. m.

[Received 10:45 p. m.]

16. Referring to my telegram No. 14, February 16 [15], 6 p. m. The Minister of Foreign Affairs told me yesterday with reference to Izaguirre's visit to Washington that Honduras is anxious that forthcoming Conference shall accomplish something practical and really effective in the interest of peace in Central America. He said that while he realized that the United States did not wish to mix in purely Central American projects that President Carías desires Izaguirre and Dr. Paz Baraona¹⁷ to consult with the Department regarding the moral support that our Government may be able to extend in the interest of peace in Central America. He did not suggest specifically what form of moral support his Government desired but intimated that without some assurance of support from the United States it would be very difficult to negotiate satisfactory modified peace treaties at the forthcoming Conference at Guatemala City.

Repeated to Central American missions.

LAY

713.1311/258 : Telegram

The Chargé in Guatemala (Lawton) to the Secretary of State

GUATEMALA, February 26, 1934—4 p. m.

[Received 8:27 p. m.]

19. Foreign Minister sent for me this afternoon and said that President Ubico would greatly appreciate the good offices of the Department in bringing to the attention of the Governments of Nicaragua and Honduras the importance of a new treaty of peace and amity, and especially of a nonrecognition agreement such as that provided by article VII of the draft treaty which the Guatemalan delegation is to submit to the forthcoming Conference. Skinner-Klee apparently feels that similar efforts would not be worth while with respect to the Governments of Costa Rica and Salvador. I replied by explaining the Department's position, as set forth in your circular telegram of January 31, 7 p. m., but said that nevertheless I would inform the Department of President Ubico's request.

Repeated to Managua and Tegucigalpa.

LAWTON

¹⁷ Miguel Paz Baraona, Honduran Minister in the United States.

713.1311/258 : Telegram

The Secretary of State to the Chargé in Guatemala (Lawton)

WASHINGTON, February 28, 1934—5 p. m.

8. Legation's No. 19, February 26, 4 p. m. Your action in explaining the Department's position is approved.

HULL

713.1311/264a : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, March 1, 1934—2 p. m.

18. Please inquire informally of President Sacasa whether he has selected delegates to the Central American Conference and what preparations for it are being made in Nicaragua.

HULL

713.1311/265 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, March 1, 1934—6 p. m.

[Received 7:54 p. m.]

81. Department's 18, March 1, 2 p. m. Minister for Foreign Affairs informed me today that delegates have not been selected as yet and that with the exception of making some studies no preparations are being made here.

Present critical situation here will undoubtedly affect Nicaraguan participation.¹⁸

LANE

713.1311/265 : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, March 2, 1934—2 p. m.

19. Your 81, March 1, 6 p. m. It seems to us that the present situation in Nicaragua should enhance Nicaragua's interest in the Conference. If preparations for the Conference on Nicaragua's part can be hastened and public attention directed thereto, this might well serve to exercise a quieting effect on public opinion. Nicaragua took the initiative in arranging for the Conference and issued the invitations to it, and unless she goes ahead in an appropriate way with her preparations there will obviously be little chance of holding a successful Conference. If you see no objection you may express this as your own view to President Sacasa.

HULL

¹⁸ See vol. v, section under Nicaragua entitled "Political Unrest in Nicaragua."

713.1311/265 : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, March 2, 1934—5 p. m.

20. Whenever practicable send copies of correspondence relating to Central American Conference direct to Legation in Guatemala and keep it informed of developments of interest in connection with the Conference. Repeat to Legations at San José, San Salvador and Tegucigalpa.

HULL

713.1311/277a

*The Secretary of State to the Minister in Guatemala (Hanna),
Temporarily in the Department*

WASHINGTON, March 3, 1934.

SIR: With reference to the conversations which you have had with officials of the Department concerning the approaching Central American Conference, there is set forth hereinafter for your information and guidance a statement of the policy of this Government with relation to the Conference.

1) The principal concern of the Government of the United States with respect to the Conference of Central American States is that the Conference shall be a success, at least to the extent of continuing a spirit of harmony and cooperation among the Central American States.

2) This Government is not a party to the Conference and for this and other reasons will refrain from any participation or interference in its proceedings, but, in line with our traditional policy of friendship with the Central American countries, we will not withhold any informal aid which may be welcome to the Conference and calculated to insure its success.

3) The attitude of the Legation in Guatemala will be in conformity with the foregoing. The Legation will keep the Department fully informed of developments that may take place; special situations as they may arise from time to time will be submitted for the Department's consideration and instructions.

4) While the Department cannot commit itself to accept for its guidance any rule or principle for the recognition of governments in Central America before such rule or principle has been agreed to by the Central American Governments themselves, and fully considered by the United States, it will view with sympathy any reasonable guide for recognition to which all the Central American countries may agree and which promises to encourage orderly, constitutional government, and a continuance of friendly relations among them.

While the foregoing expresses the Department's attitude it may not be advisable to make it known to the delegates at the Conference. On the contrary, it would seem more advisable to endeavor to satisfy inquiries from them in this connection by a statement to the effect that any expression of the views of this Government concerning a recognition formula might be interpreted as an attempt to influence the deliberations of the Conference, an interpretation which we desire to avoid.

5) Regardless of what may be done in the matter of continuing a guide for recognition, the Conference would make a contribution to the well-being of Central America if it resulted in an agreement subscribed to by all which would insure continued cooperation, a sense of responsibility for the maintenance of stability, non-intervention in each others affairs, et cetera. The United States would be very happy to see such a result achieved.

6) As regards the aspiration towards Central American Union, the United States conceives this to be fundamentally a Central American question, but is not unsympathetic.

7) The Legation will be advised fully by cable in connection with the question of American assistance for the Central American Highway project.¹⁹

Very truly yours,

For the Secretary of State:
SUMNER WELLES

713.1311/266 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, March 3, 1934—3 p. m.
[Received 6 p. m.]

84. Department's 19, March 2, 2 p. m. The President told me this morning that Nicaragua is vitally interested in the forthcoming Conference and will lend every possible aid. He said that he is giving serious consideration to the delegates whom he will send but that the present political situation here had to be taken into serious consideration in choosing the delegates. He said that it would be of interest to him to know whom the delegates of the other countries are. I am sending the following telegram to other Central American missions:

"President Sacasa told me this morning that he had not yet determined whom he will appoint as delegate to Central American Conference. He indicated confidentially however that his cousin, Crisanto Sacasa, would be one of the delegates. Unsettled situation resulting from the killing of Sandino has undoubtedly been one reason for lack of definitive policy on the part of Government with respect to partici-

¹⁹ See pp. 467 ff.

pation in the Conference. It would be very helpful if you would telegraph me names of delegates to be sent by the Government to which you are accredited. Repeated to Department and Central American missions."

LANE

713.1311/268 : Telegram

The Chargé in El Salvador (McCafferty) to the Secretary of State

SAN SALVADOR [undated].
[Received March 5—8:20 p. m.]

11. The following telegram has been sent to Managua :

"March 4, 4 p. m. Your March 3. The Foreign Office informs me that the membership of the Salvadoran delegation has not yet been decided upon but that this [*they?*] will advise me immediately upon their appointment. Repeated to Central American missions."

MCCAFFERTY

713.1311/267 : Telegram

The Minister in Costa Rica (Sack) to the Secretary of State

SAN JOSÉ, March 5, 1934—noon.
[Received 3:05 p. m.]

12. Honduran Minister to Costa Rica, Medál, flying tomorrow to Tegucigalpa for conferences before appointment as delegate to Guatemala Conference.

SACK

713.1311/269 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, March 5, 1934—5 p. m.
[Received 9:35 p. m.]

86. My 84, March 3, 3 p. m. This morning when I called on the President to inform him of names of delegates of Costa Rica and Guatemala to Central American Conference he said that he had under consideration proposing the postponement of the Conference and showed me a draft telegram to be sent to President Ubico (as well as to President Carías) suggesting in view of the recent events here that he be authorized to inform Presidents of Costa Rica and El Salvador that the opening of the Conference be postponed until April 27th. The President said that he did not wish to send this telegram until he had learned my views.

He showed me letters from Nicaraguan representative in Guatemala indicating that feeling there is very strong against the Nicaraguan

Government because of the killing of Sandino and that President should advise him of steps taken to bring responsible persons to justice.

Emphasizing that I was speaking merely on behalf of myself, I made the following suggestion against postponement.

1. Invitation was extended by President Sacasa.
2. There has already been one postponement.
3. Participation of Nicaragua would serve to show people here that tranquillity had been reestablished.
4. If action has not been taken by April 27 with respect to party or parties responsible for killing of Sandino, position of Nicaragua then would seem to be even more unfavorable.

The President then called in Crisanto Sacasa who said that because of the recent events it had not been possible to make a comprehensive study of the matters to be discussed at Conference. The President said that the following were his views in favor of postponement:

1. Present antagonism in Costa Rica and Guatemala which should shortly subside.
2. His not having yet been able to discuss Nicaragua policy at Conference with Conservative appointee.
3. His feeling that important thing is not to hold the Conference but to attain its success which in his opinion is impossible now because of existing feeling.

Having in mind the specific instructions contained in the Department's circular telegram of January 31, 7 p. m., and telegram No. 15 of February 26, 5 p. m.²⁰ (that the United States is maintaining a hands-off policy regarding the Conference) I did not further press my personal views.

Subsequently the Minister of El Salvador informed me that he had advised the President to postpone the Conference because of local conditions. He said that the Honduran Chargé d'Affaires is in accord with such advice.

Repeated to Central American missions.

LANE

713.1311/276 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, March 5, 1934—5 p. m.

[Received March 6—5:05 p. m.]

86. The Minister for Foreign Affairs informed me this morning that while his first reaction to the President's proposal for postponement was unfavorable he now considered postponement essential in

²⁰ For telegram No. 15, February 26, 5 p. m., to the Minister in Nicaragua, see vol. v, section under Nicaragua entitled "Political Unrest in Nicaragua."

order to afford time to reconcile, if possible, what he termed the divergent views of Guatemala and Costa Rica regarding the draft convention to be submitted to the Central American states. He said that because of apparent hostility in Costa Rica towards Nicaraguan Government he considers it essential that Nicaraguan representative should proceed to San José and have frank comprehensive talk with appropriate officials there.

Repeated to Central American missions.

LANE

713.1311/272 : Telegram

*The Chargé in Guatemala (Lawton) to the Secretary of State*²¹

GUATEMALA, March 6, 1934—noon.

[Received 3:15 p. m.]

22. Telegram from Managua, 86, March 5, 5 p. m. Foreign Minister informed me this morning that a telegram was received last night from President Sacasa suggesting postponement of Conference until the end of April but that Guatemalan Government was replying that it was opposed to another postponement and that it feels such action on the part of President Sacasa would be considered a sign of weakness.

Referring to second paragraph of telegram under reference, in my opinion Nicaraguan representative here gave President Sacasa a false impression of Guatemalan reaction to killing of Sandino. Government circles and entire press regarded him as little better than a bandit and, although the manner of his death was considered unfortunate, his disappearance from the scene is believed an excellent thing for Nicaragua. With the possible exception of isolated opponents of Ubico and a few unorganized students, public opinion shares the views of the Government and press. . . .

LAWTON

713.1311/274 : Telegram

The Chargé in El Salvador (McCafferty) to the Secretary of State

SAN SALVADOR, March 6, 1934—3 p. m.

[Received 5:48 p. m.]

12. The following telegram has been sent to the Legation in Managua:

“March 6, 1 p. m. Your March 3, 3 p. m.²² The Foreign Office just informed me that the Salvadoran Government this morning ap-

²¹ Telegram No. 23, March 6, noon, reported that this telegram was repeated to Central American missions (713.1311/275).

²² See last sentence of telegram No. 84, March 3, 3 p. m., from the Minister in Nicaragua, p. 442.

pointed the following plenipotentiaries to the forthcoming Central American Conference at Guatemala:

President of the Delegation, Dr. Miguel Tomás Molina, ex-Minister of Hacienda; First Delegate, Antonio Alvarez Vidaurre, Minister to Central America; and Second Delegate, Dr. Héctor Escobar Serrano, a young lawyer who is professor of international law in the National University. Joaquín Leiva, Chief of Protocol, will go as Secretary of the Delegation.

Repeated to Central American missions."

McCAFFERTY

713.1311/269 : Telegram

The Secretary of State to the Minister in Nicaragua (Lane)

WASHINGTON, March 6, 1934—3 p. m.

22. Your 86, March 5, 5 p. m. We continue to feel, as stated in our 19, March 2, 2 p. m., that it would be in the interest of Nicaragua itself to avoid a further postponement of the Conference. We fully approve the personal suggestions you made to Sacasa and see nothing inconsistent with our hands off policy in your continuing in a personal capacity to point out these considerations to Sacasa and his immediate advisers, if you judge that such action would still be useful. In view, however, of our policy of non-interference in matters relating to the Conference we do not feel that we can with propriety express any official views in the matter, notwithstanding our own opinion that a further postponement will be unfortunate for Nicaragua and Central America in general.

HULL

713.1311/273 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, March 6, 1934—6 p. m.

[Received 9 p. m.]

20. Foreign Minister has just told me that in view of wishes of Salvador, Guatemala and Nicaragua and in deference to Sacasa's apparent political difficulties, Honduran Government has considered it best to postpone opening of Conference at Costa Rica [*Guatemala?*] until late in April and that Honduras will not appoint delegates for these reasons. He said that there was little interest in the Conference, that he did not believe it would accomplish anything beneficial for Honduras unless a reciprocal trade treaty could be signed and ratified by all five countries that would replace the present free trade treaty between Honduras and Nicaragua and Honduras and Salvador, and he believes that Honduras would be unwilling to sign any Central American arbitration pact without reservation until Nicaragua abides by the

Honduran-Nicaraguan boundary award of the King of Spain.²³ The Foreign Minister intimated that he is not in accord with Ubico's article on recognition of the proposed treaty.

Repeated to Central American missions.

LAY

713.1311/277 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, March 7, 1934—1 a. m.

[Received 3:35 a. m.]

90. Department's 22, March 6, 3 p. m. Have just seen the President who tells me that he has withdrawn proposal for postponement. Explanatory telegram will follow.

Repeated to Central American missions.

LANE

713.1311/278 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, March 7, 1934—11 a. m.

[Received 3:05 p. m.]

91. My 90, March 7, 1 a. m. When I saw the President last evening he told me that he had received (1) a telegram from President Carías indicating no objection on his part to postponement provided Sacasa considered it necessary and (2) telegram from President Ubico to the effect that it would not be possible again to postpone Conference.

Sacasa said that in his telegram proposing postponement he was unwilling to admit that present unsettled situation (that is between the Government and the Guardia) had prevented him from making the necessary preparations. He said that yesterday Crisanto Sacasa had said that he did not wish to be associated with a failure and that he considered it impossible in the short time remaining for the Government to formulate a definitive policy which would be fully understood by the delegates who have not yet been appointed.

The President said that his personal view was that it would have been advisable to send a personal representative to Costa Rica, El Salvador, Honduras, and Guatemala, in the order named, in order to endeavor to arrange an accord with them as to policy.

He said that in view, however, of Ubico's telegram and of my personal suggestions he had decided to withdraw from his position of advocating postponement and had telegraphed President Ubico to this effect.

²³ Award of December 23, 1906, *British and Foreign State Papers*, vol. c, p. 1096; see also *Foreign Relations*, 1918, pp. 11 ff. and *ibid.*, 1931, vol. i, pp. 792 ff.

He indicated that Nicaraguan delegation would leave by plane March 13 and that there would now be insufficient time to send representatives to other countries.

Repeated to Central American missions.

LANE

713.1311/279 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, March 7, 1934—2 p. m.

[Received 4 : 12 p. m.]

22. My telegram No. 20, March 6, 6 p. m. Honduran Minister for Foreign Affairs now tells me that Honduran Government now agrees with Nicaragua, Salvador, and Guatemala to hold Conference on March 15 as originally planned, and that Honduran delegates will be appointed tomorrow.

Repeated to Central American missions.

LAY

713.1311/280 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, March 8, 1934—4 p. m.

[Received 7 : 25 p. m.]

93. The President told me this afternoon that besides Crisanto Sacasa he desired to appoint the following delegates to the Central American Conference: Manuel Cordero Reyes, who was delegate at Montevideo and is Justice of the Supreme Court; Santiago Argüello, brother of Minister for Foreign Affairs, poet and orator of note who has lived in Guatemala for some time; and as Conservative delegate, Senator Joaquín Gómez of Granada, delegate at Habana Conference of 1928.

As President told me that Argüello and Gómez have not as yet been approached he requested that information be regarded as strictly confidential for the moment.

Repeated to Central American missions.

LANE

713.1311/282 : Telegram

The Minister in Costa Rica (Sack) to the Secretary of State

SAN JOSÉ, March 9, 1934—10 a. m.

[Received 1 p. m.]

13. Costa Rican delegation sailed last night from Puntarenas on *Santa Monica* for Guatemala.

Repeated to Central American missions.

SACK

713.1311/284: Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, March 9, 1934—10 a. m.

[Received 2:30 p. m.]

25. Foreign Minister informed me that Honduran delegates to Central American Conference will be Dr. Silverio Laínez, Honduran Minister to Salvador, and Dr. Saturnino Medál, Honduran Minister to Costa Rica; and secretaries will be Marcos Carías Reyes, nephew of the President, and Carlos Izaguirre, formerly Honduran Chargé d'Affaires in Washington. Department has been furnished with confidential biographic data reports on all the above.

Repeated to Central American missions.

LAY

713.1311/285: Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, March 10, 1934—noon.

[Received 4:18 p. m.]

26. My telegram No. 25, March 9, 10 a. m. Izaguirre failed to obtain confirmation by Congress yesterday. Foreign Office states that therefore Marco Carías Reyes will be only secretary of Honduran delegation.

Repeated to Central American missions.

LAY

713.1311/286: Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, March 12, 1934—11 a. m.

[Received 12:50 p. m.]

97. My 93, March 8, 4 p. m. I have just received word from the President that three named men have been appointed delegates and that Pedro Joaquín Cuadra Chamorro, publisher of *El Diario Nicaraguense* of Granada, and Undersecretary of Education in the administration of Presidents Solorzano and Diego Chamorro will be the Conservative delegate in place of Gómez who declined appointment.

Delegation due to leave for Guatemala tomorrow morning by plane.

Repeated to Central American missions.

LANE

713.1311/287 : Telegram

The Chargé in El Salvador (McCafferty) to the Secretary of State

SAN SALVADOR, March 12, 1934—3 p. m.

[Received 8:40 p. m.]

15. My telegram No. 12, March 6, 3 p. m. The Salvadoran delegation to the Central American Conference left today by train for Guatemala.

Thus far nothing official has been published to indicate the nature of the proposals which Salvador will present at the Conference.

In view of Department's attitude as described in its circular telegram of January 31, 7 p. m., I have made no endeavor to ascertain the Salvadoran Government's plans.

The appointment of Doctor Molina as chief of the delegation would indicate that this Government is most interested in the economic questions which may be brought up. It is believed that Salvador will support proposals for the outlawing of war and promotion of peace and harmony among the Central American states but will oppose strongly any proposition providing for the withholding of recognition from governments coming into power through revolution.

There has been a lack of enthusiasm here in favor of the Conference but most men prominent in public life feel that new modified treaties should be signed.

Repeated to Central American missions.

McCafferty

713.1311/288 : Telegram

The Minister in Nicaragua (Lane) to the Secretary of State

MANAGUA, March 13, 1934—9 p. m.

[Received March 13—11:55 a. m.]

98. The President told me last night that his instructions to Nicaraguan delegates comprised following points.

1. To accept in principle Ubico's "anti-proyecto" without actually agreeing to specific points.
2. To maintain best possible relations with other delegations.
3. To endeavor to draw closer to Guatemala. (I have the impression from what he said amelioration of relations with Guatemala is the one definite aim which he has in mind to be accomplished.)

As to Costa Rica and El Salvador he said they will accept no proposition embodying principles contained in article 2 of Treaty of Peace and Amity of 1923 and added that Costa Rica is especially obdurate on this point.

He said that Crisanto Sacasa is chairman of delegation. Despatch 127 regarding personnel sent by air mail today.²⁴ Repeated to Guatemala.

LANE

713.1311/294 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, March 14, 1934—5 p. m.

[Received 8:47 p. m.]

28. Foreign Minister told me this morning that the Honduran delegates who arrived at Guatemala Sunday last were instructed before leaving that they may agree to a modified treaty of peace and amity if it provides for some sanction when supreme power unconstitutionally assumed and until any revolutionary movement is legalized in a constitutional manner provided by law. This is similar to Ubico proposal. He also mentioned that delegates will urge modification of present free trade convention on the basis of free trade in products only that are not produced in the importing countries.

He believes that Conference will terminate about April 10th.

Repeated to Guatemala.

LAY

713.1311/293 : Telegram

The Chargé in El Salvador (McCafferty) to the Secretary of State

SAN SALVADOR, March 14, 1934—6 p. m.

[Received 8:44 p. m.]

19. In a conversation this afternoon with the Under Secretary of Foreign Affairs he informed me voluntarily that the Salvadoran Government was generally in accord with the proposals of Guatemala except on the following points.

1. Salvador does not believe that a general free trade agreement among all the Central American states is practical at the present time but is in favor of bilateral tariff treaties with the other Governments and,

2. It will refuse to sign any pact containing a nonrecognition provision similar to article No. 2 of the 1923 treaty because it considers that such a provision implies the right of intervention of one state in the internal affairs of another. He added that Salvador would strongly support any proposals tending towards disarmament, arbitration and the promotion of peace among the five republics.

²⁴ Not printed.

I gained the impression that this Government is sincerely interested in the success of the Conference and that its attitude would not be one of obstruction.

Repeated to Central American missions.

McCAFFERTY

713.1311/295 : Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, March 15, 1934—noon.

[Received 2:45 p. m.]

26. Central American Conference assembled this morning. The Guatemalan Minister for Foreign Affairs delivered an address of welcome in which he emphasized desirability of Central American union. The Conference is now organizing in private session.

HANNA

713.1311/296 : Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, March 15, 1934—6 p. m.

[Received 8:56 p. m.]

27. My 26, March 15, noon. The Conference selected Doctor Reina Andrade of the Guatemalan delegation for permanent chairman and adjourned until next Monday. Committees were not named.

The delegations are being accorded a warm and enthusiastic welcome by the Guatemalan Government and people and a friendly spirit prevails.

HANNA

713.1311/297 : Telegram

The President of the Central American Conference (Andrade) to the Secretary of State

[Translation]

GUATEMALA, March 15, 1934.

I have the honor to advise Your Excellency that the Conference of delegates from Guatemala, Costa Rica, Honduras, Nicaragua, and El Salvador was inaugurated today in this city for the purpose of establishing Central American fraternity on solid bases and of promoting an effective and beneficial cooperation between the five republics of the Isthmus. I avail myself of the opportunity to offer to Your Excellency the assurance of my high consideration.

J. M. REINA ANDRADE

713.1311/299 : Telegram

The Minister in Costa Rica (Sack) to the Secretary of State

SAN JOSÉ, March 16, 1934—6 p. m.

[Received 8:11 p. m.]

14. Indicative that Mexican Government is watching Guatemala Conference developments closely is information today from Foreign Office that Mexican Legation here has requested Costa Rican reply to General Ubico's proposals, text of which was not published.

Repeated to Guatemala.

SACK

713.1311/297 : Telegram

The Secretary of State to the Minister in Guatemala (Hanna)

WASHINGTON, March 17, 1934—3 p. m.

14. Please appropriately communicate the following to Reina Andrade. "I take great pleasure in acknowledging the receipt of your courteous message informing me of the inauguration of the Conference in Guatemala City between delegates from the republics of Central America. I extend my hearty good wishes for the success of the Conference, and warmly reciprocate your assurances of high consideration. Cordell Hull, Secretary of State of the United States."

HULL

713.1311/302 : Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, March 19, 1934—7 p. m.

[Received 9:40 p. m.]

31. Skinner-Klee told me this afternoon that the delegates of Costa Rica, El Salvador and Honduras presented their observations concerning President Ubico's draft treaty of Central American fraternity to the Conference this morning. He said that Costa Rica's only objection is to the free trade provision while El Salvador suggested minor changes and proposed the inclusion of a provision for a kind of defensive alliance among the Central American countries. He did not consider any of the objections to be of great consequence. Nicaragua he said is ready to accept the treaty in full, and has therefore presented no observations.

The Conference agreed to consider the treaty article by article together with the observations referred to and Skinner-Klee predicted that the treaty will be signed within 2 weeks. He expects that the Conference will then proceed to consider President Ubico's draft general treaty of peace and amity and that El Salvador and Costa Rica

will present objections to the provision in article 7 concerning the recognition of revolutionary governments.

Repeated to Central American missions by air mail.

HANNA

713.1311/309 : Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, March 21, 1934—1 p. m.

[Received March 22—5:11 p. m.]

34. Article 14 of the draft treaty presented to the Conference by the Honduran delegation reads as follows:

“Arbitration shall be the only method for settling conflicts which may arise between the Central American states. They shall observe and fulfill with all their authority and efficacy the arbitral decisions which terminate controversies.”

When the subject of arbitration came up in the Conference yesterday the Honduran delegation proposed that any agreement for compliance with arbitral decisions should apply to existing arbitral decisions. The Nicaraguan delegation objected insofar as this might apply to the award of the King of Spain in the Nicaraguan-Honduran boundary dispute. The debate on this point became acrimonious between the two delegations mentioned and was terminated by the president of the Conference adjourning the session. Subsequently a telegram was sent to the President of Honduras suggesting that he might give his delegation instructions which would terminate the controversy. Pending his reply an excursion to Antigua was arranged for the delegation today.

The Minister for Foreign Affairs has just given me the foregoing information. He expressed the opinion that compliance with the proposal of the Honduran delegation would be equivalent to converting the Conference itself into a court for the settlement of the Nicaraguan-Honduran boundary controversy, and that the proposal did not have the support of the other delegations.

Repeated to Honduras and by air mail to other Central American missions.

HANNA

713.1311/305 : Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, March 21, 1934—5 p. m.

[Received 10:45 p. m.]

32. My 31, March 19, 7 p. m. Article 16 of the draft treaty of peace and amity which has just been presented to the Conference by the Salvadoran delegation reads as follows:

"The territory of each one of the contracting republics being an integral part of the territory of the Republic of Central America, of which each one of the Central American states is a detached part with the capacity of joining with the others in the organization of a national government, when circumstances permit and it suits their general interest, each one of the high contracting parties solemnly obligates itself to respect the territorial integrity and the sovereignty of the other states and of its own state, to the extent and under the conditions which exist at the present time, and not [to affect] them by taking any action or by entering into international agreements which directly or indirectly detract from them, or which constitute a danger to their preservation. They also agree to guard the integrity of the Central American sovereignty and territory and to defend it in common with the means at their disposal.

The provisions of this clause will not apply to the boundary questions pending between the signatory republics, which will be settled in the manner agreed to in this treaty."

The draft treaty has not been made public and information concerning it was given to the Legation in confidence. It is understood that the Conference has not yet considered the article referred to.

It is possible that the suggested article is intended to apply in case the United States determines to exercise the rights it possesses under the Bryan-Chamorro treaty.²⁵

Repeated to Central American missions by air mail.

HANNA

713.1311/310 : Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, March 23, 1934—1 p. m.

[Received 3:48 p. m.]

36. The Minister for Foreign Affairs has given me confidentially a copy of a draft treaty of peace and friendship which he says the Honduran delegation will present today or tomorrow. Article 7 of the draft provides:

"The contracting powers declare their absolute respect for the provisions of their respective political constitutions and recognize the form prescribed therein as the only legal form for the transmission of public power. Express recognition of governors is unnecessary; but each country may break off diplomatic communication in case the order of transmission of power is altered by a revolutionary movement, so long as the new situation has not been legalized by the respective constitutional procedure."

Repeated to Tegucigalpa and by air mail to the other Central American missions.

HANNA

²⁵ See section entitled "Nicaraguan Canal Route—Convention Between the United States and Nicaragua," signed August 5, 1914, *Foreign Relations*, 1916, pp. 849 ff.

713.1311/311 : Telegram

The Minister in Honduras (Lay) to the Secretary of State

TEGUCIGALPA, March 24, 1934—3 p. m.

[Received 7:47 p. m.]

33. The following telegram has been sent to the Legation at Guatemala City:

“March 24, 1 p. m. Referring to your telegram of March 21, 1 p. m., to the Department, *El Cronista* published yesterday telegram from Silverio Laínez to President Cárías reporting proceedings of the Congress of which the following an extract:

‘Article 14 was discussed and Costa Rica proposed for purposes of conciliation invoking general treaty of inter-American arbitration January 5th, 1929. Delegate Salazar also invoked it. We objected that Honduras signed it with reservations which we read. We have sustained our thesis with much prudence and tact in order not to specify any exceptional case of a closed matter. We said that the opinion of the other delegations will always merit profound respect but if our thesis is not accepted we will sign with reservations. Mr. Salazar suggested abolishing article 14 and possibly 15 but made no motion to that effect.’

President Cárías probably publishing this telegram to get public reaction but he hoped, as briefly alluded to in my telegram No. 8, January 29, 5 p. m. to the Department, that Honduras having accepted the Guatemalan-Honduras award, although considered unfavorable by Honduras, that some Central American Governments would view with sympathy and justice the present Honduran proposal that any agreement for compliance with the arbitral decisions should apply to existing arbitral decisions.

Repeated to the Department and by air mail Central American missions.”

LAY

713.1311/335 : Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, April 13, 1934—noon.

[Received 2:15 p. m.]

42. The Conference closed yesterday with a public session. Article 21 of the Treaty of Central American Fraternity reads as follows:

“The treaties or conventions signed in the city of Washington on February 7, 1923, remain in force among the Central American states which ratified them in due course and which have not denounced them, with respect to all those provisions which are not opposed to the terms of the present treaty or have not been changed by it.”

Repeated to Central [American] missions by air mail.

HANNA

BOUNDARY DISPUTE BETWEEN ECUADOR AND PERU¹

722.2315/781

The Ambassador in Peru (Dearing) to the Acting Secretary of State

No. 3225

LIMA, January 19, 1934.

[Received January 29.]

SIR: I have the honor to transmit herewith a copy of a note from the Ecuadorian Minister in Lima relative to the boundary negotiations between Peru and Ecuador and certain protocol formalities involving a possible eventual transfer of negotiations to Washington and arbitration by the President of the United States, with a memorandum attached, both dated January 11, 1934, handed to me during Secretary Hull's visit at Lima² by the Secretary of the Legation of Ecuador, who also gave me a duplicate copy which the Minister especially requested be given to the Secretary. It was actually delivered to Mr. Cumming for the Secretary by Mr. de Lambert of the Embassy staff on January 11th.

In this connection, it will doubtless be of interest to the Department to hear that Dr. Polo stated to me, during a visit to the Foreign Office on January 15th, that the negotiations with Ecuador were proceeding satisfactorily. The Peruvian Foreign Minister mentioned that he had been informed by the Ecuadorian Minister, with whom he had had a conversation shortly before my visit, that the technical advisers who were to aid him in the matter were on the point of embarking for Lima. Dr. Polo expressed the feelings that the negotiations in Lima will be successful and stated that the question of transferring the negotiations to Washington will only arise in case the Lima negotiations fail and the arbitration provided for in the Protocol requires the transfer of the negotiations to Washington. He stated that he had that day instructed the Peruvian Ambassador in Washington to get in touch with his Ecuadorian colleague and simultaneously with him to approach our Government and request its "venia"³ for the purposes mentioned, viz: the transfer of the negotiations to Washington and the arbitration of the President of the United States in case the Lima negotiations fail.

¹ Continued from *Foreign Relations*, 1933, vol. iv, pp. 561-582.

² Mr. Hull was returning from Montevideo, where he had gone as Chairman of the American delegation to the Seventh International Conference of American States, December 3-26, 1933. See *ibid*, pp. 1 ff.

³ Permission or authorization.

I may add that the atmosphere here seems rather improved through the announcement of the early departure for Lima of the Commissioners from Ecuador who are to aid the local Ecuadorian Minister in the negotiations.

It is difficult to say whether the lull in the Leticia conversations at Rio de Janeiro ⁴ will have any immediate effect upon the Peruvian-Ecuadorian negotiations or not.

The receipt of the note of the Ecuadorian Minister has been acknowledged to him with a statement that it was being forwarded to the Department and would, without doubt, receive both the Secretary's and the Department's attention.

Respectfully yours,

For the Ambassador:
LOUIS G. DREYFUS, JR.
Counselor of Embassy

[Enclosure—Translation]

The Ecuadorian Minister in Peru (Lafronte) to the American Ambassador in Peru (Dearing)

The Minister of Ecuador in Lima presents his cordial greetings to his distinguished and esteemed friend, His Excellency, the Ambassador of the United States of America, and would be very grateful if the Ambassador would consent to inform extra-officially to His Excellency, the Secretary of State of the United States of America, that on the eighth instant His Excellency, the Minister of Foreign Affairs of Peru and the Minister of Ecuador at Lima agreed to have the diplomatic representatives of Ecuador and Peru in Washington, acting jointly, request in simultaneous notes to be transmitted the fifteenth of this month to the Department of State, the acquiescence of the Government of the United States of America to constitute in due time in Washington, D. C. the delegations provided for in Article I of the Protocol signed at Quito on June 21, 1924.⁵

Independent of constituting in due time the aforesaid delegations in Washington, there will be initiated in the near future in Lima, in accordance with the provisions of Article IV of the same Protocol, direct negotiations toward the solution of the border dispute between Ecuador and Peru.

All antecedents of the case are included in the annexed memorandum.

Viteri Lafronte takes this opportunity [etc.]

ANCÓN, January 11, 1934.

⁴For correspondence concerning the Leticia dispute between Colombia and Peru, see pp. 321 ff.

⁵Quoted in subenclosure, *infra*.

[Subenclosure—Translation]

MEMORANDUM

I

In the year 1923 the governments of the republics of Ecuador and Peru requested the consent of the government of the United States of America to constitute in Washington delegations that would endeavor to solve the problem of limits pending between Ecuador and Peru.

II

The government of the United States gave its assent, but pointed out the advisability that the constitution of such delegations be effected after a solution had been reached of the question that the governments of Chile and Peru had at the time submitted to the arbitration of the President of the United States of America.

III

With these antecedents there was signed in Quito the protocol of June 21, 1924, the text of which is as follows:

Protocol

“Their Excellencies, Dr. N. Clemente Ponce, Minister of Foreign Affairs of Ecuador, and Señor Enrique Castro Oyanguren, Envoy Extraordinary and Minister Plenipotentiary of Peru, meeting at the Foreign Office, declared that they had received instructions from their respective governments to put into execution the purposes already expressed and agreed to by them in conferences and in official documents regarding the manner to comply with the mixed formula for the definitive solution of the question of limits between both countries.

“In compliance with the aforesaid instructions and in the desire of arriving as speedily as possible to a solution in concord and equity, as befits the sentiment of loyalty and of genuine Americanism which inspires both governments and in satisfaction of the legitimate interests of both peoples, they state formally the following:

“1. The two governments, having first received the consent of the government of the United States of America, shall send to Washington their respective delegations to enter into a friendly consideration of the question of limits, in order that they may determine by common agreement, should it not be possible to fix a definitive boundary, the zones that each of the two parties may recognize to the other, the fixing of the boundary to be submitted to the arbitral decision of the President of the United States of America.

“2. Having achieved one or the other of the two aforementioned purposes, the delegations shall so state it in a protocol designed by them and to be submitted to the approval of the Congresses of both nations.

“3. The delegations shall be constituted in Washington immediately after a solution is reached of the question that the governments of

Peru and Chile have submitted to the arbitration of the President of the United States. As regards the appointment of Delegates both governments shall have the power of making such appointment at any time, but in any case the Delegations shall be organized in Washington within the period referred to in this article.

"4. Independent of the provisions of the foregoing clauses, the two governments through their respective Ministers, will endeavor to advance the solution of the litigation.

"Signed in duplicate, on the twenty-first day of June of the year one thousand nine hundred and twenty-four.

N. Clemente Ponce
E. Castro Oyanguren."

IV

The Government of Peru, in a note dated October 18, 1933, invited the Government of Ecuador to initiate direct negotiations for the solution of the boundary dispute in accordance with the provisions of Article IV of the aforementioned Protocol.

V

The Government of Ecuador, in a note dated November 21 last, accepted the invitation of Peru to begin direct negotiations at Lima; but at the same time, invited the Government of Peru to request the consent of the Government of the United States of America for the constitution, in due time, in Washington, of the respective delegations, as provided for by Article I of the aforementioned Protocol.

VI

The request for the consent of the Government of the United States shall be made in simultaneous notes to the Department of State to be sent on the 15th instant by the Ambassador of Peru in Washington and by the Minister Plenipotentiary of Ecuador in the same federal capital.

VII

Independent of the foregoing direct negotiations will soon be started in Lima as stipulated by Article IV of the aforementioned Protocol.

ANCÓN, January 11, 1934.

722.2315/786

The Assistant Secretary of State (Welles) to President Roosevelt

[WASHINGTON,] January 31, 1934.

MY DEAR MR. PRESIDENT: There is transmitted herewith for your information a translation of a note dated today which has just been received from the Ecuadoran Minister in this city referring to the

so-called Ponce-Castro Protocol of June 21, 1924, concluded between the Governments of Peru and Ecuador with a view to an equitable delineation of their common boundary, which has been in dispute since colonial times and has been the subject of many efforts on the part of the two Governments to settle. A note from the Peruvian Ambassador in identic terms, *mutatis mutandis*, has likewise been received today.⁶ The two Governments request the permission of the Government of the United States, under the terms of the above referred to Ponce-Castro Protocol, to send to Washington their respective delegations to discuss in a friendly manner their boundary matter in order that, if unable to fix a definitive line by common consent, they may determine those zones which are reciprocally recognized as belonging to each of the two parties as well as a zone to be submitted to the arbitral decision of the President of the United States.

The notes from the Peruvian and Ecuadoran representatives go on to state that, after receiving the desired permission from this Government and while the respective delegations are being constituted in Washington, the two Governments will proceed immediately to initiate negotiations in Lima in order, if possible, to arrive at a fair and equitable agreement regarding their boundary dispute.

It appears to me highly desirable that we offer to these two Governments our friendly assistance in the manner requested in order that they may arrive at a peaceful solution of their long standing controversy. I therefore hope that you will agree that the request of the two Governments should be granted. Should you coincide in this belief, I feel sure that the Governments of Ecuador and Peru would be deeply gratified should you consent to receive the Ambassador of Peru and the Minister of Ecuador for a brief interview at the White House in order that they may be advised by you that we are glad to comply with their request and to express the hope of this Government that the negotiations now commencing may meet with complete success. I am confident that this personal expression of interest on your part would be greatly appreciated.⁷

Faithfully yours,

SUMNER WELLES

[Enclosure—Translation]

The Ecuadoran Minister (Alfaro) to the Secretary of State

No. 20

WASHINGTON, January 31, 1934.

MR. SECRETARY: On June 21st of the year 1924, the Governments of Ecuador and Peru, in their desire to reach a settlement of concord

⁶ Not found in Department files.

⁷ A photostatic copy of this letter in the Department files bears the notation, "OK. FDR" (722,2315/784).

and equity as soon as possible in their boundary dispute, signed at Quito, by their respective representatives, a protocol according to which the two Governments, with the assent of the United States of America, would send their respective Delegations to Washington amicably to discuss there the question of boundaries, in order that, if they should not succeed in establishing a definitive line, they might determine by common agreement the zones which are recognized reciprocally by each of the two parties and the zone which would have to be submitted to the arbitral decision of the President of the United States of America.

Further, His Excellency the Minister of Foreign Relations of Peru invited, by a note of October 18, 1933, the Government of Ecuador, through our Minister at Lima, to initiate direct negotiations regarding the said boundary matter, in accordance with the Protocol alluded to, and the Government of Ecuador accepted the said invitation in a note of November 21, 1933, stating that it was well to proceed to comply with the provisions of Art. 1 of the Protocol mentioned, for which reason, in compliance with instructions from my Government, I am requesting the assent of the Government of the United States of America, so that in due time the Government of Ecuador may send its Delegation to Washington to discuss the boundary question amicably with the Delegation which the Republic of Peru will send at the proper time, notifying Your Excellency that without prejudice to what has been requested, and until the said Delegations are organized at Washington, the two Governments are going to proceed to negotiations at Lima immediately, to see if they can reach a just and equitable settlement of their old boundary dispute.

I avail myself [etc.]

C. E. ALFARO

722.2315/784

*The Secretary of State to the Ecuadoran Minister (Alfaro)*⁸

WASHINGTON, February 12, 1934.

SIR: I take pleasure in acknowledging the receipt of your note dated January 31, 1934, referring to the Ponce-Castro Protocol of June 21, 1924, concluded between your Government and that of Peru, with a view to an equitable delineation of their mutual boundary. A note from the Peruvian Ambassador in identic terms, *mutatis mutandis*, was likewise received on the same date. The Governments of Ecuador and Peru requested the permission of the Government of the United States, under the terms of the above-mentioned Ponce-Castro Protocol, to send delegations to Washington to discuss their boundary matter in a friendly manner in order that, if unable to fix a definitive line by

⁸ A similar note was sent to the Peruvian Ambassador on the same date.

common consent, they may determine those zones which are reciprocally recognized, as well as a zone to be submitted to the arbitral decision of the President of the United States of America.

As the President informed you on February 6, when he received you at the White House for that purpose, the Government of the United States is happy to consent to the request made by your Government and that of Peru and regards their determination to settle their long-standing boundary controversy through friendly discussion as of great importance and a matter of encouragement to the Governments and peoples of the entire Continent.

Accept [etc.]

CORDELL HULL

721.23/2232a : Telegram

The Secretary of State to the Minister in Ecuador (Dawson)

WASHINGTON, April 25, 1934—5 p. m.

6. Some time ago the Department was advised by the Minister of Ecuador merely as a matter of information that his Government had been informed by the Minister of Brazil in Quito that the Brazilian Government believed that no permanent solution of the boundary controversy between Peru and Colombia could be found without taking into account the rights of Ecuador in the Amazon region and that the Brazilian Government was disposed to favor the participation of Ecuador in any final adjustment of this problem.

On April 20 the Minister of Ecuador transmitted orally an official instruction from his Government requesting the good offices of the United States in obtaining the participation by Ecuador in the negotiations now proceeding in Rio before any final agreement was reached by Peru and Colombia. He has been informed that this Government is not advised whether any definite agreement in principle has been reached as yet between those two governments and that it is felt that the injection of a new problem into the discussions at this moment might merely serve to complicate the controversy and retard the solution we all hope for. In a very general way the Minister has been further told that we urgently desire a permanent and just and final settlement of this boundary controversy as well as of all boundary controversies on the continent, which have been responsible for so many tragic disputes between the American republics, and that if at any time in the future our friendly assistance can be offered in a manner which, in our judgment, would be productive in furthering a permanent settlement of this particular dispute, we would, of course, be glad to lend our aid should such be agreeable to all of the nations involved in the question.

HULL

722.2315/819

*Memorandum by the Chief of the Division of Latin American Affairs
(Wilson)*

[WASHINGTON,] July 9, 1934.

The Ecuadoran Chargé d'Affaires, Dr. Carbo, came in, having been referred to me by Mr. Phillips.⁹

He said that he had instructions from his Government to inquire whether, in view of the fact that President-elect Velasco Ibarra, of Ecuador, is now in Lima for a few days, this Government would not send a message to the President of Peru and also to President-elect Velasco Ibarra, expressing the hope that advantage may be taken of Dr. Velasco Ibarra's presence in Lima to reach an agreement on the "whole question of frontiers in the Amazon valley". Dr. Carbo said that he believed it was his Government's idea that the Ecuadoran claims should be dealt with in connection with the diplomatic discussions which he understood would be held between Colombia and Peru regarding a revision of the Salomon-Lozano Treaty¹⁰ as a result of the Leticia settlement of last May; however, he said that if this could not be done it would, of course, be helpful if Peru and Ecuador could reach a direct agreement on their frontier.

I recalled that the Ecuadoran Government had sent a commission to Lima, which had been there for some time, to negotiate regarding the frontier matter, and asked what progress had been made. Dr. Carbo said that he felt practically nothing had been accomplished since meetings had been postponed at the request of the Peruvian Government pending a settlement of the Leticia matter, and that Ecuador was encountering some resistance in obtaining a resumption of the meetings now.

I said that we of course wanted to do everything we appropriately could to be helpful in connection with these boundary disputes, provided that both parties desired us to be of such assistance. I reminded him that last February President Roosevelt had made a public statement¹¹ giving his consent to the request made by the Governments of Peru and Ecuador that under the terms of the Ponce Castro Protocol between the two countries of 1924, this Government consent to the sending of delegations from the two countries to Washington to discuss the adjustment of their frontier. I said that the matter was now under negotiation in Lima and that we most sincerely hoped that the two Governments would come to an agreement there. If they failed to do so there was then the possibility that they would come to

⁹ William Phillips, Under Secretary of State.

¹⁰ Signed March 24, 1922, League of Nations Treaty Series, vol. LXXIV, p. 9; see also *Foreign Relations*, 1923, vol. I, pp. 351 ff.

¹¹ Department of State, *Press Releases*, February 10, 1934, p. 75.

Washington in accordance with the *démarche* of last February. I said that it seemed to me that for us to intervene now with a suggestion that President Benavides and President-elect Velasco Ibarra try to reach an agreement on the frontier might cause misunderstanding and resentment and prove to be *contraproductente*. I asked Dr. Carbo if he did not feel that there was very real risk, if we should take any such action as had been suggested, that it might turn out to have the very opposite effect of what we all desired, namely, a satisfactory solution by mutual agreement of this matter. Dr. Carbo said that he appreciated the force of what I had said, that he agreed that there was this risk of causing misunderstanding and resentment, and that he would report to his Government what I had said.

EDWIN C. WILSON

722.2315/819

The Assistant Secretary of State (Welles) to the Chief of the Division of Latin American Affairs (Wilson)

[WASHINGTON,] July 11, 1934.

MR. WILSON: With reference to your memorandum appended hereto,¹² Dr. López, during his recent visit to Washington, told me that the Colombian Government was entirely willing that the Ecuadoran claims for territory and for an outlet to the Amazon should be taken up before any final adjustment of the respective claims in the Amazon region on the part of Brazil, Colombia and Peru. He said, however, there were two practical difficulties. One was that the Leticia agreement provided for direct negotiations between Peru and Colombia, which would make it impossible in those negotiations to bring Ecuador into the picture; second, that the Peruvian Government had definitely stated to him that they would not agree to participation by Ecuador in such discussions.

I remarked to Dr. López that it would seem the part of common sense that, when an adjustment of the various claims for territory in the Amazon headwaters region was disposed of, it be disposed of in an equitable and permanent manner, and that I did not see how any satisfactory and permanent solution could be found if Ecuador were completely disregarded. If the latter course were followed, I said it seemed to me that we would once more be confronted on this continent with a question similar to the Tacna-Arica¹³ and Chaco questions,¹⁴ which might at any time create a dangerous outbreak and which, pending such time, would doubtless create in Ecuador a feeling of last-

¹² *Supra*.

¹³ See *Foreign Relations*, 1929, vol. I, pp. 720 ff.

¹⁴ See *ante*, pp. 32 ff.

ing animosity against the neighboring nations which had prevented her from obtaining consideration for what she would allege were her just rights. Dr. López said that he agreed completely with this point of view and that we here might feel sure that he would do everything possible to prevent the Government of Peru from continuing in the course upon which they had embarked with regard to Ecuador. I understood that he had discussed this matter very much the same way with the President-Elect of Ecuador upon his recent visit to Bogotá.

S[UMNER] W[ELLES]

COOPERATION OF THE UNITED STATES WITH OTHER
GOVERNMENTS IN THE CONSTRUCTION OF THE INTER-
AMERICAN HIGHWAY ¹

810.154/520

The Chargé in Guatemala (Lawton) to the Secretary of State

No. 62

GUATEMALA, February 6, 1934.

SIR: I have the honor to invite the Department's attention to the opportunity that will be presented by the forthcoming Central American Conference,² to be held probably in Guatemala City, for the various Republics of the Isthmus to reach an agreement on plans for constructing their portion of the Inter-American Highway. Among the items which the Guatemalan Foreign Minister has confidentially told me that he intends to bring up at the Conference is a proposal for cooperative action in highway development. He favors unifying the national highway programs for the sake of greater efficiency and in order to lay the foundations for one Central American system with connecting links between the states. It would seem that the Inter-American Highway should fall within the scope of any discussions on highways at the Conference and that it should be specifically mentioned in any agreement that may be reached on the subject.

In this regard, I have had no instructions as to encouraging the interest of the Guatemalan Government in the Inter-American Highway project; nor am I acquainted with any new plans that the American Government may have made with respect to that enterprise. Under the circumstances I have not felt that I could bring up the subject in my conversations with the Foreign Minister; but I am of the opinion that he would be readily responsive to any suggestions for advancing this project at the Conference.

Respectfully yours,

EDWARD P. LAWTON

810.154/527: Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, March 13, 1934—11 a. m.

[Received 1:15 p. m.]

25. It seems probable that the Central American highway project will come up early in the Conference and it is therefore desirable that

¹ For previous correspondence, see *Foreign Relations*, 1931, vol. I, pp. 709 ff.

² See pp. 423 ff.

I should have the Department's instructions in this connection as early as practicable.

HANNA

810.154/530 : Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, March 16, 1934—11 a. m.

[Received 1:31 p. m.]

28. Octavio Beeche, Chargé of the Costa Rican delegation, in a conversation with Lawton last night brought up the subject of the Central American highway. He seemed to think it a noncontroversial subject on which the Conference should be able to reach an agreement and expressed interest in learning what assistance the United States might give toward the construction of the highway. Lawton referred him to me. The Minister of Foreign Affairs has expressed a similar interest to me and I told him I might have something to communicate to him in the near future.

HANNA

810.154/532 : Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, March 19, 1934—6 p. m.

[Received 9:50 p. m.]

30. My 25, March 13, 11 a. m., and 28, March 16, 11 a. m. In my conversations with the delegates I am concurring with the view which has been expressed that the present Conference furnishes an opportunity for the Central American Governments to demonstrate their interest in the inter-American highway by taking some positive action calculated to expedite its construction through Central America. I have added that my Government continues in its desire to be of assistance and have given as my opinion that the extent and character of such further assistance it might find possible to extend would depend very largely upon the interest displayed by the Central American Governments themselves.

I hope that the initiative in obtaining the further assistance of the United States may thus come from the Central American Governments since for us to express a willingness to furnish material assistance in advance of any such initiative might lead to misinterpretation and mistrust of our motives and might actually prejudice the chances of completing the highway through Central America.

I hope I may be instructed to inform the delegates at an appropriate time before the Conference closes of the character of the assistance

the United States is prepared to extend to the Central American countries, but for the reasons given herein I deem it desirable that until some positive action favoring the construction of the highway is taken by the Conference I should limit my observations to those outlined in the first paragraph above.

Repeated to Central American missions by air mail.

HANNA

810.154/532 : Telegram

The Secretary of State to the Minister in Guatemala (Hanna)

WASHINGTON, March 21, 1934—4 p. m.

16. We fully approve of your action as described in your No. 30 of March 19, 6 p. m., regarding the inter-American highway.

HULL

810.154/534 : Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, March 21, 1934—6 p. m.

[Received 9:07 p. m.]

33. Costa Rica delegation called on me today and inquired whether the Government of the United States would give material assistance towards the construction of the Central American highway. Dr. Beeche said he had instructions to present the subject of the highway to the Conference. I discussed the matter with them in the sense set forth in my telegram No. 30, March 19, 6 p. m. Both delegates said that they considered the furtherance of the highway project to be one of the most useful things that the Conference could accomplish.

Repeated to Central American missions.

HANNA

810.154/534 : Telegram

The Secretary of State to the Minister in Guatemala (Hanna)

WASHINGTON, March 22, 1934—4 p. m.

17. Your 33, March 21, 6 p. m. As you know, the President and we in the Department are very keenly interested in this matter and are endeavoring to work out as expeditiously as possible ways and means to give the material assistance for which we understand the Central American Governments are looking to us. We hope very soon to be in a position to give you definite instructions in the matter.

HULL

810.154/545: Telegram

The Minister in Guatemala (Hanna) to the Secretary of State

GUATEMALA, April 8, 1934—11 a. m.
[Received 7:30 p. m.]

41. My 39, April 6, 4 p. m.³ The Conference yesterday passed the following resolution:

“The Conference, recognizing the importance which the great work known as the Pan-American highway will have in the development of mutual relations among the Central American countries, urges the Governments of the five republics to reach an understanding with the Government of the United States either directly or through the designation of commissions in order to arrive at an agreement concerning the most rapid and efficient manner of completing that portion which interests those countries.”

I have been assured that the motives behind this resolution are the keen desire of the Central American countries to build their portion of the highway and their conviction that they cannot do so without the material assistance of the United States.

HANNA

810.154/565

*The Chief of the Bureau of Public Roads (MacDonald) to the
Assistant Secretary of State (Moore)*

WASHINGTON, May 16, 1934.

MY DEAR SECRETARY MOORE: Public Resolution No. 104, 70th Congress,⁴ authorized the Secretary of State to cooperate with the Governments of the Pan American Union in making a reconnaissance survey for an inter-American highway and an appropriation of \$50,000 to pay necessary expenses.

In furtherance of the project the Secretary of State called upon the Secretary of Agriculture to assign personnel to the survey and other Governmental Departments cooperated. The very complete engineering and economic report, which has been filed with the Secretary of State, covering the proposed route of the inter-American highway between Panama and the Mexican Border was prepared through this cooperative effort and within the funds appropriated.

It would be desirable now to provide for a similar reconnaissance survey from Panama through the South American Republics in cooperation with and at the request of these Republics, and to carry on

³ Not printed.

⁴ 45 Stat. 1697.

the detailed location surveys for the portion of the route (between Panama and Mexico) for which the reconnaissance survey and report have been made.

I am attaching a paragraph for the consideration of the State Department which would simply provide the authority for the Secretary of Agriculture to continue the surveys authorized under Public Resolution No. 104 at the request and under the direction of the Secretary of State, and to pay the cost from the administrative funds provided under the Federal aid highway legislation. These funds are adequate to absorb any additional costs without the necessity for an additional authorization. The Secretary of Agriculture is in sympathy with the project and agrees to this suggestion.

The paragraph attached would be germane to the subject matter of the highway legislation now pending in the Senate, known as H. R. 8781. Since it only provides authority to use funds now authorized, I think it might properly be carried in the Deficiency Appropriation Measure.

Sincerely yours,

THOS. H. MACDONALD

[Enclosure]

To provide for the continuation of the cooperative reconnaissance surveys for a proposed inter-American Highway as provided in Public Resolution No. 104, approved March 4, 1929 (45 Stat. 1697) and for making location surveys, plans and estimates for such highway, the Secretary of Agriculture is hereby authorized to pay all costs hereafter incurred for such work from any moneys available from the administrative funds provided under the Act of July 11, 1916 (U. S. C. title 23, sec. 21) as amended, or as otherwise provided.

810.154/565

The Secretary of State to the Secretary of Agriculture (Wallace)

WASHINGTON, May 18, 1934.

DEAR MR. SECRETARY: Please find attached copy of a letter of May 16th,⁵ from Mr. Thomas H. MacDonald, Chief of the Bureau of Public Roads, to Assistant Secretary of State Moore, along with a copy of the suggested legislative provision accompanying the letter.

Whatever you may determine should be done in respect to the matter will meet with my approval.

Yours very truly,

CORDELL HULL

⁵ *Supra.*

810.154/575a

The Secretary of State to Diplomatic and Consular Officers in Panama, Nicaragua, Honduras, El Salvador, and Guatemala

WASHINGTON, June 8, 1934.

SIRS: The following excerpt from a recent instruction⁶ with reference to the Inter-American Highway project is quoted for your information and guidance:

"As you know, the Government of the United States has on several occasions, at times in conjunction with the other member States of the Pan American Union, expressed its interest in the proposed Inter-American Highway, and in evidence of that interest has already defrayed most of the cost of a reconnaissance survey of the proposed route through Central America.

"The Government of the United States has felt free to express this interest, and to give this assistance, only because evidence has been presented to it of a spontaneous desire on the part of the interested governments that the highway be built.

"The Department has never endeavored to convince the other American governments of the utility or advantage of the highway to them. It believes that such action on its part might lead to misunderstanding and to possible misinterpretation of its motives.

"The Department desires that you be guided by the above in your conversations with reference to the Inter-American Highway Project."

Very truly yours,

For the Secretary of State:
SUMNER WELLES

810.154/626

The Secretary of State to the Ambassador in Mexico (Daniels)

No. 470

WASHINGTON, August 24, 1934.

SIR: I enclose herewith two copies of a letter dated August 20, 1934, from the Honorable W. R. Gregg, Acting Secretary of Agriculture,⁷ in which he invites attention to the fact that Congress has recently appropriated \$1,000,000 to enable this Government to render assistance in connection with the survey and construction of the proposed Inter-American Highway and has authorized the Secretary of Agriculture to expend \$75,000 in continuing surveys already begun. The Acting Secretary of Agriculture points out the desirability of enlisting the cooperation of the Mexican Government in furtherance of the project and requests that an effort be made to ascertain whether that Government would be interested in joining the United States, the five Central American Governments and Panama in reorganizing the Inter-American Highway Commission and in being represented thereon, in order

⁶ Instruction No. 45, May 31, to the Minister in Costa Rica, not printed.

⁷ Not printed.

that consideration may be given to the possibility of holding a general meeting of the reorganized Commission at an early date to consider and to plan further work on the project.

You are accordingly requested to take up this matter with the Mexican Minister for Foreign Affairs on the basis of the information contained in the letter from the Department of Agriculture and request Dr. Puig to advise you at as early a date as may be convenient of the Mexican Government's views in the premises. In case you deem it advisable to do so, you may furnish Dr. Puig with a copy of Mr. Gregg's letter. I am hopeful that the Mexican Government may see its way clear to join in the proposal to reorganize the Commission and be represented thereon and shall await your reply to this instruction with a great deal of interest.

In this connection I enclose two copies of a statement which the Department released on June 22, 1934, for publication in the press of the following day,⁸ with regard to the construction of the Inter-American Highway, in which particular reference is made to the Mexican sections thereof. You may desire to furnish Dr. Puig with a copy of this statement for his information.

Very truly yours,

CORDELL HULL

810.154/635

The Chargé in Nicaragua (Dawson) to the Secretary of State

No. 438

MANAGUA, August 29, 1934.

[Received September 6.]

SIR: I have the honor to report that President Sacasa spoke to me at some length yesterday about his aspirations for extension and improvement of communications in Nicaragua.

His most important topic of conversation was the proposed Inter-American Highway. The President stated that he felt that this would be a bond of the greatest value for the furtherance of real Pan Americanism, of which he had ever been one of the most sincere and tireless exponents. He said, however, that in studying the copy of the report on the reconnaissance survey of the Inter-American Highway through Central American countries delivered to his Government by the Legation (the Department's instruction No. 81 of May 28, 1934⁹), he had reached the opinion that the proposed route through Nicaragua could be improved upon.

Doctor Sacasa remarked that he realized that the engineers who undertook the survey had undoubtedly considered all possible routes carefully and chosen that which seemed best to them with due con-

⁸ Department of State, *Press Releases*, June 23, 1934, p. 424.

⁹ Not printed.

sideration of all factors bearing on the advisability of one location over another but that he thought undue stress had probably been laid on ease of construction rather than the opening up of regions now inadequately served by roads and railroads. He pointed out that the route described in the report paralleled the existing Pacific Railway and was consequently not as useful as another might be.

He said that he hoped it would eventually be possible to locate the Nicaraguan section of the highway so as to pass through Nandaime, Jinotepe, Diriamba, Managua, Tipitapa, Matagalpa, Jinotega and Ocotal instead of through Nandaime, Granada, Masaya, Managua, León and Chinandega as contemplated in the reconnaissance report (It is believed that these routes can be easily traced on maps in the Department's files). This would give two important portions of Nicaragua, the Sierra coffee district south of Managua and, of greater moment, the Matagalpa-Segovia region in which Sandino and his bands had operated, adequate means of communication with the Managua-León-Granada center of the Republic, the principal cities of which are now connected by rail, whereas the suggested route would merely duplicate, for the most part, existing rail facilities.

The President pointed out that the route he mentioned would not be materially longer than that recommended by the reconnaissance survey report, that, in his opinion the added cost entailed by the more difficult nature of the terrain would be justified by the increased benefits received, and that it would enable the placing of Tegucigalpa on the main line of the Highway instead of on a feeder thereto as contemplated by the report. He said that he felt the economic development of the Segovias which would result from opening them up would serve to do away with the poverty and ignorance which had made that region such an easy prey to bandit movements; furthermore, the existence of a modern highway through them to replace the difficult mule trails by which they are now reached would make their control and policing a simple matter.

It is obvious from Doctor Sacasa's remarks that they were based on the premise that a large share of the cost of the Highway would be borne by the Government of the United States. He said that he had tried to get funds to construct a satisfactory highway from Tipitapa to Matagalpa since the beginning of his administration and had twice succeeded in interesting American companies but that on each occasion a catastrophe, the explosion of the arsenal at the Campo de Marte on August 1, 1933, and the assassination of Sandino on February 21, 1934, and the resulting political uncertainty had aroused their caution.

President Sacasa also spoke of his hopes that a railroad to connect western Nicaragua with the Caribbean coast "where we have vast and untouched resources" could be built at some time in the near future.

He stressed the need from the Nicaraguan point of view of bringing that "remote region into intimate contact with our culture" and remarked that unfortunately Nicaragua does not have financial resources to make this dream a reality without aid. The President stated that he hoped it might eventually be possible to secure a loan in the New York market for the purpose although he gave no indication that any *démarches* to this end had been undertaken.

Doctor Sacasa then mentioned the advantages which he thought such a railroad would have for the United States in "giving it another means of communication across Central America, since I realize that the Nicaraguan Canal is probably not an immediate possibility in view of the crisis." He apparently did not take into consideration the fact that there are already three transcontinental railroads in Central America, in Panamá, Costa Rica and Guatemala. I consider the President's ideas concerning the proposed Atlantic Railway largely chimerical although there seems to me to be much to be said for his thoughts in regard to the location of the Nicaraguan section of the Inter-American Highway.

Doctor Sacasa explained that he was doing his best with the limited facilities at the Government's disposal to improve and extend existing roads. He referred in particular to plans for the building of a road from Chinandega to Nacascolo, a port on the Estero Reál, leading into the Gulf of Fonseca, which the Government intends to develop, and to improvement of the Managua-Tipitapa road and other roads in the vicinity of the capital. From my own observations, the latter efforts seem largely ineffective as the "improvement" consists of filling in ruts with soft dirt. As the roads have no proper bed or crown heavy rains quickly make them again practically impassable.

Respectfully yours,

ALLAN DAWSON

810.154/641

The Ambassador in Mexico (Daniels) to the Secretary of State

No. 1805

MEXICO, September 25, 1934.

[Received October 1.]

SIR: Confirming my telegram number 127 of September 25, 4 p. m.,¹⁰ in regard to the reorganization of the Inter American Highway Commission, and with reference to the Department's instruction 470 of August 24, 1934, I have the honor to report that in a conversation this morning with the Foreign Minister, who has just returned from a ten days' leave of absence, he told me that, after consultation with the President, he was authorized to say that the Mexican Government would prefer not to take any action on the suggestion at this time.

¹⁰ Not printed.

Doctor Puig explained that as the project involved the expenditure of funds voted by the American Congress, he felt that this presented a question which might more suitably be left open for the administration of General Cárdenas. He added that he was informing me of the attitude of the Mexican Government informally and not in writing as he did not wish to take a public stand on the matter which might embarrass Central American countries disposed to agree to the reorganization of the Commission and to accept funds for the execution of the survey.

Apparently the position taken by the Mexican Government is in a measure attributable to national sensitiveness and not, I believe, to lack of sympathy with the proposed Inter American Highway.

Respectfully yours,

JOSEPHUS DANIELS

810.154/643

*The Secretary of State to the Minister in Panama (Gonzalez)*¹¹

No. 174

WASHINGTON, October 17, 1934.

SIR: You are instructed to inform the appropriate authorities of the Government to which you are accredited that an appropriation act passed by the Congress of the United States, approved by the President on June 19, 1934, contained the following provision:

“Inter-American Highway: To meet such expenses as the President in his discretion may deem necessary to enable the United States to cooperate with the several Governments, members of the Pan American Union, in connection with the survey and construction of the proposed Inter-American Highway, \$1,000,000, to remain available until expended. The expenditure of such sum shall be subject to the receipt of assurances satisfactory to the President from such governments of their cooperation in such survey and construction.” (Public—No. 412—73d Congress, p. 24.¹²)

At the same time, please explain that another act of the United States Congress, approved by the President on the preceding day, June 18, 1934, contained the following item:

“Sec. 15. To provide for the continuation of the cooperative reconnaissance surveys for a proposed inter-American highway as provided in Public Resolution Numbered 104, approved March 4, 1929 (45 Stat. 1697), and for making location surveys, plans, and estimates for such highway, the Secretary of Agriculture is hereby authorized to expend not more than \$75,000 to pay all costs hereafter incurred for such work from any moneys available from the adminis-

¹¹ The same, *mutatis mutandis*, October 17, to the diplomatic missions in Costa Rica (No. 96), El Salvador (No. 38), Guatemala (No. 98), Honduras (No. 631), and Nicaragua (No. 146).

¹² 48 Stat. 1042.

trative funds provided under the act of July 11, 1916 (U. S. C., title 23, sec. 21), as amended, or as otherwise provided." (Public—No. 393—73d Congress, p. 4.¹³)

Consideration is now being given to the places where, and the ways in which, these funds shall be expended; and the Department will be glad to receive any recommendations you may care to submit, it being understood that assistance will be confined to the countries through which the reconnaissance survey has been completed, and that the next step in the assistance to be rendered will be the initiation of the instrument survey through the same countries. You will also bear in mind that the expenditures of this Government from the appropriation mentioned above in connection with the construction of the highway will be made in the United States for such articles as materials needed in the construction of bridges, road-building equipment, et cetera. Assurance that this policy would be followed was given to the Congressional committees during the hearings in connection with the appropriations. It is understood that such material, equipment, et cetera, shall be donated by this Government to the various cooperating governments.

For the Department's guidance, you are instructed to ascertain and report as soon as you can conveniently whether the Government of Panama accepts the route through that country laid down in the reconnaissance survey report, which, in the Department's instruction of May 28, 1934,¹⁴ you were asked to deliver to the Panamanian Government. It should be understood, of course, that the line as shown in the report is not a located line, but is subject to deviations and revisions, which may be agreed to between the engineers in charge of the final instrument survey and the engineers representing the Government of Panama.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

810.154/650

The Minister in Panama (Gonzalez) to the Secretary of State

No. 456

PANAMA, October 23, 1934.
[Received October 29.]

SIR: I have the honor to refer to Instruction No. 174 of October 17, 1934 wherein I was instructed to inform the Panamanian authorities of a provision in the appropriation act approved by the President June 19, 1934 regarding the Inter-American highway, and also to explain Section 15 of the act approved on June 18, 1934. I was further in-

¹³ 48 Stat. 996.

¹⁴ Not printed, but see Senate Document No. 224, 73d Cong., 2d sess.

structed to ascertain and report as soon as practicable whether the Government of Panama accepts the reconnaissance survey route as outlined in the Department's Instruction of May 28, 1934¹⁶ which has been delivered to the Panamanian Government.

In compliance with the above instruction, I addressed a note to the Foreign Office, copy of which is attached hereto,¹⁶ and have received a reply dated October 23, 1934 from the Secretary of Foreign Affairs, copy and translation of which are enclosed herewith.

Respectfully yours,

ANTONIO C. GONZALEZ

[Enclosure—Translation]

The Panaman Minister for Foreign Affairs (Arosemena) to the American Minister (Gonzalez)

D. D. No. 1785

PANAMA, October 23, 1934.

MR. MINISTER: I am pleased to refer to Your Excellency's favor No. 271 of the 22nd instant.¹⁶

My Government has received with special approbation the information which Your Excellency gives us in relation to the dispositions contained in the last laws issued by the United States Congress and approved by the Executive Power, on the work of laying out and constructing the proposed Inter-American Highway, and accepts with pleasure the determined route across Panama in the report of the survey which Your Excellency kindly sent to us on the 11th of June of this year as an enclosure to your Note No. 191.

I take this opportunity [etc.]

J. D. AROSEMENA

810.154/652

The Chargé in Nicaragua (Dawson) to the Secretary of State

No. 567

MANAGUA, October 23, 1934.

[Received October 29.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 146, of October 17, 1934,¹⁷ in regard to the proposed expenditure of funds appropriated by the Congress on June 18 and 19, 1934, respectively, for the continuation of the cooperative reconnaissance surveys for a proposed Inter-American Highway and for the survey and construction of this highway.

In compliance with the Department's instruction under reference I addressed a note to the Nicaraguan Minister for Foreign Affairs under

¹⁶ Not printed.

¹⁷ See footnote 11, p. 476.

date of yesterday, setting forth the substance of the instruction insofar as it concerned the Nicaraguan Government, and delivered it in person. The Minister expressed marked interest in the readiness of the Government of the United States to continue cooperation on an increased scale in connection with the proposed highway but did not make any comments of note.

I also informed President Sacasa orally yesterday of the intentions of the Government of the United States and of the limitations on the manner in which the funds available will be expended. Doctor Sacasa also expressed gratification but commented that "one million dollars distributed over several countries will hardly be enough to more than scratch the surface." To this I replied that material and equipment to that value carefully distributed would be of great assistance and reduce in large measure the expenditures of cooperating countries which could be concentrated in some measure on labor costs. The President then remarked that this was, of course, true. It was my impression from Doctor Sacasa's statements that, unfortunately, he had previously shared the erroneous idea of some of the local newspapers that the United States would in effect pay the cost of the proposed highway in Nicaragua (the Legation's despatch No. 533, of October 9, 1914¹⁸).

Doctor Sacasa said that he would be glad to give his personal attention to the question of Nicaraguan cooperation in the instrument survey and would immediately request the copy of the report on the reconnaissance survey through Central American countries which was transmitted to the Nicaraguan Ministry of Foreign Affairs by the Legation on June 26, 1934, in compliance with the Department's instruction No. 81, of May 28, 1934,¹⁸ in order that he might once more study the route. His comments on this were, however, quite different from those reported in the Legation's despatch No. 438, of August 29, 1934, when he suggested a relocation of the line surveyed from the air. President Sacasa said that, in view of the poverty of his Government and the comparatively small amount appropriated by the Congress of the United States for construction purposes, the original route through the western and southern plains of Nicaragua seemed to him offhand more practicable than one through the more difficult and mountainous country around Matagalpa and in the Segovias although the latter would open up more country.

The President went on to say that it would be even better were construction in Nicaragua to be restricted to the stretches from Chinandega to the Honduran border and from Granada to the Costa Rican border as there is a railroad from Chinandega to Granada. Making

¹⁸ Not printed.

it clear that I had no instructions on the point, I told the President that it was my impression that the general intention in regard to the proposed Inter-American Highway was that it should be purely a highway and not a combination of highway and railroad and that, while I had not recently studied the various recommendations made at recent Pan American Conferences, I thought reference to them would show this to be the fact. President Sacasa agreed that this was probably true and said that he understood the logic of such a policy. He remarked parenthetically that the Guatemalan Government had not yet furnished the Nicaraguan Government with a copy of the document (*acta*) concerning the Inter-American Highway signed at the recent Central American Conference in Guatemala City (the Legation's despatch No. 332, of July 17, 1934²¹) and that he wondered whether there could be any ulterior motive behind this failure.

Doctor Sacasa ended his comments on the question by assuring me that he would have the Minister for Foreign Affairs advise me formally at the earliest possible date whether the Nicaraguan Government was prepared to accept the route laid down in the reconnaissance survey report with the understanding, of course, that the line as shown in the report is not a located line but is subject to deviations and revisions which might be agreed to between the engineers in charge of the final instrument survey and the engineers representing the Government of Nicaragua.

Respectfully yours,

ALLAN DAWSON

810.154/643

*The Acting Secretary of State to the Secretary of Agriculture
(Wallace)*

WASHINGTON, October 27, 1934.

MY DEAR MR. SECRETARY: I have received the Acting Secretary's letter of October 9, 1934,²¹ in which he suggests that early steps be taken toward continuing beyond the Panama Canal the cooperative reconnaissance surveys for the proposed Inter-American Highway under Section 15 of the Act (Public No. 393, Seventy-third Congress) approved June 18, 1934.

It is noted that this Act provides also that the fund, the expenditure of which is authorized therein, may be used "for making location surveys". I am of the opinion that its expenditure as well as that of the fund of \$1,000,000 appropriated by the Act of June 19, 1934, should be confined to the area north of the Panama Canal Zone, where

²¹ Not printed.

a reconnaissance survey of the proposed route has already been completed.

Before assistance in the construction of a highway north of the Panama Canal Zone can be given under the authorization contained in the Act of June 19, cited, it will be necessary, of course, that the instrument survey be completed, at least in those portions where assistance is to be rendered. It is my understanding that the \$75,000 which your Department is authorized to expend would meet only a small part of the cost of a complete survey of the Central American section.

From the point of view of our relations with the countries of Latin America, also, I believe it preferable to confine assistance at this time to the countries in which the reconnaissance survey has already been completed.

For the reasons I have suggested, I prefer not to take at present the suggested steps looking toward continuing the reconnaissance survey beyond the Canal Zone.

Sincerely yours,

WILLIAM PHILLIPS

810.154/657

The Minister in Guatemala (Hanna) to the Secretary of State

No. 401

GUATEMALA, October 30, 1934.

[Received November 9.]

SIR: Supplementing my despatch No. 396 of October 25, 1934,²² I have the honor to report that in conversation with the Minister for Foreign Affairs he informed me that President Ubico was pleased with the Department's offer of cooperation in building the Inter-American Highway and desired to take advantage of it. He stated that he had asked the Minister of Agriculture for his recommendation with regard to the route, although he did not anticipate any desire on the part of the Government of Guatemala to make more than minor changes.

The Minister said that this Government would be interested mainly in road-building machinery and bridge material, and he seemed to be interested in devising some practical procedure for starting work on the Highway. I told him this might be facilitated and hastened if his Government could submit some concrete proposal concerning what it is prepared to do in the way of cooperation. He indicated the possibility that there might be a desire here to commence operations on that section of the Highway leading from Guatemala City to the Salvadoran frontier rather than the section from the capital to the Mexican

²² Not printed.

frontier. I told him that if this plan or idea should develop his Government might wish to prepare a project for carrying it out which would be the basis for a specific request for the machinery and bridge material desired.

With reference to the foregoing, I venture to add that should the project for the construction of the highway to the Salvadoran border materialize it would be one which would be essentially beneficial to this country and which might encourage the other governments of Central America to take action upon the highways in these countries. Last April, just prior to the rainy season, I made the trip from San Salvador to Guatemala City by motor in about ten hours running time. I believe that, with the building of bridges and a reasonable amount of improvement of the roadbed and surface, the road would be opened to year-around traffic and the time between the two capitals would be reduced to from six to seven hours.

One of President Ubico's special interests is the improvement of roads in Guatemala and he as well as many local officials are rapidly becoming conscious of the value of the tourist traffic. Approximately one hundred tourists are landed at San José by each north and south bound vessel of the Grace Line for a hurried visit to Antigua and Guatemala City. The United Fruit Line is about to offer special inducements to increase its tourist traffic through Puerto Barríos to the capital. The tourists generally are highly satisfied with the experience and many of them express regret that they cannot remain longer in the country. I feel quite certain that if and when the road linking the capitals of El Salvador and Guatemala is completed the number of tourists who would visit the two countries, as well as remain in them a more appreciable length of time than at present, would be greatly increased, and that their visits would prove of value in furthering and cementing the friendly sentiments which those countries now entertain for the United States, and would be of great economic and social benefit to Guatemala and El Salvador.

Respectfully yours,

MATTHEW E. HANNA

810.154/663

The Minister in Costa Rica (Sack) to the Secretary of State

No. 498

SAN JOSÉ, November 15, 1934.

[Received November 22.]

SIR: In further reference to the Department's Instruction No. 96 of October 17, 1934,²³ and my reply thereto of October 26, 1934 (Despatch No. 477²⁴), on the subject of aid by the Government of the

²³ See footnote 11, p. 476.

²⁴ Not printed.

United States to the Government of Costa Rica in the construction of the proposed Inter-American Highway, I have the honor to attach herewith copy and translation of the note of the Foreign Minister in reply to my note No. 134 of October 22, 1934, wherein I transmitted to this Government the instructions of the Department of State with reference to contemplated assistance to countries which are cooperating in the construction of the proposed highway.

The Department will observe that Mr. Gurdián acknowledges "the very great importance" of the highway and anticipates the benefits which will accrue from its construction. At the same time the Foreign Minister—and his viewpoint is transmitted after conversations, to my knowledge, with President Ricardo Jiménez and other officials of the Government—very frankly points out the financial difficulties immediately confronting actual construction. On this subject Mr. Gurdián says:

" . . .²⁵ Costa Rica's difficult situation has obliged my government to effect inevitable economies in its expenditures in order to avoid budgetary deficits, and to suspend, through a prior arrangement with its American and European creditors, the service on its foreign debt. Under these conditions, the country finds it impossible to assume new obligations, which according to the estimates of the cost of the Inter-American Highway in the country, would mean an increase of one hundred per cent in the external debt of Costa Rica."

This debt is now approximately twenty-four million dollars upon which no interest is being paid, and upon which the resumption of interest payments and amortization of principle is not even being discussed.

In an informal conversation with Señor Gurdián on October 22, the day I personally presented the note embodying the Instruction No. 96 of the Department, the Foreign Minister emphasized the financial difficulties confronting construction and he asserted at that time that while the Government is considering all possible solutions of the problem no particular plan of financing up to now has been regarded as feasible. In his conversation Mr. Gurdián said that the Government has considered the revenues to be derived from increased gasoline taxes; from the granting of a concession to an outside corporation for the construction of the road; from proposed bond issues; from toll charges, et cetera, but no plan up to now has been considered feasible.

In this connection may I direct the Department's attention to the estimated costs for the proposed highway in Volume 2 of the Reconnaissance Surveys made under the direction of the Bureau of Public Roads of the United States Department of Agriculture.

²⁵ Omission indicated in the original.

These estimates contemplate the construction of 312.7 miles (503.2 kilometers) of road in Costa Rica.

Table 19, planning merely the grading and surfacing of the road with local materials and the construction of the necessary bridges, estimates the cost at \$11,145,206.25.

Table 20, contemplating the use of an oil surface, estimates the cost at \$11,516,693.85.

Table 21, contemplating the use of concrete and the construction of a thoroughly modern highway in every respect, estimates the cost at \$25,907,156.

This is a sum, as I recall, greater than the estimated cost of construction in any of the other Central American countries. May I point out at this point that all of the new highway construction in Costa Rica made with current revenue funds is of concrete and that this Government, whether rightfully or wrongfully, is of the opinion that nothing but concrete will survive the terrific downpours which are almost daily occurrences during the eight and a half months of the annual rainy season. It is also true that the United States Bureau of Public Roads contemplates a 20-foot highway as the minimum width for safety and anticipated traffic, whereas most of the present Costa Rican highway construction is confined to the dangerously narrow width of 12 to 16 feet which makes it difficult for speeding cars to pass in safety.

The Department will agree, therefore, that the estimated cost of \$25,907,156, for a properly constructed highway in Costa Rica presents a real problem to this country and one which the Government of a necessity must consider regardless of its desire for the highway. As a matter of fact, construction of a concrete highway through the mountainous terrain of Costa Rica with all modern safety devices and with increased utilities on curves, would unquestionably double Costa Rica's national debt.

On the other hand the report of the engineers properly emphasized the great increase of Costa Rican wealth which would result from the construction of the highway and I find myself in complete accord with conclusions which hold that the highway will more than pay for itself through the additional prosperity and the increase in agricultural and economic resources which should result from the opening up of hundreds of miles of territory north of San José toward the Nicaraguan border and south of the capital in the direction of Panamá.

Unfortunately, this view is not held by a sufficient number of Government officials and leading citizens to stimulate a real public enthusiasm in Costa Rica for the highway. In addition there exists the unquestioned suspicion—and this feeling prevails in official as well as unofficial circles—that the United States Government is keenly interested in

the proposed highway because of its desire to further increase the defenses of the Panama Canal. An important section of Costa Rican public opinion anticipates that economic and political developments will some day force a war between the United States and Japan and that the United States is pushing the highway in order to have an overland means of transportation for our troops. Even such an enlightened Costa Rican as President Ricardo Jiménez has had this suspicion in the back of his mind.

The note of the Foreign Minister calls attention to the fact that the survey as recommended by the United States engineers routes the highway between the towns of Naranjo and Las Cañas (Plates Nos. 23, 24 and 25 of Volume 2 of the Reconnaissance Survey) too closely parallel to the line of the Government-owned Pacific Railroad, and would thereby create a source of competition for the railroad. The Foreign Minister suggests substitution of a different route, if technically possible, to eliminate this proximity to the railroad. He does not, however, say that Costa Rican engineers will be directed to make a new instrument survey to discover a substitute route.

May I direct the Department's attention also to this paragraph of Mr. Gurdián's note:

"Having set forth the economic conditions of the country in relation to the great undertaking referred to in your note, my government expresses its thanks for the valuable cooperation offered by the Government of the United States, and accepts it if Costa Rica is found to meet the situation which the American Congress had in view in passing the appropriation laws cited in the note under reply."

By way of further exposition of the Costa Rican viewpoint may I call attention to a recent letter by the editor of *El Diario de Costa Rica* to the Foreign News Editor of the Associated Press, a copy of which is enclosed herewith.²⁵

In accordance with the statement in the Department's Instruction No. 96 to the effect that it will be glad to receive any recommendations I may care to submit, which invitation I assume is inclusive of the entire subject, may I respectfully offer the following thoughts;

First; I do not believe it will be advisable for the United States Government at this time either directly or indirectly to appear to be hurrying Costa Rica into a decision on the project which will involve a great outlay of cash, or a further increase in the public debt.

Second; I feel that as the work progresses in other countries of Central America and in Mexico that Costa Ricans of their own accord will come to the conclusion that they are missing something and that they then will manifest more interest in the project than at present and will show a greater desire to participate in its proposed benefits. In other words, I feel that the ultimate success of the project, insofar

²⁵ Not printed.

as Costa Rica is concerned, will be greater if the decision to go forward is one that is dictated by a genuine public and official enthusiasm, and at present no such enthusiasm exists.

Third; I feel that it will be very inadvisable for the United States Government at this time, and perhaps in the future, to assist directly in the payment of the cost of construction other than is contemplated in the acts of Congress referred to in Instruction No. 96.

Unquestionably there does prevail in Costa Rica a desire on the part of many people, including land owners, for the very generous United States, as an act of good neighborliness, to come along and say in effect: "Don't worry Costa Rica, we will build the road for you." Nothing would please some Costa Ricans better than this, but even if the United States was so generously inclined there are sufficient politicians in the Costa Rican Congress who would not only look such a gift horse in the mouth but would denounce the alleged motives of the United States for such generosity. In such a gesture the Nationalists would again visualize "Yankee Imperialism".

I feel that the only justification which might exist for the expenditure by the United States Government in Costa Rica of a sum sufficiently large to finance all or the greater part of the highway in this country, would be the construction of a military highway wherein the ends would justify the means and the question of cost would not be a factor. In such an event the United States could then afford to turn a deaf ear to the protests of the Nationalists, but otherwise I am confident our motives would not be appreciated and would always be questioned.

Fourth; I do not believe it would be advisable for the United States to make available to Costa Rica any portion of the funds or materials contemplated in the acts of Congress until this Government of its own accord negotiates or commences a definite instrument survey as a substitute for that portion of the highway between the towns of Naranjo and Las Cañas to which objection has been made.

Fifth; if and when the United States Government should ever extend material assistance to the Government of Costa Rica, and if and when,—should this be done—American capital is employed to assist in the construction of the highway, I would stipulate that all materials purchased and all scientific assistance employed be American. Unfortunately, in the past Costa Rica has been know[n] to finance construction projects with American money (electrification of the Pacific Railroad) and turn right around and expend these dollars in material and equipment purchased in Germany.

Sixth; in the light of Costa Rica's present default on its outstanding bonds, and in the light of the apparently indefinite date of resumption of payments of interest on and amortization of these bonds, I feel that the financing of this highway in Costa Rica by the sale of a bond issue to American investors as has been suggested by some people, even if permitted by the Department of State, would be a very risky and perhaps dubious financial venture. I would suggest that if ever the day comes when the Department feels inclined to favor the raising of funds in the United States to finance this project, the transaction be hedged with such restrictions that not only the security of the American investors is assured but the self-respect of the United States Government be also maintained in reference to inevitable subsequent outbursts of political leaders.

In conclusion may I respectfully summarize my reactions to the Costa Rican participation in the Inter-American Highway project based on observations during my 13 months in Costa Rica, and they are that Costa Rica will some day construct its sections of the Inter-American Highway and thereby furnish a complete road from Laredo, Texas, to the Panama Canal but the impetus should be supplied by the Costa Ricans themselves from the standpoint of their selfish economic interests, and that in no way should the impression prevail that the "Yanquis of the North" are forcing Costa Rica either to accept or to build the road.

The Department may feel, as a result of my conclusions, that I am not in sympathy with the proposed construction of the Inter-American Highway. If, unfortunately, this opinion should prevail may I enter a denial in advance and say for the record that I not only visualize the actual highway as the greatest prospective economic and cultural development pending in Costa Rica but that I have neglected no occasion to informally and properly convey my enthusiasm to officials of the Government.

I can not help but feel, however, that the United States Government will make a great mistake if it appears in the light of a philanthropist giving to Costa Rica a gift of all or part of the cost of construction of this highway until such time as Costa Rica shows a determined spirit of effective cooperation in the execution of the project which will justify the financial aid of the United States Government in accordance with the intent of the Congress.

Respectfully yours,

LEO R. SACK

[Enclosure—Translation]

The Costa Rican Minister for Foreign Affairs (Gurdián) to the American Minister (Sack)

No. 602-B
420-31

SAN JOSÉ, November 9, 1934.

MR. MINISTER:—I have the honor to acknowledge receipt of your kind note No. 134, dated October 22nd, last, in which you had the kindness to transcribe the text of the laws voted by the Congress of the United States, and approved by His Excellency President Roosevelt, authorizing disbursements to defray the expenses which the President in his discretion may deem necessary to cooperate with the several governments, members of the Pan American Union, in the survey and construction of the proposed Inter-American Highway, this expenditure being subject to the receipt of assurances satisfactory to the President from such governments, of their cooperation in the survey and construction referred to. You add that your government is now considering the places where these funds will be spent and the form of their application in the work planned, with the intention of

assisting those countries which are now carrying out or intend to initiate work on the highway, which when completed will unite all the American countries. That for the said purpose, the Government of the United States intends to donate to the governments cooperating in the carrying out of the work, articles and materials for bridges and road construction equipment, to be acquired with the fund of one million dollars voted in the law first referred to above.

Your government desires to know if the route marked out in the report given to this government would be accepted by its engineers, and our intentions toward initiation of the instrument survey of the road, in order that my Government may take advantage of the generous offer of the Government of the United States.

In reply, I have the honor to inform you that my Government, as much as any other, is convinced of the very great importance of the construction of the Inter-American Highway, which, uniting all the sister nations, will permit the greatest intellectual and commercial "rapprochement" between them, will facilitate a mutual acquaintance and will strengthen the ties of sympathy now existing, at the same time being a factor of great importance in the development of agriculture, industry and commerce in each and every one of the American countries. Nevertheless, Costa Rica's difficult situation has obliged my government to effect inevitable economies in its expenditures in order to avoid budgetary deficits, and to suspend, through a prior arrangement with its American and European creditors, the service on its foreign debt. Under these conditions, the country finds it impossible to assume new obligations, which according to the estimates of the cost of the Inter-American Highway in the country, would mean an increase of one hundred per cent in the external debt of Costa Rica.

It is the firm intention of the Costa Rican Government to continue carrying out a plan of highway construction in accordance with its economic capacity, following the definitive route fixed for the construction of the Inter-American Highway.

Having set forth the economic conditions of the country in relation to the great undertaking referred to in your note, my government expresses its thanks for the very valuable cooperation offered by the Government of the United States, and accepts it if Costa Rica is found to meet the situation which the American Congress had in view in passing the appropriation laws cited in the note under reply.

The route planned for the highway in Costa Rican territory, according to the plans submitted, holds for this government the obligation of passing through places very near to the port of Puntarenas, and its construction would mean that traffic between this point and San José would go preferably over the highway, with serious prejudice to the Pacific Railway, a public enterprise which represents a large investment for the country.

For this reason I take the liberty of suggesting a change in the highway route between the towns of Naranjo and Cañas at a distance from the Pacific Railway line, and substituting for it, if technically possible, a different route which would open up magnificent areas to the north of the "Cordillera Central".

I take [etc.]

RAÚL GURDIÁN

810.154/669

The Chargé in Nicaragua (Dawson) to the Secretary of State

No. 607

MANAGUA, November 19, 1934.

[Received November 26.]

SIR: Adverting again to the Department's instruction No. 146, of October 17, 1934,²⁷ in regard to the contemplated expenditure of funds appropriated by the Congress of the United States for the continuation of the cooperative reconnaissance survey for the proposed Inter-American Highway and for the purchase of materials in connection with the survey and construction of this highway, I have the honor to report that the Nicaraguan Ministry of Foreign Affairs, in its note No. 172, antedated November 10, 1934 (the Foreign Office's note No. 171 was dated November 14), and received today, expresses the acceptance by the Nicaraguan Government of the route through Nicaraguan territory laid down in the reconnaissance survey report transmitted to the Legation under cover of the Department's instruction No. 81, of May 28, 1934,²⁸ and in turn transmitted to the Ministry of Foreign Affairs under cover of the Legation's note No. 99, of June 26, 1934. The Foreign Office's note No. 172 also confirms the understanding that the line as shown in the report is not a located line but is subject to deviations and revisions which may be agreed to between the engineers in charge of the final instrument survey and the engineers representing the Nicaraguan Government.

Copies and translations of the Foreign Office's note No. 172 and copies of the Legation's note No. 168, of October 22, 1934, to which it is a reply, are enclosed for the Department's information.²⁹

Respectfully yours,

ALLAN DAWSON

²⁷ See footnote 11, p. 476.

²⁸ Not printed.

²⁹ Neither printed

810.154/672

The Chargé in Honduras (Gibson) to the Secretary of State

No. 1264

TEGUCIGALPA, November 21, 1934.

[Received November 28.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 631 of October 17, 1934,³⁰ directing this Legation to inform the Honduran Government of the appropriations made by the Congress of the United States toward cooperation with other governments in connection with the survey and construction of the proposed Inter-American Highway and inviting recommendations as to the ways in which these funds may be expended to the best advantage.

In accordance with this instruction, the Foreign Office has been advised of these appropriations and the Legation has inquired whether the Honduran Government will accept the route through Honduras laid down in the reconnaissance survey report, a copy of which, in accordance with the Department's instruction of May 28, 1934,³¹ was furnished the Honduran Government.

From a cursory study of the proposed highway in Honduras and the general reaction to it here, I feel that the best recommendation would be for the United States Government to carry out what the Department states it intends doing, that is to expend the appropriations in the United States for road building machinery and other equipment which could not be purchased by Honduras but which is essential for the construction of such a highway. The public interest felt in Honduras for the highway cannot be called great, particularly as not more than ninety miles will be through Honduran territory, and due to the present condition of the finances, even were the interest greater, the appropriation of any funds for materials is out of the question. The construction of an all weather highway, eighteen feet wide, across swampy, low-lying territory with numerous bridges and trestles made necessary by the broken nature of the country is therefore impossible without abundant assistance in the way of building materials and skilled engineers from outside sources.

This need for road building equipment of all kinds was explained to Minister Lay by President Carías some eight months ago and it was pointed out by him at that time that with such a contribution Honduras would supply the labor which would expedite the building of the Honduran section.

³⁰ See footnote 11, p. 476.

³¹ Not printed.

There is enclosed copy and translation of the note from the Honduran Foreign Office with respect to the route acceptable to the Honduran Government, as well as remarks on the type of pavement to be used.

Respectfully yours,

RALEIGH A. GIBSON

[Enclosure—Translation]

The Honduran Minister for Foreign Affairs (Bermúdez) to the American Chargé (Gibson)

No. 4418

TEGUCIGALPA, November 20, 1934.

SIR: In answer to your courteous note No. 631 of October 23, I have the honor to bring to your attention the following communication:

“Ministry of Fomento, Agriculture and Public Work: Tegucigalpa, November 10, 1934, No. 895, Mr. Minister: In answer to your courteous note of October 26, in which you kindly transcribe to this Ministry Note No. 631 of the Legation of the United States of America, relating to the report presented by the Bureau of Public Roads of the Department of Agriculture of the United States, referring to the reconnaissance survey for the proposed inter-American highway, which starting at New Laredo will pass through Mexico, Central America and Panama, especially to that part which refers to the Honduran section; and with the object of learning the opinion of our Government as to the most acceptable choice which said route should take in so far as it concerns our country, I have the honor to inform you that in the said study it is seen that the United States Commission contemplated two routes for the Honduran section: one that crosses the country from East to West passing through Tegucigalpa and the other Central Departments to the frontier of El Salvador and the other close to the Gulf of Fonseca, passing through the cities of Nacaome and Choluteca. This Ministry thinks that for reasons of a economic nature, we must consider as practicable only the Gulf route; a route which agrees in general terms with that recommended by our Department of Roads. In regard to the type of pavement, which includes the Highway to the South, I judge that the second type should be adopted, to which the report that we are discussing refers, or macadam with superficial oil treatment. With all consideration, I am, Very Sincerely Yours, (signed) Salvador Aguirre. To the Minister for Foreign Affairs. His Office.”

I avail myself [etc.]

ANTONIO BERMÚDEZ M.

810.154/691

*Memorandum of Conference Between Representatives of the
Departments of State and Agriculture* ³²

[WASHINGTON,] December 7, 1934.

The object of the conference was to reach a decision between the Departments of State and Agriculture regarding the next step to be taken in extending the cooperation to be given by the United States in the advancement of the Inter-American highway project.

It was agreed that the instrument survey through Central America should be undertaken and that assistance in the form of bridges to be placed at points along the route in Central America where they might be of immediate use was desirable.

Mr. MacDonald said that he was very anxious, however, not to go ahead with the work contemplated until another effort had been made to bring Mexico into the picture. He had recently returned from the Mexican border and had the impression that there was a real desire on the part of the Mexican highway officials for our assistance. He thought perhaps an acceptance from Mexico of our proffered assistance might be better obtained by working through the highway officials there than by making a direct approach to the Mexican Government. Upon being asked whether or not Mexico was not already doing all it could be expected to do and more than any other Latin American country on the highway project, Mr. MacDonald replied that this was true as far as the section between the American border and Mexico City was concerned. There would be more obstacles in the way of completing the route between Mexico City and the Guatemalan border, however, and we should always remember that Mexico has it within her power to prevent the completion of the highway by failing to construct its southern section. For this reason he thought it highly desirable that we get Mexico's cooperation in the very beginning.

Mr. Welles said that sounded highly reasonable and that he would begin by speaking to the Mexican Ambassador on the subject the same afternoon.

Mr. MacDonald said he would also like to continue the Reconnaissance Survey south of Panama. He said that the time element was always the most important in executing such a project. If the Reconnaissance Survey south of Panama is not undertaken now it will mean that the highway project will be delayed by one or two more years. He would like to start the Reconnaissance Survey right away and was certain that there was a desire for the survey to be made on the parts of the South American countries.

³² Present were Assistant Secretary of State Sumner Welles; Messrs. Edwin C. Wilson, Willard L. Beaulac, and William R. Manning of the Division of Latin American Affairs; Mr. Thomas H. MacDonald, Chief of the Bureau of Public Roads, and Mr. E. W. James of the same Bureau.

Mr. Wilson questioned the advisability of approaching the South American Governments at this time. He suggested that in addition to the desirability of concentrating the work to be done with the limited amount of funds available in the Central American area where some results of our work might become apparent, there was reason to doubt the advisability of approaching Colombia, for example, the first country south of Panama. He was not at all sure that Colombia wanted our engineers down there at the present time. Mr. Welles said he saw no reason why Colombia should object if Colombian engineers accompanied American engineers. Mr. MacDonald agreed that it would be preferable from his point of view if they did this.

Mr. Welles agreed that steps should be taken to extend our offer to conduct a Reconnaissance Survey to the countries south of Panama. If all countries did not accept, the survey could be made through those countries accepting. At least it could be begun and Mr. MacDonald said that he had received assurance from members of the next Congress that additional funds for this survey would be made available, if needed. He explained that no appropriations were necessary, that the Bureau of Public Roads had an administrative fund which it was accumulating and that all that was needed was an authorization to make expenditures out of this fund.

It was agreed in conclusion that another approach would be made to Mexico, that steps would be taken to offer to make a Reconnaissance Survey in the countries south of Panama, and that until Mexico's reply had been received no work on the highway should be undertaken in Central America.

W. L. BEAULAC

810.154/641

The Secretary of State to the Ambassador in Mexico (Daniels)

No. 549

WASHINGTON, December 10, 1934.

SIR: Reference is made to the Department's instruction No. 470 of August 24, 1934, and to your despatch No. 1805 of September 25, 1934, regarding the question of Mexico's cooperation with the United States, the five Central American Governments and Panama in reorganizing the Inter-American Highway Commission. In your despatch you reported that the then Minister for Foreign Affairs had suggested that the matter should be left open for consideration by the Administration of President Cárdenas.

At a meeting between officials of the Department and representatives of the Bureau of Public Roads, United States Department of Agriculture, on December 7, 1934, the latter stressed the urgency of obtaining a favorable response from the Mexican Government in order to accelerate the development of this important project. The

matter was discussed on the same day with the Mexican Ambassador, who is leaving shortly for Mexico City and who promised to bring it to the attention of his Government after his arrival there. In view of this undertaking on the part of Dr. González Roa, the moment would appear to be opportune for you again to present the matter to the appropriate authorities of the Mexican Government. In doing so, you will, of course, be guided by the Department's instruction No. 470 of August 24, 1934.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

INTERPRETATION OF ARTICLE IV OF THE HABANA
CONVENTION ON COMMERCIAL AVIATION ADOPTED
FEBRUARY 20, 1928¹

CHILE

711.2527/1

The Secretary of State to the Ambassador in Chile (Sevier)

No. 53

WASHINGTON, July 13, 1934.

SIR: The Department has found that aviators desiring to make pleasure or tourist flights in American aircraft to countries which are parties to the Habana Convention on Commercial Aviation, adopted at Habana on February 20, 1928,² have been in a number of instances uncertain as to the procedure which should be followed by them in entering these countries. They have in some instances approached the representatives of countries parties to the Habana Convention with a view to having them take up directly with their governments the matter of obtaining permission for American aircraft to be flown to these countries. This procedure is not required under the Convention.

The Department has refrained from taking up these cases through diplomatic channels for the reason that under the terms of the Habana Convention it is not required that the government of a contracting state shall make a request through diplomatic channels for permission for such flights to be made over the territory of another contracting state.

The Department desires to reach an understanding with the governments of countries parties to the Habana Convention on Commercial Aviation by which it will be recognized that, in accordance with the clear intention of the Convention, private American aircraft engaged in pleasure or tourist flights may enter these countries and that private aircraft of these countries making the same kind of flights may enter the United States under the general authorization contained in this Convention, subject to compliance with technical requirements regarding entry and clearance and with the regulations in force in the country to be visited, but without the necessity of requesting for a flight formal permission through the diplomatic mission

¹ Continued from *Foreign Relations*, 1933, vol. iv, pp. 607-641.

² *Ibid.*, 1928, vol. i, p. 585.

of the country whose nationality the aircraft possesses or through the diplomatic mission of the country to be visited.

It will be recalled that Article 4 of the Convention referred to contemplates that each contracting state shall in time of peace accord freedom of innocent passage above its territory to the private aircraft of another contracting state. It has been the general practice to incorporate a similar provision in all multilateral or bilateral air navigation treaties or agreements. Such a provision obviates the necessity for obtaining for aircraft of a country which is a party to such treaty or agreement, special authorization for flights to be made over the territory of another country also a party to the treaty or agreement.

In view of the fact that the United States and Chile are parties to the Habana Convention on Commercial Aviation, the Department will be glad to have you endeavor to reach an understanding with the Chilean authorities to the effect that private aircraft of United States registry making pleasure or tourist flights shall, under the general authorization contained in the Habana Convention on Commercial Aviation, be permitted to enter Chile subject to compliance with the technical requirements of the Government of Chile regarding entry and clearance and the laws and regulations in force in that country, and that private aircraft of Chilean registry making pleasure or tourist flights shall, under the general authorization contained in the Habana Convention on Commercial Aviation, be permitted to enter the United States subject to compliance with similar requirements of the Government of the United States and the laws and regulations in force in this country, without the necessity in either case of requesting through diplomatic channels that the flights be authorized. If this course is found to be agreeable to the Chilean Government, the Department will be glad to have you obtain from the Chilean authorities, for communication to the Department, a statement in duplicate outlining the requirements of the Government of Chile concerning the entry and clearance of aircraft, and to request that the appropriate Chilean authorities be notified of the procedure agreed upon.

In connection with flights made in accordance with the provisions of the Habana Convention on Commercial Aviation, the Department encloses copies in duplicate of Aeronautics Bulletin No. 7-C in regard to requirements of different agencies of this Government concerning the entry and clearance of aircraft. You may furnish a copy of the bulletin to the Chilean authorities.

Aliens desiring to enter the United States should consult an American consular officer in regard to the visa requirements for entry of aliens into this country. Under the regulations of the Internal Revenue Bureau, aliens are required to show before departing from this country that they have paid any income taxes due this Government.

These matters are not mentioned in the enclosed bulletin but should be called to the attention of the Chilean authorities when the bulletin is delivered to them.

The Department hopes that any requirements that may be imposed by the Chilean authorities on the entry and clearance of aircraft will be as simple as possible, in order that international flights between the United States and Chile may not be impeded any more than is necessary. Should you see no objection, you may make such discreet use of this statement as may appear advisable.

As you are aware, an air navigation arrangement has been in force between the United States and Canada since 1929.³ Under this arrangement, the aircraft of each country are, subject to compliance with the terms of the arrangement, permitted to enter the other country without the necessity of obtaining formal permission from the government of the country to be visited. In this respect the arrangement is like the Habana Convention on Commercial Aviation. The Department understands that the arrangement with Canada has been very satisfactory in its operation. An arrangement similar to the one with Canada has been concluded by this Government with the governments of several European countries.

A similar instruction has been sent to the American diplomatic missions in Mexico, Guatemala, Honduras, Costa Rica, Nicaragua, Panama, the Dominican Republic and Haiti ⁴ in view of the fact that these countries are also parties to the Habana Convention on Commercial Aviation. The Governments of Costa Rica, the Dominican Republic, Honduras, Nicaragua and Panama have informed the Government of the United States that they concur in the interpretation of the Habana Convention on Commercial Aviation given in this instruction.

For your information, it may be stated that this Government does not contemplate entering into formal agreements with the governments of countries parties to the Habana Convention supplementing the Convention itself. It merely desires to reach an understanding with these governments in regard to the interpretation of the Convention so far as concerns the right of private aircraft of one of the parties to enter territory of the other parties on pleasure or tourist flights without the necessity of obtaining an authorization for a flight from the government of the country to which the flight is to be made.

Very truly yours,

For the Secretary of State:

R. WALTON MOORE

³ *Foreign Relations*, 1929, vol. II, p. 111.

⁴ No. 150, January 27, 1933, to the Minister in the Dominican Republic, *ibid.*, 1933, vol. IV, p. 609; No. 480, February 6, 1933, to the Minister in Panama, *ibid.*, p. 635; other instructions not printed.

711.2527/2

The Chargé in Chile (Scotten) to the Secretary of State

No. 230

SANTIAGO, November 20, 1934.

[Received November 30.]

SIR: I have the honor to refer to the Department's instruction No. 53 of July 13, 1934, directing that an understanding be reached with the Government of Chile in regard to the interpretation of the Convention on Commercial Aviation adopted at Havana on February 20, 1928, so far as concerns the right of private aircraft of one of the parties to enter the territory of the other parties on pleasure or tourist flights without the necessity of obtaining an authorization for a flight from the government of the country to which the flight is to be made.

In compliance with this instruction, I have the honor to transmit herewith a copy of the Embassy's note No. 138 addressed to the Foreign Office on this subject under date of August 28, 1934,⁵ together with a copy and translation of the Foreign Office's reply. It will be observed that the competent local authorities are in accord with the interpretation which the United States has given to the said convention as concerns pleasure and tourist flights made in private aeroplanes, namely, that such aeroplanes need only comply with the formalities established in the said convention and that they are not required to request authorization in order to fly over countries which are parties to the Havana Convention.

I have the honor to transmit herewith two copies of the Regulations Governing Aerial Navigation (*Reglamento de Navegación Aérea*). This publication was issued in 1932 but the attached copies have been corrected and brought up to date by the competent authorities.

Respectfully yours,

ROBERT M. SCOTTEN

[Enclosure—Translation]

The Chilean Minister for Foreign Affairs (Cruchaga T.) to the American Chargé (Scotten)

No. 6767

[SANTIAGO,] November 19, 1934.

MR. CHARGÉ D'AFFAIRES: In reply to the courteous note, No. 138 of August 28th last, in which the Embassy referred to the interpretation which the Government of the United States of America had given to the Convention on Commercial Aviation signed at Havana on February 20, 1928, I have pleasure in informing you that the competent national authorities are in accord with the interpretation given that pleasure and tourist flights made in private aeroplanes of the contracting States must not be subject to formalities in addition to

⁵ Not printed.

those established in the said convention; therefore they are free from the obligation of requesting authorization to fly over a country which is a contracting party to the said international treaty.

In conformity with the request of that Embassy, I have pleasure in enclosing herewith two copies of the Regulations for Aerial Navigation with the modifications which have been made to date.

Please accept [etc.]

MIGUEL CRUCHAGA T.

GUATEMALA

711.1427/4

The Minister in Guatemala (Hanna) to the Secretary of State

No. 245

GUATEMALA, July 16, 1934.

[Received July 28.]

SIR: I have the honor to refer to the Department's instruction No. 296 of August 25, 1933,⁶ in further relation to the right of entry of aircraft under Article IV of the Habana Convention on Commercial Aviation.⁷ The Legation under date of September 9, 1933, informed the Guatemalan Government of the Department's interpretation of Article IV as defined in the instruction under reference. The Ministry for Foreign Affairs by a note dated September 23, 1933, informed the Legation that the question had been referred to the competent authorities for consideration and the submission of data in the premises.

During the past few months I have reminded the Minister for Foreign Affairs⁸ that we have been making little or no progress in reaching an understanding concerning the interpretation of Article IV of the Convention. I saw him again this morning at the Ministry and took up the subject with him in more detail and with somewhat more insistence.

I pointed out once more that it is not the intention of the Government of the United States to insist upon any procedure which would render it difficult for the Government of Guatemala to maintain a check upon the entry of foreign aircraft, but that it would seem that a method of obviating such difficulty is embraced in the Legation's note in this connection based on the Department's instruction under reference in which it was stated that we would not be disposed to raise any question with respect to a requirement of Guatemala that in the case of civil aircraft entering Guatemala the aviator must obtain clearance from a Guatemalan consular officer provided, of course, that the aviator should not be required to obtain through the Consul a special authorization from the Government of Guatemala to enter Guatemalan territory. I told the Minister that this requirement would appear to

⁶ *Foreign Relations*, 1933, vol. iv, p. 620.

⁷ *Ibid.*, 1923, vol. i, p. 585.

⁸ Alfredo Skinner-Klee.

give this Government, acting through its consular officers, the control it desires in order to maintain a check upon the entry of foreign aircraft coming from neighboring countries. The Minister appeared to agree with me on this point.

I judged from what the Minister told me that the Ministry of Fomento has not yet given up its contention that the Habana Convention may be interpreted as not applying to private aircraft, and I invited his attention again to the Department's analysis of the Convention in support of the contrary view. I told him, moreover, that I had served on the Committee which drafted the Habana Convention and that I have a very definite and clear recollection that the discussions in the Committee clearly established the intention of the Convention as interpreted by the Department. The Minister did not appear to be in full accord with the opinion of the Ministry of Fomento.

Licenciado Skinner Klee told me that another matter that is worrying him somewhat in this connection is the desire of the *Lineas Aereas Occidentales* to obtain permission of this Government to carry passengers, mail and express into Guatemala. This subject was reported upon in the Weekly Economic Report of the Consulate General of June 25 of this year.⁹ It was pointed out in that report that the *Lineas Occidentales* are owned by the "Varney Speed Lines" which I understand to be an American Company now operating between the United States and Mexico. Licenciado Skinner Klee is opposed to an extension of this service into Guatemala in competition with the Pan American Airways. His position appears to be that under existing circumstances the most advantageous aerial service for Guatemala as well as for this entire region is to be had through protecting the Pan American Airways from competition for the time being. He seemed to think that the acceptance by this Government of the Department's interpretation of Article IV of the Habana Convention might force this Government to grant entry to the *Lineas Occidentales*.

Finally, the Minister told me he would not delay longer in taking up the matter more vigorously and he held out the hope that it might be arranged along the lines suggested by the Department. I shall not fail to follow the question closely and to report further developments to the Department.

Respectfully yours,

MATTHEW E. HANNA

⁹ Not found in Department files.

711.1427/5

*The Guatemalan Minister for Foreign Affairs (Skinner-Klee) to the American Minister in Guatemala (Hanna)*¹⁰

[Translation]

No. 7509
672 (73-0)

GUATEMALA, August 8, 1934.

MR. MINISTER: Making reference to the Memorandum of that Honorable Legation, dated January 31 of this year, and to previous correspondence, concerning the interpretation of Article IV of the Habana Convention on Commercial Aviation, I have the honor to inform Your Excellency that the Government of Guatemala is in accord, in part, with the interpretation that the United States gives to said Article, to-wit: that the aircraft of serious companies of each of the contracting states may, in accord with the technical requisites concerning entrance and departure in conformity with the laws and regulations which are in force, enter the territory of another contracting state without the necessity of requesting official permission to make their flights through the Diplomatic Mission whose nationality the aircraft possesses or through the Diplomatic Mission of the country to be visited.

Consequently, the aircraft of American nationality and those of Guatemalan nationality, the property of serious and legally organized companies, may enter the territory of Guatemala and of the United States respectively without the necessity of obtaining previous official permission; but subjecting themselves to the laws and regulations in force in each country concerning passage over its territory or landing thereon or landing on its waters; and to give advice in writing and before making the flight to the Legation or Consulate nearest the place from which such flight is begun and before the arrival of the airship; the advice shall specify the type of airship, its manufacturer and special characteristics, registry number and name of the pilot; and, if possible, the probable date of arrival at the airport where it expects to alight on land or water.

Concerning private aircraft, with the respective official licenses, they may fly and land in Guatemalan territory in compliance with the regulations of the preceding paragraph and moreover giving previous advice of the flight in the following manner: by airmail ten days prior to making the flight, and by radiogram five days prior to the date of the flight.

I repeat [etc.]

A. SKINNER-KLEE

¹⁰ Transmitted to the Department by the Minister in Guatemala in his despatch No. 292, August 11; received August 14.

711.1427/5

The Secretary of State to the Minister in Guatemala (Hanna)

No. 78

[WASHINGTON,] August 29, 1934.

SIR: The Department is in receipt of your despatch No. 292, of August 11, 1934,¹¹ in further relation to the interpretation of Article 4 of the Habana Convention on Commercial Aviation.

In note No. 7509 of August 8, 1934, from the Foreign Office,¹² transmitted with your despatch, reference is made to the conditions under which commercial aircraft operated by companies may enter Guatemalan territory. The Department desires to have you make it clear that in taking up with the Guatemalan Government the matter of obtaining an interpretation of Article 4 of the Habana Convention on Commercial Aviation, the Department had in mind the necessity of reaching an understanding with the Guatemalan Government with respect to rights of entry so far as pleasure or touring aircraft are concerned. This Government has no desire at this time to go into the question as to what may be the status of aircraft engaged in international commerce, and so far as it can see, nothing has arisen to require consideration of this point. It is believed that any discussion of commercial aircraft would only tend to confuse the issue and complicate the discussion now under way in an effort to reach an understanding concerning the right of entry of pleasure or tourist aircraft.

The Department understands from the note which you have received from the Foreign Office that the Guatemalan Government now agrees that it is not necessary for an aviator to request formal authorization for permission to enter Guatemalan territory under the terms of the Habana Convention on Commercial Aviation. While the Department is pleased to note that progress has been made in efforts to reach an understanding with Guatemalan authorities, it regrets that the Guatemalan Government has stipulated that advance notice of each flight must be given by air mail ten days prior to making the flight and by radiogram five days prior to the date of the flight. It is believed that a requirement that Guatemalan consular officers must be notified ten days in advance of the flight would work a considerable hardship on the aviator as it might mean a serious delay in his plans for a flight over Guatemalan territory. Leaving the aviator uncertain during this period as to the attitude of the Guatemalan authorities concerning the flight might even be found to be tantamount to requiring him to obtain special authorization for the flight, which is not required under the Convention. The object of the Convention was to facilitate air traffic

¹¹ Not printed.

¹² *Supra*.

among the contracting states, and it would therefore be unfortunate if the Guatemalan Government should insist upon a requirement that may to a great extent impede such traffic.

The requirement proposed by the Guatemalan Government would seem to be especially onerous so far as the aviator is concerned, for the reason that he would be required to send two separate notices to the Guatemalan consular officer, and by a form of communication which the aviator may find to a great extent to be impracticable. It is suggested in this connection that as the aviator would probably be desirous of leaving on his trip as soon as possible, the Guatemalan Government would not be inconvenienced should it leave the method of communication with the consular officer to the judgment of the aviator.

It is the apparent desire of the Guatemalan authorities to guard against the entry of undesirable persons. It is suggested that this might be considered an immigration question. You may, in your discretion, state informally that the Convention, while according a general right of entry, does not interfere with the right of a contracting party to enforce its immigration requirements. You may in this connection call attention to the last paragraph of Article 18 of the Convention, which reads:

“. . . the aircraft, aircraft commander, crew, passengers and cargo shall be subject to such immigration, emigration, customs, police, quarantine or sanitary inspection as the duly authorized representatives of the subjacent state may make in accordance with its laws.”

The paragraph quoted would seem to relate to aircraft that have entered the territory of a contracting state. However, as indicated in its instruction No. 296 of August 25, 1933,¹³ the Department is not disposed to raise any question with respect to any reasonable requirement of the Guatemalan Government that the aviator get in touch with a Guatemalan consular officer prior to departure for Guatemalan territory. It is understood that under the Guatemalan regulations, a passport and visa are not required for a stay of one month or less in Guatemala and that instead, a tourist card is issued without fee by a Guatemalan consul. You may, in this connection, suggest informally in your discussions with the Guatemalan authorities that they may desire to consider the adoption of a form of tourist or identification card applicable to aviators entering Guatemala on tourist or pleasure flights under the Habana Convention on Commercial Aviation. Such a card, it is suggested, might contain data supplied by the aviator and be signed by the Guatemalan consular officer. Such a document should not, however, be regarded as an *entry permit* in the sense that the aviator would be considered to be obtaining special authorization to enter Guatemala and should not place a limitation on the length of stay of

¹³ *Foreign Relations*, 1933, vol. iv, p. 620.

the airplane in Guatemala in view of the fact that the Habana Convention on Commercial Aviation provides for the entry of aircraft without imposing any limitation on the period in which the aircraft is to remain in the country entered. If the tourist or identification card should not be issued by the Guatemalan consul to the aviator as soon as the consul received the data from the aviator and there should be unnecessary delay in the matter, such delay would, in the Department's opinion, be apt to cause serious interference with the plans of the aviator and tend to impede international air navigation, particularly in view of the fact that there would doubtless be many cases where the aviator would be residing at a considerable distance from the place where the Guatemalan consular officer is stationed. It is suggested, in this connection, that the Guatemalan Government may be willing to consider that a telegram sent by the Guatemalan consul to the aviator would answer the purpose of a tourist or identification card when the aviator desires to enter Guatemala on short notice.

With reference to the statements of the Foreign Office concerning commercial flights by companies under the terms of the Habana Convention on Commercial Aviation, the Department is glad to make the following comment for the information of the Legation but not for communication to the Guatemalan Government.

The International Convention for the Regulation of Aerial Navigation, signed at Paris on October 13, 1919,¹⁴ which is a multilateral agreement, provides in effect that the establishment of regular air transport lines shall be subject to the consent of the state or states in which the lines are to be operated. A similar provision has generally been incorporated in bilateral air navigation agreements.

It is not stated in the Habana Convention on Commercial Aviation, also a multilateral agreement, that permission must be obtained by a contracting state for its air transport companies to operate regular air routes over the territory of other contracting states. It was undoubtedly the intention of the framers of the Convention to encourage and facilitate as much as possible the establishment and operation of international air transport lines over the territories of the contracting states, and it seems to be reasonable to consider that the Habana Convention was designed to further a general international obligation to admit such enterprises. However, from a practical standpoint, each country flown over can exercise an important influence on the establishment of international air lines through the enforcement of its regulations relating to the organization of air routes, establishment of aerodromes and other matters having a vital bearing on the establishment and operation of a regular air transport line.

¹⁴ *Treaties, Conventions, etc., Between the United States of America and Other Powers, 1910-1923* (Washington, Government Printing Office, 1923), vol. III, p. 3768.

The Department would not desire to make any definite commitments with respect to the status of international commercial air transport lines under the Habana Convention on Commercial Aviation, unless a concrete case should arise requiring consideration by the Department and it should be in possession of all the facts of the case.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

HAITI

711.3827/2

The Minister in Haiti (Armour) to the Secretary of State

No. 387

PORT-AU-PRINCE, August 17, 1934.

[Received August 28.]

SIR: I have the honor to refer to the Department's instruction No. 187, of July 13, 1934,¹⁵ and to the previous instructions mentioned therein, concerning the desire of the Government of the United States to reach an understanding with the Government of Haiti in regard to the interpretation of Article 4 of the Havana Convention on Commercial Aviation.¹⁶

In reply to notes sent by the Legation to the Foreign Office, I have finally received a note from the Foreign Minister, stating that the Government of Haiti agrees to the understanding that, in accordance with the terms of Article 4 of the Havana Convention, private aircraft of either of the two countries will be permitted to enter the other country, on special or tourist flights without the necessity of requesting formal authorization for each flight, subject to compliance with the technical requirements regarding entry and the regulations in force in the country to be visited.

I am enclosing a copy of the note received from the Foreign Office and a translation thereof, together with my reply thereto.¹⁷

Respectfully yours,

NORMAN ARMOUR

[Enclosure—Translation]

The Haitian Secretary of State for Foreign Relations (Laleau) to the American Minister (Armour)

PORT-AU-PRINCE, August 9, 1934.

MR. MINISTER: I have the honor to acknowledge the receipt of Your Excellency's memorandum of July 31 last, referring to previous communications from the American Legation, dated March 7, 1933, June

¹⁵ Not printed.

¹⁶ *Foreign Relations*, 1928, vol. I, p. 585.

¹⁷ Latter enclosure not printed.

20, 1933, December 28, 1933, and February 8, 1934, all relating to a desire of Your Excellency's Government as set forth in the *Aide-Mémoire* of June 20, 1933, from the Legation, to arrive at an understanding by which an airplane registered in the United States would have permission by virtue of the general authorization contained in the Havana Convention on Commercial Aviation, to enter Haiti, submitting to the technical conditions of the Haitian Government concerning entry and landing, as well as to the laws and regulations in force in that country; and that private airplanes registered in Haiti will have permission by virtue of the general authorization contained in the Havana Convention on Commercial Aviation, to enter the United States, submitting to similar conditions of the United States Government and to the laws in force in that country, without making it necessary, in the one case and in the other, to ask through diplomatic channels, that the flights be authorized.

My Government gives its agreement to this understanding under the technical conditions of the laws and regulations of the country, existing, or which may exist, concerning the entry and landing of airplanes, and of which I will send you copies, as soon as I have them in my possession.

I note that besides the conditions mentioned in the Aeronautical Bulletin No. 7-C, of which Your Excellency has sent me a copy, foreigners desiring to go to the United States should consult the American Consular Agent, regarding a visa for entry into that country, and that they are obliged, in conformity with the regulations of the Internal Revenue Bureau, to prove that they have paid all revenue taxes due to the Government of that country.

It is understood that our Governments desired simply to arrive at an understanding of the interpretation of the Havana Convention on Commercial Aviation—without making any supplement to that Convention—in so far as it concerns the right of private airplanes of the contracting parties to enter their respective territories, without making it necessary to obtain an authorization for the flight from the Government of the country to which the flight is being made.

Please accept [etc.]

LÉON LALEAU

MEXICO

811.79612/71

The Chargé in Mexico (Norweb) to the Secretary of State

No. 1468

MEXICO, June 1, 1934.

[Received June 6.]

SIR: I have the honor to refer to the Embassy's despatch No. 1153 of February 24, 1934,¹⁸ with which was enclosed a copy of a letter

¹⁸ Not printed.

addressed by the Embassy on that date to the Foreign Office containing the substance of the Department's instruction No. 268 of February 17, 1934,¹⁹ regarding the interpretation of Article IV of the Habana Convention on Commercial Aviation.²⁰

There is transmitted herewith, in copy and translation, a letter from the Foreign Office dated May 24, 1934, on this subject, transcribing the views of the Ministry of Communications, in which the suggestion is made that in order to regulate private flights of an international character the most practicable means is to conclude an economic agreement between the two Governments which shall result in the publication by each country of identic regulations, this procedure being suggested in order to avoid a delay inherent in the conclusion of a convention or treaty.

The Mexican Foreign Office in its letter states that it will be glad to receive the opinion of the United States Government in the premises.

Respectfully yours,

R. HENRY NORWEB

[Enclosure—Translation]

The Chief of the Department of Political Relations (Sierra), Mexican Ministry for Foreign Affairs, to the Second Secretary of the American Embassy (Hawks)

No. 3348

[MEXICO,] May 24, 1934.

MY DEAR MR. HAWKS: At the request of the Ministry of Communications, and with reference to the question of touring flights brought up in various letters from you, especially the one dated February 24th last,¹⁹ I quote below the point of view of that Ministry in the premises:

"The provisions of the Pan American Convention on Commercial Aviation refer to and are applicable only to the regulation of international aerial commercial traffic.—As regards countries with whom Mexico has not concluded Conventions or Treaties relative to international aerial commerce, as well as in regard to internal aerial commerce and private aviation, the precepts of the Law of General Lines of Communication are applicable.—So that there are no provisions covering pleasure or touring flights, nor private flights of a business or other nature which may be made across the American border, flights which should be classified as private flights of an international character; and therefore, in order to set the procedure which should be followed in these cases, it is indispensable to legislate in the matter, the most practical means being to conclude an economic agreement between the two Governments which shall result in the publication in each country of identic regulations, so as to avoid having to conclude a Convention or Treaty, since the latter course would cause a great loss of time."

¹⁹ Not printed.

²⁰ *Foreign Relations*, 1928, vol. I, p. 585.

In accordance with the communication above quoted, I likewise beg to state that the Government of Mexico would be pleased to receive the opinion of that of the United States in the premises.

I am [etc.]

M. J. SIERRA

811.79612/71

The Secretary of State to the Chargé in Mexico (Norweb)

No. 399

WASHINGTON, June 27, 1934.

SIR: The Department has received the Legation's despatch No. 1468 of June 1, 1934, in further relation to the interpretation of Article IV of the Habana Convention on Commercial Aviation.

You transmit a copy of a communication dated May 24, from the Foreign Office expressing the view that the Habana Convention on Commercial Aviation applies only to the regulation of international aerial commercial traffic, and proposing that an agreement be concluded between the United States and Mexico regulating noncommercial flights by aircraft between the United States and Mexico.

The Government of the United States does not agree with the view expressed by the Foreign Office that the convention referred to applies only to commercial traffic. It is believed the texts of Articles II and III of the convention clearly show that the view of the Foreign Office is not correct. These articles are as follows:

ARTICLE II

"The present convention applies exclusively to private aircraft.

ARTICLE III

"The following shall be deemed to be state aircraft:

- a) Military and naval aircraft;
- b) Aircraft exclusively employed in state service, such as posts, customs, and police.

"Every other aircraft shall be deemed to be a private aircraft.

"All state aircraft other than military, naval, customs and police aircraft shall be treated as private aircraft and as such shall be subject to all the provisions of the present convention."

It is believed to be clear from the text of Article III, taken in connection with Article II, that the convention applies to all aircraft except military, naval, customs, and police aircraft.

The Governments of Costa Rica, the Dominican Republic, Honduras, Nicaragua and Panama, which are also parties to the Habana Convention on Commercial Aviation, have already informed the Government of the United States that they agree to the interpretation of this Government that under the terms of the convention aircraft of a country party to the convention are entitled to make special or touring

flights to another country, also a party, without the necessity of obtaining formal authorization for the flight, subject to compliance with the laws and regulations in force in the country to be visited not inconsistent with the rights granted under the convention.

A special agreement with Mexico regarding the entry of aircraft would be unnecessary, in the estimation of this Government, in view of the provisions of the Habana Convention on Commercial Aviation and would be inconsistent with the action taken by this Government in reaching an understanding regarding the interpretation of the convention with the Governments of Costa Rica, the Dominican Republic, Honduras, Nicaragua and Panama.

The Department is especially desirous of reaching an understanding with the Mexican Government at this time concerning pleasure or tourist flights. It would, therefore, have no objection to an exchange of notes between the Embassy and the Foreign Office, interpretive of the Habana Convention on Commercial Aviation, in which it would be stated that, subject to compliance with technical requirements as to entry and clearance and laws and regulations in force in the country to be visited, pleasure or tourist aircraft of each country will be permitted to enter the other country without the necessity of obtaining special authorization for the flight from the Government of the country to which the flight is to be made.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

ARGENTINA

PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND ARGENTINA¹

611.3531/238

Memorandum by the Secretary of State

[WASHINGTON,] February 8, 1934.

The Argentine Ambassador² called to inquire about possibilities of progress in the reciprocal commercial treaty negotiations between his Government and that of the United States. I told him that many of us here were much more anxious to liberalize, if possible, commercial policy and to restore international trade than any other government in this Hemisphere; that I had not neglected the slightest chance to advance such general program since my return from South America; that mine along with other countries had practically gone wild in the practice of extreme economic nationalism and isolation, and a vast amount of blind or selfish sentiment had been created in its support. I stated that time and patience were really necessary on the part of all Governments interested; that we might make more rapid progress from time to time than was expected, or progress might be slower than was expected; but that we should continue in every possible way to advance this policy and program. I told the Ambassador we were hoping that soon the President would ask Congress for authority to negotiate and place in operation the proposed reciprocal commercial treaties without ratification by the Senate.

C[ORDELL] H[ULL]

611.3531/199

The Department of State to the Argentine Embassy³

MEMORANDUM

The memorandum submitted by the Embassy of Argentina on October 5, 1933,⁴ outlines the desires of the Argentine Government regarding modifications in the customs treatment of Argentine prod-

¹ Continued from *Foreign Relations*, 1933, vol. iv, pp. 642-683.

² Felipe A. Espil.

³ Handed to the Argentine Ambassador by Assistant Secretary of State Welles on September 7, 1934.

⁴ *Foreign Relations*, 1933, vol. iv, p. 661.

ucts in the United States. Studies have been made of these proposals by the competent agencies of this Government and the conclusion has been reached that it will probably be possible to go sufficiently far in meeting the desires of the Argentine Government to permit the negotiation of a trade agreement which will be mutually advantageous to the two countries.

It is regretted that a reply to the Embassy's memorandum of October 5 has been delayed so long. The delay has seemed unavoidable owing to the necessity of moving forward upon a new commercial policy, securing the necessary legislation to make this possible, formulating a comprehensive program based upon this policy and studying the special problems of Argentine trade in the light of this new program.

The competitive nature of the Argentine export trade as compared with production in the United States renders the problems raised by a trade agreement between the two countries more complex and difficult than is the case with many other countries; and it therefore seems wise to defer the commencing of active negotiation until additional time can be given to study every phase of the situation in the greatest possible detail in order to make certain of a favorable outcome to the negotiations.

WASHINGTON, September 7, 1934.

EFFORTS OF THE DEPARTMENT OF STATE TO SECURE EQUITABLE TREATMENT FOR AMERICAN INTERESTS WITH RESPECT TO ARGENTINE EXCHANGE RESTRICTIONS⁵

835.5151/254

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 170

BUENOS AIRES, February 2, 1934.

[Received February 12.]

SIR: I have the honor to refer to the general subject of exchange operations between the United States and Argentina, a subject with which the Department is already well and wearisomely familiar, and in this connection to attach an enlightening memorandum relating thereto prepared by Dr. Dye, the Commercial Attaché of the Embassy.

Dr. Dye's statements are thought pretty well to cover the subject in its present aspects and to leave little to be said. However, I venture to refer to my despatch No. 77 of November 2, 1933,⁶ in which I quoted the then opinion of a prominent American business man in which,

⁵ See also section entitled "Special Mission of John H. Williams To Investigate Foreign Exchange Problems in Argentina, Brazil, Chile, and Uruguay," pp. 390 ff.

⁶ Not printed.

referring to the old Exchange Commission, he said that there could be no doubt that discrimination was being practised against American importers to Argentina but that he felt this was a policy originating in the highest government circle.

The opinion cited is thought to be eminently true today; in other words, the existing Exchange Commission in its discriminatory attitude toward American exporters to Argentina but echoes instructions given it by the Administration.

Dr. Dye's report synthesizes a condition of such gravity as to warrant and to counsel a firm attitude on the part of our Government, and in all the circumstances I am wondering if this might not primarily be manifested toward the Argentine diplomatic representative at Washington, or at least concurrently with any steps to be taken here, preferably the former. I incline to this preference in view of the fact that Argentine exports to the United States have more than doubled during the past year and have an increasingly upward tendency, while any pressure brought by exchange restrictions here against American imports into Argentina might lead to counter restrictions there tending to slow down this increasing tendency in the northward movement of Argentine products.

Respectfully yours,

ALEXANDER W. WEDDELL

[Enclosure]

Memorandum by the Commercial Attaché in Argentina (Dye)

BUENOS AIRES, February 2, 1934.

Importers of American products in Argentina are experiencing increasing difficulties in securing dollar exchange to pay for their imports. The evidence seems conclusive that the Argentine Government, through the Minister of Finance, has issued instructions to the Exchange Control Commission to allow import permits for American goods only to the extent to which dollar exchange is provided by Argentine exports to the United States.

There is also apparent a marked tendency in the Exchange Control Commission to influence importers to purchase in Europe any goods which can be supplied from Europe instead of the United States.

Among concrete evidences upon which the above statement is based are a personal conversation which I had with the Argentine Minister of Agriculture, Luís Duhau, on an occasion recently when he asked me to come and see him with regard to wine shipments to the United States. In the course of discussing the question of wine, I asked him if they had settled on the policy of giving exchange to the United States only in proportion to the amount of Argentine products sold to the United States and his reply was: "Yes, we are automatically

forced to that position by the requests of other countries who demand under the 'most favored nation' clause the same treatment we are giving to Great Britain under the Roca Agreement".⁷ I called his attention to the fact that Argentine exports to the United States the past year had increased over 100 per cent and his reply was: "Yes, that is true, but the trade is still on a very low level as compared to our trade with Europe."

On January 31, 1933, Mr. Norman G. Buxton, General Manager of the Otis Elevator Company in Buenos Aires, came to me and protested with some vehemence against the attitude of the Exchange Control Commission and told me that he had asked for import permits for Otis elevators and for the steel rope, sheeting, oil and other accessories, which go with Otis elevators. The Exchange Control Commission had granted his request for the importation of the elevators but had told him quite frankly that they would not give him permits for the rope, oil, etc., and gave as a reason that he could buy that in Europe. He stated that he wished to import these from his own company and that he would not want to import these products from Europe but he was told that the above instructions came direct from the Minister of Finance and that if he did not like it, he could go and talk to the Minister of Finance. The attitude of the Exchange Control Commission as given to Mr. Buxton was that they would give permits for only the absolute necessities which had to come from the United States but that everything else would be diverted to Europe as far as possible. Mr. Buxton is an English subject, is a fellow member of the Rotary Club and I believe that his statement is correct as given to me.

Mr. Henry L. Jones, Manager of the Latin American Department of the U. S. Steel Products Company, 30 Church Street, New York, is now in Buenos Aires investigating the question of exchange for his company. He tells me that it is practically impossible for the U. S. Steel Products Co. to get any exchange. His local manager has been advised by the Exchange Control Commission along the same lines as reported by Mr. Buxton. In view of the fact that the U. S. Steel Products Co., furnishes large quantities of steel to a number of Government departments, Mr. Jones has asked for an interview with the Minister of Finance, at which he has asked him definitely for his position with regard to exchange. The Minister of Finance has stated that he wants to prepare the answers to Mr. Jones' questions in writing as he wishes to consider them very carefully before making a reply. Mr. Jones has promised to give me the result of his interview with the Minister of Finance.

⁷For representations of the United States regarding this agreement, see *Foreign Relations*, 1933, vol. iv, pp. 722 ff.

As further specific evidence, I enclose herewith a memorandum⁹ of a conversation between the Under Secretary of Agriculture, Dr. Carlos Brebbia, and Mr. Charles Waterman, representing the firm of E. Waterman & Co. of New York. This memorandum was dictated personally by Mr. Waterman to my secretary in this office.

I also enclose copy of a letter received from F. Plata y Plata, La Rural 176, Buenos Aires,⁹ from which you will note that this company, which represents the Albemarle Paper Mfg. Co., of Richmond, Va., have practically been forced to suspend imports of blotting paper due to inability to get exchange; that they have hitherto supplied about 75 per cent of the general consumption with this brand of blotting paper.

These specific instances quoted are merely samples of urgent appeals which are made to this office daily to intervene to try to secure more exchange for importers of American products.

For practical purposes, it may be stated that the market for foreign exchange consists of two categories:

The first consists of all the exchange which is supplied by the export of Argentine produce. This exchange is sold to Argentine importers at a rate fixed daily by the Exchange Control Commission based on competitive bids received the day before. However, there are some exceptions in that markets which are being opened for new products abroad are given the right to sell their exchange in the open market. For instance, Argentine grapes which are sold in the United States are allowed to sell the dollars received from those sales in the open market.

The second category of exchange is this "open" market and means that all exchange which does not come from the sale of Argentine exports or which comes from exports which are exempted, as indicated above, is sold in the open market; that is, subject to free competition.

There is a third category for which exchange is granted for amounts under 1,000 pesos but this may be left out of consideration as it does not affect the larger transactions.

The difference between the two rates is usually between 20 and 25 per cent. On January 31, 1933, in the first category 100 U. S. dollars were worth 323.57 Argentine paper pesos and in the second category, 388 pesos, a difference of about 20 per cent.

The advice given by the Exchange Control Commission to Mr. Buxton was that if he did not like their restrictions, that he could buy the exchange for his steel rope in the "open" market but his reply was that in that case he would have to pay 20 per cent more than his com-

⁹ Not printed.

petitors. I find, in questioning the trade, that many importers of American products are simply basing their imports on the open market rate. This can be done where imports are not so strongly competitive but what they can add this 20 per cent extra to the cost of the goods and pass it on to the consumers.

There is felt through all of this a definite tendency on the part of the Argentine Government to bring pressure on the United States to conclude a reciprocal treaty, and on that account of [*sic*] this matter should be called to the attention of the Department of State as it has a direct bearing on that question.

Unless a commercial treaty is concluded, which may modify the above position, two conclusions seem evident:

First, that our exports to Argentina will be restricted to the amount of our imports from Argentina;

Second, that pressure will be exerted to substitute European goods for American goods wherever possible by giving exchange for the purchase of such goods if ordered from Europe but refusing it if ordered from the United States.

We, therefore, must firmly and frankly oppose the position of the Argentine Government that trade must be strictly bilateral. Since we have kept records in good years and bad, U. S. exports to Argentina have practically doubled Argentine exports to the United States. In normal times such excess of imports is provided for by an excess of Argentine exports to Northern Europe, principally Scandinavia, Holland, Belgium and in some years Germany and Italy. Considering the large investments in Argentina of the United Kingdom and the invisible balances, the large excess of exchange which comes from the sale of Argentine products to Great Britain, which purchases roughly 35 per cent of Argentina's exports, has been used to purchase British exchange to be used for the remittance of invisible balances coming from purchases of the British-owned Argentine railways and other public utility companies, dividends on British investments, interest on foreign loans held in England, etc. It is not, therefore, so much the triangular theory of trade between England, Argentina and the United States, which we must sustain as it is the multiangular theory of all world trade which must be kept in mind.

A copy of this report is given to the Ambassador for such comment as he feels should be made.

Submitted by:

ALEXANDER V. DYE

835.5151/289

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 252

BUENOS AIRES, April 13, 1934.

[Received April 23.]

SIR: With reference to the Department's instruction No. 64 of March 27, 1934,¹⁰ requesting the Embassy to have informal inquiry made of the Argentine exchange authorities as to when action might be expected on the application for exchange of Messrs. E. Waterman & Company of New York, I have the honor to report that Dr. Dye, the Commercial Attaché, after first consulting the representative of the firm named in Buenos Aires, and learning from him that his company had not yet received any exchange for any of its pending drafts, discussed the matter with the head of the Exchange Control Commission who advised him that the Commission held that the exportation of grapes to the United States was included in the commodities for which the exchange derived from the sale thereof could be sold in the "free market". The head of the Commission promised Dr. Dye to review the correspondence with Messrs. E. Waterman & Company, but stated that he could not say whether any further decision would be given, or if so, when it would be rendered. He added that the application of this firm would have to await its turn.

Dr. Dye has informed the representative of Messrs. E. Waterman & Company of the results of his interview with the Exchange Commission. The company's representative expects to take up the matter with the Commission on April 16.

From his interview with the Commission Dr. Dye's general impression is that the attitude of the Exchange authorities has not changed and that they are as non-committal as ever with regard to the exchange applications of importers of American goods.

Respectfully yours,

ALEXANDER W. WEDDELL

835.5151/290

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 253

BUENOS AIRES, April 13, 1934.

[Received April 23.]

SIR: I have the honor to enclose herewith a memorandum from Dr. Dye, the Commercial Attaché, on the subject of the compensation of American fruit shipments with Argentine fruit shipments. This memorandum was prompted by a letter I received recently from Holtorf and Lindner, Inc. of New York City, enclosing correspondence on this

¹⁰ Not printed.

subject with the Department and with the Argentine Ministry of Finance.

Respectfully yours,

ALEXANDER W. WEDDELL

[Enclosure]

Memorandum by the Commercial Attaché in Argentina (Dye)

The correspondence of Messrs. Holtorf & Lindner, Inc., taken as a whole assumes the position that the United States Government should insist that the exchange derived from the sale of Argentine fruit to the United States should be set aside for the payment of American fruit shipments to Argentina and more specifically, that the exchange derived from the shipment of grapes to the United States should be set aside to pay for the shipment of American apples to Argentina, and that the United States Government should insist strongly upon this being done.

It also suggests that in order to enforce this position, an embargo should be placed on shipments of Argentine grapes to the United States until such time as the Argentine Government agrees to compensate fruit shipments in one direction with fruit shipments in the other.

In my opinion, while this might be satisfactory to the exporters and importers of fruit, particularly grapes and apples, it would damage our export trade to Argentina as a whole. The Argentine Government has definitely assumed the position that the exchange which derives from the sale of Argentine products to any country will be devoted to the imports from that country but that no more exchange will be given than derives from such sales. It is a position into which the Argentine Government was practically forced when it concluded the Roca Agreement with the United Kingdom, whereby they agree to give Great Britain all the exchange which derived from the sale of Argentine products to Great Britain except a certain sum which was to be set aside for service on their public debt. Other nations having "most favored nation" clauses in their treaties with Argentina, thereupon demanded the same treatment and agreements have successfully been made with the Netherlands, Belgium, Switzerland and other countries on the same basis. Therefore, by the process of elimination the exchange position has reached the point where only the exchange is left which derives from the sale of Argentine products to the United States to be utilized for imports from the United States.

For the past twenty-five years, as a general average, our exports to Argentina have been almost double our imports from Argentina. If we, as a government, assume the position that we will be willing to accept the arrangement that the exchange derived from the sale of

Argentine products in the United States will be devoted to the purchase of American products and no more than that, we must immediately resign ourselves to a considerable decrease in our export trade to Argentina. Consequently, I do not believe that the United States Government should agree in principle to the balancing of our trade with Argentina.

The position evidently assumed by Holtorf & Lindner, however, is that the trade as a whole should not be taken into consideration but that only the exports of fruit and that we should insist on fruit shipments to the two countries balancing. However, if we were to take that position and take up commodity by commodity, there would be a large number of commodities for which no protection would be available.

They also suggest that an embargo should be placed on Argentine grapes in case the Argentine Government does not agree to this arrangement. However, at the present time, the State Department has no power to place such an embargo and only Congress has the power.

All of the above merely presents well-founded objections to the procedure suggested by Messrs. Holtorf & Lindner but they have a right to ask what specifically we propose to do about it as to present merely negative arguments is not sufficient. The immediate reply is that there is only one thing under the present circumstances which can be done, and that is for Congress to give the President of the United States the power to adjust international trade by means of treaties and leave in his hands the power to put an embargo if such should be necessary, or to raise or lower tariffs in an endeavor to secure a world-wide adjustment of our international trade.

As I see it, that is the only specific remedy which can be applied at the present moment. Whether such a remedy is to the interest of the United States as a whole is for the Congress of the United States to decide and it is quite possible that before a reply could be received by Messrs. Holtorf & Lindner in the United States, the Congress will already have decided the matter.

835.5151/306

*The Assistant to the Chief of the Division of Latin American Affairs
(Heath) to the Chief of the Division (Wilson)*

[WASHINGTON,] May 1, 1934.

MR. WILSON: Yesterday we received five reports from the Commercial Attaché in Buenos Aires, all chiefly concerned with the exchange problem.

Summarized, they indicate:

1. That the serious situation of American interests, as regards the allotment of official exchange, has become worse: That, contrary to its announcement that exchange necessary for debt service would be

deducted from all sources, the Argentine Government is apparently taking the exchange to service its American borrowings chiefly from Argentine exports to the United States, thereby reducing the amount of official exchange available for American exporters to Argentina. Practically all official exchange is understood to have gone to British, Belgian and Dutch exporters.

On the other hand, the Commercial Attaché reports that the amount of free exchange is apparently increasing and that American exporters are becoming reconciled to using the more expensive free market.

2. A possibly encouraging sign is that the Argentine Government is apparently giving consideration to the question of American blocked balances. The Minister of Finance is said to have offered 5 year 2% bonds at rates of 10% below official rates to certain American holders of peso balances but this offer was refused. The Ministry of Finance has sent a questionnaire to the banks to ascertain the total amounts of blocked accounts. Also the question is rumored to be about to have an airing in the Argentine parliament and Dye hopefully reports that there is considerable agitation amongst Argentine importers against restrictions on sale of dollar exchange.

Mr. Veatch ¹¹ is finishing his study of the Argentine exchange situation. I understand that his conclusion—in which I concur—is that to get concessions from Argentina in exchange matters we must be prepared to offer something in return. Possibly a reciprocal tariff agreement. The Commercial Attaché reports that Argentine pressure for a reciprocal tariff agreement is continuing.

D. R. HEATH

835.5151/305

The Consul General at Buenos Aires (Warren) to the Secretary of State

No. 1696

BUENOS AIRES, May 4, 1934.

[Received May 14.]

SIR: I have the honor to transmit for the Department's information the substance of reports given me confidentially this week by the management of American banks in Argentina.

Unblocking arrangements to free foreign exchange that began with the Roca Agreement in October and afterwards with importers of British, American, Spanish, Italian, German, and Dutch nationalities, released approximately four hundred million paper pesos in bonds, ranging from fifteen to twenty years maturity and at conversion rates much more favorable than current official exchange.

There is a strong and increasing demand in Argentina for imported goods. Importers of all nationalities still have frozen something more than one hundred million paper pesos, partly representing peso credits frozen before agreements were made and partly accumulated in the

¹¹ Roy Veatch, an assistant in the Office of the Economic Adviser.

last three months. There is not sufficient exchange available, either at the official rate permitted by the Finance Ministry, or at the free bank rate under import license, to relieve the accumulated pressure.

Under the auspices of the Buenos Aires Exchange (*Bolsa de Comercio*), importers of all nationalities have made representations to Dr. Pinedo, the Minister of Finance, that they plan, within the next ten days, to stage a demonstration of protest against exchange restriction unless the Government suggests remedial action immediately available.

It is reported to me confidentially that the Minister has under consideration and is prepared shortly to announce, a plan that will be available to all importers without respect to nationality. It consists in a scheme to unblock all remaining frozen exchange, attributable to imports, in five year Argentine Government notes, guaranteed as to interest, amortization, and maturity by this Government. The notes are to be offered in all denominations over one thousand pesos and are to be amortized ten per cent each six months until maturity, with interest at two per cent. The exchange conversion is proposed at the current official rate, which is now fluctuating widely with the growing weakness of the peso and the prospect of further official inflation.

It is not possible to report at this time the probable date the Minister will make public his proposal, nor the probabilities of its acceptance by the importing interests, in view of the fact that the arrangement is not yet generally known in the market.

Respectfully yours,

A. M. WARREN

835.5151/302a : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, May 11, 1934—noon.

48. Reference Press Commerce Report No. 36. Cable any additional details and briefly your opinion of latest Argentine proposal re blocked funds. Do you think any action by this Government is desirable? Also estimate amount of American blocked funds which would be affected by the proposal.

Is reported opposition of American and other Chambers of Commerce in Buenos Aires a result of belief that they can eventually obtain a more favorable arrangement? If so, how soon and on what basis?

HULL

835.5151/303 : Telegram

The Chargé in Argentina (Hinkle) to the Secretary of State

BUENOS AIRES, May 11, 1934—6 p. m.

[Received 7: 18 p. m.]

76. Your telegram No. 48, May 11, noon. No further details available until return of Minister of Finance about May 21st, see report 3 of Commercial Attaché air mail May 8th. No action by Government appears desirable now. If intimation or declaration made that no official exchange will be available to those who do not accept Government's proposal then question of Government action would arise. Amount of American blocked funds affected would probably not exceed 35 million paper. Rates will depend on form of definite announcement by the Minister of Finance. No opposition of American or other Chambers of Commerce has been offered because no official decree has been issued and they await developments.

HINKLE

835.5151/303 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, May 16, 1934—2 p. m.

49. Your No. 76, May 11, 6 p. m. Please prepare in collaboration with Consul General and submit promptly by air mail a report on blocked peso balances including information on the following points:

1. Best estimates of the total sums blocked and of the total held by principal nationalities.

2. Percentage of American total represented by accumulated earnings on investments in Argentina and principal holders of blocked accounts in this category together with the approximate amounts held by them.

3. Action taken and recommendations made to the Argentine Government respecting blocked funds during recent weeks by the special exchange committee of the American Chamber of Commerce and by groups representing other nationalities.

4. Opinions of informed American business men and bankers regarding the Argentine Government's latest proposal and their views as to the possibility of securing alternative offers or solutions.

5. Your opinions of the Government's proposal and your views as to possible alternatives and as to the position this Government should take with respect to the whole problem of American blocked balances.

HULL

835.5151/309

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 283

BUENOS AIRES, May 18, 1934.

[Received May 28.]

SIR: In reply to the Department's telegraphic instruction No. 49 of May 16, 2 p. m. concerning blocked peso balances, I hereby submit the following report on each of the five points raised in the Department's telegram. This report has been prepared in collaboration with Consul General A. M. Warren, as well as with the Commercial Attaché, Dr. Dye, and has the approval of both of them. An additional report will be submitted shortly.

1: The best estimates of the total sums blocked are from 150,000,000 to 200,000,000 paper pesos. Any estimate as to the total held by principal nationalities is very difficult. Estimates of the balance held by Americans range from 35,000,000 to 60,000,000 pesos. It is probable that 40,000,000 is a fair figure. It is not believed that the British hold very large balances, although they do hold some blocked pesos. The estimate of the Italian blocked pesos is from 15,000,000 to 18,000,000 pesos.

2: The percentage of the American total represented by accumulated earnings on investments in Argentina and the principal holders of blocked accounts in this category, together with the approximate amounts held by them, can be determined only after patient and long continued personal investigation. The principal holders are the West India Oil Company, the International Telephone and Telegraph Company, the Westinghouse Electric Company, and possibly the International Harvester Company, the Ford Company and General Motors, although it is believed that recently the latter Companies have been clearing out their frozen accounts by buying in the open market. However, the Managers of these Companies in Argentina object to making known, even in a confidential way, the exact amounts of their holdings. A quicker and more definite way of ascertaining this total would be to consult the head offices of the larger Companies operating in Argentina, and a practical method of beginning would be to take the list of those who subscribed to the last issue of frozen pesos, which can be secured from the Foreign Trade Council in New York.

3: No action has been taken or recommendations made by the special exchange committee of the American Chamber of Commerce because that committee was a fact-finding committee which has investigated the subject and made its report and is taking no further action. No action has been taken by groups representing other nationalities except the Association of Importers, which comprises many nationalities. Their action was primarily directed to secure relief from the Government's decree of November 28, 1933, depreciating the peso and causing

losses to importers who had already sold goods imported on the basis of contracts made at the rate of exchange in force prior to November 28, 1933. That committee was not primarily a committee for the unfreezing of peso balances. As a matter of fact, the members of this committee do not, except in part, represent the holders of frozen balances.

4: Opinions of informed American business men and bankers regarding the Argentine Government's latest proposal are held in suspense awaiting the return of the Minister of Finance in order to see just what is proposed to other nationalities, as there is no basis for action at present except an official statement issued to the press by the Ministry of Finance, a copy of which was sent in the Commercial Attaché's report of May 8. In this statement outlining the operation proposed to the Italian Government by the Ministry of Finance, it will be noted that the Ministry states its intention to grant similar offers to other importers. The Embassy is endeavoring to secure a copy of the actual agreement signed between the Italian Embassy and the Ministry of Finance.

5: In my opinion, no action can be taken at present and this is the consensus of opinion of all bankers and business men who have been consulted. While this is a personal opinion, I do not believe that our own Government should take any position at all until it is determined in Congress whether the President shall be given powers to negotiate reciprocal trade agreements. Certainly no position should be taken until we have more definite information from the Argentine Ministry of Finance, which will probably be forthcoming within a few days.

Respectfully yours,

For the Ambassador:

EUGENE M. HINKLE

Second Secretary of Embassy

835.5151/317

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 310

BUENOS AIRES, June 8, 1934.

[Received June 18.]

SIR: With reference to my despatch No. 283 of May 18, 1934, concerning blocked peso balances, I have to report that no further developments have occurred. The Commercial Attaché, Dr. Dye, is awaiting further information from the Minister of Finance concerning the Government's recent declaration of intention to offer to convert the frozen balances of other nationalities, besides the Italian, into a five year loan.

Respectfully yours,

For the Ambassador:

RAYMOND E. COX

First Secretary of Embassy

810.5151 Williams Mission/15

The Secretary of State to the Ambassador in Argentina (Weddell)

No. 107

WASHINGTON, June 30, 1934.

SIR: The Department has arranged with the Federal Reserve authorities that John H. Williams, economist of the Federal Reserve Bank of New York and an expert in international exchange matters should pay a visit to Buenos Aires and certain other South American capitals.

The pertinent portions of Mr. Williams' instruction are as follows:

"In each of these (designated) countries the American diplomatic and commercial missions will be instructed to assist you in obtaining the fullest possible understanding of all aspects of the exchange control situation, and to put you in touch with the local governmental authorities who are concerned in this matter. You in turn are instructed upon your arrival in each of these countries to put yourself at the disposition of the head of the mission for the purpose of assisting him in the consideration of the exchange control situations with which he has been dealing and for the purpose also of working out with him the major lines of policy immediately to be pursued by this Government. You will find that these missions have given very considerable thought to the subject and have kept themselves closely advised."

Mr. Williams sails on the Steamship *Western Prince* which is due to arrive in Rio de Janeiro on July 13. He is accompanied by Mr. Donald R. Heath of the Division of Latin American Affairs of the Department.

The mission will remain in Rio de Janeiro for a week or longer and then will sail for Buenos Aires. It is requested that you transmit to the American Embassy in Rio de Janeiro copies of all despatches and telegrams regarding exchange sent to the Department after June 15 so that the members of the mission may be informed of the latest developments before their arrival in Buenos Aires.

Mr. Williams and Mr. Heath are fully informed of the course of developments in Argentina on the basis of the excellent despatches with relation to exchange matters which have been prepared by you, by the Commercial Attaché and by the Consul General. There are a number of questions of fact, however, which they will wish to be advised upon when they arrive in Buenos Aires. It is requested, therefore, that you have prepared a report, to the extent that material may be available, with regard to the following points:

1. The total amounts of exchange available upon the open market currently and since the inauguration of that market and the approximate proportion of this exchange secured for discharge of obligations due to United States interests.

2. The amounts of foreign exchange other than dollar exchange (that is, sterling, florins, francs, etc.) applied by the Government to the service of the public dollar obligations.

3. The present financial position of the Argentine Government. Is there any intimation that the Government contemplates any new credit or refunding operations?

It will be appreciated if you will furnish the Department with copies of the report prepared upon these three points.

You may find it desirable to enlist the cooperation of the banking and business community in securing information on at least some of these points. The Department is informed that useful information with respect to certain exchange matters was collected by the American Chamber of Commerce in Brazil through the use of a questionnaire to the members of the American business community.

The Department trusts that the dispatch of this mission will indicate to the Argentine governmental authorities the importance attached to it here. Please plan to take full advantage of the visit of the mission to try to work out a suggested satisfactory understanding with the Argentine Government for submission to the Department, or recommendations to the Department as to the line of policy this Government should pursue.

Very truly yours,

For the Secretary of State:
SUMNER WELLES
Assistant Secretary

835.5151/344a

The Secretary of State to the Ambassador in Argentina (Weddell)

No. 117

WASHINGTON, July 28, 1934.

SIR: The Department has been receiving numerous inquiries regarding blocked peso accounts in Argentina held by Americans. These inquiries seek some intimation from the Department as to the probable future policy of this Government with respect to these accounts. Specifically, two questions have been asked repeatedly:

(1) Does the Department intend to seek a solution of this problem, or an improvement of the situation, in connection with the negotiation of a reciprocal trade agreement with the Argentine Government?

(2) Is this Government considering or will it consider extending assistance to Americans holding these accounts through the Reconstruction Finance Corporation or an Export-Import Bank?

The desire of holders of blocked accounts to learn something of the proposed future policy of this Government with respect to this matter is quite understandable. These people must determine whether to hold their peso accounts in the hope that this Government

will come to their assistance, directly or indirectly, or whether it is wise for them to clear their accounts, either through taking their losses by purchase of exchange on the open market, or through acceptance of bonds which may be offered by the Argentine Government.

Up to the present time the Department has taken no position regarding blocked accounts in the Argentine and it has, of course, carefully refrained from offering advice as to the disposal of blocked balances by the American holders. The Department desires, however, to give further careful consideration to this problem in the light of recent developments, and for this purpose it has formulated the following questions for its own consideration. It will be appreciated if you and Mr. John H. Williams will bear these questions in mind during the latter's visit in Argentina, and give the Department the benefit of your advice with respect to them :

(1) Should it be the settled policy of this Government to remain aloof from this situation and to allow American holders of blocked balances to shift for themselves, acting through private agencies only?

(2) Or should the Department watch for and seize every opportunity of assisting these Americans to secure foreign exchange?

(3) As a modification of (1) should the Department and representatives of this Government in Argentina do everything possible to assist individuals or private organizations in their negotiations with the Argentine Government?

(4) Should this Government emulate the Italian and British Governments in joint action with private interests in the formulation and presentation to the Argentine Government of specific plans for freeing the blocked accounts?

(5) If this Government is to be active in this situation, how should it be guided with respect to the relation of blocked accounts to the other requirements for foreign exchange, i. e., current exports to Argentina, bond service, interest and dividends on American investments, private remittances? Is it desirable to clear the blocked accounts by some other means than the use of dollar exchange currently available?

(6) If the answer to the latter part of the previous question is in the affirmative then should the expected offer of Treasury bonds by the Argentine Government, similar to the offer recently made to the Italians, be considered the best available method of clearing these accounts?

(7) Should this Government cooperate with private American interests in making this bond issue available, in particular by assisting directly or indirectly in finding a market for these bonds or in discounting them? Should the Reconstruction Finance Corporation aid a private group to discount the bonds, or in the event that an export-import bank be created with sufficiently broad powers, should it discount such bonds directly?

(8) If Governmental agencies are to assist in the discount of these five year Treasury bonds, should this assistance be extended also to the holders of the fifteen year Treasury notes issued in 1933?

(9) If the Government is to assist in any respect Americans holding accounts should any differentiation be made between the holders of large accounts and the holders of small accounts?

(10) If any Government action is to be taken in assisting these Americans, should it be taken in the near future, or only later, perhaps in connection with the negotiation of a reciprocal trade agreement?

(11) If this Government plans to assist Americans in the clearance of blocked accounts in Argentina, should such assistance be withheld until there is a reasonable expectation that such accounts will not continue to accumulate?

(12) Most of the large American firms with blocked accounts in Argentina have been reported as unwilling to accept five year two percent Treasury bonds similar to those issued to the Italians. If this Government should offer to discount such bonds or by some other means to make them acceptable to Americans holding blocked accounts, might this action lead the Argentine Government to make certain concessions, with respect to exchange control or to American trade, either now or in connection with the negotiation of a trade agreement?

(13) If it be considered desirable to discount the Argentine bonds which may be issued to clear blocked accounts, through an agency of this Government, or through such agency to make a dollar loan to the Argentine Government partly for the purposes of clearing peso accounts held by Americans, to what extent would it be necessary to take into consideration similar situations with respect to blocked accounts in other Latin American countries? In particular, to what extent should the Brazilian desire to secure a dollar loan be considered?

Two copies of this instruction are enclosed for your use and for the use of Mr. Williams.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

810.5151 Williams Mission/40

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 367

BUENOS AIRES, July 31, 1934.

[Received August 9.]

SIR: Referring to the Department's instruction No. 107 of June 30, 1934, Mr. John H. Williams, Mr. Donald R. Heath and Mr. Eric Lamb arrived in Buenos Aires from Montevideo on Sunday, July 29. As the Embassy has already reported, a fact-finding Committee was formed some time ago of Americans in business here, who are in close touch with the present exchange situation, to assist Mr. Williams during his stay in Buenos Aires. This Committee, headed by Mr. C. C. Batchelder of the General Electric Company, is composed of the American Consul General and representatives of the two American banks and other business concerns.

On July 30 there was a conference at the Embassy between Mr. Williams and his associates and the Committee, during which the

factors in the Argentine exchange situation were explored. Following this meeting I presented Mr. Williams to the Minister for Foreign Affairs and to Dr. Manuel R. Alvarado, the Minister of Public Works, who is Acting Minister of Finance in the absence of Dr. Federico Pinedo. The Ministry of Finance is endeavoring to arrange a private meeting between Mr. Williams and Dr. Pinedo as well as put him in touch with Government officials in charge of exchange matters.

Respectfully yours,

ALEXANDER W. WEDDELL

810.5151 Williams Mission/46

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 372

BUENOS AIRES, August 3, 1934.

[Received August 13.]

SIR: I have the honor again to refer to the Department's instruction No. 107 of June 30, 1934, relative to the pending visit to this city of Dr. John H. Williams to study the exchange control situation, and in this connection to enclose copies of a confidential memorandum prepared by Dr. Williams, dated August 3, relating to this subject.

During the course of his visit every effort was made to put Dr. Williams and his assistants in touch with Argentine officials, members of the American Chamber of Commerce, local business men, banking interests and others who were best qualified to assist him in his task.

The Department will be especially interested to note the main conclusions of Dr. Williams as set forth on page 8 of the memorandum.¹²

Dr. Williams and his associates are leaving for Santiago, Chile, tomorrow morning by aeroplane.

Respectfully yours,

For the Ambassador:

RAYMOND E. COX

First Secretary of Embassy

[Enclosure]

*The Special Representative of the Department of State (Williams)
to the Ambassador in Argentina (Weddell)*

BUENOS AIRES, August 3, 1934.

DEAR MR. AMBASSADOR: During our stay in Buenos Aires we have interviewed various Argentine officials, including especially Dr. Pinedo, Finance Minister, Dr. Duhau, Minister of Agriculture, Dr. Prebisch, the economic and financial advisor of the government, and Dr. Gagneux, the Exchange Controller. We have had two meetings with the American Chamber of Commerce and individual meetings

¹² *Post*, p. 532.

with American importers and bankers; and have discussed our problem with the American Government representatives.

Under the Exchange Control system now in force, Argentina allocates to us more than twice as much exchange as is created by our imports. But since the greater part is required for debt service, we receive only about half enough official exchange to cover our exports to Argentina. To put it another way, Argentina allocates to us as cover for our exports about as much official exchange as is created by her exports to us, and in addition supplies official exchange for dollar debt service; but this means that for about half of our exports to Argentina we must have recourse to the "free market" at a premium over the official rate, which has recently been around 15 per cent. In allocating the exchange Argentina discriminates as between imports from us which she regards as more essential and imports which she regards as less essential. It seems clear also, though on this we have had no definite admission, that as between similar imports from different countries, she discriminates in favor of countries, notably England, with which she has concluded special exchange agreements. But it was stated at the meeting with the Exchange Committee of the American Chamber of Commerce that the range of such products is not great. The method of discrimination as between different imports from us is the requirement of a prior exchange permit, imports receiving such a permit being entitled to official exchange and those not receiving such a permit being forced for cover into the free market. Action on the application for permit can and should be had before the import leaves the country of origin, unless the importer is prepared to provide the exchange cover through the free market.

Our current exchange position could be improved by inducing Argentina to provide more official exchange or by the removal, or narrowing, of the spread between the official and the free market rates. We have, in addition, the problem of how to release unpaid balances.

Means of inducing Argentina to allocate to us more official exchange seem unpromising. We have not the trade position to press for, or to benefit by, a compensation arrangement, like the Roca Agreement, and have not favored such a policy even in countries in which our trade position is strong. We could create more dollar exchange by a bilateral trade agreement, but will probably not wish to do so in the near future. An advance of capital or credit would create more dollar exchange, but we have seen no evidence that Argentina wishes to borrow or the United States to lend; and except possibly in connection with freeing blocked funds (discussed below), which would provide no additional current exchange, there does not appear to be any sound reason, on either side, for recommending this type of solution at present.

Termination of the special exchange agreements with other countries would also help our position, though the Roca Agreement probably impairs our position less than one might in principle assume; but the Argentine officials state frankly that they have responded unavoidably to pressure in making these agreements, and emphasize the fact that the agreements are terminable upon the termination of exchange control. We have received the impression that they have little enthusiasm for the Roca Agreement but see no way out of it at present. They also appear to feel, somewhat resentfully, that these agreements have not given them the assurance of their foreign market for beef which they expected. It would appear, however, to be both impolitic and futile to raise any questions respecting these agreements with Argentina, though it does appear that the United States has good ground, in logic at least, for pointing out to Great Britain the inconsistencies of her policy as between countries like Chile and Brazil in which her trade position is weak and countries like Argentina and Uruguay in which her trade position is strong, the policy being, as it now seems to us, to plead in the former countries for avoidance of compensation agreements, on broad economic grounds, and to press for such agreements in the latter, on narrower grounds of special advantage.

The remaining method of solution of our exchange problem lies in the achievement of equilibrium in the Argentine balance of payments, such as would permit the removal of exchange control and the emergence of a single exchange rate, equally applicable to all exporting countries, in a free market. The members of the Exchange Committee of the American Chamber of Commerce expressed themselves in favor of this solution, as both the most feasible and the most desirable. Whether, and when, this solution can be achieved depends upon a number of factors. The chief is world prices of Argentine exports, which have in recent months advanced substantially, materially improving the trade balance and giving rise to a distinctly optimistic atmosphere. This improvement has been accompanied by a narrowing of the spread in the exchange rates in the past two months, which appears to mean that more exchange is becoming available in the free market. By reason of her internal policy, which has resulted in a substantial fall in farm costs, Argentina is in a very strong position to take advantage of any improvement in world prices for her products, and does not require a return of prices to the pre-depression level. This matter of internal prices and costs in relation to external we have investigated in some detail, and have discussed with the Minister of Agriculture and with Dr. Prebisch.

The Argentine Government is also endeavoring to improve its balance of payments position by applying a priority list on imports and by effecting conversions of its foreign debt at a lower rate of interest.

It is in a strong position to achieve the latter, as security markets strengthen, owing to its record of maintaining the full debt service during the depression. Two British loans have already been converted, and discussions are now proceeding with respect to others. The Argentine officials have not omitted pointing out to us that a conversion of their six per cent dollar bonds into five per cents would help their position considerably, but it will probably be some time before such an operation in our market could be successful.

The Argentines have also stated that under a system of free exchange they might not think it prudent to relax at once their system of import permits since there appears to be a strong tendency for imports to increase when control is relaxed or exchange conditions improve; they would have to be guided by actual experience.

One possible obstacle to a nearby removal of exchange control may be the fact that at present the Government makes a substantial profit in the official market by buying the exchange created by the exporters at a considerably lower rate than that at which it is auctioned off to importers having prior exchange permits. This profit has been used in part to buy grains from the farmers at an official minimum price. The Minister of Agriculture has informed me that the Government has now sold all its grain holdings and realized a substantial profit, but he took obvious pride in explaining how the spread in the exchange rates provided funds to finance such operations, and outlined a policy of building up reserves of this character to aid in supporting any agricultural production which might experience temporary market weakness. So long as these operations persist, they may provide a strong motive for retaining the present system of exchange control; but this possibility must be weighed against the counter-possibility that the producers, once they feel their foreign market is assured, may demand that the full price of the exchange, as in a free market, should come to them. This is the development which in Uruguay has resulted (last week) in a new exchange policy substantially enlarging the free market.

On the whole, I have received the impression that the Argentine situation is substantially improving, and that if the improvement continues it will result in a narrowing of the spread of exchange rates, the expansion of the free market, and eventually the removal of exchange control. How quickly this will occur cannot be estimated. One recent piece of evidence was the removal (August 1) of exchange control on small private (mainly immigrant) remittances, estimated at about 40,000,000 pesos a year, and the transfer of these operations to the free market. Another may be Dr. Gagneux's statement to us that the present exchange control mechanism, established last November, was designed to permit an easy and rapid transition to a free

market when and as conditions permit. Apart from such straws as these, the Argentine officials have carefully avoided making any definite statements or commitments respecting their future policy.

Two remaining questions are the attitude of the American business community in Buenos Aires, and the problem of blocked funds. We have the impression that American export interests and bankers in this market feel that the treatment being accorded them is as satisfactory under the circumstances as can reasonably be expected. In their view the system of prior exchange permits combined with freedom of access to the free market after notice is served that permits will not be granted is acceptable until such time as conditions permit the removal of exchange control. Thus far, the Chamber of Commerce Exchange Committee has supplied us with no complaints of discrimination or citations of cases of unfair treatment, and on the other hand several of its members have stated expressly that we were being accorded fair and reasonable treatment, all things considered. On the other hand, they point out that the exchange control has undoubtedly been injurious to many of our small exporters, and that the present comparative absence of complaint is in part due to the fact that only the fittest now survive.

In the Chamber's view, the most serious problem at present is that of liquidating the unpaid balances. We understand that the Chamber intends to supply us with an estimate of the amount of these funds. Dr. Gagneux, the Exchange Controller, gave us an estimate of 25,000,000 pesos (the American part only), and points out that creditors have now the option of liquidating through the free market. The Chamber of Commerce Exchange Committee stated that to some extent liquidation was occurring in this way, though this method involves a substantial loss in the exchange difference. The Government has offered to pay off blocked funds with five-year notes (similar to the arrangement offered Italy) but these are not acceptable, according to the Chamber, unless they can be discounted for cash (dollars) in the United States. The Exchange Controller is anxious to clear up the unpaid balances, and points out that the removal from the market of this potential pressure would be of great assistance. Both he and the Chamber's Exchange Committee have raised the question whether the Export-Import Bank could be interested in a transaction of this character.

Our two main conclusions are:

- 1) The United States appears to have little or no means of inducing Argentina to offer us more favorable exchange treatment except as her general position improves; and this improvement appears now to be under way.
- 2) Both Argentina and our exporters wish to clear up unpaid balances. This may now be done through the free market and to some

extent is being done, but this method involves an exchange loss. The alternative method of payment in five year notes depends upon the discounting of such notes by the Export-Import Bank or some other American institution. Anything we can do to facilitate the liquidation of these balances will undoubtedly assist Argentina in her general solution of the exchange problem, and will thereby improve our own treatment on current trade account.

Sincerely yours,

JOHN H. WILLIAMS

835.5151/361

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 380

BUENOS AIRES, August 13, 1934.

[Received September 7.]

SIR: I have the honor to acknowledge the receipt of the Department's confidential instruction No. 117 of July 28, 1934, containing a series of questions with respect to Argentine blocked peso accounts held by Americans, regarding which the Department wished the Embassy to consult with Dr. John H. Williams during his visit to Buenos Aires. As this instruction reached here on August 5, the day after Dr. Williams' departure for Santiago, the Embassy communicated the questions raised therein to him through the American Embassy in Santiago, and now encloses a copy of Dr. Williams' report dated August 10, 1934, in reply.

It will be noted that in his covering letter to the Embassy¹³ Dr. Williams states that he expects to be in Washington on or about August 30 at which time he will discuss the question of blocked peso accounts in Argentina with the Department.

As the Department has already been informed through confidential report dated August 10, 1934, entitled "Argentine Foreign Exchange Situation", of the American Consulate General, as well as through confidential report No. 311-C, dated August 10, 1934, from the Assistant Trade Commissioner in Buenos Aires,¹⁴ the question of blocked peso accounts has been radically affected by the marked appreciation of the peso during the past few weeks. On Friday, August 10, the exchange rate in the free market was quoted as low as 3.50 Argentine pesos to the dollar, with a spread only of roughly ten centavos between the free rate and the official rate. As pointed out in the report from the Consulate General under reference, this difference is so small that no great loss is suffered by the holder of blocked funds awaiting official permits if he should purchase in the free market at recent prevailing rates.

¹³ Not printed.

¹⁴ Neither found in Department files.

While it seems highly desirable that the American Government should extend all reasonable assistance and cooperation to American holders of blocked funds in foreign countries, it is felt that the change in the exchange situation in this country described above may relieve the Government from taking action with regard to peso balances now blocked in Argentina. In this connection it is known that numerous holders of blocked balances have during the past two weeks liquidated their accounts and with the continuation of the prevailing rates in the free market it is a fair assumption that the bulk of the holders of blocked accounts will take advantage of the situation and clear up their outstanding deposits awaiting transfer. American banks informed the Embassy this morning that according to rough estimates thirty per cent. of their blocked balances have been liquidated in the last two weeks, and that liquidation shows a progressive volume. It would appear accordingly that the question of a bond issue for balances now blocked has diminished in importance, since it is apparent that conversion at the free market rates prevailing at this time is more favorable than the terms of the proposed bond issue.

Representatives of the United States Government in Argentina are endeavoring wherever possible to assist individuals or private organizations in this matter. As already reported, the American Chamber of Commerce formed an Exchange Committee to collaborate with Dr. Williams during his visit here; this Committee gave Dr. Williams valuable assistance on the subject of blocked funds, and I have expressed the hope that I may be able to call upon its members for further assistance should the occasion arise.

If the situation should change, and it is found that United States Government agencies should be able to assist in financial operations of this type, it is suggested that they might explore the position of the holders of the fifteen-year Treasury bonds issued in 1933 which have no ready market. However, I believe the opinion must be advanced that the holders of these bonds accepted the Argentine obligation voluntarily, and, in effect, were utilized by the Argentine Ministry of Finance to carry out a program of primary interest to this country rather than to the United States. Any action taken by the American governmental agencies or semi-official banks to grant relief to these bondholders, it is suggested, might establish a basis of encouragement to the Argentine Ministry of Finance to repeat this operation if at some future time the exchange problem of this country is again under pressure.

It is believed the best interest of the United States will be served by a constructive, general policy to be applied to all Latin America for the encouragement of the ultimate release of exchange quotas on any bi-lateral basis. A policy of encouragement based on the general

situation in Latin America with appropriate evaluation of the efforts made in separate countries to fight the depression and strengthen their financial position will give the soundest advantage to American trade in this continent.

The alternative to a general American policy of constructive assistance is a strict bargaining that cannot help arousing resentment where the United States holds a favorable balance of exchange and will undoubtedly restrict further such consideration as is now given to American importers where our exchange position is unfavorable, as in Argentina and Uruguay, on the basis of a possible future treatment measured by American imports of Argentine agriculture and meat products.

The Consul General has collaborated in the preparation of this despatch, and the foregoing represent our joint conclusions.

Respectfully yours,

ALEXANDER W. WEDDELL

[Enclosure]

*Report by the Special Representative of the Department of State
(Williams)*

[SANTIAGO, August 10, 1934.]

In reply to the Ambassador's inquiry, based on an instruction from the State Department and transmitted by telephone this morning, my report of August 3 handed to the Ambassador contains our views in general on the blocked pesos question. Our investigation in Buenos Aires brought out that the blocked funds situation does not now constitute a pressing problem. The amount pertaining to American interests, placed by Gagneux at 25 million pesos, has been diminishing as exchange has become available in the free market. The latter has been greatly expanded in recent months. The results of an inquiry recently conducted by the American Chamber of Commerce in Buenos Aires and received just prior to our departure, indicates that American firms in Argentina, omitting public utilities, are obtaining approximately 75 per cent. of their dollar exchange in the free market. New accumulations would not seem to be a factor since under the prior import system effective at the beginning of the year, importers are advised in advance whether official exchange will be available to them. In other words, American business interests in Argentina for the most part appear to have adjusted their current operations to meet the existing exchange situation.

The substantial improvement in the external position of Argentina during the past few months has an important bearing on the question of blocked pesos. The probabilities are that if the recovery continues, the spread in rates will narrow as it has already begun to do, the free

market will be further expanded and the amount of blocked pesos will dwindle.

Referring to the specific questions brought forward, *Numbers 1, 2, 3, 4*, it is felt that the Department and its representatives in Argentina should, of course, assist and cooperate with individuals or private concerns but since the Argentine Government has established as definite policies both the maximum amount of current exchange which it will furnish to American commercial interests and the terms upon which it will fund blocked pesos, I should not expect that treatment accorded us on either current or past due trade account could be bettered by negotiation whether conducted by State Department representatives or by American concerns acting alone.

Numbers 5, 6. Both the American interests and the Argentine Government recognize the desirability of clearing up the blocked accounts by a funding operation rather than by waiting for them to be liquidated gradually through current availabilities. The Argentine Government has made a definite offer, similar in all important respects to that made to the Italians (five year two per cent. Treasury dollar bonds), which it is my impression will not be substantially modified. If accepted, the detailed arrangements could presumably be handled by a representative body such as the Chamber of Commerce.

Number 7. It is extremely doubtful whether the obligations which would be offered by the Argentine Government in exchange for blocked peso balances could be discounted or otherwise negotiated through the private commercial banks in the United States in such a way as to enable the owners to realize a large percentage in cash, because there is no market in our country for this type of paper. Therefore, acceptance of the offer really hinges on whether our Government, through either the Reconstruction Finance Corporation or the Export Import Bank, decides that it is feasible to make a market for the bonds.

Numbers 8, 9, and 13, bring in pertinent aspects of the case which the Government banking institution concerned would have to analyze in the light of its own policy. That a blocked funds problem, of course, is found in all the countries which we have visited would be one of the factors for consideration. With respect to the Brazilian desire to secure a dollar loan, the fact of a decision to grant facilities through official channels, to American holders of blocked funds bonds or notes would not establish a precedent or basis for a loan, directly or indirectly, from our Government to the Brazilian Government.

With respect to possible concessions to the United States (*Question 12*), in exchange for our Government's making these bonds acceptable to owners of blocked pesos, the Argentine Government might be likely to take the stand that the problem is purely American and that, therefore, it can discern no particular basis for granting concessions to us.

JOHN H. WILLIAMS

810.5151 Williams Mission/62

The Secretary of State to the Ambassador in Argentina (Weddell)

No. 143

WASHINGTON, October 5, 1934.

SIR: There are transmitted herewith two copies, one to be delivered to the Consul General, of the report of Dr. John H. Williams of the Federal Reserve Bank of New York of his mission of investigation of American foreign exchange problems in Brazil, Argentina, Chile, and Uruguay. These copies should be kept in the confidential files of the Embassy and the Consulate General, and precaution should be taken to prevent any material in the report from reaching unauthorized persons.

The Department would appreciate receiving by air mail any comments or expression of views which you may care to make on the matters treated in the report. It would be helpful to the Department in its consideration of the exchange problem if the Embassy, possibly in connection with the Commercial Attaché and Consul General in Buenos Aires, were to prepare a study of the balance of payments between Argentina and the United States in 1933 and an advance estimate of the balance for 1934.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

810.5151 Williams Mission/67

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 483

BUENOS AIRES, November 12, 1934.

[Received November 26.]

SIR: I have delayed replying to the Department's Instruction No. 143 of October 5, 1934, in order to forward at the same time a report on the balance of payments between Argentina and the United States, which was being prepared by the Consulate General.

Before reporting to the Department on American foreign exchange difficulties in Argentina, Dr. Williams freely discussed the problem with both the Embassy and the Consulate General. In my despatch No. 380 of August 13, 1934, on "Argentine Blocked Funds Held by Americans", I reported that shortly after Dr. Williams' departure from Buenos Aires, the exchange situation had improved to a considerable extent by the marked appreciation of the peso at that time, permitting many holders of blocked funds to liquidate their accounts with no great loss to themselves.

I further advanced the view that the best interests of the United States would be served by a constructive general policy to be applied to all Latin America for the encouragement of the ultimate release of exchange quotas. The alternative to such a policy, it was stated,

was a strict bargaining which might arouse resentment where the United States holds a favorable balance of exchange, and which would undoubtedly restrict further such exchange as is now given to American importers where our exchange position is unfavorable, as in this country.

The yardstick for future exchange treatment accorded American importers would doubtless be the amount of United States imports of Argentine agricultural and meat products. Argentina has used its exchange restrictions as a means of exacting trade agreements with other countries, and I can see no reason to doubt that it is similarly using them vis-à-vis the United States. In the Embassy's despatch No. 454 of October 19,¹⁵ I pointed out that in the opinion of one of the leading American banks here the Argentine authorities are making no effort to facilitate American imports to this country, presumably for the purpose of putting pressure, through American commercial interests, on Washington to conclude a reciprocal trade agreement beneficial to Argentina. This point of view is shared by many Americans in business in this country. And, as reported in the Embassy's confidential despatch No. 471 of November 2,¹⁵ an official of the Ministry of Finance, recently admitted as much to a member of the Embassy staff.

The interest taken by Argentine officials in the forthcoming trade discussions in Washington is self-evident. Both the President and the Minister for Foreign Affairs, knowing that I shall be leaving shortly for the United States, have within the past few days expressed their lively hope that the coming months may see the conclusion of a mutually satisfactory reciprocal agreement, especially one which would admit to our markets a modicum of Argentine meat.

There is enclosed a statistical statement on the balance of payments between the United States and Argentina for the first nine months of 1934,¹⁵ which the Consulate General has obtained from the Argentine Exchange Control Commission. The latter office stated that these figures represented such facts as were now available. The Consul General has informed me that the American banks in Buenos Aires, which were approached for an estimate of the amount of free exchange provided in order to arrive at the real as opposed to the apparent balance of payments, advised that they are unable to make an estimate on the grounds that there has been arbitrage in considerable amounts in dollars and that requests for official exchange in substantial amounts are still pending while the actual exchange has been purchased in the open market so that in effect some amounts of official exchange may be said to represent anticipations.

Respectfully yours,

ALEXANDER W. WEDDELL

¹⁵ Not printed.

ENGAGEMENT OF AMERICAN NAVAL OFFICERS BY THE ARGENTINE
NAVY DEPARTMENT TO SERVE AS INSTRUCTORS IN THE ARGENTINE
NAVAL WAR COLLEGE

835.30/17

The Ambassador in Argentina (Weddell) to the Secretary of State

No. 204

BUENOS AIRES, March 10, 1934.

[Received March 22.]

SIR: I have the honor to inform the Department that the Naval Attaché of this Embassy, Commander Strother, today informs me that in a quite recent conversation with a high-ranking Argentine naval officer, he stated that in naval circles was being discussed the possibility of engaging two naval officers of a friendly power to come to Argentina for a period of three years for the purpose of giving instruction in the proposed Naval War College; that sentiment among Argentine naval officers was in favor of securing this technical assistance from the United States, and that in any event, only British or American officers were under consideration. He has authorized Commander Strother to discuss the matter with me.

Commander Strother is reporting this matter to the Navy Department, having especially in mind its naval aspects as well as its practical repercussion on American interests.

Commander Strother tells me further that his informant went so far as even to intimate to him the advisability of my speaking to the President of the Republic on the subject!

I have deemed it appropriate to bring this immediately to the notice of the Department for consideration in its broader international aspects.

Commander Strother thinks that it may be some months before the subject takes practical shape, and is meanwhile keeping in close touch with the situation.

The Embassy would be grateful for the Department's comments on the foregoing.

Respectfully yours,

ALEXANDER W. WEDDELL

835.30/17

The Secretary of State to the Ambassador in Argentina (Weddell)

No. 65

WASHINGTON, March 29, 1934.

SIR: The Department acknowledges the receipt of your strictly confidential despatch No. 204, of March 10, 1934, in which you request its comment on the report received by the Embassy that consideration is being given to the proposition of engaging two American naval officers to act as instructors in the proposed Argentine naval war college.

In reply you are informed that the Department would view the matter favorably and would facilitate the selection of appropriate American naval officers for the mission should a formal request to that effect be made to this Government by the Argentine Government. The Department feels, however, that the initiative should come solely from the Argentine authorities, and that you should refrain from discussing the matter in advance of the receipt of a definite inquiry from the Argentine Government.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

835.30/18 : Telegram

The Secretary of State to the Ambassador in Argentina (Weddell)

WASHINGTON, June 21, 1934—7 p. m.

55. Please call upon Dr. Saavedra Lamas¹⁸ and inform him that this Government has been confidentially advised of the intention of the Argentine Government to create a naval war college and that consideration has been given by that Government to the desirability of contracting for the services of foreign naval officers in order to assist in the organization of the college and in the preparation of the course of studies to be pursued, et cetera.

Please state that the President will be very happy to offer the services of three American naval officers in the capacity indicated should this offer be agreeable to the Argentine Government.

HULL

835.30/19 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, June 22, 1934—8 p. m.

[Received 9:25 p. m.]

90. Referring to the Department's No. 55, June 21, 7 p. m. I, this afternoon, delivered your message to the Minister for Foreign Affairs. He said that since this was the first offer received he thought its acceptance likely although similar proposition would probably be made by Great Britain. At his request I have handed him a memorandum for submission to the President.

WEDDELL

¹⁸ Carlos Saavedra Lamas, Argentine Minister for Foreign Affairs.

835.30/20 : Telegram

The Ambassador in Argentina (Weddell) to the Secretary of State

BUENOS AIRES, July 5, 1934—11 p. m.

[Received July 6—1:02 a. m.]

98. For Secretary and Under Secretary. Referring to Department's No. 55, June 21, 7 p.m. Minister of Foreign Affairs informed me last night that offer contained therein was accepted in principle but not as a mission but as a simple contract between the Argentine Government and officers selected and that Argentine Ambassador had been telegraphically advised to this effect. Foregoing has been confirmed at Navy Department today by Commander Strother.¹⁹ Argentine Government most desirous of avoiding premature publicity and I suggest that their wish be made known to Navy authorities.

WEDDELL

835.30/27

The Secretary of the Navy (Swanson) to the Secretary of State

WASHINGTON, January 5, 1935.

SIR: With further reference to the correspondence on the subject of the request of the Argentine Government to have several U. S. Naval Officers act as advisors to that Government, by virtue of the authority conferred by Act of Congress of May 19, 1926 (44 Stat. 565, Ch. 334), I take pleasure in informing you that the details coincident with this request have been completed.

Captain William A. Glassford, Jr., U. S. Navy, Commander Joel W. Bunkley, U. S. Navy, and Commander Frederick L. Riefkohl, U. S. Navy, have signed personal contracts with the Argentine Naval Attaché in Washington, representing the Argentine Navy Department, agreeing to act as advisors to the Argentine Navy Department with particular reference to assisting in the course of instruction at the Argentine Naval War College, for a period ending 1 January, 1936, with the proviso that, by mutual consent, the contract may be extended to 1 January, 1937. Copies of these contracts are on file in the Navy Department.

These officers will sail from New York on the *Northern Prince* on 12 January, 1935, and will arrive in Buenos Aires on January 29, 1935.

Respectfully,

CLAUDE A. SWANSON

¹⁹Commander Edmund W. Strother, Naval Attaché.

BRAZIL
NEGOTIATIONS RESPECTING A RECIPROCAL TRADE AGREEMENT
BETWEEN THE UNITED STATES AND BRAZIL¹

611.3231/578a : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, January 3, 1934—1 p. m.

2. Department's 103, December 6, noon.² What progress is being made? The Colombian treaty was signed December 15.³ We are most anxious to make progress with the Brazilian treaty.

PHILLIPS

611.3231/580 : Telegram

The Ambassador in Brazil (Gibson) to the Acting Secretary of State

RIO DE JANEIRO, January 6, 1934—2 p. m.

[Received 4:30 p. m.]

3. Department's 2, January 3, 1 p. m. Foreign Office states that in spite of Cabinet and other difficulties an effort is being made to deal with questions submitted by Department, that by today's air mail provisional instructions are being sent to Washington Embassy outlining Brazilian point of view. These will be supplemented and superseded by a definite counterproposal as soon as inter-departmental conferences can be carried out and approved by Ministers still to be appointed.

Brazilian view outlined in instructions as follows:

(1) Brazil prepared to readjust its customs and port formalities as suggested by us;

(2) Cannot reduce customs charges to extent suggested as this would (a) deprive it of important revenues and (b) provoke resentment on the part of Brazilian industry;

(3) Prepared to stabilize certain existing duties more or less in accordance with our suggestions.

Government obviously desires to maintain unimpaired its bargaining position with respect to other countries, notably France.

¹ For previous correspondence, see *Foreign Relations*, 1933, vol. v, pp. 13 ff.

² *Ibid.*, p. 29.

³ For text, see *ibid.*, p. 249.

We have fully impressed on the Foreign Office desirability of making secure through treaty agreement continued free entry of Brazil's major exports into American market, and are assured that the importance of this is fully grasped by those handling the matter.

GIBSON

611.3231/598

The Secretary of State to the Ambassador in Cuba (Caffery)

No. 118

WASHINGTON, May 5, 1934.

SIR: Reference is made to despatch No. 220 of April 9, 1934,⁴ in which you inquire whether the following provision in the pending tariff bill is to be interpreted as meaning that no duty might be placed on Brazilian coffee:

"No proclamation shall be made increasing or decreasing by more than 50 per centum any existing rate of duty or transferring any article between the dutiable and free lists".

Under the above provision the Executive would not be permitted to transfer articles from the free to the dutiable lists, but this does not mean that Congress might not do so. It is recognized, however, that a provision for transferring articles from the free to the dutiable list by Executive action would have a certain persuasive value in negotiating with such countries as Brazil, and careful consideration has been given to recommending the inclusion of such a provision in the bill. Such a recommendation has not been made for the following reasons:

The policy of the United States is to seek reciprocity by reductions in trade barriers and not by increases in them. One of the principal obstacles to the successful execution of a tariff bargaining program is the tendency on the part of countries with which negotiations may be undertaken to pad their rates for bargaining purposes. Experience has shown that, owing to this tendency, the policy of tariff bargaining has in some cases not only failed to reduce trade barriers but has resulted in an actual increase in them owing to the failure to consummate the expected bargains. In any case if rates are padded for bargaining purposes the result of negotiations tends to be merely the removal of bargaining increments without effecting real reductions in trade barriers. It has therefore seemed inadvisable to frame the pending bill in such a way as to imply an intention to indulge in practices which, if resorted to by other countries, would defeat the object of the proposed legislation.

⁴Not printed.

A further consideration is that if the proposed legislation proves successful in its operation during the three years in which the authority to conclude agreements may be exercised, the authority may conceivably be renewed for an indefinite period. It is not considered desirable to frame the legislation in such a way as to facilitate increases in trade barriers by future administrations.

You will doubtless have noted that despite the considerations above set forth the provision in the bill to which you have referred seems to contemplate increases in rates as well as decreases. However, your attention is called to the fact that increases can not be effected except pursuant to agreements with foreign countries and the latter are unlikely to consent to increases which have the effect of decreasing the volume of trade. The provision regarding increases in rates takes account of the possibility that in certain circumstances increases in rates might be agreed upon as a part of an arrangement having in view the expansion of trade, as for example when a reduction in the present rate is offered on a specified quantity of imports annually and an increased rate is made applicable to importations in excess of this amount. Such an arrangement would be designed to permit an expansion of trade but to confine such expansion within certain limits.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

611.3231/602a : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, June 20, 1934—11 a. m.

61. If Aranha ⁵ is expected to come to Washington as Ambassador in near future please discuss with him the plans for negotiating the proposed trade agreement. Inquire whether he expects to have definitive instructions and to bring experts so that negotiations can proceed promptly after his arrival. Please ascertain latest plans as to time of his arrival. Also discuss plans for trade agreement with such other officials as you think appropriate and report their attitude on the subject. You may say that pursuant to recently enacted authorizing legislation ⁶ this government plans to conclude series of trade agreements and hopes to include Brazil among the first countries with which such agreements are concluded.

HULL

⁵ Oswaldo Aranha, Brazilian Minister of Finance.

⁶ Act of June 12, 1934; 48 Stat. 943.

611.3231/603 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, June 21, 1934—7 p.m.

[Received 8 : 22 p.m.]

119. Department's 61, June 20, 11 a. m. Aranha's plans have been in abeyance as he felt he could not leave before election of constitutional President. He feels this will be achieved inside next 2 weeks. He then intends to reach Washington as soon as possible. Will probably leave here for Europe by zeppelin within 3 or 4 weeks to join his wife, remain few days only and then proceed directly to Washington arriving early August.⁷

He tells me that on his arrival he will be accompanied by suitable experts and will have full powers enabling him to negotiate trade agreement without further reference to Rio. He is this evening seeing the President and Foreign Minister and asking that immediate attention be given to preliminary work and instructions sent to Freitas-Valle⁸ to place himself at the Department's disposal to get matters in as definite shape as possible prior to his arrival.

He will advise me further after his conversations with President and Foreign Minister.

GIBSON

611.3231/610

The Department of State to the Brazilian Embassy

MEMORANDUM

In view of the enactment of a new Brazilian tariff,⁹ which it is understood is to be effective from September 1, 1934, it will be necessary for this Government to prepare a redraft of the schedules submitted with the memorandum handed to the Brazilian delegation on October 30, 1933.¹⁰ It will be recalled that one of these schedules lists the products on which reductions in Brazilian duties are desired by the United States, and the other those which it is desired shall continue to receive in Brazil treatment as favorable as that now enjoyed. It is also thought that certain changes will probably be necessary in the text of the reciprocal trade agreement, a draft of which was also handed to the Brazilian delegation on October 30, 1933.¹¹

It will be recalled that the memorandum referred to above contained the statement that the Government of the United States reserved, of course, the right to make such changes in the draft agreement and the

⁷ Aranha arrived in Washington September 13, 1934.

⁸ J. E. de Sousa Freitas-Valle, Brazilian Chargé at Washington.

⁹ See decree No. 24,343, June 5, 1934, *Diario Oficial*, June 11, 1934, p. 11180.

¹⁰ *Foreign Relations*, 1933, vol. v, p. 23.

¹¹ *Ibid.*

appended schedules as might seem appropriate at any time during the discussions which were then in progress.

An inter-Departmental committee, composed of representatives of the Departments interested, has been set up to carry on discussions with the representatives of Brazil, and this committee will be pleased to receive at any time such proposals as the Brazilian Government may deem it expedient to lay before this Government and to discuss any question in relation to the proposed trade agreement.

This Government is gratified to hear that Ambassador Aranha is expected to sail shortly for the United States, and hopes that he will be armed with full powers to negotiate an agreement of mutual benefit to the two countries.

WASHINGTON, July 20, 1934.

611.3231/616a : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, August 14, 1934—7 p. m.

107. Please ascertain and report promptly by telegraph whether the proposed trade agreement with Brazil could be brought into force on the part of Brazil by executive action or whether approval by the legislature would be necessary. If legislative action necessary please ascertain from the appropriate authorities when they would expect action to be taken by the Brazilian Congress on the agreement if it were signed by the end of this year.

For your confidential information Department is considering what action is to be taken with reference to trade agreement signed December 15, 1933, with Colombia which it desires to bring into force simultaneously with the projected agreement with Brazil.¹²

HULL

611.3231/617 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, August 15, 1934—4 p. m.

[Received 4: 40 p. m.]

174. Your 107, August 14, 7 p. m.

1. Legislative approval necessary.
2. Under the terms of the new constitution the present legislature may remain in session until May 3d, 1935 on which date the successful candidates of elections to be held partly in October of this year and partly in January of new year will take office.

¹² See vol. v, section on Colombia.

3. In the present legislature there are three currents.

- (a) For adjourning definitely on November 3.
- (b) Adjourning definitely on December 31.
- (c) For continuous session until May 3, 1935.

4. In the opinion of the Secretary General of the Assembly the present legislature will adjourn on December 31.

5. One prominent deputy consulted believes that in view of Government's overwhelming majority in present Assembly as well as the fact that there will probably be in his opinion little opposition to questions of this nature 2 weeks should suffice for approving any international acts.

GIBSON

611.3231/625a : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, August 29, 1934—7 p.m.

115. Please inform Brazilian Government that the Department intends to give public notice shortly of this Government's intention to negotiate a Reciprocal Foreign Trade Agreement with the Government of Brazil.¹³

PHILLIPS

611.3231/648

*The Brazilian Embassy to the Department of State*¹⁴

[Translation]

(Observations submitted, in a personal way, to Mr. B. S. Welles¹⁵ and Mr. F. B. Sayre¹⁶)

1. The American proposal, presented in October, 1933,¹⁷ and consisting of twelve articles and two lists of products, involves, chiefly, tariff matters and some trade norms and supplementary rules for exchange.

2. The Brazilian tariff, approved by Decree No. 24,343, of June 5, 1934, and the acts flowing from Decrees Nos. 24,023 of March 21st, 24,173 of April 25th, 24,234 of May 12th, 24,324 of June 1st, 24,508 and 24,511 of June 29th, 24,577 of July 4th and 24,788 of July 14th, all

¹³ For text of public notice and statistics concerning trade between the United States and Brazil, issued by the Department of State on August 31, 1934, see Department of State, *Press Releases*, September 1, 1934, pp. 144-149, *passim*.

¹⁴ Undated memorandum received in the Department about October 5, 1934.

¹⁵ Sumner Welles, Assistant Secretary of State.

¹⁶ Francis B. Sayre, Assistant Secretary of State.

¹⁷ Memorandum of October 30, 1933, to the Brazilian Ambassador, *Foreign Relations*, 1933, vol. v, p. 23.

of the current year,¹⁸ relative to exemptions and reductions of duties, simplification of standards in the analyses of imported food products and beverages, warehousing, port charges, use of equipment for loading and unloading at ports, replacement by one single tax of the 2 percent gold tax and the other additional taxes in effect, meet, as far as has been possible, the suggestions made in the draft referred to under number 1.

3. The study of our foreign commerce within the past twenty years shows that, under one same tariff, the commercial interchange of Brazil has suffered great fluctuations, characterized at times by great depressions, as is shown by the annexed tables,¹⁹ referring to Brazil's total trade and to the interchange with the United States of America in the period from 1913 to 1933.

4. The logical conclusion, the obviousness of which cannot fail to be decisive to the observer, is, that the tariff cannot be considered the predominant cause, but that other causes interfered in our trade, producing those bad effects.

5. A commercial treaty which would regulate only the customs régime between our countries would not produce, therefore, the results sought, since the tariff cannot be held responsible as the sole cause of the depression in the trade between us.

6. A treaty which would settle the tariff question would bring some advantages, but would not be even an earnest of the return to the volume and value of our former trade, and still less would it open to our two peoples an era of more active and easier relations, such as it is becoming urgent to inaugurate between us.

7. Brazil maintains as the rule of her international economic life the most-favored-nation clause, having treaties with 44 countries, including the United States of America, by virtue of the exchange of notes effected at Washington, on October 18, 1923,²⁰ on the initiative of this country.

8. Brazil, in the midst of the régime of autarchy followed by almost all the great nations, injured by the reduction of the gold-value of her trade, on account of the universal monetary anarchy and the general drop in prices, has taken pains not to create difficulties, but rather to facilitate and increase her export and import trade. She did not adopt quotas, did not establish preferences of exchange, and reformed her customs and port laws, making imports cheaper and easier to make.

9. She cannot, therefore, desire to take another course without having the assurance of being able to attain the objectives for the sake of which she has already made such heavy sacrifices.

¹⁸ *Diario Oficial*, March 24, 1934, p. 5627; May 2, 1934, p. 8340; May 16, 1934, p. 9291; June 18, 1934, p. 11692; July 10, 1934, pp. 13789 and 13797; July 6, 1934, p. 13493 and July 16, 1934, p. 14361.

¹⁹ Not printed.

²⁰ *Foreign Relations*, 1923, vol. I, pp. 461-463.

10. The purpose of the American Government, repeated in the statements made at our last conference, is to respect, in its international life, that doctrine and that practice.

11. The task, therefore, becomes easy to achieve in our understandings since we are not aiming at bringing about an equilibrium of commercial balances nor at protecting autarchies nor at shielding economic nationalisms but at favoring and increasing interchange by making an agreement with such provisions and such norms as would be capable of putting into concrete form these broad and fruitful purposes.

12. Brazil, within the same general lines, being animated particularly by the desire to follow this policy with the United States, is disposed:

a) To examine any new American aspirations in relation to her tariff, port and commercial legislation;

b) To study and to establish practical, political or legal measures which would assure the increase of our interchange by giving it broad and secure bases.

13. In the spirit of forwarding the studies already begun, it already appears that the treaty should embrace:

- 1) Transportation, postal and telegraph questions;
- 2) Questions of public and private credit;
- 3) Guarantees to commerce, capital and labor;
- 4) Any others which directly or indirectly would favor the politico-economic relations between the two countries.

14. Within these general lines, the Government of Brazil is disposed to examine and to decide, beginning immediately, the question of the American commercial proposals to the end of regulating, by means of an appropriate mechanism, payment for new imports, and to establish rules guaranteeing the normal play of commercial life.

15. The Government of the United States of America having taken the initiative, the Brazilian Government awaits new suggestions in order to examine them and in order, in its turn, to present its own suggestions, and it gives the assurance that all its efforts will be directed in the sense of concluding with the United States of America a treaty that would be, in the economic field, the expression of its traditional and never-broken friendship.

611.3231/668a

The Department of State to the Brazilian Embassy

MEMORANDUM

The current trends in commercial policy throughout the world present peculiar difficulties for countries such as the United States and Brazil which customarily have large favorable merchandise balances

of trade. Through quota restrictions, governmental trading monopolies, import licensing, exchange control, clearing and compensation agreements,²¹ a large section of the world is moving more and more toward a close regulation and control of foreign trade. Under these tendencies, the principle of equality is rapidly being superseded by preferential treatment and special advantages.

In particular, clearing and compensation agreements tend toward the bilateral balancing of trade and the destruction of the surplus exports of countries normally having favorable balances. They tend to reduce the volume of triangular trade, and have thus contributed to the disastrous decline in total world trade. Moreover, they tend to divert purchases from the best markets and to force the import of goods which are less urgently required, or altogether unnecessary. Such a diversion of trade tends to engender international ill-will, and has profoundly disturbed international economic relations.

Under these circumstances the Government of the United States would welcome the cooperation of the Brazilian Government in an effort to check the present tendency toward such agreements.

The Government of the United States proposes as a basis for discussion with the Brazilian Government, first, that there be written into the trade agreement, or be made the subject of a separate agreement, clauses reciprocally safeguarding the interests of the nationals and commerce of the two countries in so far as they are now or may be affected by the operation of any exchange control system, and all arrangements involving the provision of exchange; and, second, that upon the conclusion of the trade agreement, the two Governments join in a declaration of policy with respect to clearing, compensation, and other similar agreements.

With respect to the clauses regarding the operation of exchange control to be written into the trade agreement, this Government suggests provisions to the following effect: That the customs concessions and other benefits provided for in the agreement are reciprocally granted on the understanding that steps will be taken to insure that such concessions and benefits will not be nullified by discriminations, inequalities, or inequities in either country against the nationals or trade of the other in connection with the operation of any exchange control system or of any arrangement involving the provision of exchange; and that in order to formulate the necessary measures to insure the effectiveness of the preceding provision and to review the operation of this section of the trade agreement, representatives of the two Governments shall meet immediately on conclusion of the trade agreement and quarterly thereafter, the Governments agreeing to make available to each other all pertinent records and information.

²¹ For earlier correspondence regarding exchange restrictions and clearing agreements, see pp. 578 ff.

With respect to the joint declaration referred to above, it is suggested that the Governments of the United States and Brazil set forth therein their intention to bend their best efforts to direct their commercial policies in such a way as to discourage the multiplication of clearing, compensation and other special agreements.

This Government recognizes that the policy reflected in these two proposals is distinctly divergent from the policies recently pursued by many important trading countries, which in many cases are endeavoring to force upon countries with which they have an unfavorable balance of trade provisions for offsetting purchases, which require that all or part of the exchange proceeding from their imports be used for reciprocal purchases within their territories. From the standpoint of this country, the curtailment of imports into Brazil from the United States, as a result of the limited amounts of foreign exchange allotted for the purchase of American goods, and the long delays in payment now being suffered by those who sell goods in Brazil, are regarded by many American exporters and bankers as particularly onerous, in view of the circumstance that American imports of Brazilian products, principally coffee, create a volume of dollar exchange far in excess of the amount required to pay in full all obligations due to American interests. American holders of Brazilian bonds upon which service has been reduced or suspended altogether, have vigorously asserted similar views.²² Naturally enough, therefore, the Government of the United States has explored fully the possibility of proposing an agreement which would ensure prompt and full payment for all merchandise shipped to Brazil and for the service of Brazilian debts held by Americans. There can be no doubt that such an agreement would be of immediate advantage to American exporters and bondholders whose interests are preponderantly in Brazil. Nevertheless, realization of the undesirability of the system of clearing and compensation agreements as a long-run policy has caused the Government of the United States to decline to adopt such a policy, as long as there is any other solution of safeguarding the interests of the United States such as that embodied in the proposal presented in the fourth paragraph of this memorandum.

If satisfactory progress toward such a solution should prove to be impossible, the United States, in order to secure itself against inequality of treatment, might be compelled to seek arrangements whereby exchange created by the sale of products in the United States would be applied to the purchase of American goods and to the service of debts owed to Americans. This it does not wish to do.

²² For correspondence concerning the servicing of Brazilian Federal, state, and municipal debts, see pp. 578 ff.

By refraining from such arrangements in connection with Brazilian-American trade, and in their relations with other countries, the Governments of the United States and Brazil may help to check the present tendency toward such agreements. A joint declaration to this effect would, it is hoped, help to reverse the present trend of international commercial policy by furnishing an example of international agreement, between two of the most important countries in this hemisphere, on a policy which looks toward the progressive removal of the existing network of restrictions on international commerce—a policy consistent not only with the best long-run economic interests of the parties to the agreement themselves, but also of those of the whole world.

This Government would ask the Brazilian Government to give most sympathetic consideration to the judgments expressed above and to the two proposals which have been submitted. It wishes to proceed with the negotiations of a commercial agreement with Brazil with all expedition possible.

WASHINGTON, October 30, 1934.

611.3231/679

*Memorandum by the Chief of the Division of Latin American Affairs
(Wilson)*

WASHINGTON, October 31, 1934.

Dr. Aranha, the Brazilian Ambassador, called on Mr. Welles. Mr. Sayre, Dr. Feis²³ and Mr. Wilson were present. (Mr. Sayre and Dr. Feis part of the time).

The Ambassador said that he had not contemplated a formal meeting with a large group to discuss the Department's memorandum which he had received only the day before, had cabled to his Government, and had, of course, not yet heard from his Government in the matter. He had come in merely to express certain views which had occurred to him.

First, as regards the trade agreement proper, Dr. Aranha said that he saw no difficulties: Brazil already enjoyed practically all she desired in the way of treatment of her goods by the United States; Brazil is disposed to give the United States preferential treatment for American goods if the United States so desires, or if the United States wishes duties lowered on certain commodities, Brazil will do so, it being, of course, understood that careful study should be made to determine that any concession granted would in fact inure to the benefit of the United States and would not place other countries in a position to increase their sales to Brazil without benefit to the United

²³ Herbert Feis, Economic Adviser.

States. It was explained to the Ambassador that our program is based on the unconditional most-favored-nation treatment which rules out preferences, and that the concessions we are asking relate to products of which we are the principal furnishers; our list of requests will be ready in a day or so.

The Ambassador then turned to the other aspect of the problem between Brazil and the United States, namely, the "financial" problem, as described in our memorandum urging liberal policy in exchange matters. Dr. Aranha said that this proposal was wholly in line with his own ideas and policies; if the two countries, however, are to make a declaration of liberal policy, they must in fact establish and carry out a liberal policy, and he would be unwilling, and also certain the United States Government would not desire, that after making such declaration Brazil should in fact continue measures contrary thereto which would make the declaration a meaningless gesture. He said that in his view a liberal policy in Brazil would be inconsistent with governmental control over exchanges and over coffee (the latter in relation to governmental taxation on coffee which artificially maintained high prices); for Brazil to enter in good faith into a declaration of liberal policy it would be necessary for her to abolish these governmental controls. In order to achieve this, there were certain problems which Brazil must resolve, and these problems he understood as follows:

- (a) Exchange control;
- (b) Coffee; and
- (c) Foreign debt.

Regarding (a) exchange control, Brazil must abandon such control if she is in fact to pursue a liberal policy in exchange matters; in other words, Brazil must divest herself of any possibility of employing illiberal methods. To abolish exchange control without risk to Brazil's economy and finance, credits will be necessary. Dr. Aranha said that he was not thinking in terms of a large governmental credit, but solely in terms of credits extended by American commercial banks. Prior to the depression American banks such as the National City, Guaranty Trust, and Chase extended credits to the Bank of Brazil and to other Brazilian banks, which facilitated trade between the two countries. A resumption of such credits he regards as essential in order to lift exchange control. During discussion of this point Dr. Aranha said that with Brazilian exchange free to all countries, if any country, such as Germany, impounded Brazilian credits, Brazil would resist and would break off trade relations with that country—as Brazil had done with France while he was Minister of Finance.

As regards (b) coffee, Dr. Aranha explained that the Brazilian Government assesses taxation against each bag of coffee exported in

the amount of fifteen shillings: 5 shillings pledged to service of the coffee loan (half of which, according to the Ambassador, is held in the United States), and ten shillings for "coffee defense". Governmental control over coffee, as represented by the ten shilling taxes for "coffee defense", Dr. Aranha regards as inconsistent with a liberal policy: to compensate, however, for revenue which would be lost to Brazil through elimination of this tax, he proposed the following: The United States, he said, imports annually a large amount of "deleterious" coffee, which is harmful to the health; most of this comes from the Dutch East Indies, although Brazil herself provides a considerable part of our imports of this "harmful" coffee; this type of coffee is so bad that Brazil prohibits its use in that country and Dr. Aranha was confident that scientific tests would prove its noxious effect and that it should not be admitted to this country. His thought was that if imports of such coffee were prohibited, the added amount of good coffee to take its place would come from Brazil and would compensate to Brazil what she would lose by doing away with the ten shilling tax.

As regards (c) the foreign debt, Dr. Aranha said that Brazil would have to find, in order to carry out the general debt plan, ten million pounds annually, which would have to be taken from the commercial market. This, however, he recognized as a Brazilian problem.

Dr. Aranha said that, as would be indicated by his statements, he was placing his cards on the table and speaking as frankly to us as he would to his own people. Mr. Welles thanked him for his extremely interesting statements, said that we would wish to consider them fully, and would communicate with him, arranging for another conference to go further into these matters, within the next few days.

EDWIN C. WILSON

611.3231/674

The Department of State to the Brazilian Embassy

MEMORANDUM

There is attached hereto a list of certain commodities exported by the United States of America to the United States of Brazil,²⁴ on which tariff concessions are being sought by the United States of America in the proposed trade agreement between the two countries.

In some cases these concessions represent reductions in the duties now being imposed on the corresponding commodities in the Brazilian tariff, and in other cases the concession requested is merely an agreement that no higher duty than that now in effect shall be imposed on the respective commodity. There are also a few instances where a reclassification or revised nomenclature in the Brazilian tariff have been suggested. In no case has preferential treatment been requested

²⁴ Not printed.

for products of the United States of America as compared with similar products from any third country. For the sake of convenience, opposite each of the items listed there are indicated the paragraph number in the Brazilian tariff, the rate of duty now required to be imposed, and the proposed duty to be provided for in the trade agreement.

At a later date it is planned to submit to the Brazilian Government a draft of the text of the proposed trade agreement for study by the Brazilian Government prior to reaching a common agreement and understanding as to the terms and provisions to be contained therein. In order to save time, however, it is deemed advisable to submit at present the list of specific tariff concessions being sought by this Government, referred to as Schedule I, with a view to affording the Brazilian Government ample time to study these proposals.

The Government of the United States of America is prepared to receive and give serious consideration to any proposals which the Brazilian Government may choose to present in connection with possible tariff concessions which this Government might grant on products exported by the United States of Brazil to the United States of America, and any other proposals of a more general nature which the Brazilian Government might wish to have considered in connection with the proposed trade agreement.

WASHINGTON, November 10, 1934.

611.3231/893

Memorandum by the Assistant Secretary of State (Welles)

[WASHINGTON,] November 12, 1934.

The Brazilian Ambassador called this morning accompanied by Dr. Muniz.²⁵ I presented the latter to Dr. Grady,²⁶ who invited him to commence discussions on commodity schedules for the new Trade Agreement. I handed the Ambassador the memorandum containing the tariff concessions on commodities requested by the United States.²⁷ The Ambassador looked it over hastily and observed that we had increased our list materially over the list presented last year. He said he preferred to study our memorandum and to enable Dr. Muñiz to talk with Dr. Grady before presenting the concessions requested by the Brazilian Government, which he remarked, in any event, he had not yet received in final form from Rio.

²⁵ João Carlos Muniz, Counselor of the Brazilian Embassy and Special Assistant to the Brazilian Ambassador in connection with commercial agreement negotiations.

²⁶ Henry F. Grady, Chief, Trade Agreements Section in the office of Assistant Secretary of State Sayre.

²⁷ *Supra.*

The Ambassador read me portions of a letter which he had received under date of October 30th, from the President of Brazil regarding the discussions with the German Mission in Rio.²⁸ President Vargas stated that Mr. Souza Dantas²⁹ was energetically supporting the suggestion of the German Mission on the ground that if the agreement proposed was not concluded, Brazil would lose a very important market for certain Brazilian exports which the United States did not take, particularly hides and cotton. The German Mission had likewise informed the Brazilian Government that agreements similar to the one proposed had been completed by Germany with almost all of the most important countries of the world. The Ambassador remarked that he doubted this assertion and I told him that Dr. Grady would be glad to give him such information on this point as the Department had available. The letter from President Vargas seemed to indicate considerable hesitancy as to the policy which Brazil should pursue, namely, whether to go ahead with Germany or to go ahead with the United States. It was obvious from this letter that Dr. Aranha had been energetically upholding the American point of view in his communications with President Vargas.

The Ambassador referred to a statement published yesterday in the *New York Times*, alleging that the Brazilian Government had issued a communiqué to the press announcing the conclusion of an agreement with Germany. He said that this was completely untrue and gave me a copy of the official statement by the Brazilian Government, which reads as follows:

"The Brazilian and German Delegations have finished the studies which they have been carrying out respecting the best method of enhancing commercial intercourse between Brazil and Germany. The Delegations have informed their respective Governments of the results of their labors in order that the two Governments might reach a decision with regard thereto. The German Delegation will continue its journey within the next few days to Uruguay and to Chile. Meanwhile, commerce between the two countries will not be interrupted; commercial procedure continuing as at present without difficulty or impediments on either side."

I expressed my gratification to the Ambassador that the report in the *New York Times* was incorrect and that no decision had as yet been reached by Brazil.

The Ambassador said he hoped to receive, today or tomorrow, the decision of his Government with regard to our proposal and that he would let me know as soon as possible what this decision was.

S[UMNER] W[ELLES]

²⁸ For correspondence regarding the German mission, see pp. 595 ff.

²⁹ Exchange Director of the Bank of Brazil.

611.3231/684

Memorandum by the Economic Adviser (Feis)

[WASHINGTON,] November 12, 1934.

Upon instruction of the Brazilian Ambassador, Mr. Muniz came in to see me to get a statement of the American proposals in regard to the treatment of the exchange control situation in the commercial treaty with Brazil. I explained to him the general American attitude as summarized in the memorandum presented to the Brazilian Ambassador, explaining the nature of the provisions to be written into the agreement, and the nature and purpose of the joint declaration. In regard to the provisions to be written into the agreement, I explained that they would leave Brazil a choice. If Brazil decided not to enter into any special agreements providing immediate exchange (such as has been under discussion with Germany) this country would ask no such treatment; if however Brazil would enter into agreements conferring special exchange opportunity to the trade of any other country, Brazil would be pledged to accord the same treatment to American trade. Mr. Muniz professed to understand the whole approach, to consider it very fair, and to favor it.

He then stated that he understood that we had proposed to the Brazilian Government that they end the exchange control and had said that if they did we would arrange any financial support that was necessary. I stated that such was not my understanding. We would not want to accept the responsibility of taking the initiative in this matter. Our hope was that the course of Brazilian affairs and the drift of decision on the part of the Brazilian Government would lead to the termination of the exchange control. If the Brazilian Government wished to take such action and wanted to ask this Government to facilitate the action, I was sure we would be glad to examine the possibilities with care.

Since this different emphasis continued to puzzle him, I checked the statement over with Mr. Welles in his presence, and Mr. Welles confirmed it saying, however, that as a matter of fact in conversation with the Brazilian Ambassador during the past day or two he had gone a bit further and stated he had felt hopeful we would be able to give financial facilitation. This I told Mr. Muniz. The matter was left that he would communicate with me as soon as decision had been reached by his Government.

H[ERBERT] F[EIS]

832.5151/463a

The Department of State to the Brazilian Embassy

MEMORANDUM

This Government understands from the statements made by the Brazilian Ambassador in informal conversations with the Department of State that it is the hope and intention of the Brazilian Government to proceed as rapidly as the difficulties of the problem permit with the gradual relinquishment of exchange control. It will be the hope of the Government of the United States that, upon the satisfactory conclusion of the present negotiations, the Government of Brazil will be willing, by means of a note addressed to the Government of the United States, to indicate its intentions in this regard.

WASHINGTON, November 24, 1934.

611.3231/690

The Department of State to the Brazilian Embassy

MEMORANDUM

Referring to the memorandum of the Department of State dated November 10, 1934, transmitting a list of tariff concessions sought by the United States of America in the proposed trade agreement with the United States of Brazil, there are attached hereto for consideration by the Ambassador of Brazil a suggested draft of the text of the proposed trade agreement between the two countries, and the text of a joint declaration of policy with respect to clearing and compensation agreements, to be annexed to the proposed agreement. It is understood that the Government of the United States reserves the privilege of suggesting such changes in these provisions as may on further consideration seem desirable, prior to their final approval by both Governments.

WASHINGTON, November 24, 1934.

[Enclosure 1]

Draft Reciprocal Trade Agreement With Brazil

PREAMBLE

The President of the United States of America and the President of the United States of Brazil, desirous of strengthening the traditional bonds of friendship and the commerce between their respective countries by maintaining as the basis of their commercial relations

the principle of equality of treatment and by granting mutual and reciprocal concessions and advantages for the promotion of trade between the two countries, have arrived at the following Agreement:

ARTICLE I

Articles the growth, produce or manufacture of the United States of America, enumerated and described in Schedule I annexed to this Agreement and made a part thereof,³⁰ shall, on their importation into the United States of Brazil, be exempt from ordinary customs duties in excess of those set forth in the said schedule and from all other duties, taxes, fees, charges or exactions, imposed on or in connection with importation, in excess of those imposed or required to be imposed by laws of the United States of Brazil in effect on the day of the signature of this Agreement.

ARTICLE II

Articles the growth, produce or manufacture of the United States of Brazil, enumerated and described in Schedule II annexed to this Agreement and made a part thereof,³⁰ shall, on their importation into the United States of America, be exempt from ordinary customs duties in excess of those set forth in the said Schedule, and from all other duties, taxes, fees, charges, or exactions, imposed on or in connection with importation, in excess of those imposed or required to be imposed by laws of the United States of America in effect on the day of the signature of this Agreement.

ARTICLE III

All articles the growth, produce or manufacture of the United States of America or the United States of Brazil, shall, after importation into the other country, be exempt from all internal taxes, fees, charges or exactions other or higher than those payable on like articles of national origin or any other foreign origin.

Articles the growth, produce or manufacture of the United States of America or the United States of Brazil enumerated and described in Schedules I and II, respectively, shall, after importation into the other country, be exempt from any national or federal internal taxes, fees, charges or exactions other or higher than those imposed or required to be imposed by laws of the United States of Brazil and the United States of America, respectively, in effect on the day of the signature of this Agreement.

³⁰ Not printed.

ARTICLE IV

1. No prohibitions, import or customs quotas, import licenses or any other form of quantitative restriction or control shall be imposed by the United States of Brazil on the importation or sale of any article the growth, produce or manufacture of the United States of America enumerated and described in Schedule I, nor by the United States of America on the importation or sale of any article the growth, produce or manufacture of the United States of Brazil enumerated and described in Schedule II: Provided, That the foregoing provision shall not apply to prohibitions or restrictions (*a*) related to public security; (*b*) imposed on moral or humanitarian grounds; (*c*) designed to protect human, animal, or plant life; (*d*) related to prison-made goods; (*e*) related to the enforcement of police or revenue laws; or (*f*) permitted by paragraph 2 of this Article.

2. The provisions of the first paragraph of this Article shall not apply to any quantitative restriction imposed by the United States of America or the United States of Brazil on the importation or sale of any article the growth, produce or manufacture of the other country in conjunction with governmental measures designed to regulate or control the production, market supply, or prices of like domestic articles: Provided, that before any quantitative restriction on importation under the foregoing provisions of this paragraph is established, or having been established, is materially changed, the Government of the country which proposes to establish or materially change such restriction shall give thirty days' notice thereof to the Government of the other country and shall afford the latter country an opportunity within thirty days after receipt of such notice to consult with it in respect of such proposed restriction or change; and Provided further, That in the event such other country objects to such proposed restriction or change, and if an agreement is not reached by the end of the thirtieth day following receipt of the notice of the intention to establish or change such restriction, the country which proposes to take such action shall be free to do so at any time thereafter, and the other country shall be free within fifteen days after the imposition of such restriction or change to terminate this Agreement in its entirety on thirty days' notice.

3. The present Agreement being based on the principle of unconditional most-favored-nation treatment, the United States of America and the United States of Brazil agree that, if either of them should establish or maintain any form of quantitative restriction or control of the importation of any article or of the sale of any imported article the growth, produce or manufacture of the other country, not enumerated and described in Schedules I and II, respectively, and that if

either of them should establish or maintain any form of quantitative restriction or control under the provisions of paragraph 2 of this Article, such country will give the widest possible application to the most-favored-nation principle and will administer any such prohibition or restriction in such a way as not to discriminate against the commerce of the other country. To this end it is agreed:

(a) That neither the United States of America nor the United States of Brazil shall establish or maintain any prohibition or quantitative restriction on the importation or sale of any article the growth, produce or manufacture of the other country which is not applied to the importation or sale of any like article the growth, produce or manufacture of any third country;

(b) That, in the event that the total quota of permitted imports of any article shall be allotted among exporting countries, it is agreed that the United States of America or the United States of Brazil, as the case may be, will grant to the other country a share of the permitted imports equivalent to the proportion of the total importation of such article which the other country supplied during a previous representative period;

(c) That, in the event that the United States of America or the United States of Brazil shall impose a lower import duty or charge on a specified amount of any article the growth, produce or manufacture of the other country than that applied to importations in excess of such amount, and if the total quantity permitted to be imported at such lower duty or charge is allotted among exporting countries, the basis for such allotment shall be the same as that provided in paragraph 3 (b) of this Article with reference to import quotas.

4. Neither the United States of America nor the United States of Brazil shall regulate the quantity of importations into its territory or sales therein of any article the growth, produce or manufacture of the other country, by import licenses or permits issued to individuals or organizations, unless the quantity of permitted imports of such article, during a quota period of not less than three months, shall have been established, and unless the regulations covering the issuance of such licenses or permits shall be made public before they are put into force.

5. In the event of a quantitative restriction being established by the United States of America or the United States of Brazil for the importation into or sale in its territory of any article the growth, produce or manufacture of the other country, or in the event that either country shall impose a lower duty or charge on a specified amount of any such article than that applied to importations in excess of such amount, it is agreed that the United States of America or the United States of Brazil, as the case may be,

(a) shall give public notice of the total quantity of such article permitted to be imported or sold, or the amount of such article to which such lower duty or charge is applied,

(b) shall give public notice of the allotments to supplying countries, in the event that the total quantity of such article permitted to be imported or sold, or permitted entry or sale at the lower duty or charge, is allotted among supplying countries, and shall at all times upon request advise the Government of the other country of the amount of any such article the growth, produce or manufacture of each supplying country which has been imported or sold or for which licenses or permits for importation or sale have been granted,

(c) shall at all times give sympathetic consideration to any representations which the Government of the other country shall make to the effect that such restriction or imposition of duty or charge, or the administration thereof, does not result in an equitable distribution of the trade.

ARTICLE V

In the event that either the United States of America or the United States of Brazil establishes or maintains an official monopoly or centralized control of the importation of or trade in a particular commodity, the Government establishing or maintaining such monopoly or centralized control will give sympathetic consideration to all representations that the other Government may make with respect to alleged discriminations against its commerce in connection with purchases by such official monopoly or agency of centralized control.

ARTICLE VI

The tariff advantages and other benefits provided for in this Agreement are granted by the United States of America and the United States of Brazil to each other subject to the condition that if the Government of either country establishes or maintains any system of control of foreign exchange or enters directly or indirectly into any arrangement which affects in fact the provision of foreign exchange or the regulation or control of the transfer or disposition of means of payment, or employs any other system of control or any other arrangement with respect to the settlement of international obligations, it shall, in accordance with the principle of unconditional most-favored-nation treatment, make provision with respect to, and shall administer, any such system or arrangement so as to insure that neither the nationals or commerce of the other country will suffer discriminations, inequalities or inequities as compared with the nationals or commerce of any other country.

In connection with the foregoing provisions, it is agreed that if either country establishes or maintains any such system or enters into any such arrangement, it will take all necessary steps to insure that such system or arrangement is administered in such a manner as not to reduce the proportionate share of the total importation into such country of any individual commodity which, as nearly as may be de-

terminated by consultation as provided for in the third paragraph of this Article, would have been supplied by the other country in the absence of such system or arrangement.

In order to insure the effectiveness of the foregoing provisions of this Article and to review the operation of this Article, representatives of the Governments of the United States of America and the United States of Brazil shall meet immediately on the coming into force of this Agreement and quarterly thereafter, each Government agreeing to make available to the other Government all pertinent records and information.

In the event that the Government of either country shall consider at any time that the other Government has failed to comply fully with the foregoing provisions of this Article, and if, within thirty days after receipt of formal representations to the effect that such provisions are not being fully complied with, the Government receiving such representations has not satisfactorily corrected the regulation, restriction, charge or exaction concerning which they were made, the Government of the country making such representations may, within fifteen days after the expiration of the aforesaid period of thirty days, terminate either this Article or this Agreement in its entirety on thirty days' notice.

Nothing in this Article shall be construed to prevent the adoption of measures prohibiting or restricting the exportation of gold or silver.

ARTICLE VII

The United States of America and the United States of Brazil will grant each other unconditional and unrestricted most-favored-nation treatment in all matters concerning customs duties and subsidiary charges of every kind and in the method of levying duties, and, further, in all matters concerning the rules, formalities, and charges imposed in connection with the clearing of goods through the customs.

Accordingly, natural or manufactured products having their origin in the United States of America or the United States of Brazil shall in no case be subject in the other country, in regard to the matters referred to above, to any duties, taxes, or charges other or higher, or to any rules or formalities other or more burdensome, than those to which the like products of any third country are or may hereafter be subject.

Similarly, natural or manufactured products exported from the territory of the United States of America or the United States of Brazil and consigned to the territory of the other country shall in no case be subject with respect to exportation and in regard to the above-mentioned matters, to any duties, taxes, or charges other or higher,

or to any rules or formalities other or more burdensome, than those to which the like products when consigned to the territory of any third country are or may hereafter be subject.

Any advantage, favor, privilege, or immunity which has been or may hereafter be granted by the United States of America or the United States of Brazil in regard to the above-mentioned matters, to a natural or manufactured product originating in any third country or consigned to the territory of any third country shall be accorded immediately and without compensation to the like product originating in or consigned to the territory of the United States of Brazil or the United States of America, respectively.

Nevertheless, the advantages now accorded or which may hereafter be accorded to other adjacent countries in order to facilitate frontier traffic, and advantages resulting from a customs union to which either country may become a party shall be excepted from the operation of this Agreement; and this Agreement shall not apply to police or sanitary regulations or to the commerce of the United States of America with the Republic of Cuba, or to commerce between the United States of America and the Panama Canal Zone, the Philippine Islands, or any territory or possession of the United States of America, or to the commerce of the territories and possessions of the United States of America with one another.

ARTICLE VIII

Laws, regulations of administrative authorities and decisions of administrative or judicial authorities of the United States of America and the United States of Brazil, respectively, pertaining to the classification of articles for customs purposes or to rates of duty shall be published promptly in such a manner as to enable traders to become acquainted with them. Such laws, regulations and decisions shall be applied uniformly at all ports of the respective country, except as otherwise specifically provided in statutes of the United States of America relating to articles imported into Puerto Rico.

No administrative ruling by the United States of America or the United States of Brazil effecting advances in rates of duties or charges applicable under an established and uniform practice to imports originating in the territory of the other country, or imposing any new requirement with respect to such importations, shall be effective retroactively or with respect to articles either entered for or withdrawn for consumption prior to the expiration of thirty days after the date of publication of notice of such ruling in the usual official manner. The provisions of this paragraph do not apply to administrative orders imposing anti-dumping duties, or relating to sanitation or public safety, or giving effect to judicial decisions.

ARTICLE IX

The United States of America and the United States of Brazil retain the right to apply such measures as they respectively may see fit with respect to the control of the export or sale for export of arms, munitions, or implements of war, and, in exceptional circumstances, of other material needed in war.

ARTICLE X

In cases in which any penalty shall be imposed in the United States of America or the United States of Brazil in respect of customs regulations or customs formalities on merchandise arriving from the territory of the other country, a period of at least sixty days will be granted the importer or other party in interest, or the agent of either of them, in which an appeal may be taken to an appropriate authority competent to review the matter: Provided, That in the case of merchandise liable to perish or to waste or to become greatly reduced in value by keeping, or when the expense of preserving the merchandise is out of proportion to the value thereof, such merchandise may be sold, and the net proceeds obtained from such sale shall be considered merchandise within the meaning of this paragraph and shall be accorded all the privileges of appeal as provided herein.

Greater than nominal penalties will not be imposed in the United States of America or in the United States of Brazil upon importations of products or manufactures of the territory of the other country because of errors in documentation obviously clerical in origin or where good faith can be established.

The Government of each country will accord sympathetic consideration to such reasonable representations as the other Government may make regarding the operation of customs regulations, the observance of customs formalities, and the application of sanitary laws and regulations for the protection of human, animal, or plant life.

ARTICLE XI

Except as otherwise provided in the second paragraph of this Article, the provisions of this Agreement relating to the treatment to be accorded by the United States of America and the United States of Brazil, respectively, to the commerce of the other country shall not apply to the Philippine Islands, the Virgin Islands, American Samoa, the Island of Guam, or to the Panama Canal Zone.

Subject to the reservations set forth in the last paragraph of Article VII, the provisions of Article VII, and the provisions for most-favored-nation treatment in Articles IV and VI, shall apply to articles the growth, produce or manufacture of any area under the sovereignty

or authority of either country imported from or exported to any area under the sovereignty or authority of the other country. It is understood, however, that the provisions of this paragraph do not apply to the Panama Canal Zone.

ARTICLE XII

The present Agreement shall, from the date on which it comes into force, supplant the agreement by exchange of notes signed by the United States of America and the United States of Brazil on October 18, 1923.

ARTICLE XIII

On and after the day on which this Agreement comes into force, articles the growth, produce or manufacture of the United States of America and articles the growth, produce or manufacture of the United States of Brazil previously imported into the other country shall be subject to the provisions of this Agreement, if entry therefor has not been made, or if they have been previously entered without payment of duty and under bond for warehousing, transportation, or any other purpose, and without any permit of delivery to the importer or to his agent having been issued: Provided, That when duties are based upon the weight of merchandise deposited in any public or private warehouse, the said duties shall, except as may be otherwise specially provided in the tariff laws of the respective countries in force on the day of signature of this Agreement, be levied and collected upon the weight of such merchandise at the time of its entry.

ARTICLE XIV

The present Agreement shall come into full force on the thirtieth day following proclamation thereof by the President of the United States of America and the President of the United States of Brazil and shall remain in force for the term of two years thereafter, unless terminated pursuant to the provisions of Article IV or Article VI. The Government of each country shall notify the Government of the other country of the date of the proclamation.

Unless at least six months before the expiration of the aforesaid term of two years the Government of either country shall have given to the other Government notice of intention to terminate the Agreement upon the expiration of the aforesaid term, the Agreement shall remain in force thereafter, subject to termination under the provisions of Article IV or Article VI until six months from such time as the Government of either country shall have given such notice to the other Government.

In witness whereof the respective Plenipotentiaries have signed this Agreement and have affixed their seals hereto.

Done in duplicate, in the English and Portuguese languages, both authentic, at the City of Washington, this
For the President of the United States of America:

For the President of the United States of Brazil:

[Enclosure 2]

Draft Joint Declaration of Policy With Respect to Clearing and Compensation Agreements

The current trends in commercial policy throughout the world are indicative of the disorganization of the international price structure and of the maladjustments that prevail in international financial and trade relations. The difficulties of maintaining a balance of international payments, the breakdown of fixed exchange relations incident to the deepening of the depression, and the lack of equilibrium in international costs and prices have caused countries to develop direct measures of control of trade and foreign exchange. These measures have not been consciously designed as a general or ultimate solution of international economic relations. They have been resorted to in order to deal with concrete problems such as the disturbance to trade balances, unemployment, and falling prices. Nevertheless the effect has been that through quota restrictions, governmental trading monopolies, import licensing, exchange control, clearing and compensation agreements, the principle of equality is rapidly being superseded by preferential treatment.

In particular, clearing and compensation agreements tend to reduce the volume of triangular trade, and have thus contributed to the disastrous decline in total world commerce. Moreover, they tend to divert purchases from the best markets and to force the importation of goods which are less urgently required. This diversion of trade from its established channels has not only intensified the disturbance to international economic relations but also tends to engender international ill-will.

In these circumstances, the Governments of the United States and Brazil, in cooperation with each other, desire to direct their commercial policies in such a manner as to discourage the multiplication of agreements of this character. They recognize that the policy herein reflected is distinctly divergent from the policies recently pursued by many important trading countries, and that the line of action proposed may involve some sacrifice of immediate interest. Nevertheless, realization of the defects of the system of clearing and compensation agreements as a long-run policy has caused the Governments of the

United States and Brazil to refrain from adopting such a policy, as long as there is any other solution in terms of non-discrimination, equality, and most-favored-nation treatment such as that embodied in the trade agreement which they have just concluded.

By refraining from clearing or compensation arrangements in connection with Brazilian-American trade, and in their relations with other countries, the Governments of the United States and Brazil hope to facilitate the progressive removal of the existing network of restrictions on international commerce. They venture to declare this policy in the belief that it is consistent not only with the best long-run economic interests of the parties to the agreement themselves, but also of those of the whole world. They believe that the general interest will be served if, as rapidly as circumstances will permit, nations cooperate in an effort to reestablish the functioning of an international price system, with freedom from exchange control and from quantitative restrictions, and with tariffs considerably reduced below the abnormally high level established in nearly all countries in recent years.

611.3231/701

Memorandum by the Economic Adviser (Feis)

[WASHINGTON,] December 6, 1934.

Mr. Muniz, who is serving as special assistant to the Brazilian Ambassador in connection with the commercial agreement negotiations, came in to see me yesterday in order to discuss informally various topics connected with commercial negotiations.

First of all he asked for information in connection with the reported deal for the sale of American cotton to Germany.³¹ He said that this transaction was of certain interest to the Brazilian Government because as we knew they had been in discussion with the German Government, and had deferred any agreement pending the outcome of our discussions with them. If we were going to enter into such an agreement it naturally would have an effect on their action.

I told him that I was not informed as to the standing of the particular proposal, and since the matter seemed to bear so directly on all of our proposals to Brazil, I thought it advisable that he talk directly to Mr. Sayre. The talk was therefore continued in Mr. Sayre's Office, Mr. Grady joining it.

Mr. Sayre stated that while a proposal had been formulated and was under discussion between groups in the two countries it had not yet been agreed upon or put into effect. He added that for Mr. Muniz's own information, this proposal had not originated in the Department, and it was not the type of trade arrangement which seemed to the

³¹ See vol. II, pp. 400 ff.

Department to fit into its trade policy; but he could not say at the present moment whether it would or would not be effectuated.

Mr. Muniz explained that it seemed to him the same type of transaction the Brazilian Government was being pressed to enter into by various European countries. The talk broadened from this matter to the general questions of policy formulated in the drafts presented by us to the Brazilian Government of a commercial agreement (especially with regard to the exchange control provision of the agreement) and the joint declaration of policy which it was proposed to issue after the signature of the agreement. Mr. Muniz implied that such a transaction as this one dealing with cotton would seem to contradict the leading idea in the proposed joint declaration. It was admitted by us that this was the case, and the thought was expressed that there might have to be a few actions in the opposite direction from the policy which might still be maintained as a main principle.

Mr. Muniz then continued to reiterate, though always with courteous regret, that it seemed to him that the policy that would be embodied in the joint declaration would make it very difficult if not impossible for Brazil to maintain its trade with Europe, and that what would seem to suit Brazil best was an arrangement that would protect American interests fully and still permit Brazil to maintain its European markets. Mr. Sayre and Mr. Grady both admitted a certain difficulty and risk for Brazil in entering upon the policy represented by the joint declaration. They pointed out, however, and Mr. Muniz understood, that the declaration represented an attempt to check the spread of the European policy of clearing and compensation agreements, and to give a lead to the world in the opposite direction; if a certain amount of risk of loss of trade with Europe was involved, the two countries would have to be prepared to run the risk and make a determined effort to modify world trends which, if it succeeded, would serve the commerce of both countries better than the present trade. Since Mr. Muniz continued to return to the problems presented to Brazil it was suggested that the most useful thing that could be done at this stage would be if those problems could be presented concretely, country by country, so that both parties could really weigh them and see if some solution to them could not be found compatible with the general principle embodied in the joint declaration. It was agreed that Mr. Muniz and Mr. Grady should meet the following day to run over these problems case by case.

The conversation naturally also touched upon the provisional decree issued by the Brazilian Government, to be effective beginning December 10,³² in accordance with which Brazil would assign the proceeds of coffee sales to each country in rough percentage to the ex-

³² See telegram No. 330, December 4, 6 p. m., from the Chargé in Brazil, p. 599.

tent that they were created by sales in each country. From his remarks I received the impression that certainly one purpose that had moved the Brazilian Government was to bring pressure on those countries, particularly Great Britain, who sold Brazil much more than they bought from Brazil. Resistance was anticipated by Great Britain and this fact was confirmed by cables received from George Gordon in Rio this morning.³³

Mr. Muniz is apparently trying to form judgments on all aspects of the situation for the purpose of advising his Government what response to make to our proposals.

H[ERBERT] F[EIS]

611.3231/707

Memorandum by the Chief of the Trade Agreements Section (Grady)

[WASHINGTON,] December 8, 1934.

As agreed at the meeting on December 6 [5], Mr. Muniz and Mr. Penteadó of the Brazilian Embassy³⁴ called on me Thursday, December 6, to discuss further the extent to which the joint statement to be issued at the time of the proclamation of the Brazilian-American trade agreement is to be interpreted as precluding any types of arrangements which the Brazilian Government may make with European Governments to protect their trade with Europe.

Mr. Muniz repeated what he had said in the conversations on December 5, that the Brazilian Government felt that it would be impelled to make some forms of clearing arrangements with Germany and Great Britain, and he wished to ascertain informally whether these would be in violation of the joint declaration or of the agreement. We requested, in our conversations on December 5, that he indicate to me what was contemplated in these agreements. He did not seem to have any information of a concrete nature to supplement his conversations of the day before. He expressed his belief that clearing arrangements could be made with both Germany and Great Britain without prejudice to American interests, and suggested the possibility of Brazil's action in regard to such agreements being checked at the quarterly meetings between representatives of the two Governments, provided for in the proposed draft of our agreement with Brazil.

He questioned me further as to the discussed cotton arrangement between Germany and American interests, but I could give him no definite answer as to whether that plan would or would not be carried out.

³³ See telegram No. 331, December 5, 4 p. m., from the Chargé in Brazil, p. 600.

³⁴ Eurico Penteadó, Administrator General of the Brazilian Coffee Department, designated to assist the Brazilian Embassy in reciprocal trade agreement negotiations.

I again suggested it would help us in considering this matter if he could indicate concretely what was contemplated in the way of commodity exchange in connection with the clearing arrangements his Government has in mind with Great Britain and Germany. He left with the understanding that we should meet in a few days, and I expressed the hope that he could furnish us at that time with more concrete information as to what was contemplated by his Government than he has so far given us.

H[ENRY] G[RADY]

611.3231/702

Memorandum by the Chief of the Trade Agreements Section (Grady)

[WASHINGTON,] December 11, 1934.

Mr. João Carlos Muniz and Mr. Arno Konder³⁵ called at my request to go over the list of suggestions handed by the Brazilian Ambassador to Mr. Welles.³⁶ The Brazilian Committee has been studying this list and has certain questions in its mind regarding it which it would like to clear up. It is for this purpose I asked Mr. Muniz to come and sit down with Mr. Daniels, Chairman of the Brazilian Committee. He brought Mr. Konder with him.

In the course of the conversation Mr. Muniz indicated a somewhat different point of view than that he expressed in my last conversations with him. He urged an early statement from our Government as to whether the proposed cotton arrangement with Germany is going through or not. He said that as soon as we can officially assure the Brazilian Ambassador as to this matter, the details of the Brazilian agreement can be quickly worked out. He distinctly gave me the impression, which I did not gather in my last conversation with him, that the Brazilian Government would not press the matter of its own clearing agreements with Great Britain and Germany if we do not go forward with our cotton deal with Germany. I assured him that we would advise him as soon as we had definite word on the cotton agreement.

HENRY F. GRADY

611.3231/726

Memorandum Handed by the Brazilian Ambassador (Aranha) to the Economic Adviser (Feis), Circa December 18, 1934

[Translation³⁷]

I—The study of the present situation of constantly increasing reduction of world exchange shows that it is necessary to attempt another

³⁵ Tariff expert attached to the Brazilian Embassy.

³⁶ Not printed.

³⁷ File translation revised by the editor.

policy than the one which is being practiced for the purpose of reestablishing commercial life between countries.

II—The reduction of the purchasing power of the nations, with under-consumption, the anarchy of currencies, together with exchange problems, the lack of credits, together with the paralysis of business, and many other factors have already compelled the making of 142 compensation agreements between the European nations and some American nations.

III—These agreements contemplate the establishment of a régime of barter for the purpose of bringing commercial balances as well as payments to an equilibrium at the expense of countries which have balances or have credits.

IV—Various countries harassed by the reduction of the value of their commerce or by their financial necessities began by adopting high tariffs, favors granted to exports, quotas for imports, exchange discriminations, currency devaluations, domestic measures regarding production, some countries even going so far as a practical monopoly of foreign commerce.

V—No country failed to fall more or less into a policy of emergency or of expedients, both with regard to domestic commerce and with regard to foreign commerce. England, the traditional free trade country, made the Ottawa agreement,³⁸ allowed the pound sterling to fall, created tariff duties, and made various *compensation* agreements, including, in America, one with Argentina.³⁹

The United States of America, always protectionist, made the tariff of 1930,⁴⁰ lowered the value of the dollar, intervened in agriculture and regulated industry. There is not a single country which, more or less, under these circumstances, has not tried experiments in the sense of giving a direction to its economy and to its domestic and foreign commerce.

VI—This emergency policy, which, as we see, caused the further aggravation of the universal situation, by reducing the volume and value of commerce, threatens to change from being a mere expedient into becoming a true and almost unanimous rule, norm, or basis of exchange between peoples.

VII—The United States of America, seeing the injuries which that rule is causing to international relations and in its own relations, now wishes to make an effort to eliminate from commercial practice all and every expedient involving a derogation from the so-called liberal policy. It expects to count on Brazil whose situation in world com-

³⁸ *British and Foreign State Papers*, vol. CXXXV, p. 161.

³⁹ For representations regarding the exchange provisions of the Anglo-Argentine (Roca) Agreement of May 1, 1933, see *Foreign Relations*, 1933, vol. IV, pp. 722 ff.

⁴⁰ 46 Stat. 590.

merce is, in many respects, the same as her own, and which has balances in its commerce with the United States of America.

VIII—It is necessary first to emphasize the diversity of position of our countries, which diversity is of capital importance in the problem:

a) Brazil is a country in formation, while the United States of America has reached the saturation point of progress;

b) Brazil is a debtor country and the United States is a creditor country.

IX—Even so, Brazil views the American proposal with sympathy, for its whole effort is made and shall be made in the sense of return to the liberal policies and of the closest understanding with the United States of America. However, she wants the consequences of this attitude to be evident in her economy and in relations with other countries.

X—The adoption of the inflexible liberal policy, such as is traced in the projected treaty, will involve, as it has already involved, in practice, the suspension of our commerce with those countries which, like Germany, Italy, and many others, on the basis of domestic measures, upon which measures it is impossible to bring any influence to bear, only purchase from Brazil in order to sell.

XI—Now, Brazil has, with those countries, 57 percent of her global commerce and is not able, because of domestic reasons, to renounce that commerce, either altogether or in part. The United States of America, for her part, can do so, but with inevitable repercussions at home which we are already feeling in the case of cotton and in other cases.

XII—TRADE OF THE UNITED STATES OF AMERICA WITH GERMANY:

<i>Year</i>	<i>Export</i>	<i>Import</i>	<i>Total</i>
1931-----	\$166, 050, 000	\$127, 039, 000	\$293, 089, 000
1932-----	\$133, 668, 000	\$73, 572, 000	\$207, 240, 000
1933-----	\$140, 024, 000	\$78, 185, 000	\$218, 209, 000

TRADE OF THE UNITED STATES OF AMERICA WITH ITALY:

<i>Year</i>	<i>Export</i>	<i>Import</i>	<i>Total</i>
1931-----	\$54, 815, 000	\$62, 659, 000	\$117, 474, 000
1932-----	\$49, 135, 000	\$42, 403, 000	\$91, 538, 000
1933-----	\$61, 240, 000	\$38, 571, 000	\$99, 811, 000

TRADE OF BRAZIL WITH ITALY:

<i>Year</i>	<i>Export</i>	<i>Import</i>	<i>Total</i>
1931-----	\$9, 480, 000	\$5, 547, 000	\$15, 027, 000
1932-----	\$6, 763, 000	\$4, 390, 000	\$11, 153, 000
1933-----	\$7, 560, 000	\$3, 310, 000	\$12, 870, 000

TRADE OF BRAZIL WITH GERMANY:

<i>Year</i>	<i>Export</i>	<i>Import</i>	<i>Total</i>
1931-----	\$22, 090, 000	\$13, 697, 000	\$35, 787, 000
1932-----	\$15, 922, 000	\$9, 716, 000	\$25, 638, 000
1933-----	\$14, 525, 000	\$16, 810, 000	\$31, 335, 000

XIII—Besides this consequence of loss to the production of the United States of America and of Brazil of exports to the approximate value of 210 millions of dollars, there is a more serious fact: the business which ceases to be done between our countries is going to be done with other countries on the basis of compensation.

XIV—It is, therefore, beyond dispute that, by ceasing to sell to those countries, we shall be fortifying the policy which we wish to condemn, since we shall furnish a greater margin of exchange—that which we cease to effect—to feed the compensating countries.

XV—Everything being considered, our thought is as follows:

- 1) The adoption of a liberal policy, for such a policy is the one which favors our tradition, our future, and the universal interest;
- 2) The establishment, nevertheless, of norms to be adopted during the period of transition so as to prevent the simple doctrinaire adoption of orientation from effecting the opposite of our purposes.

XVI—The norms would be those of an aggressive sales policy in order to destroy the constantly increasing bloc of countries parties to compensation treaties. This policy, with the direct participation of the Government, would be carried out through banks or domestic credit operations or even combinations between banks or firms of the interested countries.

It would disappear with the return to commercial normality, with multi-angular exchange, with the inevitable adherence of other countries to these purposes.

XVII—If this action appears anti-liberal—something which does not so appear to me in view of the universal situation—the attitude of the United States of America might be maintained for some time but that of Brazil could not last, since Brazil has no reserves and does have debts.

XVIII—A practice such as the liberal practice which has been virtually renounced by almost all countries cannot be reestablished off-hand. It does not depend on an idea, on a declaration, on an attitude, on a treaty between two countries. In order to be reestablished it is necessary for it to pass through the crisis of all reconstructions. It will have to be a patient work of effort and of action, sometimes using old material and sometimes using new material.

XIX—It cannot, therefore, be done by *flat*. It is necessary that we should join action and idea, that we should organize a program, that we should follow a method, that we should mobilize resources without which the failure of our effort will weigh upon the destinies of our countries without shaking off the depression but rather aggravating the depression of world trade.

611.3231/762

Memorandum by the Economic Adviser (Feis)

[WASHINGTON,] December 27, 1934.

Mr. Muniz came in to see me by appointment. He told me that they had now received word from their Government regarding the commercial agreement text as at present drawn up. He did not yet have the materials ready in regard to the commodity schedules but had been asked by the Ambassador to discuss various points raised by his Government in regard to the general clauses, preparatory to a visit of the Ambassador with Mr. Welles tomorrow. He stated that his Government has raised questions regarding the following articles of the agreement (numbered as in the latest draft) :

(1)—and foremost. He said that his Government feared that the inclusion of Article 6 (the exchange control article) would jeopardize the passage of the agreement through Congress. He gave no reasons except (a) it feared Congress would not understand and in its present mood of nationalism object. (b) That there is no chance that Brazil will discriminate as shown by the recent action of the Bank of Brazil. Muniz kept repeating that his Government wanted an agreement and therefore would not want anything in it that would jeopardize its passage.

I explained that protection in the foreign exchange field was one of the purposes that we would seek to deal with in every treaty, that we had been pressed to seek special advantage in Brazil, and that if we provided no explicit safeguards in this field, we would be subjected to much criticism. The present exchange regulations of the Bank of Brazil is a unilateral action which might be modified at any time. This whole field was to us a vital matter.

Finally, after various repetitions of his remarks, he said that an idea had come to him just then, that the clause might be taken out of the agreement, might then be presented to Congress and be handled in an exchange of notes. This would avoid delay of passage of the agreement.

I repeatedly made clear I was in no position to take any action on this point but promised fully to inform Mr. Welles. I had the distinct impression that Mr. Muniz was more or less on his own initiative in trying to get Article VI straightened out in order to clear the way for special arrangements to be worked through the Bank of Brazil and that he had come down to try out our position. I spared no effort to bring home to him how important the matter appeared to us.

(2) The Brazilian Government requested the suppression of the first paragraph of Article III (which guaranteed reciprocally

“national” treatment as regards internal taxes, fees, et cetera, on imported articles). He stated that there were three or four commodities in which the imported article was subjected to higher taxes than the domestic one and that the clause as drafted would compel amendment of their fiscal legislation.

I replied that I was in no position to pass any judgment on this Article but it occurred to me that if the whole difficulty lay in the few differential excise taxes already in excess, it is conceivable that an exception might be made of those.

(3) The Brazilian Government asked the omission of the first paragraph of Article X (in which the Governments pledged themselves not to apply more than nominal penalties in the case of errors in documentations, obviously clerical, and where good faith can be established). He said his Government knew its system was somewhat defective but that imports and the revenue therefrom was of the utmost importance to it and that this would compel amendment of their present fiscal measures—a matter which might seriously impede the presentation of the agreement.

(4) His Government asked inclusion of an additional paragraph in Article IX containing the recommendations of the Seventh Pan American Commercial Conference⁴¹ in regard to sanitary restrictions reading as follows:

“The Seventh International Conference of American States,
“Recommends:

“That the American States include in their future commercial treaties clauses under which they shall agree:

“1. To consult, whenever it is possible to do so, the interested countries before applying new measures of a sanitary character respecting international commerce in animal or vegetable products;

“2. To enter into conversations, at any time at the request of the interested country, concerning the application of the measures in effect;

“3. In case of disagreement as to the interpretation of the measures in effect, not to take any step which might injure the commerce of the interested country before submitting the question to a mixed committee of technical experts from both countries, so that it may submit recommendations to the respective governments;

“4. That the governments, in urgent cases, may apply the measures they consider necessary without the previous consultation and conversations provided for in the preceding paragraphs; but they are obliged to notify the affected countries immediately, with an explanation of the causes of the measures they have adopted.”

(5) His Government asked the suppression of Article XIII (which extended the benefits of the treaty to imports already entered before the signature of the agreement but still under bond for warehousing, et cetera).

⁴¹ See *Foreign Relations*, 1933, vol. iv, pp. 1 ff.

(6) His Government would like an addition to the second paragraph to Article XIV (the one in which the two Governments declare their intention of developing closer relations). They would like something more positive and concrete in form and something to the effect that both Governments will utilize their institutions to bring about these objectives. I promised all of these should be referred for consideration prior to the Ambassador's visit tomorrow.

H[ERBERT] F[EIS]

611.3231/728

The Brazilian Embassy to the Department of State

MEMORANDUM

[Translation]

The Government of Brazil, in the firm and decided purpose of responding to the desire expressed by the Government of the United States of America for the conclusion of a new trade agreement to secure the even greater expansion of the interchange of goods between the two countries, has examined in a sincere spirit of collaboration the part of the American proposal relating to reciprocal tariff facilities.

2. The Government of Brazil wishes to emphasize, in the first place, that in the preparation of its new customs tariff it had in view the restriction to the minimum of the protection which the industries already established in the country can not do without, without disorganizing the economic set-up required by the special conditions of Brazil and which, on more than one occasion already, has proved its worth, to the benefit, chiefly, of the most necessitous part of her population.

3. In this new tariff, moreover, many articles that are of special interest to American exporters to Brazil were contemplated with reductions, deference having been shown, moreover, in this way, to the suggestions made in the former proposal presented by the United States of America.

4. Wishing, notwithstanding this, to show, in a real way, its purpose to offer even greater facilities to American industries, the Government of Brazil is prepared to grant the following tariff advantages to the products of American origin, enumerated below.

5. The Government of Brazil assumes the obligation not to change, during the life of the treaty, the duties at present levied on the following products:

[The list of products which here follows has been omitted.]

In this way, the Brazilian Government followed all the suggestions contained in the American proposal, relating to a stabilization of the present duties, with the exception, merely, of those referring to radios of more than 100 kilos (last three paragraphs of item 1583).

6. The government of Brazil, furthermore, is prepared to make certain reductions in duties in its present tariff, the Embassy of Brazil at Washington being ready to begin at once the conversations on the subject.

WASHINGTON, December 28, 1934.

EFFORTS OF THE DEPARTMENT OF STATE AND PRIVATE FIRMS TO SECURE EQUITABLE TREATMENT FOR AMERICAN INTERESTS WITH RESPECT TO BRAZILIAN EXCHANGE RESTRICTIONS⁴²

832.5151/315

Memorandum by Mr. Alexander K. Sloan of the Office of the Economic Adviser

[WASHINGTON,] March 7, 1934.

On the afternoon of March 7th, Mr. Eugene P. Thomas, President of the National Foreign Trade Council, accompanied by Mr. Richard P. Momsen, Chairman of the Legislation Committee of the American Chamber of Commerce for Brazil, spent some time in my office.

Mr. Thomas stated that during the last 2 months no complaints had been received by the firms signing the frozen milreis agreement with Brazil⁴³ as to lack of exchange; however, due to unchecked imports, a matter which the Brazilian delegates to the World Economic Conference, Dr. Numa de Oliveira and Valentín Boucas, had agreed would be attended to as soon as the agreement mentioned had been signed,⁴⁴ the situation was not as good as hoped for. As a consequence of these excessive imports, since June 1933, a sum of frozen milreis totaling about \$25,000,000 had accumulated in Brazil. Mr. Thomas, when discussing this situation recently with Mr. Boucas, was informed by the latter that the matter could be arranged by another funding agreement.

Mr. Thomas also stated that the Council of Inter-American Relations Incorporated was requesting from all its members a statement of the accumulation of frozen milreis during the last six or seven months, and intended, upon the receipt of this information, to request from Dr. Figueiredo, Director of the Exchange Control, a statement as to its future policy in allocating exchange. He added that Mr. Kent,⁴⁵ prior to his resignation, had requested a monthly statement from Dr. Figueiredo as to his allocation of exchange to various na-

⁴² Continued from *Foreign Relations*, 1933, vol. v, pp. 30-75. See also section entitled "Special Mission of John H. Williams To Investigate Foreign Exchange Problems in Argentina, Brazil, Chile, and Uruguay," *ante*, pp. 390 ff.

⁴³ *Foreign Relations*, 1933, vol. v, p. 57.

⁴⁴ For memoranda of discussions with the Brazilian delegation, May 20-23, 1933, see *ibid.*, pp. 45-50.

⁴⁵ Supervisor of Exchange, Federal Reserve Bank of New York.

tionalities, but that Dr. Figueiredo had paid no attention to this request. The Council had then asked the American Chamber of Commerce for Brazil to take up this matter and to see whether they could not get some information along this line from him. The Chamber had been averse to acting in this matter due to the possibility that Dr. Figueiredo would take umbrage and the various members of the Chamber would find the repercussion disadvantageous.

Mr. Thomas also expressed the opinion that the Council of Inter-American Relations would be very happy to see the Department send a representative to Rio de Janeiro to talk over the question of frozen milreis with competent Brazilian authorities. He was of the opinion that such a representative should cooperate with various local bodies in Rio de Janeiro representing American interests and also with the representative of the Council of Inter-American Relations who would probably be sent to Rio de Janeiro during the visit of the Department's representative.

832.5151/313 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, March 13, 1934—3 p. m.

[Received March 13—2:15 p. m.]

40. My 131, December 31, 4 p. m.⁴⁶ Figueiredo, foreign exchange director of the Bank of Brazil, has now definitely resigned. Minister of Finance informed Xanthaky⁴⁷ that Souza Dantas, formerly President National Coffee Council, will succeed him. While holding that position Souza Dantas was friendly to American interests.

GIBSON

832.5151/327

*The Chairman of the Council on Inter-American Relations, Inc.
(James S. Carson), to the Economic Adviser (Feis)*

NEW YORK, March 27, 1934.

[Received March 28.]

DEAR DR. FEIS: Referring to the conversations you and Mr. Sloan have had with Messrs. E. P. Thomas, R. Momsen and the undersigned on the subject of Brazilian Exchange, we outline the present situation resulting from replies to our circular of January 19th attached,⁴⁸ and other information which will furnish the basis of a letter to Mr. Marcos Souza Dantas, Brazilian Controller of Exchange.

⁴⁶ *Foreign Relations*, 1933, vol. v, p. 75.

⁴⁷ Theodore A. Xanthaky, clerk in the American Embassy at Rio de Janeiro.

⁴⁸ Not printed.

As of record, on June 17th, 1933 we negotiated an agreement with the Brazilian Government under the terms of which approximately fourteen millions of dollars immobilized in Brazil were converted into dollar obligations. Approximately 10% of this amount, and representing holders of balances in amounts less than \$50,000, were to be paid within 90 days. An extension of a further 90 days, under an option, was subsequently taken by Brazil for meeting a part of the cash payments, but some payments under this category have to date not been satisfied. As to this last mentioned situation, the attached copy of letter to Mr. Souza gives further particulars.⁴⁹ The balance of approximately 90% of the \$14,000,000 was covered by the issuance of 72 notes payable monthly over six years with proportionate monthly payments as to amortization, and interest at 6% per annum. This service has been met in full since the date of its inception.

We appreciate your concern over the present and future position of American interests exporting to Brazil; as also those having investments in Brazilian public utilities and branch plants; insofar as they are affected by the difficulty of obtaining dollar exchange to liquidate sales and for the transfer of accrued profits arising from investments.

In the negotiation of reciprocal trade agreements it is understood that attention will be given to the subject of adequate provision of exchange, as otherwise the expected benefits to American exports may be rendered ineffective. A copy of our telegram of November 10th, 1933 to Secretary Hull is attached,⁵⁰ as pertinent to this subject.

The American exporter cannot afford to jeopardize his capital to finance shipments, if the recovery of the value is problematical or unduly prolonged.

The Brazilian Government insisted on the insertion of a clause in the Agreement of June 17th to the effect that signatories to the Agreement would receive preferential consideration in connection with their future exchange requirements. This was later generalized to include all American interests. There have been no signs of special consideration having been shown, however, as overdue exchange now exceeds Five Million Dollars. Unofficially the ingenuous suggestion is offered of negotiating a further "forced loan".

Brazil has a very large and favorable balance in her trade with the United States—\$53,000,000 in 1933, \$53,500,000 in 1932 and \$81,600,000 in 1931. We purchased an excess in value of over three times more of Brazilian products than Brazil purchased from the United States. However, whereas Brazilian products are paid for, Americans have had to wait, and are still waiting, for a considerable portion of their money. Comparisons are frequently offered of the beneficial effects

⁴⁹ Not found in Department files.

⁵⁰ Not printed.

to British trade with Argentina resulting from the Runciman Roca Agreement of 1933.⁵¹ Such comparisons ignore the broader necessities of multi-lateral foreign trade and possibilities of reprisals. We are appreciative, however, of the viewpoint, that the State Department may properly take cognizance of the exchange situation in favor of American interests selling to or having industrial investments in Brazil, and especially to the balance of payments.

During the two years of 1932 and 1933 total sales of United States products to Brazil totalled \$58,000,000, and on June 17th, 1933 blocked milreis in Brazil belonging to American nationals had to seek protection against further depreciation by accepting upwards of \$14,000,000 of deferred dollar obligations. The accumulation since the signing of the agreement of an amount in excess of \$5,000,000 by the same signers of the Agreement, also the suggestion that they resort to the "grey" exchange market in order to repatriate their funds—which action calls for a monetary loss—should have official attention in any discussions of reciprocal trade agreements with Brazil.

We would like to see, in the interest both of American and Brazilian trade, a proper exchange control and the elimination of "grey" exchange. Our nationals are not receiving the consideration due us as the creators of the bulk of the foreign exchange arising from Brazilian exports. Some of our correspondents have suggested a plan whereby a fixed proportion of our purchases of Brazilian products shall be paid for out of the blocked funds of American nationals in Brazil. We do suggest that means be sought to prevent the accumulation of new blocked balances, by definite agreement with Brazil before the reciprocal trade agreement is ratified.

The proper method to be employed by Brazil under existing conditions is the licensing of imports, with guarantee of the availability of exchange as specified in the corresponding license. In this way Brazil could adjust the class and quantity of imports to the country's requirements and the anticipated supply of exchange. While this plan is somewhat similar, up to this point, to that adopted by Argentina, we deprecate the adoption of the additional Argentine policy whereby imports from any country are limited to that country's purchases of Argentine products. The British fostered the Argentine scheme as a means of increasing their trade, especially at the expense of the United States. The adoption of such a plan by the United States is inadvisable. Through the licensing of imports, however, it would be possible to guard against any discriminatory action taken against American interests.

The opinion seems to persist in the minds of some Brazilians that a means for obtaining necessary financing is through periodic "forced

⁵¹ For correspondence concerning the Anglo-Argentine (Roca) Agreement, see *Foreign Relations*, 1933, vol. iv, pp. 722 ff.

loans" of immobilized milreis, more especially those belonging to American interests. The traditional influence and control by British interests of Brazil's foreign financial structure undoubtedly places us at a disadvantage at the present time in all economic and exchange matters, particularly with a lack of control of imports, secrecy in the available volume and allocation of exchange and the functioning of the "grey" exchange market.

We welcome, therefore, the reported intention of the State Department to have one of its officials sojourn in Brazil for a sufficient time to study the situation and take appropriate action, in concert with American trade and investment interests, to alleviate the present unstable situation.

Yours very truly,

JAMES S. CARSON

832.5151/332

Memorandum by the Economic Adviser (Feis)

[WASHINGTON,] April 5, 1934.

On Monday, April 2, Mr. Edwin C. Wilson, Chief of the Latin-American Division, and myself, took Mr. Boucas over to a conference with Mr. Peek⁵² with regard to the direction of the exchange situation as between ourselves and Brazil. Mr. Boucas outlined very generally and tentatively an idea whereunder if one of the Export-Import Banks would be in a position to extend to the Bank of Brazil a certain revolving credit of about nine months' duration, then the Bank of Brazil might be willing to arrange as security for this credit—that some or all of the dollar exchange arising out of the sales of coffee in this country should be turned over to the Export-Import Bank which could then use it for the discharge of its credit. This might form a method of securing more advantageous treatment and increased opportunities for American export trade under the exchange control.

The idea seems to contain a genuine possibility deserving further study. Mr. Peek said that the third Export-Import Bank, the one that would engage in general trade operations, had not yet been created but as soon as it was attention would be paid to this possibility.

832.5151/332a : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, April 9, 1934—4 p. m.

36. The Department is in receipt of strongly conflicting information, both from official and private sources, as to the treatment accorded

⁵² George Nelson Peek, Special Adviser to the President on Foreign Trade and President of the Export-Import Bank.

American commerce under the Brazilian exchange control. As an example of divergence compare report of American Consul General at Rio No. 381 of March 15 with parts of special report No. 25 of Commercial Attaché of March 16.⁵³

Therefore though Embassy and Consul General have sent much comment and information on current trend from time to time, the Department feels serious need of comprehensive and thorough report on the whole subject drawing upon the official records. This report ought to enable the Government to weigh the whole question of equity in past treatment and to shape its future policy.

You are therefore instructed in cooperation with the Consul General to prepare a report giving among other matters the following:

(1) The amount of exchange made available to the Brazilian authorities during the last quarter of 1933 and the first quarter of 1934.

(2) The total amount of exchange allotted by the Brazilian control authorities during the same period divided by countries.

(3) The total amounts allotted during the same period, or such other period as the available material covers, according to the different purposes; for example, (a) payment for current imports, (b) unfreezing overdue trade obligations, (c) remittances by foreign-owned enterprises within Brazil, (d) payments on the bonded debt, (e) others.

(4) The situation regarding the frozen credits which were converted by agreement with the Council on Inter-American Relations, and the discharge of the Brazilian Government's obligations thereunder.

(5) The present situation regarding the reported "backlog" of payments for commercial transactions, including comments as to whether this is growing or declining. This should also indicate whether this "backlog" arises mainly from current imports or from other sources.

(6) The principles now being followed by the exchange control in allocating exchange.

(7) Existence of special exchange agreements between the Brazilian Government and other governments, including details of terms and of operations.

(8) Amount remitted by countries over past two years as service, including amortization, on coffee loans of various kinds.

(9) Recommendations on policies to be pursued by this Government.

You are requested to supplement the preceding by all other pertinent information which will enable the Department to appraise the whole question and to formulate policy.

It is realized that this extensive investigation may require time but you are requested to push forward with all possible expedition. The Brazilian delegation in Washington last year expressed willingness of their Government to furnish material of the type required and if necessary you are authorized to make formal request for such information. Please cable department a summary of results as soon as available.

⁵³ Neither printed.

Upon request Department of Commerce circular instruction being sent consuls at São Paulo, Porto Alegre, Pernambuco, Victoria and Bahía asking detailed report various phases existing exchange and remittance situation. Copy should go to Consulate General for incorporation in main report.

HULL

832.5151/343 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, April 24, 1934—6 p. m.

[Received 10 p. m.]

67. Department's 36, April 9, 4 p. m. Inquiries being actively pursued but have encountered much delay in securing information from Brazilian sources and in obtaining facts and views of American community. The same day the Department's telegram was received Consul General and I attended a meeting of the Directors of the American Chamber of Commerce and asked they take immediate steps to furnish me with full information as to present status of exchange question, together with recommendations based on their experience. Despite their direct interest they have only today agreed upon drafting of questionnaire to be sent to members. I find great divergence of opinion among Americans as to what should be done. I have, however, independently made a general canvas of American firms and am gathering considerable amount of information.

Brazilian authorities have repeatedly promised information which is not yet forthcoming.

Foregoing merely to reassure Department that matter is receiving attention of Consul General, Commercial Attaché and Embassy.

GIBSON

832.5151/364 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, May 26, 1934—midnight.

[Received May 27—3:56 a. m.]

102. Department's 36, April 6 [9], 4 p. m. I had expected to send full report on exchange situation by today's air service but in view of developments of last few days have been unable to complete it; it will go forward in next air mail.

In the meantime I had prepared a preliminary telegraphic report as called for in the Department's telegram but on submitting it to the Consul General he informs me that he disagrees with statement of

some of the essential facts and the conclusions and that he is in possession of evidence of discrimination against American interests and preferential treatment accorded other nationalities. I feel that in view of this I must withhold any comprehensive report until the Consul General's information can be considered.

In view, however, of the time which has elapsed since the Department called for this information, I feel that I should no longer delay in giving my own impression, which is shared by the Commercial Attaché, of the administration of foreign exchange control, tempered with a statement that the Consul General disagrees as above indicated, and subject to amendment in the light of his information.

After following situation closely for 10 months I believe that the new Exchange Director of the Bank of Brazil is making an honest effort to put exchange control on a businesslike basis. He has already taken several measures which meet complaints of American business interests, for instance from June 1st all drafts must be numbered to ensure chronological treatment and thus obviate favoritism. A further decree authorizes free trading in all exchange not derived from exports.

As regards the frequent charges of corruption, Dr. Souza Dantas has come out with a letter to a newspaper which has attacked the conduct of exchange control stating that he does not propose to tolerate corruption, discrimination or preference, that the records of the Bank are open to them and that he will take action on any evidence they can bring in as to improper activities by the Bank or its employees.

Pending consideration of the various possible solutions submitted in the written report, I propose, unless the Department directs otherwise, to go over the whole exchange problem informally with the Minister of Finance and the Exchange Director in the light of recent developments and stress to them the further improvement which would result if they could accelerate dollar remittances for current requirements, as the chief complaint now put forth is delay in receiving cash after maturity of drafts.

In this connection it would be helpful to have for my guide [*guidance?*] a list of complaints received by the Department.⁵⁴

The long delay in formulating report is due in large measure to the difficulty in securing from Americans here precise information as to their exchange experience and present status together with conflict of opinion as to course best calculated to improve situation.

GIBSON

⁵⁴ A list of complaints received by the Department was transmitted to the Ambassador in Brazil in Department's instruction No. 134, May 29, 1934, not printed.

832.5151/366 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, May 31, 1934—3 p. m.

[Received 5:11 p. m.]

106. Department's 36, April 9, 4 p. m. Air mail report on exchange control situation embodying joint views of Consul General, Commercial Attaché and myself going forward tomorrow.⁵⁵

We are agreed that knowledge here that our Government was making inquiry into this subject has had a distinctly helpful influence. While it is too early to pronounce judgment, there are hopeful indications of improved treatment of American interests. Minister of Finance and new Director of Exchange Control have been brought into direct contact with a series of groups chosen by the American Chamber of Commerce and while nothing specific has yet been agreed upon the Minister has recognized need for definite measures.

Mail report consummates a series of possible solutions indicating their advantages and disadvantages but, in view of what we hope may prove to be favorable developments, we are disposed to recommend concentration for the time being on possibilities of improvement through friendly agreement with a view to reducing the lag in furnishing exchange upon matters of drafts which would meet the most pressing complaint of American interests. Other adjustments will probably be possible through discussion here. It will probably take several months to judge the results of this course but in any event this would not prejudice such further action as may later be decided upon by the Department.

GIBSON

810.5151 Williams Mission/3 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, June 30, 1934—4 p. m.

74. The Department has studied with the greatest interest the report and recommendations prepared by the Embassy in regard to the operation of the Brazilian exchange control and its bearing on American trade. It believes the occasion favorable for developing through discussions with the Brazilian authorities an understanding which will protect and help to develop American trade.

With a view towards facilitating this outcome it has arranged with the Federal Reserve authorities that John H. Williams, Economist of the Federal Reserve Bank of New York and an expert in interna-

⁵⁵ Report not printed.

tional exchange matters, should pay a visit to Rio de Janeiro and other South American countries where similar problems confront us.

The pertinent portions of Mr. Williams' instruction are as follows:

"In each of these (designated) countries the American diplomatic and commercial missions will be instructed to assist you in obtaining the fullest possible understanding of all aspects of the exchange control situation, and to put you in touch with the local governmental authorities who are concerned in this matter. You in turn are instructed upon your arrival in each of these countries to put yourself at the disposition of the head of the mission for the purpose of assisting him in the consideration of the exchange control situations with which he has been dealing and for the purpose also of working out with him the major lines of policy immediately to be pursued by this Government. You will find that these missions have given very considerable thought to the subject and have kept themselves closely advised."

The Department has informed Mr. Williams fully of the course of developments and of the work done by you in the matter.

Mr. Williams sails on Steamship *Western Prince* which is due to arrive in Rio de Janeiro on July 13. He is accompanied by Mr. Donald R. Heath of the Division of Latin American Affairs of the Department.

The Department trusts that the despatch of this mission will indicate to the Brazilian governmental authorities the importance attached to it here. Please plan to take full advantage of the visit to try to work out satisfactory understanding with the Brazilian Government.

HULL

810.5151 Williams Mission/39

Mr. John H. Williams, on Special Mission to Certain South American Countries, to the Secretary of State

RIO DE JANEIRO, July 20, 1934.

[Received July 28.]

DEAR MR. SECRETARY: I have the honor to submit herewith a preliminary report on my study of the Brazilian exchange problem.⁵⁶ I have discussed this report with the Ambassador, and I am submitting it at this time upon his advice.

The final report will contain in addition a memorandum on the technical operation of the exchange control and a memorandum on the various complaints and reports regarding discrimination.⁵⁷

It is clear from my interviews with Dr. Aranha and Dr. Souza Dantas that the Brazilian Government is anxious to reach a satisfac-

⁵⁶ The preliminary report, with minor verbal changes, was incorporated in the final report printed on p. 393 (see pp. 401-406).

⁵⁷ Memoranda not printed.

tory settlement with the United States of the exchange problem, but that Dr. Aranha wishes to reserve the subject for discussion upon his arrival in Washington as Ambassador.⁵⁸ In the meantime this preliminary report may be of some service to the Department, in preparation for such discussion.

The memorandum of the American Chamber of Commerce, referred to on page 3, has been submitted by the Embassy as enclosure to despatch No. 329 of July 20, 1934.⁵⁹

Respectfully yours,

JOHN H. WILLIAMS

[Mr. Williams terminated his mission in Rio de Janeiro on July 23, 1934, and, with his party, departed for Montevideo, Uruguay, on the same day (810.5151 Williams Mission/44).]

832.24/89

The Ambassador in Brazil (Gibson) to the Secretary of State

No. 410

RIO DE JANEIRO, August 31, 1934.

[Received September 8.]

SIR: I have the honor to inform the Department concerning a series of contracts for armaments and equipment which were recently signed by the Ministry of War.

It is reported that the Ministry has signed contracts with armament firms in Czechoslovakia for approximately \$3,000,000 covering rifles, heavy armaments and shells. Another contract was signed with a concern in Sweden manufacturing the Matson machine gun for approximately \$2,000,000. Another contract was signed with manufacturers in Holland for Zeiss sighting equipment for approximately \$650,000. Concerns in Belgium and Germany received contracts amounting to approximately \$2,000,000 for material for a projectile factory and forging shop. But one contract was placed in the United States and that for about \$100,000 with Niles Machine Tool Company. It is understood that this contract is for precision machinery.

I have been informed that practically all of these contracts originally provided for part payment with the order, part payment before shipment and from 25% to 35% of the balance after inspection and acceptance in Brazil. The Minister of Finance, however, is said to have called in the representatives of various concerns with whom the contracts had been made and after pointing out that it was impos-

⁵⁸ Dr. Aranha arrived in the United States September 13, 1934, and was received by President Roosevelt on October 2. For correspondence regarding exchange discussions in connection with the negotiation of the reciprocal trade agreement, see pp. 549-578, *passim*.

⁵⁹ Not printed.

sible for the Government to make cash or immediate payments as prescribed, suggested that they accept the notes of the Bank of Brazil bearing interest at 4% and payable monthly over a period of seventy-two months. The suppliers objected to this on the grounds that its prices had been based on very definite terms and that in some cases the materials were already packed for shipment. The Minister then advised the factories' representatives that he would not sanction the transactions unless they accepted the Bank of Brazil's notes over a period of five years. It is understood, however, that the Czechoslovakian suppliers would be permitted to draw against accumulated Brazilian credits in Czechoslovakia for immediate payment up to the extent of those credits.

Shortly after receipt of the above mentioned information, a member of the Embassy staff called upon Dr. Marcos Souza Dantas, Exchange Director of the Bank of Brazil, and discussed in a friendly manner the question of the purchase of armaments in European countries in its relation to the exchange problem. Dr. Souza Dantas stated that within the last few years the Brazilian Government had been accumulating large credit balances in various European countries. He stated that these credits had been definitely blocked by the various governments and that really, for all practical purposes, they do not represent an available supply of exchange for the Bank of Brazil. He further stated that he had proposed to the American creditors of the Bank of Brazil the transference to their accounts of those European credits, but that his offer had been refused. He also stated that, of course, so far as he and the Minister of Finance were concerned, they looked upon such expenditures with great misgivings, but that this is a matter over which they have no control. He again pointed out that, in a measure, this was simply a means of liquidating Brazil's frozen assets in the countries in question.

While it is believed that the Brazilian Government has blocked credits in Czechoslovakia and Germany it is not known whether such credits exist in Sweden and Belgium.

One school of thought here believes that by using the blocked credits known to exist in Czechoslovakia which are sufficient to meet the requirements of the suppliers, the Brazilian Government is favoring nations which withhold remittances for Brazilian sales at the expense of countries such as the United States, which has followed a policy of free exchange movement.

In view of the fact that it appears to be the definite policy of the Department to discourage the purchase of armaments, I did not feel justified in using the Embassy's influence in an attempt to have some of the contracts in question placed in the United States. An expression of the Department's views on this subject would be of value to me.

Respectfully yours,

HUGH GIBSON

832.5151/428

The Ambassador in Brazil (Gibson) to the Secretary of State

No. 424

RIO DE JANEIRO, September 13, 1934.

[Received September 22.]

SIR: I have the honor to refer to my telegram No. 212 of September 11, 11 a. m.,⁶⁰ in which I transmitted a résumé of the new regulations concerning foreign exchange operations in this country. I am enclosing a translation of these regulations as issued by the Bank of Brazil, effective September 10, 1934.⁶⁰

It is of interest to note that this matter was presented before the Federal Foreign Trade Council at a meeting held on September 10, presided over by the President of Brazil. The draft of the regulations was presented by Dr. Souza Dantas, Exchange Director of the Bank of Brazil and had the approval of the Minister of Finance.

It places all products exported, with the exception of coffee, on the free list as far as the buying and selling of foreign exchange is concerned. With respect to coffee, at present world prices, approximately 83% of the value of export bills is retained by the Bank of Brazil and the exporter is allowed freely to negotiate the balance in the open market.

With respect to imports the Bank of Brazil will furnish 60% of the exchange required at the official rate and the importer is obliged to procure cover for the other 40% in the open market.

As pointed out in previous despatches, this move is in line with the Government's general policy of gradually breaking away from exchange control with the idea of eventually allowing complete freedom of buying and selling of foreign exchange.

The immediate reaction following the publication of the regulations in question was the strengthening of the milreis to a very substantial degree in the free market. On September 10, for example, the dollar was quoted at 14\$800 whereas on September 12, it was difficult to find buyers at 13\$800 to the dollar. It is believed that this sharp reaction is of a temporary nature, and it is thought that the dollar will react just as soon as importers are obliged to seek in the open market the 40% which they formerly received from the Bank of Brazil.

It would appear that the present regulations should greatly favor the increased exportation of Brazilian products. However, at the same time it will undoubtedly cause an increase in the cost of imported products and also it is likely to cause a general increase in the cost of living.

⁶⁰ Not printed.

I wish to call the Department's attention again to the fact that the President of Brazil presided over the meeting of the Federal Foreign Trade Council which sanctioned the regulations under review. In view of the fact that he has recently shown great interest in all matters pertaining to foreign trade, it is believed that he will take an active part in negotiating the commercial agreement between the United States and Brazil.⁶¹

Respectfully yours,

HUGH GIBSON

832.5151/429 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, September 20, 1934—5 p. m.

132. Your despatch No. 410, August 31, 1934. We are disturbed by this information, which was not furnished Williams by the Brazilian authorities. As you know, Williams was advised by them that Brazil now has no exchange agreements in force except the arrangement with France. We have had in mind a liberal policy in exchange matters towards Brazil, refraining from insisting on a preferential arrangement in order to assist Brazil to work towards a general solution of the problem and ultimate removal of control. The action reported in your 212, September 11, 11 a. m.,⁶² was encouraging and in line with Souza Dantas' policy explained to Williams of increasing the free market by making available there a percentage of the coffee bills.

However, the blocking of Brazilian credits by other Governments with Brazil consenting to use such credits only for the purchase of goods from the blocking country, even goods of doubtful necessity such as you describe, would retard Brazil's program of exchange liberation, would constitute discrimination against us and expose American exporters and creditors of Brazil to further delays in receiving exchange. Obviously under such circumstances it would be increasingly difficult for this Government to pursue the liberal policy in exchange matters with Brazil.

Before discussing the exchange situation with Aranha we should appreciate information by cable covering (a) What Governments are now blocking exchange from Brazilian sales and what percentage of such exchange are they blocking? (b) Is it expected that on completion of arrangements described in your despatch these particular countries will cease to block Brazilian credits? (c) We would welcome your comment on any phase of this question.

HULL.

⁶¹ For correspondence regarding the negotiation of the commercial agreement, see pp. 542 ff.

⁶² Not printed.

832.5151/430 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, September 25, 1934—3 p. m.

[Received 4:30 p. m.]

238. Department's 132, September 20, 5 p. m. Information submitted in my despatch 410 of August 31 calls for revision in the light of subsequent developments. First to answer Department's questions:

(a) The only countries having blocked Brazilian exchange, and this in its entirety are Greece, Rumania, Germany, Czechoslovakia, Yugoslavia, Turkey. I am informed that the aggregate amounts of blocked exchange approximate \$1,200,000.

(b) Not anticipated these countries will cease to block Brazilian credits on completion of purchases in question for reasons given in detail below.

In the interest of clarity it should be pointed out that this is not a measure affecting Brazil alone. These countries have as part of their national policy declared to all countries, and not to Brazil alone, that they have much foreign exchange and can buy from other nations only in their own currency. Brazil is there on exactly same footing as other countries as regards blocked exchange.

I am definitely assured that Brazil has no exchange arrangements, formal or informal, direct or indirect, with any of these countries; she is simply faced with a situation of fact and has not acquiesced in the arrangement any more than we have acquiesced in the blocking of American money in Brazil. Since she has no other choice Brazil is allowing credit balances to accumulate in the countries mentioned with the hope of liquidating them eventually. This is part of a carefully considered policy, based on the coffee problem. Brazil wishes to retain her markets in the countries which are now blocking exchange, where she has a definite outlet for substantial quantities of coffee. As matters now stand if the coffee is not taken up by those markets the National Coffee Department would be obliged to purchase and burn it, and therefore, quite aside from retaining future markets, it is felt more advantageous to have funds blocked in European banks than "to have coffee ashes in Brazil".

The total of the armaments contracts signed amounts to approximately \$6,000,000. With the exception of small amounts, payments will be spread over a period of 42 months. Eighty percent of the contracts is for machine guns from Denmark, a country which has not blocked exchange. Czechoslovakia gets 10 percent, with payment (one-half at sight and one-half in 6 months) from funds already blocked in that country; Germany 3 percent; the United States approximately 1½ percent; and France a smaller amount. (In this connection I am informed that, although these contracts were signed by

the Minister of War, objections have been raised and means found to reopen the question of machine guns involving 80 percent of the total, with the result that there are to be tests within the next few weeks in which American firms will compete.)

I am given definitely to understand that these purchases were decided upon by the Minister of War without any pressure from the countries where the materials are made.

While the Director of Exchange is frankly opposed to purchases of this character because they retard the execution of his plans, he maintains that an expenditure of \$6,000,000 spread over nearly 4 years for a country the size of Brazil with run-down military equipment cannot be looked upon as unreasonable. The authorities here recognize the diminishing sales from the United States to Brazil and deplore it, but they point out that it is due to higher prices and shorter terms of credit. England is prepared when necessary to grant 5 years; Germany 4½ years (50,000 pounds worth of industrial machinery was purchased by São Paulo company on that basis last month). In this connection Souza Dantas states that if he is successful in securing a revolving credit and clearing arrangement in the United States the problem created by the American method of giving only short-term credit will be solved, and that there will remain only the question of our competing upon a price basis. Souza Dantas contemplates an exchange arrangement with Germany, which will be discussed with the German economic mission which has just arrived from the Argentine. Brazil has taken no initiative in this matter, it being a German proposal. Germany had a favorable trade balance with Brazil of approximately 850,000 pounds last year. Souza Dantas maintains that Brazil can only gain in such an arrangement in that she will sell more coffee to Germany.

I venture to point out that Brazil has no exchange agreement with France, as might be inferred from the second sentence of the Department's telegram. The President of the Bank of Brazil, as reported in my despatch 290 of June 12th⁶³ offered in writing to set aside 30 percent of export bills, but inasmuch as France was already getting a larger proportion this proposal has not even been acknowledged.

I have ventured to give the foregoing in some detail as you propose to discuss the exchange situation with Aranha. He is better qualified than anybody to discuss the question inasmuch as he was largely instrumental in evolving the present situation. Furthermore, he is still in a position to act more effectively than anyone now in Brazil, either to influence the Minister of War in his purchases or the Minister of Finance in the handling of exchange problems.

GIBSON

⁶³ Not printed.

832.5151/430 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, October 1, 1934—5 p. m.

141. Your telegram No. 238 of September 25, 3 p. m. Department is extremely interested, and you may apprise the appropriate Brazilian authorities of its interest, in the negotiations for a special exchange arrangement, which you report Brazil contemplates making with Germany. Please keep the Department promptly and fully informed.

HULL

832.5151/404 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, October 2, 1934—6 p. m.

142. The estimates of our deferred credits in Brazil given in Williams' report transmitted with your despatch No. 331 of July 20 vary greatly.⁶⁴ It would be helpful in our discussions with Aranha if you would cable any estimate you can make at this time, presumably after consultation with Souza Dantas, of the amount of (1) American and (2) the total of all deferred credits in Brazil. Also please endeavor to ascertain (1) the sum total of American and all other applications for official exchange which have been approved by the Exchange Control and await allotments of official exchange; (2) an estimate of the amount of pending applications for which approval is expected later to be given; (3) the total amount of official exchange, after deducting that allocated for the various governmental needs, which was allotted during the past full year for private remittance to (a) the United States and (b) to all countries. Also please report whether there has been any lessening in the last 6 months of the delay with which official exchange has been made available.

It is the Department's understanding that, since the establishment of the free market, there are no funds whose transfer is absolutely prohibited and that the greater part of the present accumulation of deferred credits is represented by the backlog of funds awaiting and entitled to conversion at the official rate.

Is there also any accumulation of funds, such as interest on direct investments in Brazil, not entitled under the regulations to official exchange, which are held in Brazil for any reason, such as that an attempt to pass them rapidly through the free exchange market would result in too greatly depressing the exchange rate of the milreis?

HULL

⁶⁴ Despatch not printed; see footnote 56, p. 587.

832.5151/430 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, October 9, 1934—7 p. m.

152. Department's 141, October 1, 5:00 p. m. We will welcome any information available concerning Brazilian-German negotiations for special exchange arrangement. We very much hope that Brazil will undertake no commitment to Germany until we have had an opportunity to discuss the situation further with Aranha.

HULL

832.5151/439 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 10, 1934—4 p. m.

[Received 4:15 p. m.]

273. Department's 152, October 9, 7 p. m. Negotiations with German mission are entrusted to committee of three—the Minister for Foreign Affairs, the Director of the Commercial Section of the Foreign Office, and Souza Dantas.

I was informed yesterday by the Acting Minister for Foreign Affairs that Aranha had requested that commitments to Germany be deferred until he had had a further opportunity for discussion in Washington. This morning I took occasion to go into the matter fully with the Acting Minister for Foreign Affairs and Souza Dantas. The Minister informed me that the conversations with the Germans are merely in the nature of exploration and authorizes me to say that no commitment will be made to Germany until agreement is made with the United States.

GIBSON

832.5151/440 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 10, 1934—6 p. m.

[Received 8:10 p. m.]

274. My 273, October 10, 4 p. m. . . . the following information about the conversations with the German mission.

This mission first spent 2 months in the Argentine Republic and arrived in Brazil only last week. For the present, the Brazilian authorities are limiting themselves to receiving German suggestions toward facilitating commercial transactions. There is no plan under discussion for the conclusion of a commercial treaty but merely the establishment of a clearing arrangement to facilitate reciprocal payments. The German proposal is, in substance, that exports from

Brazil to Germany will be paid for in marks which will be credited to the Bank of Brazil in the Reichsbank. The Bank of Brazil will use these funds in paying for imports from Germany without obligation on either side regarding the movement of these transactions, which will be made exclusively by private initiative of the exporters and importers. The German mission contends that this procedure is necessary and that it is not open to objection in view of the fact that there is normally a close trade balance in business between the two countries.

In compliance with the request received from Aranha, the Brazilian authorities will not make any statement or commitment, as they desire first to await the development of Aranha's conversations.

The Government is fully alive to the importance of Brazilian-American commerce and will reach no decision with regard to Germany or any other country which might be prejudicial to Aranha's negotiations.

While there is no immediate intention of concluding a trade agreement with Germany it is considered urgent to dispose of the negotiations with the United States as a necessary preliminary to any further steps on the part of Brazil, as owing to the present difficult situation Brazil must find some way to assure the liquidation of her exports in those countries which are blocking exchange. In conclusion I was told definitely that no commitment would be made until Aranha had had an opportunity to conclude his negotiations in the United States.

GIBSON

832.5151/446 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, October 16, 1934—5 p. m.

[Received 8:10 p. m.]

284. Department's 142, October 2, 6 p. m. Souza Dantas has given me the following estimates but wishes it to be made clear that they are approximations only in view of the fact that statistics of this nature have never been compiled by the Bank of Brazil.

1. The total amount of American deferred credits in Brazil, including those covered by the Congelado Agreement of 1933, is given as \$15,000,000. This does not include special arrangements with the oil companies, General Electric Company, et cetera. An estimate from another source, including all deferred credits, is \$24,000,000.

2. The total of all other deferred credits in Brazil is \$36,000,000.

3. (a) The sum total of American applications for official exchange, which have been approved by the Exchange Control and are awaiting allotments of official exchange, is \$2,500,000; (b) all other applicants for official exchange, which have been approved by the Exchange Control and are awaiting allotments of official exchange, are \$40,000,000. The contrast between these figures is explained by the Bank as indicating that Americans are more nearly up-to-date than other nationalities.

4. Estimate of the amount of pending applications, for which approval is expected later to be given, is \$10,000,000.

Impossible to judge amounts allocated during past year for private remittances to the United States and all other countries.

There appears to be a lessening in the past 6 months of the delay with which official exchange has been made available, especially in the case of American firms. Since establishment of the free exchange there are no funds whose transfer is absolutely prohibited.

Souza Dantas has requested the large buyers of exchange to make remittances slowly in order to avoid depressing the exchange rate of the milreis. The buyers of exchange are complying with Souza Dantas' request and there has been no exodus of exchange. I have been reliably informed that within the past few months new European capital has been entering Brazil which has also been a factor in strengthening the milreis.

I have followed this question day by day since receiving the Department's 142 in an effort to assemble dependable figures. During this time I have received full cooperation from the Bank and am convinced of the soundness of Souza Dantas' statement that the Bank possesses no dependable statistical information. The foregoing should therefore be regarded as nothing more than a sketchy estimate.

GIBSON

832.5151/445 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, October 20, 1934—1 p. m.

157. The Consulate General's air mail despatch of October 5 entitled Brazilian-German Exchange Arrangement,⁶⁵ a copy of which appears to have been supplied to your Embassy, implies that a Press statement by the Federal Foreign Trade Council, apparently that enclosed with your No. 447 of the same date,⁶⁵ is an admission that imports from Germany receive exchange cover more promptly than those from the United States.

Please cable your comment.

PHILLIPS

832.5151/452 : Telegram

The Ambassador in Brazil (Gibson) to the Acting Secretary of State

RIO DE JANEIRO, October 22, 1934—6 p. m.

[Received 11:10 p. m.]

298. Department's 157, October 20, 1 p. m. On inquiry, I am informed that the Consulate General's air mail despatch referred to is

⁶⁵ Not printed.

based on inferences from a statement given to the press by the Federal Foreign Trade Council (enclosure to my despatch No. 447). I am told that the indication of \$7,000,000 as the amount involved was arrived at by calculation of the estimated value of 500,000 bags of coffee at present prices, but without considering the specific statement that not half of such amount had been shipped.

I have gone into this subject today with the Bank of Brazil, have examined the operation of remittances, the negotiations with the German mission, et cetera.

The following background may be of interest to the Department. Souza Dantas informed me today that in August the Bank of Brazil began to acquire marks which were being offered by coffee exporters in large lots. The Bank, noticing the increasing volume of these purchases, sought to learn how it was possible to sell coffee to Germany in view of the fact that coffee sales had been on a restricted quota basis during the early part of this year. He learned that Germany had opened a further special quota for coffee in the amount of approximately 25,000,000 German marks, which would be blocked and destined to the paymaster [*payment?*] of German exports to Brazil. In view of this declaration and in order not to take a dangerous exchange position the Bank of Brazil gradually applied about 20,000,000 to German frozen credits, which included collections dating from September 1933, leaving approximately 5,000,000. Cover is being liquidated in the proportion that the Bank of Brazil is receiving exchange resulting from coffee and other transactions. However, the Germans are refusing to apply this in Germany to blocked accounts. In other words, the drafts of the drawees here in Rio are being liquidated but the German drawers are still without cover and will have to wait until: (1) Germany resolves to accept the Bank of Brazil drafts against the blocked credits then [*there?*], or (2) until the Bank of Brazil actually receives the 25,000,000 marks. Up to the present time only 1,500,000 marks have been actually paid in Germany against collections, these dating from September 1933. Souza Dantas tells me that far from feeling that they are getting preferential treatment the German mission here is now protesting that the blocked credits in Germany instead of being used to finance current and future business as was intended by them are being applied by the Bank of Brazil exclusively to clearing up backlog dating from September, 1933. They have sought to persuade the Bank of Brazil to modify this course but I am informed that the Bank does not propose to do so under any circumstances.

It has been further made clear to the German mission that even when the backlog is brought up to date the furnishing of exchange for current and future needs will be dependent upon further purchases of coffee.

Souza Dantas' explanations appear to be confirmed by recent complaints made to me by the German Minister that he had been unable to get for German interests treatment as favorable as that accorded to Americans.

This would seem to indicate that no exchange for current needs is now being made automatically available for Germans.

GIBSON

832.5151/465a : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, December 4, 1934—1 p. m.

178. Associated Press despatch in *New York Times* this morning reads as follows: "The Banco do Brazil announced today that effective immediately it will not grant sterling exchange for imports from Great Britain and will grant only 46 percent of dollar exchange on imports from the United States." Please inform Department at once as to the truth if any there is in this report.

HULL

832.5151/465 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, December 4, 1934—6 p. m.

[Received 9:15 p. m.]

330. Following circular letter was last night sent by Exchange Control Office of the Bank of Brazil to all banks operating in this country.

"Taking into consideration that cover available at official rates arises exclusively from coffee exportation, the distribution of such cover shall be made in proportion to the contribution of every country in creating such cover.

Consequently the daily quotas allocated in cover of bills received for collections in foreign currencies shall be applied as follows as from December 10th next: 46 percent in payment of imports from United States, 13 percent France, 5 percent Holland, 5 percent Italy, 4 percent Sweden, 3 percent Switzerland, 3 percent Belgium, 2 percent Argentina, 1½ percent Denmark, 1½ percent Portugal. The remaining 15 percent shall be applied to the payment of importations proceeding from countries not mentioned above and shall be apportioned under the existing method for distribution of cover.

Importations originating from countries where Brazilian accounts are blocked may only be paid in the currency of those countries.

The numbering of requests for exchange shall be made as from the 10th of December separately for the importations of each country, that is by origin, the present classification by category being hereby abolished.

The banks may only use their daily quotas in conformity with the application tables indicated above."

Souza Dantas informed me that he estimated that in this manner the entire American backlog would be automatically liquidated within 1 year.

Department's 178, December 4, 1 p. m. received since foregoing was dictated [omission?] is answered thereby.

GORDON

832.5151/466 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, December 5, 1934—4 p. m.

[Received 4:19 p. m.]

331. My 330, December 4, 6 p. m. In conversation this morning Souza Dantas furnished the following estimated round figures: Brazilian official foreign exchange derived exclusively through its purchase of the percentage of coffee bills stipulated by decree on a total yearly exportation of 15 million bags, amounts to approximately 155 million dollars. Forty-five million dollars of that is applied to foreign debt payments. Forty-six percent of the remainder, which would be available to Brazilian importers of American goods, would thus total some 50 million dollars. This represents the 60 percent official exchange to which such Brazilian importers are entitled. See Embassy's 212, September 11, 11 a. m.⁶⁶

Dantas estimates yearly exports from the United States to Brazil at some 50 million dollars (which so far as I know, based on Department of Commerce figures for 1932 and 1933 exports, is a most liberal estimate) and 60 percent official exchange to which Brazilian importers of our goods would be entitled on this basis is thus 30 million dollars. There would therefore remain available for backlog 20 million dollars; consequently Dantas' estimate that the entire American backlog will be automatically liquidated within 1 year would seem justified.

This represents a measure so favorable to American interests that it is bound to bring immediate and severe attack from British and other sources. This has already been made evident in the last 24 hours. Brazilian authorities and in particular the Director of Exchange Control will need, and would certainly seem to be deserving of, support to resist the determined attacks which are sure to come. Would Department care to consider giving to the American press statements of gratification or approval of this voluntary Brazilian action and would it also consider formulating the general lines of some statement of similar nature which at the earliest moment possible I could give to the local press? In this latter connection I might state that the local

⁶⁶ Not printed.

press are already asking for Embassy comment but in view of the importance as well as the technicality of the matter I should like to have Department's reaction to this inquiry before speaking in more than general terms to local press representatives.

GORDON

832.5151/465 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, December 5, 1934—6 p. m.

179. Your 330, December 4, 6 p. m. For our guidance we would appreciate information regarding motives underlying issue of decree, as well as your comment in the matter.

We assume the arrangement for servicing external bonds remains undisturbed.

HULL

832.5151/467 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, December 6, 1934—4 p. m.

[Received 4:47 p. m.]

333. I assume my 331, December 5, 4 p. m. which crossed the Department's 179, December 5, 6 p. m., substantially answers the latter. I may add, however, that, as I understand it, it has for a long time been the aim of the Director of Exchange Control and other high Brazilian officials including the Minister of Finance to work towards a distribution of exchange which would not only be more in harmony with the practical equities of Brazil's foreign trade situation but also with what these same authorities consider Brazil's proper fundamental policy. There appears to have been a growing realization of the inequity of denoting so much of our dollar exchange to sterling requirements and a determination to put an end to it as soon as possible.

Your assumption as to the service of external bonds is correct.

GORDON

832.5151/466 : Telegram

The Secretary of State to the Chargé in Brazil (Gordon)

WASHINGTON, December 6, 1934—5 p. m.

180. Your 331, December 5, 4 p. m. In view of the Department's consistent stand for equality of treatment Department considers it inadvisable for you to give interviews or any comment on the new Brazilian exchange allocation system. It would, of course, be appro-

private in private conversations with Brazilian officials to express gratification for the friendship manifested by this act toward United States trade.

Please keep Department promptly informed by cable of developments in this situation. Is the new system to be regarded as a step in preparation of further relaxation and eventual removal of exchange control? Please endeavor to ascertain from Souza Dantas what are his plans in the above respect.

HULL

832.5151/468 : Telegram

The Chargé in Brazil (Gordon) to the Secretary of State

RIO DE JANEIRO, December 7, 1934—2 p. m.

[Received 3:55 p. m.]

334. Department's 180, December 6, 5 p. m. The new regulations are to be regarded as constituting a step in preparation of further relaxation and eventual removal of exchange control in the following sense: In full discussion this morning Souza Dantas stated to me that he expects the effect of these new regulations will be to clear up within a year the backlog of the United States and other countries buying more from Brazil than they sell to her; when this has been accomplished he hopes that greater and eventually complete relaxation of exchange control can be brought about in a comparatively short time for it should then be a relatively easy matter to clean up the backlog of countries who sell to Brazil more than they buy from her.

GORDON

EFFORTS TO SECURE EQUITABLE TREATMENT FOR AMERICAN CREDITORS IN THE SERVICING OF BRAZILIAN FEDERAL, STATE, AND MUNICIPAL DEBTS⁶⁷

832.51/849 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, January 2, 1934—6 p. m.

1. For Reuben Clark from the Executive Committee:⁶⁸

"The following is for your guidance in connection with the discussion of Debt Plan:⁶⁹

⁶⁷ Continued from *Foreign Relations*, 1933, vol. v, pp. 75-102.

⁶⁸ The Executive Committee of the Foreign Bondholders Protective Council, Inc. J. Reuben Clark, Jr., was a member of the Board of Directors of the Council; on February 26, 1934, he became Acting President of the Council and on May 8, 1934, the President.

⁶⁹ See *Foreign Relations*, 1933, vol. v, p. 77.

(1) We welcome the Brazilian Government's initiative in proposing a comprehensive Plan for servicing Brazilian national, state and municipal obligations. We desire that the Government obtain the maximum benefit from this initiative through the improvement of its credit here and hence assume that the Government will recognize the importance of allocating available exchange in a manner that both American and other bondholders will recognize as equitable.⁷⁰

(2) We have no facts which would justify us in suggesting any increase in the total amount of exchange to be presently made available under the Plan and do not propose [to] suggest an increase unless on the basis of your examination of the situation you feel that amount to be made available is less than could reasonably be asked of Government.

(3) The Council took up the consideration of the Brazilian Debt Plan immediately upon its organization 2 weeks ago and is prepared to carry through its examination of the Plan with the Government as rapidly as possible. The Council has, however, no specific authority from the bondholders to represent them and no power to accept legal responsibility for changes in carrying out existing contractual obligations. To the extent that such changes are made, the Government must assume the responsibility therefor.

(4) Our suggested modifications with reasons therefor and queries on the Plan are given below following order of the Plan itself:

(A) Grade I. We recognize the special position of funding loans but believe extraordinary amortization proposal is disproportionately favorable. We suggest that exchange amounting to 600,000 pounds which it was proposed to allocate to this purpose be specifically applied toward increasing service of bonds in Grades below IV.

(B) Do you concur necessity proposed payment 150,000,000 French francs before end of 1934 as we understand contemplated. We appreciate special character of this obligation in view of Hague award⁷¹ but this payment throws heavy burden on Government in near future.

(C) We recognize special conditions of coffee realization loan 1930 but in view of heavy sacrifices which Plan imposes on other bondholders, suggest possibility of making somewhat less exchange available for sinking fund than now proposed (for example, by retiring say 5 per cent. per annum of original principal amount through market purchases) and specifically applying as in (A) above amount of foreign exchange thus saved which on some such basis should be for next few years somewhere between \$1,000,000 and \$2,000,000 over saving proposed under Plan.

⁷⁰ For other correspondence regarding equitable treatment for American interests with respect to Brazilian exchange restrictions, see pp. 578 ff.

⁷¹ For text of judgment No. 15, July 12, 1929, in the case concerning the payment in gold of the Brazilian Federal loans issued in France, see The Hague, Permanent Court of International Justice, Series A, No. 21, *Collection of Judgments*, p. 91.

(D) Regarding Grades III and IV what is reason for the uninterupted allocation of foreign exchange during the past 2 years on the coffee institute loan? We note under table in Plan this loan would receive approximately as much foreign exchange in 1934 as all Grade VI loans combined, though our calculations don't check with service figure 244 given for this loan. Please verify. Institute loan apparently not a commodity secured loan but by taxes like a large number of other secured loans with much lower rating. Also is there any good reason for exceptional position accorded two other São Paulo loans through inclusion in Grade IV?

(E) We appreciate reasons for according national Government loans a privileged position although credit standing of national Government formerly no higher than that of certain states and municipalities. However, disparity of treatment between national loans and loans in Grades V and VI is very great, particularly taking into account recent favorable treatment of national loans under funding plan while other loans for the most part were receiving nothing for maturing coupons. Further, we question the fairness of such arbitrary grading of state and municipal bonds as that proposed. As an alternative we suggest that this feature of Plan be modified to give effect to the principle that all provincial and municipal borrowers whose default is due to failure to secure foreign exchange be classified alike and exchange allocated to them pro rata so long as they continue to deposit the full service in milreis. This would make one Grade of V and VI with one schedule of partial payments which schedule in view of foreign exchange reallocation suggested in A and C above should be at least equivalent for combined Grade to schedule now proposed for present Grade V.

We believe it unwise for us to attempt any comparison of relative merits of loans in Grades V and VI and consider only fair basis is to treat all such debtors who are willing and able to pay in local currency on the same basis as regards allocation available exchange. If any such debtor fails to make full deposit in milreis, this might constitute a logical basis for allocating less to such debtor but any amount of foreign exchange so saved should be applied under paragraph 6 of Plan as amended pursuant to (G) below.

(F) Important to clarify the situation regarding milreis deposits under paragraphs 4 and 5 of Plan. To permit proper functioning of proposal in (E) above desirable that milreis deposits be initially made in some central depository such as the Bank of Brazil and adequate information regarding such deposits and their eventual investment (to extent not transferred) be made available to respective fiscal agents for loans. Regarding investment of milreis and change suggested paragraph 1 in Ministry's reply to your memorandum⁷² we confirm importance of investment in productive works but believe desirable retain original idea that such investment be pursuant to agreement if it can be decided who together with depositing debtors could appropriately be the parties to such agreement. We fear value of milreis investment for bondholders will be lost in absence of more effective measures of control. We consider this at the same time one of the most important and as drafted one of the weakest and most inadequately defined features of the Plan. It is difficult to send fur-

⁷² Neither printed.

ther comments until we hear from you what you consider feasible in this regard after consultation with the Government. In this connection we have inadequate information as to present status of past milreis deposits for provincial and municipal loans and Plan apparently makes no provision regarding such deposits. Please advise on this point.

(G) Referring to point 2 of your memorandum and paragraph 6 of Plan, we consider that at least part of the further foreign exchange which may be set apart under Plan, should be applied to pro rata increase schedule of interest payments but we would not object to a part going toward the purchase of bonds in the market on some agreed basis as between amount allocated to current interest and to bond purchases.

(H) Proposal to cancel or defer matured coupons against October 1933 partial payments seems open to objection particularly in view of fact that there are deposited milreis against such back interest and if such coupons cancelled or deferred result would be to deprive coupon holders of any benefit from such deposits. Suggest possibility of stamping coupons with payments as made without cancelling or deferring unpaid portion either of matured or currently maturing coupons. Proposed outright cancellation would have unfavorable psychological effect although we appreciate that in view of the debt burden the prospect of any early realization on such unpaid portion of such coupons is problematical.

Effect of cancelling past coupons would be that many Grade VI bonds would then receive as of October 1933 an amount equal to approximately 2 per cent. of the face amount of five coupons matured since transfers stopped at end of 1931 whereas holders national Government loans are currently receiving for such coupons funding bonds with present market value of approximately fifty, thus giving a disparity of twenty-five to one as between value of payments these two types of loans during period covered by the five coupons. This disparity might be somewhat reduced if past matured coupons not cancelled and eventually a solution might be worked out for some partial satisfaction of these coupons out of milreis deposits already made in many instances against such coupons.

(5) Regarding general question of exchange control, we understand that figures regarding available foreign exchange are not divulged thus making it difficult for creditors' representatives to judge of actual situation and amounts available to service external debt. The Brazilian Government's initiative in preparing Plan indicates their desire to restore their credit and we feel that this effort might be helpfully supplemented by introducing some central exchange control commission which would make position public. We realize that this may necessitate administrative and possibly legislative changes which would require time but any indication in the Plan of Government's intention to effect some such arrangement would undoubtedly have very favorable effect.

(6) Suggest desirability of inserting in paragraph 7 that future review of debt situation would be carried out in consultation with

representatives of the principal creditor groups concerned. Council would desire to be consulted in the initial stages of any further readjustment of Brazilian debt situation.

(7) Your letter of November 25th with enclosures ⁷³ just received and considered in connection with this cable.

(8) Unless you are in disagreement with position we have taken on any of the foregoing points, please take up promptly with Minister after you have considered information available to you through Embassy. Please cable us Minister's reaction." [Executive Committee.]

PHILLIPS

832.51/850 : Telegram

The Ambassador in Brazil (Gibson) to the Acting Secretary of State

RIO DE JANEIRO, January 4, 1934—5 p. m.

[Received 10 p. m.]

2. For Executive Committee from Clark. Referring to Executive Committee telegram January 2, 6 p. m.

(1) Finance Minister resigned December 28th; rumored he will be reappointed shortly; Minister for Foreign Affairs also resigned.

(2) Referring to your paragraph (3), you will appreciate that my position as a negotiator is so attenuated and it may not be possible to carry on any effective negotiations. However, I understand and approve such position.

(3) To give more substance to Council's position and to negotiations here, I suggest following for consideration of the Council and Department of State: Could Department not support any arrangement reached here which had the prior endorsement of the Council and approval of the Department, such support to take the form of an assurance from the Department to the Brazilian Government that the Department would not support as against the Brazilian Government the claim of any bondholders which is based merely on dissatisfaction with such arrangement? Such an assurance from the Department would relieve Brazil from possible Department pressure on behalf of dissatisfied bondholders and at the same time destroy the substance of any objection that negotiations with us would be futile because wholly nonresponsible.

(4) Your paragraph number (4) (B). Hague award not before me but on assumption my understanding of award is correct—that award merely covered point of currency of payment (gold francs instead of paper francs)—it would seem bonds covered by award did not acquire from the award any priority nor any special sanctity save on the one point of service currency.

⁷³ Not printed.

(5) I shall see what, if anything, I can do and will keep the Council advised of developments. [Clark.]

GIBSON

832.51/851a : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, January 8, 1934—6 p. m.

4. Department assumes you are familiar with cables being interchanged between the Executive Committee of the Foreign Bondholders Protective Council and Reuben Clark.

Department is this afternoon transmitting to Clark the Executive Committee's reply to his long cable to them and in this interchange reference is made to the Department's possible attitude towards any plan worked out by the Council; but the Executive Committee in its cable to Clark today makes clear that the Department has not yet been consulted in connection with this reference.

Department has informed the Executive Committee that except in case of urgent necessity it thinks it wiser that hereafter it communicate with Clark directly rather than through the Embassy. This does not mean that the Department in any way disapproves what has or is taking place or that it wishes you to lessen the attention with which you have been following the situation. It seems advisable however in order to adhere to the original purpose of maintaining independence between the Council and the Government.

PHILLIPS

832.51/851b : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, January 8, 1934—7 p. m.

5. From Executive Committee for Clark:

"First. Number our long cable through Department 1 and straight cable number 2.⁷⁴ This cable number 3.

Second. Point (2) your cable of 4th. While legal position is as stated paragraph (3) our number 1, practical situation is that Brazilian Government would have real element of protection if it presented a plan which Council could join in describing as fair and reasonable under circumstances. Presumably there is no practical legal recourse for bondholders against Brazilian obligors which are public bodies. Hence what the Government needs to achieve through plan is not legal protection but program which will enhance its credit here and obviate friction with its large group of American bondholders.

⁷⁴ Telegram No. 2, January 6, 1:15 p. m., not printed.

Such friction would be almost inevitable if attempt made to impose a plan which Council viewed as discriminatory or inadequate. This should give you a real basis for negotiation. Further you can indicate orally that if plan is put through in its present form Council would be forced to state that this was done on sole responsibility of Brazilian Government and without Council's acquiescence.

Third. Your point (3), Embassy note and memorandum of November 4⁷⁵ indicates Department's view of plan as originally proposed. We are ascertaining whether Department willing to give some informal indication through Gibson that Department would not be disposed to raise objection to the plan if so modified as to meet Council's views. We have not yet had opportunity to go into this phase of the matter with the Department." (Signed) Executive Committee.

PHILLIPS

832.51/852 : Telegram

The Ambassador in Brazil (Gibson) to the Acting Secretary of State

RIO DE JANEIRO, January 9, 1934—3 p. m.

[Received 3:30 p. m.]

6. Department's 4, January 8, 6 p. m. Embassy has taken and is taking no part in Clark's negotiations which in fact have not yet begun owing to unsettled political situation which left no responsible Ministry to deal with. He has not requested Embassy's assistance except to transmit telegrams for account of Council of Bondholders (he having no codes) which seemed simplest and cheapest way for Embassy to keep the Department fully and currently advised of developments. Clark is keeping Embassy fully informed.

Clark is now preparing a telegram embodying his general conception of the problem as it presents itself. I feel it important that Bondholders Committee should have this and as it would obviously be unwise to send it in plain language I propose unless instructed to the contrary to forward it in code tomorrow.

GIBSON

832.51/854 : Telegram

The Ambassador in Brazil (Gibson) to the Acting Secretary of State

RIO DE JANEIRO, January 10, 1934—5 p. m.

[Received 7:25 p. m.]

7. From Clark for Executive Committee Bondholders Council:
Number 3, January 9, 1934. Your attention is invited to the following:

⁷⁵ See instruction No. 23, October 24, 1933, to the Ambassador in Brazil and the Ambassador's reply, telegram No. 109, November 8, 1933, *Foreign Relations*, 1933, vol. v, pp. 83 and 91.

1. Present Brazilian Government is nonconstitutional, though Constituent Assembly now in session here is reported to have sought to give it some sort of legal status; the Government maintained itself (according to the general opinion) in 1932, primarily because the Navy remained loyal, aided by large part of Army; generally accepted that continued existence of the Government is dependent upon loyalty of armed forces; the question of its self-preservation overshadows all other questions; signs of dissatisfaction in Government ranks reported; a Cabinet "crisis" has existed for several weeks and is not yet settled though seemingly nearing settlement; the Constituent Assembly, now redrafting the constitution, is reported as spending much time on extraneous matters and may be playing for time; every state now has a governor (interventor) appointed by the Central Government, all governors elected by the people, except one who died, having been displaced; there appear to be two opposing factions, one seeking the early reestablishment of constitutional government, the other favoring a military dictatorship of some sort. The best informed British and American observers express their belief that present political situation is most serious since the revolution and that anything may happen at any time. Nevertheless situation probably more stable than foregoing might suggest.

2. Statistics concerning revenue, budget and debt service are available there, but it should not be overlooked that this Government borrowed (in effect) in December 1932 from the Bank of Brazil 400,000 contos to balance budget for 1933.

3. The capital of the Bank of Brazil is 100,000 contos and it shows equal amount of reserves; the Brazilian Government is reported to own better than 70 percent of the total capital; as indicated the Government itself owes the bank 600,000 contos; in addition, large sums have been borrowed by local state governments from branches of the Bank in various states; by a decree recently promulgated, the Government has apparently absolved agriculturists from paying 50 percent of their secured indebtedness, and is issuing 500,000 contos of bonds with which to indemnify creditors; according to reports, the Government has bought considerable munitions, including airplanes; it is projecting the revamping of the Navy including the scrapping of old ships and the buying or building of new ones, and plans the completion of the modern fortification of Rio harbor. Satisfying Navy aspirations may be a political necessity.

[4.] While the trend of revenues is apparently upward the expenditures are also rising. Some think Brazil will soon be in the market for more money for foreign purchases—a possibly hopeful element to the point that she may really wish to arrange bond service. Excessive local needs, should they arise, could probably be met for a time with the printing press.

5. Meanwhile dissatisfaction among coffee growers is reported as increasing; they are a powerful financial and political element; but reports are that their dissatisfaction is more or less chronic.

6. On this showing with a revolutionary Government in a position where it may actually have to fight to live, or if not reaching this extremity, then still under the probable necessity of placating discordant and disgruntled elements in its own ranks by virtual gifts of public funds in large amounts, the practical present money value of any debt service plan is a question. That a plan now negotiated could have a bearing legal and moral (for good or for ill) on future adjustments seems certain.

7. Furthermore, in other countries constitutional governments succeeding nonconstitutional governments have repudiated the fiscal acts of the latter.

8. It is possible that these or similar considerations explain the failure of the British interests to try to push this present plan, for personally I feel (though the Embassy staff does not agree with me on this point) that the British could in view of our delay have brought this matter to a conclusion if they had really wished to do so.

9. It is probable that the most now possible is to secure modifications of the present plan along broad lines in some of the matters covered by the telegram of January 2d. The situation here is not a banking situation with a willing solvent creditor but a political situation with a necessitous insolvent creditor that is regarded by some to be a serious if not critical position. Technicalities of bond service and matters of liquidators' exchanges may not receive much consideration and despoiled, disgruntled bondholders have been endemic in Brazil for 50 years.

11. The foregoing suggests that the Council should not permit itself to be placed in the position of having to justify its existence by the successful outcome of these Brazilian negotiations.

Cost of telegram for account of Bondholders Council. [Clark.]

GIBSON

832.51/850 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, January 11, 1934—6 p. m.

6. Clark in cable No. 2 of January 4 raised the question of whether the Department would give assurance to the Brazilian Government that in the event any arrangement were reached at Rio which had the prior endorsement of the Council and the approval of the Department, support would be withheld for any claims of bondholders against

the Brazilian Government based merely on dissatisfaction with such arrangements.

Yesterday Pierre Jay, a member of the Executive Committee of the Council, consulted the Department regarding this matter. Mr. Jay was told that it seemed in the Department's judgment rather premature to enter into this phase of the situation now since it was completely hypothetical. It was explained to Mr. Jay that the Department was of course cognizant of the fact that the Council had been brought into existence in response to the initiative of various branches of the Government and that the Department had every intention of cooperating with it within proper limits as situations shape themselves.

It seems to the Department that the purpose which Clark had in mind would be served if you, when and as you believed it necessary or advisable, would give to the Brazilian Government assurances that the relations between the Council and this Government were excellent. You might explain the fact that the Council was itself a product of Government initiative and that the Council had undertaken to discuss the Brazilian debt situation with the Brazilian Government with the full knowledge and trust of the Department. In short, you may feel free, without committing the Department as regards any hypothetical situations that might arise, to make it clear to the Brazilian Government that the Council is a responsible agency for protecting the interests of American holders of Brazilian bonds.

PHILLIPS

832.51/874 : Telegram

The Executive Committee of the Foreign Bondholders Protective Council, Inc., to the Ambassador in Brazil (Gibson)

NEW YORK, [January] 22, [1934]—6:30 p. m.

5. For Reuben Clark: See point 4(c) our cable 1, January 2nd. American issue houses for coffee realization loan have made representations to us against suggested further reduction sinking fund and we feel facts they presented regarding special situation this loan deserve careful consideration. Would appreciate your views this point before final position taken.

See our cable 2.⁷⁶ Our calculations indicate service dollar loans computed under plan basis less than four dollars to pound. At present rate Government could purchase additional dollars without making available more exchange than proposed under plan which might be applied to improve position loans grades V and VI. Hence if exchange saving we originally proposed connection service coffee realization loan cannot be achieved possibly this could be made up by taking

⁷⁶ Telegram No. 2, January 6, 1:15 p. m., not printed.

account dollar depreciation. Would appreciate brief report progress your negotiations.

EX[ECUTIVE] COM[MITTEE]

832.51/860 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, January 23, 1934—1 p. m.

[Received 7: 50 p. m.]

13. For the information of the Department and for urgent transmission to Executive Committee of Bondholders Council, from Clark.

[No. 4.] References are to numbered telegrams from Committee to Clark and to the English text of the proposed decree as transmitted to the Department with the Embassy's No. 58, September 27, 1933.⁷⁷

1. I am assured Brazilian Government is preparing decree to be signed tomorrow by which proposed exchange service plan will be amended as follows:

2. Present grades V and VI consolidated into new grade V.

3. São Paulo loans in grades III and IV will be transferred to new grade V carrying with them their present proposed exchange allocations which are to be made available to all members of the new grade.

4. Service of new grade V to be in the same percentage amounts as the old grade V.

5. Proposed extraordinary exchange of 600,000 pounds sterling for 1931, 20-year refunding loan (No. 3, paragraph 4-A⁷⁸) increased to one million pounds sterling of which half is to go to the refunding loan and half to extraordinary service of members of grade V whose milreis deposits will enable them to purchase more than the regular prescribed percentage grade service. Opportunity to purchase is to be equally available to dollar, pounds sterling, and franc issues. This is intended primarily to care for the São Paulo and Maranhão loans, and without some such provision probably impossible to reduce grade of São Paulo loans or put Maranhão on equality with them. Best information here is that no other loans will have milreis deposits to do more than purchase the grade allotment, and that no other issue than Maranhão has any now existing milreis deposits in banks.

6. Amortization of grade II reduced and arranged as suggested in No. 3, paragraph 4-C, the saving to go to grade V.

⁷⁷ *Foreign Relations*, 1933, vol. v, p. 76.

⁷⁸ Reference not clear. There are no paragraphs 4-A and 4-C (see paragraph 6, *infra*) in the Executive Committee's telegram No. 3, as transmitted to the Ambassador in Brazil in the Department's telegram No. 5, January 8, 1934, 7 p. m., p. 607.

7. Changes in proposed decree (in addition to mere alterations to cover changes in grading and combining of grades as above outlined) are as follows:

(a) Last paragraph before the heading "Grades V, VI and VII" changed to read as follows:

"The Brazilian balance of payments has now been relieved [by the] liquidation of certain external obligations and having regard to the terms of 1931 funding scheme the Federal Government proposes to provide during the period of this plan an amount of not less than one million pounds sterling to be [applied] 50 percent to the redemption of 20-year funding bonds created under the funding plan of 1931 for [and the] remaining 50 percent of this exchange to be allocated with equality of treatment, among such sterling, franc and dollar issues, grouped in grade V, as have available milreis for its purchase, during the period of this plan. In consequence of the terms of this paragraph the milreis deposits in special accounts in respect of the service of the loans funded under the 1931 funding plan will be utilized by Federal Government for redemption of internal debt."

(b) Add to paragraph 4, "The Government will so far as possible secure the deposit of all milreis in the Bank of Brazil and will see that the Bank of Brazil or other depository bank shall notify the banks of the various loans, of the quarterly amounts of deposits, and how they are employed."

(c) Insert in paragraph 5, after the words "in existing internal obligations or", the words "in national productive works".

(d) Add to paragraph 6: "but no bonds shall be so purchased which are not being regularly served".

It was not possible to get partial assignment of this contemplated exchange to lower grades.

(e) Add to paragraph 7: "In such review the Government will consult, as it deems necessary or desirable, the representatives of all the principal creditors."

(f) Add to paragraph 8: "and the payments so made will be stamped upon the coupons", the unpaid or part-paid coupons are not to be surrendered.

8. The tables accompanying the decree will be changed in accordance with this plan.

9. The plan will appear as a Brazilian plan, all reference to Niemeyer being omitted.

[10.] The Rothschild representative here has strenuously opposed all changes covered by foregoing paragraphs 2 to 6 inclusive, also paragraph 7 (a), (c), (d), (e). I have reason to think changes agreed upon may be made without further consulting him.

11. With the exception of desired reduction (which I could not get) in the exchange allocation to the refunding loans and Hague Award, I believe the foregoing gives substantially everything we asked for

except an allocation of additional exchange (paragraph 6 of Plan) to the lower grades and in view of combining old grades V and VI and raising percentage of service of new grade V to percentages provided for all grade V, this point seems to have less importance. Furthermore, the most informed view I can get doubts that any considerable additional exchange will be available for the use specified in paragraph 6 of Plan.

12. Many i's might be dotted and t's crossed in a different way but I think these should be overlooked and the substance only considered.

13. When decree is issued in foregoing terms I shall call upon Minister of Finance and express appreciation of Brazil's high attitude in initiating this debt service and of the consideration shown toward supplying exchange for the non-Federal loans.

14. Bouças,⁷⁹ without whose willing aid any such adjustment as has been made in grading and services would have hardly been possible, leaves by airplane for the United States on Saturday. I bespeak for him every courtesy possible from the Council.

15. I shall leave by Munson Steamship Line February 1st.

16. Your 5 received today after foregoing written. I reached an understanding on foregoing basis on Sunday. I fear restricted [*suggesting*] modification now might jeopardize whole plan; furthermore, I have no doubt every dollar issue in class V would find equally cogent reasons for leaving matter stand as is. You are probably getting echoes of opposition of Rothschild representative here. [Clark.]

GIBSON

832.51/863: Telegram

The Executive Committee of the Foreign Bondholders Protective Council, Inc., to the Ambassador in Brazil (Gibson)

[NEW YORK,] January 24, 1934—[9:17 p. m.]

6. For Reuben Clark: Your cable January 23rd. Extremely gratified results you have achieved which we feel constitute material improvement from bondholders' viewpoint.

First: Paragraphs 5 and 6. In view of oversight on our part in not consulting interests responsible for Coffee Realization Loan here regarding our proposal to reduce sinking fund and view reasonableness of representations they have made to us, we are most anxious to revert to original proposal under Plan regarding amortization this loan even if this required some reduction of £1,000,000 fund. View retention £500,000 for special amortization refunding loans sacrifice now proposed for Coffee Loan seems out of proportion that provided for refunding loan and retention original proposal for Coffee Loan

⁷⁹ Valentim Bouças, Secretary of the Commission To Study the Economic and Financial Condition of the Brazilian States and Municipalities.

would help equalize this situation. If this impossible suggest at least that sinking fund for Coffee Loan be left in alternative form, that is, minimum sinking fund of 5% of Loan as now proposed or maximum sinking fund as originally proposed of half regular sinking fund to the extent that exchange available for the additional amount.

Second: Sub-paragraph 7 (d). What is meaning of "regularly served"? Does this mean further foreign exchange would be applicable only to bonds on which full service paid, namely only funding bonds? Believe latitude permitted under original paragraph 6 of Plan preferable but if this not possible suggest that at least further exchange be applicable Grade II as well as Grade I.

Third: For Government to obtain full benefit of Plan, desirable that publication be made here promptly after decree signed rather than permit Plan to leak out through partial press reports from Rio or London. Will publicity be held up until arrival Boucas with whom we will gladly cooperate? Are we free advise interested banking groups here of results achieved?

EX[ECUTIVE] COM[MITTEE]

832.51/861 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, January 25, 1934—1 p. m.

[Received 5:10 p. m.]

14. For the Executive Committee of Bondholders Council from Clark:

No. 5, January 25, 1934. Replying to the Executive Committee's No. 6.

1. Paragraph 1, my No. 4. I said I was "assured" of preparation of decree as summarized in my cable; apparently earlier draft decree is now completely redrafted. I will advise of its terms as soon as I definitely learn them. The changes in grading and service appear still to be left as reported in my number 4 though I am not sure about one million-pound extra amortization fund.

2. Reference to realization loan. If Executive Committee definitely instructs me to endeavor to secure modified form, I will, of course, follow instructions, but the responsibility is theirs, not mine.

3. Before they give such instructions I desire they carefully consider following points:

(a) This loan is now disproportionately favored by its grading; it properly belongs in grade V.

(b) No purely dollar loan approaches it in preferential treatment, with its 100 percent interest and partial amortization, though at least one dollar loan, the Maranhão, is at present in a position to be as fully served as the realization loan.

(c) The whole plan as originally drawn was rigged to favor unduly sterling loans "and franc" or loans in which there were large sterling interests.

(d) We have accepted, properly I think, basis of classification as between Federal and non-Federal loans; we can justify this to American bondholders. But I do not see how we can justify to great bulk of American bondholders the preference proposed for this realization loan. In this connection, someone will ask whether these bonds are widely distributed or closely held by issuing houses and banks. The answer will mean much to the bondholding public.

(e) If I shall have accomplished anything here when I get through, it will be only because I have based my arguments on the equities of the situation and the disproportionately favorable treatment given to some loans. This argument all but destroyed if we begin to play favorites.

4. Your paragraph second. The words are "regularly served", not "fully served". However, in revised draft decree which I have seen, paragraphs 4 to 9 inclusive are omitted.

5. Will attempt to arrange for publicity as you suggest.

6. As soon as I can get permission for publicity I will advise.

7. Apparently the Brazilian Government is now making its own decision on the whole question, disregarding both British and our representations where they think their interests better served thereby.

8. As your cables are in clear, it is reasonable to assume they have them available. Of course, one has no right to expect, under normal circumstances, that negotiations under such conditions can succeed. It seems to me the Department of State should be willing, we having no code, to assist us by permitting the use of their codes. [Clark.]

GIBSON

832.51/862 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, January 25, 1934—6 p. m.

[Received 7:43 p. m.]

15. In amplification of my No. 6, January 9, 3 p. m., transmitting message for Clark to Bondholders Council.⁸⁰

I have not participated in or had any connection with Clark's negotiations, but he has kept me fully advised.

To date he has had a measure of success which far exceeded our hopes and there was every prospect that a decree granting the essentials of what we desired would be signed by the President today in spite of pressure being applied by influential British banking interests.

However, the situation has been thoroughly messed up to the detri-

⁸⁰ The message was actually transmitted in telegram No. 7, January 10, 5 p. m., from the Ambassador in Brazil, p. 608.

ment of our interests by the receipt by Clark of a telegram in plain language from the Bondholders Committee⁸¹ proposing radical changes not in harmony with original instructions, on soundness of which Clark's success has thus far been based.

In view of the fact that this negotiation involves the most important American interests in Brazil, I feel impelled to inject myself into the situation to the extent of pointing out that under the existing censorship telegrams of this character in clear language go directly to the Government officials with whom Clark is negotiating, and presumably also into the hands of the British banking representatives who are doing their best to prevent signature of decree.

If Bondholders Council's views can be conveyed confidentially through the Embassy to Clark he may still secure signature in spite of the blunder which has been committed but if this sort of instructions continue to arrive in plain language undermining Clark's position with the Brazilian negotiators, there is little prospect of successful conclusion of negotiations.

GIBSON

832.51/861 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, January 26, 1934—7 p. m.

11. For Reuben Clark.

"7. First. We defer to your judgment regarding realization loan.

Second. Aside from special circumstances indicated our 6, our suggestion therein was based on consideration of security back of this loan and fact that it was recently issued to meet critical conditions in Brazilian coffee and exchange situation. These factors led us to conclusion expressed in our 6, paragraph first.

Third. We fully appreciate difficulties you have had to face in working out adjustment outlined in your No. 4 and we assume from your cable that suggestion of further changes at this time would be futile and possibly harmful to results already achieved. Ex[ecutive] Com[mittee]."

HULL

832.51/862 : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, January 27, 1934—4 p. m.

13. Your No. 15, January 25, 6 p. m. Cable from Executive Committee of Council to Clark to which you refer was sent without knowledge of the Department or discussion with it.

HULL

⁸¹ See telegram No. 6, January 24, 9 : 17 p. m., to the Ambassador in Brazil, p. 614.

832.51/865a : Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, January 31, 1934—6 p. m.

14. For Reuben Clark from the Executive [Committee of] Council: No. 8. Kindly advise status proposed decree. Are you sailing February 1 as planned?

For Gibson: In event Clark's departure before arrival this cable can you inform Council through Department regarding preceding?

HULL

832.51/866 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, February 1, 1934—1 p. m.

[Received February 1—12:30 p. m.]

23. Clark sailing this afternoon on *Western World*.

My 15, January 25, 6 p. m. Yesterday afternoon final text of decree submitted to President by Finance Minister in Clark's presence. President gave Clark definite assurances that he would sign decree without alteration today as soon as it could be furnished him in form for signature. Clark has today received from Finance Minister an initialed copy which he is told he may consider official.

Full telegraphic report being prepared but in the meantime request Executive Committee be informed.

Clark has achieved a remarkable measure of success against strong opposition.

GIBSON

832.51/867 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, February 1, 1934—6 p. m.

[Received 10:27 p. m.]

24. For information of Department and for transmission to Executive Committee, from Clark:

His No. 6. 1. Wednesday afternoon Finance Minister and myself saw President who told me he had read and approved Minister's whole plan and would sign it as soon as prepared for signature. I have copy of plan initialed by Finance Minister.

2. The documents comprising plan are three: (a) formal decree of President putting the plan in operation; (b) an "announcement made by the Federal Government of Brazil"; (c) schedules showing assignment of bonds to grades and the exchange assigned to each grade.

Documents (*b*) and (*c*) are those transmitted to the Department with the Embassy's No. 58, September 27, 1933,⁸² with changes noted below:

3. Referring to my telegram No. 4, January 23, 1 p. m., paragraph 10, and my No. 5, paragraphs 1, 7, and 8, British and French opposition and pressure have been increasingly stiff; the British were represented by Sir Henry Lynch, a lifelong resident of Brazil; Niemeyer himself wired he saw "neither equity nor good sense" in the "various theories advanced by the Americans". (I hope I have not disgraced the Council); he added "I do not know why Mr. Clark should not get his instructions revised at once"; British reported as expressing frank resentment that Brazilians are dealing with us at all; much apparently made about our being false bankers, not to be relied upon in a pinch as the British are, et cetera. Result is that some modifications have been made in the plan as reported in my No. 4.

The following is plan as now approved by the President, the changes noted being alterations in the "announcement" and schedules transmitted with the Embassy's No. 58, September 27, 1933. (See also my No. 4.)

4. First, as to the schedules:

(*a*) Grade I stands, except as to item of £1,000,000 for extraordinary service as to which see paragraph 5-(*c*) and (*h*) hereof;

(*b*) Grade II stands, modified as set forth in my No. 4, paragraph 6;

(*c*) Grade III stands except that Coffee Institute loan has been taken from grade III and made into a grade V of which it is sole member with a percentage service for the 4 years respectively of 22[$\frac{1}{2}$]-25-[27]-37 $\frac{1}{2}$. I told the Minister this was still disproportionately favorable treatment of the Institute loan and subject to all the objection I had previously made, that I could not approve it, but that the decision was for him to make.

(*d*) Grade IV stands except that both São Paulo loans go to old grade V now numbered grade VI.

(*e*) Grade V, new grade for Institute loan; see paragraph (*c*) above.

(*f*) Grade VI (formerly grade V) stands with addition of São Paulo loans (paragraph (*d*) above), and of Rio Grande do Sul 7 percent dollar loan of 1927 up from old grade VI.

(*g*) Grade VII (formerly grade VI) stands except that percentage service has been changed for the 14 to 17 $\frac{1}{2}$ -20-23 $\frac{1}{2}$ -32 $\frac{1}{2}$. I assume reduction here from equivalency with former grade V is to furnish extra exchange for new grade V—Coffee Institute. This does not fully meet but closely approaches suggestion in your No. 1, paragraph 4 (E), last sentence of first paragraph, is only 2.5 points per year under grade VI, embodying almost double that originally proposed for old grade VI.

(*h*) Grade VIII, former grade VII, stands except as to issue moved up as noted in paragraph (*f*) above.

⁸² *Foreign Relations*, 1933, vol. v, p. 76.

5. Second, as to the "announcement" part of the decree (see document of that title in Embassy's No. 58). This is substantially same as document of No. 58 except that material has been somewhat rearranged and except as noted below;

(a) No mention of Niemeyer.

(b) Service begins April 1934, ends March 1938.

(c) Grade II, instead of 5 percent of principal amount, the amortization specified at £1,000,000 per year, for bonds "at or below par or by drawing at par".

(d) Under headings grade III and IV, the French bonds to be served in gold under Hague Award are named. (I am told negotiations were delayed while they agreed with France on this point.)

Third paragraph under this heading—interest payable under funding scheme until October 1934.

(e) My No. 4, paragraph 7 (a), that material now divided into two parts. First part, left in same position as in Embassy's 58, reads as follows except as to last sentence which remains as in original:

"The Brazilian balance of payments has now been relieved by the liquidation of certain external obligations and having regard to the terms of the 1931 funding scheme, the Federal Government proposes if possible to provide during the period of this plan an amount of not less than £600,000 to be applied to the redemption of 20-year funding bonds created under the funding plan of 1931."

(f) Grade V, new, reads: Grade "will consist of the specially secured state of São Paulo Coffee Institute 7½ percent loan. Sinking fund in respect of this loan will not be transferred for the period of this plan, but foreign exchange will be held available for partial interest payments".

(g) New heading, "grades VI, VII, and VIII" (old heading grades V, VI, and VII). New grade VIII (old grade VII) "will be the subject of a special study".

(h) Second part of material referred to in sub-paragraph (e) above, inserted under heading "Grades VI, VII, and VIII" and reads as follows: "The Federal Government further proposes if possible to provide during the period of this plan an amount of not less than £400,000 sterling to be applied through their fiscal agents in London to the reduction by purchase below par of bonds included in grades V, VI, and VII of this plan". The British edged in a bit here. It is my understanding bonds so purchased are also to be fully served under this plan.

(i) Addition noted to paragraph 4 in my No. 4, paragraph 7 (b) now added to paragraph 5 of "announcement" and reads "will be deposited in special accounts with the Banco do Brasil on other depository banks, which will notify the issuing houses or fiscal agents of the quarterly amounts of bonds and how the surplus bonds are employed".

(j) My No. 4, paragraph 7 (c), provision now reads: "In existing internal obligations or in national productive work or as may be otherwise agreed".

[(k)] Final clause of paragraph 5 reads: "The provisions of this clause will not apply to loans the service of which is secured by the

actual deposit with trustees of the proceeds of specific hypothecated taxes". (This is said to cover some bonds other than Maranhão.)

(*l*) My No. 4, paragraph 7(*d*), add words "under this plan" at end of paragraph 6 of "announcement".

Bonds paragraph 8 of "announcement" (this paragraph originally drawn by Lynch I am told) is now amended to read as follows: "Whenever an interest payment whether partial or in full, is made on a coupon under the plan it will be made in full payment of the coupons then due, for the past due coupons (if any) will be the last to be paid on the bonds, or will be held for future adjustment".

I was unable to retain the provision embodied in the wording of my No. 4, paragraph 7(*f*); but the foregoing stipulation seems to meet suggestion of your No. 1, paragraph 4(*H*), last sentence.

(*m*) A new paragraph 9 has been added reading as follows:

"9. (First paragraph as in Embassy's No. 58.) The percentages mentioned in the schedule are percentages of the face value of the coupons concerned in the currency in which the nominal amount of the bond is expressed, the option held by certain bondholders to demand payment in alternative currency at a fixed rate of exchange being temporarily withdrawn.

Thus payments in respect of sterling franc and dollar bonds will be made in and based on these currencies respectively.

All sterling payments will be calculated on the sterling value of coupons and paid in sterling currency.

All franc payments will be calculated on the franc face value of coupons and paid in franc currency, except in the case of those franc loans specially mentioned under grades III and IV in paragraph 3 above as being on a gold basis. In the case of these loans payment, although made in currency francs, will be calculated on the basis of three currency francs per one franc nominal as expressed on the coupons.

All dollar payments will be calculated on the dollar face value of the coupons and paid in dollars in accordance with the American legislation.

Owing to the uncertainties of the world currency position these provisions are necessary in order to enable the funds to be accumulated in the currencies in which payment is to be made."

The Minister states the second paragraph of foregoing (about suspending option) was always part of plan and was suggested by Niemeyer. (This, however, is its first appearance); provisions about francs suggested by French; the sixth paragraph as originally drawn mentioned only dollars, on my objection it was amended to include sterling and francs. To my objection that if the dollar depreciated farther, we would suffer in comparison with sterling, the Minister made and intimated some rather obvious observations.

6. Referring to my No. 2, paragraph numbers 2 and 3, President raised question my authority and full powers to deal for bondholders in my first interview with him on January 10, but no other mention of the matter has been made by Brazilians; Niemeyer called attention to situation in his cable referred to in paragraph 3 hereof.

7. In my good-bye interview with the President Wednesday I thanked them for their consideration and fairness, though noting my nonapproval of Coffee Institute position with the resulting effect on new grade VII.

8. If Council feels it could express a word of appreciation direct to Minister Aranha it would be most valuable to future relations. The Government has given us what we have in face of great British and French pressure, and in a situation getting more difficult and complex all the time. Incidentally it involved a close personal friendship between the Minister and Lynch.

9. Full text of decree and arrangement will be cabled to Brazilian Embassy in Washington, and press men here will be so told after it has gone forward. It would be most helpful to general situation if any favorable news comment about Brazil's attitude initiating a plan for debt service in these times and in revising in our favor a plan virtually already settled, removing disproportionately favorable treatment and increasing our service, could be sent here by news agencies.

10. While the Embassy here has had nothing to do with actual negotiations, yet from the Ambassador down they have been most helpful in giving advice and helping me to keep informed of a shifting political situation. Mr. Albert Browne, the Ambassador's secretary, has helped me as a secretary and Mr. Xanthaky of the Embassy staff as an interpreter and as news gatherer, for he understands the language perfectly, has unusually numerous contacts in high places, and enjoys the confidence of those who know him.

11. As a part of adjustment, the Minister has promised me, and confirmed it Wednesday before the President, that he will furnish Ulen Company with immediate exchange for the full accumulated milreis deposit on his Maranhão loan. My information is that no other loan has now on deposit any milreis for service (see my No. 4, paragraph 5).

I am sailing February 1st *Western World*. Please notify Ivor Sharp, Exchange 3-9700, Extension 5815. And please do not overlook on No. 4, paragraph 14. [Clark.]

GIBSON

832.51/867: Telegram

The Secretary of State to the Ambassador in Brazil (Gibson)

WASHINGTON, February 2, 1934—3 p. m.

15. Your 24, February 1, 6 p. m. Council eager arrange satisfactory publicity regarding debt arrangement. Will you therefore try to get

in advance advice as to date when Brazilian Government is going to publish official plan so that Council may give out suitable announcement on the same day.

HULL

832.51/868 : Telegram

The Ambassador in Brazil (Gibson) to the Secretary of State

RIO DE JANEIRO, February 3, 1934—11 a. m.
[Received 3:20 p. m.]

25. Department's 15, February 2, 3 p. m. The Minister of Finance states that the decree embodying debt plan will be signed Monday February 5th, and be published in the local papers the following day.⁸³ Text of decree will be telegraphed to Brazilian Embassy and may be obtained there.

GIBSON

AGREEMENT BETWEEN THE UNITED STATES AND BRAZIL FOR A MILITARY MISSION TO BRAZIL, SIGNED MAY 10, 1934, AND SUPPLEMENTARY AGREEMENT BY EXCHANGE OF NOTES

832.20/64

The Brazilian Embassy to the Department of State

MEMORANDUM

[Translation]

The Brazilian Government would be very grateful if the Government of the United States of America would be good enough to designate two of its Army officers, specialists in coast artillery, to serve as instructors in the Brazilian Army Center of Instruction. One of these officers should possess special knowledge in the subject of fire tactics and the other in the subject of tactical organization. With regard to the respective remuneration, the Brazilian Government suggests that the terms for the American officers contracted for the service of the Brazilian Navy⁸⁴ serve as a basis for the same.

WASHINGTON, December 11, 1933.

⁸³ For text of decree No. 23829, February 5, 1934, see *Diario Oficial*, February 7, 1934, p. 2639.

⁸⁴ Contract signed June 25, 1932, not printed. It provided for a small naval mission composed of two officers and one chief petty officer of the United States Navy to assist in the work of instruction at the Brazilian War College (Department of State, *Press Releases*, June 25, 1932, p. 597).

832.20/69

*Memorandum by the Chief of the Division of Latin American
Affairs (Wilson)*

[WASHINGTON,] January 18, 1934.

The Brazilian Ambassador came in this morning to inquire regarding his Government's request for a military mission of two army officers from this Government to develop Brazil's Coast Artillery Service.

I told the Ambassador that the War Department was agreeable to this request; however, the Department had not yet selected the officers. As soon as it had done so we would take the matter up with the President.

The Ambassador said that he had cabled his Government requesting a form of contract to submit to the officers. This was the procedure followed in the case of the naval mission.

EDWIN C. WILSON

832.20/72

The Secretary of War (Dern) to the Secretary of State

WASHINGTON, April 9, 1934.

DEAR MR. SECRETARY: Your letter of March 22, 1934,⁸⁵ enclosing a draft of a proposed contract between the United States of America and Brazil for the services of two Army officers, is acknowledged.

The contract has been carefully studied and a re-draft is enclosed.⁸⁶ One major change is included, i. e., to make the term of the contract uniform throughout the document. This was not the case in the Brazilian draft.

The enclosed re-draft includes the original wording of the Brazilian draft as well as the proposed changes and additions, the words replaced or omitted are lined out as follows—~~words~~—the substitutions or additions are underlined as—letters. It is the opinion of the War Department that the changes made in the contract should be approved.

The officers who will compose the mission are:

Lieut. Colonel Rodney H. Smith, C.A.C.
Captain William D. Hohenthal, C.A.C.

It appears to be the desire of the Brazilian Government that the mission arrive in Brazil as soon as practicable. To that end it is

⁸⁵ Not printed.

⁸⁶ Enclosure not printed. The redrafted text was signed on May 10, 1934, without change.

requested that every effort be made to secure prompt signature of the contract as amended.

Sincerely yours,

GEO. H. DERN

832.20/74

The Secretary of State to the Brazilian Ambassador (Lima e Silva)

WASHINGTON, May 8, 1934.

EXCELLENCY: With reference to Your Excellency's note No. 24 of March 13, 1934,⁸⁷ transmitting a draft of a contract providing for a military mission to Brazil, and to various conversations on this subject held in the Department of State, I have the honor to inform you that in compliance with the request contained in Your Excellency's memorandum of December 11, 1933, the Secretary of War has designated, subject to the approval of Your Excellency's Government, Lieutenant Colonel Rodney H. Smith, C. A. C., and Captain William D. Hohenthal, C. A. C., to serve on this mission.

Accept [etc.]

For the Secretary of State:
WILLIAM PHILLIPS

Executive Agreement Series No. 64

*Agreement Between the Governments of the United States of America and the United States of Brazil Providing for a Military Mission to Brazil, Signed May 10, 1934*⁸⁸

In conformity with the request made on December 11, 1933, by the Brazilian Ambassador at Washington to the Secretary of State of the United States of America, the President of the United States of America, by virtue of the authority conferred by the Act of Congress, approved May 19, 1926,⁸⁹ entitled "an Act to authorize the President to detail officers and enlisted men of the United States Army, Navy, and Marine Corps to assist the Governments of the Latin American Republics in military and naval matters", has authorized the detail of officers constituting a Military Mission to Brazil, upon the following agreed conditions:

TITLE I

PURPOSE AND DURATION

ARTICLE 1. The purpose of the Mission is to cooperate with the General Staff, Office of the Chief of Coast Defense and the officers of the Brazilian Army in the development and functioning of the Coast

⁸⁷ Not printed.

⁸⁸ Signed in English and Portuguese; Portuguese text not printed.

⁸⁹ 44 Stat. 565.

Artillery Instruction Center, to superintend the courses and assist in the instruction.

ARTICLE 2. This Mission shall continue for two years from the date of the signing of this agreement by the accredited representatives of the Governments of the United States of America and of the United States of Brazil.

ARTICLE 3. If the Government of Brazil should desire that the service of the Mission should be extended, in whole or in part, beyond the period stipulated, a proposal to that effect must be made six months before the expiration of this agreement.

ARTICLE 4. If it should be necessary, in the interest of either one of the two Governments, that the present contract or its extension be terminated before the time specified, the Government so desiring must give notice to the other three months in advance.

ARTICLE 5. It is herein stipulated and agreed that while the Mission shall be in operation under this agreement, or under an extension thereof, the Government of Brazil will not engage the services of any Mission or personnel of any other foreign government for the duties and purposes contemplated by this agreement.

TITLE II

COMPOSITION AND PERSONNEL

ARTICLE 6. The Mission will be composed of two officers of the Coast Artillery Arm of the Army of the United States of America, a Lieutenant Colonel and a Major or a Captain, who have specialized in coast artillery, one in the technique of firing and the other in tactical organization, preferably officers who have had active service or officers experienced in teaching, so that they may serve as instructors at the Army Center of Coast Artillery Instruction at Rio de Janeiro.

ARTICLE 7. Any additions to the personnel of the Mission that may be considered advisable or necessary shall be considered as an addendum to this agreement.

TITLE III

DUTIES, RANK AND PRECEDENCE

ARTICLE 8. The members of the Mission shall be responsible solely to the Brazilian Ministry of War through the senior member of the Mission, and shall act as technical advisers to the Chief of the General Staff and Chief of Coast Defense for the questions of organization and instruction in the matters pertaining to the specialty.

ARTICLE 9. It shall be the duty of the members of the Mission, under the direction of the senior member, to advise the Director of the Center of Coast Artillery Instruction and to cooperate with him in all matters pertaining to the same, prescribing the courses and assisting in the instruction.

ARTICLE 10. In case of war between Brazil and any other nation, the Mission shall terminate. In case of civil war no member of the Mission shall take part in the operations in any respect.

ARTICLE 11. The members of the Mission shall retain the rank which they held in the Army of the United States. Their precedence with respect to the Brazilian officers shall be in accordance with seniority. The members of the Mission will wear only uniforms of the Army of the United States of America.

TITLE IV

COMPENSATION AND PERQUISITES

ARTICLE 12. The members of the Mission shall receive from the Brazilian Government, for their services, the following annual compensation in Brazilian paper money, payable monthly in 12 equal installments:

Lieutenant Colonel-----	66:000\$000	(Sixty-six contos)
Major-----	60:000\$000	(Sixty contos)
Captain-----	54:000\$000	(Fifty-four contos)

ARTICLE 13. The compensation of each member of the Mission will begin on the date of his leaving New York, traveling by sea, and will continue, upon completion of his service in the Mission, up to the date of his arrival in New York proceeding by usual sea route. Any member of the Mission who may return to the United States after serving less than two years, except in case of ill health, or termination of the Mission, or who returns on request of the Brazilian Government in accordance with Article 26, will only receive full pay up to the date of his leaving Rio de Janeiro.

ARTICLE 14. It is further stipulated that this compensation shall not be subject to any Brazilian tax now in force or which may hereafter be imposed.

ARTICLE 15. The expenses of transportation by land and sea of the members of the Mission, their families, household effects and baggage, including automobiles, from New York to Rio de Janeiro, shall be paid by the Brazilian Government, being advanced prior to departure by the representative of that Government, the officers and their families being furnished with first-class accommodations, families being

construed as wives and dependent children throughout the contract. There shall also be provided the following additional allowance to cover expenses of locating and housing each member of the Mission :

Lieutenant Colonel-----	5:500\$000
Major-----	5:000\$000
Captain-----	4:500\$000

The household effects and baggage including automobiles of the personnel of the Mission and their families shall be exempt from customs duties and imposts of any kind in Brazil.

ARTICLE 16. The members of the Mission who remain in Brazil two or more years, or until termination of the Mission, shall have the right to the payment of return transportation expenses of themselves and their families, and all effects, from Rio de Janeiro to New York. These expenses shall cover first-class accommodation for the officers and the families of the officers.

ARTICLE 17. During the stay of the Mission in Brazil, the Government of Brazil shall grant, on request of the senior officer, free entry for articles of personal and family use; families being construed as wives, and dependent children.

ARTICLE 18. In case of the renewal of this contract, each member of the Mission with two complete years of service at the Coast Artillery Instruction Center shall have the right to a leave of absence on full pay in Brazilian money for three months, exclusive of travel time, with the right of leaving Brazil. The senior member of the Mission shall arrange, after consultation with the Chief of the General Staff, that such leaves inconvenience as little as possible the interests of the Brazilian Army.

ARTICLE 19. Members of the Mission who may become ill, shall, if necessary in the judgment of the senior member of the Mission, be cared for by the Brazilian Government, in such hospital as the senior member of the Mission may, after consultation with the Brazilian authorities, consider suitable.

ARTICLE 20. In case of travel performed on official business to the fortifications outside of the Federal District and Nictheroy, by any member of the Mission, such member shall receive while engaged therein, besides his regular compensation, per diem allowances and transportation which shall be the same as those allowed to the officers of the Brazilian Army of the same rank and in like circumstances.

ARTICLE 21. The officers of the Mission shall be accorded the same rights and privileges which are enjoyed by diplomatic representatives accredited to Brazil and of corresponding rank, except as regards the rights of importation already covered in a preceding clause.

ARTICLE 22. When it is necessary for the official service, there shall be placed at the disposal of the members of the Mission an automobile with chauffeur, or a properly manned and equipped vessel.

ARTICLE 23. Suitable offices and equipment shall be provided for the members of the Mission.

ARTICLE 24. Every member of the Mission shall have as an assistant instructor a Brazilian officer of the artillery arm.

ARTICLE 25. If cancellation of this contract be effected on the request of the United States of America, all expenses of the return of the Mission and the families and all effects thereof to the United States of America shall be borne by that Government. In case, however, the cancellation should be effected on the initiative of the Brazilian Government, or as the result of war between Brazil and a foreign power, the Brazilian Government shall bear all the costs of the return to the United States of America of the Mission and the families and all effects thereof, in accordance with the provisions of Articles 13 and 16, and in addition thereto, the Brazilian Government shall pay to each officer an amount equivalent to three months' compensation—from the date of his arrival in New York proceeding by usually traveled sea route.

TITLE V

RECALL AND REPLACEMENT OF MEMBERS OF THE MISSION

ARTICLE 26. The United States of America may, if the public interest so requires, recall, at any time, either a part or all of the members of the Mission, substituting for them other officers acceptable to the Brazilian Government, all the expenses connected therewith being incumbent on the Government of the United States of America. If on the request of the Brazilian Government, any member of the Mission is recalled for due and just cause other than that of the termination of his services on the Mission or his illness, all the expenses connected with the return shall be incumbent on the United States of America.

ARTICLE 27. Any member of the Mission may be relieved on request by the Government of the United States of America after two years of service, being replaced by members, of the same rank and grade, acceptable to the Brazilian Government.

ARTICLE 28. No member of the Mission relieved on his own request before he gives two years service shall be entitled to travel expenses and transportation of effects at the expense of the Brazilian Government except in case of illness.

ARTICLE 29. If any member of the Mission should be obliged by illness to discontinue service with the Mission, the Brazilian Government shall bear the expenses of return of himself, family and all effects thereof, to the United States as above stipulated for members with more than two years of service.

ARTICLE 30. If a member of the Mission or one of his family should die in Brazil, the Brazilian Government shall have his body trans-

ported to such place in the United States as the family of the deceased may designate. In case the deceased should be a member of the Mission, the Brazilian Government shall pay the expenses of the travel of the family and the transportation of all their effects to New York.

ARTICLE 31. In case of substitution for a member of the Mission, all the clauses of this agreement, except in cases of express provisions to the contrary, shall apply to the substitute, including those specified in Articles 13 and 15.

ARTICLE 32. IN FAITH WHEREOF, the undersigned, being duly authorized, sign the present contract in two texts, each one in the English and Portuguese languages, at Washington, the tenth day of May, one thousand nine hundred and thirty-four.

CORDELL HULL

[SEAL]

*Secretary of State
of the United States of America.*

R. DE LIMA E SILVA

[SEAL]

*Ambassador Extraordinary and Plenipotentiary
of the United States of Brazil.*

832.20/81

The Secretary of State to the Brazilian Chargé (Accioly)

WASHINGTON, June 8, 1934.

SIR: Reference is made to your Embassy's memorandum of May 2, 1934,⁹⁰ and to subsequent conversations between officers of the Embassy and of this Department relative to your Government's request that an officer of the United States Army be designated to serve as a professor of Permanent Fortification Construction in the Course of Technical Construction of the Brazilian Army.

In reply, I am happy to inform you that the War Department has been pleased to approve this request and has submitted for the approval of your Government the name of Major Lehman W. Miller, Corps of Engineers. The Acting Secretary of War requests to be informed as to when your Government will desire to have the services of the officer designated for this position begin.

It is suggested that the recent agreement providing for the military mission to Brazil might be amended by an exchange of notes so as to provide for the services of such an officer.

Accept [etc.]

For the Secretary of State:
SUMNER WELLES

⁹⁰ Not printed.

832.20/83

The Brazilian Chargé (Accioly) to the Secretary of State

[Translation]

No. 67

WASHINGTON, June 26, 1934.

MR. SECRETARY OF STATE: With reference to Your Excellency's note of the 8th instant, I have the honor to advise you that the Brazilian Government took great pleasure in approving the choice of Major Lehman W. Miller to be engaged to serve as professor of permanent fortifications in the third year of the Brazilian Army's Course in Technical Construction.

2. Under these circumstances, in accordance with article 7 of the Agreement signed in this city on May 10th of the current year, duly authorized by my Government, I propose to Your Excellency that Major Lehman W. Miller's contract to serve with the Brazilian Army be considered as an addition to the Agreement referred to.

I avail myself [etc.]

HILDEBRANDO ACCIOLY

Executive Agreement Series No. 65

The Secretary of State to the Brazilian Chargé (Freitas-Valle)

WASHINGTON, July 21, 1934.

SIR: Referring to previous correspondence concerning the proposed amendment of the Military Mission Agreement between the Governments of the United States of America and the United States of Brazil, signed at Washington on May 10, 1934, so as to permit of the designation of an officer of the Army of the United States of America to serve as a professor of Permanent Fortification Construction in the Course of Technical Construction of the Brazilian Army, the undersigned Secretary of State of the United States of America, duly authorized by his Government, begs to state that it will be entirely satisfactory to the Government of the United States of America to enter into such a supplementary agreement by an exchange of notes on the understanding that the said officer shall possess the same rights and privileges as the officers detailed in the original Contract of May 10, 1934; that the Agreement shall be considered as and be deemed to be an addendum to the said contract, in accordance with Article 7 thereof, and that it shall be regarded as having the same force and effect as if originally embodied in that contract.

The Government of the United States of America will be pleased to consider the above-stated understanding to be effective on the day of the receipt of a note from you stating the acceptance of the understanding by the Government of the United States of Brazil.

Accept [etc.]

CORDELL HULL

Executive Agreement Series No. 65

The Brazilian Chargé (Freitas-Valle) to the Secretary of State

[Translation]

No. 75

WASHINGTON, July 23, 1934.

MR. SECRETARY OF STATE: With reference to a proposed supplement to the contract between the United States of Brazil and the United States of America as to a military mission, signed at Washington on May 10, 1934, for the purpose of permitting the appointment of an officer of the Army of the United States of America to serve as teacher of construction of permanent fortifications in the course of technical construction of the Brazilian Army, the undersigned, Chargé d'Affaires of Brazil, has the honor to acknowledge receipt of the note of the 21st instant, whereby the Secretary of State, being duly authorized by his Government, is good enough to inform him that the Government of the United States of America is ready to conclude by exchange of notes a supplementary agreement in this respect, in the understanding that the said officer will have rights and privileges equal to those granted to the officers mentioned in the original contract of May 10, 1934, such addition being considered as made in accordance with article 7 of the said contract and as valid as if it were included therein.

2. Being duly authorized by his Government, the Chargé d'Affaires of Brazil, has the honor to state that the Government of the United States of Brazil accepts the said conditions and, in accordance with terms of the note to which this is a reply, agrees in considering the said supplement to the contract of May 10, 1934, with the Government of the United States of America, as in force from the date of this note.

The undersigned avails himself [etc.]

C. DE FREITAS-VALLE

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